MEDIAMORPHOSIS


Ágnes Gulyás

A thesis submitted in partial fulfilment of the requirements of Napier University for the degree of Doctor of Philosophy

October 2000
COPYRIGHT

Reproduction of this thesis, other than as permitted under the United Kingdom Copyright Designs and Patents Act 1988, or under specific agreement with the copyright holder, is prohibited.

This copy has been supplied on the understanding that it is copyright material and that no quotation from the thesis may be published without proper acknowledgement.

REPRODUCTION QUALITY NOTICE

The quality of this reproduction is dependent upon the quality of the original thesis. Whilst every effort has been made to ensure the highest quality of reproduction, some pages which contain small or poor printing may not reproduce well.

Previously copyrighted material (journal articles, published texts etc.) is not reproduced.

THIS THESIS HAS BEEN REPRODUCED EXACTLY AS RECEIVED
Abstract

The thesis provides a comparative analysis of the changes in the print media sectors of the Czech Republic, Hungary and Poland during the 1990s. It analyses the processes and features of the post-communist transformation from a political economy point of view. The analysis focuses on three main print media sectors: newspaper, magazine and book publishing. The research includes both qualitative and quantitative analysis, the former containing an interview survey, and the latter examining market developments. A model is developed as an analytical framework, which provides a theoretical contribution to the subject area and underpins the structure of the thesis.

The study identifies the main processes of post-communist system change and examines the differences and similarities between the three countries and between the various print media sectors. The features of the communist and the post-communist systems of the print media are compared, especially in terms of the changing roles of the print media and of the main 'actors', such as the state, political forces, the audiences and the companies. The study explores the different stages of the changes in the print media sectors during the 1990s, and argues that the system change was a dynamic process. The research contributes to a greater understanding of the post-communist changes in the media sectors in East Central Europe.
Acknowledgement

I own a debt of thanks to my supervisors, Professor Alistair McCleery, Dr Ron McQuaid and Dr Howard Wollman. The research received institutional and financial support from Napier University, for which I am grateful. This thesis would have not been possible without the help and support of my friends, family and colleagues. Particular thanks to my parents, Eszti, Józsi, Barbara, Réka, Gyuri, Ada, Nyaki, colleagues at the Department of Applied Social Sciences, Canterbury Christ Church University College, Kris, Marion, Rich, Jasmine and Jason.
# Table of Contents

Abstract ii
Acknowledgement iii

Chapter 1 - Introduction 1
1.1 Subject matter 1
1.2 Rationales 2
1.3 Objectives 4
1.4 Hypothesis 5
1.5 Methodology 5
1.6 Structure of Thesis 11

Chapter 2 - Literature Review 12
2.1 Concepts of Post-Communist Changes 12
2.2 Theories of Media Systems 17
   2.2.1 Normative Theories of Media Systems 18
   2.2.2 Communist Media System 21
   2.2.3 Media System of Post-Communist Societies 21
2.3 Approaches towards Economic Analysis of the Media 25
   2.3.1 Political economy approach 25
   2.3.2 Economic/Industrial approach 28
   2.3.3 The Industrial Organisation Model 31
   2.3.4 Media Economics in Communist and Post-Communist Context 33
2.4 Globalisation 34
   2.4.1 The 'Second World' and the Globalisation discourse 41
Summary 44

Chapter 3 - Analytical Framework 46
3.1 Framework Model 47
3.2 Communist Print Media 50
3.3 Processes of System Change 51
   3.3.1 Democratisation 51
   3.3.2 Marketisation 53
   3.3.3 Commercialisation 54
   3.3.4 Internationalisation 55
3.4 Post-Communist Print Media 56
Summary 58
Chapter 4 - Print media under communism 59

4.1 Functions of the Print Media in Communist Societies 59
  4.1.1 Shifting Roles of the Media 61

4.2 Control of Print Media in Communist East Central Europe 65
  4.2.1 Print Media Legislation 65
  4.2.2 Forms of Media Control 68
  4.2.3 Underground media 72

4.3 Economics of communist print media 75

4.4 Structure of Communist Print Media Markets 81

4.5 Development of Communist Print Media Markets 86
  4.5.1 Production 86
  4.5.2 Consumption 96

Summary 98

Chapter 5 - Processes of System Change 100

5.1 Democratisation 100
  5.1.1 Changing political roles of the print media 101
  5.1.2 Changing political roles of the state 105
  5.1.3 Professionalisation
    5.1.3.1 Journalists, Editors 112
    5.1.3.2 Managers 116

5.2 Marketisation 117
  5.2.1 Dominance of market rules/ Changing economic roles of the media 117
  5.2.2 Ownership Changes
    5.2.2.1 Newspaper sectors 124
    5.2.2.2 Book sectors 127

5.3 Commercialisation 133
  5.3.1 Commodification
    5.3.1.1 Changes in forms of print media products 134
    5.3.1.2 Changes in print media content 135
  5.3.2 Changes in media finance/Changing economic roles of the state in the print media 137
    5.3.2.1 Product sales 138
    5.3.2.2 Advertising 139
    5.3.2.3 Subsidies and Sponsorship 140

5.4 Internationalisation 146
  5.4.1 Internationalisation of media firms 146
    5.4.1.1 Foreign companies in post-communist print media markets 147
      5.4.1.1.1 National daily newspaper markets 149
      5.4.1.1.2 Regional press markets 154
5.4.1.3 Magazines 159
5.4.1.4 Book markets 162
5.4.1.5 Attitudes towards foreign ownership 166
5.4.1.6 Motives of foreign investors 167
5.4.1.7 Strategies of foreign companies 170
5.4.1.2 Ventures of local companies into external markets 172
5.4.2 Internationalisation of media forms 173
5.4.3 Internationalisation of media flows 175
5.4.4 Global media effects 177
5.4.5 Evaluating Internationalisation in East Central European print media 179
  5.4.5.1 Positive aspects 179
  5.4.5.2 Negative aspects 180

Summary 181

Chapter 6 - Post-Communist Print Media 184

6.1 Market structure 184
  6.1.1 Supply and Demand 184
    6.1.1.1 Supply 184
    6.1.1.2 Demand 187
      6.1.1.2.1 Consumers 187
      6.1.1.2.2 Advertisers 189
  6.1.2 Competition and concentration 192
  6.1.3 Market entry 197
  6.1.4 Vertical integration 198
  6.1.5 Post-communist print media market structures 200

6.2 Market conduct 202
  6.2.1 Market conduct of suppliers 202
    6.2.1.1 Product strategies 202
    6.2.1.2 Production strategies 207
    6.2.1.3 Pricing behaviour 208
    6.2.1.4 Fairness 211
  6.2.2 Market conduct of consumers 214
  6.2.3 Market conduct of advertisers 217

6.3 Market Performance 221
  6.3.1 Market output 221
  6.3.2 Profitability 230
  6.3.3 Diversity 236
  6.3.4 Media freedom 239

Summary 241
Chapter 7 - Conclusions

7.1 Processes of System Change 243
7.2 Comparative examination 246
7.3 Nature of the changes 252
7.4 Revisiting the hypothesis of the research 256

Bibliography 257

Appendices 286
I. Tables of the interview survey 266
II. Case Studies 289
   Case Studies/1 - Cases of Privatisation 289
      Company M 269
      Company G 250
      Company T 291
      Company P 292
   Case Studies/2 - Tabloid newspapers in Hungary 293
      Passau Neue Presse 297
      Wolters Kluwer 300
      Bertelsmann 304
   Case Studies/3 - Internationalisation of media firms 297
      Children magazines and books of Egmont 310
      Tabloids and business weeklies of Ringier 311
   Case Studies/4 - Internationalisation of media products 310
      Passau Neue Presse 310
      Wolters Kluwer 300
      Bertelsmann 304
   Case Studies/5 - Cases of Product Strategies 313
      Company J 313
      Company C 314
      Company S 315

III. Tables of coded data from the interview survey 316
List of Tables and Figures

Chapter 2
Table 2.1 - Some of the main categories of media systems 20
Figure 2.1 - The Classic Industrial Organisational Model 31
Figure 2.2 - Ramstad's Model for Structural Analysis of the Media Market 32

Chapter 3
Table 3.1 - Framework Model for Analysing Post-Communist Changes in the Print Media in East Central Europe 47

Chapter 4
Table 4.1 - Changes in the communist media system in East Central Europe 65
Table 4.2 - The input-output flow between social sectors 76
Table 4.3 - Short-term behaviour of companies in market-led and communist systems 78
Figure 4.1 - Number of press titles in communist East Central Europe 87
Figure 4.2 - Number of daily newspapers in communist East Central Europe 88
Figure 4.3 - Circulation of press titles in communist East Central Europe 88
Figure 4.4 - Circulation of daily newspapers in communist East Central Europe 89
Figure 4.5 - Circulation of selected daily newspapers and magazines in Hungary 90
Figure 4.6 - Circulation of daily/weekly/monthly titles in Hungary 91
Figure 4.7 - Number of daily/weekly/monthly titles in Hungary 91
Figure 4.8 - Dailies/weeklies/monthlies in the Czech lands and Hungary in 1988 92
Figure 4.9 - Book title output in communist East Central Europe 92
Figure 4.10 - Number of published book copies in communist East Central Europe 93
Figure 4.11 - State subsidies to the book industry in communist Hungary 94
Table 4.4 - Press Readership in communist Hungary 96
Table 4.5 - Media consumption in communist Hungary 97
Table 4.6 - Book Readership in communist Hungary 98

Chapter 5
Table 5.2.1 - Chronology of economic reforms in East Central Europe 118
Table 5.2.2 - Main features of privatisation 122
Table 5.2.3 - Pace and type of privatisation in the print media 124
Table 5.2.4 - Ownership changes of some of the main national dailies 126
Table 5.2.5 - Ownership changes of some of the main book publishing houses 128
Figure 5.2.1 - Ownership in some print media market segments in Hungary in 1995 130
Figure 5.3.1 - Readership of Hungarian quality and tabloid national newspapers 136
Figure 5.4.1 - Foreign direct investment in East Central Europe 1990-1998 148
Figure 5.4.2 - Foreign ownership in the Hungarian national daily newspaper market 150
Figure 5.4.3 - Foreign ownership in the Polish national daily newspaper market 151
Figure 5.4.4 - Foreign ownership in the Czech national daily newspaper market 152
Table 5.4.1 - Loyal and less loyal foreign investors 153
Table 5.4.2 - Ways of entering the national daily newspaper markets 154
Figure 5.4.5 - Foreign ownership in the Hungarian regional market 155
Figure 5.4.6 - Foreign investors in the regional press market in Hungary 156
Figure 5.4.7 - Foreign investors in the regional press market in Poland 157
Figure 5.4.8 - Foreign investors in the regional press market in the Czech Republic 158
Table 5.4.3 - Foreign companies dominating the regional press markets 158
Figure 5.4.9 - Women's weekly magazine market segment in Hungary 160
Figure 5.4.10 - Main actors in the weekly magazine market in the Czech Republic 161
Table 5.4.4 - Ways of entering the magazine markets in East Central Europe 162
Table 5.4.5 - Ways of entering the book markets in East Central Europe 164
Table 5.4.6 - Main foreign investors and some of their main investments in the print media markets of the three East Central European countries 1996-1998 165
Table 5.4.7 - Motivations of foreign investors and attractiveness of East Central European print media markets 169
Table 5.4.8 - Views on opportunities of external expansion from the interviews 172
Published fiction books by nationality of author in Hungary
a.) Figure 5.4.11 - by title 176
b.) Figure 5.4.12 - by copies 176

Chapter 6
Figure 6.1.1 - Number of press titles in the three East Central European countries 185
Table 6.1.1 - Number of national daily newspaper titles 186
Figure 6.1.2 - Book title output in the Czech Republic, Hungary, Poland 1989-97 187
Figure 6.1.3 - Television viewing in Hungary among the adult population 189
Figure 6.1.4 - Advertising expenditure in post-communist Hungary 190
Figure 6.1.5 - Advertising expenditure in post-communist Poland 190
Figure 6.1.6 - Advertising expenditure in post-communist Czech Republic 191
Figure 6.1.7 - Per capita spending on advertising in 1997 191
Figure 6.1.8 - Size of the advertising markets in East Central Europe in 1996 192
Figure 6.1.9 - Market share of the two largest companies in the national daily newspaper markets 194
Figure 6.1.10 - Changes in concentration figures in the Hungarian national daily newspaper market 195
Table 6.1.2 - Market concentration in the book markets in 1994 196
Table 6.1.3 - Companies that owned a national daily newspaper in Hungary and had interests in printing and distribution

Figure 6.2.1 - Segmentation of the Hungarian national daily newspaper market
Figure 6.2.2 - Segmentation of national daily newspaper markets
Figure 6.2.3 - Circulation figures of the main former Communist press titles
Figure 6.2.4 - Annual inflation rates in East Central Europe
Table 6.2.1 - Prices of political/quality national dailies in comparison 1998/1999
Figure 6.2.5 - Changing readership of daily and weeklies press in Hungary
Figure 6.2.6 - Readership of main press titles in Hungary in 1999
Figure 6.2.7 - Proportion of media forms in total advertising expenditure
Figure 6.2.8 - Advertising expenditure in various media in the Czech Republic
Figure 6.2.9 - Advertising expenditure within the print media in Hungary in 1998
Figure 6.2.10 - Advertising revenues of Népszabadság and other political titles
Figure 6.3.1 - Overall circulation in the Hungarian national daily newspaper market
Figure 6.3.2 - Overall circulation in the Polish national daily newspaper market
Figure 6.3.3 - Overall circulation of the Czech national daily newspaper market
Figure 6.3.4 - National daily newspaper circulation per capita
Figure 6.3.5 - Regional daily newspaper market in Hungary
Figure 6.3.6 - Combined circulation of regional newspapers in Poland
Figure 6.3.7 - Number of published books in Hungary
Figure 6.3.8 - Number of published books in the three post-communist countries
Figure 6.3.9 - Per capita book production in the three post-communist countries
Figure 6.3.10 - Circulation of weekly women magazines in Hungary
Figure 6.3.11 - Television programme guides in Hungary in 1999
Figure 6.3.12 - Profits of Népszabadság
Figure 6.3.13 - Circulation of main national dailies in Hungary
Figure 6.3.14 - Circulation of main national dailies in the Czech Republic
Figure 6.3.15 - Circulation of main national dailies in Poland

Chapter 7
Table 7.1 - Processes of System Change in the Czech Republic, Hungary and Poland
Table 7.2 - Features of post-communist print media in the three countries
Table 7.3 - Processes of System Change in different print media sectors
Table 7.4 - Features of post-communist print media markets
Table 7.5 - Features of the communist and post-communist print media sectors
Table 7.6 - Post-communist system of print media sectors in the three countries
Appendices

Table 8.1 - Interview questions 286
Table 8.2 - List of Interviews 287
Table 8.3 - Composition of Interviews 288
Figure 8.1 - Turnover of Passau Neue Presse 297
Table 8.4 - Interests of Passau Neue Presse in 1999 298
Figure 8.2 - Turnover of Wolters Kluwer (EUR million) 300
Figure 8.3 - Number of Employees 300
Figure 8.4 - Geographical and subject breakdown of Wolters Kluwer turnover 301
Table 8.5 - Interests of Wolters Kluwer in East and Central Europe in 1995-1997 302
Figure 8.5 - Bertelsmann's turnover in DEM billion 304
Figure 8.6 - Geographical composition of the operations of Bertelsmann 304
Figure 8.7 - Contributions of the Bertelsmann divisions in the total revenue 305
Table 8.6 - Main interests of Bertelsmann's divisions in East Central Europe 306

Tables of coded data from the interview survey

Table 8.7 - Formerly state owned companies/1 316
Table 8.8 - Formerly state owned companies/2 317
Table 8.9 - Formerly state owned companies/3 318
Table 8.10 - Formerly state owned companies/4 319
Table 8.11 - Formerly state owned companies/5 320
Table 8.12 - Formerly state owned companies/6 321
Table 8.13 - Foreign companies/1 322
Table 8.14 - Foreign companies/2 323
Table 8.15 - New private companies/1 324
Table 8.16 - New private companies/2 325
Chapter 1 – Introduction

"Time present and time past
Are both perhaps present in time future
And time future contained in time past."
T. S. Eliot, Four Quartets

Many things appear to have changed in the Czech Republic, Hungary and Poland since the end of the 1980s. In the political sphere new organisations, new methods and new faces appeared; in the economy industries, markets and companies have been transformed; social and cultural values and habits changed such as how people dress, what they do in their working and leisure time, or what they eat. This research focuses on one particular area of the changing world of post-communist societies, namely the transformation of the print media sectors. The introduction outlines the subject areas, rationales, aims, hypothesis, methodology and structure of the thesis.

1.1 Subject matter

This study provides a comparative analysis of the print media sectors of the Czech Republic, Hungary and Poland during the post-communist period. The research has a multidisciplinary approach that includes considerations from media studies, sociology, economics and politics. The main approach of the analysis, however, is the political economy of communication. This approach investigates the features and developments of media markets and industries in their social settings and the forces and the power relations that shape them. The research is mainly concerned with the first ten years of the post-communist period between 1989 and 1998. The tenth anniversary of the demise of the communist regimes gives a good opportunity for analysts, academics and alike, to reflect upon the ups and downs, the successes and failures of the last decade in the region. The features and developments of the print media during the communist era will also be examined. To fully understand the characteristics of the post-communist system and the forces shaping it one has to be aware of its relationship to the previous system. There are different forms of print media, this research focuses on the analysis of the newspaper, magazine and book sectors, as arguably those constitute the largest and probably the most influential market segments.
1.2 Rationales

The subject matter of the research can be justified by several reasons. One of them is the scope of the post-communist changes. The transformation is usually perceived as a significant development, which fundamentally changed the organisation and operation of East Central European societies. It is generally viewed that the communist totalitarian political system was replaced by a pluralistic democratic political system with market-led economy in the Czech Republic, Hungary and Poland. From this perspective we can expect that considerable changes took place in the print media sectors of the three countries, which are then worthy of academic attention.

This research analyses the characteristics of system change in one particular sector, the print media, thus examining the nature of the transformation at a sectoral level. The study focuses on the investigation of the economic aspects of the changes and of the post-communist print media. It is a shared view with other political economy analyses that in a market-led economy the media are first and foremost industrial and commercial organisations, which produce and distribute commodities (Golding and Murdock, 1973). Another shared view with the political economy approach is that economics may define the key features of communicative activity of the media, but it does not provide a complete explanation for all aspects of such activity (Boyd-Barrett, 1995, p190).

Investigating the changes in the print media is particularly enticing, since the mass media lie at the junction of different spheres, the political, economic, social and cultural arenas, all of which went through various degrees of changes in the course of the post-communist transformation. One of the main reasons for choosing the political economy approach for the research is that it allows to explore the relations between mass media and various social spheres. This approach seeks to be holistic and it aims to examine the features and changes in media sectors within their wider social settings. Although this study focuses on three particular countries it is hoped that it contributes to the understanding of how media sectors change and develop at times of social system changes.

The print media are important areas to analyse for several reasons. The mass media are generally perceived to play important roles in modern societies. Although the extent and specific features of their effects are debated issues, the
influence of the media on the political and economic spheres, cultural reproduction and the everyday lives of individuals are usually considered significant. There would be a number of arguments for including broadcasting media in this research such as a wider comparative scope of the analysis and opportunities to examine differences within post-communist media systems. However, counterarguments are felt to outweigh these reasons. Analysing both print and broadcasting media is seen as too wide and ambitious for a thesis like this. Furthermore, the perceived social and political roles, as well as the technical and economic requirements of the two main types of mass media are different, thus we can expect that their experiences of post-communist system change would be dissimilar. Another reason for focusing only on the print media is that in the literature on post-communist media, broadcasting has received a lot of attention, while arguably print media has been somewhat neglected. Thus this study is aimed to contribute to an area that is relatively less served in the relevant academic research.

To analyse the changes in print media sectors during the post-communist transformation one could focus on one country, examining it as a case study. However, comparative analysis of different countries is seen as a more fruitful approach for three reasons. First, because it reduces the risk of misreading country specific features as general characteristics of the transformation. Second, because it would help to identify the main processes of system change. Third, because it would reveal to what extent we can consider the post-communist transformation as a common experience.

There are different reasons why the three particular countries were chosen for the study. One of the main reasons is that these countries are generally perceived to have been the most 'successful' in the transformation process, and arguably the changes in their print media sectors would reflect that. In that case what we could expect to find is a sort of 'best case scenario' of post-communist system change. Further reason for choosing the three countries is that the three societies have similar historical and cultural background and they are at comparable economic development level. Thus potential variables influencing the post-communist transformation of the print media would be controlled to an extent in the analysis. In the case of Hungary and the Czech Republic with

---

1 See Chapter 2 for discussion on relevant literature.
similar sizes of population and media markets even the size variable is controlled. One could include some other countries in close geographical proximity in the research such as Slovenia or Slovakia, however the scale of the study constrains the number of cases which could be looked at. A subjective reason for choosing the three countries was that the researcher was more familiar with their political, social and economic developments, and spoke one of the languages.

1.3 Objectives

The main objectives of the study are:

- to provide a comparative analysis of the main changes in the print media sectors of the Czech Republic, Hungary and Poland during the first decade of the post-communist era from a political economy point of view; and
- to analyse the features of post-communist print media in the three countries from a political economy point of view.

Within the broad objectives the following aims are set:

- to identify the main processes of the post-communist system change and the relations between them;
- to analyse the differences and similarities between the three countries and between various print media sectors in order to address the question: to what extent specific features and attributes influenced the way the system change evolved and how the given sector developed during the post-communist era;
- to assess the nature of the transformation by comparing the features of the print media sectors in the three countries during the communist and the post-communist era, especially examining the changing roles of the print media and of the main 'actors' such as the state/political forces, the audiences and the companies.

This study contributes to the understanding:

- of the nature and characteristics of post-communist transformation in the print media sectors;
- of the features of post-communist media markets and system;
- of the roles the print media play in post-communist societies;
of the political economy of media markets at times of system change.

1.4 Hypothesis
Considering the objectives, the conceptual arguments and the research findings in the relevant literature, which will be discussed in Chapter 2, the following hypothesis is proposed: the communist system in the print media of the Czech Republic, Hungary and Poland was replaced by a pluralistic market-led system. This implies that there were no substantial differences between the experiences of the print media sectors of the three countries during the post-communist transformation, and likewise there were no substantial differences between the experiences of various print media forms.

1.5 Methodology
To test the hypothesis and to meet the objectives of the research different methods are used. First, a framework model is developed for the analysis. The purposes of this model are to identify the main processes of post-communist system change and to provide a framework for the examination of the main features of the post-communist print media. The model will allow comparisons between the experiences of the three countries and between the various print media sectors. It will also provide opportunities to unravel the relations between the different elements and influencing factors of the main processes. Questions and issues raised by the political economy of the media approach are used in developing the framework model. Methodological tools of the political economy approach and media economics are applied such as calculating concentration figures, analysing market output data, ways to examine market characteristics and structures, exploring forces in supply and demand in a given sector and analysing the organisation and operation of media companies. A major methodological application in the model is the incorporation and adaptation of the Industrial Organisation Model (IOM). It is felt that the adaptation of the IOM provides a comprehensive framework for the analysis of post-communist print media markets, and it complements the main political economy approach.

---

² The terms and concepts will be defined later.
³ The IOM will be discussed in Chapter 2 and 3.
The key questions and issues identified in the framework model are approached through two main sources of data: archival data and data from an interview survey. The aim of both types of data was to collect information on the print media sectors in the three East Central European countries during the relevant periods. Using multiple modes of data collection is beneficial for a number of reasons including that it provides opportunities to check the reliability of the collected data, to ensure the credibility of sources and to test the validity of the developed framework model. Nachmias and Nachmias (1976, p123) see archival data as a major form of unobtrusive measures in social science research, which can be collected from diverse sources including political records, governmental documents, the mass media and private records. Tashakkori and Teddlie (1998, p108) also view archival data as one of the main data collection strategies, which can be gathered from various sources archived, collected and/or documented by individuals and/or institutions.

This research uses archival data from academic, professional, governmental sources and the mass media. To carry out the analysis various data are needed such as market output figures like circulation, market values and profitability, statistics on media consumption patterns, figures for the advertising sectors, as well as information on ownership, product and production strategies. These data were gathered from various sources including the national Statistical Offices; governmental agencies; market research companies such as Médiaignózis and Szonda Ipsos – GFK Hungary in Hungary, Unie Vydavatelù UVDT in the Czech Republic; public research institutions such as AGB Hungary, Magyar Gallup Intézet and the Polish Book Information Centre; audit bureaux such as MATESZ in Hungary; academic research centres such as the Press Research Centre at the Jagiellonian University in Poland, the Mass Communication Research Centre at the Eötvös Löránd University in Hungary; the Open Media Research Institute in the Czech Republic; industrial and professional associations such as the Polish Association of Book Publishers and Distributors, the Czech Association of Book Publishers and Distributors, the Hungarian Association of Book Publishers and Distributors, the Czech Newspaper Publishers' Association, the Hungarian Association of Newspaper Publishers; as well as relevant media sources. The gathered data are used for some quantitative analysis such as calculating market trends, market shares and measuring concentration ratios.
Tashakkor and Teddlie (1998) emphasise the importance of checking the quality — i.e. validity and reliability — of collected information. There are in fact some problems with the gathered archival data. The three East Central European countries used to publish regular statistics on different aspects of the media sectors prior to 1989, albeit there was limited information available on financial and market performances of media industries and companies. It is also important to consider that communist authorities were known to have a habit of interfering with statistics in order to present positive social developments. The more important problem is, however, that during the first few years of the post-communist era the provision of statistics became irregular and at many times more unreliable. This was due to the collapse of the former market information systems, the volatile and fast changing market conditions, the lack of communication channels to provide information on market features and organisations, and the unwillingness of many companies to disclose data about their production and operation. The situation improved by the mid-1990s, and more comprehensive and reliable statistics were available. Because of the problems with the gathered archival data special care has to be taken in the analysis.¹

The other main source of data for this research is from an interview survey. Tashakkor and Teddlie (1998) argue that asking individuals for information and/or experiences is one of the major data collection strategies in social science research. Three main types of survey research are usually distinguished in the relevant literature, these are: personal interview, mail questionnaire and telephone survey. Personal interviews were chosen for this research, because they are seen to provide more in-depth information on the experiences and views of those in the post-communist print media sectors. Furthermore, interviews suit better the aim of the research to gather qualitative data for the analysis. Nachmias and Nachmias (1976, p100) distinguish between schedule-structured, nonschedule-structured and nonstructured interviews, where the questions, their wording and their sequence define the extent to which the interview is structured. In schedule-structured interview the questions are fixed and are identical for every respondent. This is in order to ensure that when variations appear between responses they can be attributed to the actual differences between the respondents. In nonschedule-structured interviews the interview is structured, but

¹ If it was possible the information were checked from two sources. If data are considered
the "respondent is given considerable liberty in expressing his or her definition of a situation that is presented to him or her" (Nachmias and Nachmias, 1976, p101). In this research a combination of these two types of interviews was used, because it was seen that in this way the quantity and quality of the collected data could be improved.

This mixture of methods is reflected in the structure of the interview questions. There were two sets of questions: one concerning the company or organisation, the other the interviewee's view on the post-communist transformation (see Table 8.1 in Appendices for list of questions). The aim of the first set of questions was to gather information on the post-communist changes at the level of the companies and on the effects of the processes of system change on organisations. The second set of questions was targeted on exploring how people from the print media sectors viewed the post-communist changes, what they thought the positive and negative aspects of the system change were, and how they saw the situation of their industry and market segment after a number of years into the new era.

The interviews contained mainly open-ended questions, which varied to a degree depending on the profession of the interviewee and the type of organisation involved. Nachmias and Nachmias (1976, p103) distinguish between two main types of questions: open-ended and fixed-alternative, where the former ones "are not followed by any kind of choice and the respondents' answers are recorded in full". Open-ended questions were applied because of their advantages, which include flexibility, the answers are not predetermined and possibilities of depth.

The interviews were carried out with representatives of media companies and organisations, officials and experts. Most of the survey took place in the summer of 1996. In Hungary some of the interviews were conducted during 1995 and 1997. Altogether 38 interviews were carried out in the three countries. Table 8.2 in the Appendices lists details about the interviews. For reasons of confidentiality the companies and interviewees are not identified in the text. Instead they are referred to as company A, B, C ..., and the person interviewed at the firm as

unreliable, they are either not used or indicated so in the analysis.
5 Where it was necessary and possible, the relevant sections were later updated.
6 The number of organisations whose representatives were interviewed was 38. There were three companies where more than one person was questioned.
company interviewee a, b, c .... Officials are referred to as official a, b, c ...., and experts as expert a, b, c ....

The sample of the interviewees was chosen considering different factors and was influenced by some of the standard problems of interview surveys such as limited availability, rejection, cancellations of respondents. The sampling framework or categories on the basis of which the sample was selected were as follows:

- nationality (Czech, Hungarian, Polish)
- size of the company (small or large)
- industry sector (press, book publishing)
- age of the company (pre 1989 or established after 1989)
- ownership of the company (state versus private; and local versus foreign)
- position of the interviewee (manager, experts, officials).

In the selection of the interviewees it was aimed that each category was represented in the sample.

Five main groups of interviewees are identified: representatives of formerly state-owned companies; representatives of firms established after 1989; representatives of foreign companies investing in the print media markets of the three countries; representatives of governmental and industrial organisations and institutions; and experts7 (see Table 8.3 in the Appendices for the composition of interviews). Media firms are clustered in the first three groups, as this would help to identify defining features, similarities and differences between organisations in post-communist media sectors. To interview governmental officials and representatives of industrial organisations was important to inquire into the views of those who were in a position to introduce various measures and influence the changes.

In terms of the number of interviews book publishing companies are over represented. One of the main reasons for this was that published information and research on post-communist book sectors during the first part of the 1990s was so sporadic that the information collected from the interviews was essential for

---

7 The number of interviewed companies is twenty-three, the number of interviewed officials is eight and the number of surveyed experts is seven.
the analysis of that given market segment. Considering the number of interviews from the point of view of country origin Hungary is over represented compared to the other two countries.

There are different ways to analyse the data provided by the interviews. Qualitative researches have different focuses, which determines how they are used. Dey defines qualitative analysis, which "is usually concerned with how actors define situations, and explains the motives which govern their actions" (Dey, 1993, p36). Elsewhere he argues "the core of qualitative analysis lies in the related processes of describing phenomena, classifying it, and seeing how our concepts interconnect" (Dey, 1993, p30). Dey cites Tesch who distinguishes between three basic orientations in qualitative research: 'language-oriented approaches' (interested in the use of language); 'descriptive/interpretive approaches' (oriented to providing descriptions and interpretations of social phenomena) and 'theory-building approaches' (oriented to identifying connections between social phenomena) (Dey, 1993, p2). The use of qualitative data in this research mainly falls into the second category.

In the discussion information from the interviews is used to describe particular developments and characteristic and to support a particular point. The interviews provided valuable information about companies, which is used in the analysis of the particular market segment in subsequent Chapters. The most relevant information was coded and condensed in Tables (see Appendices, Tables 8.7-8.16). The interviews also provide case studies, which are there to illustrate or back up analytical arguments. In Tables 8.7-8.16 the interviews with experts and representatives of governmental and industrial organisations are not included, but their responses will be used in the discussion.

1.6 Structure of Thesis
The thesis is organised in seven chapters. This one provided an outline of the subject matter, rationales, objectives and methodology of the study. It is followed by a Literature Review, which overviews the main findings and arguments in the relevant literature. Four main perspectives are used to approach the study area and review the main positions in the academic discussions. These are: Concepts of Post-Communist Changes, Theories of Media Systems, Approaches Towards Economic Analysis of the Media, and Globalisation. In Chapter 3 an analytical
framework is provided, which identifies the main processes of system change in the print media, and outlines the key features of the print media markets in the three post-communist East Central European countries. This section also poses the questions and sets out the agenda and structure of the discussions in subsequent Chapters. In Chapter 4 the main characteristics of the communist media system and the features of the print media sectors in the three countries during the communist era are analysed. Five specific aspects of the communist print media are examined: the roles of the media, the control of the media, the economics of communist media, and the structure and the development of print media markets. Chapter 5 contains four subchapters, each examining a major process of post-communist system change in the print media of the three countries. The four identified processes are: democratisation, marketisation, commercialisation and internationalisation. Chapter 6 aims to assess how the processes of system change affected the performance and development of the print media sectors in the three East Central European countries, and to analyse the features of these markets during the post-communist era. This section is divided into three subchapters: one exploring features of market structure, one looking at characteristics of market conduct, and one investigating the development and performance of the print media markets in the three countries. Chapter 7 concludes the thesis by reviewing the main findings of the research and revisiting the main objectives and hypothesis of the study. This is followed by the Bibliography and the Appendices. The Appendices contains Tables of the interview survey, five Case Studies and Tables of coded data from the interview survey. The five Case Studies, which relate to different parts of the study, are: Cases of privatisation, Tabloid newspapers in Hungary, Internationalisation of media firms, Internationalisation of media products and Cases of product strategies.
Chapter 2 - Literature Review

The changes in the print media in the Czech Republic, Hungary and Poland during the post-communist period can be analysed from different perspectives. Given the complexity of post-communist changes and the diversity of issues and questions the objectives and hypothesis of the research raises, it is important to consider various standpoints. Four main perspectives are used to approach the study area and overview the relevant literature. These are: Concepts of Post-Communist Changes, Theories of Media Systems, Approaches towards Economic Analysis of the Media and Globalisation.

The first perspective provides an overview of the main theories on the nature of post-communist changes, and it helps to place the changes in the media within the general transformation process. Reviewing the concepts of media systems - the second perspective - is important in order to identify and assess the features of post-communist print media. The third perspective outlines the main approaches towards analysis of economic aspects of the media, and overviews the main questions and concerns raised in such investigations. The fourth perspective, which considers the different views and the main issues in the academic discussion on globalisation, contributes to the analysis of external impacts on post-communist media changes.

2.1 Concepts of Post-Communist Changes

"You ought to have made a revolution then!"
József Antall, first post-communist Prime Minister of Hungary retorting to criticising oppositions politicians

There are divergent views on the nature, extent, elements and consequences of post-communist transformation both in academic and public discussions. It is important to overview the main views because they reveal possible positions on the nature of changes in the print media. The examination of the main standpoints on post-communist transformation also helps to identify the main processes of system change in the print media and the key questions which should be raised about the characteristics of post-communist media.
When one sets out to analyse post-communist changes in any given social sphere in East Central Europe societies, one immediately has to face up to the problem of how to call and refer to the changes and the period. Various terms have surfaced in the English language literature over the last decade such as transition, transformation, revolution, refolutions. Possible reference points could be also found in the languages of the countries under analysis. However, in none of these languages is there a single expression. In Hungarian the most commonly used term for the changes is 'exchange of system' (rendszerváltás), while other terms are also in circulation such as 'democratic conversion' (demokratikus átmenet), 'metamorphosis' or 'transformation' (átalakulás). Hungarians rarely used words which referred to the changes in 1989 as dramatic or revolutionary reflecting the way the communist regime ended in the country. Similarly, passionate and strong words have been missing in the Polish vocabulary. The most widely used terms in Polish are 'system change' (zmiany systemowe) and plainly 'reforms' (reformy), while in the first years of the period 'transformation' (transformacja) and 'transition period' (okres przejściowy) were also common. The use of a particular term usually depends on one's view on a variety of questions such as the direction and 'success' of post-communist changes, how one defines terms like revolution or transition, and one's consideration for semantics. In the literature different terms are used reflecting the various views on the changes.

Post-communist transformation has attracted substantial academic attention in different disciplines. By the mid 1990s the subject area even gained its own name as transitology. Most research on post-communist transformation focused on the economic and political aspects of the changes. (For political and economic analyses of post-communist East Central Europe see, for example, Arató, 1993; Batt, 1991; Bryant and Mokrzycki, 1994; White, Batt and Lewis, 1993; Bárány and Völgyes, 1995; Schöpflin, 1993; Bozóki et al, 1991; Bihari, 1993; Szilágyi, 1991; Holmes, 1997; Wolchik, 1991; Prins, 1990; Brown, 1994; for analyses of economic changes, see for example, Kornai, 1993; Csaba, 1995; Lavigne, 1995; EBRD, 1994-1998; Frydman et al, 1993; Frydman and

---

8 It is also interesting to point out that in none of these languages the term 'post-communist' or 'post-communism' is widely used, which is due to the fact that the pre-1989 regimes were referred to as socialist, not communist in the local languages.
9 'Exchange of system' can be differentiated from 'system change', a term which is also used in the English language. The first post-communist Prime Minister of Hungary, József Antall criticised the use of the former term saying that one exchanges horses, not political and economic systems (Arató, 1994, p100), despite this the term was widely used.
Rapaczynski, 1994.) Many of the works in the literature are mainly descriptive analyses of the changes in their area, and theoretical questions on post-communist transformation are somewhat less well served. This is partly due to the relatively short time span of the post-communist period. On the basis of a limited number of years one cannot give definite answers and conclude theoretical debates about the nature of the changes.

Post-communist system change has been open to different interpretations. It is apparent from the literature that the views of academics, and that of the public as well, have altered as post-communist changes unfolded during the last decade. Immediately after the political changes of 1989 many were inclined to describe the 'sudden' changes in East Central Europe as revolution, albeit not in a violent term, but with adjectives such as ‘velvet’ or ‘negotiated’. It was widely thought that, especially in the cases of the Czech Republic, Hungary and Poland, Western types of liberal democracy and market economy would be adopted within a relatively short time. However, as the post-communist period progressed it became clear that the transformation was a more complicated and unpredictable process than it had been earlier perceived. A flourishing liberal democracy and market economy were not established overnight as many had wished. As time went on and problems emerged views on the direction and speed of the changes became more cautious and at the same time more diverse. For instance, Bárány, in his overview of the decade of post-communist changes, argues that “what we currently have in Eastern Europe are imperfect, flawed, and in some places fragile but, most importantly, functioning, working, democratic polities” (Bárány, 1999, p107). In the same volume Tőkés refers to the transformation in Hungary as “an elite-led, long-term third- and fourthwave process of institutional adaptation, economic modernisation, social differentiation and value change”, and later he adds “The road ... from the home Kadaricus of the ‘jolliest barrack’ to frustrated window shoppers of the ‘saddest shopping centre’ is still under construction” (Tőkés, 1999, p126 and 127).

10 The mild adjectives for the end of communism have been mainly used for East Central European countries. The end of communism in other countries such as Romania or the former Soviet Union, is regarded less smooth and more violent.
A part of the academic debate on the nature of post-communist changes focused on whether the events of 1989 and subsequent years constituted a revolution. Szilágyi (1991) argues that the most revolutionary event in the region was the avoidance of revolution. Philosophers Heller and Fehér claimed that by definition the events of 1989 and 1990 could be indeed called as revolution, because sovereignty changed. Arató (1993) disagrees with this view, and he provides a definition of revolution in which changes have to appear in four dimensions; these are: structural, lived experience, tradition of revolution and legal. According to Arató (1993) it is only in the structural dimension where the events in East Central Europe during 1989 and 1990 fully met the definition of revolution, implying that genuine and substantial changes occurred in the organisation and operation of society. In the other three dimensions the situation was more complex. People's experience was not of that of a revolution, he argues, which can be seen in language and semantics used in the period. Correspondingly in the legal dimension there was no clear-cut departure from the old legal system (Arató, 1993).

Schöpflin (1991 and 1993) argues that the changes in East Central European countries can be viewed as revolutionary, however not in the classical definition of the term. He distinguishes two main aspects of revolution: the changes of the political order and institutions and that of the value system of society (Schöpflin, 1991 and 1993). In the classical model of revolutions the two occur at the same time, or relatively close to each other. In East Central Europe, however the social value system changed way before 1989, argues Schöpflin, when a new political system was established (Schöpflin, 1991). He sees this as the main reason why there was no euphoria on the streets of Warsaw and Budapest and why the population was generally apathetic. Others suggested less subversive terms to describe post-communist changes in East Central Europe. Ash (1995), for example, suggested the term 'refolution' – combing the words 'revolution' and 'reforms' – arguing that an important characteristic of the changes, especially in Hungary and Poland, was that they were initiated from 'above' and were not solely outbursts of popular unrest. Sparks (1998) approaches the question from a different angle proposing that it is actually an empirical question whether the events of 1989 and 1990 were revolutions or not, and what the nature of the revolution was. He asserts that if the analysis of a subsystem, such as the
media, shows that the changes were systematic rather than cumulative then the use of the term revolution is justified (Sparks, 1998, p78).

Views on the nature of post-communist changes vary in different aspects. They provide dissimilar evaluations, for example, on how fast the changes occurred, whether the changes are finished or not, what has changed and what has not and what the end result/ the type of the new political/economic systems is. On the basis of the answers to these and similar questions the views on post-communist changes fall between two extremes: the position which states that it was a far-reaching revolution on one hand, and the position which argues that there were no real changes at all on the other.

Bryant and Mokrzycki (1994) identify four main groups of theories of post-communist changes. In their account one group of theories describes the changes as revolutionary, where a liberal democratic system and a market-led economy have been established; whilst a second group views the changes as part of a convergence of East and Western European political and economic systems during the post-war period (Bryant and Mokrzycki, 1994). The third group of concepts argues that the former Communist countries have experienced a transition towards a Western type of political and economic system, but this process has not finish yet and could be lengthy. The fourth group asserts that the changes are part of a transformation process from a Communist to a probably more democratic but otherwise unspecified system. Bryant and Mokrzycki (1994) agree with the latter view, which see the changes as the least dramatic and sudden compared to the other three groups of theories.

In another account Sparks and Reading identify four main positions on post-communist changes in the Visegrád countries (Sparks and Reading, 1994; Sparks, 1997; Sparks with Reading, 1998). According to their first group of theories the changes are total and that a genuine transformation has occurred. The second group of theories argues that the changes are mostly economic and social, while the political power has been retained by the nomenclature. The third group of theories states that the changes are less fundamental and they have taken place mostly in the political arena. The fourth position is referred to as 'élite re-arrangement theories'. According to this view post-communist changes were
not substantial as far as the mass of the population was concerned, rather it mainly involved a change among elite groups (Sparks, 1997).

A further category which can be added to the concepts already mentioned is a group of views which see the changes in the different former communist countries too diverse to construct a typical common post-communist transformation theory. Smith and Pickles (1998, p17) echo this position. On the example of the changes in the economies they argue that regionally differentiated transitions have emerged with uneven developments depending on particular time-place contexts. Gáti (1996) puts forward a similar view when he distinguishes between three main groups of countries of the former communist block which had different experience with the transformation. The three groups are the leaders, laggards and losers, where the leaders – among them the Czech Republic, Hungary and Poland - have shown considerable achievements in political and economic reforms, and the losers remained largely unreformed oppressive authoritarian regimes (Gáti, 1996).

Despite the different views on the nature of the transformation most agree that by the late 1990s the Czech Republic, Hungary and Poland had some kind of pluralistic political system and market-led economy, although opinions vary on the exact type and characteristics of these systems. This means most would agree that the post-communist transformation involved a democratisation process and a marketisation process, the latter meaning the growing importance of the market as the driving force in the economies. These two processes will be included in the analytical framework and examined in detail, while bearing in mind that their analyses, and in general the discussion on the nature of post-communist changes, must be open minded and consider various interpretations and possibilities.

2.2 Theories of Media Systems

Theories of media systems are useful for this study, because they provide comparative perspective and help to assess the changes and the features of post-communist print media. In this subsection normative media theories are summarised, which is followed by an overview of the literature on communist and post-communist media.
2.2.1 Normative Theories of Media Systems

Although the technological requirements of different forms of mass media is similar all around the world, as social 'institution' mass media acquired distinctive features determined by the political and economic system and cultural characteristics of a given country. Normative theories of media systems are aimed to identify these distinctive features, and reveal the differences and similarities between media regimes. However, as with many theoretical models there are conceptual problems with categorising media systems. Depending on how one approaches the categorisation, whether from mainly an ideological, historical, political, economic, social or cultural point of view, one could come up with very different classifications. McQuail (1994) points out that many such theoretical accounts, especially in the Anglo-American tradition, focus on the political aspects of the media in society, on issues such as freedom of the media and democratic functions of the media. He further argues that such concentration on the political aspects neglects the analysis of other functions of the media such as entertainment (McQuail, 1994, p133).

Categorisations of media systems were also influenced by the politics of the day. It is viewed by many that the most influential theorisation was affected by the anti-communist paranoia of the Cold-War era (see, for example, McQuail, 1994; Nordenstreng, 1997). Siebert, Peterson and Schramm's *Four Theories of the Press* written in 1956 became a 'bestseller' in the field of communication and media studies.11 Because of the time of writing and the fact that it was stimulated by United States governmental agencies this work later received criticism for its ideological orientation. Nordenstreng (1997, p98) cites Nerone, who argued that *Four Theories of the Press* offers only one theory with four examples, "it defines the four theories from within one of the four theories - classical liberalism". Furthermore, McQuail (1994, p133) argues that *Four Theories of the Press* is an oversimplification of reality assuming that media systems have single philosophy or purpose, when in fact they consist of conflicting and overlapping elements. Regardless of its downfalls *Four Theories of the Press* was a significant contribution to the field, above all, because it provided the first theoretical account of media systems.

---

11 By press they meant all mass communication forms, although more attention was given to the press because television was still young.
Schramm and his colleagues based their categorisation of media systems on the differences in ideological values and political practices. They differentiated between four types of media systems: the authoritarian, its modern outgrowth the communist-totalitarian media system, the libertarian and its modified version the social-responsibility media system. In the authoritarian system, which was a feature of European monarchies of the 16-18th centuries, the media were controlled and used to maintain existing power relations. "The rulers of the time used the press to inform the people of what the rulers thought they should know and the policies they should support" (Siebert et al, 1963, p3). The communist system, which Schramm and his colleagues viewed as the most prominent totalitarian system, is perceived as more repressive then the authoritarian system. Here the media are used merely as propaganda tools, and the state controls every aspect of the mass media.

In the model of the three American scholars the libertarian system advocates the notion of the media as a free market of ideas, where the media have a control function over the government as the 'Fourth Estate'. "In Libertarian theory the press is not an instrument of government but rather a device for presenting evidence and arguments on the basis of which the people can check on government and make up their minds as to policy" (Siebert et al, 1963, p3). To avoid market failures, especially those concerning the democratic functions of the media a modification of the libertarian system emerged mainly in Western Europe during the 20th century. In the Social Responsibility system, while the media maintain a control function over the ruling powers and fulfil other important democratic roles, there are devices and control mechanisms to ensure diversity and representation of minority viewpoints in the media sectors.

*Four Theories of the Press* has been revised many times and new conceptualisations emerged. Nordenstreng (1997) in his overview on the subject lists some fifteen of the revisions and alternative typologies, as well as providing a new one. Jakubowicz (1998) presents seven revisions of the classic model and three alternative classifications with different approaches. Both overviews cite McQuail who added two new categories: the development and the democratic-participant media systems (Nordenstreng, 1997, p103; Jakubowicz, 1998; McQuail, 1994). The development theory refers to the media systems of developing countries. The democratic-participant theory criticises the dominance of private and public monopolies in the media, rejects the supremacy of market
forces and supports "the right to use new means of communication for interaction and social action in small-scale settings of community" (McQuail, 1994, p131). Others argue that different media systems can be classified in two main groups on the basis of two determining concepts: pluralism/liberalism and dominance/authoritarianism (see, for example, Humphreys, 1996; Merrill, 1974). Common themes in all categorisations are forms and control of power in the media and functions of the media in society. A summary of the arguments of some of the mentioned theories of media systems is shown in Table 2.1.

Table 2.1 - Some of the main categories of media systems

<table>
<thead>
<tr>
<th>Theory</th>
<th>Dominant Ownership</th>
<th>Ownership</th>
<th>Censorship</th>
<th>State Intervention</th>
<th>Main functions of the media</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pluralistic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Libertarian</td>
<td>market</td>
<td>private</td>
<td>no</td>
<td>no</td>
<td>commercial product/democratic tool</td>
</tr>
<tr>
<td>Social Democratic</td>
<td>market/public</td>
<td>private/public/service</td>
<td>yes if content offends social values and beliefs, but rules are written down</td>
<td>yes</td>
<td>democratic tool/commercial product</td>
</tr>
<tr>
<td>Democratic-Participant</td>
<td>public participation</td>
<td>public</td>
<td>no</td>
<td>no</td>
<td>democratic tool</td>
</tr>
<tr>
<td>Dominant</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authoritarian</td>
<td>state/market</td>
<td>private/state</td>
<td>yes</td>
<td>yes</td>
<td>commercial product/political tool</td>
</tr>
<tr>
<td>Totalitarian/Communist</td>
<td>state</td>
<td>state</td>
<td>yes</td>
<td>yes</td>
<td>political tool</td>
</tr>
<tr>
<td>Developmental</td>
<td>state/market</td>
<td>private/state</td>
<td>yes</td>
<td>yes</td>
<td>national development task/political tool</td>
</tr>
</tbody>
</table>

It seems that the number of categories in the various typologies depends on one's ideological approach and view of history and the world. Applying the division of the Cold War Altschull argued that there were basically three categories: market, Marxist and advancing media systems (McQuail, 1994; Nordenstreng, 1997). With a different approach Nordenstreng (1997) proposes five paradigms to replace the Four Theories of the Press, these are: liberal-individualist, social responsibility, critical, administrative, and cultural negotiation. Curran (1991) in yet another approach offers an alternative account with four categories, these are: liberal, Marxist critique of liberal perspective, communist and radical democratic. He differentiates between the theories on the basis of how they approach six main features of the media: public sphere, political role of the media, media system, journalistic norm, entertainment, and reform.
While normative media theories can provide useful comparative perspectives and help to identify distinctive features of media systems, some caution has to be taken when applying them. One of the problems with the application of these theories is that they were developed by Western scholars mainly based on the experience of developed countries, especially the United States and Britain, thus the inclusion and explanation of different media traditions and cultures are limited (Downing, 1996; Sparks, 1998). Another problem is that these theories were mainly applied for static situations and not for analysis of processes of a system change.

2.2.2 Communist Media System
Almost every classification of normative media theories considers the media system of communist countries as a separate category. This media system is usually featured as repressive, ideologically driven, highly controlled system, where the media are used as propaganda tool. In most Western accounts the mass media of communist countries were perceived as having exactly the same type of politically controlled and state dominated system. Communist media were also seen to have been largely cut off from the rest of the world and unchanged during the decades of communist rule. However, some authors point out that there were differences between the media of individual communist countries (see, for example, Kováts and Whiting, 1995; Downing, 1996; Sparks, 1998; Skilling, 1989; Jakubowicz, 1990; Owen, 1995). In these accounts the media system of communist countries was not static during the entire period. Political, economic and technological changes gave way to modifications from the classic Soviet-type communist media system in East Central Europe, especially in Hungary and Poland (see, for example, Kováts and Whiting, 1995; Downing, 1996; Sparks, 1998; Skilling, 1989; Jakubowicz, 1990; Owen, 1995).

2.2.3 Media System of Post-Communist Societies
The media systems of post-communist countries are not viewed as distinctive categories in normative media theories. It is usually envisaged in the literature that the communist media system was replaced by a market-led pluralistic media system in the three East Central European countries. Views on the exact type of this pluralistic system, however, vary. Researchers usually differentiate between two main types of pluralistic system: the American liberal free market system and the socially responsible Western European type of system which has a higher
degree of state involvement (see, for example, Curran, 1991; Humphreys, 1995; McQuail, 1994; Nordenstreng, 1997; Siebert et al, 1963) (see also Table 2.1).

Most authors agree that the print media of the Czech Republic, Hungary and Poland came closest to the former type, the American liberal free market system, as a result of the post-communist transformation (see, for example, Fabris, 1995; Jakubowicz, 1995; Sparks, 1998). Some researchers, however claim that this new American/or Western type of media system in the three countries is 'flavoured' by East European traditions and legacies. Fabris (1995) points out that the shift was not a straightforward process. He reasons that in the immediate transition period more traditional and indigenous East European media philosophies and behaviour patterns have survived. Splichal (1994) argues that the new pluralistic media system of post-communist East Central Europe resembles the post-war Italian media system the most, which is more politicised than other systems in Western Europe. He reckons that the main features of the 'Italisation' of post-communist media are:

- the media are under strong state control;
- the degree of media partisanship is strong;
- there is a strong degree of integration of media and political elites;
- there is no consolidated and shared professional ethic among media practitioners (Splichal, 1994).

Some argue that media systems in post-communist societies should be considered as evolving systems and the post-communist transformation as a dynamic process. Jakubowicz (1995/a) refers to Brzezinski's model, which differentiates three major stages in the transformation: breakthrough (1-5 years), change takes hold (3-10 years) and emergence of a stable democratic order (3-15 or more years). Brzezinski emphasises the differences between countries of the region in their position between the stages. He argues that not every state is likely to go through all stages and establish a Western type of democratic system. Brzezinski's model and similar views in the literature imply that the nature of changes were different during the various stages. The assumption is that in the course of the first stage fundamental changes took place when the basis of the new system was laid down, while in later stages changes were more 'fine-tuning' and results of 'normal' economic and political developments. This view would also hold that after a decade of post-communist changes the new
system, structures and market features were firmly established and consolidated. The validity of these views in the case of the print media sectors of the three East Central European countries will be examined in the following Chapters.

There is a general view in the literature that post-communist changes differed in the print media from those in the broadcasting media. Many researchers point out that while the print media had more success in transforming themselves into a market-led pluralistic system, broadcasting media remained exposed to politics and political struggles (see, for example, Sparks and Reading, 1994; Fabris, 1995; Kováts and Whiting, 1995; Splichal, 1994). The reasons for these differences included the divergent nature of media forms, dissimilar structures, technological requirements, legislation and regulation. Print media are usually seen as less centralised than broadcasting media, which needed more economic investment and political decisions. Furthermore, broadcasting media are perceived to have a larger impact over public opinion and greater political and social importance. As a result broadcasting, especially television, have attracted more political and public attention.

In the literature on post-communist media certain issues and sectors received more attention than others. Downing (1996) lists five shortcomings of existing sources:

(a) dominance of television as a researched topic;
(b) focus on national media, while regional and local media have got little attention;
(c) legal issues - such as media law - are overemphasised;
(d) bias toward news rather than entertainment media;
(e) unresolved question of the performance of media professionals trained under the previous regimes (Downing, 1996, p122).

The dominance of broadcasting as a research topic is particularly apparent, while print media received less attention in the relevant literature (for analysis on broadcasting see, for example, Fabris, 1995; Jakubowicz, 1995; Kováts and Whiting, 1995; Splichal, 1994, Sparks, 1998; Lengyel, 1996; Kaplan, 1996). This is probably due to the presumed importance and power of television, and to the political struggles which occurred around the changes in broadcasting. Another emphasised subject of post-communist media research has been the changes in
the relation between politics and the media, and between the state and the media. For instance, national daily newspapers, their political roles and the influence of political forces attracted much more research interests than other issues and sectors within post-communist print media. This was because, as Downing suggests, the research community has paid more attention to the news and less to the entertainment media.


In spite of the importance of books in national cultures and education systems the area of book publishing has received little attention in the literature on post-communist media. The number of research on the book sectors in the three post-communist countries is limited (they include Ash, 1995; reports from the International Book Development; Boguta, 1997; Bieńkowska and Chamerska, 1999; Ryznar and Croucher, 1989; Bart, 1991; Gulyás, 1996). Similarly, post-communist magazine sectors received relatively little attention in literature (for examination specifically on the magazine sectors see, for example, Radványi, 1995; Hester and White, 1993). There is also relatively little research on comparative analysis of post-communist transformation in different print media forms and sectors. There are more comparative analyses of the experiences of the three East Central European countries, which compare and contrast the transformation of the print media sectors in various post-communist societies. Most of these view the features and processes of post-communist transformation in the print media of the three countries similar, if not the same.
2.3 Approaches towards Economic Analysis of the Media

Research on the economics and economic aspects of the media has been considerable. For this study these analyses can offer theoretical background, analytical tools, contribute in developing the analytical framework for the research and help to view the post-communist media in a comparative context.

Scholars researching the economics of various media seem to follow two main approaches: the political economy and/or the economic/industrial approach. The distinction between the two is not clear-cut, since the subjects, the issues, the methodologies and even the findings of the analyses are often similar. The difference mainly lies in the ideological affiliation and the variety of factors perceived to influence media developments. The political economy approach is arguably more holistic including economic, political, social and cultural considerations in evaluating processes in the media, while the economic/industrial approach is mainly concerned with market and economic forces affecting media industries. In other words the economic/industrial approach examines the media as a separate domain, while the political economy approach researches the interplay between economics and the political, social and cultural spheres in the media (Mosco, 1996). In terms of ideological affiliation the political economy approach is historically linked with Marxism and the critique of the capitalist system. However, as McQuail (1983, p83) argues by today it is no longer a strictly Marxist analysis as the approach gained a much wider base in the critical analysis of media structure and economics. The economic/industrial approach seems to include usually less critical and more descriptive analyses where ideological affiliation is reduced.

2.3.1 Political economy approach

Mosco defines political economy of the media as "a study of social relations, particularly the power relations, that mutually constitute the production, distribution, and consumption of resources" (Mosco, 1996, p25). The starting point of the political economy approach is the recognition that the media are first and foremost industrial and commercial organisations, which produce and distribute commodities (Golding and Murdock, 1973). A shared view of political economists, as Boyd-Barrett (1995, p190) points out and which was already mentioned in Chapter 1, that economics may define the key features of
communicative activity of the media, but it does not provide a complete explanation for all aspects of such activity.

According to Golding and Murdock (1991, p17) political economy of the media differs from a purely neoclassic economy approach in four respects: it is holistic, it is historical, it is concerned with the balance between business enterprise and public intervention and it goes beyond technical issues of efficiency to engage with basic moral questions of justice, equity and the public good. Golding and Murdock (1991, p19) also identify four historical processes which are central to a critical political economy analysis: the growth of the media, the extension of corporate reach, commodification and the changing role of the state.

The political economy approach is associated with macro-questions examining the structures and overall processes of media markets and industries. Golding and Murdock distinguish (1991, p22) three main tasks of the approach: the analysis of the production of cultural goods, the political economy of texts and the political economy of cultural consumption. In relation to the first task a political economist would focus on two issues: the pattern of ownership and the relation between the state and the media. The analysis of texts from a political economy point of view would be concerned of how the economic dynamics of production structure is represented in media products and how they influence public discourses (Golding and Murdoch, 1991). Finally political economy, in the interpretation of Golding and Murdoch, is interested to reveal the nature of relation between material and cultural inequalities.

With a somewhat different emphasis Mosco (1996) offers three entry points for the application of the political economy approach: commodification, spatialisation and structuration. By commodification he means the process of transforming use to exchange value, by spatialization the transformation of space and time and of the process of institutional extension, and by structuration the process of constituting structures within social agency (Mosco, 1996, p139). In another account Boyd-Barrett identifies the subjects of a political economy analysis of the media as "consolidation, diversification, commercialisation, internationalisation, the working of the profit motive in the hunt for audiences and/or for advertising, and its consequences for media practices and media content" (Boyd-Barrett, 1995, p186).
Within the political economy approach researchers have been particularly concerned with ownership and consolidation of the media. Golding and Murdock (1973, p206) identify three interlinked but distinct processes, which have to be looked at when examining the consolidation of media markets. First, the integration of media markets, which can occur horizontally and vertically. The main indicator of the degree of integration in a media market is concentration. High market concentration is considered to be a sort of demonic feature, which could threaten democratic functions of the media, could negatively impact pluralism in a sector and could cause undesirable economic effects. As Mosco (1996, p182) points out although concentration can take different forms, political economists have been mainly interested in ownership as the primary defining element in media concentration, because of the fear of restriction on the flow of communication and information.

There has been a wide range of research on media concentration not just from a political economy point of view, but in the economic/industry approach as well (see, for example, Gomery, 1993; Picard, 1988; Picard et al, 1988; Albarran and Dimmick, 1996; Humphreys, 1995; Sánchez-Taberno, 1993; Golding and Murdock, 1991 and 1997; Kaitatzi-Whitlock, 1996; Alexander et al, 1993). Sánchez-Tabernero defines concentration of a media market as "an increase in the presence of one or a handful of media companies in any market as a result of various possible processes: acquisitions, mergers, deals with other companies, or even the disappearance of competitors" (Sánchez-Tabernero, 1993, p7).

There are different ways to measure concentration. Albarran and Dimmick (1996, p44) distinguish between a common approach that calculates concentration ratios and the Herfindahl-Hirschman Index. The common approach compares the ratio of total revenues of the major players to the revenues of the entire industry. If the top four firms' share is equal to or more than 50 percent, or the top eight firms' share is equal to or more than 75 percent of the revenue of the industry, then the media market is considered highly concentrated. According to Albarran and Dimmick (1996) the Herfindahl-Hirschman Index is more accurate for measuring concentration. The Index is calculated by summing the squared market shares of all firms in a given market. The problem with the Herfindahl-Hirschman Index is that one must have data on every firm contributing to total revenues in a market segment. In his overview of the methods and problems of
measuring media concentration Losifides stresses the importance of audience and revenue-based measures, since, as he argues, "using the number of channels or titles as a sole criterion is meaningless without some consideration of coverage or financial strength" (Losifides, 1997, p660).

Diversification of media companies is also perceived as a characteristic of consolidation in the media. Large media companies all over the world have diversified their interests and are present in different media markets. This process is termed as cross-industry concentration by Albarran and Dimmick. They also point out that this type of concentration has been invisible mainly because of the difficulties of measuring it, but it is the one that seems to have become increasingly important with the emergence of large media corporations (Albarran and Dimmick, 1996, p43).

Because of the raised questions and issues and the considerations of various factors, it is felt that the political economy approach provides the best analytical perspective for this research. The approach is particularly useful in that it allows the analysis of post-communist print media to explore the features of media sectors and markets in their social settings, to investigate the forces and the power relations that shape them and to examine the print media sectors of the three East Central European countries over time in their historical development.

2.3.2 Economic/Industrial approach

The economic/industrial approach of media analysis looks "at the distinctive and varying characteristics of the media as economic enterprises, as between different media and different context" (McQuail, 1994, p155). According to Picard media economics is concerned with how the media industries meet the informational and entertainment wants and needs of audiences, advertisers, and society, and "it deals with the factors influencing production of media goods and services and the allocation of those products for consumption" (Picard, 1989, p7). The economic/industrial approach analyses the media as a separate domain, and as such less consideration is given to the relation of the media to other spheres. 12 Defending the less holistic perspective of the

12 Although in economic analyses the 'new industrial economics' approaches stress the interrelationships between various social spheres (Vickers, 1985).
economic/industrial approach Gomery criticises Marxist critical studies, as the traditional political economy approach, for asking "to analyse a subject when we already "know" a predetermined answer" (Gomery, 1993, p190, also see Gandy, 1992).

The approach is principally concerned with providing an economic organisational map of media industries at national, regional and/or global levels. There are numerous works on the international development of media markets (see, for example, Negrine and Paphathanassopoulos, 1991; Tunstall and Palmer, 1991; McDonald, 1990; Dunnett, 1988, Compaine, 1979). Pan-European organisational media research has been also well served in the literature (see, for example, Sánchez-Taberno, 1993; Pilati, 1993, Dyson and Humphreys, 1990; Humphreys, 1996; Ostergaard, 1997; Siune and Truetzschler, 1992). This type of research has been particularly interested in issues such as market characteristics and structures, concentration and internationalisation of media markets. Depending on the form of the media and the perspective of the researcher media markets are examined by different features. Picard (1993), for example, in his analysis of the American daily newspaper industry considers the followings as the determining characteristics of press markets: trends in the market, the main market players, financial performance of the companies, consumers, circulation of the products, advertising, cost structure of newspapers, technology, labour and distribution.

The economic/industrial approach also examines the characteristics of print media products, which is useful for this research. Gälik (1995) differentiates newspapers according to different market segments such as geographical markets (national, regional or local), periodicity (daily or weekly), content (quality or tabloid), specialisation and political (left-wing, right-wing or neutral) characteristics. He categorises magazines in three groups according to their content and targeted audience: consumer, trade and technical magazines (Gälik, 1995, p73). Books can also be categorised according to their content and targeted audience, there are academic, fiction, non-fiction, children's books and textbooks.

According to Picard (1989) books, newspapers and magazines are all private goods that is their use by one consumer diminishes its availability to others. This characteristic differentiates print media products from broadcasting products,
where the consumer does not diminish the availability of the media product, for example a television programme, to other consumers. However, there are differences between the various types of print media forms. Picard argues (1989) that many media industries operate in a dual product market in market-led media systems. The first market is that of the media product, the information and entertainment packaged and delivered in different form of the media. Performance in this market for newspapers and magazines is measured by circulation statistics, for books by the number of copies sold (Gálak, 1995; Picard, 1989). Besides the product market newspapers and magazines also participate in the advertising market. Books usually do not participate in the advertising market, which has important consequences on the operation and organisation of book publishing. Other differences between the three main types of print media from an economic point of view include the geographic markets of their products and typical market structures.

Although the economic/industrial approach provides useful analytical tools and comparative perspectives for this research, some of its weaknesses lessen its value compared to the political economy approach. These weaknesses include that the approach does not consider the investigation of power relations and the interactions of the media with other social sectors important. Another shortcoming of the approach, at least in the context of applying it to the examination of post-communist media, is that it is usually concerned with static media systems and markets, thus it has somewhat limited use for the analysis of changes and developments in media sectors over a longer period. Furthermore, most analyses of this type focus on developed countries with mature markets usually with market-led pluralistic media system, while the approach has been rarely applied to the study of developing media markets with other types of media system.
2.3.3 The Industrial Organisation Model

"Economics, like every other science, started with the investigation of 'local' relations between two or more economic quantities... It was but slowly that the fact began to dawn upon analysts that there is a pervading interdependence between all economic phenomena, that they all hang together somehow.

J. Schumpeter (cited in Ferguson, 1988, p7)

Within the political economy and the economic/industrial approaches different models have been developed to conceptualise the dynamics of media markets and industries. One of the most prominent of these models is the Industrial Organisational Model (IOM), which is particularly useful for this study. The Industrial Organisation Model is derived from microeconomic theory and is usually perceived to be useful in evaluating how market forces affect the operations and functioning of markets and industries. Ferguson argues that the Model "postulates casual relationships between the structure of a market, the conduct of firms in that market and their economic performance" (Ferguson, 1988, p7). Similarly, Busterna describes the Industrial Organisation Model which "argues that the structure of economic markets affects the conduct of participants in those markets, which, in turn, affects the performance of those markets" (Busterna, 1988, p35) (see Figure 2.1).

Figure 2.1 - The Classic Structure-Conduct-Performance Industrial Organisational Model

![Graph showing structure, conduct, and performance]


The classic IOM received a fair amount of criticism. Wirth and Bloch (1995) argue that the three main areas of criticisms are: the classical Model 'treats the market as exogenous', it is not able to depict the relations between different elements in the market accurately and measuring performance is problematic. To correct these shortcomings different revisions were introduced. Within media economics different adaptations of the IOM were developed (see, for example, Busterna, 1988; Wirth and Bloch, 1995; Ramstad, 1997; Hendriks, 1995), and the Model became a frequently used methodological framework. Busterna (1988) in his adaptation depicts market structure by five main characteristics:

13 The fundamental issue is the degree to which market structure is endogenously or exogenously determined (Vickers, 1985).
concentration of sellers and buyers, product differentiation, barriers to entry, cost structures and vertical integration. Market conduct can be analysed by pricing behaviour, product strategy, research and innovation and advertising. Market performance can be measured by technical and allocative efficiency, progress, full employment and equity (Busterna, 1988).

Ramstad (1997) puts forward another application of the Model to media industries (see Figure 2.2). In his model market structure is affected by basic conditions and public policy; market conduct is characterised by three media product elements: format, content and process; and market performance is influenced by advertisers and consumers (Ramstad, 1997). Beside the initial flow of influence Ramstad introduces feedback loops (dotted lines in the figure), which he argues makes the model dynamic (Ramstad, 1997).

Hendriks (1995) develops an alternative model using the IOM and dynamic market theories. He distinguishes between market structure and market situation, where the former “is defined as the way in which the supply side of the media market is organised in terms of competition, coordination, and control in vertical, horizontal or diagonal directions” (Hendriks, 1995, p64). By market situation, which in fact carries more than just a passing resemblance to the concept of market conduct in other models, he means a group of factors which describe the nature of the given media market. These include circulation, advertising demand, degree of product differentiation, economies of scale and conditions of entry (Hendriks, 1995, p64). He argues that market structure and market situation are influenced by external forces such as technological developments, public policy and the strategic behaviour of media companies.
these elements then determine the performance of media industries, which Hendriks depicts in economic and sociocultural dimensions with efficiency, equity, innovativeness, communication freedom and pluralism/diversity (Hendriks, 1995, p66).

The application of the IOM is seen useful to analyse the features and structures of post-communist print media markets, which is one of the objectives of this research. It is not applied to explore the processes and nature of system change, but arguably it complements the main political economy approach. The adaptation of the IOM, which is built in as part of the analytical framework of the study, addresses questions central to the political economy approach and explores the interplay and influences between various market features. While the political economy approach focuses on issues and developments at a macro level, the adaptation of IOM is able to provide sector and/or product specific analysis.

2.3.4 Media Economics in Communist and Post-Communist Context

The literature is not crowded with comprehensive political economy or economic/industrial analyses on communist and post-communist media. In the English literature there is limited research specifically on the economic aspects of the communist media system. Partly this is due to the political focus of such examinations and the general view that the economics of the communist media system was simple as a result of complete state control. It was also partly due to the difficulties in carrying out research and obtaining relevant data on the subject. Nevertheless, references to economic characteristics of the communist system such as state ownership and central control of financial aspects of media firms are made (see, for example, Lendvai, 1981; Martin and Chaudhary, 1983; Dunnett, 1988; Kowalski, 1988 and 1995; Gálik, 1995; Gálik and Dénès, 1992; Szecskő and Fodor, 1973). In communist countries for obvious political reasons research on economic aspects of the media was not encouraged, thus the relevant literature in those languages has a very limited number of analyses on the subject.

After the fall of the communist regimes the study of the economic and industrial aspects of the media has gained ground in East Central European academic research, at least to the extent of including those in general analyses of the media (see, for example, works of Gálik, Jakubowicz, Kowalski, Spichal; and
Researchers have been particularly interested in the privatisation and ownership changes of the media. In the context of the print media sectors of the three East Central European countries the general observation is that the privatisation was speedy. The decrease in state involvement and the dominance of private ownership in the print media are usually seen as positive developments. Most works on the economics of the media in post-communist East Central Europe focus on one country in the region (see, for example, works of Gálik on the Hungarian media, or Kowalski on the Polish media). Comparative studies on the economics of the media in different post-communist countries, which is the area this study aims to contribute to, are not abundant in the relevant literature.

2.4 Globalisation
The way international media flow and global media markets have changed in recent decades and the reasons and consequences of these processes have generated much interest and debate in the research community. Internationalisation and external influences were important aspects of post-communist changes in the print media in East Central Europe, which will be analysed in later Chapters, hence globalisation is included as a separate perspective in this Literature Review.

Globalisation became a buzzword of the late 20th Century, although the term itself only entered general usage as well as academic circles during the 1980s. Globalisation is a complex concept, which can refer to different processes and phenomena. The topic has generated a lot of interest in various disciplines, thus globalisation can be examined from different perspectives. Globalisation equally can refer – among others – to the internationalisation processes in the world economy, the spread of western cultural icons and symbols and the increasing cooperation in the field of international politics. Indeed Ferguson (1992, p73) argues that the concept has been mythologised in terms such as cultural homogeneity, a new world order, the emergence of global economy and worldwide media democracy. Ferguson also sees globalisation moving from being a mythology to an ideology, as it is becoming generally viewed to lead to a supranational universe of media interconnectivity and material and symbolic goods exchanges (Ferguson, 1992, p73).
Given the fact that globalisation can describe different processes in different areas it is difficult to provide a clear definition for the term. One of the main theorists of the field Anthony Giddens defines globalisation as "the intensification of world-wide social relations which link distant localities in such a way that local happenings are shaped by events many miles away and vica versa" (Giddens, 1997, p19). Mohammadi argues that by globalisation scholars generally refer to the way in which relations of power and communication are stretched across the globe, involving compressions of time and space (Mohammadi, 1997, p3). Waters defines globalisation as "a social process in which the constraints of geography on social and cultural arrangements recede, and in which people become increasingly aware that they are receding" (Waters, 1995, p3). Mosco refers to globalisation as "the spatial agglomeration of capital, led by transnational business and the state, that transforms the spaces through which flow resources and commodities including communication and information" (Mosco, 1996, p205).

Although globalisation is generally viewed as an important development of contemporary media world, the extent and significance of the process are regarded differently in the literature. Sreberny-Mohammadi (1994) sees the views on the influences and effects of globalisation positioned between two 'extremes'. One of them is the 'happy post-modernist' who sees that many kinds of media and cultural products circulate internationally which people and national cultures adapt creatively into their own lives. The other is the 'melancholy political economist' "who sees the all-pervasive reach of the multinationals and wonders how long distinctive cultures can outlast the onslaught of the western cultural industries" (Sreberny-Mohammadi, 1994, p134). Sreberny-Mohammadi (1994) takes up a position between the two emphasising the dynamic mutual relation between global and local, and argues for a triangular model which besides global and local factors acknowledges the important role of the nation state.

There are also different views in the literature on how universal is the globalisation process, whether it is a phenomenon mainly restricted to the developed countries or to the whole world. Most authors agree that the trends of globalisation are more prominent and apparent in developed countries than in the developing world. Hamelink (1995, p2), for example, argues that an important characteristic of globalisation is its disparity, where he means mainly the differences between North and South. Other authors also point out the
unbalanced relation between the so-called First World and the Third World when analysing globalisation. On the example of international news production and flow Moisy (1997) argues that although the production and distribution of news have been transformed, a global network of communication is far from becoming reality. She cites the case of CNN International which is viewed as the largest international broadcast news provider, but only “reaches three percent of the word population, four-fifths of whom do not even have access to a television set” (Moisy 1997, p79).

There are also differences in the literature on how scholars assess the globalisation process, whether as a positive or a negative development. McQuail (1994) identifies some positive effects of globalisation, among those are that it helps to spread democratic values and to liberate people from the constraints of place and time, it may be regarded as potentially culturally enriching and it could counteract the possible ethnocentrism, nationalism and xenophobia of national systems (McQuail, 1994, p113). This last possible effect can be viewed as particularly important in the turbulent political transformation of the post-communist world, where the rise of nationalism has been a widespread phenomenon. Thompson (1995) cites the example of the spread of international television programmes in China from the 1980s, which he views created a cultural reservoir of alternative visions, and thus contributed to a degree to the audacious demonstration in Tiananmen Square (Thompson, 1995, p178). Similarly, some authors consider international media, especially the spread of new-satellite media technologies and Western programme transmissions, as contributing factors in the downfall of the communist regimes in East and Central Europe (see, for example, Sükösd, 1996; Kováts and Whiting, 1995).

The negative effects of globalisation have attracted more attention in the literature. The debate has been centred on the cultural imperialism thesis.14 (For accounts and different evaluations of the cultural imperialism debate see, for example, McQuail, 1994, p113; Herman and McChesney, 1997, p23; Mosco, 1996, p75; Ferguson, 1992, p72; Morley and Robins, 1995; Fejes, 1981; Golding and Harris, 1997; Sreberny-Mohammadi, 1994; Tomlinson, 1991; Mohammadi,

14 The terminology is not always clear. Cultural imperialism is used as a general term, but it is sometimes replaced by 'media imperialism'. Elsewhere, however, 'media imperialism' is seen as only one aspect of cultural imperialism, and is used to refer to the domination of multinational firms and Western media products and their negative effects on indigenous media in various parts of the world.
The term itself was only established in the 1960s, nevertheless it became the most researched topic of international communication in the 1970s and the 1980s, and the discussion also made its way into the cryptic web of international relations. Although much has been written on the subject, the literature is not abundant with definitions of the term. Tomlinson (1991, p3) cites Barker: "There are hardly any precise definitions of cultural imperialism. It seems to mean that the process of imperialist control is aided and abetted by importing supportive forms of culture".

Cultural imperialism usually refers to the internationalisation process whereby cultural and media industries and markets of the world are dominated by forces of Western capitalist system, which spread an Americanised/westernised culture. This, supporters of the cultural imperialism thesis claim, erodes the cultural integrity and national values of smaller nations especially in the Third World. The domination of western firms in international media production and distribution are usually seen as threats to indigenous media industries and markets. Supporters of the cultural imperialism thesis perceive the effects of globalisation in a hypodermic model, meaning that Western, or American, values are injected into the hearts and minds of the people of the Third World (Sreberny-Mohammadi, 1994, p130). In this view these people are more or less helpless against the crushing economic and cultural forces of worldwide capitalist system, which drain their indigenous culture.

Tomlinson distinguishes (1991) four components in the discourse of cultural imperialism. First, the discussion of cultural imperialism as 'media imperialism' which places the media at the centre of things, and looks at Western cultural domination through media production and distribution. Second, cultural imperialism as a discourse of nationality focuses on "the idea of the invasion of an indigenous culture by a foreign one" (Tomlinson, 1991, p23). Third, cultural imperialism as the critique of global capitalism claims that the spread of capitalism is the spread of a culture of consumerism, and that capitalism is an

15 An influential movement against Western/American media imperialism developed with the participation of a number of Third World countries in the 1970s. The movement for a New World Information and Communication Order (NWICO) did not have any real effect on the internationalisation process or on the practices of multinational media companies, mainly because, as Herman and McChesney (1997, p24) note, it was more a rhetorical challenge than an organised political threat. However, NWICO helped to place the problem on the agenda of researchers and politicians.
homogenising cultural force (Tomlinson, 1991, p26). Fourth, cultural imperialism as the critique of modernity “stresses the effects of cultural imperialism not on individual cultures but, as it were, on the word itself ... it is a way of speaking about global historical developments which encompasses, and in certain ways reformulates, the claims of the theorists of cultural imperialism” (Tomlinson, 1991, p26-27). The idea of cultural homogenisation resurfaces in many places in the literature. Hamelink (1995, p111) calls the process as 'McDonaldization', for which he sees plenty of evidence such as worldwide proliferation of Disney amusement parks, standardised food, music, television drama and so on.

Globalisation of the media has been triggered and exacerbated by different but parallel developments. Hamelink (1995) distinguishes four main driving forces of the process: technological developments, growth of global financial markets, phenomenal expansion of cross-border trade and political climate supportive of liberalisation and deregulation of media markets. General political and economic developments during the Post-Cold War era could also be viewed as elevating cooperation between nation states, thus contributing to the globalisation process. On the economic rationale for internationalisation Mowlana (1997) suggests that the control over media and cultural production and distribution is the key to larger markets and greater economic productivity. He argues “one cannot hope to market a new product without disseminating knowledge of it, creating a demand, and shaping the cultural environment to accept it” (Mowlana, 1997, p105).

Technology is usually seen as an important factor in the globalisation process. In the 1960s Marshall McLuhan emphasised the importance of technological developments in communication, and argued that the changes in the media would lead to the emergence of a ‘global village’ (McLuhan and Powers, 1989). Developments of communication technologies such as satellites, computer-mediated, digital media technologies are usually seen as possible means to break down frontiers between national media worlds. Besides the technology factor the changing policy climate is also considered as an important contributor towards the globalisation process. From the 1980s a general shift occurred towards deregulation and liberalisation of media markets which, it is argued, paved the way towards increased internationalisation and consolidation of media markets. (For analyses on changes in policy climate see, for example, Golding and Murdock, 1994; McQuail, 1994; Mosco, 1996; Humphreys, 1996.)
There are various accounts on the elements of globalisation. Croteau and Hoynes (1997) distinguish two components of the globalisation process: one is technological which involves the compression of time and space as a result of the development of new communication technologies. The second dimension relates to the content of the communication these technologies carry over boundaries (Croteau and Hoynes, 1997, p.290). Sreberny-Mohammadi (1994) identifies four main elements in the globalisation process: the internationalisation of media forms, of media firms, of media flows and of media effects. The first component refers to the worldwide spread of media technologies and rise of media audiences. The globalisation of media flow and of media effects involve the spread of Western cultural and media products, and with them the diffusion of values representing the First World. The fourth element in the classification of Sreberny-Mohammadi is the globalisation of media firms, by which she means the emergence of a global market which is promoted and produced by multinational media companies (Sreberny-Mohammadi, 1994).

Negrine and Papathanassopoulos (1991) provide an alternative framework for the examination of the elements of globalisation. They argue that internationalisation of the media takes place at different levels. These levels are:

- reception (exposure of the national audience to foreign or international media)
- media content (prominent presence of foreign content in national media)
- funding (reliance on foreign advertisers)
- regulation (harmonisation of national law with international standards)
- organisational level including the creation of foreign-controlled media (Negrine and Papathanassopoulos, 1991).

Multinational media companies have received a lot of attention in the literature on globalisation, as well as in general public discussion. They are usually seen as one of the driving forces behind internationalisation and the development of a global media market. It is noted that from the mid 1980s onwards there have been several waves of mergers and acquisitions in the media markets accompanied by the emergence of giant multinational media companies. The power of these firms and their role in the concentration and consolidation of national media markets are perceived to be substantial, so that some authors state that the global media market is now dominated by some ten or so huge
multinational media companies such as News Corporation, Bertelsmann and Time Warner (see, for example, Herman and McChesney, 1997).

Herman and McChesney (1997) give a useful categorisation of multinational media companies. They argue that a tiered global media market emerged by the 1990s, where there were three tiers of companies investing in foreign media markets (Herman and McChesney, 1997, p52). The first tier contains around ten colossal media conglomerates such as News Corporation, Time Warner, Disney and Bertelsmann dominating the global media market with annual sales in the $10-25 billion range. The second tier includes about three dozens large media firms with annual sales generally in the $2-10 billion range such as Thomson Corporation, Reader's Digest, Gannett in North America and the Kirch Group, Havas, Axel Springer, Reed Elsevier, the Pearson Group, Wolters Kluwer in Europe. Second tier companies usually fill regional or niche markets in the global media market. Third tier media firms, which number thousands of relatively smaller companies - at least compared to the first two tier firms - provide services to larger firms or fill small niches (Herman and McChesney, 1997).

While many discussions on the subject tend to view giant multinational firms as omnipotent organisations of the global world, there are also some more restrained opinions. Picard (1998) while sharing certain worries about the concentration of international media markets, stresses that compared to other industrial sectors such as manufacturing or petrochemical media conglomerates are in fact not that huge in their revenues and capitalisation. He further argues that the power of global media firms is overemphasised in the literature, and that these companies are also prone to rise and fall under normal business pressures such as in the domains of leadership, resources and expansion strategies (Picard, 1994 and 1998). The development, trends and strategies of multinational media companies are well researched (see, for example, Bagdikian, 1990; Bunting, 1995; MacDonald, 1990; Herman and McChesney, 1997; Picard, 1996; Smith, 1991; Tunstall and Palmer, 1991; Golding and Murdoch, 1997; Dunnett, 1988; Compaine, 1979.) However, most literature on the topic tend to focus on the largest firms; while regional multinational media companies are somewhat neglected.
The rhetoric on multinational media companies is usually sceptical. Adjectives for them such as 'Beasts' or 'Behemoths' are not rare (see, for example, Smith, 1991). Their role in 'crushing' national media markets and pursuing solely commercial aims are emphasised in critical analyses. National media markets of developing countries are perceived to be particularly under threat by the international commercial expansion strategies and aims of multinational media firms. Supporters of the media imperialism thesis see large multinational media companies as purely money-minded and capital-grabbing executors of the international capitalist system that hamper national media development projects. The media of small nations in the developed world are also considered to be tormented on the hands of multinational media firms. Several authors discuss how the media industries of small nations in the West became dominated by international media firms, and what sombre consequences this carried on national cultural and media production and consumption (see, for example, Euromedia Research Group, 1997; Grisold, 1996; Humphreys, 1996; Sanchez-Tabernero, 1993; Werner and Trappel, 1992.) At the core of the concerns lies the general debate on the significance of foreign versus national media ownership, and the effects of foreign ownership on democratic functions and cultural importance of national media.

2.4.1 The 'Second World' and the Globalisation discourse

The former communist countries were previously left out from the academic discussions and analyses of globalisation. Prior to 1989 they were considered closed off from the global media system, thus from the globalisation process. Globalisation has been associated with developments in the capitalist media world, in fact the distinctive features of the capitalist system are regarded as the driving forces in the internationalisation of the media. Communist countries, not being a part of the capitalist media world, were not seen as active part of the process. Thus, for example, the Second World hardly made any appearance in the cultural imperialism debates of the 1970s and 1980s, which were mainly concerned with Third World countries. It is debatable, however, to what extent the media in communist countries were closed off from the global media, especially in the context of the three East Central European countries this research examines. Variations in the communist media system, which will be analysed in Chapter 4, affected the extent of openness to Western media contents, technologies and effects. (For examinations of international factors in communist media see, for example, Kováts and Whiting, 1995; Sükös, 1996.)
It is generally viewed that the end of the Cold War gave an impetus to discussions on globalisation. Much of the debate about globalisation in fact developed following the collapse of the communist regimes in East and Central Europe (Sreberny-Mohammadi et al, 1997, pix), and the literature on the processes, trends and consequences of globalisation expanded during the 1990s. Arguably, however, the integration of the former communist world into the global capitalist media has not provided a new theoretical perspective for researchers. Post-communist countries do not appear as a new separate category in the discussion, and post-communist changes are not viewed to have altered the trends of globalisation substantially. The importance of the fall of the communist regimes is usually perceived in terms of ideological consequences, i.e. in the context of the lack of an alternative international media system, and the victory and further expansion of the capitalist system.

Although some references are made about post-communist countries in the general discussion on globalisation (see, for example, Sreberny-Mohammadi et al, 1997; Mowlana, 1997; Hamelink, 1995), the integration of the former communist world into the global media is not an over-researched area in the academic literature. Jakubowicz (1996) provides a valuable analysis of the different levels of internationalisation of post-communist media, for which he uses the above mentioned framework of Negrine and Papathanassopoulos. Jakubowicz concludes that the capacity of the former communist media “both to be conquered and to engage in partnership is largely determined by the size of their markets and progress in their political and economic transformation” (Jakubowicz, 1996, p22). The general view on the internationalisation of post-communist media in the literature is pessimistic, and concerns about the effects of international media are raised. Fabris, for example, argues that ‘westification’ of East Central European media has fully progressed, and there is a good chance that Eastern Europe will become a “supplemental engine for the Western European media industry” (Fabris, 1995). Semelin (1993, p57) calls the process as ‘colonisation of the East by the West’.

East Central European countries are usually seen to have become recipients of the globalisation process, and their media production and distribution industries are not viewed to have made considerable impacts on the international media world. There are two areas researchers focus on in the context of the effects of internationalisation on post-communist media. First, the entry of foreign media
companies and the domination of foreign ownership in many post-communist media sectors raised interests and concerns in the research community. Analyses on post-communist changes in the media of the three countries tend to usually include – at least mention – the subject of foreign media ownership (see, for example, Giorgi et al., 1995; Juhász, 1994 and 1998; Splichal, 1994; Sparks, 1998; Paletz, Jakubowicz and Novosel, 1995; Surányi, 1995; Gergely, 1997). There are also studies specifically on the role and significance of foreign media investments (see, for example, Gálik and Dénes, 1992; Jakab and Gálik, 1991; Gálik, Jakab and Vörös, 1990; Jakubowicz, 1996; Kowalski, 1997 and 1998; Bajka, 1994). The effects of foreign media ownership are viewed differently among researchers. Jakab and Gálik (1995) take the somewhat pragmatic view that the appearance of foreign media companies is a natural market development, and that foreign investments involved positive effects on the emerging post-communist media industries. Other authors, for example Bajka and Kowalski, are more concerned about the impacts of dominant foreign media owners on the capital-strained indigenous media firms and markets (Kowalski, 1997 and 1998; Bajka, 1994).

The other area which generated interests in the research on the effects of globalisation on post-communist media is the internationalisation of media content. Post-communist media are usually viewed to have been flooded by international media programmes and content. Analyses on post-communist media changes tend to make references to this phenomenon, and there are also specific studies on the internationalisation of media content (see, for example, Lengyel, 1996; Jakubowicz, 1996; Giorgi et al., 1995; Agárdi, 1997; Cseh, Enyedi Nagy and Solténszki, 1998; Gergely, 1997; Vásárhelyi and Halmay, 1998; Baán, 1997; Hajek, 1994). The assessment of the process is usually discussed in relation to cultural changes in post-communist societies with particular emphasis on the negative consequences on national cultures (see, for example, Agárdi, 1997; Baán, 1997; Parkas, 1994; Vitányi, 1997). In many assessments the arguments of the cultural imperialism thesis echo back.

Summary
Four main perspectives were used to approach the study area and overview the relevant literature. These were: Concepts of Post-Communist Changes, Theories of Media Systems, Approaches towards Economic Analysis of the Media and
Globalisation. Each perspective provided valuable information and a diversity of issues and questions, which are seen important to be raised and examined in the analysis. The different perspectives are also useful in constructing the analytical framework for the study, which will be developed in the next Chapter.

The discussion on the Concepts of Post-Communist Changes, which was the first perspective to have been looked at, showed that there were diverse opinions on the nature of post-communist changes in East Central European societies. Most views agree that the Czech Republic, Hungary and Poland had a generally pluralistic political system and market-led economy by the late 1990s. This implies that the transformation involved a democratisation process and a marketisation process, the latter meaning the growing importance of the market as the driving force in the economies. However, the exact type of these political and economy systems, as well as the extent, speed and direction of the post-communist changes remain debated issues. This means that the analysis of post-communist print media in the three countries must be open minded as to those issues and consider various interpretations and possibilities. The dominant views on post-communist transformation raise two important aspects of the changes, which will be included in the analytical framework of the study, namely democratisation and marketisation.

The overview of the Theories of Media Systems argued that the mass media in a given country have distinctive features determined by the political and economic systems and the cultural characteristics of the particular society. Various typologies of media systems were discussed, and characteristics on the basis of which researchers distinguish between media systems were overviewed. It was shown that while the communist media system is usually treated as a separate category with distinctive features, researchers usually agree that the media systems of post-communist societies are not a new type of system. Post-communist media systems in the three East Central European countries are regarded to be a kind of pluralistic and market-led media system. However, it was argued that there are some disagreements on the exact type of this new media system. It was also pointed out that the literature does not provide detailed analyses on the specific features of the print media sectors in the three post-communist countries.
The Approaches towards Economic Analysis of the Media, which was the third perspective of the Literature Review, discussed the ways researchers analyse economic aspects of the media. Two main approaches were distinguished: the political economy approach and the economic/industrial approach. The aims, issues, subject areas and analytical tools of both approaches were overviewed, and their advantages and disadvantages in relation to this research were presented. It was argued that the political economy approach was better suited to the objectives and aims of this study. The Industrial Organisational Model, its use and relevance to the analysis, was also discussed.

The fourth perspective of the Literature Review was Globalisation. Globalisation is generally regarded as a significant worldwide development of the last decades, which has influenced the trends and performances of national media markets and cultural sectors everywhere on the globe. Although views on the extent, elements and consequences of the globalisation process vary in the literature, because of its presumed significance it is important to consider the effects and importance of globalisation on post-communist transformation in this study. Elements of globalisation such as the internationalisation of various aspects of media production, distribution and consumption, will be included in the analytical framework and will be examined in latter discussions.

The Literature Review revealed that there are some gaps in the relevant academic research, which this study aims to address. These include areas in comparative analysis of print media sectors in East Central Europe, comparative analysis of the experiences of different post-communist countries, the nature of changes in post-communist print media, the extent and elements of internationalisation of post-communist print media and comparative economic analysis of post-communist media.
Chapter 3 - Analytical Framework

"We are living in an age of transition, the reporter said - Bohush! Have you ever lived in an age that was not in transition?" Esterházy, 1993, p105.

There are different ways to analyse the changes in post-communist print media in the Czech Republic, Hungary and Poland. One way is to examine the changes geographically, i.e. in each country separately. Another approach could be to explore the changes by industrial sectors such as in the press, magazine and book publishing individually. In order to meet the objectives of the study a more general approach is taken, which examines the main features of the transformation from a comparative perspective both in terms of the countries and the different sectors. The aim of this Chapter is to provide an analytical framework on the basis of this general approach and to identify the questions and issues for the discussions in subsequent sections.

3.1 Framework Model

A model is developed to illustrate the analytical framework (see Table 3.1). The purposes of the model are to identify the main processes of post-communist system change and to provide a framework for their analysis and for the examination of the main features of post-communist print media. The focus and questions of the political economy approach were the guidelines in designing the model. Golding and Murdock (1991) identify four historical processes - cited in the previous Chapter - which are central to a critical political economy analysis: the growth of the media, the extension of corporate reach, commodification and the changing role of the state. These questions are incorporated into the framework model. To accommodate aims of the research, laid down in Chapter 1, two further topics of the political economy approach are given emphasis: these are the analysis of changes in media production and consumption and the examination of structural and ownership changes in media markets.
Table 3.1
Framework Model for Analysing Post-Communist Changes in the Print Media in East Central Europe

Processes of System Change

**Democratisation**
- changing political roles of the media
- changing political roles of the state
- professionalisation

**Internationalisation of**
- media firms
- media forms
- media flows
- media effects

**Commercialisation**
- commodification
- changes in media finance
- changing economic roles of the state

**Marketisation**
- dominance of market rules and forces
- changing economic roles of the media
- ownership changes

Features

- structure
  - supply and demand
  - concentration
  - market entry
  - vertical integration

- performance
  - output
  - profitability
  - media freedom
  - diversity

Conduct
- of suppliers: product, production, and pricing strategies, fairness
- of buyers: consumers and advertisers

Communist Print Media

Social Changes

Economic Changes

Cultural Changes

Technological Changes

Political Changes
The model identifies four main processes of the system change, which were distinguished after considering the main questions of political economic analyses, various concepts of post-communist changes, theories of communist and post-communist media and views on globalisation. The four processes are: democratisation, internationalisation, marketisation and commercialisation. Democratisation refers to changing political functions of the media with a general aim towards pluralism, to the move towards greater media freedom, and to the process of the media undertaking new democratic roles. Marketisation means the growing importance of the market as the driving force in the economies and the establishment of a market-led system in the media. Commercialisation relates to the process, in which the emphasis on market share and profitability in media production becomes predominant potentially at the expense of other media functions such as political, social and cultural roles. Internationalisation refers to the changes where media operation, production, content and consumption become increasingly influenced by international factors.¹⁶

The four processes of the system change were interlinked and influenced each other, which relations will be examined in later discussions. In the model each process is associated with certain elements, which relate to specific aspects of the post-communist transformation. The analyses of these processes, which will be presented in Chapter 5, aim to describe the main changes in post-communist print media and to discuss the reasons for these changes.

Five influential non-media factors are identified in the model which initiated and influenced the processes of system change in the print media. These are: social, economic, cultural, political and technological changes. To understand the processes of system change in the print media, steering away from media-centric explanations and relating the media to general political, economic and socio-cultural environment is important. In the political arena it is usually perceived that the communist regimes were replaced by democratic political systems in the three East Central European countries. Following the first democratic free elections new political leaders came to power. The post-communist period,

¹⁶ Internationalisation is closely related to globalisation. Globalisation, which was discussed in the Literature Review, is viewed as the general process, which involves the internationalisation of various parts of economic, political, social and cultural life. In the context of this analysis globalisation is seen as a worldwide development, into which the three post-communist print media markets have been integrating through the internationalisation of various attributes and sectors. The analysis of the internationalisation process and its elements in the model will reveal the extent of this integration and the importance and role of globalisation in post-communist media.
however, was also characterised by continuous changes in the political arena. General elections brought about changes in government and the composition of parties in the Parliament. Hence the ruling ideological approach, views on the desired directions of the transformation and support for various policies altered. Similarly, characteristics of the changes in the economy were influential. It is usually viewed that the communist command economic systems were replaced by market systems. However, the transformation did not happen overnight, and the changes also involved economic headaches such as recession, high inflation and underdeveloped financial markets. These, and others factors, affected the processes of system change in the print media sectors. Changes in the socio-cultural spheres were also influential in areas such as media consumption patterns and market conduct of consumers.

The model also contains elements, which aim to explore the features of communist and post-communist print media in the three East Central European countries. These are important to the analysis because they reveal the effects and significance of system change in the print media sectors. Chapter 4 will discuss the characteristics of communist print media and, following the examinations of the processes of system change in Chapter 5, Chapter 6 will examine the feature of post-communist print media markets. The characteristics of the print media sectors in both eras are analysed from a political economy point of view, hence the general focal points and questions of the approach are applied. Both examinations attempt to describe and explain the development of the print media markets and the changes in their features, rather than just depicting them in a static state at one particular point in time. For the analysis of post-communist print media markets an adapted version of the Industrial Organisation Model (IOM) is applied. Because of the specific characteristics of communist media system and of communist media economics and because the IOM was developed for analysing market-led systems, its adaptation is not applicable to explore the features of communist print media markets. However, similar issues and questions will be examined, so the analyses and the features of the print media in the two periods will be comparable.

The model suggests that the post-communist transformation of the print media in the three East Central European countries was a dynamic process influenced by

various factors. The 'new system' and market features of the post-communist era were not static and they were not finished end products of the processes of system change. It is important to note that market features had reciprocal relations with the processes of system change. Hence post-communist changes affected market characteristics, which in turn influenced the system change. However, similar to other models attempting to describe and analyse a social process this framework is an oversimplification of reality, hence any application of it has to bear in mind its limitations.

Given the aims of the study the comparative aspects of the analyses will be emphasised. One of the focuses in the examinations of the elements of the model will be on the differences and similarities between the three countries and between various print media sectors. The underlying question is to what extent post-communist transformation varied in the three countries and in different sectors. A range of factors will be considered to establish which were the ones that significantly influenced the particular way the processes of system change evolved. For instance, answers will be sought to the following type of questions: did the size of the market matter in the transformation; how did country-specific characteristics of the communist media system influence the processes of system change; what were the roles of particular media consumption patterns; what were the effects and significance of specific features of print media products and productions? In the following sections the elements of the model are discussed.

3.2 Communist Print Media
To understand the changes and characteristics of post-communist print media in the three countries it is essential to examine the features of the previous media system. The questions and issues raised by the political economy approach will guide the analysis of the communist print media, which is presented in Chapter 4. The discussion will focus on five aspects: the functions of the print media, the control of the print media, the economics of communist media, the structure and the development of communist print media markets in the three East Central European countries. These are important because they influenced the particular ways the processes of system change evolved and left lasting legacies in the print media sectors during the post-communist era.
3.3 Processes of System Change

The model distinguishes four main processes of post-communist system change: democratisation, marketisation, commercialisation and internationalisation. The processes were interrelated, thus their analyses will include some overlaps. Especially there is a close link between marketisation and commercialisation, which is signified by joining the two elements in the model.

3.3.1 Democratisation

The democratisation process, which will be discussed in the first subchapter of Chapter 5, is important to examine, because the media play significant parts in the functioning of a democratic society. With the demise of the communist regimes the roles of the media are perceived to have transformed substantially, which is one of the most significant aspects of post-communist transformation in the media. The analysis of the democratisation process will reveal the extent, speed and consequences of the changes in the political functions of the print media and the changes in the involvement of political forces in the print media. The model identifies three main elements of the democratisation process. These are: changing political roles of the media, changing political roles of the state and the professionalisation of media vocations.

In the context of changing political roles of the media it is important to look at the reasons of those changes, what political functions the print media abandoned from the communist era and which new ones they took on. The comparative analysis of the experiences of the three countries will reveal the significance of country specific features, such as variations of communist system and characteristics of the new political powers, in the particular way the democratisation processes in the print media proceeded. The discussion also has to address questions like whether diversity and pluralism in the print media sector have been realised; whether different parts of society are able to voice their opinions in the print media; how old political control mechanisms were dismantled; and how new social controls over the media were established.

Another important element to examine in the democratisation process of the print media is the changing political roles of the state. This area is interesting to examine because of the differences in state interference and influence in different media systems. While in communist media system the state has an overpowering and omnipresent role in the media, in market-led pluralistic
systems – towards which these countries are perceived to have moved – the state has a more limited role. Different aspects of the changing political roles of the state will be analysed. These will include the ways and extent the state abandoned its old communist powers, as well as the aims and policies of the new political powers in relation to the media. A further important question to address here is whether the state had a constitutive or a reactive role in the changes in post-communist print media of the three East Central European countries. Legislation and regulations are relevant areas to analyse in this context, since they provided the framework in which the new media systems and structures developed. Questions to examine in relation to them are: what the main pieces of legislation and regulations were; when and how they were introduced; and whether they provided a basis for a democratic media to develop.

Although state control and interference in media affairs are not seen as desirable in pluralistic market-led media systems, certain types of interventions are usually considered justified. Garnham (1998) lists three main reasons for such acceptable interferences: economic, political and sociocultural considerations. Economic reasons include ensuring fair competition in media markets and preventing monopoly situations. For political motives governments are seen to be justified to intervene in order to safeguard pluralism in media sectors and to protect the security of the state. Sociocultural considerations relate to guarding national cultural and social interests in media production such as supporting the (re)production of culturally important media artefacts or helping educational and textbook production. Media policies of post-communist governments in the Czech Republic, Hungary and Poland will be examined in the discussions on democratisation, marketisation and commercialisation, which will include the examination of the patterns and justifications for state interventions in the print media during the post-communist era.

Another element of the democratisation process of post-communist print media is the professionalisation of media vocations. Professionalisation is defined as the transformation of the journalistic community into autonomous professional groups dedicated to the ideas of democratic functions of the media. Similar to the

---

18 McQuail (1994, p.25) adds a fourth reason, that is when the state intervenes because of technical reason, for example, when it regulates frequency allocation for broadcasting media because of the scarcity of the frequencies. This type of intervention is not discussed here, because it is mainly relevant to the broadcasting media and not to the print media.
roles of the state, the functions and jobs of journalists and editors differ greatly in communist and in pluralistic market-led media systems. Hence one would expect substantial changes in media professions as a result of the post-communist transformation. The discussion on this element will consider what changes actually took place on the basis of the interviews and other sources. An important point to address here is the issue of how the perception of journalists and editors of their own professions changed and how practices altered.

3.3.2 Marketisation

Beside democratisation another major process in the post-communist print media transformation was marketisation, which will be discussed in the second subchapter of Chapter 5. Two aspects of the process are particularly important to look at; these are: ownership changes and the introduction and dominance of market rules and forces, which relates to the changing economic roles of the media. Important questions to be raised in the analysis are: how long the establishment of a market-led media system took; what the pitfalls and facilitating factors were in the process; how and at what stages market forces became dominant; and what the effects of their dominance were. Issues to be examined include the abolition of former communist bureaucratic control mechanisms, the changes in relevant business regulations, as well as the liberalisation of markets. With the introduction of new rules and forces it can be expected that the relations between the different market players also changed, which is another issue to be addressed in the analysis. Changing economic roles of the media also have to be analysed in relation to other roles such as political and cultural functions of the media.

Ownership structure and control are very different in communist and pluralistic market-led media systems, thus one could expect substantial changes in this area in the three East Central European countries as a result of the system change. Different aspects of media ownership will be analysed. First, it is important to examine the privatisation process and questions related to it such as types of privatisation, the main issues and problems of the process, differences between media sectors and between the three countries in this respect. Second, the identities and motivations of new media owners of the post-communist era will be explored. Third, changes and developments in media ownership will be investigated from the perspective of the whole period, that is the first ten years of post-communist transformation.
3.3.3 Commercialisation

The third main process identified in the model is commercialisation, which will be discussed in the third subchapter of Chapter 5. It was noted earlier that the marketisation and commercialisation processes were closely interrelated. The difference between the two lies in the influence and implications they have on the functions of the media and the roles of the various market players. In the commercialisation process there is an overwhelming emphasis on commercial functions of the media such as market share and profitability, potentially at the expense of other functions such as political, social and cultural roles. The process also involves a decreasing level of state interventions in the media and deregulation of the sectors.

The model distinguishes two elements in the commercialisation process: commodification and the changes in media finance including the changing economic roles of the state. The first refers to the changes in print media products in relation to commercialisation such as changes in forms and content of print media products.

Media finance is markedly different in communist media systems than in pluralistic market-led media systems. As a result of the post-communist system change we can expect that financing the print media in East Central Europe went through considerable modifications. How print media productions and operations were financed during the post-communist era is an important issue to address because it influenced the development of the markets and affected the various functions of the media, such as political and social roles. Issues to address in the discussion of this element of the model are: how and in what time span media finance changed, what the influencing factors were, what the dominating way(s) of print media finance were during the post-communist era, what problems occurred in this respect, how the economic and financial roles of the state in the print media sectors changed, and what the features and reasons of state involvement in print media finance were during the post-communist era.

Changing ways and patterns of media finance have to be analysed both at macro

---

19 Changes in media finance are obviously also part of the marketisation process. However, they are discussed under the commercialisation process, in order to illustrate the importance of commercial functions in post-communist print media markets of the three East Central European countries, and the changes in state interventions.

20 See Chapter 4 for details.
and micro levels, since they affected the operation of the industries as a whole as well as the operation of respective companies.

3.3.4 Internationalisation
The fourth process of system change identified in the model is internationalisation, which will be discussed in the fourth subchapter of Chapter 5. Arguably the extent and influences of globalisation in the media worldwide during the last decades of the 20th century are so significant that the analysis of a national media ought to consider the effects of international factors. From this perspective post-communist print media were not just outcomes of internal developments, but influenced by international factors as well. There are different approaches and categories according to which internationalisation of the media in a given country can be examined, which were discussed in the Literature Review. The study applies the categorisation of the elements of internationalisation from Sreberny-Mohammadi (1994). Hence it will analyse the internationalisation of post-communist print media by considering the internationalisation of media forms, media firms, media flows and media effects. The classification of Sreberny-Mohammadi is useful for this analysis, because it considers divergent factors, forces and effects of the process.

Given the political economy focus of the research the discussion on internationalisation of media firms will be emphasised. This will contribute to the general analysis of changes in media ownership and market structure. The analysis of internationalisation of media firms in the three post-communist countries will include examination of the identities of foreign investors, their background, their motivations and strategies, as well as the implications of these features. Further issues are also important to explore in order to get a comprehensive picture on internationalisation of media firms. These include the examination of the extent and importance of foreign ownership in different print media sectors, trends and changes in foreign investments during the post-communist period, differences and similarities in foreign investments between different print media sectors and between the three countries.

Other external factors, which will be addressed, are the importance of internationalisation of media forms and flows. Characteristics of media content, especially the levels of national versus international media content, are usually included in analyses on media internationalisation. This is mainly because
content of media products are generally perceived to have significant cultural influences. Issues to be looked at in the examination of this element of the model are the levels of international media content, the speed of the changes in this respect and the implications of these factors. Internationalisation of media forms involving 'importing' print media products into post-communist markets will also be explored.

An important facet of globalisation in the three post-communist societies has been the changes in the cultural spheres. Questions to be raised in the analysis of internationalisation of media effects are on the extent and features of cultural changes and their effects on production and consumption in the print media sectors. Both the negative and positive effects of the internationalisation process will be assessed. An important question to be raised in this respect is whether the media of the three post-communist countries were 'colonised' or not.

3.4 Post-Communist Print Media
There are various ways to analyse the features of post-communist print media in the three East Central European countries including examination by sectors or by country. In the framework the Industrial Organisation Model (IOM) and its revised versions (Busterna, 1988; Gomery, 1989; Hendriks, 1995; Ramstad, 1997; Wirth and Bloch, 1995) are applied for the analysis, which will be presented in Chapter 6. The IOM, which was briefly described in Chapter 2, is used in media economics to examine market characteristics and conditions and to look at the relations between structure, conduct and performance in a given market. The aim of the adaptation of the IOM in this study is to examine the development of market features of post-communist print media during the 1990s and evaluate the effects of the processes of system change on those market conditions.

There are advantages and disadvantages of adopting the IOM for the analysis of post-communist print media markets, most of which were discussed in Chapter 2. Advantages include that the adaptation of the IOM corresponds to and complements the political economy approach of the research; provides a comprehensive framework for analysing media market structures, conduct and performance; offers sector and/or product specific investigation; and is useful in evaluating how market forces affect the operations and functioning of markets and industries. Disadvantages include that the IOM was developed and usually applied in cases with static market conditions and on markets with established
media systems; problems with measuring market performance; and a usually non-holistic approach. It is felt that by considering and being aware of the downfalls the advantages outweigh the disadvantages.

Adaptations of the IOM usually contain three groups of market features: structure, conduct and performance. Different versions of the IOM identify different elements of the three main parts (see, for example, Busterna, 1988; Gomery, 1999; Hendriks, 1995; Ramstad, 1997; Wirth and Bloch, 1995) depending on the market under analysis and the specific questions of the given piece of research. In the constructed model the elements were identified based on various adaptations of the IOM on media markets and considering specific post-communist conditions.

Four characteristics of market structure are distinguished in the model: supply and demand, competition and concentration, conditions to market entry and vertical integration. They will be discussed in the first subchapter of Chapter 6. They are relevant to analyse because they reveal specific structural features of post-communist print media markets and the factors that influenced their development. Important questions to be addressed in this part of the analysis are: to what extent and how the processes of system change affected the development of structural features; whether structural characteristics influenced the processes of system change; and to what extent 'natural' market trends\textsuperscript{21} determined structural developments.

Market conduct refers to the behaviours of suppliers and buyers in the markets (Busterna, 198, p39), which elements will be examined in the second subchapter of Chapter 6. The conduct of suppliers will be examined by looking at the product, production and pricing strategies of print media companies as well as fairness in the market sectors. The market conduct of consumers and advertisers will also be explored. Characteristics and changes in market behaviours are important issues to address because they reflect on the extent, speed and impacts of the transformation, what changes the processes involved at micro level - at the level of the companies and consumers - and the ways in which market players adapted to the new market conditions.

\textsuperscript{21} Such as newspaper markets usually have relatively high entry costs or magazine markets are usually competitive (See, for example, Dunnett, 1988; Picard, 1989; Busterna, 1988).
Market performance, which will be examined in the third subchapter of Chapter 6, is featured by four elements in the model. These are: market output, profitability, diversity and communication and media freedom. It is important that performance is not only assessed from an economic perspective, but from a sociocultural and political point of view, hence the inclusion of the latter two elements. The four elements were chosen partly because it is felt that they are particularly useful in the analysis of post-communist market features and conditions, and partly because they combine the variables and the issues raised in other versions of IOM. Questions to be addressed in the analysis of the four features of market performance include: how and why market performances changed during the decade of the post-communist era; what the effects of the processes of system change were on market performances; how the features of market structure and conduct influenced performance; what the differences and similarities were in market performance between various print media sectors in the three countries.

Summary
In this Chapter a framework for the analysis of the post-communist transformation of the print media in the three East Central European countries was drawn up. The developed model identified four main processes of post-communist system change: democratisation, marketisation, commercialisation and internationalisation. Each process was featured with various elements, and the influence of non-media factors on the system change was emphasised. The model outlined the framework by which the print media sectors of the three countries will be analysed during the communist era and the post-communist era. In subsequent Chapters the elements of the model will be discussed in detail.
Chapter 4 - Print media under communism

“This universal, obligatory force-feeding with lies is now the most agonising aspect of existence in our country - worse than all our material miseries, worse than any lack of civil liberties”
Alexander Solzhenitsyn, Letter to the Soviet Leaders

To understand the changes and characteristics of post-communist print media in the three countries it is essential to examine and assess the features of the previous media system. Most accounts of normative media theories classify the communist media system as a distinctive category. There are a number of distinctive features, the most important of which include the specific roles of mass media, the particular forms of media control and the ways media production and consumption are organised in communist societies. This Chapter analyses these distinctive features in the print media of the Czech Republic, Hungary and Poland during the communist era, their implications and the factors that influenced them. Five specific aspects are examined: the functions of the media, the control of the media, the economics of communist media, the structure and the development of communist print media markets.

4.1 Functions of the Print Media in Communist Societies
McNair (1991, p9) draws attention in his study on the Soviet media to the fact that the two men who laid down the basis of the communist ideology and system, Marx and Lenin were themselves journalists. Both men regarded the media as powerful institutions in society, which could play an important role in a communist revolution. Marx viewed the media as potential devices with which the proletariat would overcome its isolation and create a communist society (McNair, 1991, p13). Similarly, Lenin gave the media an important role in the organisation of communist society. He believed that the media were ‘not only a collective propagandist and a collective agitator, it is also a collective organiser’ (cited in Siebert et al, 1963, p116).

However, as Schramm, McNair and others point out, neither man developed a consistent theory of the media in a communist society or described precise
structures as to how they should work (Siebert et al, 1963; McNair, 1991). The distinctive features of the communist media system developed mirroring the particular political, economic and social conditions in Russia at the time of the communist revolution, and subsequently were modified as historical changes proceeded during the 20th century.

It is generally viewed that the mass media in the communist system are an integral part of the power structure, and their functions and operations reflect the ruling ideology. Schramm points out in *Four Theories of the Press* that the communist concept of mass media defines the media as instruments of the state and the Party, and closely integrated with other instruments of communist power (Siebert et al, 1963, p121). The media in the communist system are important weapons in the ideological war and are used as means of control and propaganda. A further characteristic is the one-way direction of information flow. Media content in the communist media system is determined and censored by the political powers. Hence the mass media hardly provide a forum for genuine discussions on political and social issues between different parts of society.

Criticism of the regime was not permitted in the print media of communist East Central Europe, and media content usually carried some educational message. Splichal (1994, p27) argues that because of their educational and propaganda functions, the media represented a means of transmission (similar to other educational institutions) for an authoritative definition of reality. The Polish Press Law from 1984 defined the main task of the media ‘to strengthen the country’s political system’ (Goban-Klas, 1994, p194), and very similar approaches prevailed in other communist states. The dominance of political and educational functions of the media also meant that entertainment and commercial roles were of less importance. Martin and Chaudhary (1983, p 27) argue that sensationalism, crime news and other emotional reportage were disapproved of and neglected unless there was a lesson to be learned. They further claim: it is the party, not the audience, that determines content priorities, and the Communist parties are interested in entertainment only insofar as it serves as a sugar coating for the indoctrination pills’ (Martin and Chaudhary, 1983, p233).

Freedom of the media was granted on paper in the constitutions of most communist states. The Hungarian Constitution of 1949, for example, stated that

However, the communist definition of media freedom differed from the meaning perceived in the Western world. Lenin argued: 'the capitalists define as 'freedom of the press' a state of affairs under which censorship is abolished and all parties freely publish all kinds of newspapers. In reality this is not freedom of the press, but freedom to deceive the oppressed and exploited masses of the people by the rich, by the bourgeoisie' (cited in Martin and Chaudhary, 1983, p23). In contrast, so the argument went, the communist system would attain true media freedom, where the views of the masses were expressed. However, to avoid chaos only the Party, the government and party-directed social organisations such as trade unions, youth and women organisations were allowed to own media outlets. This in fact was an effective and 'justified' means of media control.

4.1.1 Shifting Roles of the Media

"To put it briefly, Hungary in 1988 was not a nation living in fear. It was a nation living in uncertainty - its future was uncertain, its present was uncertain, even its past was uncertain. ... The signs have lost some of their severity by now; on Channel One you can see a critical look at Stalin, in living colour, soft porn on Channel Two, and the curtained cars are no longer curtained (so that when we see a car without curtains, for they are the only kind to be seen, we don't know what to think, and so we've got ourselves a problem!)


Following the communist takeover in the East Central European states the Soviet media system was adopted and prevailed until the fall of the Iron Curtain. However, the media systems of the three countries were not static, and were subject to changes as political, economic and social conditions altered during the four decades of communism. It is generally perceived, as the Literature Review noted, that by the 1980s considerable alterations were made to the original Soviet system. Martin and Chaudhary (1983, p233) argue that the reasons for this development in East Central Europe were specific historical and cultural characteristics, geographical proximity to and influences from the Western world.
One of the main factors inducing modifications in the media systems was political change, which occurred in the three countries at different points of the discussed era. The 1956 revolution in Hungary, the 1968 reform movement in Czechoslovakia and the political changes in Poland in 1970 and in 1980-81 were all crushed, however they had important consequences and implications for subsequent developments in the three countries.

In Hungary the first blow to the Soviet type media system came with the revolution in 1956, in which the media played an important role (Kökay et al, 1991). Although the revolution was quickly suppressed, the new regime led by János Kádár conducted a communist system different from that of the earlier Stalinist style fearing more popular discontent. From the late 1960s gradual and cautious economic and political reforms were introduced resulting in a more relaxed communist system, for which Hungary was popularly referred to as "the most cheery barracks in the camp". The slogan of the Kádár regime "Who is not against us is with us" was reflected in every sphere and sector of society including the media.

A distinctive feature of the Hungarian communist media system under the Kádár regime was that there was strict censorship in the case of media forms which had high audience numbers, such as national dailies. But in the case of low circulation periodicals, such as intellectual journals, a gradual liberalisation took place (see, for example, Kováts and Whitting, 1995; Kókay et al, 1991; Sükösd, 1996; Terestyényi, 1990; Giorgi et al, 1995). Censorship was more relaxed during the 1980s, and economic reforms affected to a limited extent media operations. Hungarians saw more entertainment programmes on television, and they could read more critical articles in their newspapers than many of their counterparts in the region. By the 1980s there was also a substantial underground press, which escaped the regulation of the communist authorities. These changes in the Hungarian media were significant because the roles of the media shifted towards somewhat more entertainment and social debates.

Kováts and Whiting (1995) list five factors which moved the Hungarian media away from the classic Soviet-Communist media system: strong tradition of the press from the pre-communist period, the political effect of the 1956 revolution, 22 Journals such as Mozgó Világ, Medvetánc, Századvég.

---

22 Journals such as Mozgó Világ, Medvetánc, Századvég.
economic reforms from 1968, the availability of Western European radio and television channels and underground publishing. Szecskö (1986, p200) reasons on a similar vein. According to him there were three main forces behind the changes: the economic reforms since 1968, the political changes and the development of communication technologies from the mid 1970s. Sparks (1998) argues that three major factors influenced the changes in media systems of communist East Central Europe. These were: external pressures, international opposition and elite divisions within the nomenclature. Changes and conflicts within the ruling communist political elite led to alterations in the media system. Bozóki (1995, p100) points out that during the 1980s the media were caught up in the struggle between reformers and hard-liners within the Hungarian Communist Party both sides using the media for their own purposes.

In Poland, the media system also moved away from the Soviet-Communist type system of the 1950s. The first crack occurred in 1956 following a general cautious political liberalisation in the country. During the 1970s the Polish communist leadership launched economic reforms, which affected media markets to a limited extent. Substantial changes developed with the popular unrest and political changes of 1980 and 1981. In the summer of 1980 Solidarity demanded genuine media freedom and liberalisation of media sectors (Martin and Chaudhary, 1983, p122; Jakubowicz, 1990; Kowalski, 1988). As a result of the reform movement greater freedom of the media was achieved. However, these were abolished with the introduction of martial law in December 1981, and strict control over the media was reintroduced. Nevertheless, following the end of martial law the Polish media system emerged as one of the most relaxed in the communist block – alongside Hungary. By 1988 tolerance went so far that underground publications were not only published in great numbers, but were openly sold in the streets (Goban-Klas, 1994, p201). The main difference between the Polish and the Hungarian communist media system during the 1980s was in the role of the underground media and the extent of media censorship. In Poland underground media were more widespread and played a more important role, while in Hungary licensed media, especially those with low circulation numbers, enjoyed increased freedom.

The media in Czechoslovakia also reflected the political and economic changes during the decades of communism. Several authors point out that the media
played an important role during the 1968 reform movement in forcing the pace of liberalisation and mobilising public opinion (see for example, Lendvai, 1981; Johnson, 1995; Martin and Chaudhary, 1983). As a result of the reforms in 1968 a relatively free press emerged, which was severely curbed following the Warsaw Pact invasion. During the so-called ‘normalisation’ hard-line communists strengthened their power, and rigid control over the media was reinstated and strict censorship was reintroduced. Nevertheless, by the mid 1980s there was some limited liberalisation in the Czechoslovak print media. Johnson, for example, cites the 17th Congress of the Communist Party of Czechoslovakia from 1986: there should be “a more open and informative mass media”, but “no one will be allowed to undermine our socialist order” (Johnson, 1995, p226).

It is possible to identify distinctive periods during the communist era, in which media conduct varied according to the dominant political and economic climate. Sükösd (1996) distinguishes between three such periods in Hungary, these are:

- propaganda media (the classic Soviet type of media system) from 1948 to 1958;
- repressed but tolerant media system (characteristic of the cautious and gradual political and economic changes of the Kádár regime following the 1956 uprising) from 1958 to 1976 (when the first underground publication appeared);
- and dual media system from 1976 to 1988 (when the official media gradually gained more freedom and an uncensored underground media emerged).

Applying Sükösd’s framework to the other two countries suggests some differences in experience of each country. Table 4.1 illustrates the reforms and retreats in the countries’ communist media system. The main features of the print media did not change significantly between the different phases, but the level of censorship and the importance of other than political functions of the media altered. The Polish media system during the communist era went through similar phases than the Hungarian media, and by the end of the 1980s had a strong underground media sector. In Czechoslovakia the communist media system did not depart from the classic Soviet-type system as much as in the cases of the other two countries, which was mainly due to dissimilar political and economic developments.
The gradual changes in the media sectors, especially during the second part of the 1980s, can be regarded as signposts of the approaching downfall of the communist regimes. In fact the mass media, both their official and illegal sectors, provided an arena where some of the struggles within the political leadership were played out. Novosel rightly refers to the media in this context as crisis generators: "... when the official media started publishing the criticism at the general, systemic level, this greatly intensified the negative feelings among the masses and convinced them that the downfall of the regime was an imminent possibility ... it can be said that the mass media inevitably function as crisis generators, leading to the downfall of unsuspecting one-party regimes. In the case of the 'socialist lager', it was only a matter of time, that is, waiting for a time when the tanks were not coming anymore" (in Paletz et al, 1995, p16).

4.2 Control of Print Media in Communist East Central Europe

Media control in communist countries varied in form, degree and perceptibility. In the following sections the relevant legislation and forms of media control are reviewed as well as the development and significance of the underground media are discussed.

4.2.1 Print Media Legislation

Legislation usually verbalise forms of media control, however in the communist media system media legislation was not very elaborate. Several authors point out that media laws and regulations were incomplete and in some areas
practically non-existent in communist countries (see for example, Gergely, 1997; Bozóki, 1995). Governmental decrees and vague press laws regulated the print media sectors in the three East Central European countries during most of the communist era. The lack of comprehensive media legislation was a way to exercise firmer control. Informal rules and administrative tools worked better to oversee the operation of the media, while on the surface the regimes retained a 'cleaner' image. Communist media legislation was usually vague, and rights and provisions often contradicted existing practices of media control. For example, in none of the three countries was private ownership in the media banned explicitly, however a governmental decree required a licence to print before launching a new title or a publishing house. This licence was issued by the communist authorities, and only state institutions and social organisations were entitled to apply.

In Poland different governmental decrees regulated the print media until the beginning of the 1980s. One of the most important of these was the decree on censorship, which was introduced in July 1946. This piece of regulation authorised the existence of censorship under the Main Office of Control of the Press, Publications and Public Performances. With the reform movement of 1980/81 there was a change in print media legislation. Under the pressure from the striking workers an Act of Press, Publication and Entertainment Control was passed in 1981. Goban-Klas (1994, p170) argues the new law was a legal revolution in the communist media system, because the censors' decisions could be now disputed in courts. Other significant changes in print media control included the limitation of blanket censorship, the definition of some material as being outside the scope of the censor, the fixing of a maximum duration for censorship and permitting authors to indicate censorship in a text (Kowalski; 1988, p189). This reformed media legislation was only in force for two months until the imposition of the martial law in December 1981. Nevertheless, even with revisions in 1983, which withdrew some of the concessions, the Act was significant and influenced the Polish media scene for the rest of the decade.

One of the most important changes in communist media legislation in Poland was the press law of 1984.\textsuperscript{23} This piece of legislation defined the tasks of mass media in communist ideological terms such as their role in building a communist

\textsuperscript{23} The Law actually embraced both print and broadcasting media.
society. It included some rights concerning freedom of media and of expression, for example, the right to criticise and everybody's entitlement to become an editor (Kowalski, 1988; Jakubowicz, 1990). However, these rights could not be exercised in practice. The Law also formalised forms of media control, which had been used for decades, such as conditioning publishing activities and access to printing facilities on permission from the authorities. A new body was also set up to oversee press matters in 1985 (Sawicz, 1990). Kowalski (1988) views the pure existence of this Press Council as a positive development, since with its members coming from different institutions such as journalists' organisations, publishing houses and representatives of social groups it represented a body that recognised a limited plurality within the press system.

In Hungary, similar to Poland, informal rules and government decrees regulated press matters until the mid 1980s. One of the most important of them was the governmental decree 26/V.1. 1959, which made it mandatory to require a licence to publish newspapers and periodicals (Szecskö and Fodor, 1973, p27). As a result of the gradual political and economic reforms in the country a press law was passed by the Parliament in 1986, which – as in Poland – formalised previous procedures and practices. The Press Law made no reference to press freedom (Gálik, 1995; Gergely, 1997), and described the role of the media in political and ideological terms. The legislation included the restrictive licensing system, however as a sign of the changing times it also granted the right of appeal.

In Czechoslovakia a Press Law was introduced in 1966 as part of the reform movement. Until then governmental decrees and informal rules governed the print media sectors. The Law defined censorship, which was the first acknowledgement of that form of media control in legislation in communist Czechoslovakia (Kaplan, 1991; Giorgi et al, 1995). The Central Publication Administration was entrusted with carrying out censorship in order to 'safeguard the interests of society'. A positive aspect of the law was that it gave the right to appeal to challenge the decision of the censors to stop a publication. Although this right and other concessions were hardly ever used in the post-1968 period, the Law remained in force until the demise of the communist regime.
Copyright was another piece of legislation concerning print media sectors. This law was passed in the three East Central European countries during the 1950s and 1960s respectively. Communist copyright laws were different from those in the Western world. The main peculiarity lay in the emphasised role of the author as the natural first owner of the copyright. Read (1992) points out that communist legislation prevented the author from assigning copyright to a publishing house. Article 32 of the Hungarian Copyright Act, for example, stated "contracts for publication may only be concluded for a fixed period of time, or for a given number of copies to be published" (Read, 1992, p28). Article 19 of the Czechoslovak Copyright Act declared that "an author may transfer only the right to use a work". Furthermore communist copyright laws specified a number of elements that had to appear in a publication contract (Read, 1992). Thus the legislation determined the format of the publication contracts (Karpowicz, 1997), the scale of payment to the author and other aspects, which in a market-led media system are matters for negotiations between the parties. On the whole copyright laws were used as a form of media control in the three communist countries further curbing the editorial and financial autonomy of publishing firms.

4.2.2 Forms of Media Control

There were different forms of media control in the three East Central European countries during the communist era including formal and informal, direct and indirect, visible and hidden. Specific forms of media control altered to an extent in different phases of the communist media system as a result of political, social and economic developments. Control of media content was a permanent feature of the regimes throughout the period, however the severity of censorship varied somewhat in the different phases. The firmest control on media content was exercised during the Stalinist period in the late 1940s and early 1950s reflecting the paranoid political climate of that era.

The specific rules of censorship and guidelines of censors, which were unknown to the public, were written and closely monitored by the Communist Party. One of these guidelines was revealed, when a Polish censor, Tomasz Stryzewski, defected in 1977 taking with him 600 pages about Polish censorship (Lendvai, 1981). These documents are good examples of the high level of control on media content. Apart from the obvious political subjects and taboos the guidelines were also restrictive about media reportage and portrayal of
economic, health and social issues including religious matters, nationalism and socio-economic conditions. Lendvai lists some examples from the Polish document, which may give a flavour of the directives:

"Information about the endangering of life and health of human beings caused through chemicals used in industry and farming have to be deleted.
No reference concerning the sale of meat by Poland to the Soviet Union is allowed.
No information, written in an approving, tolerant, understanding tone about hippies in Poland may be published. Only unequivocally critical references are allowed.
No information should be published about the annual coffee consumption in our country, in order to eliminate all possibilities of calculating the amount of coffee that is exported.
All criticism of income and social policies, including wage claims, is forbidden. This also refers to social services such as pensions, grants, leaves of absence, health care, etc." (Lendvai, 1981, p116-117).

As a result of the emphasised educational and propaganda roles of the media not only political and information content was closely watched, but that of entertainment as well. The authorities were keen to protect the readers from the 'filth' of capitalism and capitalist consumer society. Thus, for example, publishers were restricted from publishing books in areas such as horror, occult or pornography, and sensational content was limited in newspapers and magazines. Kováts (in Giorgi et al, 1995, p20) estimates that in Hungary only 14 percent of the total circulation of periodicals was dedicated to cultural and entertainment content in 1968, while 77 percent to general information and politics.24

Censorship was centrally organised. The main body was usually a Ministerial office especially set up for this purpose. In Poland the Office for Control of the Press, Publications and Performances was established in 1946 (Sawicz, 1990). In Czechoslovakia the Chief Administration of Press Supervision was set up in 1953, which was later revamped as the Office for Press and Information (Giorgi et al, 1995, p151). In Hungary the Council of Press Publishing carried out media content control until 1969, when it was reorganised and renamed as the Information Office (Prédá, 1982; Giorgi et al, 1995, p19).25 The Communist

---

24 By the mid 1960s the percentages changed somewhat. In 1986 periodicals with general information and political themes gave 74 percent of the total circulation, while cultural and entertainment titles 17 percent (Giorgi et al, 1995, p20).

25 The censorship offices in the three countries were responsible for day-to-day control over the press, they implemented press regulations and appointed the editors-in-chief of major dailies. Prédá (1982, p25) lists the functions of the Hungarian Information Office, which were similar to those of the respective Departments in the other two countries, as follows: the organisation of state propaganda; news and information provision of the press; organising press conferences and representation; legal regulation of press activities; protection of state secrets; arrangement of paper provision for the press; exercise price control; personnel matters; granting licences; granting permissions for distribution; supervision over the Hungarian News Agency and the main publishing houses; supervision over the Association of Hungarian Journalists.
Parties in the three countries had a section dedicated to agitation and propaganda, which was also an important body in the direct supervision of the most popular media forms such as national newspapers and television. Censorship in the book sectors was carried out by different Ministerial organisations. Within the Ministry of Culture a Book Directorate was responsible for the content control of books. This directorate controlled the prices in the book markets, divided the state subsidy among publishers, approved yearly plans of publishers, gave permission to launch new publishing houses and directed the foreign trade of books (Gulyás, 1996).

Self-censorship was also an effective form of content control in the communist media system. Journalists and editors rarely submitted a piece, which was critical or did not comply with aims of the communist authorities, because of fear of persecution and imprisonment. Kende describes the working of self-censorship:

"This is the first and most important facet of censorship: the consciousness of journalists and editors. ... A cultural official even with minimum experience knows which style or message, what words or types of arguments, specific references or hidden implications he is free to tolerate without any problem, and which, on the other hand, are those on which he must at least engage in some "consultations" (cited in Lendvai, 1981).

The contents of newspapers were also regulated by controlling news sources. An important aspect of news censorship was the direct control over the national news agencies. The Hungarian News Agency (Magyar Távirati Iroda), the Czecho-Slovak Press Agency (Ceskoslovenská Tisková Kancelária) and the Polish News Agency (Polska Agencja Prasowa) regulated, rationed and filtered news to papers and magazines (Lendvai, 1981). Other forms of news-management included regular briefings of editors by the agitation and propaganda section of the Communist Party and direct control over the appointments of key posts in the media. Several authors describe the practice where the appointment of a journalist to a position of any political significance was discussed and decided by party authorities (see, for example, Gállik and Dénès, 1992; Giorgi et al, 1995; Splichal, 1994; Martin and Chaudhary, 1983; Lendvai, 1981; Bozóki, 1995).

Further forms of media control included certain economic and operational practices such as restricted access to production facilities and materials, central planning of production and distribution, central control of prices and politically
decided state subsidies.\textsuperscript{26} Ambiguity of ownership of many titles also played a part in the supervision over the sector (Gálik and Jakab, 1991; Jakab, 1989). The owner of a number of periodicals, especially newspapers, was not the company which published it, but a political or social organisation which was supposedly the founder of the title, although many times they had little to do with the actual production of it.

Forms of media control were modified in the various phases of the communist media system in the three East Central European countries. Especially in Hungary and Poland the authorities relied more and more on informal methods to control the media during the 1980s, while formal methods started to lose their severity (Kováts and Whiting, 1995, p 99; Bozóki, 1995). Bozóki (1995, p104 and 198) comments that by the middle of the decade media control moved from 'normative regulation towards ad hoc interference', and that censorship worked through different 'screening systems, rather than through a separate censorship office with a uniform pattern'. Bart (1991, p113) argues that in Hungary by the mid 1980s the censorship authority no longer read every book manuscripts, but reserved the right to do so if something aroused suspicion. The greater use of informal methods meant more flexibility and somewhat more freedom for the print media. However, it also meant more confusion, when the various informal control methods and decisions of different authorities contradicted each other.

The effects of a highly controlled print media, in which political and education roles took prominence, on audiences in communist societies are not easy to evaluate. First, the question leads to a wider theoretical debate within media studies on the effects of mass media which is far from settled.\textsuperscript{27} Second, since media research was restrained in communist countries, there are limited reliable findings to make valuable evaluation. On one hand communist authorities were successful in withholding and bending information and news.\textsuperscript{28} The authorities also influenced how the population spent their spare-time, what they read and

\textsuperscript{26} For more details see section on Economics of Communist Media.
\textsuperscript{27} The issue became one of the key questions of media studies. Different theories emerged on the effects and power of the media on audiences. These include the Hypodermic Effect model, the Uses and Gratification theory, the Cultivation theory and the Reception theory.
\textsuperscript{28} Terestyényi, for example, refers to an international comparative content analysis from the early 1980s, which revealed the use of misrepresentation and misinformation in the Hungarian media. According to this survey news programmes on Hungarian television 'presented the Western countries through images of conflicts, tensions and crises, while Hungary appeared on the screen as a peaceful and conflict-free country (Terestyényi, 1990, p407).
watched for entertainment. On the other hand, however it is questionable how effective media outlets were as ideological institutions, and to what extent people were 'brainwashed'. Although misinformed large parts of the population did know they were manipulated. Many of them, in alliance with journalists, learnt how to read 'between the lines'. The effectiveness of the system was further lessened by the developments in communication technologies. Many authors point out the significance of new technologies, such as satellites, in providing alternative sources for information and entertainment (see, for example, Szecskö, 1986; Terestyényi, 1990; Giorgi et al, 1995; Splichal, 1994).

4.2.3 Underground media

The unofficial media sector was a special feature of the three countries' media systems from the mid 1970s to the end of the 1980s. The sector managed to evade the official media control with different levels of success. The role of the underground media was significant because it provided an alternative source of information and forum for public discussion. Social scientists in the region also referred to the arena the unofficial media created as a 'second publicity' or 'parallel communication system' (see, for example, Giorgi, 1995; Jakubowicz, 1990; Kováts, 1995/a; Skilling, 1989).

The term samizdat emerged in the Soviet Union in the late 1950s, when a Moscow poet described the bound, typewritten publication of his poems, 'Samsebyaizdat', i.e., 'publishing house for oneself' (Skilling, 1989, p4). The expression gradually acquired a broader meaning. It became widely used throughout the communist world describing a publication that had no permission from the authorities and was published and distributed illegally. The size and accessibility of the underground media sector varied in the three countries. During the 1980s Poland had the strongest underground media activity, which reached a large proportion of the public. In Czechoslovakia and Hungary samizdat publications were also significant, however they were mainly read by the intelligentsia, and a smaller part of the general population had regular access to them.

In Poland samizdat activity started in 1976, when the KOR (Committee for the Defence of Workers) was established, which aimed to help persecuted workers who participated in the demonstrations against the government's economic
policy and price increases (Goban-Klas, 1994; Sawicz, 1990; Skilling, 1989). The beginning of the underground press was the publication of the first issue of Komunikat KOR in September 1976. This was followed by other periodicals such as the biweekly Robotnik (Worker), Bratniak (Fraternity), a student periodical, Puls (Pulse), a literary journal, Gospodarz and a farmers’ monthly. Between 1976 and 1980 over one hundred underground periodicals emerged (Goban-Klas, 1994).

By 1981 Solidarity, which was the main force behind the opposition movement, had several dozen regional weeklies, regional periodicals, factory bulletins and even two news agencies (Jakubowicz, 1990, p340). During the months of political reforms samizdat activities were tolerated and official media control was relaxed. The introduction of martial law in December 1981 ended this. Underground media, however, remerged stronger than before during the 1980s. In 1982 there were already 140 different samizdat periodical publications, and by 1983 the number increased to at least 700 titles (Goban-Klas, 1994, p188). Underground publishing houses were established or relaunched such as NOWA, Glos (The Voice), CDN and Sisyphus Press. By the mid 1980s underground media flourished with regular titles, a wide range of periodicals addressing different social and professional groups and the publications of hundreds of books. The Catholic Church, which traditionally had been an important force in Polish society, also played a role in underground publishing. Sabbat-Swidlicka (1992, p48) notes that during most of the 1980s practically every curia published its own weekly, and the Church-sponsored Catholic press provided a certain degree of independent journalism.

Jakubowicz (1990, p339) estimates that from 1981 to 1989 a total of 2077 samizdat titles were published among them periodicals with circulation of 50-80,000. Kostecki (1991, p196) reckons that in 1986 there were 400 underground publishers, which produced 3,800 book titles in copies between hundreds and 7,000. Sabbat-Swidlicka (1992, p47) argues that by the second part of the 1980s underground media was acknowledged by all sides as a ‘valid source of information and a major vehicle of culture’.

In Hungary underground media activities started in the late 1970s, but they never achieved as high circulation and penetration as in Poland. In the mid 1980s there
were hundreds of one-off publications and around 30 regular samizdat periodical
titles such as Beszelő, Hirmondó, Demokrata, Hiány, Tűlélés (Kókay, 1991).
Wilson (1992, p139) argues that samizdat in Hungary during the 1980s was
'regarded as a form of small, private enterprise, tolerated but denied access to
the larger marketplace controlled by the Party'. One of the main reasons why
underground media were less significant in Hungary than in Poland was that
legally published journals were also able to carry critical articles increasingly so
during the second part of the 1980s. In particular small specialist journals with
low circulation were not severely censored.

In Czechoslovakia underground media activities started with the establishment of
Charter 77, the human rights movement. By the mid 1980s there were a dozen
of journals, although most of them were irregular and/or disappeared after a
couple of issues. These included Obsah, Kriticky sbornik, Stredni Evropa,
Informace o Charite (Goetz-Stankiewicz, 1992, pxviii). There were also some
book series with a few hundred titles from small intellectual groups such as
Edice Expedice under the editorship of Vaclav Havel. Publication and circulation
figures, however, were much lower than in Poland or Hungary. Wilson (1992,
p140) argues that compared to those two countries samizdat in Czechoslovakia
was small, circumscribed, more intellectually centred and focused on literature,
while somewhat neglecting political and economic debates.

Underground publications usually covered subjects which were taboo in the
official media world. Given their characteristics they did not provide daily news
information and did not aim to cater for entertainment. Jakubowicz (1990, p340)
estimates that 60 percent of Polish samizdat books dealt with social and political
issues, 25 percent with historical subjects and 15 percent with literature. During
the 1980s foreign broadcasts also played an increasingly important role in
providing media content uncensored by the communist authorities. By the
second part of the decade jamming of foreign broadcasts also became less of a
habit of the authorities in Hungary and Poland.

To illustrate the importance of alternative media Skilling (1989) cites what he
calls 'a remarkable public poll' conducted by sociologists in Czechoslovakia in
the mid 1980s. According to this poll 51 percent of respondents listened to
foreign broadcasting regularly, 38 percent occasionally and only 9.6 percent
never did (Skilling, 1989, p93). In Hungary it is estimated that 20-22 percent of the population listened to Western radio stations during the second part of the 1980s (Giorgi et al, 1995, p25). In Poland underground publishers had circa 100,000 regular and up to 250,000 occasional readers (Kostecki, 1991, p196). Despite the obvious difficulties and pitfalls of such statistics, they do suggest that the use of alternative media was widespread in East Central Europe during the 1980s.

4.3 Economics of communist print media

"There is no unemployment, but nobody works. Nobody works, but the plan is fulfilled. The plan is fulfilled, but there is nothing to buy. There is nothing to buy, but you can find anything. You can find anything, but everybody steals. Everybody steals, but nothing has been stolen. Nothing has been stolen, but it is impossible to work. It is impossible to work, but there is no unemployment."


It was noted in the Literature Review that the economic characteristics of the communist media system are usually perceived to be relatively 'simple', determined by political aims and controlled closely by the authorities. Characteristics of media markets always correspond to features of the economic system. Arguably then theories on economic systems are applicable to media sectors. János Kornai developed one of the most prominent theories on the communist economic system. According to Kornai (1993) the main mechanism which dominates the economy in the communist system is bureaucratic coordination. This makes it distinctly different from other economic systems, in which market coordination, ethical coordination, community and family coordination play important/dominant roles in the operation of the economy. In the communist system these other mechanisms are present, but their roles are far less significant than that of bureaucratic coordination. Table 4.2 illustrates how Kornai sees the roles of bureaucratic and market coordination in the input-output flow between social sectors.  

29 Although state-owned companies and cooperatives dominated the economies of communist countries, some sort of private sector did exist. The importance of the private sector varied from country to country and from period to period during the communist era. Hungary and Poland were characterised by relatively large and active private sectors by the mid 1980s, which were also referred to as the countries' second economy. Kornai distinguishes between formal and informal private sectors. By the latter one he means the production of goods or services by individuals for

75
Table 4.2 - The input-output flow between social sectors - the role of bureaucratic and market coordination in Kornai’s theory

<table>
<thead>
<tr>
<th>supplier sectors</th>
<th>state-owned companies</th>
<th>cooperatives</th>
<th>formal private sector</th>
<th>informal private sector</th>
<th>households</th>
</tr>
</thead>
<tbody>
<tr>
<td>state-owned companies</td>
<td>B</td>
<td>-</td>
<td>B + M</td>
<td>0</td>
<td>B + M</td>
</tr>
<tr>
<td>cooperatives</td>
<td>-</td>
<td>B</td>
<td>B + M</td>
<td>0</td>
<td>B + M</td>
</tr>
<tr>
<td>formal private sector</td>
<td>0</td>
<td>0</td>
<td>M</td>
<td>M</td>
<td>M*</td>
</tr>
<tr>
<td>informal private sector</td>
<td>0</td>
<td>0</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>households²</td>
<td>B + M</td>
<td>B + M</td>
<td>0</td>
<td>M</td>
<td>0</td>
</tr>
</tbody>
</table>

(1) households as the buyers of consumer goods and services
(2) households as the sellers of labour force
(3) with bureaucratic intervention
(4) with bureaucratic intervention

Source: based on Kornai, 1993, p132, Table 3.1.

Notes: B = bureaucratic coordination, M = market coordination, 0 = no transactions. The grey areas represent those, which are applicable to the print media sectors. Modification of the theory is felt needed in the darker shaded areas.

The application of Kornai’s framework shows that print media sectors were determined by bureaucratic coordination. Private ownership and supply were not allowed in media markets for political reasons, thus formal private sector did not exist. Underground media arguably could count as an informal private sector. However, there market coordination did not play a dominant role, as the main aim of production was not financial gain. Hence beside market mechanism community, ethical and social coordination should be added in the areas represented in darker grey shade in Table 4.2. In most areas, nevertheless, bureaucratic coordination was the dominant mechanism, where centralised planning and control were important elements. Communist authorities determined most aspects of media production, distribution and market developments. It also meant that market indexes such as costs and prices did not carry ‘real’ market information (Gálik et al, 1990, p282). Transactions between state-owned companies and/or cooperatives in print media markets were determined by bureaucratic coordination. Paper, printing and distribution capacities were rationed and their costs fixed by the authorities.³⁰ The allocation

---

³⁰ There were some changes in the extent of which prices were fixed. In Hungary, for example, as a result of the economic reforms certain prices were partly ‘freed’ during the 1970s and 1980s. Fixed prices for printing was abolished in 1979, which created some space for financial manoeuvres for the companies involved (Préda, 1992). In the same year book prices in certain categories were also freed (Kulcsár, 1991), which meant increased financial responsibility and manoeuvre for companies.
of resources was decided not on the basis of economic performance of a given publishing house, but on its political position and the political importance of its products. Kowalski (1988) is right to argue that the rationing of paper and printing capacity was more of a system of granting privileges than as an aid towards efficient publishing.

The relation between state-owned media companies and cooperatives as suppliers and household as buyers was somewhat different as the transactions between them were determined by both bureaucratic and market forces. Although the former one was in many cases the dominant one, print media companies did have to respond to consumer trends to a certain extent, and consumers did have to pay a price for their products. Nevertheless, administrative price control was in most cases the deciding factor. The costs of print media products were classified as 'fixed-price commodities', and for political reasons they were kept low and did not reflect the 'real' costs of production and distribution. Books, newspapers and other periodicals were cheap relative both to wages and to other consumer products. Prices were low in order to make these products accessible to everyone, so the political, social and cultural messages of the authorities were disseminated to the largest possible audience. The price policy differentiated between categories of print media products prioritising educationally and ideologically important areas, thus, for example, textbooks and children books were much cheaper than other types of books.

As a result of the rationale and mechanisms of communist media economics advertising played an insignificant role in the print media of the three East Central European countries. Although newspapers and magazines carried some advertisements, these were mainly classified ads, and revenues from advertising were not substantial in the finances of companies. There were some changes in the importance of advertising during the various phases of the communist system and between the three countries. At the early stages of the communist era advertising played a miniscule role, and did not impact the finances of media companies at all. By the mid 1980s the role of advertising increased, especially in Hungary and Poland, as a result of economic and political reforms. Nevertheless, it never assumed a significant role. Even in Hungary during the second part of the 1980s only 10 percent of the revenues of national dailies came from advertising (Jakab, 1990, p263).
The technological levels of media production lagged behind Western standards as a result of the characteristics of communist media economics and the economic systems in general. Terestyényi (1990, p406) points out that distorted development policies ignored the needs of communication infrastructure and media development. In the print media quality of paper, binding and colouring was low as there was no emphasis on such issues in production and investment strategies. As a result of the distinctive features of communist media economics the operation and business pressures of companies were markedly different from those in market-led media systems. Table 4.3 summarises the main differences in the short-term behaviour of companies in the two systems.

Table 4.3 - Short-term behaviour of companies in market-led and communist systems

<table>
<thead>
<tr>
<th></th>
<th>private company in market-led economic system</th>
<th>state-owned company in communist economic system</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest, aims of production</strong></td>
<td>Mainly to increase profit and survive in the market</td>
<td>Mainly the recognition of the authorities; most important criteria is to fulfil central orders and plans</td>
</tr>
<tr>
<td><strong>Market entry and exit</strong></td>
<td>Decided in the market; free entry; business failure leads to market exit</td>
<td>Bureaucracy decides about every entry and exit</td>
</tr>
<tr>
<td><strong>Budget limits</strong></td>
<td>firm</td>
<td>soft</td>
</tr>
<tr>
<td><strong>Price sensitiveness</strong></td>
<td>strong</td>
<td>weak</td>
</tr>
<tr>
<td><strong>Price fixing</strong></td>
<td>Price decided by the company, subject to market conditions</td>
<td>Price decided by the authorities, but the company can influence it</td>
</tr>
<tr>
<td><strong>Demand</strong></td>
<td>uncertain for the company; depends on market conditions</td>
<td>certain for the company</td>
</tr>
<tr>
<td><strong>Supply</strong></td>
<td>Wishes to sell as much as possible of its products; tends to oversupply and excess capacity</td>
<td>Does not wish to sell more than agreed in plan; no oversupply and excess capacity</td>
</tr>
<tr>
<td><strong>Acquisitions of inputs</strong></td>
<td>restricted</td>
<td>tends to oversubscribe</td>
</tr>
</tbody>
</table>

Source: based on Kornai, 1993, Table 12.1, p290.

Table 4.3 illustrates that most aspects of business operation of companies were determined or influenced by the authorities in the communist system. Gálik (1995, p3) lists parameters which were prescribed by the authorities and 'managers' of companies had no decision about them: the amount of newsprint available, the average number of printed copies, the price of a copy, the highest possible proportion of unsold copies, the tariff of distribution per copy and the total amount of salaries. An important aspect of communist media economics was the central control of the finances of companies. Media firms financed their operation from the sales of their products and subsidies from the state. State support was decided by the political and cultural importance of the given company or title. This is reflected in the slogan of communist cultural policies of
the late 1970s and 1980s in Hungary: 'Prohibit, Tolerate, Support'. The policies differentiated between those three categories of cultural products, according to which control and censorship were exercised and support was given (Bozóki, 1995).

Print media production was not a lucrative business in communist East Central Europe. Milkovich (1981, p19) and Villányi (1985, p101) reckon that 90 percent of book titles in Hungary were published with different degree of state subsidies during the late 1970s and the 1980s. Préda (1982) argues that in the early 1980s only 9.4 percent of the press titles in Hungary were profitable. Communist authorities provided substantial financial support to print media businesses in the three countries, however if there was any 'profit' it was removed. Finances of whole industries were organised in a redistribution system, where financially successful firms cross-subsidised loss-making companies. Cross-subsidising also worked within companies, whereby losses of titles were covered with surplus of other titles. The system ensured that the finances of media companies were secured, and firms did not have to worry about market risk, profit and bankruptcy. As financial security was provided there were no real incentives for companies to be profitable or improve their financial performance. Communist print media companies did not have to deal with related business activities such as marketing, promotion and distribution either. In the book sectors, for example, there was a national wholesaler in a monopolistic position, which took care of delivery, stocking and selling of books, while publishing houses did not have to organise those aspects of the business.

A significant point in Kornai's theoretical work on the communist economic system is the emphasis of the importance of bargaining. Although bureaucratic coordination was the main mechanism, it would be a mistake to assume that media companies were completely impotent organisations. They could in fact influence the success of the firm to an extent - both on paper and in terms of workload and work satisfaction for the employees -, its prestige and long-term development. The most important factor in this was the ability of managers in bargaining. To receive paper and printing allocations from the authorities was one thing, the amount and quality of these depended on the bargaining position of the company. To improve their bargaining position companies often did not tell the entire truth to the authorities about their capacities, input or resource
requirements (Kornai, 1993; Kowalski, 1988; Villányi, 1985). Many of the firms tended to paint a somewhat bleaker picture about their finances, and did everything to achieve a production level which was neither too low nor too high for the plans.\(^{31}\)

Gradual economic and political reforms, especially in Hungary and Poland, did have some effects on the business and market features of print media sectors. Hence media economics varied somewhat in different phases of the communist media system in the three countries. In Poland publishing houses and press titles became more financially accountable following the economic reforms during 1980s (Kowalski, 1988; Goban-Klas, 1994). In Hungary as a result of the economic reforms, driven in different gears since 1968, print media companies became quasi-enterprises by the mid 1980s with more financial responsibilities. These changes could be detected, for example, in the increase in the number of titles attracting popular demand. Companies, for example, launched new magazines in order to increase their revenues and be able to cross-subsidise loss-making titles (Kováts and Whiting, 1995, p101). However, despite some changes Gálik and Jakab (1991, p2) are right to point out that economic reforms were never fully applied in the print media, because of the political and cultural important of the sector.

General economic problems, which were increasingly apparent in Hungary and Poland during the 1980s, affected communist media economics and the development of print media markets. There were years when austerity programmes had to be implemented, which impacted the print media sectors in terms of state support. Subsidies decreased in some years, and prices of print media products increased. Goban-Klas (1994) comments that in Poland the price of daily newspapers increased by about 20 times between 1978 and 1988, while the average salary rose about 8 times. The authorities tried to be protective of the low level of print media prices. Milkovich (1981, p9) notes that in Hungary while the average consumer goods price index increased 3-8 percent annually during the 1970s, the book price index grew by 1-3 percent.

\(^{31}\) Kornai refers to this economic behaviour as 'ratchet-effect', which means that as a result of the built-in mechanisms of the communist economic and political system the central plan could only be fulfilled, and the next plan could only be increased (Kornai, 1993).
4.4 Structure of Communist Print Media Markets

Similar to other aspects of communist print media sectors, market structures were determined by bureaucratic coordination and were developed according to the aims of the authorities. The main structural features of communist print media markets included high levels of concentration, limited competition, state ownership, lack of vertical integration and central planning of market entry. These structural features were used as control mechanisms over the media. Print media production and distribution were carried out by huge state-owned companies, which enjoyed a monopoly in their field. This made political and financial control easier and more effective.

In Poland a giant concern RWS Prasa-Ksiazka-Ruch (Robotnicza Spółdzielnia Wydawnicza Prasa-Ksiazka-Ruch; The Workers' Publishing Cooperative Press-Book-Movement) dominated the print media sectors throughout the communist era. The newspaper and periodical publishing section of the concern RSW Prasa was set up in 1947, and initially published eight dailies and four magazines. RSW Prasa was a cooperative with about one thousand shares, of which the majority was owned by the Communist Party, a few by senior Party leaders, and later a minority of shares was given to Party-controlled youth and women organisations (Goban-Klas, 1994, p65; Sawicz, 1990, p391). The distribution section of the concern Ruch (Movement) was established in 1949 from the reorganisation and nationalisation of a pre-war distribution company, and was given complete monopoly in print media distribution. RWS Prasa-Ksiazka-Ruch was created in 1973 from the merger of RWS Prasa, Ruch and the main book publishing house Ksiazka I Wiedza. Hence the giant concern dominated press, periodical and book publishing as well as their distribution. RWS Prasa-Ksiazka-Ruch included 22 publishing houses, 17 printing houses, 2 press photo agencies, nearly 35,000 newspaper selling kiosks, several press clubs, the foreign trade agency for the print media, Ars Polona and two media research institutions (Giorgi, 1995, p99). In 1988 the concern published 74.6 percent of the newspaper titles and 51.5 percent of the weekly titles, while giving 85.2 percent of the total circulation of newspapers and 70.1 percent of weeklies (Polish Publishing in Figures, 1990).

---

32 Polish statistics define newspaper as a periodical published 2-6 times a week.
There were also a few other publishing houses alongside the huge concern. The other two legal political parties beside the Communist Party, the People’s Party and the Democratic Party had their own publishing houses. However, their production was insignificant compared to RWS Prasa-Ksiazka-Ruch. Prasa ZSL owned by the People’s Party controlled a mere 1.3 percent of press titles and 2.3 of circulation in the 1980s, while the Democratic Party’s Epoka owned 1.6 percent of press titles and 2.5 percent of circulation (Kowalski, 1988, p187). Another publishing house was Pax, the Catholic publishing house, which with 2.7 percent of the press titles and 0.8 percent of the circulation was small. Trade Unions also had their own publishing houses, they published 2.6 percent of the press titles with 1.8 percent of the circulation (Kowalski, 1988, p187).

In Czechoslovakia print media companies and markets were controlled separately in the Czech lands and Slovakia. In the former there were a few state-owned firms which dominated press and periodical publishing. The largest publishing house was Rudé Právo, which published, among others, half of the total circulation of national dailies and most of the regional press during the 1970s and 1980s (Giorgi et al, 1995). Other publishing houses included Mladá Fronta, Práce and Melantrich. The national dailies were owned by the Communist Party, the parties of the National Front – the Socialist Party and the Czechoslovak People’s Party – and some of the main social organisations such as the Socialist Union of Youth and the Revolutionary Trade Union.

In Hungary four large state-owned companies dominated press and periodical publishing. These were Hírlapkiadó, Pallas (the Communist Party’s publishing house), Ifjusági (the Communist Youth Association’s publishing house) and Népszava (the Workers’ Union’s publishing house). During the second part of the 1980s the four companies together published all dailies, 96 percent of the weeklies, 77.9 percent of the monthlies (Jakab and Gálik, 1991), and 65 percent of all periodicals with 96 percent of total circulation (Giorgi et al, 1995, p19). There was no competition between the four publishing houses as each specialised in certain sectors. Hírlapkiadó was the largest of the four, controlling most of the national dailies, all of the regional dailies and the majority of weeklies and biweeklies. Pallas ran most of the specialist journals and the largest number of monthlies. Ifjusági operated one national daily and a large number of monthlies targeting children and young audiences. Népszava was the smallest of
the four controlling one national daily and some monthlies. Beside the large four publishing houses there were other publishers, such as those of various social movements and churches, however their importance in the overall press and magazine output was very low.

The dominance of a few companies in the press and periodical sectors of the three countries suggest that the markets were highly concentrated. This concentration, however, evolved as a result of bureaucratic coordination and political control, and had little to do with market competition and forces. It is difficult to provide meaningful concentration figures used in Western media economics for communist print media markets, given the complicated ownership structure and other features of the system. To illustrate the high level of concentration one could calculate the share of the largest press publishing company. In Poland RWS Prasa-Ksiazka-Ruch provided 85.2 percent of the total circulation of national daily newspapers in 1988, in Hungary Hirlapkiadó controlled 55.6 of the same segment, while in Czechoslovakia Rude Pravo controlled around 50 percent. Poland seems to have had more concentrated print media sectors than the other two countries. Reasons for this included the specific policies of the individual communist regimes, political developments, certain historical legacies and press traditions.

Similar to the press, the book markets of the three countries were also concentrated throughout the communist era. Although there were more publishing houses than in the press markets, there was no competition between them as each specialised in certain market segments and had a monopoly in those areas. In Poland circa thirty publishing houses were responsible for most of the country's book production during the 1950s and 1960s, while by the mid 1980s their number increased to about 50 (Bieńkowska and Chameska, 1990, p31; Kostecki, 1991, p196; Karpowicz, 1997). RWS Prasa-Ksiazka-Ruch also dominated the book sector of Poland as several large book firms belonged to the giant concern. In Hungary during the 1960s 19 large state-owned publishing houses brought out most of the books, and their number increased to 24 by the early 1980s (Villányi, 1985; Zöld, 1987). Mándi (1986) notes that the 24 publishers published 86 percent of the total book copies output and 45 percent of the total book title production in 1986. In Czechoslovakia during the 1980s there were 35 publishing houses in the Czech lands and 19 in the Slovak lands.
Republic, however this number included not just the large state-owned publishing houses, but the publishing enterprises of different social organisations as well (Ryznar and Murlin, 1989, p43).

Many local governments, trade unions, women, youth and religious organisations also published books. However their production constituted only a small percentage of the total market output. The large state-owned publishing houses were prioritised in terms of finance, paper and other material allocations. Milkovich (1981, p3) found that 83.7 percent of the total state subsidies to the Hungarian book industry in 1980 and 1981 was given to the 12 largest publishers directly under the control of the Publishing Directorate of the Ministry of Culture.

Distribution sectors of print media products were even more concentrated than production, which acted as yet another control mechanism over the media. In press and periodical publishing the National Post distributed the titles in Hungary and Czechoslovakia, while in Poland one section of the giant RWS Prasa-Ksiazka-Ruch was the main press distributor. Bieńkowska and Chamerska (1990, p40) estimate that the latter managed over 20,000 kiosks all over Poland. In the book sectors distribution was also highly concentrated. In Hungary Könyvértékesítő Vállalat (Book Selling Enterprise) was the only wholesaler of books, and it also acted as a retailer for libraries. There were two retailing companies, the Állami Könyvterjesztő Vállalat (State Book Distribution Enterprise), which sold books in Budapest, and the Művelt Nép Könyvterjesztő Vállalat (Cultured People's Book Distribution Enterprise), which operated bookshops in the provinces. In Poland the only wholesaler was Skladnica Księgarska, while retailing was carried out by Dom Książki (House of the Book), which also had a monopoly. During the 1980s the retail network of Dom Książki comprised of some 3,000 bookstores, and the company conducted about 90 percent of the Polish book trade (Majeriwicz, 1997, p304; Bieńkowska and Chamerska, 1990, p40). In the Czech lands book distribution was operated by Kníha Hlavního Mesta (National Book Enterprise), which had a monopoly in wholesaling, and controlled and supplied eight retail chains with 800 bookstores serving different regions of the country (IBD Report 1992).
Communist print media sectors were not only concentrated but segmented as well, which further limited competition between companies and titles. In magazine publishing, for example, most titles targeted specific groups, such as young people, women, pensioners, certain industrial groups and the like, and there was no other titles with similar target audience. Similarly, in the book markets publishing houses were specialised. There was, for example, one publisher for children books, one for medical books, one for contemporary literature, one for textbooks and so on. In the national daily newspaper markets the title of the Communist Party dominated. In the Czech lands Rudé Právo (Red Light), in Hungary Népszabadság (People's Freedom) and in Poland Trybuna Ludu (People’s Tribune) were the leading newspapers throughout the communist period. They were the most influential newspapers with far the highest circulation figures, and which always received priority in subsidies and supports. Apart from the organ of the Communist Party there was a national daily of the government, one owned by the National Front, one by the Trade Union and a few owned by other major social organisations. In the regional press markets there was one title for each county, which was controlled by the regional committees of the Communist Party. The structure and content of newspapers were alike, and they provided similar information and news.

Communist daily newspaper markets did not have popular titles similar to those, which dominated Western markets mainly because of the different roles of the media. The closest thing to a popular press in the three countries during the communist era were evening papers such as the Esti Hirlap in Hungary, Vecerní Praha in Czechoslovakia and Kurier Polski in Poland. The content of these titles was similar to other dailies, however the articles were shorter, and they contained more human interest stories. East Central Europeans could also try to 'escape' the official press line by reading a sports daily, which was published in each of the three countries. The development of these titles, however, was closely controlled and their circulation was not allowed to surpass any major title.

---

33 Circulation of Rudé Právo was 900,000 during the early 1980s, that of Népszabadság 750,000, and that of Trybuna Ludu around 1 million (Lendvai, 1981). In 1988 Ruda Pravo had a circulation of 1,132,000, followed by Slobodni Slovo with half million circulation and Zemedelskei Noviny with 385,000 copies (Giorgi et al, 1995). In Hungary Népszabadság was published 720-750 thousands copies during the second part of the 1980s, while the second largest daily Népszava had a circulation between 300-350 thousands.
There were some changes in the segmentation and concentration of the print media markets in the three countries during the various phases of the communist system. However, these changes were limited and the main structural features remained throughout the period. An interesting structural feature of the communist print media markets was the lack of vertical integration. Publishing houses were not permitted to own printing facilities or distribution networks. Gälik (1995, p2) points out that this was a further mechanism in media control. Poland was a somewhat different case in this respect, because the different industrial stages were connected in the giant concern RWS Prasa-Ksiazka-Ruch. However, the units within the concern were carefully separated, thus individual or uncontrolled actions were not possible to carry out.

4.5 Development of Communist Print Media Markets

How print media sectors developed in the three countries was influenced by the distinctive features of their media systems such as in the functions of the media, structural characteristics of the markets, specific political and economic changes as well as media traditions. In general the sectors expanded in Czechoslovakia, Hungary and Poland during the communist period. Two important aspects of this development are analysed below: the changes in production and in consumption.

4.5.1 Production

After the number of press titles and circulation figures in the three East Central European countries decreased drastically during World War II, print media production expanded significantly in the post-war period. In Poland, for example, there were 53 daily newspapers and 890 press titles in 1948 with more than 1 billion total annual circulations, by 1988 there were more than 3,000 press titles published in 3.3 billion copies (Polish Publishing in Figures, XXXV: 1989). In Hungary at the beginning of the 1950s 334 press titles were published in 475 million copies, by 1988 there were 1855 titles in 1.2 billion copies (KSH, 1996). However, the press sectors did not expand in every aspect or in every year. Figure 4.1, Figure 4.2, Figure 4.3 and Figure 4.4 illustrate the development of the press sectors in the three countries.
In Hungary and Poland the number of press titles increased during the period, especially in the 1980s. In the Czech lands the numbers – provided by the Czechoslovak Statistical Office - for the 1950s are considerably higher than for the 1960s. Possible reasons for this are the different circumstances at the time of the introduction of the communist system in Czechoslovakia and in the other two countries, differences in establishing the communist system in the print media and variations in political developments during the 1950s in the three countries. Another possible reason could be flaws in the statistics. In the rest of the period, between the 1960s and the late 1980s the number of press titles remained at roughly similar levels in the Czech lands, except an increase during the second part of the 1960s.
There were less drastic changes in terms of the number of daily newspapers. As Figure 4.2 illustrates the Polish figures decreased, the Hungarian and Czechoslovak figures increased somewhat during the communist period, but in none of the cases did they change dramatically. It is notable that Czechoslovakia had fewer daily newspapers than the other two countries, which was mainly because of the less developed regional press in the country.

Note: circulation figures are for the whole year.

---

34 The decrease in the number of dailies in Poland was due to the closures of some regional titles during the second part of the 1960s.
Circulation of press titles increased in each of the three cases during the period, however there were differences between the countries. In Poland there was a sharp increase in circulation figures during the second part of the 1960s, while in Hungary and the Czech lands the growth was more gradual. In all three countries the increase for the whole period was quite substantial. In terms of circulation of daily newspapers (Figure 4.4) the expansion was also considerable. There were no differences between the three countries in the increase in circulation figures for daily newspapers, in each case the growth was gradual and for the most part constant throughout the period.

Figure 4.4 - Circulation of daily newspapers in communist East Central Europe (million)


Notes: circulation figures are for the whole year. Polish statistics for the 1980s are missing, because statistics were changed in the country at the beginning of the 1980s. The Statistical Office provided circulation figures for all press titles published 2-6 times a week, figures for only daily newspapers were not available. In 1988 the figure for all press titles published 2-6 times a week was 2234 million.

Reasons for the differences between the three countries in aspects of press production included the specific political and economic developments, the particular media policies of the communist authorities and the variations in the communist media system. It is interesting to consider the impact of political and economic reforms and changes on communist press production. At the time of political unrest such as the 1956 revolution in Hungary, the 1968 reform movement in Czechoslovakia and the political changes of 1980-81 in Poland print media production obviously experienced a set back. Goban-Klas (1994), for

---

35 These impacts are hardly visible in Figures 4.1-4.4, partly because of the time scale, and partly because the Statistical Offices of the three countries did everything they could to hide these effects.
example, argues that in Poland during the martial law all newspapers were curtailed and many were banned.

Economic reforms also impacted upon press production. In Hungary and Poland both the number of press titles and circulation of periodicals increased during the 1980s reflecting the increased choice in the sectors. Especially, there was an expansion in magazines and periodicals with popular interest. Figure 4.5 shows the increase of some of the main press titles in Hungary between 1970 and 1984. It is noticeable that the circulation of popular periodicals, such Nők Lapja (a women’s weekly), Rádió és Tv Újság (the only television guide), Füles (a weekly crossword book), and Családi Lap (a monthly family magazine) increased considerably, while the copy sales of other titles remained at roughly similar levels.

Figure 4.5 - Circulation of selected daily newspapers and magazines in Hungary 1970-1984

Source: various including Köpeczi, 1986; Kökay et al, 1991; and Központi Statisztikai Hivatal, 1990. Note: The first group of titles are national daily newspapers. Esti Hirlap was an evening paper with a relatively more popular content, while Népsport was a sport daily thus did not constitute as a political title. The second group of titles are popular magazines with the exception of Elet és Irodalom which was the leading literary and cultural weekly.

A general feature of communist press sectors was the overemphasised role of national daily newspapers. Figure 4.6 and 4.7 illustrate the development of different press titles in Hungary in relation to each other. The overemphasised role of daily newspapers was maintained throughout the period. However, it is noticeable that weeklies and monthlies increased their shares by the second part of the 1980s as a result of the gradual changes in the media system and the economic reforms in the country.

*The prioritised positions of the national dailies, especially those of the Communist Parties’ titles, were mentioned above.*
The relation between national and regional daily newspapers also changed. While national titles kept their prominence, the regional press developed significantly in Poland and Hungary during the period. In Hungary the circulation of the regional press was 429,155 in 1960, which increased to 780,404 by 1970 (Szecskő and Fodor, 1973, p47). In 1970 the share of national dailies in the total circulation of dailies was 70 percent, by 1980 this decreased to 58 percent and by 1985 to 52 percent (Gulyás, 1995, p8). In Czechoslovakia, where economic reforms were more limited during the 1970s and 1980s, the relations between various press titles did not change that much as in the other two countries. Figure 4.8 compares the composition of press titles and their circulations in the Czech parts of Czechoslovakia and Hungary. While the size of the population was similar in the two cases, there was more choice in the Hungarian press market, but the circulation figures for dailies were higher in the Czech lands.
Similar to the press sectors, the book markets of the three countries expanded considerably during the decades of communist rule. Figure 4.9 and 4.10 illustrate the development of the book markets. The number of published book titles increased in Poland and Hungary during the 1970s, but decreased during the second part of the 1980s as a result of economic and political changes. In the Czech lands the number of book titles remained at comparable levels between the 1960s and the late 1980s.

The number of published book copies fluctuated more (see Figure 4.10). In the Czech lands book copies increased gradually after a slump during the second part of the 1950s. In Poland following a drop in the early 1960s the number of published book copies grew considerably, especially during the 1980s. In Hungary book copies increased continuously and expanded particularly during
the 1970s. The expansion stopped by the mid 1980s probably as a result of general economic problems in the country.

**Figure 4.10 - Number of published book copies in communist East Central Europe**

![Graph showing number of published book copies in communist East Central Europe](image)


The expansion of print media sectors in the three countries was secured by general economic development of the communist era as a whole, increasing living standards, specific features of the communist media system, relatively high levels of subsidies and a strong press and book culture. The development of print media sectors was determined by central plans and increase in production was subsidised by the state. In fact state supports were important factors in the rate of growth. The size of subsidies varied during the period in the three countries depending on prevailing ideological pressures and political, economic situations. Figure 4.11 shows state subsidies to the book industry in Hungary between 1970 and 1979. The figure lacks precision, since inflation is not taken into account in the calculation and only those financial aids are included which were given to publishing houses under the control of the Ministry of Culture. Despite the shortcomings it does illustrate that the trend was of increasing subsidies to the book industry with fluctuations, which corresponded with the growth in the numbers of published book titles and copies.

37 These houses, however, published 85-90 percent of all printed books (Milkovich, 1981).
The emphasised educational and political roles of the print media can be depicted from print media content. During the Stalinist period, for example, huge quantities of political brochures and Soviet books were published, while Western translations were neglected. In general compared to market-led media systems the percentage of non-fiction and scientific titles was higher in communist countries. In Hungary in 1970 59.7 percent of the titles were scientific and non-fiction books, while 14 percent were fiction (KSH, 1996). In terms of published copies the percentages translated to 23.2 percent for fiction titles and 33.4 percent for non-fiction and scientific titles (Magyar Statisztikai Évkönyv, 1991). In Poland Kostecki (1991, p197) found that during the communist period as a whole on average 11 percent of all titles was fiction, which gave 19 percent of the published copies.

Another indicator of particular cultural policies and political control of content was the relatively low level of translations. In Poland in the mid 1980s 10 percent of book titles were translations, 34 percent of them from Russian, 21 percent from English, 11 percent from German and 10 percent from French (Kostecki, 1991, p197). In Czechoslovakia during the early 1980s translated books constituted almost 8 percent of the total titles, 14.5 percent of them from English, 11.7 from Russian (Euromonitor, 1984, p190). In Hungary 12.2 percent of the book titles and 15.3 percent of copies were translations in 1986, 10.8 percent of them from

38 The composition of book production in terms of subject areas changed somewhat during the years of communism, however major shift did not occur. In Hungary the figures for 1980 were: 9.1 percent of all titles were fiction, which provided 18.7 percent of all copies; for 1985 the figures were 10.3 percent and 19.9 percent respectively (Magyar Statisztikai Évkönyv, 1991).
Comparing the development of print media sectors in the three countries one can detect some differences in emphasis on particular sectors, which were results of specific media history and traditions and variations in communist media policies. For instance, Hungary had the highest per capita book production. In 1985 867 titles were published per million inhabitants, while in Czechoslovakia the figure was 661 titles and in Poland 271 (Euromonitor, 1992, p15). With these figures the three East Central European countries ranked well in international comparison. Hungary had the 12th highest rate of per capita book title output in the mid 1980s, while Czechoslovakia stood as 18th and Poland as the 30th in the world (Euromonitor, 1992). Correspondingly to book production levels, per capita library stocks were also high in the three countries in international comparison. Poland had 23,286 libraries with 129.7 million books and 7.8 million borrowers in 1986, and the country had the fifth largest library book stock in the world (Bienkowska and Chamerka, 1990). In Czechoslovakia there were 12,095 libraries with 2.8 registered borrowers and 52.8 million books in 1986, the 13th highest in the world (Euromonitor, 1992, p26). In Hungary there were 7,105 local council libraries and 5,559 Trade Union libraries in 1981. Local council libraries had 31.9 million book stock and 1.6 million registered subscribers (Euromonitor, 1984, p201), while the country’s library stock reached 84.6 million books in total in 1982 (Köpeczi, 1986, p216).

Although print media sectors expanded in terms of production, the development of their distribution was more limited. Both press and book distribution received less support in the central plans and less subsidies. While publishing companies were part of the politically emphasised cultural sectors, distribution firms were regarded and treated separately as part of the general business sector. Hence their activities were more exposed to the changing economic policies and conditions. Nevertheless, the number of distribution outlets did increase in the three countries during the communist decades. In Hungary, for example, the number of bookshops rose from 179 in 1951, to 338 in 1964 and to 526 in 1984 (Zöld, 1987).
4.5.2 Consumption

The increase in production corresponded to a growth in consumption of most print media products. In Hungary, for example, the regular readership of dailies increased from 81 percent of the population in 1964 to 87 percent in 1985. While the regular readership of weeklies rose from 60 percent in 1964 to 81 percent by 1985 (Gereben and Nagy, 1992). Table 4.4 illustrates the changes in press readership in communist Hungary. The increase in press readership was a result of social changes and a wider supply in the press sectors from the 1970s. The growth in circulation of popular magazines (see Figure 4.5) corresponds to an upsurge in readership of weeklies and monthlies.

Table 4.4 - Press Readership in Hungary

<table>
<thead>
<tr>
<th></th>
<th>Readers (% of population)</th>
<th>Regular readers (% of population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>daily newspapers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>weeklies</td>
<td>60</td>
<td>78</td>
</tr>
<tr>
<td>monthlies or less</td>
<td>44</td>
<td>31</td>
</tr>
<tr>
<td>regular</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


The changes in media consumption were not always comparable with the patterns of support in communist media and cultural policies. The prioritisation of certain political titles in circulation figures on the part of the authorities did not correspond to similar interest from the population in many cases. Kováts found that in the mid-1980s the over-prioritised communist daily Népszabadság in Hungary was read by one third of the population, while regional newspapers on average by 50 percent and the women's weekly Nők Lapja by 34 percent (Giorgi et al, 1995, p21).

Print media consumption also changed as a result of greater competition from electronic media, especially television. Arguably, however, given the closely controlled content television did not pose such competition as in market-led media systems of the Western world. In Hungary, for example, 65 percent of the

---

39 Although no comprehensive statistics for Poland and Czechoslovakia was found by the researcher, we can assume similar changes in media consumptions as the relevant production figures corresponded in the three countries. Albeit given the lower numbers of periodicals in Czechoslovakia, the increase in readership of weeklies and monthlies might have been more limited there.
population watched television regularly or occasionally in 1964, which increased to 94 percent by 1981 (Köpeczi, 1986). Table 4.5 illustrates the changes in the consumption of different media forms in communist Hungary. It is noticeable that television viewing increased considerably from the 1960s to the 1980s, and the only media form which lost in popularity was cinema. 40

Table 4.5 - Media consumption in communist Hungary

<table>
<thead>
<tr>
<th>media form</th>
<th>media consumption - % of population older than 10 years of age</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1964</td>
</tr>
<tr>
<td>television viewing</td>
<td>65</td>
</tr>
<tr>
<td>radio listening</td>
<td>88</td>
</tr>
<tr>
<td>newspaper readership</td>
<td>80</td>
</tr>
<tr>
<td>periodicals readership</td>
<td>70</td>
</tr>
<tr>
<td>book readership</td>
<td>56</td>
</tr>
<tr>
<td>cinema</td>
<td>69</td>
</tr>
<tr>
<td>theatre</td>
<td>36</td>
</tr>
<tr>
<td>concert</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: based on Köpeczi, 1986.

Patterns of book readership also changed, which is illustrated in Table 4.6. Although the number of regular readers decreased from the 1960s to the 1980s, the figure of non-readers also dropped during the same period. Reasons for this development included intensified competition from other forms of media, especially television on one hand, and increased leisure time and living standards on the other.

40: The numbers of cinema goers decreased in the Western world as well. The reasons, in both worlds, were the popularity of television, social changes and changes in the media industries.
Table 4.6 - Book Readership in Hungary (percentage of the population)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>regular readers</td>
<td>19</td>
<td>17</td>
<td>17</td>
<td>23</td>
</tr>
<tr>
<td>occasionally¹</td>
<td>24.1</td>
<td>23</td>
<td>27</td>
<td>36</td>
</tr>
<tr>
<td>rarely²</td>
<td>21.3</td>
<td>22</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>do not read</td>
<td>35.6</td>
<td>38</td>
<td>39</td>
<td>41</td>
</tr>
</tbody>
</table>

¹ one book per quarter of year
² one book per year

Given the relatively low price of print media products their consumption was not a luxury, which can be seen, for example, in the size of 'home libraries'. In Czechoslovakia more than 70 per cent of households had more than 100 books in the mid 1980s (Simek and Dewetter, 1986, p75). During the same period in Hungary only 8 per cent of the households did not have books at all and 71 per cent of the households had more than 50 books (Gereben, 1986, p93; Mándi, 1986, p109; Kulcsár, 1991). For most of the period the population of the three countries spent increasing amount on print media products. Köpeczi calculates that in Hungary in 1960 book expenditure per capita was 45 HUF, by 1984 it increased to 317 HUF, while the inflation rate was 50 percent for that period (Köpeczi, 1986, p157).

Summary

This Chapter provided an overview of the main features and operation of the print media sectors in Czechoslovakia, Hungary and Poland during the communist era. The distinctive characteristics of the communist media system were discussed, which will be compared to the features of the post-communist media systems later in the study. Five important aspects of the communist print media of the three countries were examined. These were: the roles of the media, the control of the media, the economics of communist media, the structure and the development of print media markets.

It was argued that the print media had emphasised political and educational functions during the communist era, and that bureaucratic coordination played a decisive role in the production and operation of the print media sectors. It was shown that the authorities closely controlled print media production and operation by using various formal and informal methods. The Chapter also
identified and examined the specific structural features of print media markets of the three East Central European countries during the communist era, which included high level of concentration, limited competition, state ownership, lack of vertical integration and central planning of market entries. The development of communist print media was also discussed, and it was argued that central planning played a significant role in the expansion of many print media sectors during the communist era. It was also emphasised that the media systems of the three countries were not static, and by the second part of the 1980s particularly the Polish and Hungarian media departed from the classic Soviet-type communist media system. The variations in the communist media system were the results of particular political and economic developments, and led to some changes in the print media markets and differences between the three countries.
Chapter 5 - Processes of System Change

The developed model (Table 3.1) identifies four main processes which shaped and influenced the post-communist transformation of the print media in the Czech Republic, Hungary and Poland. The four processes are democratisation, marketisation, commercialisation and internationalisation. In the following four subchapters each process is analysed by examining their main elements and the forces which influenced them.

5.1 Democratisation

"...many western critics of the post-communist polities fell victim to the short-lived euphoria that swept through the region in the wake of the fall of communism by way of exaggerated expectations. They overlooked the Jeffersonian axiom that democracy is not a state or condition but a process which needs perennial improvement..." "...we should put things in perspective. By considering the well-entrenched democracies, with their LePens, Franz Schonhubers, and David Dukes; recurrent governmental crisis in Italy and Japan; and the acceptance of corruption as a permanent feature of French politics, we can view Eastern Europe in a better light. Eastern European democratisation is eight years old; some of the above-mentioned democracies have worked at it for centuries."


The mass media are widely perceived to play important roles in the functioning of a democratic society. Freedom of speech and the functions of the media as the 'Fourth Estate' are viewed as pillars of modern democracies. In the liberal tradition the three main functions of the mass media in democratic societies are to disseminate information which enable citizens to make informed choices, to oversee the government and state organisations and to provide a forum for public discussions (McQuail, 1994). Although, depending on one's ideological approach, one could debate the extent the media could fulfil these roles in a market-led media system, the significance of these democratic functions and importance of the media in a democratic society are not contested.

The mass media are often seen as being able to contribute to the strengthening of democracy and nourishing democratic traditions. From this perspective, given the legacies of the totalitarian communist past the media in post-communist
societies had special importance in enhancing democracy, abetting an emerging civil society and providing a forum for discussion between different parts of society. The democratisation of post-communist print media is analysed below in the context of three elements: the changing political role of the media, the changing political role of the state and the professionalisation of media vocations. Examining these three elements will reveal the main features of the process and the advances and problems of democratisation of the print media in the three East Central European countries.

5.1.1 Changing political roles of the print media

It was argued in Chapter 4 that the print media had a primarily political role in the communist media system fulfilling propaganda and educational functions. However, as it was pointed out, as a result of gradual economic and political reforms, especially in Hungary and Poland, the roles of the media changed to a certain extent during the 1980s with increasing importance of market functions and entertainment. Furthermore underground media started to play more significant roles in disseminating information and providing alternative forums for public discussions.

During the political negotiations and 'bloodless' revolutions of 1989 freedom from the state and discontinuity of communist political roles became probably the most important issues in the political, public and professional discussions on the print media. In both aspects achievements were made within a relatively short period of time. The specific way and speed of this process, however, was somewhat different in the three countries reflecting the particular features of the demise of the communist regimes. In Hungary and Poland important changes in the control of the official media already took place prior to the political negotiations of 1989. While in Czechoslovakia freedom of the media was largely won during the 'Velvet Revolution' in November 1989.

The relation between media and political changes, however, was not only one directional. Mass media played an important part in the changes in the political sphere. Splichal claims that the media were agents of the historical changes (Splichal, 1994, p24). Novosel argues that the media were crisis generators, "...when the official media started publishing the criticism at the general,
systemic level, this greatly intensified the negative feelings among the masses and convinced them that the downfall of the regime was an imminent possibility" (Novosel, 1995, p16). In the conducted interviews for this study some journalists and editors talked about their experiences in the period between 1988 and 1990, when they felt that their work and publications fulfilled some sort of mission to bring about the changes (Interviews, company interviewees a, k, j and p).

Greater freedom was achieved and new democratic roles were secured in the print media sectors in the course of several parallel developments. At the level of administration new legislation and regulations, major reforms were introduced and previous practices were discontinued. At the level of media professionals journalists and editors instigated changes in their respective media institutions and in their own practices. At a general level private, social and civic organisations also initiated changes in the print media sectors through participation.

In Hungary the first major steps in the democratisation of the print media occurred during 1988, which Kováts calls "the year of the revolution of press publicity" (Giorgi et al, 1995, p26). As part of the general political reforms the Department for Agitation and Propaganda of the Communist Party, which was the main organisation for political censorship, was dissolved in August 1988. Hence direct political censorship ended, which resulted in a change in tone and topics in the press. At the same time the strict communist licensing system was practically abandoned making possible for new independent newspapers, journals and publishing houses to appear. A few months later, in March 1989, the Communist Party also gave up its control over the appointments of any significant media professionals. Following the roundtable negotiations between the main political forces later that year further significant changes were introduced. The 1986 press law was amended in 1990 by Act No. XI which declared the freedom of the media and removed remaining constraints (Gergely, 1996, p33).

In Poland the operation and distribution of the thriving underground media became increasingly 'easier' during the second part of the 1980s, and by 1989 the illegal media world was largely unharassed by the authorities. In the official
media fundamental changes took place at the beginning of 1989. When the roundtable negotiations between the ruling communist forces and the opposition started in the spring, Solidarity was allowed officially to publish its papers and underground publications were invited to come to ‘surface’ (Jakubowicz, 1995/b, p136). Similar to Hungary, the licensing system and other types of control mechanisms were abandoned before they were ‘executed’ on paper and in legislation. The communist Press Law dated from 1984 was first amended in May 1989, then modified again in April 1990 when political censorship and its institutional affiliations were abolished (Giorgi et al, 1994, p120).

In Czechoslovakia both the legal and the illegal media sectors were under firmer control compared to the other two countries during the second part of the 1980s. The breakthrough in the democratisation of the print media came with the ‘Velvet revolution’ in November 1989. During the stormy days of the bloodless revolution print media organisations gained independence from the authorities. Changes in legislation followed a few months later. The Press Law from 1966 was amended in March 1990 formally abolishing censorship and the licensing system (Prevratil, 1996, p160).

The ending of restrictions on launching press titles and publishing houses was an important early step in the democratisation process. The licensing system was replaced by simple registration, which meant that organisations and/or individuals were not constrained any more for political reasons to engage in publishing activities. Other control mechanisms of the communist regimes such as ownership, economic and financial restraints, central management of many aspects of print media activities were also discontinued. Although certain political and economic pressures remained, which will be discussed below, their weight and extent decreased considerably compared to the days when the Iron Curtain existed.

41 The break-up of Czechoslovakia in 1993 did not have significant effect on the democratisation, and in general in the post-communist transformation, of the print media in the Czech Republic. The reasons included the fact that the print media sectors of the Czech lands and Slovakia were separated in terms of control, production, distribution and consumption during the communist era, and the break-up of the Federal state was a peaceful process.
The end of communist media control mechanisms indicate that the political roles of the print media altered. The communist propaganda and educational functions were replaced by roles associated with democratic media systems, paralleling and reflecting the democratic changes in the political sphere. As the control mechanisms were lifted the print media scene in the three East Central European countries quickly started to reflect diverse interests, views and opinions. Thousands of new publications covered subjects and topics which were banned previously. As the political changes were taking place, the official media became more and more critical of the governments and the ruling political forces. Whiting and his colleagues (1994) in a content analysis of Hungary's leading national daily Népszabadság found that the title became more credible with the end of the communist era, and that there were significant changes in story content. Analysing articles from 1968, 1989 and 1992 they noticed that there was a dramatic decrease in biased stories, neutrality increased in terms of spin, mood, optimism and views of the future, and the articles were less pleasing to the governments (Whiting et al, 1994). They also observed that the news were more negative and pessimistic by 1992, but the newspaper contained more useful information for the population. It was also noted that articles in 1992 focused more on national issues, while the coverage of international and regional news decreased (Whiting et al, 1994, p91).

In the conducted interviews for this study most respondents saw their media sector as democratic and which upheld important democratic functions. If we consider the post-communist print media in the three countries on the basis of the three democratic functions put forward in the liberal tradition, there are achievements as well as pitfalls. Post-communist press did provide a level of diversity of views and information, did watch over those in power to an extent and did provide a forum for public discussions. It is also significant to note that not once was there a serious threat to the democratisation process of the print media during the decade of post-communism.

42 See especially Chapter 6 for further analysis.
5.1.2 Changing political roles of the state

An important element of the democratisation process was the change in the relation between the state and the media. Granting media freedom and lifting communist control mechanisms meant that the power of the state over the print media was reduced. There was a significant move from the overwhelming presence of the state during the communist era to more limited state interventions. From the democratisation point of view it was important to what extent the post-communist governments and authorities abandoned old powers and undertook new roles associated with safeguarding the democratic functions of the media. Media policies did change in the three East Central European countries during the post-communist era, and arguably governments developed policies which responded to the new democratic and market conditions and addressed problems arising from the transformation.

The role of the state in providing a legal framework for the transformation and the everyday working of post-communist print media was significant. Albeit freedom of the media was declared and communist regulations on political control of the print media were changed relatively quickly in the three countries, new legislation on the print media was not passed. While new laws on broadcasting media were introduced during the post-communist period, the main legislation concerning the print media remained the amended versions of communist press laws during the 1990s.

The lack of new press law created some confusion during the time of the transformation of the sectors. There were, for example, passages of the old law, which were not valid or meaningless in post-communist conditions. Additionally the amended press law was generally viewed as inadequate in the new era, not addressing the needs and problems of the sectors in a market system. This view came across clearly in a number of interviews conducted for this research. (Interviews, company interviewee d, expert b, official d in the Czech Republic, company interviewee k, expert c, official g in Hungary, experts d and f in Poland).

There were several reasons for the considerable delay and inaction in passing new post-communist press laws. First, politicians in the legislative bodies were
more concerned about the broadcasting media, the transformation of which attracted more political and public attention. Second, in the undoubtedly busy schedule of post-communist law makers, apart from granting the basic right of the freedom of the media, giving the print media sector a new general legislative framework was not a top priority. Furthermore some viewed that it was not necessary to create specific law on the press and paving its transformation, since many changes took place spontaneously before the legislators had time or opportunity to intervene. Obviously it was not only the press law which provided a legislative framework for the transformation and operation of the different print media sectors. Other legislation such as those concerned with economic activities and market regulations were also employed.

The shifting role of the state in relation to the print media during the post-communist era was not a process without conflicts, contradictions and drawbacks. Albeit reduced and changed significantly from the communist days, state interventions for political reasons continued. It was noted in Chapter 3 that for political motives the state is usually seen to be justified in intervening in the media sectors in democratic societies in order to safeguard pluralism and to protect the security of the state. None of the post-communist governments in the three countries exercised completely ‘hands-off’ policies towards the print media, and their intervention went beyond the two ‘justified’ reasons in many cases. Post-communist governments intervened in the print media markets applying different forms of intervention. The form of intervention depended on the media form, the reason for the interference and the characteristics of the market segment.

Post-communist governments and political parties did intervene in matters of the media for their own political purposes often arguing that they acted in the interest of democracy. Some post-communist leaders had paternalistic views on the media and their roles, and tried to use the media to ‘teach’ the population what democracy, democratic transformation and democratic media meant. On the

43 Picard (1989, p.26) identifies four major forms of state intervention in a market-led media system: regulation, advantages, subsidies and taxation, where advantages include tax breaks and exemptions from regulation.

44 In Hungary the leading party in the first post-communist government, the Hungarian Democratic Forum, for example, openly argued for state control over broadcasting media as the best way for ensuring the democratic functions of those media.
example of broadcasting media Splichal argues that the idea of public service was quite often used as a 'cover for paternal or authoritarian media system promoted by post-communist governments in the area' (Splichal, 1995).

The underlying problem for many politicians — and other decision makers — related to the nature of post-communist transformation and the development of economic and political power relations in the new era. There has been a view that although the political parties in power and the political forces changed, economic power was retained or gained by those who were best positioned for it, those who were in power during the communist regime. In many print media sectors significant changes took place within a relatively short time and without direct surveillance of the new political forces. The rapid changes during 1989 and the first part of 1990 in the press and other print media sectors did not always result in a balanced representation of different political views and ideologies. For those politicians who felt that their 'side' was somehow underrepresented, this caused concern and presented a case for intervention. The national press, being one of the main arenas for information dissemination and public discussion, became a prime target for these considerations.

Politicians, especially during the first years of the new era, also had to accustom themselves to a much more critical media than the one they were used to. Hungary's first post-communist government provides a good example of new leaders finding it hard to accept certain aspects of the transformation, which were not under their control and perceived to be against the development of their political spectrum. The conservative coalition government led by the Hungarian Democratic Forum (HDF) came to power in May 1990, by which time large part of the press was already privatised. Thus the newly elected government could hardly influence the privatisation process and had little power to control the changes in the political inclination of newspapers and the development of the representation of different political views in the press sector.

The government, which was composed mostly of people who had become politicians only a short time previously, felt the press did not treat it fairly and was overcritical of its works coping with the daunting tasks of post-communist transformation. They denounced the national press, most of which were a
continuation of former communist titles, for being biased in favour of the opposition. As Kováts and Whiting note, "The politicians believed that journalists were undermining their public standing and destroying supportive public sentiment. They claimed that journalists were the cause of a spreading public pessimism" (Kováts and Whiting, 1995, p117).

The government's opposition towards the privatised press went so far that the administration considered plans to create a public service press (Juhász, 1993). It was proposed that certain press titles with 'national orientation' - meaning conservative right-wing political inclination - would receive state subsidies. The plan was not implemented in the end, however, the government did take action to 'improve the imbalance' – as they saw it – in the political representations in the national press. A right-wing pro-governmental paper Új Magyarország, was established in 1991, which was owned by a state-owned publishing house and banks. The new title received indirect subsidy from the government through ensuring lucrative advertising deals such as with the State Property Agency which dealt with the privatisation of the large state sector of the economy. Thus those who wanted to obtain up-to-date information about privatisation tenders had to buy Új Magyarország increasing the circulation of the otherwise not very popular title.45

As a result of ownership changes and the withdrawal of some investors from the Hungarian press market opportunities also arose for the government to raise its stake in the press sector and influence its overall outlook. By 1994, its last year in office, the conservative government led by the Hungarian Democratic Forum managed to heap up substantial interests in the press market through the still state-owned publishing house Hirlapkiadó. Especially during the first part of the 1990s state owned banks were also active in the Hungarian print media markets, arguably through them the government could also assert influence on the press sector. Such indirect influence through state-owned banks was also present in the Czech and the Polish print media markets.46

45 See Chapter 6.3 for further examination of political representations in the press markets of the three countries.
With a change in government following the 1994 general election the relationship between the state and the press shifted. The new coalition government formed by the Socialist Party and the liberal Alliance for Free Democrats reprivatised the interests of the state in the different print media sectors and created a more relaxed atmosphere. The relation between the government and the press was not conflict free but direct state interventions decreased. This could be seen, for example, in a lower degree of state ownership in the print media. However, this government continued the practice of favouring specific publications, for example, by placing its privatisation advertisements in the left-wing Népszabadság. Advertising in the title was, nevertheless, less controversial, since Népszabadság had the highest circulation figures, thus placing advertisements in it made economic sense.

The third freely elected government of the country was again a right-wing conservative coalition administration, this time formed by the Hungarian Civic Party and the Smallholders Party. Similar to the first post-communist government, this administration also had problems with the national press. They argued that the national press was not democratic, because right-wing views were underrepresented. Likewise its predecessor, this government also contemplated on and circulated ideas on how to create a more 'balanced' national press. The administration also dismantled the sizeable - at least in terms of the Hungarian market - 'media empire' of Postabank in 1998, which was seen close to left-wing political forces.

In the Czech Republic and Poland some post-communist politicians had concerns about the development of political representation in the national press, similar to Hungary, and some of them had difficulties to come to terms with a critical media unfavourable to them. In the Czech Republic the charismatic Prime Minister of the early post-communist era, Vaclav Klaus was infamous for his

---

46 See Marketisation, Chapter 5.2 for further analysis on development of state ownership in the print media sectors of the three countries.
47 The Hungarian Civic Party went through an interesting transformation during the post-communist period. At the time of the first free elections in 1990 it was a liberal party named Fidesz (Young Democrats) usually allied with the Alliance of Free Democrats. During the 1990s the party assumed a more conservative, right-wing and nationalistic character, which shift was mainly engineered by the party's charismatic leader, Viktor Orbán, and his close alliances. Orbán became the Prime Minister of Hungary following the third free general elections in 1998.
48 See Chapter 6.3 for more details.
attitude towards the media, which is well illustrated in his remark "journalists are the biggest enemies of mankind" in an interview with Forbes magazine in 1994 (Kettle, 1997, p53). Klaus run a weekly column in the national daily Lidové Noviny, during most of his administration arguing that journalists bended his views and arguments in their reporting. Similar to Hungary, substantial changes occurred spontaneously prior to when the first post-communist government took office. Hence the Klaus administration could not really influence the first wave of ownership changes in the print media markets. Subsequently the new political leaders were not always satisfied with the emerging new ownership structure and the political representation it entailed. Similar to the government in Hungary, it supported through a state-owned bank the launch and subsequent financial survival of a new right-wing newspaper, Telegraph (Kumermann, 1997).

Klaus' Civic Democratic Party had two terms in office, during which time the government was accused of interfering undemocratically in matters of the press a number of times. In 1994, for example, the government was seen to be responsible for the removal of the editor-in-chief of the national daily Telegraf owned by the state-owned Investicni a Postovni Banka. The editor-in-chief changed the direction of the previously pro-governmental paper and made the editorial stance of the title more critical of the government (Kettle, 1997, p 53). As in Hungary, state-owned banks acquired substantial media interests in the Czech Republic, which was seen by many as an indirect way to intervene in matters of the press.

Following the third free election in the Czech Republic a coalition government led by the Social Democratic party came to power and there were hopes that relations between government and the press would improve. However, after a few months in power the new Prime Minister Milos Zeman called the journalists 'idiots' and 'simpletons' and commented that "the number of idiots per square meter is by far the highest among Czech journalists", as well as he accused journalists of corruption (Gomez, 1999). As an explanation for his outbursts against journalists Zeman said that he decided to "destroy Czech journalists with fire and swords" after what he described as an attempt by Lidove Noviny to politicise his son's attempted suicide (Gomez, 1999).
In Poland too, relations between the independent print media and the new political ruling forces were not always flourishing. In 1992, for example, President Lech Walesa accused the members of the Journalists' Centre of endangering the success of post-communist transformation with their irresponsibility (Downing, 1996, p151). The transformation of the Polish press in the context of the democratisation process was somewhat different to the other two countries in two important aspects. First, the post-communist Polish political scene was more variable. Governments changed more often than in the Czech Republic and Hungary especially during the first years of the transition, consequently there were more frequent changes in policies as well.

Second, the first post-communist administration in Poland could and did influence the process of privatisation of the print media sectors, unlike in the Czech Republic and Hungary. Partly this was a result of the fact that these sectors were more concentrated in communist Poland than in the other two countries, the giant RSW Prasa-Ksiazka-Ruch dominating most print media markets. The dismantling of such a large monopoly needed political decision and had to be carried out by the central government. In order to ensure diversity in the press political considerations were taken into account in the privatisation of RSW Prasa-Ksiazka-Ruch in 1990. A certain number of press titles were sold to specified political parties with the aim of safeguarding the development of a pluralistic press (Jakubowicz, 1995, p140; Goban-Klas, 1997, p28).

Although all major political parties were given the opportunity to gain some interests in the press, the clear winner of the privatisation of RSW Prasa-Ksiazka-Ruch was the then ruling, Solidarity, to be more precise the cooperatives and political forces which were included in the umbrella organisation of Solidarity (Giorgi et al, 1995, p111). Subsequent post-communist governments in Poland also tried to adjust - what they saw as - imbalances in political representation in the press. In 1995, for example, when Hersant withdrew from the Polish market the government attempted to acquire Respospolita (Interview, company interviewee a).

49 See Chapter 5.2 on privatisation for more details.
Political considerations were taken into account in decisions about ownership changes and privatisation throughout the post-communist era. We can find examples from all three countries where a press title or a publishing house was sold to the bidder which was closer to the political standpoint of the government in power. Both in Hungary and Poland the French Hersant group, for example, was helped in its acquisitions of considerable media interests by its presumed right-wing conservative views, which were in line with those of the then governments in the two countries. In Hungary the conservative government sold the national daily *Magyar Nemzet* to Hersant in 1990, while there was a higher bid for the title from the Swedish Bonnier group, which, was regarded to have liberal political views. In Poland the first Solidarity government also favoured the Hersant group, and as a result the French group managed to acquire six newspapers in the privatisation of RSW Prasa-Ksiazka-Ruch.

Despite the mentioned interferences in the print media the three countries did manage to escape direct and regular political interventions on the part of the post-communist governments. The level and regularity of interventions depended on the media form. Politically less influential media forms, such as magazines, and more decentralised sectors, such as book publishing, received less attention and interference from the governments, while the national press was the main target for state intervention because of political reasons.

5.1.3 Professionalisation

There are two aspects of the professionalisation of media vocations which are relevant to the discussion on the democratisation of the print media in the three East Central European countries. First, the changing role of journalists, and second, the changing role of managers running media businesses and operations. Professionalisation, especially those of managers, was not only important in the democratisation but in the marketisation process as well.

5.1.3.1 Journalists, Editors

The professions of journalists and editors went through significant changes as part of the transformation reflecting the shifting roles of the media, the introduction of market forces and other features of the new media systems. Different aspects of the jobs of journalists and editors altered including the social.
roles and prestige of the professions, the economic and political control of their work, the technological facilities of their workplace, working practices and the demographic composition of the professions.

During the communist era journalists did have a role to disseminate information and raise questions and issues important to society, but these roles were restricted by political control through different mechanisms. These included the control over appointments of media professionals, different forms of censorship, the working of self-censorship, economic and financial controls. Hence the functions and working practices of journalists and editors in the communist media system were different than in liberal market-led media systems.

Splichal argues that journalists were in effect civil servants and their functions were seen as public relations persons for the state and the Communist Party (Splichal, 1994, p69). Journalists were also referred to as the soldiers of the Party and journalism as a service to the communist society (Gálik et al, 1988). According to the official view the main roles of journalists and editors were to inform and educate the population about the main events and issues in society with special consideration to the aims of communism and those in power who were taking society to a better future. As a result of the gradual changes in the communist media of the three East Central Europe countries the practices of the media professions altered somewhat. Many journalists, for example, developed a skill of writing in such a way as to enable their readers to read between the lines (Plonka, 1996; Davis et al, 1998, p84).

These roles and practices had to change with the advent of the post-communist era. On the example of the Soviet media Davis, Hammond and Nizamova (1998) point out three aspects of the journalist profession which changed as a result of the system change. First, providing accurate and factual information became an important concept, which replaced the emphasis on presentation and style. Second, post-communist journalists became open to new ideas and practices such as investigative journalism. Third, post-communist journalists increasingly recognised the commercial importance of their audience (Davis et al, 1998).
Whiting and his colleagues (1994) in a content analysis of Hungary’s leading national daily Népszabadság found that journalism practices changed significantly from the late 1960s to the early 1990s. They observed that while in 1968 60 percent of the stories did not contain attribution, by 1992 62 percent of the articles cited one or more sources of information (Whiting et al, 1994, p87). Furthermore they also found that stories that explicitly cited the government increased from 4 percent in 1968 to 31 percent in 1992 (Whiting et al, 1994, p87).

It would be simplistic to assume that these changes in the print media professions happened overnight sometime during the eventful 1989 year and that every journalist could adapt to them. There seemed to be a generation gap between older and younger journalists in relation to the changes in the profession. Older journalists obviously had to rid themselves of old habits. Private media owners many times preferred inexperienced and often untrained but politically untainted young journalists, making the adaptation of older journalists to new professionalism more difficult or without a job not possible. Some of the journalists who were tainted by their communist past managed to rejuvenate themselves.51

Journalists and editors were not passive players in the historical transformation in the three East Central European countries. Many journalists took an active role in the dismantling of the old regime and creating a new political system. There were, for example, many familiar faces from the underground publishing scene in important political positions after 1989. Journalists and editors also initiated changes in their own sectors. For instance, the privatisation of a number of newspapers and publishing houses were initiated by the employees.

Despite the changes many argue that the journalistic profession in East Central Europe still has a long way to assume a similar role and professionalism existing

53 Although there are significant differences between the journalist profession and the media in the former Soviet Union and East Central Europe, the direction towards which the profession changed was similar, and thus arguably Davis et al.’s findings are relevant here.

51 One of the best example for a journalist to rejuvenate himself was Jerzy Urban, who was the Press Secretary of the last Communist government in Poland announcing a large number of unpopular measures, and who after 1989 emerged as a media businessman launching and editing a popular weekly comic paper.
in media systems of the Western word (Plonka, 1996; Walters and Walters, 1997; Splichal, 1994; Goban-Klas, 1997). Investigative journalism, objectivity, journalism standards still fall behind in many cases compared to established Western democracies. Many East Central European journalists, for example, do not see a problem with accepting presents and favours from companies or institutions they write about. Personal commentary is often incorporated in factual reporting, and many journalists practice 'advocacy journalism' blurring reportage and opinion (Walters and Walters, 1997). Zsolt (1999) lists several examples when journalistic practices could be criticised from ethical and professional point of view. For instance, even quality papers published photos where blood soaked faces of murdered individuals could be seen\(^5\) and there were several cases of invasion of privacy.

Professionalisation of journalists and editors was relatively slow to develop because of a number of factors including the fact that practices and habits do not change overnight but over a longer period, new economic pressures such as quests for audiences and sensations, as well as some political interferences.\(^5\)

\(^5\) Zsolt (1999) mentions two particular cases: one when Népszabadság, a quality paper published on its first page a rather bloody and revealing picture of the corpse of a well-known mafia leader who was shot. The other case was when Népszabadság and a political weekly published a photo of the murdered Hungarian media tycoon János Fenyő, from the scene he was shot and on the photo his face was clearly visible.

\(^5\) The development of investigative journalism was not always welcomed by local politicians and public figures. In Hungary, for example, the government in office in 1999 sued the political weekly Elet és Irodalom following a damning article on the leading political party. The article argued that in the past the party defrauded public money. These arguments were never really contested by the party, but it took the journalists to court on the basis of certain badly composed points (Kovács et al, 2000). In one trial the judge ruled that the journalists should have written 'companies close the Fidesz' (the party in question) and not 'companies of Fidesz' which was how it appeared in the original article. In the second trial the judge approved the request for correction because the article wrote that the wealth of the politicians in question was based on this specific transaction, which was not proven (Kovács et al, 2000). The party and the accused politicians won. The journalists at the paper argued that in the midst of the debate, and as a result of clever spin doctoring on the part of the government, many in the public were mistaken as to why and on what accounts the politicians had won.
5.1.3.2 Managers

Similar to journalists and editors, the role and working practices of managers of media businesses were influenced and restricted by political and economic control mechanisms during the communist era. Managers in those days had to excel in constant negotiating with the authorities, bargaining with other companies and have a good understanding of the working of the communist economic system. They were usually regarded more as bureaucrats than entrepreneurs (Boguta, 1997/b). Albeit central plans and decisions directed the development and changes in the media sectors, managers did have an important role in the running of individual media businesses. From the company point of view long-term success also depended on how well the managers were connected to the Communist Party, to the Finance Ministry, to other industries, how well they managed to outwit the problems of the shortage economy and how well they managed the personnel matters of the firm.

Job tasks and requirements of managers changed considerably with the advent of the post-communist era. With the emergence of market forces and private ownership they had to learn new skills such as marketing, promotion and management, had to look at new ways of financing their businesses and deal with financial problems. Managers of formerly state-owned media companies had daunting tasks with restructuring, reorganising financially ineffective, over-staffed companies. The fate of the company not only depended on prospective new owners, favourable market developments and new media policies, but also on the ability of managers to adopt to new circumstances quickly. Lack of new relevant skills and slow adaptation of managers to market forces contributed to the hardship of transformation of individual media companies, and in cases led to bankruptcy and liquidation.54

54 The role of the managers in the transformation of individual media firms will be discussed in Case Studies based on the conducted interviews.
5.2 Marketisation

Another major process in the post-communist transformation of the print media of the Czech Republic, Hungary and Poland was marketisation. The three new democracies set out with the aim to abandon the communist command economic system and establish a market one. Changes to achieve this were introduced in the various segments of the economy including the media sectors. Two aspects of the marketisation process were particularly important in the transformation of the print media sectors. These are: the introduction and dominance of market rules and forces, which relates to the changing economic roles of the media, and ownership changes.

5.2.1 Dominance of market rules and forces/ Changing economic roles of the media

In parallel with the changing political functions the print media also assumed more prominent roles as business enterprises and profit-making activities. While economic functions of the media were subordinated to politics and controlled centrally during the communist era, with the system change market success and profit aims emerged as driving forces. The change from a centrally controlled and commanded system to a system dominated by market forces and rules had significant consequences, which will be analysed in Chapter 6.

In the print media sectors of the three countries market rules were introduced with general economic regulations aimed at establishing market-led economic system. In the absence of specific laws on the print media general economic regulations gave directions to the transformation of the sectors. In Hungary print media operations became business activities by law on 1 January 1989. Law No. VI of 1988 on Business Societies and Associations provided a legal framework for the operation of business entities and made private companies legal in the print media sectors (Giorgi et al, 1995, p16). In Poland the amendments to the Commercial Code and the Law on Cooperatives ensured that market forces became the order of the day in the print media sectors (Giorgi et al, 1994, p121). In the Czech Republic the Commercial Code enacted in 1991 created market conditions in the print media.
Kornai (1993 and 1996) sees freedom of entrepreneurship, introduction of regulation on the working of the markets, liberalisation of prices and reorganisation of the tax system as the most important steps in the establishment of a market-led system (see Table 5.2.1). There were some differences between the three countries in the pace by which new economic legislation and regulations were introduced. These were results of dissimilarities in the demise of the communist regimes and the different economic policies of governments.

Table 5.2.1 - Chronology of economic reforms in the three East Central European countries

<table>
<thead>
<tr>
<th></th>
<th>Hungary</th>
<th>Poland</th>
<th>Czechoslovakia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freedom of entrepreneurship</td>
<td>1982</td>
<td>no restrictions</td>
<td>1991</td>
</tr>
<tr>
<td>First steps towards liberalisation of prices</td>
<td>1968</td>
<td>1957, 1975</td>
<td>1991</td>
</tr>
</tbody>
</table>

Table 5.2.1 shows that in Czechoslovakia economic reforms only started with the system change, while in Hungary and Poland some of the regulations were introduced prior to 1989 as part of the economic reforms attempted by the communist authorities. One has to bear in mind, however, that economic reforms during the communist era had limited impact on the official media sectors in the two countries because of the political and ideological roles of the media. Hence, for example, freedom of entrepreneurship was not restricted during most of the 1980s in the two countries, nevertheless private companies were absent in the legal media sectors.

The timing of specific economic regulations did have some implications for the development of print media markets. Communist economic reforms in Hungary and Poland led to the burgeoning of a second economy during the 1980s, which in turn affected the operation of illegal media sectors. As a consequence many underground publishers found it relatively 'easy' to transform themselves from being an illegal entity to become a legal private company at the end of the
decade. Among the three countries Poland had the strongest entrepreneurial culture at the beginning of the post-communist era which influenced the number of new private companies. In Hungary early steps in the reform of the tax system and liberalisation of prices were contributing factors in that the country attracted more foreign investments during the first years of the new era than the other two countries.

Beside general economic regulations to guide and safeguard the operation of the markets, specific rules were also introduced to keep at bay undesirable market effects. High levels of concentration and monopolies, for example, are usually considered as harmful outcomes of market operations. Monopolies are seen as threats to democratic functioning of the media and to provide a breeding ground for political, economic and social abuse of media power. Anti-trust laws and competition regulations were introduced in the three countries, however these were not enforced in many cases. The German Passau Neue Presse (PNP) group in the Czech Republic, for example, was able to attain monopoly in the regional press market in spite of the antitrust law which specified the level of undesirable ownership percentage of a given market segment. The case of PNP was referred to the Ministry for Economic Competition but because lawyers could not agree on the definition of a regional press market no action was taken (Interviews, expert b, company interviewee d and official d).

Levels of cross-media ownership increased as a result of abolishing former control mechanisms which inhibited integration between various market segments and growing diversification of companies. However post-communist governments were slow to introduce any regulation in this respect. In Hungary it was only the new Broadcasting Law, which came into force in February 1996, which introduced restrictions on cross-media ownership. According to this Law qualifying shareholders in a national daily or weekly cannot acquire majority ownership in national broadcasting organisations (Gergely, 1997; Cseh and Sükösd, 1999). While this did pose limitations on cross-media ownership in international comparison it was quite a relaxed restriction.

Parallel with the introduction of new rules many former communist control mechanisms, both written and informal practices, were abandoned. This process
was not without contradictions. Partly due to the confusion in the mists of historical changes and partly due to the obvious time limits in establishing a sound new legislative framework, several regulations dating from the communist period were still in place for a number of years into the new era. The 'old' copyright laws, for example, which influenced the operation of book market were still valid in the three countries during the first part of the 1990s. These law had out-of-date sections such as directing publishers on how much they should pay to authors and how they should distribute their books. This created a situation where publishers were operating on the basis of what they perceived as common sense and ignoring regulations which were viewed as out-of-date. Poland had a new post-communist copyright law in 1994. But in the Czech Republic and Hungary modifications of the communist copyright laws were in effect during most of the 1990s. In Hungary a new copyright law was introduced in 1999.

While the new market rules and economic system affected every print media sector, there were differences in the importance of market forces and the extent to which economic roles of the media changed. There were print media segments where the aims of market success and profit making became dominating functions of media production, while in others such market aims and forces did not become so overwhelming. The dominance of market forces seems to have depended on the social and political importance of the particular print media. In the magazine sectors, for example, market forces became the order of the day, meanwhile in the newspaper sectors political considerations outweighed business aims many times. Even within a sector there were differences between market segments. For example, in the book sectors of the three post-communist countries popular publishing areas such as children's books, bestsellers and travel guides started to be ruled by market forces relatively quickly, while other areas such as textbook publishing remained centrally controlled. In neither of the three East Central European countries was the state-owned textbook publisher, which had absolute monopoly during the communist era, privatised. The market segment was partly liberalised between 1993 and 1995, but the state-owned company remained the largest publisher. Textbook publishing was considered an area where social, and for some political, considerations had to come first and where market forces could only have a limited role.
5.2.2 Ownership Changes

Another major facet of the marketisation process was ownership changes. Market forces could only become dominant and the economic functions of the media prominent if private ownership was allowed and indeed the main form of ownership. Print media in the three East Central European countries were owned by state organisations during the communist era, however this changed dramatically after 1989. Ownership changes were among the first and most tangible signs of the system change. Regulations which ended political censorship and introduced market rules also gave official approval to private ownership in the print media sectors. This had two implications. First, private companies and individuals were now free to establish and own newspapers, magazines and book publishing houses. This led to an increase in private companies and new print media products. The second implication was the privatisation of state owned titles and publishing houses.

Privatisation was a focus point of many policies of post-communist governments. A major reduction in state ownership, which was a dominant feature of the communist economic system, was seen as a necessity to establish a market economy. Privatisation plans and programmes were set out, which were often modified as post-communist governments replaced each other or as a result of reshuffles of governments. The programmes and their implementations varied depending on general economic policies, the approach of the privatisation policy, the ideological stance of the governing parties, the ongoing political debates, the state of the economy and other factors. There were similarities and differences between privatisation in the three East Central European countries. At a general level the privatisation programmes could all be seen as successful since the level of state ownership was reduced dramatically in the three new democracies. State properties were sold in different ways and the sell-offs varied in a number of characteristics. Table 5.2.2 summarises the main features of privatisation in the three post-communist countries.

---

54 The expansion of print media markets will be discussed in Chapter 6.
55 According to estimates of EBRD by 1997 the share of the private sector in GDP was 75 percent in the Czech Republic and Hungary and 65 percent in Poland (EBRD, 1998).
Table 5.2 - Main features of privatisation

<table>
<thead>
<tr>
<th><strong>size of state asset</strong></th>
<th>depending on the size of the asset and the involvement of the state in the sell-off, privatisation was either small or large scale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>pace of the sell-off</strong></td>
<td>depending on the speed of the decisions privatisation took place either during the first years of the post-communist era or later</td>
</tr>
<tr>
<td><strong>question of initiation</strong></td>
<td>depending on who initiated the privatisation we can distinguish between spontaneous (started usually by the managers or the employees) and planned (part of a central privatisation programme and controlled by the government) sell-offs</td>
</tr>
<tr>
<td><strong>considerations in the decision who to sell the state asset to</strong></td>
<td>various considerations were taken into account including economic, social, political reasons; probably the most important differentiation which can be made is between sell-offs decided only on the basis of economic considerations (i.e., the larger the privatisation price is the better), and those decided mainly on the grounds of social (e.g., distribute shares to the population) or political (new owners were favoured because of their political views) reasons</td>
</tr>
</tbody>
</table>

As Table 5.2.2 shows we can differentiate between various types of privatisation considering the size of the state asset, the level of involvement of the government/state, who initiated the privatisation, the speed of the sell-off and the reasons taken into account in the decision about the new owner(s). The various characteristics were interlinked. For instance, spontaneous privatisation was more likely to ensue at a faster pace and usually involved small or middle-sized state property. In planned privatisation the sell-off often took place through tender announced by the Privatisation Agency. There were tenders where restrictions were employed on who could apply for instance on the nationality of the bidders and their industrial background.

There were differences between the three countries in the approach to large scale privatisation. In the Czech Republic the privatisation programme was relatively speedy. The strategy of the first post-communist government was to change the ownership structure as quickly as possible leaving restructuring of the former state-owned enterprises to the new owners (Frydman et al., 1993, p70). The other main characteristic of the Czech privatisation was its attempt to draw the general population into the privatisation process with its voucher programme. The voucher programme, which, at least in theory, gave an opportunity to everyone in the country to participate in the privatisation, was launched in 1991 and accomplished within a couple of years. People were given specific amount of vouchers, which they could invest in different companies. A general problem with this egalitarian approach was that it did not involve capital
investments, which meant that in many cases the former state-owned companies did not have the capital to restructure and adapt to the new market conditions.

In Hungary privatisation was also relatively speedy but approached from a different angle. Large scale privatisation was more decentralised relying mainly on managers to initiate and carry out both restructuring and privatisation (Frydman et al, 1993, p126). Kornai comments that Hungarian privatisation was full of improvisations and a large segment of state-owned properties were sold before the first post-communist government came up with any comprehensive privatisation programme (Kornai, 1996, p8). Hungarian large scale privatisation did not involve distributing shares free to the population like in the Czech Republic. Securing revenues from the sell-offs was the main aim of the privatisation, which revenues then were used, at least in theory, to service the country's large debts and to cover other state expenditures. Another characteristic of the Hungarian privatisation was that it was the most open among the former communist countries to foreign investors, as a result the country attracted the largest amount of foreign investment during the first part of the 1990s.

The Polish privatisation featured aspects from both the Czech and Hungarian privatisation approaches with a mixture of revenue raising sell-offs and a voucher programme. Polish privatisation was also different in that the programmes were often altered because of frequent changes in governments especially during the first part of the 1990s. Another characteristic was that Polish privatisation gave more power to the employees, who could veto the sell-off of their company (Frydman et al, 1993, p177). Arguably this slowed down the privatisation process. Polish large scale privatisation was also considered more politically driven than in the other two East Central European countries.

Although the approaches to large scale privatisation varied in the three countries, the sell-off of state-owned companies in the print media bore a lot of similarities. Indeed sectoral differences in the privatisation of print media were arguably more substantial than variations between the countries. Table 5.2.3 summarises the

---

56 Post-communist Polish politics was often compared to post-war Italian political scene with frequent reshuffles and governments not serving full terms.
main features of privatisation in the print media markets. The dominant types of privatisation and the identities of the new owners depended on a number of factors including whether the privatisation became a political issue or not, the legacies of the communist system, the specific sectoral features, the characteristics of the media product and the economic attractiveness of the market.

Table 5.2.3 Pace and type of privatisation in the print media

<table>
<thead>
<tr>
<th></th>
<th>Czech Republic</th>
<th>Hungary</th>
<th>Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newspapers</td>
<td>Small scale, relatively speedy, mainly spontaneous, influenced by economic, political and social considerations</td>
<td>Small scale, relatively speedy, mainly spontaneous, influenced by economic, political and social considerations</td>
<td>Large scale, relatively speedy, mainly centrally controlled, influenced by economic, political and social considerations</td>
</tr>
<tr>
<td>Magazines</td>
<td>Small scale, relatively speedy, mainly spontaneous, influenced by mainly economic considerations</td>
<td>Small scale, relatively speedy, mainly spontaneous, influenced by mainly economic considerations</td>
<td>Large scale, relatively speedy, influenced by mainly economic considerations</td>
</tr>
<tr>
<td>Books</td>
<td>Small scale, relatively slow, mainly centrally controlled, influenced by economic, political and social considerations</td>
<td>Small scale, relatively slow, mainly centrally controlled, influenced by economic, political and social considerations</td>
<td>Small scale, relatively slow, mainly centrally controlled, influenced by economic, political and social considerations</td>
</tr>
</tbody>
</table>

5.2.2.1 Newspaper sectors

Privatisation of the newspaper sectors was a relatively speedy process in the three countries. By 1991 most of the national and regional dailies were in private hands. In Hungary and the Czech Republic the first wave of privatisation was mainly spontaneous. In many cases ownership change took place before the introduction of specific privatisation programmes and without the intervention of the new post-communist governments. The fast pace and manner of the sell-offs was helped by the ambiguous ownership structure inherited from the communist era. In the midst of political changes during 1989 and 1990 a number of newspapers became independent from their original publishers through unilateral action on the part of the editors and employee associations (Giorgi et al, 1995, p155). This was possible because of the unclear ownership situation of press

57 The break-up of Czechoslovakia in 1993 did not have significant effect on the privatisation, and in general of the marketisation, of the print media in the Czech Republic. The main reason for this was the print media sectors of the Czech lands and Slovakia were separated completely in the Federal State.
titles during the communist era. Examples of this somewhat ad hoc privatisation included the ownership change of national dailies *Magyar Hirlap*, *Népszabadság* in Hungary, *Mlada Fronta Dnes*, *Rudé Právo* in Czechoslovakia and several regional papers in both countries.

Journalists and editors also took matters into their own hands in Poland, albeit at a different time and context than in the other two countries. Privatisation of newspapers was a planned and government implemented process in the country. It was also a large scale sell-off because it involved the privatisation of the colossal RSW Prasa-Ksiazka-Ruch which dominated the print media landscape during the communist era. It was noted in Chapter 4 that print media sectors were more concentrated in Poland than in the other two countries before 1989. This higher concentration rate had an affect on the privatisation because the ownership change needed centrally made decisions and actions.

The privatisation of newspapers in Poland was also different as political considerations were more important than in the other two countries. The aims of political interventions in the privatisation was to secure pluralism in the press and to provide a voice for the new political forces and movements (Giorgi, 1995; Jakubowicz, 1995). Legislation on privatisation of RSW Prasa-Ksiazka-Ruch was introduced in March 1990. It was decided that 71 of the 170 newspapers and periodicals RSW Prasa-Ksiazka-Ruch owned were to be handed over to workers' cooperatives (Jakubowicz, 1995, p139). The rest was privatised through tenders. Following the privatisation further ownership changes ensued. Several titles which were given to the workers' cooperatives were bought up by companies (Downing, 1996, p148; Jakubowicz, 1995, p140). Many saw this development as evidence for the failure of the aims of the largest print media privatisation.

Table 5.2.4 shows the ownership changes of individual titles in the three countries' national daily newspaper markets. It is important to note that privatisation was followed by further ownership changes in most cases.
Table 5.2.4 - Ownership changes of some of the main pre-1989 national dailies

<table>
<thead>
<tr>
<th>Country</th>
<th>Ownership Changes</th>
<th>Further ownership changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>Mlada Fronta Dnes 1991, initiated by journalists, dominant foreign ownership (Hersant)</td>
<td>1994: sold to new foreign owner (Rheinisch Presse)</td>
</tr>
<tr>
<td></td>
<td>(Rude) Pravo 1990, initiated by journalists, new owner is a consortium in which journalists retained substantial interests</td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>Nepzsabad sag 1990, initiated by journalists, consortium of journalists and foreign owner (Bertelsmann) which owns the largest ownership share</td>
<td>By 1995, foreign owner (Bertelsmann) in dominant position (67% ownership)</td>
</tr>
<tr>
<td></td>
<td>Magyar Hirlap 1989, initiated by journalists, foreign owner (Mirror Group)</td>
<td>1992: sold to new foreign owner (JMGOstPresse)</td>
</tr>
<tr>
<td></td>
<td>Esi Hirlap 1990, initiated by journalists, foreign owner (Mirror Group)</td>
<td>1992: bought back by state owned publishing house Hirlapkiado; sold to state-owned Postabank in 1995, paper folded in 1996</td>
</tr>
<tr>
<td></td>
<td>Magyar Nemzet 1990, government planned privatisation, foreign owner (Hersant)</td>
<td>1994: bought back by state owned publishing house Hirlapkiado; sold to state-owned Postabank in 1996; following political scandal around Postabank in 1998 title was transferred to a state-owned publishing house</td>
</tr>
<tr>
<td></td>
<td>Nepszava 1991, privatisation organised by the owner Trade Union, new owner is a local investor (Vico Rt)</td>
<td>2000: following the break up of Vico Rt, the paper was sold to a consortium of the management and journalists</td>
</tr>
<tr>
<td>Poland</td>
<td>Rzespospolita 1990, government planned privatisation, foreign owner (Hersant - 51%), 49% was retained by state-owned publishing house</td>
<td>1998: sold to new foreign owner (Orkla Gr - 51%), 49% was retained by state-owned publishing house</td>
</tr>
<tr>
<td></td>
<td>Trybuna (Ludu) 1990, through privatisation of RSW Prasa-Ksiazka-Ruch; new owner Ad Novum (SdRP Party)</td>
<td>1993: new owner is journalists' cooperative (also SdRP Party)</td>
</tr>
<tr>
<td></td>
<td>Zycie Warszawy 1990, part of privatisation of RSW Prasa-Ksiazka-Ruch; new owner: Zycie Press Corporation (managed by the employees)</td>
<td>1991: foreign owner (Nicola Grauso); 1996: sold to new foreign owner (Orkla Group)</td>
</tr>
</tbody>
</table>

In the magazine sectors of the three East Central European countries privatisation occurred spontaneously and speedily if the given title attracted investors and if it was not saddled with problematic communist legacies of some sort. Compared to the newspaper and the book market privatisation had a less important role in the magazine sectors in terms of the number of companies and
the titles affected by it. Supply was so underdeveloped during the communist era that the launch of new titles and companies was more significant in relation to market development.

5.2.2.2 Book sectors

In the book markets the sell-off of state properties was a slower process than in the newspaper and the magazine sectors. Privatisation, which started in the early 1990s, was also more centrally planned and controlled by governments. The reasons for these differences were multifold. One of them was that in the book sector ownership structure was more clear during the communist era, which meant that spontaneous privatisation as a result of ambiguities in ownership was less likely to occur. The fact that privatisation was not spontaneous but centrally planned was a reason for a less speedy process. Another factor was that in most cases pre 1989 market entities were less attractive to investors than launching a new company which would be without the burden of the legacies of the communist system. In the newspaper sector on the other hand familiarity of the product was seen as an important market asset. A significant difference between the press and the book sectors was that in the latter it was the publishing houses which were privatised, while in the former it was usually the title which was sold or taken over. This had implications for the pace and type of privatisation as well as for the business interest the particular sell-off attracted. Compared to the press sectors there was less commercial interest towards the privatisation in the book markets.

The privatisation of the book sectors in the three East Central European countries did not vary greatly. The programmes, which were set out by post-communist governments, were accomplished by the mid 1990s. However, the state retained some stakes. For social and cultural reasons post-communist governments kept ownership interests in textbook publishing and - what they regarded - culturally and nationally important publishing areas. The state also ended up with some ownership interests in privatised companies for a couple of years, which was a result of insufficient commercial interest during privatisation and not of a governmental policy (Interview, official f). Table 5.2.5 shows the

55 For examples of ownership changes in the book sectors see Appendices, Case Studies/I.
ownership changes of some of the main book publishing houses in the three countries.

<table>
<thead>
<tr>
<th>Country</th>
<th>1992-1995 Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td></td>
</tr>
<tr>
<td>Mlada Fronta</td>
<td>No privatisation (formerly owned by the Socialist Union of Youth)</td>
</tr>
<tr>
<td>Albatros</td>
<td>1994, centrally planned, bought by the management and employees</td>
</tr>
<tr>
<td>Hungary</td>
<td></td>
</tr>
<tr>
<td>Magvető</td>
<td>1993, centrally planned, bought by Láng Holding</td>
</tr>
<tr>
<td>Corvina</td>
<td>1994, centrally planned, bought by the management and employees</td>
</tr>
<tr>
<td>Kőzgazdasági és</td>
<td>1993, centrally planned, bought by the management and employees</td>
</tr>
<tr>
<td>Jogi Kiadó</td>
<td>1994, bought by Wolters Kluwer, multinational publishing company</td>
</tr>
<tr>
<td>Móra</td>
<td>1993, centrally planned, bought by consortium of employees and external financial</td>
</tr>
<tr>
<td></td>
<td>investors became dominant owners</td>
</tr>
<tr>
<td>Nemzeti Tankönyvi</td>
<td>No privatisation</td>
</tr>
<tr>
<td>kiadó (textbook</td>
<td>publisher)</td>
</tr>
<tr>
<td>Poland</td>
<td></td>
</tr>
<tr>
<td>PWN</td>
<td>1992, centrally planned, bought by management and employees</td>
</tr>
<tr>
<td>Cytelnik</td>
<td>No privatisation; retained and regenerated cooperative ownership structure</td>
</tr>
<tr>
<td>PIW</td>
<td>No privatisation</td>
</tr>
<tr>
<td>Wisp (textbook</td>
<td>publisher)</td>
</tr>
</tbody>
</table>

In many formerly state owned book publishing houses the employees and/or the managers acquired dominant ownership stake which was partly due to the limited interest from commercial investors and to that that privatisation programmes were favourable towards employee buy-outs. To be able to pay for the ownership shares employees often had to borrow considerable loans from the banks and/or the state. In the conducted interviews for this research among the fifteen privatised book publishers eight took up such loans. These debts remained serious financial burdens for years making the restructuring and the adaptation to the market conditions more difficult. The employee buy-outs also meant that there was no capital injection with the privatisation which did not make life easier for the companies during the transformation. Another problem
with employee privatisation was that the necessary restructuring of the company, including reducing staff numbers, was more difficult to carry out since it was the employees who had to make these difficult decisions. Several managers interviewed for this research expressed this problem and viewed that as a result their companies were still overstaffed (Interviews, company interviewees b, c, g, i, w).

In every print media sector the valuation of state assets to be privatised was a problem. In the absence of a market tradition it was difficult to establish meaningful market values for print media companies and titles. Indeed, privatisation prices were often criticised for being too low. Prices depended on the type of privatisation and whether it happened through open tender or initiated by the employees. It also depended on the level of interest in the bidding process. In general the more open the process was and the more commercial interests were attracted, the higher the privatisation price stood.

In the book markets peculiarities of the copyright laws created an additional problem in the valuation. The copyright laws, which were passed during the communist years, favoured the author over the publisher. The author could impose a number of restrictions on the publisher which greatly reduced the publisher's opportunities for commercial exploitation of the work. During the privatisation the severe limits on exploitation rights meant that the backlists of the state publishing houses were virtually valueless and could not count as assets (Read, 1992). Therefore the only assets of the book publishers which counted were their material property, mostly real estate. This was one of the reason why the privatisation of the book sectors attracted less commercial interest.

Although there were some differences between the three countries in the approaches and types of privatisation in the print media, the levels of state ownership did not vary greatly during the 1990s. It is important to note that state ownership in the print media did not disappear completely even after the privatisation programmes were accomplished. Figure 5.2.1 shows direct and indirect state ownership in some market segments in Hungary in the mid 1990s.

53 That is when the price was made public. Often the sell-off price was treated confidential. For example, most companies interviewed for this research did not reveal privatisation prices.
54 See Chapter 4 for discussion of communist copyright laws.
In the book sector post-communist governments maintained state ownership of the main textbook publisher, hence the direct state involvement. In the weeklies market while the women's magazine market segment was owned by private investors, a state-owned bank controlled substantial part of the political and current affairs market segment. This interest actually came from one single title which had the largest circulation in this segment. It also has to be pointed out that the relatively high ownership interest of state-owned banks in the national daily newspaper and the current affairs weekly market segments was down to one bank Postabank which built up a media empire in Hungary in the middle of the 1990s. Postabank owned substantial media interests in the period between 1995 and 1998. However, in 1998 when there was a change in government the bank's media 'empire' was dismantled.\textsuperscript{61}

In Poland and the Czech Republic although there was involvement of state-owned banks in the print media markets, none of those banks acquired such large media interests as Postabank in Hungary, thus lower rates could be estimated for indirect state ownership. In Poland direct state ownership in the print media was higher than in the other two countries. State-owned publishing houses had interests in some press titles including the national daily \textit{Rzespospolita}. The level of state ownership, direct and indirect, in the print media sectors fluctuated in the three countries during the 1990s. The extent of it depended on a number of factors including the political parties in government,

\textsuperscript{61} Additionally banks were privatised during the second part of the 1990s, hence media ownership of state-owned banks disappeared by the end of the decade.
market trends, competition and political climate. At a general level one could argue that in those print media sectors which were perceived to carry social and/or political importance some level of state involvement continued to be present during the post-communist era. Significantly, however, this level was never dominant.

The privatisation of the print media sectors, as well as the privatisation programmes in general, in the three East Central European countries were criticised by many. The assessment of the sell-offs seems to have depended on one's political and ideological views. From a mainly liberal free-market point of view Frydman and Rapaczynski (1994, p14-15) list four main requirements for successful privatisation. These are: privatisation must be accomplished quickly, it must be socially acceptable, it must assure effective control over the management of privatised enterprises and it must assure access to foreign capital and expertise. From this perspective the privatisation of newspapers was more successful than that of the book sectors. Other views raised concerns about the social and political considerations of media privatisations. The political left, for example, criticised the privatisation process for assuming private ownership is the only option.

Another issue in the debate on the rights and wrongs of privatisation was the identity of the new owners. Many contested spontaneous privatisation, especially in the press, and the way employees and managers of a number of newspapers took matters in their own hands and initiated ownership changes without the authorisation of the new governments. Critics, mainly on the political right, saw this as a leftist conspiracy whereby those who ran the print media sectors during the communist era retained their influence and transformed their political power to economic power from a state property which they did not own in the first place. In not one case, however, did the occasional criticisms and political debates lead to revision of a privatisation or retaking of a former state asset.

The considerable reduction of state ownership and the dominance of private proprietorship were probably the most significant aspects of ownership changes in the post-communist transformation of the print media sectors. It is important to note that the process did not stop there. The 1990s saw a series of ownership
changes in the markets through sell-offs, mergers and acquisitions.\textsuperscript{62} In the national newspaper sectors, for example, all of the titles changed hands or their ownership structures altered at least once in the five years following privatisation. Although the conducted interviews were not representative, they give a good indication for the frequent changes in ownership during the post-communist period. Among the fifteen formerly state-owned print media companies which representatives were interviewed there were no ownership changes at three firms in the period between 1989 and 1995, five companies' ownership structure was changed once and six firms' at least twice. In the case of the four new private publishers interviewed ownership structure did not change during the period.\textsuperscript{63}

\textsuperscript{62} Ownership changes will be further discussed in Chapter 6.
\textsuperscript{63} For examples of ownership changes in the book sectors see Appendices Case Studies/1.
5.3 Commercialisation

When censorship ceases to exist, it is not very important any more what you think. In the West there is no unmet demand; there are more authors and books than reader. However, all sort of hedonist goods lure the money from books. The philosophy of history is less exciting than the philosophy of meals; the truth in fact is not really interesting.'


Commercialisation is another main process of the post-communist transformation of the print media in the Czech Republic, Hungary and Poland. As the above quote from a leading contemporary Hungarian author illustrates, the process was perceived as the peril of Western media systems by many East Central European intellectuals and politicians. The term is used in different context in the research literature and for somewhat different trends, hence precise definition does not come by easy. Mosco (1996, p144) argues that commercialisation of the media "refers to the creation of a relationship between an audience and an advertiser". Elsewhere he writes that commercialisation takes place when "the state replaces forms of regulation based on the public interest, public service and related standards such as universality with market standards that establish market regulation", which leads to greater emphasis on market position and profitability (Mosco, 1996, p202).

Commercialisation here refers to the process where the emphasis on market share and profitability in media production becomes predominant at the expense of other media functions such as political, social and cultural. Because of potentially surpassing these other important roles of the media, the process is seen as a negative development by many observers. Commercialisation also involves changes in the roles of various actors in the markets. The process is usually associated with liberalisation and deregulation of media markets, hence less intervention from the state and more power for corporate players.

With the introduction of market rules and forces the commercial function of the media, which was suppressed during the communist era, became dominant in many print media productions in the three post-communist countries. The withdrawal of the state as the absolute controller of media sectors helped this process. Market conditions during the post-communist period also contributed to
commercialisation. As a result of frequent changes and insecure and volatile markets, companies were more likely to focus on short term aims and recuperating costs and profits as soon as possible by producing financially and commercially 'safe' popular products.

The aim of this subchapter is to analyse the commercialisation process by examining two main components: commodification and the changes in media finance including the changing economic roles of the state. The first refers to the changes in print media products in relation to commercialisation, the second to the changes in print media productions, the most important aspect of which was the transformation of how print media productions were financed.

5.3.1 Commodification
Print media products in the three East Central European countries changed in various aspects during the post-communist period. Commodification was most notable in two areas: the forms and content of media products.

5.3.1.1 Changes in forms of print media products
Commercialisation involved the appearance of new types of media products, which usually aimed to attract high audience figures. In the daily newspaper market, for example, tabloids were introduced, which quickly gained popularity. In the magazine markets a wide range of new commercial products from women's magazines to hobby magazines appeared. In broadcasting new popular programmes such as soap operas, game shows and chat shows were introduced.

As part of the process the format and structure of many print media products also changed. Newspapers, magazines and other periodicals were published in greater length to attract more readers. The increase in content did not only involve more articles. As a result of changes in media finance, discussed below, larger proportion of newspapers and magazines was dedicated to advertisements. For instance, Hungary's most popular daily Népszabadság devoted 33 percent of its content to advertisements by 1994 (Surányi, 1995).

---

63 Commodification is another term which is used differently in the research literature and in different theoretical accounts - i.e. Marxist. Here it refers to the changes in print media products in relation to commercialisation.
which was a substantial increase from a mere couple of percentages five years earlier. Whiting and his colleagues (1994) in a content analysis of Népszabadság found that the number of articles accompanied by photo or graphic more than doubled from the late 1960s to the early 1990s, and the number of stories on the front page increased significantly (Whiting et al, 1994, p87).

The appearance of print media products also changed during the post-communist era. Prior to 1989 print media products in communist countries were infamous for their poor quality and the low technological level of their production. Printing facilities and equipments lagged behind Western levels. With competition and technological developments the quality and appeal of print media products improved.

5.3.1.2 Changes in print media content

During the post-communist period the content of print media products in the three countries changed as a result of the democratisation as well as the marketisation and commercialisation processes. Democratisation meant that formerly politically and ideologically controlled content was freed, thus media organisations were now able to publish content and/or product which had been banned previously. The immediate effect of system change on print media contents was that topics and subjects which were banned during the communist era, for example in history, politics and certain literature, increased dramatically. Bart (1991) points out that books which carried the aura 'Banned by the communists' attracted high demand in Hungary during 1989 and 1990. This type of demand, however did not last long as the novelty wore off.

What followed was more products with popular and entertainment content. Most formerly state-owned publishing houses interviewed for this research changed their profiles considerably (see Appendices, Table 8.7-8.16). In most cases there was a shift towards products which promised large demand and revenues such as bestsellers, travel guides and so on. An example of the commercialisation of print media content is the development of tabloid titles in the newspaper sectors (see Case Study/2 in Appendices on the Hungarian tabloid press). Prior to 1989

Product and production strategies of post-communist print media companies are discussed in greater length in Chapter 6.
there was no Western type tabloids in East Central Europe, but by the mid 1990s they firmly established themselves.\(^{65}\) In all three countries tabloids provided between 24-33 percent of the total circulation of national newspapers during the second part of the 1990s. If sport dailies, which arguably belong to the popular segment of the newspaper markets, are included then popular titles achieved 32-47 percent of total circulation of national dailies.\(^{66}\) By the mid 1990s 12 percent of the Hungarian population read tabloids regularly (Médiaanalízis, in: Cseh et al, 1998). Although the readership for quality papers was higher throughout the post-communist period in all three countries, the gap between tabloid and quality papers decreased by the end of the 1990s (see Figure 5.3.1).

Figure 5.3.1 - Readership of Hungarian quality and tabloid national newspapers (thousands readers)

![Graph showing readership of Hungarian newspapers](image)


Another example of the growing importance of popular products is in book publishing where the proportion of easy reading fiction titles, such as romance and crime stories, increased. In Hungary the number of fiction titles rose by 25 percent between 1990 and 1995 which was mainly a result of a larger supply of popular readings. By 1998 75 percent of the total sales of fiction books came from such easy reading titles (Hető Világgazdaság, 3/4/1999). Similar to other print media segments, in the magazine sectors popular titles flooded the markets with numerous women's, hobby and entertainment titles. A significant aspect of this trend was that the commercialisation and internationalisation of print media

---

\(^{65}\) Three to five popular newspaper titles were launched in each of the three countries during the decade. However, as a result of competition some of them closed down.

\(^{66}\) The lowest percentage is for the Czech Republic, the highest is for Hungary.
contents coincided in many cases. An impact of commercialisation of the print media sectors was that certain types of content declined. A wide-range of areas such as literary journals, academic, research and monograph publishing, classic literature, poetry and national fiction were marginalised at least in terms of production figures.

5.3.2 Changes in media finance/Changing economic roles of the state in the print media

Changes in the ways media productions were financed were important aspects of the system change in the print media sectors of the three countries. Although these changes were also part of the democratisation and marketisation processes, they are discussed under commercialisation to illustrate the importance of commercial interests and the changing economic roles and financial involvement of the state in post-communist print media. Media finance is a notable area to examine because it reflects the aims, functions and dependency (or independence) of media operations, and it influences the performance development of a given market segment. There are three main ways of financing the media. Media production can be financed from the sales of the media product, and/or from advertising revenues and/or from subsidies and sponsorships. The three main ways of financing the media are present in every media system, however their importance vary depending on the characteristics of the given media system and features of the particular sector.

In communist media system, where state control was a decisive factor, state involvement in media financing was a dominant feature. Print media operations which were considered politically and socially important were heavily subsidised, and production and product sales were influenced by the communist authorities, which aspects were discussed in Chapter 4. With the system change the structure of media finance altered. Since the late 1980s state involvement in media finance decreased substantially in the print media sectors of the three countries, while product sales and advertising became more important, as well as the sources and justifications of subsidies altered.

The internationalisation of media contents will be further discussed in Chapter 5.4.
5.3.2.1 Product sales

Product sales also played a role in financing print media productions during the communist era but it was not a 'make or break factor'. As a result of the system change the main interest of most companies was no longer to fulfil central orders, but to find and meet market demands and generate profits in order to maintain their operation. With the withdrawal of the state - as a censor, central organiser, owner and extensive financial backer - companies had to adjust their financing to the new market circumstances relatively quickly. On one hand the reliance on market revenues potentially meant greater freedom and independence from political forces, on the other hand the process generated its own problems. One concern often brought up by the intelligentsia that the drive towards reliance on market revenues in media finance contributed to the commercialisation of the print media.

Another concern was the legacy of the communist system which influenced the development and changes in media finance. Before 1989 media prices were kept at a low level in order to guarantee universal access to media products because of their ideological and propaganda roles. Books and newspapers were cheaper in relation to other consumer goods than in Western countries. Prices of many print media products were nominal, and did not reflect production and distribution costs. With the arrival of market forces and the end of large scale state subsidies the former price levels could not be kept. Following the liberalisation of print media markets prices soared, exceeding the inflation rates, which were high in any case. Although for consumers the price increases were extensive, for many producers they were not sufficient. Several interviewees for this research argued that the gap between the real costs and the revenues available from the set prices had been so wide during the communist era that it was still making an impact in the mid 1990s (Interviews, company interviewees a, b, c, d, q, w, officials c and g).8

Another important aspect of the changes in product sales is that they became less 'reliable' compared to the communist era. Prior to 1989 many publications had high subscription figures. With the system change subscription rates of most publications dropped considerably. By the second part of the 1990s only a few

---

8 See Chapter 6/b for more detailed discussion on pricing and product strategies.
publications could rely on secured subscriptions. Even the more successful titles had relatively low subscription rates. Gazeta Wyborcza Poland’s leading national daily, for example, had only ten percent of its circulation from subscription in 1997 (http://www.agora.pl; 4/2000).

5.3.2.2 Advertising
Beside product sales another main form of media finance is advertising. Picard (1989, p17) argues that media industries are unusual compared to other industries in economic terms in that they operate in a dual product market. It means that the media not only operate in the ‘product market’ where media goods are sold to consumers, but it also participate in the advertising market where access to audiences is sold to advertisers. The importance of each market in financing a given media production depends on the characteristics of the product and the sector. In book publishing, for example, the use of advertising is limited, while in many segments of magazine markets it is the dominant financing mode.

During the communist era advertising did not play a significant part in media finance in East Central Europe. In fact advertising had different roles in command economies than in market economies given the dissimilar economic drives and negligible market competition. Rohde and Pellicaan (1995; p142) argue that the main task of advertising in the communist system was to let people know that some products were available, and was not means of competition or necessary aimed to attract market demand. With the system change advertising assumed new roles and started to play a more important role in media finance.

East Central European newspapers and magazines became more reliant on advertising revenues, however, the process was a gradual change. In Hungary 20 percent of revenues of newspapers came from advertising in 1991, which was much lower than in countries such as Britain, Germany, Belgium and the Netherlands, where on average more than 50-60 percent of newspaper revenues derived from advertising (Gulyás, 1995, p64). As the decade progressed advertising became the main source of revenues for a number of newspapers and magazines. The Hungarian national daily Népszabadság managed to obtain
63 percent of its revenues from advertising in 1994 (Surányi, 1995, p39). The Polish national daily Gazeta Wyborcza received about 80 percent of its revenues from advertisers and the rest from copy sales in 1997 (http://www.agora.pl; 4/2000). Not only the importance of advertising increased but advertisements also changed. The communist type of adverts informing the consumer merely about the existence of the product or service was replaced by more sophisticated advertising techniques which also promoted brand names and lifestyles.

5.3.2.3 Subsidies and Sponsorship

During the communist era print media products and companies were subsidised by the state for political and for sociocultural reasons. As part of the democratisation process and shifting roles of the state post-communist governments abandoned the previous subsidy system to print media sectors. This led to some turmoil in the markets, since there were market segments and companies which depended on state support. Firms which were accustomed to direct financial assistance from the authorities had to quickly adapt their finances. In the interviews conducted for this research a number of managers argued that the abrupt end of state support posed serious financial problems for their companies (Interviews, company interviewees c, e, g, h, m, t, w).

During the first years of the post-communist era media policies in respect to subsidies and support to the print media were inconsistent and in many cases politically influenced. As a result of the system change and mounting economic problems post-communist governments had to revamp the extent as well as the structure of state expenditure. Success of economic reforms, establishment of market forces, favourable macroeconomic performance became the prime aims for most post-communist governments. In this climate cultural and social considerations in state policies were somewhat surpassed. A comment on the effects of economic reforms on culture by Václav Klaus, Finance Minister of Czechoslovakia later Prime Minister of the Czech Republic, demonstrates well

---

69 However, not every newspaper or magazine was successful in attracting sizable advertising revenues. In fact there were considerable discrepancies in the role of advertising in financing various press productions. For example, in the Hungarian national daily newspaper market while the leading title Népszabadság obtained circa 70 percent of its revenues from advertising in the mid 1990s, for others such as Magyar Nemzet, the figure was much lower, circa 5-10 percent. See Chapter 6 for more detailed analysis on advertising.
this attitude among politicians: "when the apartment is being redecorated, you move the library out on to the balcony" (quoted in Hajek, 1994, p138).

The changes did not mean that state support to print media sectors disappeared altogether. By the mid 1990s a new system for subsidies evolved, however the legacies of the communist system and the initial turmoil of the new era remained. Post-communist governments in the three East Central European countries continued to intervene in the print media sectors, what changed was the extent, justifications and forms of it. Reasons for state support and subsidies to the print media changed. In many mature democratic systems the state is seen justified to intervene in media finance in cases when market forces fail to cater for production and/or distribution of culturally and/or socially important media products. There is also the argument that enlightened, modern, democratic governments have a major responsibility for the support and cultivation of national cultures and the arts. Post-communist governments did take up these considerations.

Various forms of direct and indirect assistance to the print media can be found in Western countries. For example, in Scandinavia there are state subsidies for newspapers, which are justified on the basis of guaranteeing diversity in political and social representations. One form of intervention, which is widely used in Western countries, is granting preferential tax rates for the production and distribution of culturally and/or socially important print media products. In market economies probably the most commonly used preferential tax intervention is reduced VAT rate.

Tax regimes changed considerably in the three post-communist countries, one aspect of which was the introduction of value-added tax. The question of VAT imposition on print media products generated heated debates, and the outcome of which varied in the three East Central European states. In Hungary there was no VAT on print media products until 1993, when the government decided to levy a 6 percent tax. This was then increased to 10 percent in 1994 and 12 percent in 1995. In the Czech Republic a reduced 5 percent VAT rate on print media products was introduced, which was preceded by consultation between media producers and the government. In Poland amid heated discussions on the issue
during most of the 1990s print media products have escaped VAT so far. This was the result of a number of connected factors including a relatively strong publishers' lobby, a somewhat slower process of media policy decisions because of more frequent government changes and a fairly different approach of the Polish post-communist governments to the issue.

Another common type of state intervention in the media for sociocultural reasons is providing subsidies. Although to a lesser extent than during the communist era, post-communist governments did support print media sectors. In Hungary the National Cultural Fund was established in 1993, which provided most of the state support for culturally and/or socially important print media products. The Fund was controlled by the Ministry of Culture and Education. An interesting feature of financing in this programme was that the money did not come from the state budget but from a special charge levied on every cultural product. The law of this levy, introduced in 1993, decreed that an average one percent of the price of cultural products such as books, cinema and theatre tickets, rented videos, museum entrance fees etc. should go to the National Cultural Fund, which in turn redistributed this income supporting culturally important products. The idea was that this cultural tax would support loss-making but socially important artefacts from the tax receipts of popular, often non-Hungarian cultural products. In the interviews carried out for this research the cultural levy was widely criticised. Most interviewees saw it as an extra tax for a task the state should take care of (Interviews, for example, company interviewees b, c, i, j, m, n, q, s). Concerns about this special tax was also raised in relation to possible political influence. As the Fund was managed by the Ministry of Culture it was the Ministry who decided which print media products were culturally and socially important to support. Many argued that political preference and considerations inevitably influenced these decisions.

In the Czech Republic the Ministry of Culture had CzK2.5 million in 1994 to support print media products (official a, company interviewee p). Similar to Hungary, a cultural levy was introduced. From all royalties and fees paid out a tax of 2 percent was deducted for the cultural fund, which provided support for

---

70 There are plans to introduce a 3 percent VAT rate on print media products by 2001 (Kocinska, 1999).
products the Ministry of Culture considered important for social reasons (Hajek, 1994, p137). In Poland the main organisation of state support to the print media sectors was the Cultural Foundation, which was a collaboration of the Ministry of Culture, the Ministry of Finance, the Ministry of Education and the Committee of Scientific Research. The Foundation spent about $700,000 on books and cultural publications in 1992, but the subsidy increased to $2 million in 1993 following a change in government after the general election that year (Interview, official b). It was suspected by many that political considerations played a part in the decision making process. A sort of cultural tax on media products was also introduced in Poland (Karpowicz, 1997). The income from this levy was redistributed to culturally important works, the categories of which were decided by the Ministry of Culture.

State interventions in print media markets were not always welcomed in the three countries. Most representatives of companies interviewed for this research viewed that these interferences distorted the already muddy market conditions and created unequal market situations (Interviews, for example, company interviewees b, c, d, g, m, n, q, r, s, t, official c). It was also argued that the real reasons for these types of interventions were political rather than sociocultural in many cases, usually favouring a particular political force or view.

Apart from the state social and private organisations also provided support to print media sectors for various reasons. In fact in some areas these types of supports exceeded the assistance from the state, which was a significant change from the communist era. Although to a lesser extent than in mature Western markets, the role of sponsorship in media financing increased. Companies from different segments of the economy provided sponsorship to a wide variety of media products. A number of banks, for example, set up funds to sponsor the publication of culturally important books in the three countries. Many companies used sponsorship as an alternative form of advertising and to raise their public image.

Other institutions and individuals provided support to print media sectors for cultural, political or social considerations. One of the most active organisation giving assistance for non-commercial reasons was the Soros Foundation.
Established by the financier George Soros, who is Hungarian by origin, the organisation set up local offices in the former communist countries, as well as other states. The pronounced aim of the Soros Foundation Network was to contribute to the development and building of open societies around the world. “The concept of open society is based on the recognition that people act on imperfect knowledge and nobody is in the possession of the ultimate truth” (http://www.soros.org/). Reflecting their aim one of the main focuses of the Foundation in post-communist societies was to encourage wide dissemination of ideas, views and information. In relation to the print media sectors they engaged in activities such as helping to publish previously banned social and political writings and later to assist the publication of texts and periodicals which would not have been commercially viable, as well as supporting educational materials.71

The Foundation was not always welcomed by some conservative post-communist governments, because it was seen as supporting mainly liberal ideas and ideologies, hence only one political spectrum. Nevertheless, the local offices made significant impact on some of the media sectors and became one of the main subsidy source for some areas. The Soros Foundation in Hungary, for example, spent $15.8 million in 1997 for various causes in line with their aims, while in Poland the Báthory Foundation’s expenditure reached $10.5 million and the Czech Soros Foundation spent $2.8 million in the same year (http://www.soros.org/).72 In some sectors the support from the Foundation was significant for the industry as a whole. In Hungary, for example, the Foundation spent 70 million HUF on its book publishing programme in 1994 (Interview, 71

Another foreign programme, which helped the book world of the three countries in the transformation process was the Central and East European Publishing Project (CEEPP). It was founded in 1986 with the aim to counter the cultural problems of Cold War and the division of Europe (CEEPP, 1991). After the fall of communism the aim of the CEEPP also changed. The main aim during the post-communist transformation was to assist in the development of the publishing sectors in Central and Eastern Europe and their integration into the international publishing community. They engaged in activities such as supporting publications of ‘quality’ literature in the languages of Central and Eastern Europe, encouraging translations from and into Central and East European languages and organising seminar and workshops for publishers. Another important Western body to help East Central European publishing was Pubwatch, which was founded in 1990. It sponsored, designed and conducted professional workshops, seminars and training schools throughout Central and Eastern Europe and the former Soviet Union. 72 The reasons for the differences in expenditure of local offices were multifold. They included diverging political and social reception, differences in range and extent of activities, and the different year of establishment of the local offices. In Hungary the local office was opened in 1982, in Poland in 1988 and in the Czech Republic in 1992.
official e), which was the second largest support to the Hungarian book world after the state subsidies.

Although the help from foreign and domestic organisations was usually seen in a positive light, some raised concerns about the viability and long-term effects of these supports. According to estimations more than ten percent of the published titles in Hungary in 1994/95 were supported by various funds (Interviews, company interviewees b, j, w; Bart, 1995). In the conducted interviews some viewed this ratio as too high (Interviews, company interviewees b, j, q, s). Some publishers were also concerned about the distortion direct subsidies and grants caused in the markets (Interviews, company interviewees b, c, d, g, m, n, q, r, s, t, official c). The effectiveness of some of the programmes was also questioned. Many of them, both state and non-state, supported individual titles rather than ensuring audiences/markets for the published title and/or addressing general problems of the transformation of the industry (Interviews, company interviewees b, j). Some publishers argued that in many cases the supported press or book titles were immediately sent to warehouses, because there were no customers who wanted or could afford to buy them, or could not be distributed because of the general distribution problems of the transforming print media markets (Interviews, company interviewees c, q).
5.4 Internationalisation

"For business purposes, ... the boundaries that separate one nation from another are no more real than the equator. They are merely convenient demarcations of ethnic, linguistic and cultural entities. They do not define business requirements or consumer trends."

(IMB, 1990; quote from Morley and Robins, 1995)

Internationalisation is the fourth process of post-communist system change in the print media of the three East Central European countries, which is identified in the framework model. Previous Chapters argued that globalisation is a worldwide development which significantly influenced national media markets and industries over the last few decades. Internationalisation, which refers to the elements of globalisation, was included in the analytical framework in order to analyse the importance and impacts of globalisation on post-communist print media and to assess the integration of the print media of the three East Central European countries into the global media world.

Internationalisation can be examined from different perspectives, which were discussed in the Literature Review and Chapter 3. Using the categorisation of Sreberny-Mohammadi's (1994) the internationalisation of post-communist print media is analysed below considering four main elements of the process: the internationalisation of media forms, media firms, media flows and media effects.

5.4.1 Internationalisation of media firms

The importance and extent of internationalisation of media firms in the Czech Republic, Hungary and Poland can be examined from two main perspectives: the involvement of foreign companies in post-communist print media markets and ventures of local companies into external markets. The internationalisation of firms also involves the internationalisation of media markets in terms of legislation, conditions and regulations of entry. In fact without a certain degree of internationalisation of regulation and business practices foreign investment in the media is unlikely to take place. Jakubowicz (1996/a, p13) argues that harmonisation of laws and regulatory frameworks of the media in post-communist East Central Europe 'with standards of free and democratic communication accepted by the international community is perhaps the most far-reaching and fundamental effects' in the internationalisation process. The issue
is significant because the directions of changes in legislation affected the emerging new media system and features of post-communist media markets.

5.4.1.1 Foreign companies in post-communist print media markets

In 1990 the corporate brochures (of multinational media companies) all featured, on their opening page, an identical photograph: East and West German students linking arms along the top of the Berlin Wall. Whenever I saw this picture I thought how much more fitting it would be if, instead of students, a motley row of newspaper proprietors were linking arms along the newly breached wall. Rupert Murdoch, Robert Maxwell, Vere Rothermere, Robert Hersant, Silvio Berlusconi, Mrs Axel Springer, Hubert Burda, Ralph Ingersoll. That year every owner who could raise the five-million dollar floor price seemed to be scurrying through the hole to snap up Eastern Bloc media.


Foreign capital and investment played an important role in the transformation of post-communist economies, however this importance varied from industry to industry and from country to country. Depending on the dominant economic approach, political ideologies and the characteristics of a given sector the extent and impact of foreign investments varied. Overall Hungary was the most successful in attracting foreign investment during the first part of the 1990s (see Figure 5.4.1 below). Between 1990 and 1998 Hungary attracted a total of $16.9 billion in foreign investment while Poland $12.4 billion and the Czech Republic $8.47 billion (EBRD, 1998). The differences were mainly due to a more encouraging policy of the post-communist governments in Hungary towards foreign investments and the dissimilarities in the privatisation programmes. By the second part of the 1990s foreign capital inflow decreased in Hungary and the Czech Republic as mass privatisation programmes came to a close, but increased in Poland as privatisation was speeded up there.

73 Estimating the share of foreign capital in different market segments is not that easy as it might seem at first glance. Multiple owners, joint ventures, complicated ownership structures, frequent changes, secrecy of companies all make the researchers' job difficult in providing a clear picture on the importance of foreign capital in a given sector. For example, the main national daily in Poland Gazeta Wyborcza is mainly controlled by Polish owners, however, the American Cox Enterprise has a 12.5 percent share in it and provided substantial capital for the development of the newspaper. Categorising Gazeta Wyborcza as a Polish owned title then is justified, but clearly problematic. In this study the foreign ownership shares are estimates, and they are there more as indications for trends rather than as precise figures. The rough rule which is used is that a title/firm constitutes foreign owned if the main owner (the owner of the highest percentage of ownership shares) is a foreign investor. The estimates are calculated on the basis of circulation figures unless stated otherwise. This could also be seen as problematic, as figures calculated on the basis of turnovers arguably would be better indicators of market power. However, it was not possible to collect such information from most media firms.

74 Given the lack of data it is not possible to provide cumulative calculations on foreign investments in the print media markets only. However, similar trends were likely to emerge in these markets. Hence, in the Hungarian print media markets foreign capital inflow was larger than in the other two countries during the first part of the 1990s.
One of the preconditions for foreign capital inflow was the permission of entry. New laws concerning foreign investment were introduced fairly rapidly as the Iron Curtain was crumbling. These were general legislation which were used in the print media sectors. None of the modified press laws in the three countries mentioned foreign ownership or investments. On the whole regulations regarding foreign investments in the print media were permissive and even encouraging.

In Hungary new regulations on foreign investment were introduced in 1988 reflecting the changing political and economic conditions. Kováts and other authors argue that Law XXIV of 1988, which legalised foreign investment in Hungary, facilitated the inflow of foreign capital in a number of ways including:

1. foreign investments needed to be registered but no special permission was required;
2. regulations for setting up and carrying out business activities were the same for companies with foreign capital than for domestic companies;
3. companies with foreign investors enjoyed tax exemptions and allowances;
4. transfer of profits abroad was permitted (Giorgi et al, 1995, p17; Gálik and Jakab, 1991, p16).

While regulations in the Czech Republic were similar to the ones in Hungary, in Poland they were somewhat more limiting. The Polish law on Foreign Investment of June 1991 restricted foreign participation in limited liability and joint-stock companies.

Foreign ownership became dominant in many print media market segments during the 1990s, however there were differences between the various sectors and between the three countries. The level and form of foreign ownership also changed as the post-communist years proceeded. Foreign investments occurred in different ways. At a general level we can distinguish between

a. foreign investments through taking over already existing titles and/or firms, either through privatisation or acquisitions from private owners;

b. foreign investments through launching new titles and/or establishing new firms (Gulyás and Plonka, 1999).

The actual mode of entry depended partly on the strategies, aims and motivations of foreign investors and partly on the characteristics of the given market segment. In the magazine markets, for instance, where the supply was rather limited during the communist era the majority of foreign investors entered by launching new titles. In the national newspaper sectors on the other hand a larger percentage of foreign investments took place through acquiring existing titles.

5.4.1.1 National daily newspaper markets

National daily newspaper markets of the three countries were among the first targets of foreign capital and attracted substantial interests from foreign investors throughout the post-communist period. In Hungary foreign ownership in the national dailies market jumped from practically zero in 1988 to 70 percent in 1991, it decreased to around 50 percent in the mid 1990s, and then increased again to above 80 percent by the end of the decade. The trend is illustrated in Figure 5.4.2.
Foreign investors appeared in the Hungarian national daily newspaper market during 1989, and most national dailies had some level of foreign ownership by the end of 1990. Robert Maxwell's Mirror Holdings Ltd acquired Magyar Hirlap, the former governmental paper at the end of 1989. In January 1990 Rupert Murdoch’s News International bought 50 percent of Mai Nap, a newly established tabloid. In the same month an Austrian media company, Denton AG launched Kurir, a new tabloid. In the spring of 1990 Bertelsmann acquired a 41 percent share in the most popular national daily, Népszabadság. In November of the same year Maxwell increased his stake in the Hungarian press market by buying Esti Hirlap. A month later the French Hersant Group bought a respected quality paper, Magyar Nemzet. Some of these foreign investors left the market during the first half of the 1990s, while new ones appeared.

Later entries in the Hungarian national daily press market included the Dutch VNU group which purchased a share in a business title, Világgazdaság. The Swiss JMG Ost Presse controlled by Jurg Marquard achieved substantial market share by the mid 1990s by acquiring two national dailies, Magyar Hirlap and Mai Nap. The Swiss Ringier Group launched a new tabloid Blikk in a joint venture with the American Gannett group in 1994 which quickly gained popularity.

In Poland foreign ownership was lower in the national daily newspaper market than in Hungary. Figure 5.4.3 illustrates the trend there. Foreign ownership increased from zero in 1988 to almost 30 percent by 1991, and as a result of further investments the figure jumped to above 50 percent by the mid 1990s, and stayed at a comparable level at the end of the decade.
Among the first foreign investors in the Polish market was the French Hersant Group, which acquired a dominant share in Rzeczpospolita in the course of the privatisation of RSW Prasa-Książka-Ruch in 1990. Hersant also purchased a majority interest in Tempo. The Italian media investor Nicola Grauso entered the Polish national daily market by buying a majority share in Zycie Warszawy. JMG Ost Presse acquired Sztandard Młodych in 1993, and later also bought Express Wieczorny, Tempo, Sport and Przegląd Sportowy. The Swiss company closed down Sztandard Młodych in 1997 and Express Wieczorny in 1999. Other foreign investors included the American Cox Enterprises which acquired 12.5 percent in the most popular daily Gazeta Wyborcza in 1993; the Italian media company Il Sole-24 ORE which purchased the business daily Nowa Europe in 1992; the Swedish Bonnier AB which bought an interest in the most popular tabloid Super Express; and the Norwegian Orkla group which acquired the majority interests of Rzeczpospolita in 1996.

In the Czech national daily newspaper market foreign ownership was lower than in Hungary but overall higher than in Poland. Similar to the other two countries, foreign interest in the Czech market was zero in 1988, it increased substantially by the early 1990s to above 30 percent then by 1994 to around 50 percent, closing the decade with circa 60 percent foreign ownership.
One of the main foreign investors in the Czech market was the French Hersant Group during the first years of the post-communist era which acquired a majority interest in the most popular daily *Mlada Fronta Dnes*. The German Rheinisch-Bergische Druckerei Group bought the title in 1994 following Hersant’s departure from the Czech market. The Swiss Ringier Group entered by launching a tabloid *Blesk* in 1992 which quickly gained popularity. Ringier also acquired a dominant share in *Lidove Noviny* in 1993. The same year the German Handelsbatt and the American Down Jones in a joint venture purchased a dominant interest in the financial daily *Hospodarske Noviny*.

The three markets showed similarities as well as differences in the level and features of foreign investments. It was shown above that while foreign ownership was considerable in all three countries Hungary had the highest level of foreign share. Similar to all three countries was that the level of foreign ownership fluctuated during the 1990s as a result of market developments, investors leaving the market and others entering, as well as some political interventions on the part of post-communist governments. Table 5.4.1 below illustrates the changes in foreign investors.
Table 5.4.1 - Loyal and less loyal foreign investors

<table>
<thead>
<tr>
<th>Foreign investors who left</th>
<th>Foreign investors who stayed (up to 1999)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Czech Republic</strong></td>
<td></td>
</tr>
<tr>
<td>Hersant</td>
<td>Rheinisch-Bergische Druckerei, Ringier, Handelsbatt, Down Jones</td>
</tr>
<tr>
<td><strong>Hungary</strong></td>
<td></td>
</tr>
<tr>
<td>Hersant, News International, Mirror Holdings Ltd., Denton Ag</td>
<td>Bertelsmann, Hebdo, JMG Ost Presse, Ringier</td>
</tr>
<tr>
<td><strong>Poland</strong></td>
<td></td>
</tr>
<tr>
<td>Hersant, Nicola Grauso</td>
<td>Bonnier, JMG Ost Presse, Orkla, Cox Enterprises, Il Sole-24 ORE</td>
</tr>
</tbody>
</table>

In the Hungarian national daily market only Bertelsmann remained by 1993 from the foreign investors of 1990. The first to leave was the Mirror Group which sold its Hungarian interests following the death of Robert Maxwell. Murdoch left the Hungarian market because his titles were not profitable. News International was followed by the departure of the Hersant Group in 1994 as a result of the financial problems the French multinational company faced. Hersant also left the Polish and the Czech markets. In Poland the French group sold its interest in Rzespospolita in 1995. In the Czech Republic it put its flagship daily Mlada Fronta Dnes up for sale in 1994. In Poland another foreign investor Nicola Grauso left the market in 1996 selling his stake in Zycie Warszawy. The reasons for the departures were different, however arguably a common motive was financial. Neither of the departed foreign companies found the East Central European press markets profitable enough, or profitable at all, to develop a long term strategy for staying there.

A further interesting point about the identity of foreign investors is that some of them entered more than one country. Ringier and the JMG Ost Presse group, for example, both invested in more than one post-communist market. The ways foreign investors entered the national daily newspaper markets were similar in many cases in the three countries. Table 5.4.2 shows the main forms of entry. Foreign companies were more likely to take over or invest in already existing titles. There were some firms which launched new titles, notably all of these were tabloids.
Table 5.4.2 - Ways of entering the national daily newspaper markets

<table>
<thead>
<tr>
<th></th>
<th>Foreign investors taking over/investing in existing titles</th>
<th>Foreign investors launching new titles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Czech Republic</strong></td>
<td>Hersant, Rheinisch-Bergische Druckerei, Ringier, Handelsbatt, Dow Jones</td>
<td>Ringier</td>
</tr>
<tr>
<td><strong>Hungary</strong></td>
<td>Bertelsmann, Mirror Holdings Ltd., News International, Hersant, Hebdo, JMG Ost Presse</td>
<td>Denton Ag, Ringier</td>
</tr>
<tr>
<td><strong>Poland</strong></td>
<td>Hersant, Nicola Grauso, Bonnier, JMG Ost Presse, Orkla, Cox Enterprises, II Sole-24 ORE</td>
<td></td>
</tr>
</tbody>
</table>

5.4.1.2 Regional press markets

Similar to the national dailies market, foreign ownership became prominent in the regional newspaper sectors. During the communist era all regional titles were owned by the Communist Party in the three countries, and they all had a monopoly in their area. Ownership of regional titles changed fairly rapidly at the beginning of the post-communist period, but compared to the national press there were less frequent proprietor changes during the 1990s. However, the regional sectors of the three post-communist countries were characterised by a higher level of foreign ownership than the national markets.

In Hungary ownership changes in the regional sector began in April 1990, when seven regional dailies were taken over by the German Axel Springer group. This takeover was described as hostile in a ‘wild-East manner’ by Gálik and Jakab (1991), because of the way in which the privatisation took place. Axel Springer Budapest Ltd, a subsidiary of the German media concern, contacted many regional dailies with offers to hire everyone in the editorial offices if they participate in launching a new title (Gálik and Jakab, 1991, p32). Eventually the entire staff of seven regional newspapers signed up with the German media company, which introduced new titles with changing slightly the name of the original titles. Hence Axel Springer managed to acquire seven regional dailies without paying anything for them. The affair caused outrage in political circles, but there were no repercussions. The journalists argued that the main reason why they switched owners was that they felt that the papers’ editorial independence would be best served with a foreign company rather than a Hungarian investor.
A few months later in September 1990 eleven regional dailies were privatised. Through open tenders foreign companies including the German Westdeutsche Allgemeine Zeitung (WAZ), Funk Verlag, Bertelsmann and the British Associated Press bought up most regional titles. By the end of 1990 the Hungarian regional press was dominated by foreign capital. During the 1990s foreign investors increased their share, which is illustrated in Figure 5.4.5.

Figure 5.4.5 - Foreign ownership in the Hungarian regional market (% estimates, calculation based on circulation figures)

In the mid 1990s Hungary's 19 counties had 29 regional daily newspapers with total circulation of 1.21 million (Juhász, 1994). Of the 29 newspapers foreign companies owned 20. By 1993 the number of regional dailies decreased to 23, which were all owned by foreign companies. There was no considerable change in foreign investors, except in 1998 Funk Verlag sold its Hungarian interests to another German media company. Figure 5.4.6 shows the geographical composition of foreign ownership in the Hungarian regional market. It is evident that foreign investors preferred to acquire titles close to each other.

---

Dunántuli Napló thus became Új (new) Dunántuli Napló or Néplap Új Néplap. Without staff and prospects the ‘old’ titles disappeared.
In Poland ownership changes in the regional press started with the privatisation of RSW Prasa-Ksiazka-Ruch in 1990. It was pointed out earlier that political considerations were taken into account in the sell-off of the former state monopoly. In the privatisation of the regional titles political parties and journalists' cooperatives were favoured over foreign investors. The only foreign company which managed to buy more than one regional title in the course of the privatisation was the French Hersant group, which established particularly good relations with local Solidarity committees responsible for publishing some of the regional titles (Giorgi et al. 1995, p114). By 1992 Hersant had majority share in eight regional newspapers.

In 1994 Hersant left the Polish regional sector selling its interests to the German Passau Neue Presse. A year later Passau Neue Presse further increased its stakes by acquiring four more regional dailies. The Norwegian Orkla group also had substantial interests in the Polish regional market by the mid 1990s. The Scandinavian company entered the market in 1989 launching a regional title. However its presence was not significant until 1993 when it started to buy up regional newspapers mainly from Polish investors. Bajka (1994) estimates that at the end of 1994 foreign investors owned 65 percent of the Polish regional press market. According to another estimation Passau Neue Presse and Orkla together controlled circa 50 percent of the regional daily market in 1997 (Gotkowski, 9/2/1997).
In the Czech Republic journalists' cooperatives were favoured over foreign investors in the privatisation of regional titles. However foreign companies soon started to make a significant impact in the sector. The first foreign firm to enter was the German Franken Post which acquired eight regional titles. Other investors included the Hersant group and the Swiss Ringier (Giorgi et al, 1995, p156). By the mid 1990s the German Passau Neue Presse (PNP) accumulated the largest share of the market. The company took over most regional titles in Bohemia by the mid 1990s. (See Case Study/3 on Internationalisation of media firms in Appendices) PNP owned 36 regional titles in the Czech Republic by 1996. The Rheinisch-Bergische Druckerei group emerged as the second largest foreign owner in the regional sector of the country. As mentioned above this German group acquired a majority stake in the leading national daily, *Mlada Fronta* and its publishing house. The publishing company became increasingly active in the regional market acquiring titles mainly in the Moravian region of the country. It is estimated that 85 percent of the Czech regional press was controlled by foreign companies in 1996 (Interview, expert b).
The regional press markets of the three post-communist countries were similar in that the level of foreign ownership was high and they were dominated by two or three foreign investors (see Table 5.4.3). In Poland, however, the share of foreign owners was lower than in the other two countries.

<table>
<thead>
<tr>
<th>Foreign companies dominating the regional press markets during the 1990s</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Czech Republic</strong></td>
</tr>
<tr>
<td>Passau Neue Presse, Rheinisch Presse</td>
</tr>
<tr>
<td><strong>Hungary</strong></td>
</tr>
<tr>
<td>Axel Springer, WAZ, Funk Verlag</td>
</tr>
<tr>
<td><strong>Poland</strong></td>
</tr>
<tr>
<td>Passau Neue Presse, Orkla</td>
</tr>
</tbody>
</table>

Foreign investors were more likely to enter the post-communist regional press markets by acquiring already existing titles. Some companies did launch new titles, for example Axel Springer mentioned above, however even in those cases the new newspapers bore more than just a passing resemblance to their competitors. Compared to the national dailies' sector there were less frequent ownership changes in the regional markets during the 1990s. One of the reasons for this was that the regional press attracted less political attention than the national press, hence there were fewer investments with political aims.
Furthermore, the economic characteristics of the regional sectors also contributed to a more static market. Several researchers point out that the regional press in market-led media systems tend to be monopolised (see, for example, Picard, 1989; Gálik, 1995; Alexander et al, 1993).

5.4.1.3 Magazines

Foreign capital also became prominent in the magazine sectors of the three countries. Throughout the 1990s changes were constant in these markets with new investors entering and new titles launched, hence compared to the daily newspaper markets they were more dynamic. Given the large number of publications and diversification of these markets it is difficult to provide exact data on the extent of foreign ownership. Below the focus is given to market segments with the highest circulation figures.

In Hungary the magazine sector was the first print media market to have seen foreign investment. A joint venture between the German Springer Publications and the Swiss Ferenczy Publications on the one hand and the Hungarian Creditbank and the Budapest Reform Publications on the other was established in 1988, which published magazines (Giorgi et al, 1995, p29). Many other foreign investors followed suit. Murdoch's News International acquired the then most popular weekly news magazine, Reform in 1990. Local versions of Western magazines such as Burda, Chip, Popcorn, Bravo, Pop-Express, Playboy, Cosmopolitan and others mushroomed. Foreign companies with the largest investments included the German Axel Springer, Bauer Verlag, Bertelsmann, Burda, the Dutch VNU, the Swiss Ringier, JMG Ost Press and the Danish Egmont group (Gulyás, 1997).

By the mid 1990s Axel Springer had the largest market share owning several weeklies and monthlies among them the most popular women's magazine and the most popular television and radio guide. Bertelsmann also controlled sizable percentage of the market through its magazine group, Gruner und Jahr. (See Case Study/3 on Internationalisation of media firms in Appendices) Bauer Verlag also had substantial interests with copy versions of its Western titles such as Bravo and a popular women's weekly. The Dutch VNU acquired interests in business publications such as the business weekly Figyelő, launched women's
magazines such as *Maglepetés*, and took over other popular publications such as the most popular crossword weekly *Füles*.

Figure 5.4.9 shows the ownership structure of the Hungarian women's weekly market segment in 1996 and the end of 1999. In both years foreign companies dominated the market segment. In 1996 more than 65 percent of the market was controlled by foreign investors and in 1999 85 percent. The owner of *Nők Lapja*, which used to be the only women's weekly during the communist era, the Vico Group\(^76\) was sold to VNU at the end of 1999. The Dutch Group in fact became the largest foreign owner in the Hungarian magazine market when it acquired 13 titles from the Vico group. By 2000 VNU controlled about 30 percent of the Hungarian magazine market (Csonka, 2000).

Figure 5.4.9 - Women's weekly magazine market segment in Hungary (calculation based on circulation figures)

![Bar chart showing ownership structure of Hungarian women's weekly market segment in 1996 and 1999]


In Poland Bertelsmann's Gruner und Jahr accumulated the largest share of the magazine market owning the most popular women's magazines and TV guides. Axel Springer also managed to capture a substantial share of the market segment. According to estimations Gruner und Jahr, Axel Springer and Bauer Verlag controlled approximately 40 percent of the periodical market in 1997 (Gotkowski, 1997). Other investors included JMG Ost Presse, Burda, Egmont, Reader's Digest and Ringier. In the Czech Republic the largest foreign investors in the magazine markets included Bauer Verlag, Axel Springer, Ringier, VNU,

---

\(^76\) The Vico Group was owned by Hungarian investors, and was one of the largest print media conglomerate in the small Hungarian market. The group was dismantled in 1999 following the assassination of its main owner, János Fenyő. Fenyő was shot dead in broad daylight in Budapest in 1998. The reasons for his murder have not been uncovered yet.
JMG Ost Presse, Burda, Egmont and Passau Neue Presse. Figure 5.4.10 shows the main actors in the weekly magazine market. The dominance of foreign investors is evident.

Another example of the high level of foreign ownership is the women's magazine market segment. Among the five most popular women's titles of the mid 1990s two, Vlasta and Prakticka Zena were owned by VNU, two Tina and Zena a zivot by the Bauer Group and one by a Czech investor.

The magazine markets of the three post-communist East Central European countries were similar in that foreign companies controlled the most popular segments such as women's magazines and television guides. Compared to the newspaper sectors foreign investors were more likely to launch new titles in the magazine markets rather than taking over existing publications (see Table 5.4.4 below). This was a result of a number of factors including the legacies of the communist system, highly competitive market conditions and good potentials for market growth.
Table 5.4.4 - Ways of entering the magazine markets in East Central Europe

<table>
<thead>
<tr>
<th></th>
<th>Foreign investors taking over/investing in existing titles</th>
<th>Foreign investors launching new titles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>Ringier, JMG Ost Presse, Passau Neue Presse, VNU</td>
<td>Ringier, Axel Springer, Bauer Verlag, Burda, Egmont, Reader's Digest</td>
</tr>
<tr>
<td>Poland</td>
<td>Axel Springer, JMG Ost Presse</td>
<td>JMG Ost Presse, Axel Springer, Bauer Verlag, Bertelsmann, Burda, Egmont, Reader's Digest, Ringier</td>
</tr>
</tbody>
</table>

Another similarity between the three countries' magazine sectors was in the identities of foreign investors. Many foreign companies investing in one of the post-communist magazine market sooner or later appeared in the other two countries as well. For example, the Danish Egmont group managed to capture dominant shares in the children's and juveniles' magazine markets in all three countries (see Case Study/3 in Appendices). The Ringier group entered all three countries acquiring already existing titles and launching new ones (see Case Study/3 in Appendices). The JMG Ost Presse group also achieved substantial shares in the magazine markets of the three countries.

5.4.1.1.4 Book markets

The book markets of the Czech Republic, Hungary and Poland failed to attract as much foreign investment as the daily press or the magazine markets during the post-communist era. This was due to several factors including a later start of privatisation, more burdensome legacies of the communist system and the lack of alternative source of media finance (Gulyás, 1999). Foreign investors did appear in the East Central European book markets, especially after the privatisation, but their market share never became so dominating as in the newspaper or the magazine sectors.

It was challenging to gather data on the production of book firms, thus even estimates on the importance of foreign investment in the book markets are difficult to provide. In the conducted interviews with industry insiders and experts different estimates were given. In Hungary one of the company directors viewed that foreign companies controlled 30-40 percent of the book market in 1995 and 1995 (Interview, company interviewee b), another put the figure between 40-50

---

77 In the press and magazine markets advertising became a significant revenue source, while the book industries had to rely on copies sales and subsidies.
percent (Interview, company interviewee w) and one of the official between 50-60 percent (Interview, official h). In the Czech Republic almost 20 percent of the title output of the ten largest book publishers came from foreign-owned firms in 1996, while in Poland 12.6 percent of the titles were published by foreign-owned companies.

An interesting feature of foreign investment in the three countries’ book markets was that the investors were largely the same albeit their strategies were different. There were four main foreign companies which gained substantial stakes in the three markets during the 1990s. These were: the German Bertelsmann group, the Dutch Wolters Kluwer, the Canadian Harlequin and the Danish Egmont group. Bertelsmann entered the three markets by acquiring some publishing houses, but more importantly by establishing book clubs which became very successful (see Case Study/3 on Internationalisation of media firms in Appendices). Wolters Kluwer had a different strategy in expanding in the three countries. The Dutch multinational firm mainly purchased existing publishing houses. Wolters Kluwer was especially active in Hungary where it became the dominant player in the professional segment of the market such as publishing law, science and economics (see Case Study/3 on Internationalisation of media firms in Appendices).

The Canadian Harlequin publisher was another company which successfully entered the three East Central European book markets. In Poland Harlequin was the third largest publishing house in 1995 according to turnover with 50 million Zloty sales (Boguta, 1997, p288). Harlequin was also successful in capturing significant market shares in the Czech Republic and Hungary. In the Czech Republic in its first full year in operation in 1993 Harlequin Books sold 7 million of its brand products which were easy reading romantic fiction books (Interview, official a). In 1995 the company was the fourth largest publishing house in the Czech Republic according to published titles with 162 new titles in that year (Narodni Agentury ISBN, 1996). The success of Harlequin in the three countries was due to large market demand, low price of its books and the fact that Harlequin found alternative distribution channels such as newsstands and did not rely solely on the troubled book distribution network.

---

79 Calculated on the basis of data from Boguta, 1997.
The Danish Egmont group also managed to seize a substantial share of the book markets in the three countries (see Case Study/4 on Internationalisation of media products in Appendices). Egmont specialised in publishing children and juvenile books based on popular Hollywood stories and characters. In Poland, Egmont was the fifth largest publishing house in 1995 according to turnover with 13 million Zloty sales (Boguta, 1997, p.288). In the Czech Republic, Egmont was the 17th largest publishing house in 1995 according to published titles with 76 new titles (Interview, company interviewee r).

Table 5.4.5 below shows the way multinational publishing companies entered the East Central European book markets. Foreign investors in this sector were more likely to launch new firms rather than taking over existing ones. In the conducted interviews with representatives of multinational publishing firms, the general view was that many local companies, especially the formerly state-owned ones, were too burdensome to take over and were not essential in achieving sizeable market share (Interviews, company interviewees r, u). It was also clear from the interviews that these multinational companies saw and managed their investments in the region as a whole and not separately focusing on individual countries (Interviews, company interviewees r, u).

Table 5.4.5 - Ways of entering the book markets in East Central Europe

<table>
<thead>
<tr>
<th></th>
<th>Foreign investors taking over/investing in existing firms</th>
<th>Foreign investors launching new firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>Wolters Kluwer</td>
<td>Bertelsmann, Egmont, Harlequin</td>
</tr>
<tr>
<td>Hungary</td>
<td>Wolters Kluwer, Bertelsmann</td>
<td>Bertelsmann, Egmont, Harlequin</td>
</tr>
<tr>
<td>Poland</td>
<td>Wolters Kluwer</td>
<td>Bertelsmann, Egmont, Harlequin</td>
</tr>
</tbody>
</table>

Table 5.4.6 below summarizes the main interests of the major foreign investors in the print media markets of the three East Central European countries. The Table also indicates which tier in Herman and McCheesney’s (1997) classification the international media companies belong to (see footnote 80 and Chapter 2).
Table 5.4.6 - Main foreign investors and some of their main investments in the print media markets of the three East Central European countries 1996-1998

<table>
<thead>
<tr>
<th>Company (No of tier)</th>
<th>Czech Republic</th>
<th>Hungary</th>
<th>Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axel Springer (2nd)</td>
<td>Lidove Noviny (daily), Blesk, Auto Tip, Tydon, Sandra (14 publications with Ringier)</td>
<td>Tvr Hl, 9 regional dailies, Kispegyed, Csok és Könny, Lakáskultúra</td>
<td>Pani Domu, Na Zwy, Cioni I Blaskio, Olivia, Computer Bild, (+6 publications)</td>
</tr>
<tr>
<td>Bauer Verlag (3rd)</td>
<td>Tina, Bravo, Zona a zivot</td>
<td>Tina, Bravo, Buci Maci (mag),</td>
<td>Tina, Zycia na Goraco, Swiat Kobiet, Bravo, Teletydzien, (9 publications)</td>
</tr>
<tr>
<td>Bertelsmann (1st)</td>
<td>Knizni Klub, GeoCenter Prague (book pub), radio stations, BMG</td>
<td>Nepszabadság (national daily), 1 regional daily, Nimród, Könyvklub, Officina Nova (book pub), RTL Klub (tv), BMG, Bau-Data</td>
<td>Claudia, Naj, Sandra, Telo Magazyn (5 publications), Swiat Ksiazki, GeoCenter (book pub), RTL 7 (tv), BMG</td>
</tr>
<tr>
<td>Burda (3rd)</td>
<td>Burda, Kaika, Verena, Miss B</td>
<td>Burda, Miss B</td>
<td>Burda, Miss B</td>
</tr>
<tr>
<td>Egmont (2nd)</td>
<td>Mickey Mouse, Kacer, Donald, Bugs Bunny, Dumbo, Asterix</td>
<td>Mickey Mouse, Donald Kacsa, Dumbo, Asterix</td>
<td>Mickey Mouse, Donald I Spólika, Król Burs, Dumbo, Asterix</td>
</tr>
<tr>
<td>JMG Ost Presse Holding (3rd)</td>
<td>Divka</td>
<td>Magyar Hirlap, Mai Nap (national dailies), 100XSzép</td>
<td>Express Wieczorny, Sztantár Młodych (national dailies), Dziewcyna, Popcorn</td>
</tr>
<tr>
<td>Passau Neue Presse (3rd)</td>
<td>36 regional dailies, Tv guido, Mindy svit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reader's Digest (2nd)</td>
<td>Reader's Digest Vybor</td>
<td>Reader's Digest Vélogatás</td>
<td>Przeglad Reader's Digest</td>
</tr>
<tr>
<td>Published in 19 languages, 100 million readers worldwide</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ringler (3rd)</td>
<td>Blask, Lidova Noviny (national dailies), Profit, Moravskoslozky den, Tydenik televize, Reflex, ABC (14 publications with Axel Springer), a major distribution company</td>
<td>Blikk (national daily), Kápol</td>
<td>Cash</td>
</tr>
<tr>
<td>VNU (2nd)</td>
<td>11 publications including: Mona, Vlasta, Story, Prakticka Zena, Kvyty, Prekvarpenl, Pals, Ring, Cosmopolitan, Cosmo Girl</td>
<td>More than 20 titles including Meglepétes, Pómvandászat, Figgelő, Fakanál, Iljuságó Magazin, Fölös, Világgazdaság (national daily), Cosmopolitan, Story, Ensy PC, Házil Praktika</td>
<td>Claritas</td>
</tr>
<tr>
<td>Wolters Kluwer (2nd)</td>
<td>Codex</td>
<td>Akadémia Kiadó, Invenció, Közgazdasági és Jogi Könyvkiadó, Műszaki Könyvkiadó, Distribution Centre</td>
<td>Lex, ABC Dom Wydawnicty</td>
</tr>
</tbody>
</table>

---

80 The tier categorisation of multinational media companies of Herman and McCheesney (1997) was mentioned in the Literature Review. They argue that there were three tiers of companies investing in foreign media markets during the 1990s (Herman and McCheesney, 1997, p52). The first tier contains around ten colossal media conglomerates such as News Corporation, Time Warner, Disney or Bertelsmann. The second tier includes about three dozens large media firms with annual sales generally in the $2-10 billion range such as Thomson Corporation, Reader's Digest, Gannett in North America, or the Kirch Group, Havas, Axel Springer, Reed Elsevier, the Pearson Group, Wolters Kluwer in Europe. Second tier companies usually fill regional or niche markets in the global media market. Third tier media firms, which number thousands of relatively smaller companies - at least compared to the first two tier firms - provide services to larger firms or fill small niches (Herman and McCheesney, 1997). To consider which tier the multinational media companies, investing in the print media markets of the three East Central European countries, belong to is useful, because it reveals important characteristics of the companies and their background.
5.4.1.1.5 Attitudes towards foreign ownership

For the success or failure of foreign investments it was important how they were received and what feelings and reactions their activities caused. Due to the lack of relevant surveys it is difficult to assess the attitudes of the public in the three societies towards foreign ownership for the whole period. There were some sporadic public opinion surveys. One such study in Hungary showed that the public had a relaxed attitude towards the issue. According to the survey carried out by the Hungarian Institute for Public Opinion Research in 1990 one third of the adult Hungarian population were not aware of foreign investment in the country's print media market, another third of the population did not care about the issue, and a further quarter of them had a favourable opinion of foreign ownership in the press (Jakab and Gálik, 1991, p45). Only 11 percent of those who were asked in the survey were against foreign ownership. There is no evidence that public opinion changed considerably later during the 1990s.

In the conducted interviews a neutral view emerged on foreign investors. None of the interviewed local companies expressed views that there should be restrictions on foreign ownership, however some of them conveyed concerns about how powerful companies with foreign investments were and what it meant for them and the competition (Interviews, for example, company interviewees b, g, j, i, m, n, o, q, s). Among politicians and policy makers the dominant attitudes and views towards foreign investment in the print media were welcoming or neutral. This was reflected in the relatively liberal and permissive regulations on foreign ownership. It was pointed out above that there were some differences between the three countries in this respect with Hungary having the most relaxed regulations on foreign investments and Poland somewhat stricter.

Some politicians expressed concerns about the dominance of foreign ownership during the 1990s. In Poland Michal Strak, the head of the Council of Ministers' office made a speech in Parliament in 1995 about the dominance of foreign ownership in the Polish press citing exaggerated figures. He called for new regulations and restrictions on foreign ownership emphasising the national interests of Poland (Rzeczpospolita, 1995). Three years later the National Christian Union proposed to limit foreign ownership in publishing companies (Karpinska, 14/12/1998). According to the proposed but rejected bill foreign capital would have not been allowed to exceed 45 percent ownership share in
print media markets. The justification of the National Christian Union for such a bill was that foreign owners did not accommodate local and national interests. One of the deputies, Kazimierz Marcinkiewicz argued in an interview "According to the research we have done as well as to the best of our knowledge, publishers owned by foreign companies tend not to get engaged in local political issues. ... And this lack of engagement stems not from the objectivity principle but rather from a total indifference to local matters" (Karpinska, 14/12/1998). In the Czech Republic Pavel Tigrid, the then Minister of Culture made the headlines in early 1996 whilst complaining about the dominance of foreign ownership in the press market of the country, stating that 80 percent of the Czech press was owned by German companies. Although causing a stir about the issue in neither of these cases were restrictions on foreign ownership introduced.

Attitudes of politicians towards foreign ownership was not only about how permissive they were, but also who - which investors - they preferred. It was commented in the discussion on the democratisation process that post-communist governments did consider the political views of investors in their decision on a privatisation. The example of the Hersant group was mentioned earlier. Both in Hungary and Poland the French group was helped in its acquisitions of considerable media interests by its presumed right-wing conservative views, which were in line with those of the then governments in the two countries.

5.4.1.1.6 Motives of foreign investors

Foreign investors were motivated by various factors in their decisions to enter post-communist print media markets, which changed to an extent during the 1990s. Some foreign investors achieved their aims, while others did not. Some viewed their newly acquired interests as long-term investments, others as short-term with a 'let's see what happens' attitude. At a general level Estrin (1997) identifies three categories of motivations for foreign investments: markets (sales), market share (strategic motives) and cost reductions. The motivations are usually mixed and have to be understood in the context of the companies' global structure, performance and strategy (Estrin et al, 1997).

An obvious reason for investments was profit. However motivations and expectations of investments in post-communist markets were more complex than
that. Gälik and Dénes (1992, p8) list three reasons why they think foreign companies rushed into the Hungarian press market during 1989 and 1990. First, it was a low risk investment. Second, there was the East European bridge factor and the preparation for a large Central and Eastern European market which would make investments profitable. Third, some foreign investments were simply prestige motivated. One could argue that investing in former communist countries, of which the three East Central European states were the most accessible, was a 'trendy' thing to do among Western media multinationals at the time of the political changes. Coleridge even comments that in 1989 and 1990 'doing business amidst the rubble of communism acquired a sort of glamour' (Coleridge, 1993, p26).

Further reasons can be added to the lists of motivations. Some companies invested in East Central Europe in order to prevent their main competitors in the global media market leaving them behind. Some foreign companies' motives were to test and assess the possibilities of a former communist media market. These types of motivations are reflected in the fact that, especially during the first years of the post-communist period, investments of foreign media companies in East Central Europe were often not parts of an overall strategy. Another reason for some foreign companies was that these markets were relatively close to developed markets in Europe. Most of the foreign investors in the print media markets of the Czech Republic, Hungary and Poland were European, and German media companies expressed particular interests towards the region (see Table 5.4.6). The dominance of German investors, which occurred in other industries as well not just in the print media, can be explained by geographical proximity and by similar cultural background and history.81

By the mid 1990s the region lost its novelty and market conditions consolidated, factors which led to changes in the motivations and strategies of foreign investors (Gulyás, 1997). Ambitions for regional dominance and securing market shares became more important on the motivation lists. The Swiss Ringier group, for example, set out to achieve a strong position in the East Central European tabloid and weekly business magazine market segments (see Case Studies/3 on

---

81 The historical element was a significant factor. East Central Europe used to be a natural sphere of influence for German investors. Before World War II German capital played an important role in the economies of these countries.
Internationalisation of media firms in Appendices). In book publishing the Dutch Wolters Kluwer aimed to dominate the legal and professional segments of the book markets in the region (see Case Studies/3 on Internationalisation of media firms in Appendices). Table 5.4.7 summarises the main motivations of foreign companies to enter the print media markets of the three East Central European countries.

Table 5.4.7 - Motivations of foreign investors and attractiveness of East Central European print media markets

<table>
<thead>
<tr>
<th>Motivations of foreign firms</th>
<th>Appeals of East Central European print markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit (long and/or short term)</td>
<td>Low risk investments, relatively low prices</td>
</tr>
<tr>
<td>Prestige</td>
<td>New opening markets</td>
</tr>
<tr>
<td>Not to fall behind competitors</td>
<td>Bridge factor</td>
</tr>
<tr>
<td>Regional dominance/market share</td>
<td>As a region large economic potential</td>
</tr>
<tr>
<td>Economies of scale</td>
<td>Geographical proximity for European companies</td>
</tr>
<tr>
<td>Market sales</td>
<td>Potentials of joining the EU</td>
</tr>
</tbody>
</table>

Reasons for investments were complex. Different motivations and appeals of the particular market segment all played a part, as well as the companies' performance and strategy in its other markets. There were differences in motivations between companies depending on their size and background. Two main groups of foreign investors can be distinguished in this respect. One group includes companies which were already powerful multinational media firms and were present in several other media markets. They already had experience in entering uncharted territories and had enormous organisational and financial backing from their headquarters. Companies such as Bertelsmann, Wolters Kluwer, Axel Springer, Reader's Digest were in this group (see Case Studies/3 on Internationalisation of media firms in Appendices).

In the other group foreign investors came from a somewhat more 'modest' background, many of them had had interests only in one national market before. They were smaller and their financial resources were more limited. Their acquired interests in East Central Europe played a more important role in their turnover, expansion policy and long-term strategy than in the cases of larger multinational media companies. These firms were unlikely to emerge as dominant players in their home market given that developed media markets of
the Western world were matured and saturated and companies faced more powerful competition there. The move to the East provided them with an opportunity for expansion and to become a multinational media firm. An interesting feature of this group is that it was dominated by firms from nearby countries such as Germany, Switzerland and Austria. Companies in this group included the Swiss Ringier group, Jurg Marquard's Ost Presse Holding and the German Passau Neue Presse (see Case Studies/3 on Internationalisation of media firms in Appendices).

5.4.1.1.7 Strategies of foreign companies

Foreign investors entered post-communist print media sectors in various ways. It was noted above that in certain market segments, for example in the newspaper sectors, foreign companies tended to acquire already existing titles and/or firms, while in others, such as in the magazine sector, they were more likely to launch new ones. Foreign investment normally takes one of two forms. One is joint venture, the other is wholly owned subsidiary. In the case of a local-foreign joint venture it is usually perceived that the local partner brings either market share or brand names or both to the partnership, and the foreign partner brings either finances, or technology, or know-how, or management skills, or the combination of those (Estrin et al, 1997, p217). Joint ventures can be also attractive to foreign investors if they do not know the market and they want a partner who is familiar with local conditions. Numerous examples can be found for this type of set-up in post-communist print media sectors. For instance, the Hungarian national daily Népszabadság has been published by a share-holding company, in which the two most important share holders were the group of journalists and a foreign investor, Bertelsmann. The Polish daily Gazeta Wyborcza has been published in a similar structure, owned by the journalists and a foreign investor, the American Cox Enterprises.

There were examples of joint ventures between foreign companies. In Hungary the Swiss Ringier and the American Gannett cooperated in launching and running the tabloid paper Blikk together. Interestingly in the Czech market Ringier chose another foreign partner to work together with in publishing the same type of tabloid Blesk and other publications. Ringier was joined by Axel

---

82 Case Studies/3 in Appendices, which examines the investments of Bertelsmann, Wolters Kluwer and Passau Neue Presse in post-communist East Central Europe, provides further analysis of the motives and strategies of foreign investors.
Springer in 1996, in which joint venture Ringier had the majority ownership of 51 percent. Foreign companies join forces to venture into a market for different reasons. First, the costs of entering that market can be high, thus they might want to share the expenses. Second, if foreign companies do not know the market they want to venture in and they cannot or do not want to find a local company for joint venture, they might team up with another foreign company to share the risks and costs. Third, if foreign companies find the new market too small, they might choose not to invest alone and decide to team up with another company.

In some cases joint ventures were transition forms for foreign companies to full ownership. For example, Bertelsmann initially acquired 40 percent ownership of Népszabadság, it raised its stake gradually achieving 67 percent interests by 1998, and it is likely aiming for full ownership. Another example is the Swiss JMG Ost Presse which entered the Polish press market in a joint venture with a local investor, however after a couple of years the foreign firm bought out the local entrepreneur.

The other main form of entry for foreign investors was through subsidiaries owned 100 percent by the investing company. A subsidiary is advantageous in the following cases: if the foreign firm wants full control of its investment, if it knows the market well, if it is a long-term strategic investment or if it is a prestigious investment. In market segments where foreign investors saw a gap and/or wanted to introduce a new product, they often entered the market by establishing their own new title or company. Foreign companies established their subsidiaries through acquiring existing titles and/or firms using two tactics. They either purchased a successful company and/or title and utilised its market position, or acquired an unprofitable, hence cheaper, one and tried to make it successful. Rupert Murdoch followed the first tactic when he bought the Hungarian daily Mai Nap and the weekly Reform in 1990. Both papers had high circulation figures and were making profits at that time. As soon as the circulation and profitability figures dropped Murdoch sold the papers. Marquard proceeded with the other tactic. He acquired the Hungarian daily Magyar Hirlap in 1991 when the paper was making losses. After a few years of aggressive marketing and promotion campaigns the paper started to make a profit. In book publishing Wolters Kluwer pursued a similar strategy buying up formerly state-
owned publishing houses with their losses and restructured them (see Case Studies/3 in Appendices).

Diversification was another important feature of the strategies of foreign investors. Most foreign companies acquired more than one interest in post-communist print media markets. Some companies focused on one particular market segment, for instance Wolters Kluwer on professional publishing, while others diversified their activities across different media sectors. The most prominent example for a company represented in a range of media markets was Bertelsmann. By the mid 1990s the German media conglomerate was present in several segments of East Central European media including broadcasting, music industry, book publishing, daily newspapers, magazines and new media (see Case Studies/3 in Appendices especially Table 8.6). Another example for diversification was Axel Springer which acquired interests in newspaper, magazine and book publishing in the three East Central Europe countries.

5.4.1.2 Ventures of local companies into external markets

The other possible aspect of internationalisation of media firms is when local companies venture into external media markets. However, most print media companies in the three countries did not invest in external markets during the 1990s. This was partly because there were no such interests from the managers, partly because many of them did not have the required capital to do so, and partly because of the language specific nature of many print media products. In most interviews conducted for this research the general view was that expansion in external markets was not viable option at that stage (see Table 5.4.8).

Table 5.4.8 - Views on opportunities of external expansion from the Interviews

<table>
<thead>
<tr>
<th>Home market is large enough to expand (Interviews, company interviewees b, c, e, f, j, n, p, q, s):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did not have the capital to expand and perceived themselves to be too small to venture to external markets (Interviews, company interviewees b, c, e, g, i, m, t):</td>
</tr>
<tr>
<td>Viewed the post-communist changes in the markets challenging and problematic enough than bother to look for new markets (Interviews, company interviewees f, g, m, p, t, w):</td>
</tr>
</tbody>
</table>

During the second part of the 1990s there were some local print media companies which ventured in external markets in most cases in countries of the region. The Polish PWN publishing house, for example, acquired interests in
publishing houses in Hungary and other countries. Some companies expanded their activities geographically to provide services and products for national groups outside the home country. Thus, for example, some Hungarian companies set up ventures in Romania and Slovakia to supply print media products for Hungarians living there. Some Czech companies produced and distributed their products in the Slovak market as well. Nevertheless, these types of ventures remained insignificant in magnitude and importance.

5.4.2 Internationalisation of media forms

In the context of post-communist print media internationalisation of media forms refers to the process whereby products as well as certain aspects of production and consumption assume features similar to those of developed international media markets. The process involves the import and cloning of print media products from Western markets. During the 1990s numerous new titles were launched in the three post-communist countries which adopted the format, structure and type of content of existing products in the West. The magazine markets of the three East Central European countries were flooded with such products. These new titles covered a wide range of subject areas. Jakubowicz (1996, p11) lists, on the example of Poland, some of them: comic books such as Spiderman, GI Joe, Batman, Superman, women's and children's magazines, financial and business magazines.

In the women's magazine sector, in which supply used to be very limited during the communist era, most of the new titles during the first part of the 1990s were 'cloned' from popular women's magazines of the West. The Press Research Centre at the Jagiellonian University estimated that the circulation of 'local versions' of German magazines in the Polish market in 1992 was about seven million (Warsaw Voice, May 1993). These included the biweekly Tina and Bravo, the monthlies Dziewcyna and Popcorn. In many cases the 'clones' of Western titles were successful in attracting audiences and advertisers, however not in every case. The Hungarian and the Czech versions of Playboy, for example, went bankrupt shortly after a much-hyped launch.

Western types of products were also imported in other print media sectors of the three countries. In the national newspaper market, for example, the Swiss

---

63 See Case Studies/4 in Appendices for examples for internationalisation of media products.
Ringier group launched tabloid newspapers in the Czech Republic and Hungary copying the format and structure of its home based tabloid *Blick* which was Switzerland's largest daily (see Case Study/4 on Internationalisation of media products in Appendices). Using the same strategy the company introduced business weeklies cloning its Swiss *Cash* magazine in a number of countries including the Czech Republic, Slovakia, Romania, Hungary, Bulgaria, Poland and China (see Case Study/4 in Appendices). In the regional newspaper markets of the Czech Republic and Poland Passau Neue Presse changed the titles it acquired copying the format and structure of its regional papers in Germany. In the book markets new types of products copying popular Western formats were adapted, for example short romance stories, various practical guides, etc..

Foreign investors clearly had a significant role in the internationalisation of products in the three post-communist print media markets. Some of them even adapted as an investment strategy to enter these markets by copying their existing titles. However, some local companies were also active in importing foreign media products. Several local firms interviewed for this research published products originated from abroad and/or with foreign content (Interviews, company interviewees c, e, f, i, j, n, o, p, q, s, t). (Also see Table 8.7-8.16 in Appendices for international versus national content in production of companies.)

Certain aspects of production and distribution in post-communist print media markets also assumed international characters. The organisation of production as well as the structure of companies were changed, and in many cases, especially where there was a new foreign owner, took on practices from developed markets. Production techniques and technologies were also adopted. Some new ways of distribution were introduced which were familiar in developed markets but not in East Central Europe. For instance, book and music clubs sending their products through the post, or selling short romance stories at newsstands.
5.4.3 Internationalisation of media flows

One of the main facets of globalisation is the increase of trade and flow of media and cultural products between countries. The ways the three post-communist countries integrated in this process can be examined from two perspectives: the impact of international content in the local print media and the effect of East Central European media content on international markets. The latter was not significant, since there is no evidence of East Central European media content flooding the Western world or news agencies of the three countries becoming leading news providers in the global market.

Internationalisation of post-communist media content is more evident. In the book sectors international bestsellers came to dominate the market, while national authors lost in popularity. Figures 5.4.11 and 5.4.12 below show the changes in published books by nationality of the author. Most titles published during the first part of the 1990s were from Hungarian authors, however the proportion of foreign, especially North American, fiction increased. The impact of international content on the book sector becomes more evident when looking at the number of copies published. The number of copies of Hungarian fiction books decreased dramatically during the period, while the copies of fiction books from US authors declined moderately. This meant that in terms of published copies fiction from the United States became dominant in the Hungarian book sector. A similar picture emerged in the book markets of the other two East Central European countries.

Internationalisation of content was particularly apparent in broadcasting media and in cinema. In Hungary, for example, in 1995 68 percent of the films shown in cinemas were of US origin and 6 percent Hungarian. In 1990 the ratio of US films was 48 percent, while 12 percent was Hungarian films (Lengyel, 1995).
International content also increased in other print media forms, albeit given the characteristics of many print media products the process was less evident and in cases less extensive. Newspapers rely on news agencies for information. After 1989 the importance of global news agencies in providing information and foreign news to East Central European news organisations increased, which was partly a result of financial difficulties and ownership complications of the national news agencies (Rantanen, 1998). Rantanen also argues that competition in post-communist news sectors intensified as a result of the investment of global players. Reuters, which is one of the largest news agencies in the world, became especially active in the region. It opened news offices in several capitals in East and Central Europe. It launched its first subsidiary in the region in Hungary in 1992, which provided news, photo and graphic services. Rantanen estimates that 25 percent of Reuter’s annual revenue would come from the former communist block at the end of the 1990s (Rantanen, 1998, p133).
There are also examples for internationalisation of content in the magazine sectors. For instance, clones and adaptations of Western periodicals not only copied the format of their templates but many times their content as well. Many adverts, which became a characteristic feature of magazines compared to the communist era, were also originated from the global market.

Internationalisation of media content is connected and influenced by the internationalisation of media products and the development of foreign ownership. However, it was not only the foreign investors whose print media products became more international in content, local companies also participated in the process. Several local firms interviewed for this research published products with foreign content (Interviews, company interviewees c, e, f, i, j, n, o, p, q, s, t). In fact twelve out of eighteen interviewed book publishers published more books with foreign content than with national content (see Table 8.7-8.16 in Appendices for international versus national content in production of companies).

The examples above suggest that the flow of print media content between the three post-communist countries and the international world was largely a one way process. This does not come as a surprise given the communist past, the relatively small and capital weak media markets and the fact that these countries never played a significant role in the global media world.

5.4.4 Global media effects

Effects of the internationalisation of media and cultural production and consumption have been among the most researched topics in relation to globalisation. Foreign ownership, the increased international trade of media and cultural products and the inequalities in the flow of this trade raised a lot of concerns (see Literature Review, Chapter 2 for theories and research on the issues). The underlying question is whether the values embedded in international media products influence local cultures and audiences. Sreberny-Mohammadi (1994) emphasises that apart from direct influences on values and beliefs it is also important to consider less obvious potential impacts such as the shifts in cultural orientations and patterns of sociability.
Global media effects in the three East Central European societies can be best detected in the cultural changes of the post-communist era. The collapse of the communist system was not only the end of a certain political and economic system. Given the interconnectivity of societal spheres it also brought about considerable changes in social values and beliefs as well as in national cultures. Although these changes were influenced by a number of factors not only by the media, the different forms of mass communication were important in the quest of post-communist societies to find new cultural identities and legitimacy.

The three countries were not cut off completely from global media and culture during the communist era. Hence it would be misleading to consider this process as a completely new phenomenon. Indeed during modern history these societies looked for examples and legitimisation to the Western world many times. However, what was new in the process during the post-communist era was its extent. National cultures in East Central Europe became more open to the world following the demise of communism. International factors became more important in determining cultural trends and providing elements for identification in society. The impact of Western culture with its values and symbols was particularly significant. Many times this process is associated with 'Westernisation' or 'Americanisation' of East Central European popular culture and the promotion of consumer culture. Farkas (1994) gives some appropriate examples in his aptly titled article 'Goulash or Hamburger?' to illustrate cultural changes. These include the immense popularity of American fast food chains, Western media products such as soap operas, talk shows and Hollywood films, and the adaptation of certain parts of lifestyle such as dieting, aerobics and fitness (Farkas, 1994).

The mass media had important role in this process relaying symbols, values, images and lifestyles of the Western world, as well as promoting the idea and importance of the 'new'. The roles of different mass media forms as agents of cultural changes varied. Print media played a significant part, for example through advertising. Rohde and Pellicaan (1995) argue that advertising provided images and symbols of Western lifestyles and fascination of the 'new' in post-communist societies. They give an example of successful lifestyle advertising, that of Wrigley's chewing gum. The commercial campaign, which included television, press and poster ads, showed a group of well-dressed and seemingly
happy people walking on a beach with a huge pack of gum (Rohde and Pellicaan, 1995, p153). The sale of the chewing gum increased considerably despite the fact that the commercial pictured people with a lifestyle far different from that of an average Hungarian and that there is no beach in the country. There were numerous other similar advertising campaigns, which exploited the temporary vacuum in cultural identification in these societies. Although it would be a mistake to overemphasise the role of international elements as the only factors determining post-communist cultures, their importance in providing these national cultures with new legitimacy is undeniable.

5.4.5 Evaluating Internationalisation in East Central European print media
The discussion above showed that East Central European print media went through an internationalisation process during the post-communist era. Beside the forms of internationalisation analysed in this Chapter one could also consider other types of external factors which affected the post-communist media transformation such as external political and commercial pressure for liberalisation of markets and the drive to comply with international, especially European Union, media legislation. Internationalisation of national media markets and integration into the global media market are perceived to have both negative and positive consequences. To evaluate the internationalisation process in the context of post-communist print media both positive and negative aspects are considered below.

5.4.5.1 Positive aspects
One positive aspect that is often cited is that global culture creates greater connectedness and linkage among peoples and enhances understanding of different cultures (Herman and McChesney, 1997, p8). Another positive aspect usually attributed to globalisation and the flow of Western media products is that they spread democratic values and disapproval of dictatorships and authoritarian regimes, thus contributing to the democratisation of the 'global society'. East Central European societies were influenced by Western democratic and anti-communist media messages prior to 1989. However, it is debatable to what extent their understanding of other cultures grew during the post-communist era.

The internationalisation of post-communist print media involved an expansion of market choice, hence an increase in diversity, which is seen essential in a
democratic media landscape. Other positive impacts of the internationalisation process included that foreign ownership contributed to lessen the importance and power of the state and political forces in the previously over politicised local print media (Gulyás, 1999). In fact one of the main reasons why foreign media ownership was welcomed among journalists and the public, at least at the beginning of the post-communist era, was that it was perceived to provide publishers the much desired independence from political forces. Because of the legacy of the communist past, editorial independence from direct state influence was seen as a much needed condition in the new era.

Most foreign investors, who were mainly driven by economic and financial motives, avoided involvement in local politics in the three East Central European countries. There were even examples where the new foreign owner removed staff because of their political affiliation. In the Hungarian book sector, for instance, the new foreign owner of Akadémia publishing house, Wolters Kluwer removed the serving director, because he had close links with one of the major political parties. Another positive aspect of internationalisation was the fact that foreign investors brought capital to the print media markets, which used to be undercapitalised, thus making the transformation of these markets somewhat 'easier'. Arguably foreign investors also contributed to the consolidation of market forces and speeded up certain transformation processes such as privatisation. The influx of Western know-how, managerial and other practices in media operation and production can also be regarded as beneficial. It involved, for example, the improvement of technological level of production, which was low due to the legacies of the communist system.

5.4.5.2 Negative aspects

Globalisation is also seen as instigating harmful consequences. An often cited argument is that large developed countries dominate the global media and the media and national cultures of less affluent states are dependent on them. Researchers usually point to the imbalance in the international flow of information, media and cultural products. The argument is that Western values are embedded in media products such as television programmes, news, books, magazines and advertisements. In critical Marxist analyses these values are usually associated with consumerism, individualism and capitalism (see Chapter 2 for discussion of main views and positions). Given the extent and features of
internationalisation in East Central Europe there were views which claimed that post-communist societies became another case of cultural imperialism, and that post-communist media mainly advocated Western/American values and lifestyles while national cultural values became underrepresented.

Various forms of media internationalisation are often seen as threats to national cultures. In this view dominance of foreign ownership can be dangerous because foreign owners would be less concerned with national cultural production and social developments. The evidence for this, however, is not clear-cut. Although foreign investors were more interested in commercial and profitable media sectors in the three East Central European countries, there were also foreign investments in nationally and culturally important print media productions. Foreign owners were happy to continue with their investments, whatever their nature was, until the production met their particular financial and economic motives. However, arguably this was the same for most local investors as well.

Foreign investment is also a contested issue because of its potential impacts on local industries and companies. Indeed in the three post-communist media markets local companies, which were usually smaller and financially weaker, found it difficult to compete with companies with foreign investment. In many cases foreign media companies focused on the most lucrative and profitable segments of the print media markets leaving areas of higher risk to local investors (Gulyás, 1999). As a result many local companies remained undercapitalised. Given the strength of foreign investors their entries could also lead to higher concentration in the markets. It is not a coincidence that the market segments with the highest concentration rates were those which were dominated by foreign ownership such as the regional press and certain segments of the magazine markets (see Chapter 6).

Summary

This Chapter examined the four processes of post-communist system change in the print media in the three East Central European countries, which were identified in the model. These were: democratisation, marketisation, commercialisation and internationalisation. It was argued that with democratisation the political roles of the print media changed, as well as the reasons and patterns of state interventions in the print media altered. Print
media sectors in the three countries provided diversity of views and information, played a check role to an extent on those in power and presented a public forum for discussion during the post-communist era.

In terms of the changes in state interventions it was shown that many former control mechanisms were abolished and some new regulations were introduced to safeguard democratic functions of the media. There was a significant move from the overwhelming presence of the state in the print media to more limited state interventions. However, it was argued that the relations between print media and post-communist governments and political forces were not always conflict free. Expectations, attitudes and values both on the part of politicians and those of media professionals needed time to adjust to the new conditions. A further important element of the democratisation process was professionalisation, which meant changes in the roles and works of journalists and editors. The analysis showed that although significant changes took place in this respect there was slow progress in areas such as impartiality, independence and investigative journalism.

As a result of the marketisation and commercialisation processes the economic functions of print media became more prominent. Elements of the marketisation process included the growing importance and dominance of market forces and changes in media ownership. Various ways and approaches to privatisation were discussed, and it was argued that specific features of media forms, market segments and countries influenced the speed, extent and circumstances of privatisation. The analysis demonstrated that although state ownership in the print media markets decreased considerably after 1989, some level of state ownership remained in certain segments of the print media.

Commercialisation was identified as a closely linked process whereby the emphasis on commercial aims such as market share and profitability became predominant at the expense of certain social, cultural and political functions of the media. The process involved the commodification of print media products in terms of content and format, as well as the changes in print media finance. It was shown that revenues from product sales and advertising became dominant ways to finance print media production, depending on the market segment, while the role of the state in this respect decreased considerably compared to the
communist era. However, the analysis also showed that state interferences in print media markets were not abolished completely and the state continued to support certain market segments.

Internationalisation of post-communist print media was analysed in the context of foreign ownership, internationalisation of content, forms and effects. The emphasis was placed on foreign ownership because of the political economic approach of this research. It was shown that these international factors had significant impacts on post-communist print media and that the sectors became integrated into the global media market. There were, however, some differences between the three countries and between various print media sectors in the extent and influences of the process. The positive and negative effects of internationalisation were also discussed. The relevant discussions showed that media cultures and industries of the three countries were not crushed or degraded totally by international factors, rather they were integrated into the also changing global media world with its advantages and disadvantages.
Chapter 6 - Post-Communist Print Media

This Chapter aims to assess how the processes of system change affected the performance and development of the print media sectors in the Czech Republic, Hungary and Poland and to analyse the features of these markets during the post-communist era. Using the Industrial Organisation Model (IOM) and its revised versions (such as by Busterna, 1988; Gomery, 1989; Hendriks, 1995; Ramstad, 1997; Wirth and Bloch, 1995) the main characteristics of media markets were identified in the developed model (see Table 3.1), which provides a framework for the examinations of the above aims. In the followings the features of the structure, conduct and performance of the print media markets in the three post-communist countries are analysed.

6.1 Market structure

Structural features of media markets are important to examine for various reasons. First, they influence how the media fulfil their social and political functions which could have important implications on the functioning of a democratic society. Structural features of media markets during the first stage of the post-communist era were especially significant, because they determined diversity and pluralism in the sector for a longer term. Second, features of market structure have economic implications as structure affects how the market is conducted and how it performs. Monopoly situations, for example, could negatively influence market performance, efficiency and fairness. Structures of post-communist print media markets are analysed below considering four features: the numbers of sellers and buyers, competition and concentration in the markets, barriers to market entry and vertical integration in the sectors.

6.1.1 Supply and Demand

6.1.1.1 Supply

Compared to the communist era supply in the print media markets of the three East Central European countries expanded considerably during the 1990s. The process involved three interconnected elements: an increase in the number of print media titles and of print media companies as well as the emergence of new

---

See Chapter 2 and Chapter 3 for discussions of the IOM and its relevance to this research.
market segments. Market expansions were the result of several factors including the lifting of communist control mechanisms, democratisation, introduction of market forces, commercialisation, internationalisation, changing market demand and media consumption patterns.

In Hungary 157 new press titles were launched in 1988, 608 in 1989 and 575 in 1990 (Gálik and Dénes, 1992, p4). According to Seregélyesi (1998) more than a thousand new periodicals, which included everything from newspapers to local newsletters, were introduced in the country annually during the first part of the 1990s. In Poland the number of press titles increased from around 2500 in the mid 1980s to 3300 in 1989 and to 4448 in 1994 (Sawicz, 1990 and Rocznik Statystycny, 1997). Within six months during 1989 355 new titles were registered in Poland (Sawicz, 1990, p393). In Czechoslovakia there were 1100 publications in 1990, by 1991 it is estimated their number increased to 2500 (Giorgi, 1995, p155). There was, however, a considerable turnover in titles in all three countries, the extent of which varied in different market segments. Many of the new titles disappeared after a short existence, while new ones appeared every year.

Figure 6.1.1 - Number of press titles in the three East Central European countries

Figure 6.1.1 shows the changes in the number of press titles during the first part of the 1990s. It is notable that there were some differences between the three countries. While in Hungary the number of periodicals increased during the first years of the post-communist period and by the mid 1990s the numbers dropped, in the Czech Republic after a similar trend the number of press titles increased again in 1994. In Poland there was no substantial decrease in the number of
press titles between 1989 and 1993, but there was an increase in 1994. The differences were due to various factors including the variations of the communist media system, different economic policies of post-communist governments, dissimilarities in economic developments during the early 1990s and differences in defining press title in national statistics.

There were also differences in the extent and duration of expansion in supply between various print media sectors. Many market segments which were underdeveloped or non-existent during the communist era expanded continuously during the 1990s. These included, for example, the magazine sectors and segments of the book sectors. However, it was not only sectors with commercial media products which developed. As part of the democratisation process print media started to play more social and community roles, which could be seen in the emergence and expansion of local and community newspapers, titles for NGOs, press for ethnic minorities and so on (Gulyás, 1999). 85

There were print media sectors, however, in which supply fluctuated during the post-communist period. Table 6.1.1 illustrates the development of supply in the national daily newspaper markets. The Table shows that the number of national dailies increased considerably during the first part of the 1990s, and then decreased in the second part of the decade. This was due to a number of factors including the consolidation of post-communist conditions and saturation of the markets.

<table>
<thead>
<tr>
<th>Table 6.1.1 - Number of national daily newspaper titles</th>
</tr>
</thead>
<tbody>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Czech Republic</td>
</tr>
<tr>
<td>Hungary</td>
</tr>
<tr>
<td>Poland</td>
</tr>
</tbody>
</table>

Market supply also expanded in the book markets during the post-communist era, however, it happened differently than in other print media sectors and varied in the three countries. Figure 6.1.2 shows the changes in the number of published book titles between 1989 and 1997. In Hungary and Poland roughly similar quantity of book titles were published annually during the first part of the 1990s. 86 In the Czech Republic the increase in the number of book titles was considerable

85 Because of lack of data the development of these sectors of the print media is difficult to assess 86 It is important to point out that at the same time the change in the content and types of books on offer was significant.
between 1989 and 1993. During the later part of the 1990s the number of published titles rose in Poland and the Czech Republic, while in Hungary the increase was not substantial.

Figure 6.1.2 - Book title output in the Czech Republic, Hungary, Poland 1989-97

The differences between the countries were mainly due to the variations of the communist system and its particular type of demise. The reasons for the differences in supply between various print media sectors included the specific features of market segments, their development in the communist era and the dissimilar impacts of the processes of system change.

6.1.1.2 Demand

Many print products operate in dual markets, those of the consumers and the advertisers.\textsuperscript{87} It is important to examine the development of both market features.

6.1.1.2.1 Consumers

Comparing the three East Central European countries Poland has the largest market for audiences. The country has a population of more than 38 million, thus print media markets in Poland have almost four times larger potentials than the markets in Hungary and the Czech Republic. The latter two countries have a population of 10 million each. This has important economic implications: with only a small language area to supply and without the economies of scale the Hungarian and the Czech print media are limited for production as well as for consumption.

\textsuperscript{87} However, there are print media sectors such as books which rely only on product sales.
Each of the three countries’ print media has latent markets outside the national borders. There are altogether more than 1 million Polish-speaking population in Lithuania, Belarus and Ukraine, on a whole some 3.5 million Hungarian-speaking population in Slovakia, Romania, Ukraine and Serbia, and most of the Slovaks can understand and read Czech. However, the neighbouring countries did not provide real market opportunities for the Czech, Hungarian and Polish print media businesses, because of features of politics and nationalism in the region, economic and social differences such as in wages and living standards, as well as the lack of distribution channels.

The structure and performance of media markets do not only depend on the size of potential audiences. Cultural, social and economic factors are also important in media production and consumption. The three countries are well positioned for developed print media sectors. They all have virtually universal literacy, a strong press and literary culture and a reasonably compact geography and population. Media consumption and readership patterns in the three East Central European countries are similar to those of developed Western European societies. In fact, as discussed in Chapter 4, at the end of the 1980s newspaper and book readership figures in Czechoslovakia and Hungary corresponded to those in Germany and the United Kingdom.

During the post-communist years media consumption patterns changed considerably, which affected the size of potential audiences of print media sectors. There was a general decrease in the number of readers of ‘traditional’ print media products such as daily newspapers and books. The changes in media consumption patterns were results of various factors including cultural and social transformation and the effects of economic hardship (Gulyás, 1999). A decrease in living standards and disposable income - a post-communist reality for many - contributed to the falling readership figures of newspapers and books.

Another factor was the increased competition from other forms of media, notably television. The popularity of television grew at the expense of other media. In Hungary people spent 3.5 hours a day watching television in 1995, which was a considerable increase from circa 2 hours ten years earlier (Vitányi, 1997, p25). Figure 6.1.3 below shows the increase of popularity of television in Hungary

---

88 Changing readership patterns are discussed in more detail below under market conduct (Chapter 6.2).
during the post-communist period. A similar increase occurred in Poland where the average viewing time was 4 hours and 4 minutes a day in 1996 (Jakubowicz, 1996/a). In the Czech Republic the population spent 3.5 hours a day on average watching television in 1998 (Prague Business Journal, 12/7/1999). Television became more popular as a result of substantial increase in choice, the spread of new channels and commercialisation of content.

Figure 6.1.3 - Television viewing in Hungary among the adult population (hours/week)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>171 S million</td>
<td>177 S million</td>
<td>182 S million</td>
<td>188 S million</td>
<td>194 S million</td>
<td>200 S million</td>
<td>206 S million</td>
<td>212 S million</td>
<td>218 S million</td>
<td>224 S million</td>
<td>230 S million</td>
</tr>
</tbody>
</table>

Source: Cseh et al., 1999.

6.1.1.2.2 Advertisers
An important aspect of post-communist system change in the print media was the enhanced role of advertising in media finance and operation, which was discussed in Chapter 5. With the move towards a market-led economy more and more companies started to use different forms of advertising to improve their business potential and performance. The advertising market was one of the booming sectors of post-communist economies of the three countries. In Hungary the value of the advertising market increased by 30-45 percent annually since 1989 which exceeded inflation. The value of the advertising market expanded from 171 S million in 1991 to 677 S million in 1999 (Jakus, 1997; Csonka, 1999) (see Figure 6.1.4).
In Poland spending on advertising grew from 154 $ in 1992 to 1 $ billion by 1997 (Jakubowicz, 1996/b, p12; IP Polska, Warsaw Voice, 25/1/1998). Figure 6.1.5 below shows the development of the advertising sector in the country.

In the Czech Republic the advertising market was also expanding during the 1990s, which is illustrated in Figure 6.1.6. Total advertising expenditure increased from 46.4 $ million in 1991 to 428.6 $ million in 1996. Some differences between the three countries are noticeable. Among the three post-communist states the Czech Republic started off with the smallest advertising market, and by the second part of the 1990s Poland had the largest advertising sector. Reasons for these differences were the variations of the communist system and its type of demise, as well as the size of the economies. The growth in advertising expenditure affected the various print media sectors differently. The preferred choices of advertisers and their strategies will be discussed under market conduct.
Despite the impressive growth the advertising markets of the three East Central European countries were considerably smaller than in Western markets throughout the 1990s. Figure 6.1.7 shows the per capita advertising spending of the Czech Republic, Hungary and Poland in international comparison. Since the spending rates are considerably lower than in mature media markets, it is predicted by analysts and those in the industry that the advertising sectors will continue to expand.

Poland is best positioned for further substantial increases mostly because of a larger potential market. Figure 6.1.8 illustrates the larger size of the Polish market. It is estimated that the value of the Polish advertising sector was 1.5 times higher than the value of the Czech and Hungarian markets put together in 1998 (Warsaw Voice, 1/8/1999).
An interesting feature of the main advertisers in post-communist markets was the dominance of foreign companies. In all three countries the largest advertisers were foreign firms and/or their local subsidiaries. In Poland there was only one Polish firm among the top ten advertisers between 1992 and 1995 (Jakubowicz, 1996/b). In Hungary there were three local companies among the top ten advertisers in 1994 (Gulyás, 1995) and two in 1997 (Média Ász, 1997). Foreign companies also played a dominant role in providing advertising services. The largest advertising agencies in East Central Europe were subsidiaries of international advertising agencies or were owned by foreign companies (Jakubowicz, 1996/b). In Hungary four advertising agencies dominated the market during the 1990s, all of which were subsidiaries of foreign companies such as Saatchi & Saatchi and Young & Rubicam.

6.1.2 Competition and concentration

Trends and implications of market competition and concentration in the media received substantial interests in political economic analyses, which was noted in the Literature Review. High market concentration is considered to be a sort of demonic feature which could threaten democratic functions of the media, negatively impact upon pluralism and diversity in the sector and cause undesirable economic effects. Market concentration can occur as a result of different processes but generally it means an increase in the presence of one or a handful of media companies in any market as a result of various possible

---

For accounts of media concentration and its consequences in developed media markets see, for example, Gomery 1993; Picard 1983; Adbarran and Dimmick 1996; Sánchez-Taberno 1992.
processes: acquisitions, mergers, deals with other companies or disappearance of competitors" (Sánchez-Taberno, 1993).

Concentration in post-communist media markets has to be examined with special attention because of its possible effect on the developing democratic functions of the media. During the communist era print media markets were highly concentrated, but this concentration evolved as a result of political control and not of market forces. The effects of concentration were further enhanced by the specialisation of firms which meant that the scope of market competition was limited (see Chapter 4). Competition was not a driving force in the print media markets due to the politicised nature of the media and the control mechanisms in the system.

As a result of the processes of system change competition became a dominant feature and concentration assumed a market character. With the break-up and privatisation of state-owned companies concentration rates decreased substantially in most print media sectors at the start of the post-communist era. The increase in the number of companies and titles also contributed to the decline in previous concentration levels. As the post-communist years proceeded further ownership changes occurred through new entries, acquisitions and mergers. As a result concentration rates fluctuated but to different degrees in various print media market segments.

If one wishes to calculate concentration figures for post-communist print media markets, s/he immediately faces two problems: first, the problem with defining the precise market to base the calculation on; second, the problem of acquiring data from/about post-communist media companies. Depending how narrowly or widely the market is defined and how figures are calculated different concentration rates can be tallied. A somewhat simplistic calculation of concentration in the national dailies markets is provided in Figure 6.1.9. The calculation is simplistic because they assume that all national dailies compete for the same audience and they were calculated on the basis of circulation figures rather than revenues or a mixture of economic indicators.90 Concentration figures are shown for the two largest companies (Figure 6.1.9).

Media economists prefer to calculate concentration rates on the basis of revenues (Albarran and Dimmick, 1996; Lositifides, 1997), which indeed could provide a more precise picture of market
Figure 6.1.9 - Market share of the two largest companies in the national daily newspaper markets (%: calculations based on circulation figures)

Note: Polish figures are from 1998 not 1999.

Figure 6.1.9 shows that in all three post-communist countries the two most powerful companies in the national daily newspaper markets increased their combined share during the 1990s. Hence the market segments were more concentrated at the end of the decade than at the beginning of the 1990s. According to a common approach in media economics which views a market highly concentrated if the share of the four largest groups is higher than 50 percent (Albarran and Dimmick, 1996), the concentration figures in the East Central European national daily newspaper markets can be considered as high. National daily newspaper markets are usually quite concentrated because of their specific features such as high cost of market entry, high level of technological and organisational investments and costs. In international comparison concentration levels in the three post-communist market segments were not striking, although they were slightly higher than the average in Western Europe.

What is important to note in the context of the system change is that post-communist concentration rates were considerably lower than the levels during the communist era. An interesting feature of market concentration in the national dailies sectors was that there were no substantial differences in the levels between the three countries. Although market sizes and readership figures varied concentration levels were largely comparable. The main reasons for this included the legacies of the communist system and similar effects of the processes of system change. Apart from the levels an important change in market

power of individual firms. However, because of the lack of statistical data and secrecy of companies about their revenues in East Central Europe such concentration rates can not be provided here.

Sánchez-Tabernero (1993) found that the market share of the two largest daily newspaper group (by circulation) was between 30 and 75 percent in Western European countries in 1990. The lowest figure was in Portugal and the highest in Ireland. However, in 12 out of the 18 examined countries the market share was below 50 percent (Sánchez-Tabernero, 1993).
concentration was in its character. Concentration in print media markets was no longer determined solely by political forces as in the communist era, but mainly by market drives. Kowalski (1998) describes this process on the example of the Polish media as a move from ideological to capital concentration.

Figure 6.1.10, below illustrates the changes in concentration rates in the Hungarian market segment. It is clear from the chart that concentration levels both in terms of dominance of the two most popular titles and the two largest companies decreased after 1989. As a result of new entries, increased supply and ownership changes concentration rates varied during the 1990s. It is interesting to observe that in the first years of the 1990s not one company owned more than one national daily in Hungary, as concentration levels for the two largest companies and two most popular titles were the same. During the second part of the 1990s the share of the two titles with the highest circulation did not change substantially, while ownership became more concentrated as some companies acquired more than one national daily newspaper.

Market concentration in other print media sectors varied mainly depending on the characteristics of the particular product and market segment. In general the daily newspaper sectors tended to be more concentrated, while magazine and book publishing operated in a more competitive environment. In the book sectors concentration ratios decreased substantially in the first years of the post-

---

92 The structure and concentration of politically important sectors, such as the national daily newspaper markets, were continued to be influenced by both political and market forces.

93 These are similar features to those in mature developed media markets.
communist era then fluctuated during the 1990s, similar to the newspaper markets. While there had only been a couple of dozen book publishing houses in each East Central European country during the communist era, after 1989 private publishers mushroomed which brought down concentration figures.

In the former Czechoslovakia 800 private publishers were licensed in the first nine months of 1990 (Davy, 1995, p144). In Hungary the number of registered book publishers rose from 30 to 500 in a few months during 1989. The number of titles published by new private publishers increased 100 percent from 1988 to 1989 (Bart, 1991, p115). By the mid 1990s Hungary and the Czech Republic could boost with more than 2000 book publishing companies and Poland with more than 4000. However many of these companies published only a few books or were inactive, and only a couple of hundred firms were responsible for the majority of book production.

Table 6.1.2 shows concentration figures in the book markets calculated on the basis of title output. The rates show low concentration in these markets both for the four largest publishers (C4) and for the eight largest companies (C8).

<table>
<thead>
<tr>
<th></th>
<th>Market Share – C4</th>
<th>Market Share – C8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>17.2</td>
<td>23.8</td>
</tr>
<tr>
<td>Hungary</td>
<td>15.8</td>
<td>21.1</td>
</tr>
<tr>
<td>Poland</td>
<td>12.3</td>
<td>17.3</td>
</tr>
</tbody>
</table>

Calculations based on other indicators provide a somewhat different picture. Based on the number of published book copies the four largest book publishers controlled 34.3 percent and the eight largest groups 40.6 percent of the Hungarian book market in 1992. It is estimated that according to revenues the five largest publishers controlled 36 percent of the Hungarian book market and the largest 21 firms 55 percent in 1998 (Riba, 1999). On the basis of revenues the four largest book publishers had a 46.7 percent market share in Poland in 1995, while the eight largest groups had a 54.3 percent share which then suggests a moderately concentrated market. Regardless of the method of

---

54 Although figures based on the number of published book copies or on revenues of publishing houses arguably would provide a better picture on market concentration, in the lack of available data it was not possible to provide such calculations for comparisons.
55 Figures calculated from data from Boguta, 1997/a.
calculation it is evident that the book markets were less consolidated than the daily newspaper markets.

Foreign ownership was an influential factor in the development of market structure and concentration in the print media of the three East Central European countries during the post-communist era. Kowalski (1998) comments on the Polish media that those markets which had the highest concentration figures, such as biweeklies, newspaper and cable television, were usually characterised by relatively high ratio of foreign ownership. This is also true for the Czech and Hungarian print media. Foreign companies usually dominated markets with high concentration rates such newspaper markets and certain segments of the magazine sector.

6.1.3 Market entry

There were several reasons for the increase in supply in print media markets both in terms of new companies and newly launched titles. These include the abolishment of political and economic controls of the previous regime, marketisation and commercialisation. The high number of entries suggests that the entry costs were relatively low particularly during the first years of the new era. Then market entries were also facilitated by low prices and production costs inherited from the communist system, the legacies of which did not disappear overnight (Gálík, 1995). Privatisation on a wide scale also helped to keep entry costs fairly low. It was noted in Chapter 5 that valuation was a general problem in the privatisation process. Without market traditions and established practices it was difficult to price a title or publishing company meaningfully.

During the 1990s entry costs increased in most print media sectors as market conditions consolidated and market institutions and practices were developed. The costs of market entry, however, varied depending on the way the firm entered the market, the characteristics of the given market segment and the stage of the post-communist transformation. There were differences between the various print media sectors. Newspapers tended to have high entry costs. Book and certain periodical market segments were characterised by low entry costs which explains the higher number of entries there. The examples of the four private local book publishers interviewed for this research, all of which were

---

\(^{96}\) See also Chapter 5.4.
established after 1989; illustrate that entering the book business during the period between 1989 and 1993 was relatively easy and not capital intensive. In all four cases the companies started with no capital and one or a couple of employees who were usually the owner(s) (Interviews, company interviewees n, q, s). Entering the newspaper markets required substantial capital, contacts and market opportunities (Interviews, company interviewees a, d, official g, experts b, d).

6.1.4 Vertical Integration

Vertical integration is another market characteristic which is widely used in media economic analyses to examine the structure of a given sector. Busterna (1988, p39) defines vertical integration which "refers to the degree that producers have ownership control of the various markets which comprise the production and distribution stages". Similar to concentration, high levels in vertical integration are usually seen as negative occurrences, which could lead to economic and socio-cultural distortions. Vertical integration was a new feature in East Central European print media markets, as prior to 1989 this type of industrial consolidation was limited. In the communist media system intra- and inter industrial structures and ownership patterns were carefully planned and overseen. Gálik (1995) points out that vertical integration in the print media industries was not permitted, as separate industrial sectors could be controlled more easily.

During the post-communist era vertical integration occurred as a gradual process rather than an overnight phenomenon with the introduction of market forces. The process became more apparent by the mid 1990s. The extent and level of vertical integration in post-communist print media were arguably lower than in developed markets mainly due to communist legacies and the processes of system change. Nevertheless, there were several examples of publishing companies which acquired interests in printing plants and/or distribution networks (see Table 6.1.3).

Table 6.1.3 - Some of the companies that owned a national daily newspaper in Hungary and had interests in printing and distribution (1996)

<table>
<thead>
<tr>
<th>Printing interests</th>
<th>Distribution interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ost Presse Group, Postabank, Postabank</td>
<td>Bertelsmann, Ost Presse Group, Postabank, Ringier</td>
</tr>
</tbody>
</table>
Specific features and problems of post-communist transformation also contributed to the increase in vertical integration. The case of book publishers acquiring interests in the distribution system is a good example. During the communist era book distribution was heavily centralised in the three East Central European countries (Gulyás, 1996). Wholesaling and retailing of books were organised by one or a few huge state companies, which used to buy the books from the publishers, store the books in warehouses and sell them to customers. These distribution companies, such as Kniha in the Czech Republic, Skladnica Ksiegarska in Poland and Állami Könyvterjesztő Vállalat in Hungary, went bankrupt after 1989 due to considerable debts, unmarketable and unsold stocks, lack of capital and competition from private distributors and street traders. The relatively well developed retailing system of the communist era also collapsed. Bookshops were closed, leaving villages and some cities without a single one. In Czechoslovakia the total number of bookshops and outlets had fallen from 1,800 in 1989 to 500-700 in 1991 (Davy, 1995). In Hungary there were 600 bookshops in 1989, by 1993 their number decreased to below 300 (Davy, 1995). During the same time street vendors mushroomed taking the most lucrative part of the business. According to estimations nearly half of the retailing was done through street vendors in Hungary in the early 1990s (Molnár, 1995; Interview, official h).

This left the countries' book distribution system in disarray. All of the book publishers as well as the experts interviewed for this research identified distribution as one of the main problems of the system change (Interviews, company interviewees b, c, e, f, g, h, i, j, m, n, o, p, q, r, s, t, u, v, w, officials a, b, f, h, expert e). The traditional division between wholesalers and retailers changed, they merged into one chaotic system. The familiar channel between the publishers and the retailers and the readers broke down. In the communist system wholesalers took all the publisher's stock at fixed discounts and paid regularly, this was possible because of state subsidies. In the new era, however, book traders began to refuse to take books with low sales potential, take only a small part of the print run and put discount rates higher. This was usually seen as unfair and burdensome on the publishers especially because new small distributors tended to pay late which in an economy of high inflation was a further financial problem.

In this situation many publishers ventured into distribution opening their own bookshop(s), distribution divisions and teaming up with other publishers. All of the
publishers interviewed for this research set up their own bookshops or had interests in a distribution network (Interviews, company interviewees b, c, e, f, g, h, i, j, m, n, o, p, q, r, s, t, u, v, w). A number of them, however, expressed their views that they only entered the distribution business because the specific market circumstances and the collapse of the old distribution system left them no choice (Interviews, company interviewees g, j, n, u, v).

6.1.5 Post-communist print media market structures
The discussed market features, changes in supply and demand, competition and concentration, barriers to market entry and vertical integration, indicate that the structures of the print media markets in the three East Central European countries changed considerably during the post 1989 period. Post-communist market structures in the sectors had three distinctive characteristics. First, they carried legacies of the communist media system. Second, they were subject to frequent changes throughout the 1990s but especially during the first part of the decade. The system change often led to unsettled and volatile markets. Third, structural features varied between different print media sectors. There were differences in the number of new companies and new products, in barriers to market entry, in concentration levels and the extent of vertical integration. These were mainly due to distinct characteristics of particular print media markets and products and their roles in society. These distinct characteristics include costs of market entry (for example the costs of entering the national newspaper market was much higher than launching a publishing house in the book market), level of technological and organisation investments, importance of social and political roles (for example, the social and political roles of national newspapers are regarded more important than those of hobby or women's magazines) size of audiences and the price of products.

Print media in communist East Central Europe operated in structures determined mainly by politics and central decisions. Structures were close to monopoly situations and competition was limited. An important feature of the communist system was that structures of various print media market segments were similar. As a result of post-communist system change print media markets shifted towards less monopolistic structures. However, there were differences between the market segments. Features such as the number of entries, concentration levels and entry costs suggest that the newspaper sectors in the three countries, although moved away from the type of structure of the communist era, had more
monopolistic, or oligopolistic\textsuperscript{97}, structures than the magazine and the book markets. In the latter ones there were more competition and the number of companies were higher.

Even within one sector there were variations. For instance, different segments of the newspaper markets assumed different structures. The national daily newspaper markets resembled more to oligopolies with some competition between the titles. While in the regional newspaper sectors competition was more limited and the structures corresponded more to monopolies. In fact in many cases the pre 1989 monopoly of the Communist Party paper in a given region was replaced by the monopoly of a private - often foreign - company. The more restricted structural change in the regional sector was partly due to the legacies of the communist system and partly to the nature of the market. Geographically well-defined regional and local papers tend to have monopolies in most market-led media systems.

The magazine sectors experienced probably the largest expansions in terms of new products and new companies compared to other print media sectors. This was partly due to the relatively low entry costs and partly to the fact that these market segments were underdeveloped during the communist era. The book markets were also characterised by high number of entries. The entry costs were probably the lowest among the print media sectors and the scope for competition was particularly wide given the characteristics of book production. By the mid 1990s the book markets became more consolidated with increasing entry costs.

\textsuperscript{97} Four major market structures are distinguished in media economics: perfect competition, monopolistic competition, oligopoly and monopoly. (See for example Picard, 1989, Litman, 1988, Gâlik, 1995, Gomery, 1993.) In an oligopoly there are only a few suppliers but some competition exists. In monopoly there is only one supplier of a product or service and it controls the market.
6.2 Market conduct

Beside structural changes post-communist print media in the Czech Republic, Hungary and Poland were characterised and influenced by the conduct of the actors in the markets. According to Busterna (1988, p39) "conduct refers to the behaviour that sellers and buyers use in the market". In this subchapter the product, production and pricing strategies of print media companies as well as the fairness in the market sectors will be analysed. This will be followed by an examination of the market behaviours of audiences and advertisers.

6.2.1 Market conduct of suppliers

6.2.1.1 Product strategies

Choosing the right strategies of products and production was an important element in market success in post-communist print media. Product strategies were influenced by a number of factors including market structures, performance and various features of post-communist system change. The opportunities and success of each type of product strategies depended on the characteristics of the product and the market segment. Thus, for example, in the magazine markets launching new titles was more lucrative given the relatively low market entry costs, high demand and that the market segment had been underdeveloped during the communist era. In the newspaper sectors to continue and revamp existing titles proved to have been more successful.

Some aspects of product strategies were already discussed in Chapter 5. It was noted that an important decision in product strategies was the way to enter the particular market segment: either by launching a new product or acquiring an already existing one. It was also discussed that commercialisation of the media had an important effect on product strategies. Products with mass appeal and with entertainment functions, such as tabloid newspapers or women's magazines, were among the most successful introduction in post-communist print media markets.

In the new market-led systems distinguishable features of the 'product' evolved as important means in competition. The growing supply and changes in product strategies led to segmentation in post-communist print media markets.

---

See Case Studies'5 in Appendices for examples of product strategies of individual firms during the post-communist period.
Communist media markets were also segmented, but this segmentation was determined centrally. Moreover there was a range of subject areas where supply was low or non-existent because of political reasons.

The national daily newspaper sectors provide a good example to illustrate market segmentation. During the communist era most of the national papers were general political titles, while there was one daily sport title in each of the three countries. After 1989 the national daily newspaper markets became more segmented. Figure 6.2.1 below shows the fragmentation of the Hungarian market in three stages of the post-communist era. Three segments can be identified, those of popular/tabloid titles, political/quality papers and specialised titles. Specialised title was a sports daily, which was the continuation of a similar title in the communist era, offering only sports news. As illustrated in the figure the size of the popular segment of the market increased after 1989, however the political/quality segment dominated the market as a whole throughout the 1990s.

Figure 6.2.1 - Segmentation of Hungarian national daily newspaper market (based on circulation figures)


Note: figures from 1994 are based on not audited circulation figures from the publishers.

A similar picture emerged in the other two East Central European countries. As Figure 6.2.2 shows that the segmentation of national daily newspaper sectors was similar in the three countries. The higher proportion of political/quality papers in the Czech Republic can be partly explained by the fact that there was only one tabloid newspaper dominating the popular market segment. Ringier, owner of the main tabloid title Blesk, managed to get rid of its competitors. In the other two countries competition was more rife as there were 2-3 popular titles. Competition was different in the political/quality market segment as survival
depended not only on market but political and social forces. For comparison UK figures are also included in Figure 6.2.2. The importance of the legacies of the communist system as well as the distinctive press culture and history in market segmentation is evident when one compares the three post-communist markets with the mature British market.

Figure 6.2.2 - Segmentation of national daily newspaper markets in 1998 (based on circulation figures)


Note: UK figures are from 1997.

Despite their significant market share popular newspapers in post-communist East Central Europe did not become so dominant as tabloids prevailed in mature Western markets. Political quality papers retained higher circulation figures overall and they also performed better in the advertising market. This was partly due to the fact that many press titles of the communist era managed to

99 However, care has to be taken in such comparison, because the different market segments and newspaper types are not always comparable. Although internationalisation did make an impact on the format and content of newspapers in post-communist East Central Europe, the titles retained features traditional to their markets. Popular titles, for example, varied from their Western counterparts. Tabloids in the three post-communist countries bear the usual characteristics when compared to quality newspapers. They focus on 'light' news, human interest stories and the articles are shorter. The proportions of various subjects also vary in range and detail in qualities and tabloids. However, there are some differences between tabloids in post-communist East Central Europe and in Western Europe. Compared to British tabloids, for example, they differ in format, structure and to certain degree in content as well. There is more news on the front pages, the headlines are smaller and there are fewer advertisements in the papers. Also, political quality newspapers carry somewhat different characteristics. For instance, some political titles in the former communist countries are more like a mixture of middle-market and quality newspapers. The specialised titles, the sports dailies, in the three East Central European countries could count as popular titles, since they bear more similarities with tabloids than with the political quality dailies.
newspaper of the Hungarian Socialist Workers' Party' to 'socialist newspaper' in October 1989, and was renamed again in May 1994 to 'national newspaper'.

It was not only the former papers of the Communist Parties, which managed to rejuvenate themselves. In the Czech Republic the leading newspaper of the post-communist period was *Mlada Fronta Dnes* another pre 1989 title, which used to be a publication of the Socialist Youth Front. In Poland the leading title of the new era was *Gazeta Wyborcza*, which had a very different past compared to its regional counterparts. Its first issue with a mere eight pages was published in May 1989. The main aim of its publication then was to introduce and publicise the candidates of Solidarity for the coming watershed elections. (HVG, 13/3/1999). Its name actually means 'Election Newspaper'. Later the newspaper distanced itself from Solidarity, and became a market success story.

Product strategies also included developing and changing products. For example, most national dailies grew in size and content, as well as extra supplements were added. In Hungary *Népszabadság* launched regional supplements in 1995; published weekly supplements for each day such as a tv guide, a health, a cooking, a travel supplement; brought out its content on CD-ROMs since the mid 1990s; and its readers could read most of the articles on its website since 1996. The Polish leading title *Gazeta Wyborcza* developed similar structure. By 1998 its readers received a regional section as well as the main national part, which was produced by one of the 19 regional branches (http://www.agora.pl; 4/2000). *Gazeta Wyborcza* also had weekly supplements such as a TV guide and the women's magazine *Wysokie Obcasy* (High Heels). *Mlada Fronta DNES* the leading national title in the Czech Republic also adapted similar format and structure. The paper developed special supplements for each day: sport section on Mondays, financial one on Tuesdays, car section on Wednesdays, a tv guide and a travel section on Thursdays, gardening section on Fridays and weekend supplement on Saturday. (http://www.mfdnes.cz; 4/2000).

Product strategies could also include the introduction of new type of print media products such as free papers full of advertisements. One of the most successful of these types of titles was launched by a Swedish company in the Hungary and the Czech Republic in 1998. The daily free paper, which was distributed at
newspaper of the Hungarian Socialist Workers' Party' to 'socialist newspaper' in October 1989, and was renamed again in May 1994 to 'national newspaper'.

It was not only the former papers of the Communist Parties, which managed to rejuvenate themselves. In the Czech Republic the leading newspaper of the post-communist period was Mlada Fronta Dnes another pre 1989 title, which used to be a publication of the Socialist Youth Front. In Poland the leading title of the new era was Gazeta Wyborcza, which had a very different past compared to its regional counterparts. Its first issue with a mere eight pages was published in May 1989. The main aim of its publication then was to introduce and publicise the candidates of Solidarity for the coming watershed elections. (HVG, 13/3/1999). Its name actually means ‘Election Newspaper’. Later the newspaper distanced itself from Solidarity, and became a market success story.

Product strategies also included developing and changing products. For example, most national dailies grew in size and content, as well as extra supplements were added. In Hungary Népszabadság launched regional supplements in 1995; published weekly supplements for each day such as a tv guide, a health, a cooking, a travel supplement; brought out its content on CD-ROMs since the mid 1990s; and its readers could read most of the articles on its website since 1996. The Polish leading title Gazeta Wyborcza developed similar structure. By 1998 its readers received a regional section as well as the main national part, which was produced by one of the 19 regional branches (http://www.agora.pl; 4/2000). Gazeta Wyborcza also had weekly supplements such as a TV guide and the women's magazine Wysokie Obcasy (High Heels). Mlada Fronta DNES the leading national title in the Czech Republic also adapted similar format and structure. The paper developed special supplements for each day: sport section on Mondays, financial one on Tuesdays, car section on Wednesdays, a tv guide and a travel section on Thursdays, gardening section on Fridays and weekend supplement on Saturday (http://www.mfdnes.cz; 4/2000).

Product strategies could also include the introduction of new type of print media products such as free papers full of advertisements. One of the most successful of these types of titles was launched by a Swedish company in the Hungary and the Czech Republic in 1998. The daily free paper, which was distributed at
underground stations in Budapest and Prague, contained news stories as any other daily newspapers but was financed entirely from advertising revenues. The paper, called Metro in both countries, quickly became popular. By the end of 1999 it had a readership of 400 thousands in Hungary (Csonka, 1999/a). The future of the papers will depend whether they manage to keep their readership and stay attractive to advertisers.

6.2.1.2 Production strategies
It was noted in Chapter 5 that one of the changes in post-communist print media products were in their quality. Prior to 1989 East Central European print media were infamous of low technological levels in production. Materials, printing facilities and equipments, as well as other technologies used in media production were usually of lower quality compared to Western standards. However, following the fall of the Iron Curtain technologies used in print media production improved substantially. Modernisation of technologies became important in most print media companies' production strategy as market forces were introduced and competition for consumers heated up.

One aspect of this process was the development of new media technologies and computerisation in print media production. The use of computers was uncommon in communist print media production in the three East Central European countries. After 1989 publishing houses, newspaper and magazine offices started to use computers and related technologies. Desktop publishing was not any more a rarity in the book sectors, and most journalists worked on computers by the early 1990s.

Technological development was facilitated by capital investment. For example, many foreign investors in the print media sectors put large amounts of money into improving production facilities. Representatives of foreign-owned companies interviewed for this research all noted that there was considerable investment in technological development (Interviews, company interviewees a, d, k, l, r, u, v). In fact without some sort of capital investments plans of companies to improve production facilities and technologies were limited. Several interviewed local

---

101 Although the development of new media technologies is an important issue, it is not fully considered in this study, partly because of constraints of space, and partly because it is outside the direct scope of the research. For analysis on the development of new media in Hungary, see Gulyás, 1998.
companies which did not have substantial capital investments expressed difficulties with finding funds for technological developments, and as a result they felt that they were losing out to the competitors (Interviews, company interviewees e, f, g, h, m, p, t).

Technological developments also provided companies with new market opportunities: By the second part of the 1990s production of CD-ROMs by local publishing firms developed rapidly as new media took off and computerisation started to affect post-communist societies on a larger scale. In Hungary CD-ROMs started to be published in 1992, in 1994 30 of them were issued and in 1997 150 (Kárpáti, 1999, p399). Since the mid 1990s the use of the Internet also spread rapidly in the three countries. It is estimated that between 1995-1997 Internet access and subscription levels grew six-fold in the region (Business Central Europe, 9/1997). In Hungary while in 1996 12 percent of home computers had a modem and Internet access, in 1997 the percentage increased to 22 percent (Heti Világgazdaság, 11/10/1997). Many media companies in the three countries launched their websites, where apart from publishing - at least part of - their publications they provided different services as well. A number of book publishing houses also appeared on the World Wide Web, where they published their catalogues.

6.2.1.3 Pricing behaviour
Another important aspect of market conduct was how companies priced their products. Pricing strategies affected market performance and structure, but in turn were influenced by them as well as by other factors. The legacies of the communist system played a significant role in pricing behaviour of print media companies during the 1990s. Throughout the communist years pricing strategies and levels were decided centrally by the authorities. Prices of many print media products were set at a low level for political and ideological reasons. The price levels did not reflect production costs. At the dawn of the post-communist era prices were liberalised and the centralised control over setting print media prices was abolished.

It was discussed in Chapter 5 that media finance in post-communist East Central Europe changed substantially as most companies had to rely on product sales

102 See Chapter 4.
and/or advertising revenues, while the importance of subsidies decreased. Increasing revenues from product sales and setting price levels which reflected production costs was complicated because customers and the markets were used to low subsidised prices. Price strategies were also hindered by the grievances of high inflation rates. Figure 6.2.4 illustrates that inflation was a serious economic problem during the first half of the 1990s especially in Poland and Hungary. General price increases and devaluation had adverse effects on market performance and on finances of many companies. Inflation also restricted firms in developing and changing their pricing strategies.

Prices of print media products rose as a result of the end of the former subsidy system and the marketisation and commercialisation processes of system change. In Hungary the average price of daily newspapers increased almost twenty-one-fold between 1990 and 1996 (Agárdi 1997, p85). In the book sector the price of fiction titles grew eight-fold and the price of professional and scientific books increased ten-fold between 1990 and 1998, while the general consumer price index rose four-fold (Riba, 1998). Prices, however, increased differently in various market segments depending on the level of subsidy the particular product used to receive during the communist era, and on the competition and concentration in the given sector during the 1990s. In general in market segments with high concentration rates there was less competition in prices, while in markets with low concentration tended to have had more price increase.
competition. In the Hungarian book sector, for example, prices of crime and romance stories rose three-fold between 1990 and 1994, while the price of scientific and professional books increased more than six-fold, and the cost of textbooks grew twenty-six-fold (Molnár, 1995, p138). Textbooks were heavily subsidised prior to 1989 and although certain level of state support continued during the 1990s companies had to increase the price of textbooks substantially to cover production costs. Readers were less shocked by price increases of crime and romance stories which were kept relatively low by fierce competition.

Despite the increases companies often complained that the prices of print media products were still low and that the price structure of many market segments was still depressed. This view was echoed in most of the interviews conducted for this research. Representatives of several companies saw pricing as one of their main problems. Many book publishers argued that while they paid international prices for copyrights, paper and printing costs since the liberalisation of the markets, they could ask far less for their books than their counterparts in the West (Interviews, company interviewees b, c, d, g, i, j, m, n; o, s, t, w, officials a, b, c, h). It is estimated that book prices on average were less than half in Hungary than in Western Europe (Riba, 1998). Cost structures of book production were different in post-communist countries. While in developed markets about 20-30 percent of the price of books went to cover material and manufacturing costs in the mid 1990s, this figure in post-communist East Central Europe was 55-65 percent (Interviews, company interviewees b, c, g, p, w, official h). The managing director of the Czech subsidiary of a multinational media company said that difficulties with pricing were among their main concerns in the adaptation and development of business and financial strategies. While paper and production costs were similar in Germany and the Czech Republic, in the former the price of newspapers was four times higher than in the post-communist market (Interview, company interviewee d).

Print media products were generally less expensive in the three post-communist countries than in mature Western markets throughout the 1990s. The average newspaper price in Hungary, for example, was approximately 15 pence in 1997/1998, while in Britain the cover price for tabloids was 25-30 pence and for
qualities 40-45 pence.\textsuperscript{104} Table 6.2.1 shows the price differences between leading quality dailies in different countries.

<table>
<thead>
<tr>
<th></th>
<th>Czech Republic</th>
<th>Hungary</th>
<th>Poland</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price of a leading quality daily</td>
<td>Mlada Fronta Dnes - £0.12</td>
<td>Népszabadság - £0.14</td>
<td>Gazeta Wyborcza - £0.12</td>
<td>Guardian - £0.45</td>
</tr>
</tbody>
</table>

Unlike product prices, the costs of production in post-communist markets were not much lower than in the West, except the cost of labour force. These market conditions provided limited opportunities for print media companies to strategically price their titles or target audiences. Picard (1989, p74) identifies four main types of pricing strategies in media markets: demand-oriented pricing; target return pricing "in which prices are set based on the amount of pure profit desired in return"; competition-oriented pricing; and industry norm pricing "in which prices are based not on market or return issues but on whatever the industry as a whole is charging". Companies in post-communist print media markets used a mixture of these strategies. Arguably demand-oriented pricing and industry norm pricing played a dominant role, which means that prices were determined on the basis what the consumers would pay for it and what the general price level is in the market. This pricing strategy featured most companies interviewed for this research (Interviews, for example, company interviewees a, c, e, i, g, n, o, p, q, s, v).

6.2.1.4 Fairness

Fair competition and respect for market rules are usually seen as essential elements of a functioning market system. Breach of written and/or unwritten rules in media markets does not only affect economic performance but democratic and social functions of the media as well. In the establishment of a market-led system in the print media of the three post-communist countries it was important that the introduced market rules were respected and adhered to in market conduct. However, fair market behaviour did not always triumph as cases of devious market practices and the general opinion in the interviews suggest.

\textsuperscript{104} Disregarding the price war in that market.
Market competition became fierce especially in those market segments where the number of products and companies increased dramatically. Potentials of newly opened print media markets attracted entrepreneurs with different intentions and background. Some of them entered the markets in order to make profits as large as possible and as quickly as possible. These entrepreneurs did not have long-term strategy or planned to stay in the market segment long. They were seen charlatans of their professions by many representatives of companies and experts interviewed for this research (Interviews, company interviewees b, c, g, o; q, t, w, officials a, b, c, h). They were also seen as easily capable of sacrificing fair market behaviour for profit.

There were cases of unfair market conduct in many print media segments of the three post-communist countries. In the book sectors breach of copyright was not rare. Evidence of unfair market practices could be found in other print media sectors as well. The Budapest Business Journal and the Prague Business Journal, for example, revealed in their own investigations in 1996 that most national daily newspaper in the two capitals would print PR advertisements which could be not or barely differentiated from articles for a good price (Gáspár and Sullivan, 1996).

Many companies saw secrecy and blurring information as ways of coping with competition and adjusting to changing market conditions. Data on operation and performance of print media companies were in most cases not public during the first half of the 1990s, albeit information provision improved towards the end of the decade. Analysts consulted for this research expressed concern over the lack of transparency of ownership structures in print media markets and emphasised the right of the public to know who owns what in the media (Interviews, experts b, d, f).

In the conducted interviews the most often heralded view was that conditions and conduct in post-communist print media markets were more like in harsh capitalism than in ordered and settled market systems, and some argued that the markets were ruled by anarchical forces (Interviews, for example, company interviewees b, g, m, t). Many representatives saw unfair competition and conduct as a serious problem of post-communist transformation (Interviews, company interviewees b, c, f, g, h, j, m, n, o, p, q, t, officials a, b, f, h). There
were a number of reasons for unfair market conduct and practices. Partly it was due to a lack of market traditions, partly to the legacies of the communist system, in which companies often had to bend the rules to progress. Furthermore, the speedy introduction of market forces, frequent changes in market conditions, inconsistent media policies, unenforced market legislation and ineffective regulatory bodies did not help to create a fair market environment. The situation was not made easier by the delay of new legislation concerning the print media such as new copyright laws.

In most mature media markets of the Western world apart from the government and regulatory bodies professional organisations are also there to safeguard a fair business environment and enforce written and unwritten rules. In the three East Central European countries such professional organisations did exist in most print media industries, however they were less powerful and respected than their counterparts in developed markets. The general view in the conducted interviews was that such industrial associations were not effective and influential (Interviews, company interviewees b, c, e, g, h, i, j, m, n, o, p, q, r, s, t, u, v, officials a, b, f, h, expert e). (Also see Table 8.7-8.16 in Appendices for views on industrial Associations)

Collaboration to solve common problems and promote shared interests were not widespread in post-communist print media industries. Most interviewees of this research thought that an industrial association with such purposes was important, if not essential, for a well functioning market. A number of factors, however, stopped firms from acting collectively particularly during the first part of the 1990s. Among them were division and distrust between firms along various lines such as new versus old, state owned versus private, foreign-owned versus owned by local investor. Print media industries used to have associations during the communist era. However, they functioned in different conditions and with different aims. After 1989 these associations were not viewed by many, especially by new private entrepreneurs, to be the best bodies to promote collaboration and represent the interests of the industry.

In the Hungarian book market new private publishers decided to set up their own association in 1989, however it never really became active (Interview, company interviewee j). Eventually new publishers who viewed an industrial association
important joined the old, pre 1989 Association of Book Publishers. In the Czech book sector there were four industrial organisations by 1991, one of which was the old communist association. In due course these organisations either folded or merged, and by the mid 1990s there was again one Association for Book Publishers and Distributors (Interviews, official c, company interviewee p).

Similar development took place with journalists associations. In Hungary the pre 1989 National Association of Hungarian Journalists remained the largest organisation for the profession throughout the 1990s. However, journalists who did not agree with its policies or could not accommodate its past established the Society of Hungarian Journalists in 1992 (Katona, 1992), which quickly became associated with right wing conservative views.

Industrial relations and lobbying also went through substantial transformation during the post-communist period, thus associations also had to learn new ways of campaigning for the causes of their members. There were differences in lobbying power and achievements between associations in the three countries. The Polish Association of Book Publishers and Distributors, for example, successfully lobbied against the introduction of VAT on books (Interview, official b). While the Hungarian Association of Book Publishers and Distributors could not stop the introduction and the subsequent increase of VAT on books in the country (Interview, official h). Industrial associations also tried to ease some of the problems of post-communist transformation. Some organisations introduced a Code of Ethics for their respective industries, however they were usually not effective and lacked enforcement. For example, the Associations of Book Publishers and Distributors in Hungary and Poland introduced a Code of Ethics for the publishing markets, but they were not respected throughout the market sectors because many companies were not members of the organisations (Interviews, officials b, h).

6.2.2 Market conduct of consumers

Media consumption patterns are probably the best indicators for market behaviour of consumers. Ramstad (1997, p48) argues that by purchasing the media products "the consumers have direct influence over the performance element and indirect influence over the media companies' conduct". It was noted in the discussion on market structure that audiences of many print media products decreased during the 1990s as a result of post-communist social and
economic changes and increased competition from other media, notably television. However, changes in media consumptions varied between different print media sectors. While the readership of traditional print media products, such as political newspapers and books, decreased, there were market segments where audiences increased, especially those which were underdeveloped in the communist era such as tabloid newspapers and magazine publishing.

Figure 6.2.5 - Changing readership of daily and weeklies press in Hungary between 1990 and 1998


Figure 6.2.5 above illustrates the changes in daily and weekly newspaper readership in Hungary. Venczel (1998) found that the percentage of population who did not read either a daily newspaper or a weekly increased from 10 to 21 percent between 1990 and 1998, while the group which read both types of publications decreased from 62 percent to 41 percent. In the Czech Republic readership of newspapers also decreased the 'average' reader read 2.4 titles in 1990, which dropped to 1.1 by the end of 1991 (Giorgi et al, 1995, p163). Even within those press sectors which were well established before 1989, there were differences in the effects of changing media consumption patterns. In Poland falling readership figures affected local papers more than national ones. Readership of local titles decreased from 61 percent in 1992 to less than 50 percent in 1998, while readership of national dailies stayed at a similar level, 39 percent in 1992 and 38 percent in 1998 (Warsaw Voice, 1/8/1999).

Book readership figures in the three East Central European countries also decreased during the 1990s. Surveys on post-communist book reading habits
were sporadic, but those available show a decline from the communist era. In Hungary a 1993 survey found that 18 percent of the population read at least one book a month, 47 percent read occasionally and 35 percent did not read books at all (Nagy, 1993). In Poland a survey found that 42 percent of the population did not buy books in 1998 (Warsaw Voice, 26/10/1998). Another survey of the Polish National Library found that in 1998 48 percent of Poles read at least one book, while this figure was 69 percent in 1992 (Kocinska, 1999). The decreasing numbers of published copies, a permanent feature of post-communist book sectors\textsuperscript{105}, also suggest dwindling book audiences.

Structural changes in the print media markets influenced media consumption patterns. With the expanding supply consumers had much wider choice compared to the communist era, and as a result post-communist media audiences became more fragmented. The commercialisation process also affected media consumption patterns. In the context of readership trends it can be argued that, while there were other important factors as well, audiences opting for escapism in their media consumption contributed to the decline in readership of certain forms of print media such as political newspapers, certain types of books and periodicals. In Hungary the readership of tabloid titles grew from practically zero to 665,000 by 1998, while the readership of political/quality papers decreased throughout the period (Cseh et al, 1998). Although the readership for political/quality papers was still higher and tabloid readership was relatively low in international comparison, the speed of the increase suggests a considerable change in reading habits. Figure 6.2.6 illustrates the reading taste of the Hungarian population in 1999. Women's magazines and television guides were the most popular publications, while on a daily basis more people read regional papers than political/quality and tabloid titles combined together.

\textsuperscript{105} See discussion on market performance. However, the reasons for the decline of book copies, which more than halved in the three East Central European countries during the 1990s, were multifold and not only due to the changing media consumption patterns.
Cultural changes were important in influencing what people wanted to read about. Tabloid titles, for example, offered a new type of newspaper content with international and domestic 'gossips', celebrity news, fashion news, human interest stories. Another aspect of cultural changes which affected readership patterns was the fixation with the 'new' in many aspects of life from consumption to lifestyle.

6.2.3 Market conduct of advertisers

Advertising became an important source of revenue for many print media companies in the three East Central European countries as previous discussions showed. The advertising sectors expanded substantially which was a significant structural change in post-communist print media markets. Advertisers, however, were interested differently in various media forms. Figure 6.2.7 shows the share of different media forms in the total advertising expenditure. There were no substantial differences between the three countries in the composition of advertising expenditure by media form, although a somewhat larger share of television and a smaller share of print media in Poland are noticeable.
Print media used to be the dominant sector for advertising in the three East Central European countries during the communist era and at the beginning of the post-communist period. However, as advertising markets expanded during the 1990s print media lost their leading share. Figure 6.2.8 illustrates the changes in the proportions of various media forms in the advertising sector in the Czech Republic.

The growing importance of television at the expense of print media is evident. Similar trends occurred in the other two post-communist countries. In Hungary, where the broadcasting sector was liberalised and privatised later than in the Czech Republic or Poland, the share of television in the total advertising expenditure increased from 10 percent in 1990 to more than 40 percent by 1995.
Television advertising expanded from 3.5 billion HUF in 1991 to 16.4 billion HUF in 1994 (Gergely, 1997, p96). In Poland advertising on television accounted for 54 percent of the overall advertising expenditure in 1993, one of the highest levels in Europe (Jakubowicz, 1996, p11). In the three post-communist countries television advertising became the most lucrative advertising sector with the highest rates and revenues outshining the performance of the print media.

Nevertheless, advertising revenues of many print media products grew considerably. In Hungary advertising expenditure in the national daily newspaper sector grew from 2.3 billion HUF in 1991 to 5.1 billion HUF in 1993 and 8.2 billion HUF in 1996 (Mediagnózis, 1998). In Poland 62 million Zlt was spent on advertising in daily newspapers in 1992 which increased to 331 million Zlt in 1994 and 440 million Zlt in 1995 (Jakubowicz, 1996, p12). The various print media sectors attracted different amounts of advertising revenues. Figure 6.2.9 shows the proportions of advertising revenues within the print media in Hungary at the end of the 1990s. Advertising expenditure was highest in the daily newspaper sector, while on average weeklies, biweeklies and monthlies had to rely more on copy sales in their incomes.

Figure 6.2.9 - Advertising expenditure within the print media in Hungary in 1998


There were further discrepancies in advertising revenues among daily newspapers. Titles with high circulation figures and with more affluent readership attracted more advertisers. In the Hungarian national daily newspaper market the most popular title Népszabadság walked away with 35 percent of the total advertising expenditure of the market segment in 1994. In a matter of years Népszabadság increased the share of advertising in its revenue from a minuscule percentage at the end of the 1980s to 63 percent by 1994 (Surányi,
Other papers were less successful in the race for advertisers. Magyar Nemzet, for example, which never made a profit and its circulation was drastically dropping during the 1990s, managed to gather five percent of its revenues from advertising in 1995 (Gulyás, 1995). The dominance of Népszabadság in terms of advertising revenues among the national dailies is illustrated in Figure 6.2.10. Although tabloid titles are not included in the comparison Népszabadság's success at the expense of its competitors is evident. In 1998 the paper gathered 5.7 billion HUF in advertising revenues. While the second best performing title Magyar Hírlap managed to reap 1.8 billion HUF and Népszava a mere 200 million HUF (Csonka, 1999). The latter is an interesting case, because it actually had the second highest circulation figures among the political newspapers (see Figure 6.3.11 in Chapter 6/c), however its readership was perceived to be less affluent.

![Figure 6.2.10 - Advertising revenues of the leading national daily, Népszabadság and the other political/quality titles together in Hungary (billion HUF)](image)


Similar situations emerged in the other two post-communist countries. In Poland Gazeta Wyborcza dominated the advertising sector of the national dailies throughout the 1990s. According to the estimation of its owner the title obtained 60 percent of the total advertising expenditure in the national daily newspaper market in 1998 (http://www.agora.pl; 4/2000). In the Czech Republic it was Mlada Fronta Dnes which attracted far larger amount of advertising revenues than any of the other national daily. There were different reasons for the overwhelming success of these titles in attracting advertising revenues in their market segment. These included the fact that they had the highest circulation figures, they were established and respected titles with affluent readership, their successful product and production strategies and the relatively high level of market concentration rates.
6.3 Market Performance

Market performance is an important area to analyse in the examination of post-communist print media, partly because of its reciprocal relations with market structure and conduct, and partly because it reflects particularly well the effects of the processes of system change. Market performance of the print media of the Czech Republic, Hungary and Poland is analysed below according to four elements: market output, profitability, media freedom and diversity.  

6.3.1 Market output

It was noted earlier in the discussion on market structure that supply in most print media markets of the three East Central European countries expanded after 1989. However, larger number of products on offer did not always correspond with increase in circulation and other output figures. Various print media sectors performed differently in this respect. There were market segments where an expansion in supply paralleled with a decrease in overall copy sales and market value. In others supply growth corresponded with boosting circulation figures. There were segments where a drop in market output came after an initial but brief surge of copy sales.

In the national daily newspaper markets although supplies expanded circulation figures were falling during the post-communist era. Figure 6.3.1 illustrates the changes in total circulation figures in the Hungarian national daily newspaper market. Between the end of the 1980s and the end of the 1990s overall copy sales of national newspapers dropped by a third in the country. The two years when circulation figures increased from the previous year were 1991 and 1994, in both of which new titles were launched.

---

106 See Chapter 3 for reasons of selecting these four elements.
107 Apart there were years when overall copy sales increased because of the introduction of new titles.
Comparable trends occurred in the Polish and the Czech markets. Figure 6.3.2 shows the general trend in Poland and Figure 6.3.3 in the Czech Republic. Similar to Hungary, circulation of national daily press dropped during the post-communist period except in years when new, usually tabloid, titles were introduced. In all three East Central European countries copy sales of national dailies almost halved within 15 years.
There were several reasons for the decline in circulation figures in the national daily newspaper markets. These included the inherited features of the communist press. Because of political reasons the national press was prioritised both in paper allocation and subsidies during the communist era, with its demise, the strong support system was abolished causing havoc in the market segment. Other reasons included changing media consumption patterns and expanding supplies in other print media sectors. The declining circulation figures had implications for launching new national newspapers, because it meant that the titles had to compete in a shrinking market making the risk and the costs of market entry higher. It also meant that new titles had to find a niche to succeed, the most distinct and promising of which was the popular end of the sector.¹⁰⁸

¹⁰⁸ See Case Studies/2 in Appendices on the development of tabloid newspapers in Hungary.

Sources: various including Giorgi, 1995; Strategie News 18/1998; Statistická Rocenka České a Slovenské Federativní Republiky, 1990 and 1992; Statistická Rocenka Československé Socialistické Republiky 1989; Media Project, 1996; Media Project, 1998. Note: figures from the early 1990s are based on not audited circulation figures from the publishers.
Figure 6.3.4 compares the three post-communist societies in terms of per capita national daily newspaper circulation during the 1990s. The chart shows that in all three countries per capita production of national dailies decreased during the post-communist era. The rate of decline varied somewhat, the largest fall occurred in the Czech Republic and the smallest in Hungary. The differences between the countries remained. The Czech Republic continued to have the highest per capita national newspaper output among the three countries and Poland the lowest. There are several reasons for the dissimilarities including social, cultural and economic factors, variations in media consumption patterns, as well as differences in the strength and structure of regional newspapers sectors. The regional press market was weaker in the Czech Republic both during the communist and the post-communist era, while in Hungary and Poland the readership of regional dailies usually outnumbered that of the national papers.

Similar to the national press, output figures were also declining in the regional press markets. Figure 6.3.5 shows the circulation of regional dailies in Hungary. The decrease in overall circulation figures paralleled a reduction in the number of titles. As a result of consolidation in the sector the number of regional dailies declined from 26 in 1995 to 23 in 1998 in the country. The share of national newspapers in the total circulation of dailies was 52 percent in 1985 (Gulyás, 1995, p8), which did not change substantially during the 1990s. Both in 1995 and 1998 regional dailies had roughly the same copy sales than national titles.

Figure 6.3.5 - Regional daily newspaper market in Hungary (copy sales in thousands; each section represents a title)

Figure 6.3.6 shows the combined circulation of regional dailies in Poland. Similar to Hungary, daily sales of regional titles decreased during the 1990s. Between 1991 and 1995 the circulation of regional newspapers fell more than 10 percent.

In the book sectors of the three East Central European countries overall output figures were falling during the 1990s, similar to the press markets. It was noted in the discussion on market structure that supply expanded in book publishing with new types of products. The number of book titles remained roughly at the same level at the beginning of the new era then increased towards the end of the decade. However, book copy sales decreased substantially after an initial boom in the three countries. The political changes at the end of the 1980s created a short-lived boom in the number of published book copies. Figure 6.3.7 illustrates the changes in the Hungarian book sector. The increase in copies during 1989 and 1990, at the time of major political reforms and the first general elections, is noticeable. During the rest of the 1990s, however, book copy sales fell continuously. By the end of the decade the decline stopped, and sales and output figures became stabilised (Zentai, 1997; Riba, 1998). Another sign of improving market output was that by the end of the 1990s the value of the market segment began to rise. While the value of the book sector was declining during the first part of the decade, it increased from 20 billion HUF in 1996 to 30 billion HUF in 1998 (Bart, 1996; Riba, 1999).

---

129 See Figure 6.1.3.
The number of published book copies was also falling in the other two East Central European countries, which is illustrated in Figure 6.3.8. In all three countries the number of published books more than halved within ten years. It is interesting to note some differences between the three countries. While in Poland the largest drop in published books occurred between 1990 and 1991, in Hungary it was between 1991 and 1992.

Per capita book production also varied in the three countries. Hungary produced the most books per inhabitants while Poland the least. Figure 6.3.9 illustrates the differences between the three countries in this respect. In all three countries per capita book production decreased substantially - more than halved - during the first decade of the post-communist era. The rate of the decline was similar, thus
the dissimilarities in terms of book copies per inhabitants remained comparable. The similar rates of decline in production show that the three book industries and markets went through similar processes during the post-communist transformation. The lasting differences in per capita book production reflect that print media production and consumption are influenced by various factors including economic, political, cultural and social changes.

Figure 6.3.9 – Per capita book production in the three post-communist countries

![Per capita book production in the three post-communist countries](image)


The parallel development of declining numbers of published copies and gradually increasing book titles meant that print runs for individual titles decreased substantially. This affected the financial performance of firms as well as their market strategies and conduct. In Hungary the average print run for books was 36,000 in 1989, 15,000 in 1992, and by 1994 it declined to 7,500 (Bart, 1996; Davy, 1995; Interview, official h). In the Czech Republic the average print run was 24,000 in 1989, which by 1993 decreased to 8,500 (Davy, 1995; Peskova, 1995).

There were several reasons for the declining market output in the book markets. One reason was that during the communist era the book sectors were heavily subsidised and circulation figures were kept artificially high. With the end of the communist regime subsidies ended causing a drop in the number of book copies. Other reasons included changes in market structure and conduct, economic depression, volatile markets, as well as changing media consumption patterns (Gulyás, 1996).
Not every sector of the print media in the three post-communist countries experienced decline in market output. Certain segments of the magazine markets, such as women's and hobby magazines, were characterised by increasing output figures as well as supply. As an example Figure 6.3.10 shows the expansion of the weekly women's magazine market segment in Hungary. While the titles on offer in the market segment increased substantially, their combined circulation also expanded. The copy sales of weekly women's magazine grew three times higher compared to the level of the mid 1980s.

Figure 6.3.10 - Circulation of weekly women's magazines in Hungary

![Circulation of weekly women's magazines in Hungary](image)

Sources: circulation figures are from Mémia Ász, 1996 and 1999; Köpeczi, 1986.

Similar trends occurred in magazine markets of the Czech Republic and Poland. The boom in these market segments could be attributed to structural changes in the markets, commercialisation, changing media consumption patterns, product strategies of companies; as well as the fact that they were kept underdeveloped during the communist years. It is interesting to note that most of those print media sectors which were favoured and subsidised during the communist era experienced decline during the post-communist period.

Falling market output figures in certain sectors were also signs of saturation in the markets. Some market segments became saturated as a result of increases in supply, other structural and market conduct changes as well as the legacies of the communist system. In the national daily newspaper markets, for example, the number of titles doubled in the three countries after 1989, while readership figures declined. The fact that some national titles folded during the second part

See Table 6.1.1.
of the 1990s indicates that the markets became saturated. Other print media sectors also showed signs of saturation. For example, in Hungary there were twelve television guide magazines at the end of the 1990s not including television programme supplements of national newspapers. Figure 6.3.11 shows this crowded market segment. The combined circulation of television guides was more than 2.45 million, which was high considering the number of potential audiences.

Figure 6.3.11 - Television programme guides in Hungary in 1999 (market share by circulation)

| Source: circulation figures are from Média Ász, 1999. |

As a result of market saturation companies brought out more specific publications during the 1990s and tried to find niche markets, which were already discussed above under product strategies. Economies of scale is widely recognised as a reason for market saturation. Among the three East Central European countries Poland had the largest market with more abundant potential. With only relatively small markets to supply, the Hungarian and Czech media were more limited for production as well as for consumption. However, comparing the performance of print media sectors during the post-communist period the size of the market seems to be a secondary factor in achieving positive market output figures, stabilisation and overall profitability. Determining factors included the speed of post-communist changes, the legacies of the communist media system, the general economic conditions of the 1980s and 1990s as well as features of market structure and conduct (Gulyás, 1997).
6.3.2 Profitability

An important indicator of market performance is profitability. As Chapter 5 discussed, functions of print media production in the three East Central European countries altered during the post-communist era as a result of the processes of system change. An important aspect of these changes was that profit making became an important driving force in production. When one wishes to assess profitability of print media markets after 1989 the largest obstacle is the lack of reliable data on financial performance of firms. The available records and general trends, however, suggest that the sectors were far from being gold mines especially during the first part of the 1990s. The general views from the conducted interviews as well from the literature indicate that while there were several successful businesses many companies faced financial problems.

In the national daily newspaper markets many titles were loss making for most of the 1990s. In Hungary only Népszabadság, the leading paper was profitable throughout the period (see Figure 6.3.12).

Figure 6.3.12 - Profits of Népszabadság (million HUF)

![Graph showing profits of Népszabadság](image)


Some national dailies such as Magyar Nemzet and Új Magyarország never made profits during the 1990s. Kelemen estimates that the two papers made circa 2 million USS losses each in 1998 as well as in 1999 (in Csonka, 1999). Among the other dailies Népszava produced deficit of 1.8 million USS annually in the mid 1990s (Internet source, University of Linz). Népszava managed to break even in 1996 and 1997, however in 1998 made 2.44 million USS losses again (Csonka, 1999). Even the popular titles failed to reap yields for their proprietors. The tabloid Blikk produced losses between 1994, when it was launched, and 1998. During its first three years it is estimated that the paper made 1.2 billion HUF.
(£3.8 million) losses (Juhász, 1999). The other main popular title, Mai Nap performed somewhat better. Mai Nap used to make 250 million HUF deficits annually in the early to mid 1990s. The title was bought by Jurg Marquard's media group in 1995. With the new owner the advertising and product strategies were changed as a result of which Mai Nap broke even by 1997 (Cseh et al, 1998).

Similar to Hungary, only the leading national newspapers were really profitable in the Czech Republic and Poland during the 1990s. Gazeta Wyborcza made profits for most of the decade. In 1998 the profits were more than 150 million PLN, which was almost a 30 percent increase from the previous year (http://www.agora.pl; 4/2000). The title's finances and operation was so sound that the owners took the company, Agora, to the stock exchange both in Warsaw and London in 1998 to raise further funds.111 In the Czech Republic the leading title Mlada Fronta Dnes made considerable profits particularly after 1994, when the current foreign owner the German Rheinische Bergische Verlagsgesellschaft took over and introduced new product strategy, which increased advertising revenues substantially (Legge and Greene, 1997). Other titles such as Lidove Noviny, Prace, and ZN Noviny did not break even during the 1990s. The most popular tabloid title Blesk also had difficulties to accumulate profits (Interview, company interviewee 1).

Since comprehensive data on financial performance of companies was difficult to access, an alternative indicator is presented below for assessing the fortune and misfortune of newspapers. This indicator is the changes in circulation figures of individual titles.112 Figure 6.3.13, Figure 6.3.14 and Figure 6.3.15 illustrate the changes in copy sales of national daily newspapers in the three East Central European countries.

111 Agora became the first print media company in East Central Europe to be listed at the stock exchange.
112 Using circulation figures for analysing market performance of companies is arguably problematic, as they do not include the examination of important factors, which influence market performance such as advertising revenues, costs of production, etc. However, because of the lack of comprehensive data on financial performance of print media companies in the three post-communist countries, changes in circulation figures are used to indicate changes in market performance of companies bearing in mind the limitations of this indicator.
Figure 6.3.13 - Circulation of main national dailies in Hungary


Notes: Új Magyarország was renamed as Napi Magyarország in 1997. Popular titles are Blíkk, Mai Nap, Kunr and Nemzeti Sport.

Figure 6.3.14 - Circulation of main national dailies in the Czech Republic


Note: Popular titles are Blesk, Expres (folded in 1996) and Sport.
It is evident from the Figures above that the circulation of most titles decreased during the 1990s, which corresponds to general trends in market performance. There were only a few successful introductions into the national daily newspaper markets of the three countries. Apart from Gazeta Wyborcza in Poland\textsuperscript{113} only popular newspapers made a successful entry, which reflects the saturation, structural changes in the markets and the impacts of the processes of system change. In Poland and the Czech Republic new popular newspaper such as Blesk and Super Express had similar circulation figures than the leading political title, however they did not manage to overtake them for a long period. In all three countries the leading title, Népszabadság, Mlada Fronta Dnes and Gazeta Wyborcza respectively, were the only one which was profitable throughout the 1990s. It is important to note that the three papers dominated the advertising segment of their markets, which was discussed earlier.

There were several reasons for the relatively poor financial and market performances of many newspapers. These included the decline in overall circulation figures, the legacies of the communist media system, the changing ways of media finance, the changing media consumption patterns, economic recession, volatile market conditions, developing pricing strategies, saturation of

\textsuperscript{113} Gazeta Wyborcza is only partly a new introduction. Although it was established as a daily paper in 1989, it was already known to the readers from its underground past.
markets, increased competition for both readers and advertisers and substantial increase in paper prices during the first part of the 1990s. Financial implications of the end of the communist system hit the companies fairly rapidly. For example, subscriptions for publications decreased considerably within a short period of time as it was no longer compulsory and/or advisable for political reasons to subscribe to them. According to Kováts subscription rates for national dailies fell by 12 percent in Hungary in the period between January 1991 and July 1992, for weeklies by 18 percent and for all other publications by 20 percent (Giorgi et al, 1995, p40). Companies had to revamp their finances quickly, and only those who were successful in attracting substantial advertising managed to break even.

The lack of financial success of many newspapers raises questions about the motives of publishers. It is not only economic issues we have to consider here. Dunnett (1988) argues that considering profit as the only motive may be a useful assumption to analyse industries producing most consumer goods and services but not for newspapers with their important role in a democracy and their ability to influence. Similarly McQuail (1994) describes the media as having an unusual character that its activities are inextricably both economic and political. Indeed in the cases of the three East Central European newspaper sectors not only market forces, profitability and circulation figures decided the fate of a particular title and/or firm. Besides financial aims, other considerations such as prestige, social and political ambitions were also significant motivations. In some cases financial considerations were put aside and political aims dominated in the justification of the publication. These papers included, for example, the right-wing Új Magyarország in Hungary, Telegraf in the Czech Republic and Zycie in Poland. Even some of the commercial enterprises such as the Vico group in Hungary which built up one of the largest local media empires by the mid 1990s, were prepared to swallow considerable losses from its daily Népszava, because the proprietors perceived that owning a national daily gave prestige and a certain social power. Kozák (1996) speculates that a Hungarian company, Kordax, which was investigated for fraud charges bought a loss making conservative right-wing national paper in order to make the investigation of its dubious commercial interests and its court case a political issue. The company made huge losses on the paper, which it owned for a couple of years.

The view that print media sectors were areas in which besides economic aims political and social roles were also important came across in the conducted
interviews. Many interviewed representatives of companies saw the main roles of their firms not only to make profits but to fulfil important social and cultural tasks as well (Interviews, company interviewees, a, b, c, e, g, j, k, m, o, p, q, t, w, officials c, d, g, h). Political and social aspirations were not the only factors in the relatively relaxed attitudes of newspaper owners towards financial losses. In the case of commercial ventures such as tabloid newspapers it is likely that publishers adopted a 'wait and see' policy. They probably regarded the poor financial performance as inevitable at the start of their investments and the economic problems as temporary features of the post-communist era.

Overall weak financial performance characterised the book sectors of the three post-communist countries during the first part of the 1990s. The reasons were similar to the newspaper markets: decreasing copy sales, lower print runs, changing media consumption patterns, abrupt end of the relatively generous subsidies of the former regime, legacies of the communist system, volatile post-communist markets and economic recession (Gulyás, 1996). Compared to the press markets investments and capital inflows were lower in the book sectors which also had implications on financial performance. Most book publishers interviewed for this research expressed concerns about profitability and financial difficulties in their industries (Interviews, company interviewees b, c, e, f, g, h, i, j, m, n, o, p, q, t, u, w, official a, h).

Many in the interviews saw rising production costs as one of the main threats to profitability (Interviews, company interviewees a, b, c, e, f, h, i, g, m, n, o, p, q, s, t, w, official h). Cost increases in printing, paper, salaries, rents and utilities plus the need to cope with new activities such as promotion and marketing put strains on finances. In the Czech Republic printing costs increased 30 percent in January 1 1989 and another 13 percent in March 1, 1990, while paper costs increased by 50 percent from January 1991 (Read, 1992). Increasing production costs were worsened during the first half of the 1990s because of the sharp increases in the price of paper worldwide. In the Czech Republic by the beginning of 1995 paper prices rose by up to 80 percent over the previous twelve months (Davy, 1995).

---

114 It would be interesting to compare profitability between the magazines sectors, which had better market output figures, and the newspaper and/or the book sectors. However, data on financial performance of firms in the magazine markets are so sporadic that no conclusion or general trend could be drawn for the sector as a whole.

115 See Chapter 5.2 especially the part on privatisation.
However there were differences in profitability between firms with various backgrounds and position. Financial success of a book publisher was influenced by a number of factors. One of the significant factors was whether the company was formerly state-owned or new and private. In the conducted interviews representatives of the latter ones were less likely to express concerns about the financial performance of their firms (see Tables 8.7-8.16 in Appendices). New private firms did not have to cope with restructuring their organisation, which burdened pre 1989 companies. In cases where the employees bought the publishing house servicing privatisation debts was a further financial load (Interviews, company interviewees b, c, i, t). A new investor which brought in capital and introduced new product and/or production strategies also made a difference in relation to profitability. Profitability was also influenced by the position and market power of the given company. Those firms with substantial market shares and dominant market positions tended to have better financial figures.

6.3.3 Diversity

Diversity is an integral element of media performance and an important feature of democratic media systems. Pluralism in content and access is seen as essential part of democratic media. In the print media sectors of the three post-communist countries the level of diversity, and the changes in this level, reflected the achievements and/or pitfalls of the democratisation process. In general post-communist print media became more diverse with the system change as previous discussions on the changing roles of the state and the media, the increase in supply as well as other structural and market conduct changes suggest.

There are various ways and methods to examine diversity in the media including content analysis, investigation of ownership and concentration levels. A good example of diversity of media content is representation of different political views in national daily newspapers. Compared to the pre 1989 situation when one ideology and political view dominated the official media representation of political views did improve in the three countries. However, the balance of representation was often questioned and many viewed that the different positions were not presented equally. The spectrum of political inclination of national dailies was seen as uneven where left wing and liberal voices were over represented. In Hungary according to a public opinion poll carried out in 1996 people perceived
two among the five leading political dailies as left-wing, two as liberal and one as right-wing (Szignum Média Hirlevél, 1996). Left-wing views were seen to be dominating, especially because Népszabadság, the title with the highest circulation figures, was one of those with such political orientation. According to the same survey newspaper readers hardly made any distinction in the ranking of Népszabadság, Népszava, Magyar Hírlap and Magyar Nemzet, the titles with left-wing and/or liberal political positions, as regards to objectivity. They did, however, regard Új Magyarország the only title with right-wing political inclination as being biased in reporting (Szignum Média Hirlevél, 1996).

Similar to Hungary, both in Poland and the Czech Republic right-wing conservative political views were generally perceived to have been underrepresented, which was a sore point for many at that end of the political spectrum. In Poland four out of the five leading national political daily newspapers were generally perceived as liberal and/or left-wing titles. Gazeta Wyborcza, the paper with the highest circulation figures during the period, was seen as a liberal paper. In the Czech Republic the majority of the leading national political daily newspapers were also considered as liberal and/or left-wing papers (Strategie, 10/95). There are several reasons for the inequalities in representation of the various political views in the national press of the three countries. These include the legacies of the communist system, political changes and developments during the post-communist era, features of the journalist communities and political representation in other media forms, especially broadcasting.

Representation of political views in the national press created heated debates in the three post-communist countries. It was already pointed out in Chapter 5 that some politicians and other public figures saw this imbalance in political representation as something threatening to the new democratic systems. In Hungary the first post-communist government, which had right-wing conservative views, assisted and supported the right-wing daily Új Magyarország. Similarly in the Czech Republic the right wing Civic Democratic Party, which was in office for

---

116 Tabloid titles were not included in the survey.
117 Magyar Nemzet went through an ideological change during the 1990s. While the paper was a liberal title at the beginning of the decade, as its ownership got tied up with companies owned by the state at the end of the decade it assumed a conservative right-wing stance in politics. Magyar Nemzet and Napi Magyarország merged in March 2000.
two terms, assisted and supported the right-wing conservative daily *Telegraf*. In both cases the newspapers never made profits, had withering circulation figures and politicians ensured the financial existence of their mouthpiece through state-owned banks. Another form of indirect financial support was encouraging state-owned companies and organisations to put their advertisements in newspapers favoured by the government. In fact this was a widespread practice exercised by many governments in the region regardless of their political stance. At time of governmental change the practice became obvious. For example, in Hungary when a right-wing conservative government replaced the previous coalition of left-wing and liberal parties in 1998, a few months after the election advertisements of state owned organisations such as the Lottery Fund, the Public Service Television and state-owned banks started to appear in right-wing conservative papers. Under the previous government they were usually placed in the left-wing liberal paper *Népszabadság*.

Some politicians did not hide their views that there should be some sort of state support to ensure the ‘balance’ of political views in the national daily newspaper sector. László Csúcs, a member of the conservative coalition government since 1998 said that: "The papers close to the government, *Napi Magyarország* and *Magyar Nemzet*, are making losses, I presume, ... I think that it's a basic interest and a vital question for all political groups to make their voices heard, and this must be done even at a price. If they are losing money, it should be supplied to them, since if they can't convey their thoughts, they will end up in a vacuum. After a certain point, this ceases to be simply a market question" (cited in Csonka, 1999/a). Csúcs and others in the government suggested introducing a special tax in the press sector, the revenues of which would go to loss making titles, or setting up a direct subsidy system from the central budget to support certain papers (Bajomi-Lázár, 1999).

Despite the perceived threats of the imbalances in representation of political ideologies by some, there was no evidence that the readers opted for the political views of their favourite national daily at elections. Manolisz (1991) found no correlation between political party support and newspaper readership patterns in a representative survey in Hungary at the beginning of the 1990s. A further

---

19 See Chapter 5.1 on democratisation.
weakness in the argument is the fact that political parties with different approaches and ideologies followed each other in governmental offices in the three post-communist countries, while political representation in the press did not change greatly during the 1990s. 121

6.3.4 Media freedom
Beside diversity freedom of the media and communication is seen as another important element of democratic media. However, interpretation, definition and ‘measurement’ of freedom of the media vary in the literature and the public domain. Two aspects are usually included: these are independent status and free access to information channels. In East-Central European print media neither of these were granted prior to 1989, thus their development in the post-communist era is particularly interesting to examine. As the discussion on democratisation in Chapter 5 showed, different measures to guarantee freedom of the media such as declaration in legislation and constitution, permission of private ownership and abolition of control mechanisms were introduced in the three East Central European countries at the beginning of the new era. As a result print media were usually perceived to have gained independent status from the state. Although direct dependence from the state disappeared, indirect influences did remain especially in cases of print media forms which had political influence.

Post-communist governments did intervene for political and social reasons the various forms and examples of which were discussed in Chapter 5 and above. Apart from indirect influences such as through media ownership of state-owned banks, preferential advertising and different support schemes post-communist governments also maintained direct ownership in certain sectors. In all three East Central European countries there were examples of such companies owning - at least partly - publications and publishing houses even at the end of the 1990s. For instance, in Poland a state-owned publishing house, Państwowe Przedsiębiorstwo Wydawnicze Rzeczpospolita had 49 percent ownership share

120 This remained as a proposal at least until June 2000.
121 Political representation and its effects should be examined across media forms, but that is outside of the scope of this research. It is important to note that control of political representation in broadcasting media by the governments in power was more extensive than in the print media. Hungary’s right-wing conservative governments actually used the argument of unbalanced political representation in the national press to support their action to exert more political control in public service broadcasting.

239
in the national daily *Rzeczpospolita*, which had the third highest circulation figure in the market. The presence of a state-owned publishing house raised concerns about the justifications and possible influences (Interview, company interviewee a). In Hungary a state-owned publishing house Mahir owned different stakes in press titles, including the national daily *Magyar Nemzet* and *Express*, for different time periods during the 1990s.

It is not only influences from political forces which are seen as possible threats to media freedom, but also those of proprietor and vested interests. The concern is that owners can influence content and political inclination of a given publication, which in a liberal pluralistic view hampers the democratic function of the media. There were examples of proprietor interference in post-communist print media in the three countries both from local and foreign owners. Plonka (1997) cites the case of *Zycie Warszawy* and its Italian owner Nicola Grauso. Grauso removed the editor-in-chief in 1995 who was engaged in the presidential campaign of Lech Walesa. Plonka (1997) argues that the main concern of Grauso was that the editor was supporting the ‘wrong’ candidate in the presidential elections, while at the same time his application for a national television licence was being considered by political forces opposing Walesa.

Another example of proprietorial interference is the Hungarian *Magyar Hirlap* and its Swiss owner, Jurg Marquard. According to the then deputy editor-in-chief (Interview, company interviewee k) at the beginning Marquard did not influence the liberal political inclination of the paper. However, during 1994 - a year of a general election - he put increasing pressure on his paper to change political direction. On a visit to Hungary in spring 1994 just weeks before the elections he told editors that he thought *Magyar Hirlap* was politically one-sided and he saw that as a problem (Interview, company interviewee k). Eventually the rift between the owner and the journalists led to the sacking of the editor-in-chief in August 1994 which followed the departure of several journalists. Marquard probably had various reasons for his action. The Swiss media investor had aspiration to achieve a politically affiliated position (Interview, company interviewee k). More significant was that Marquard “got tired” of the position of the paper as a constant critic of the government and which openly represented liberal views.

---

12 Marquard did become an honorary consul-general of Hungary to Switzerland in 1994.
Free access to information channels is another important element in the assessment of media and communication freedom. As with independent status measures to guarantee free access to information were introduced at a general - i.e. constitutional - level at the beginning of the post-communist era. However, it took much longer till previous restrictive practices died out. In print media sectors which were perceived to have political importance there were examples where freedom of accessing information was not respected. Particularly those political circles that felt that they were under or misrepresented by the press favoured media outlets close to them ideologically in providing information in some cases. In Hungary István Stumpf, a member of the right-wing conservative government in office since 1998, publicly announced that “it was part of the official press policy to support pro-government publications by tipping them off about news first” (Csonka, 1999/a).

These types of practices could harm democratic functions of the media. However, such interference both in terms of independent status and free information access was far less restrictive than the control mechanisms of the communist media system. Indeed freedom of the print media was respected in most cases. What is interesting, but probably not surprising, is that the political forces advocating greater state control over the print media were the ones whose political views were under represented in the press.

Summary
This Chapter examined the features of the print media sectors in the Czech Republic, Hungary and Poland during the post-communist era. The Industrial Organisational Model was applied to the analysis. It was shown that post-communist print media markets went through substantial changes as a result of the processes of system change. The analysis focused on the examinations of the changes and characteristics of market structure, conduct and performance of the print media in the three countries.

It was argued that structural changes and features varied in different print media markets and to an extent between the three countries. Market supply increased in most print media sectors albeit in the newspaper markets the expansion was mainly limited to the first part of the 1990s. Market demand changed differently in the various print media sectors. It was shown that readership figures decreased in certain market segments of the newspaper and book sectors, while readership
in the magazine sectors generally increased. The advertising markets of the three post-communist countries were expanding considerably, but it mainly affected newspaper and magazine sectors. Concentration as well as the cost of market entry was the highest in the newspaper sectors and lowest in the book markets. It was argued that vertical integration increased in most print media markets, mainly because this type of market integration was kept artificially low during the communist era for political reasons.

In terms of market conduct new types of products were introduced in all three markets, but rejuvenated pre 1989 titles and pre 1989 companies played important roles in the newspaper and book markets respectively. As a result of the processes of system change production and pricing strategies of print media companies changed, but especially in the latter case legacies of the communist system played an important part. In terms of market performance overall circulation figures decreased in the newspaper and the book sectors, while in the magazine markets they increased. Profitability was difficult to assess in a number of market segments, but generally it was relatively limited especially during the first part of the 1990s. Media freedom was largely respected in most print media sectors, although there was some political intervention particularly in the newspaper sectors.

It was argued that differences between various print media sectors were results of a number of factors. These included the particular legacies of the communist system, specific effects of the processes of system change, particular functions and characteristics of print media products such as their perceived political and social importance as well as the technical and financial requirements of their production. There were also some differences between the three countries albeit they were less extensive than between the various print media sectors. These differences included variations in market concentration levels and differences in print media consumption patterns. The reasons for these involved the variations in market and population sizes, particular print media histories and media cultures, specific legacies of the communist system and differences in the effects of the processes of system change.
Chapter 7 - Conclusions

The aim of this Chapter is to review the main arguments and summarise the main findings of the study. These are structured in relation to the objectives and the hypothesis of the research, which were set out in Chapter 1. Besides the general objectives three aims were identified in the Introduction. These were:

- to identify the main processes of the post-communist system change and the relations between them;
- to analyse the differences and similarities between the three countries and between various print media sectors in order to address the question: to what extent specific features and attributes influenced the way the system change evolved and how the given sector developed during the post-communist era;
- to assess the nature of the transformation by comparing the features of print media sectors in the three countries during the communist and the post-communist era, especially examining the changing roles of the print media and of the main 'actors' such as the state/political forces, the audiences and the companies.

7.1 Processes of System Change

Four main processes of the system change were identified in the analysis. These are democratisation, marketisation, commercialisation and internationalisation (see Table 3.1). It was shown that the print media sectors of the three East Central European countries made significant achievements in democratisation, however this process was not without its problems. Two important aspects of the democratisation process were the changing political roles of the print media and of the state. It was shown that freedom of the print media was granted, but no new specific legislation concerning the print media such as new press law was adopted. Post-communist print media sectors in the three countries provided a certain level of diversity of views and information, played a checking role over those in power to an extent and presented a public forum for discussion. It was argued that representation of various social, political and cultural groups in the post-communist print media expanded compared to the communist era. In terms of changing political roles of the state it as shown that many former control
mechanisms were abolished and some new practices and regulations were introduced to safeguard democratic functions of the media.

There was a significant move from the overwhelming presence of the state in the print media during the communist era to more limited state interventions. However, relations between print media and post-communist governments and political forces were not always conflict free. It was argued that because under the communist regimes the authorities had such extensive controls over the media, relations did not change overnight. Expectations, attitudes and traditions both on the part of politicians and those of media professionals needed time to adjust to the new conditions. For instance, some post-communist politicians while proclaiming the importance of the freedom of the media did not always follow that principle in their actions and tried to influence the changes in the media to their own political advantage. Przeworski (cited in Braun, 1999, p8) sees the 'identity transformation' of politicians and media professionals as problematic, because frustrated reform-elites could be lured by authoritarian temptations. Bárány also argues that "one important shortcoming of the new elites was their marked inability to develop proper political communications with the masses" (Bárány, 1999, p104), which was mainly evident during the first stages of the post-communist transformation. A further important element of the democratisation process was professionalisation, which meant changes in the roles and work of journalists and editors. The analysis showed that although significant changes took place in this respect, there was slow progress in areas such as impartiality, independence and investigative journalism.

Another major process of the post-communist system change was marketisation. It was demonstrated that market rules and forces were introduced relatively speedily in most print media sectors of the three East Central European countries, which meant that economic functions of the print media grew in significance compared to the communist era. Commercialisation was identified as a closely linked process, whereby the emphasis on commercial aims such as market share and profitability in print media production became predominant at the expense of certain social, cultural and political functions of the media. The process involved commodification which meant certain changes in format, structure and content of print media products as well as changes in media finance. Revenues from product sales and advertising became dominant ways of
financing print media operations, while the role of the state in this respect decreased considerably compared to the communist era. However, the analysis also showed that state involvement in print media markets was not abolished completely, and the state continued to support certain print media market segments. The discussion on marketisation demonstrated that although state ownership in print media markets decreased considerably after 1989 as a result of an extensive privatisation process a level of state ownership remained in some print media market segments.

Commercialisation is not a specific phenomenon in the three post-communist countries. The process has been a general feature in the Western media world of the last decades. It is usually feared that commercialisation has negative effects on democratic functions of the media. Hamelink (1995, p8), for example, argues that commercialisation erodes the public sphere through the penetration of corporate interests. It is also said to lead to homogeneity and neglect of minorities who do not provide profitable audience or advertising markets (McQuail, 1994, p138). Commercialisation of the print media in East Central Europe does bear similarities to the commercialisation process in Western media markets. However, arguably the process in post-communist print media markets was more complex as a result of the system change. Forces which could have counterbalanced the negative aspects of commercialisation were weaker, as political and social functions of the media were developing parallel to commercialisation.

The fourth process of the system change which was identified in the framework model was internationalisation. This process was analysed in the context of foreign ownership, internationalisation of content, forms and media effects. It was shown that these factors had significant impact on post-communist transformation of the print media in the three East Central European countries. Thus globalisation played an important role in the development of national media in the three post-communist societies, similar to many countries in the world. Internationalisation had both positive and negative effects. Positive effects included its contribution to ease the over politicisation of communist print media and capital inflow that foreign investments brought in which enhanced independence and technological developments. International actors also helped in establishing market forces, more efficient operational and managerial
methods, and speeded up the process of privatisation in certain segments. Negative impacts of internationalisation on post-communist print media included the market power of foreign investors and adverse effects on national media and cultural productions. East Central European countries are usually seen to have become recipients of the globalisation process, and their media sectors are not seen to have made considerable impacts on the international media world. However, as the analysis argued, it is questionable whether we see the complete colonisation of East Central European media as some argue in the literature. The relevant discussion showed that the media cultures and industries of the three countries were not crushed or degraded totally by international factors, rather they were integrated into the also changing global media world with its advantages and disadvantages.

The developed framework model illustrated that the four processes were interlinked and impacted upon each other. In some cases they strengthened the development of the parallel processes, in others they weakened each other and at times conflicts occurred between them. Private ownership, for example, contributed towards the democratisation process in that it facilitated to the decrease of state and political control in the media. In general marketisation and commercialisation contributed to an increase in diversity in the print media sectors and to ease communist legacies such as the over politicised roles of the print media and extensive political influence. On the other hand however they worked against the development of certain social and political functions of the print media to an extent, which are seen important in democratic societies. Thus democratisation was somewhat halted by the dominance of market forces and the importance of commercial aims. The analysis showed that all four processes were influenced by general social, economic, cultural, political and technological changes, which took place in the three post-communist societies.

7.2 Comparative examination

One of the objectives of the research was to identify the differences and similarities in the transformation of the print media between the three countries and between various print media forms in order to address the question: to what extent specific features and attributes influenced the way the system change evolved and how the given sector developed during the post-communist era. The analysis showed that the main processes and features of the system change
were similar in the three countries and in various print media sectors, however, there were differences in the impacts of each process and particular features of post-communist print media. An interesting finding of the research was that the differences were more extensive between various print media sectors than between the three countries.

Table 7.1 below illustrates the similarities and differences between the three countries. The main similarities were summarised above in the discussion on the processes of system change. The differences included dissimilarities in the speed of some of the changes, variations in the involvement of the state and the way each process took place, different dates of introduction of specific legislation and regulations concerning print media markets, differences in general approach to privatisation and specific privatisation process in print media sectors, as well as differences in foreign investments. The experiences of the Czech Republic and Hungary seem to be more alike, while in Poland state involvement was more substantial, which was evident in the privatisation of the print media sectors and stricter regulations on foreign ownership. The main reasons for the differences between the three countries included variations in market and population sizes, particular print media histories and media cultures, variations in the communist media system, specific legacies of the communist system, country specific characteristics of post-communist political, social and economic changes, as well as dissimilar approaches of post-communist governments to certain issues such as privatisation and foreign ownership.
Table 7.1 - Processes of System Change in the Czech Republic, Hungary and Poland

<table>
<thead>
<tr>
<th></th>
<th>Democratisation</th>
<th>Marketisation</th>
<th>Commercialisation</th>
<th>Internationalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Czech Republic</strong></td>
<td>Most changes</td>
<td>Rapid introduction</td>
<td>Rapid development</td>
<td>Liberal to foreign</td>
</tr>
<tr>
<td></td>
<td>occurred in the</td>
<td>of market rules;</td>
<td>of advertising</td>
<td>ownership; foreign</td>
</tr>
<tr>
<td></td>
<td>course of and</td>
<td>voucher mass</td>
<td>sector; state</td>
<td>ownership in print</td>
</tr>
<tr>
<td></td>
<td>after the Velvet</td>
<td>privatisation;</td>
<td>involvement in</td>
<td>media sectors is</td>
</tr>
<tr>
<td></td>
<td>revolution;</td>
<td>mainly</td>
<td>print media</td>
<td>high; gradual</td>
</tr>
<tr>
<td></td>
<td>relations</td>
<td>spontaneous</td>
<td>sectors</td>
<td>adjustment of</td>
</tr>
<tr>
<td></td>
<td>between</td>
<td>privatisation</td>
<td>decreased, but</td>
<td>national media</td>
</tr>
<tr>
<td></td>
<td>post-communist</td>
<td>in the</td>
<td>support in certain</td>
<td>regulations to</td>
</tr>
<tr>
<td></td>
<td>governments and</td>
<td>press</td>
<td>areas remained;</td>
<td>'European' standards</td>
</tr>
<tr>
<td></td>
<td>press is</td>
<td></td>
<td>special cultural</td>
<td></td>
</tr>
<tr>
<td></td>
<td>sometimes</td>
<td></td>
<td>tax</td>
<td></td>
</tr>
<tr>
<td></td>
<td>strained, but</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>freedom of media</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>is largely</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>respected</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hungary</strong></td>
<td>Some liberalisation</td>
<td>Rapid introduction of</td>
<td>Rapid development</td>
<td>Liberal to foreign</td>
</tr>
<tr>
<td></td>
<td>already during</td>
<td>market rules;</td>
<td>of advertising</td>
<td>ownership; foreign</td>
</tr>
<tr>
<td></td>
<td>the 1980s;</td>
<td>direct sales</td>
<td>sector; state</td>
<td>ownership in print</td>
</tr>
<tr>
<td></td>
<td>relations</td>
<td>mass privatisation;</td>
<td>involvement in</td>
<td>media sectors is</td>
</tr>
<tr>
<td></td>
<td>between</td>
<td>quickest with</td>
<td>print media</td>
<td>highest amongst</td>
</tr>
<tr>
<td></td>
<td>post-communist</td>
<td>liberalisation</td>
<td>sectors</td>
<td>the three countries</td>
</tr>
<tr>
<td></td>
<td>governments and</td>
<td>of markets amongst</td>
<td>decreased, but</td>
<td>124; gradual</td>
</tr>
<tr>
<td></td>
<td>press is</td>
<td>the three</td>
<td>support in certain</td>
<td>adjustment of</td>
</tr>
<tr>
<td></td>
<td>sometimes</td>
<td>countries;</td>
<td>areas remained;</td>
<td>national media</td>
</tr>
<tr>
<td></td>
<td>strained, but</td>
<td>mainly</td>
<td>special cultural</td>
<td>regulations to</td>
</tr>
<tr>
<td></td>
<td>freedom of media</td>
<td>spontaneous</td>
<td>tax</td>
<td>'European' standards</td>
</tr>
<tr>
<td></td>
<td>is largely</td>
<td>privatisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>respected</td>
<td>in the press</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Poland</strong></td>
<td>Significant</td>
<td>Rapid introduction of</td>
<td>Rapid development</td>
<td>Some restrictions</td>
</tr>
<tr>
<td></td>
<td>underground</td>
<td>market rules;</td>
<td>of advertising</td>
<td>on foreign</td>
</tr>
<tr>
<td></td>
<td>media during the</td>
<td>mass privatisation;</td>
<td>sector; state</td>
<td>ownership; foreign</td>
</tr>
<tr>
<td></td>
<td>1980s; relations</td>
<td>is mixture of direct</td>
<td>involvement in</td>
<td>ownership in print</td>
</tr>
<tr>
<td></td>
<td>between</td>
<td>sale and voucher;</td>
<td>print media</td>
<td>media sectors is</td>
</tr>
<tr>
<td></td>
<td>post-communist</td>
<td>privatisation in the</td>
<td>sectors</td>
<td>relatively high,</td>
</tr>
<tr>
<td></td>
<td>governments and</td>
<td>print media</td>
<td>decreased, but</td>
<td>but lowest amongst</td>
</tr>
<tr>
<td></td>
<td>press is</td>
<td>sectors</td>
<td>support in certain</td>
<td>the three</td>
</tr>
<tr>
<td></td>
<td>sometimes</td>
<td>is more</td>
<td>areas remained;</td>
<td>countries; gradual</td>
</tr>
<tr>
<td></td>
<td>strained, but</td>
<td>politically</td>
<td>no VAT and</td>
<td>adjustment of</td>
</tr>
<tr>
<td></td>
<td>freedom of media</td>
<td>controlled;</td>
<td>highest level of</td>
<td>national media</td>
</tr>
<tr>
<td></td>
<td>is largely</td>
<td>mainly</td>
<td>state support</td>
<td>regulations to</td>
</tr>
<tr>
<td></td>
<td>respected</td>
<td>planned</td>
<td>amongst the</td>
<td>'European' standards</td>
</tr>
<tr>
<td></td>
<td></td>
<td>privatisation</td>
<td>three countries</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>in the press;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>largest market</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>potential</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>amongst the</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>three countries</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 7.2 below summarises the main findings of the research on the features of post-communist print media markets in the three countries. It is shown that the main characteristics were similar in the three countries, however, there were some differences in specific market features. These included variations in market concentration levels, differences in sizes of media and advertising markets and dissimilarities in print media consumption patterns. These differences were mainly due to similar reasons mentioned above such as size of population, particular print media histories and traditions, particular legacies of

123 It was argued in the analysis that the break-up of Czechoslovakia in 1993 did not have significant impact on the changes in the print media sectors.

124 During the first part of the 1990s.
the communist system, country specific characteristics of post-communist political, social and economic changes, as well as dissimilar approaches of post-communist governments to certain issues such as privatisation and foreign ownership.

Table 7.2 - Features of post-communist print media in the three countries

<table>
<thead>
<tr>
<th>Structure</th>
<th>Czech Republic</th>
<th>Hungary</th>
<th>Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in supply, especially first part of the 1990s; booming advertising sector; varying market concentration; largest per capita newspaper readership amongst the three countries</td>
<td>Increase in supply, especially first part of the 1990s; booming advertising sector; varying market concentration; largest per capita book readership amongst the three countries</td>
<td>Increase in supply, especially first part of the 1990s; largest markets amongst the three countries; booming advertising sector; varying market concentration; overall concentration figures are lower than in the other two countries</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Conduct</th>
<th>Czech Republic</th>
<th>Hungary</th>
<th>Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segmentation of markets and audiences; problems with pricing strategies; problems with market fairness; changing media consumption patterns in favour of broadcasting media; increasing competition from broadcasting in the advertising sector</td>
<td>Segmentation of markets and audiences; former title of the Communist Party is the most successful in rejuvenating itself among the three countries; problems with pricing strategies; problems with market fairness; changing media consumption patterns in favour of broadcasting media; increasing competition from broadcasting in the advertising sector</td>
<td>Segmentation of markets and audiences; problems with pricing strategies; problems with market fairness; changing media consumption patterns in favour of broadcasting media; increasing competition from broadcasting in the advertising sector</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance</th>
<th>Czech Republic</th>
<th>Hungary</th>
<th>Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mainly decreasing circulation figures except in magazine and new commercial sectors; saturation of markets; freedom of media is largely respected, although some political interventions</td>
<td>Mainly decreasing circulation figures except in magazine and new commercial sectors; saturation of markets; freedom of media is largely respected, although some political interventions</td>
<td>Mainly decreasing circulation figures except in magazine and new commercial sectors; saturation of markets; freedom of media is largely respected, although some political interventions</td>
<td></td>
</tr>
</tbody>
</table>

The analysis showed that the main elements and effects of the processes of system change were similar in the different print media sectors, however, there were some differences which are summarised in Table 7.3 below. The main differences were in the pace of changes, the involvements of state and external forces and the extent and impact of each process. In the newspaper sectors changes were speedy and interests from both local and foreign investors were high, but political interference was more substantial than in the other two sectors. In the magazine sectors changes were also speedy, interests from both local and foreign investors were also high, and the influences of internationalisation
were the most apparent both in terms of foreign ownership and internationalisation of products. In the book sectors some aspects of the changes such as privatisation were slower than in the other sectors, there was less interest from market investors, internationalisation of content was a significant development, and although market forces became dominant state involvement remained important in some areas such as textbook publishing.

Table 7.3 - Processes of System Change in different print media sectors

<table>
<thead>
<tr>
<th></th>
<th>Democratisation</th>
<th>Marketisation</th>
<th>Commercialisation</th>
<th>Internationalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newspapers</td>
<td>Freedom is granted; some interventions for political and socio-cultural reasons, especially in market segments which are perceived politically important such as the national press</td>
<td>Dominance of market forces, but impacts of political interests; attracted many market and political investors; speedy privatisation; privatisation was influenced by political and market consideration; frequent ownership changes</td>
<td>New types of products but significance of rejuvenation of old titles; importance of advertising; some state support remains in certain segments</td>
<td>Significant and speedy foreign investments; dominance of foreign ownership in many segments</td>
</tr>
<tr>
<td>Magazines</td>
<td>Freedom is granted; limited political role of magazines</td>
<td>Dominance of market forces; attracted many market investors; privatisation was influenced by mainly market consideration; privatisation is the least significant compared to the other two sectors; volatile markets</td>
<td>New types of products; importance of advertising; very limited state involvement</td>
<td>Significant and speedy foreign investments; dominance of foreign ownership in most segments; import of Western products</td>
</tr>
<tr>
<td>Books</td>
<td>Freedom is granted; some market segments are influenced by state and private interventions for political and sociocultural reasons</td>
<td>Dominance of market forces; slower and mainly centrally planned privatisation; privatisation was influenced by social and economic considerations; attracted less market interests and capital inflow than the other two sectors; volatile markets</td>
<td>New types of products; no advertising; state (and other external) support is important in some areas</td>
<td>Foreign investment was slower and limited to certain areas; import of Western products; significant international content</td>
</tr>
</tbody>
</table>

The main reasons for these differences included the particular legacies of the communist system, specific effects of the processes of system change, particular roles and specific characteristics of print media products such as their perceived political and social importance as well as technical and financial
requirements of their production. For similar reasons there were differences in features of post-communist print media sectors in the three East Central European countries. Table 7.4 summarises the main findings of the analysis in this respect.

Table 7.4 - Features of post-communist print media markets

<table>
<thead>
<tr>
<th></th>
<th>Newspapers</th>
<th>Magazines</th>
<th>Books</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Structure</strong></td>
<td>Increase in supply during first part of 1990s, but consolidation of markets by the end of the decade; limited competition; high market concentration; high entry costs</td>
<td>Increase in supply throughout the decade; reasonable competition; moderate market concentration; moderate entry costs</td>
<td>Increase in supply throughout the decade; reasonable competition; low market concentration, low entry costs</td>
</tr>
<tr>
<td><strong>Conduct</strong></td>
<td>Introduction of new types of products (importance of tabloid papers), and rejuvenation of pre 1989 titles; changing readership tastes, overall decreasing readership figures; depressed prices; substantial advertising revenues for only a few titles, dominance of main national title in the advertising sector</td>
<td>Introduction of new types of products; changing readership tastes, overall increasing readership figures; substantial advertising revenues for only the most popular titles</td>
<td>Introduction of new types of products, but importance of pre 1989 companies; changing readership tastes, overall decreasing readership figures; depressed prices</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td>Overall decreasing circulation figures; only few national titles profitable; media freedom is largely respected but cases of political interferences and discriminating state support; diversity is achieved but complaints in unbalances in political representations</td>
<td>Overall increasing circulation figures; media freedom is largely respected; diversity is achieved albeit commercial products dominate market segments</td>
<td>Overall decreasing circulation figures; profitability is limited especially during first part of the 1990s; media freedom is largely respected importance of state (and other) supports in certain areas</td>
</tr>
</tbody>
</table>

Table 7.4 illustrates that characteristics of market structure, conduct and performance of print media sectors varied. In terms of market structures supplies increased in all three sectors, albeit in the newspaper markets the expansion was mainly limited to the first part of the 1990s. Concentration as well as the cost of market entry was the highest in the newspaper sectors and lowest in the book markets. In terms of market conduct new types of products were introduced in all three markets, but rejuvenated pre 1989 titles and pre 1989 companies played important roles in the newspaper and book markets respectively. Changing media consumption patterns impacted upon all three sectors and led to decreasing readership figures in certain areas of the newspaper and book sectors, while readership in the magazine sectors generally increased. The expanding advertising sectors of the three countries affected only the newspaper
and the magazine markets, but revenues were consistent and considerable for only the most popular titles. In terms of market performance overall circulation figures decreased in the newspaper and the book sectors, while in the magazine markets they increased. Profitability was difficult to assess in a number of market segments, but generally it was relatively limited especially during the first part of the 1990s. Media freedom was largely respected in all three sectors, although there was some political intervention particularly in the newspaper sectors and certain segments of the book and periodical sectors were supported for social and cultural reasons. Overall the market performance of individual post-communist print media market segments seem to have been influenced by a number of factors including the legacies of the communist system; specific impacts of the processes of system change, structural features such as entry costs, concentration and competition, conduct of market players such as changing media consumption patterns, strategies of companies and advertisers, as well as specific characteristics of print media products such as their perceived political and social importance and technical and financial requirements of their production.

7.3 Nature of the changes

Another aim of the research was to assess the nature of the transformation by comparing the features of the print media sectors in the three countries during the communist and the post-communist era. Table 7.5 below summarises the main findings of the research in this respect.
Table 7.5 - Features of communist and post-communist print media sectors in the three East Central European countries

<table>
<thead>
<tr>
<th>Main aims of print media production</th>
<th>Communist print media</th>
<th>Post-communist print media</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main aims</td>
<td>Dominance of political and educational functions of media over entertainment and commercial aims</td>
<td>Dominance of market and commercial aims generally, but in certain sectors political and social functions are more important</td>
</tr>
<tr>
<td>Main forces</td>
<td>Dominance of bureaucratic coordination and central planning</td>
<td>Dominance of market forces, but in some sectors, which are presumed politically, socially or culturally important, political and social functions are significant</td>
</tr>
<tr>
<td>State involvement</td>
<td>Extensive; including state ownership, overseeing the operation, production and distribution of all print media products, providing substantial subsidies, carrying out media control</td>
<td>Limited to certain areas including involvement in politically, socially or culturally important areas, some state support to those areas; carrying out media control</td>
</tr>
<tr>
<td>Roles and behaviours of print media companies</td>
<td>Main aims are recognition of the authorities and to fulfil central orders and plans; budget limits are soft, usually receives subsidies; price of its product is decided by the authorities; demand is certain for the company</td>
<td>Main aims are commercial and/or some social/political aims; budget limits are hard, usually has to cover its costs; usually do not receive substantial external support; price of its products decided by the company subject to market conditions; demand is uncertain for the company, depends on market conditions</td>
</tr>
<tr>
<td>Media control</td>
<td>Extensive including control of content, production and distribution of print media products; formal and informal mechanisms; written and unwritten rules</td>
<td>Within limits of pluralistic systems; mainly formal mechanisms; usually written in legislation; typically involving control of content for social and security reasons, and of production for economic reason</td>
</tr>
<tr>
<td>Market structure</td>
<td>Centrally controlled supply; high concentration; limited competition; state ownership; centrally planned market entries; no vertical integration</td>
<td>Supply usually determined by market forces; concentration varies in different market segments; market competition; normally high number of market entries; vertical integration; some diversification</td>
</tr>
<tr>
<td>Market conduct</td>
<td>Decided by bureaucratic coordination and central planning; bargaining of media companies</td>
<td>Decided mainly by market forces; importance of changes in demand of audiences and of advertisers</td>
</tr>
<tr>
<td>Market performance</td>
<td>Decided by central planning; media financed by product sales and state support; state subsidies are essential; no diversity, no media freedom</td>
<td>Decided largely by market forces, but in some areas support and subsidies are important; diversity in most markets; freedom of media largely respected</td>
</tr>
</tbody>
</table>

As Table 7.5 demonstrates there are substantial differences between communist and post-communist print media sectors in the three countries. The most important of these include the changes in the aims of print media production, the dissimilarities in the main forces and the differences in the roles and involvement of the state. These factors in turn led to differences in the functions and behaviours of companies, in media control, as well as in the structures, conduct and performances of print media markets.

As the Literature Review discussed there are various views on the nature of post-communist transformation in the media and on the specific features of post-
communist media systems. The dominant opinion is that the communist system was replaced by a pluralistic and market-led system in the print media in East Central Europe. The findings of this research support the view that post-communist print media in the three countries are largely pluralistic, fulfil democratic functions and operate in a sort of market-led system. However, the view that print media sectors are directed merely by market forces with no or very limited state interferences could be contested. This research showed that there were indeed print media market segments, such as the magazine sectors, where market forces took over 'with a vengeance' and commercial aims dominated production. However, there were also sectors where social and political reasons for print media production were equally - if not more - important, as the examples of political newspaper publishing, textbook publishing and state supports for culturally important books and periodicals demonstrate. Furthermore, the state continued to play significant roles in the print media sectors during the post-communist era albeit to a much lesser extent and in different forms than in the communist system.

The question of state involvement in media markets is a challenging one in post-communist circumstances. On one hand it is possible to reach the conclusion that any state involvement is undesirable in former communist societies especially given the legacies of the previous regimes. On the other hand one could come up with lists of examples and arguments for the necessity of a certain level of state involvement given the failures of market forces in certain conditions and in fulfilling certain social and cultural functions of the media. The three post-communist print media sectors are not the only ones where the different functions of the media and the various forces in them are in conflict at times. The positive and negative aspects of market-led media system and the question of whether the media are 'just like any other business' have generated endless debates even in established democracies with long-serving pluralistic system. In some cases these discussions led to modifications in media systems, to changes in media policies and/or to more state intervention.

In the three post-communist societies similar debates did emerge, and one of the reasons for inconsistencies and relatively frequent changes in media policies concerning the print media sectors was the changes in direction in this debate.\textsuperscript{25}

\textsuperscript{25} The 'debate' on broadcasting media was a much more political issue.
However, problems occurred when the evolving new media policies were influenced by communist legacies and authoritarian tendencies of post-communist political forces. Garnham points out that media policy-making is not and can never be the tidy creation of ideal situations (Garnham, 1998, p210). Post-communist conditions were far from ideal situations, in the middle of major political, economic and social changes it is indeed difficult - if not impossible - to come up with comprehensive policy and system for state involvement in the print media sectors. Many post-communist political forces, however, can be criticised for being slow in getting rid of authoritarian habits and tendencies, and politicising decisions on new policies and regulations even if there were primarily economic or cultural reasons for considering them.

Table 7.6 - Post-communist system of print media sectors in the three East Central European countries (adopting the categories from Table 2.1)

<table>
<thead>
<tr>
<th>Dominant force</th>
<th>Ownership</th>
<th>Censorship</th>
<th>State intervention</th>
<th>Main functions of the media</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-communist print media</td>
<td>Market/political and social forces are important in certain sectors</td>
<td>Private/some state ownership</td>
<td>if content offends social values and beliefs, but rules are written down</td>
<td>depends on the sector</td>
</tr>
</tbody>
</table>

Table 7.6 summarises the main features of the post-communist system in the print media of the three countries by adopting the categories used for overviewing various media systems (see Table 2.1 in Chapter 2, p22). The comparison of Table 2.1 and Table 7.6 reveals that post-communist print media is a mixture of various media systems and not a distinctive type. Most of its features resemble pluralistic media systems and arguably seem to be a combination of libertarian and social democratic systems. However, post-communist print media also carry some authoritarian features which can be regarded as legacies of the communist era.

The findings of this research support those views in the literature which argue that post-communist media should be considered as evolving systems and post-communist transformation as a dynamic process. The analysis showed that different stages of the post-communist era involved different changes, which corresponds to Brzezinski’s and Jakubowicz’s models (see Chapter 2). Hence during the early stages of the transformation there were major changes in legislation, in the operation, production and finance of print media, in state
involvement and media control. In later stages further changes ensued but these were usually related to consolidation and establishing practices. It was also found that the changes during the later part of the post-communist decade were characterised by features, problems and concerns which were increasingly similar to those in Western societies.

7.4 Revisiting the hypothesis of the research

In Chapter 1 the hypothesis was proposed that the communist system in the print media of the Czech Republic, Hungary and Poland was replaced by a pluralistic market-led system. It was also suggested that this would imply that there were no substantial differences between the experiences of the three countries during the post-communist transformation, and likewise there were no substantial differences between the experiences of various print media sectors. The analysis showed that some amendments have to be made to the hypothesis. The communist system in the print media of the three East Central European countries was replaced by a type of pluralistic and market-led media system, in which authoritarian features and a certain level of state involvement were also present. There were no substantial differences between the experiences of the three countries in this respect, although some attributes, such as size of the markets and variations of the communist system, were dissimilar. There were more differences between the experiences of various print media sectors such as in the pace and extent of changes and effects of the processes of system change, the reasons of which were discussed above. This implies that specific features and attributes were influential in the way the system change evolved and in the development of a given print media sector during the post-communist era.
Bibliography


Gálik, Mihály, 'Media Concentration and Control in Hungary', Paper Presented to the Media Ownership and Control in East-Central Europe Colloquium organized by European Institute for Communication and Culture and University of Ljubljana, Faculty of Social Sciences, Piran, Slovenia, 8-10 April 1998/b.


Gereben, Ferenc, 'Quo vadis, magyar kultúra?', Kultúra és közösség, No. 6, 1986, pp. 93-106.


Gyarmathy, Katalin and Lévay, Jenő (eds), *Szamizdat '81-89; Válogatás a Hirmondó című folyóiratból*, Budapest, AB-Beszélő Kft, 1990.


Jakubowicz, Karol, *Conquest or Partnership?; East-West European Integration in the Media Field*, Dusseldorf, Mediafact, The European Institute for the Media, 1996/b.


Juhász, Gábor, 'Gyorsposta; Sajtópiaci zavarok', Heti Világ gazdaság, February 6, 1993, pp. 72-73.


Legge, Michele and Greene, Richard Allen, 'Czech dailies may stop the presses', *Prague Post*, 3/12/1997.


Neundörfer, Benedikt, *Die Entwicklung des ungarischen Tageszeitungsmarktes*, Institut für Theorie und Politik sozialistischer Wirtschaftssysteme, Johann Wolfgang Goethe – Universität, Frankfurt am Main, (Thesis), 1996.


Sparks, Colin and Reading, Anna, 'Understanding media change in East Central Europe, Media, Culture and Society, Vol. 16, No. 2, April 1994, pp. 243-270.


Sükösd, Mihály, 'Lecture on 'The Media in Hungary', Central European University, Summer School on the Media, Budapest, July 1996.


Articles without author


_Szignum Média Hirlevél*, various editions from 1995 and 1996.


Internet sources


Appendices

I. Tables of the Interview survey

Table 8.1 - Interview questions

<table>
<thead>
<tr>
<th>I. Questions about the company/organisation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the size of the company? How did size change since 1989?</td>
</tr>
<tr>
<td>How did the production/output figures change during the post-communist period?</td>
</tr>
<tr>
<td>How did the company performed financially during the period?</td>
</tr>
<tr>
<td>Have they expanded in new areas?</td>
</tr>
<tr>
<td>How did the ownership of the company change? (if privatised) What was their experience like with privatisation?</td>
</tr>
<tr>
<td>Has the company been restructured? What were the reasons for it? How and with what results has it been implemented?</td>
</tr>
<tr>
<td>How did product and production strategies of the company change? Did changes in strategies improve the performance of the company?</td>
</tr>
<tr>
<td>How did the pricing strategy of the company change? How does the company establish the price of its products?</td>
</tr>
<tr>
<td>Have been there changes in management/leadership of the company? In the workforce?</td>
</tr>
<tr>
<td>What have been the main problems for the company during the transformation period?</td>
</tr>
<tr>
<td>How do they see the roles of the company?</td>
</tr>
<tr>
<td>Has the company been a member of an industrial Association/organisation? Is such membership useful for the company?</td>
</tr>
<tr>
<td>(if applicable) What is the ratio of national versus international content ratio in the production?</td>
</tr>
<tr>
<td>Do they pay any attention to such issue?</td>
</tr>
<tr>
<td>How does the company distribute its products? What changes occurred in this respect since 1989?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>II. Questions on the views of the interviewee about post-communist transformation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is her/his general view on the system change?</td>
</tr>
<tr>
<td>What does she/he think the main changes were in their particular market segment?</td>
</tr>
<tr>
<td>What have been the positive and negative aspects of the system change in their particular market segment?</td>
</tr>
<tr>
<td>How does she/he see the roles of the print media during the post-communist era?</td>
</tr>
<tr>
<td>How does she/he see the roles of the state in the print media during the post-communist era?</td>
</tr>
<tr>
<td>How does she/he view state involvement in the sector during the post-communist period? Is she/he satisfied with governmental policies concerning the sector?</td>
</tr>
<tr>
<td>Name</td>
</tr>
<tr>
<td>-----------------------</td>
</tr>
<tr>
<td>Aleksandrowicz, Piotr</td>
</tr>
<tr>
<td>Barkóczi, András and</td>
</tr>
<tr>
<td>Horváth, László</td>
</tr>
<tr>
<td>Bart, István,</td>
</tr>
<tr>
<td>Bohuminsky, David</td>
</tr>
<tr>
<td>Bölö, György</td>
</tr>
<tr>
<td>Borowski, Jacek,</td>
</tr>
<tr>
<td>Mrozowska, Agata,</td>
</tr>
<tr>
<td>Raiter-Rosinska and</td>
</tr>
<tr>
<td>Majewski, Jacek</td>
</tr>
<tr>
<td>Chłystowski, Henryk</td>
</tr>
<tr>
<td>Cisar, Jaroslav</td>
</tr>
<tr>
<td>Csapó, György</td>
</tr>
<tr>
<td>Farkasvölgyi, Frigyesné</td>
</tr>
<tr>
<td>Gaal, Petronella</td>
</tr>
<tr>
<td>Greda, Regina</td>
</tr>
<tr>
<td>Gyurgyák, János</td>
</tr>
<tr>
<td>Jirák, Jan</td>
</tr>
<tr>
<td>Kanzelsberger, Jan</td>
</tr>
<tr>
<td>Klima, Mihal</td>
</tr>
<tr>
<td>Kocsis, Ilona</td>
</tr>
<tr>
<td>Kowalski, Tadeusz</td>
</tr>
<tr>
<td>Magyari, Sándor</td>
</tr>
<tr>
<td>Marsik, Lubomir</td>
</tr>
<tr>
<td>Morcsányi, Géza</td>
</tr>
<tr>
<td>and Zylko, W.</td>
</tr>
<tr>
<td>Péléné, Dr Bán Éva</td>
</tr>
<tr>
<td>Pétő, János</td>
</tr>
<tr>
<td>Pinter, Francis</td>
</tr>
<tr>
<td>Prof. Pisarek</td>
</tr>
<tr>
<td>Pistorius, Vladimir</td>
</tr>
<tr>
<td>Rochlitz, András</td>
</tr>
<tr>
<td>Sevcik, Ivan</td>
</tr>
<tr>
<td>Smid, Milan</td>
</tr>
<tr>
<td>Young, David</td>
</tr>
<tr>
<td>Zentai, László</td>
</tr>
<tr>
<td>Zöld, Ferenc</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>----------------------</td>
</tr>
<tr>
<td>formerly state-owned</td>
</tr>
<tr>
<td>companies</td>
</tr>
<tr>
<td>new private</td>
</tr>
<tr>
<td>companies</td>
</tr>
<tr>
<td>companies / foreign</td>
</tr>
<tr>
<td>owned companies</td>
</tr>
<tr>
<td>and industrial</td>
</tr>
<tr>
<td>institutions and</td>
</tr>
<tr>
<td>organisations</td>
</tr>
<tr>
<td>experts</td>
</tr>
</tbody>
</table>
II. Case Studies

Case Studies/1 - Cases of Privatisation

In the followings the ownership changes of three companies are discussed, each representing an example for a particular type of privatisation in post-communist print media markets of the three countries. A fourth company is also examined as an example for a non-privatised company. The companies are from the book sectors. Representatives of all four companies were interviewed for this research.

Company M

Company M in Hungary is an example for a formerly state-owned publishing house, which was bought up by a private local investor who already had interests in the book market. Company M was established in 1955, and was one of the largest publishing houses in the country during the communist era specialising in publishing contemporary Hungarian literature. The company was privatised in 1993, in the course of which a private domestic investor acquired the publishing house. The privatisation of Company M did not attract a lot of interests from potential investors, in fact the bid of this private local investor was the only feasible one (Interview, company interviewee m).

After 1989 Company M lost its former monopoly in its specialised area as markets were liberalised and competitors appeared. Especially in the market segment of popular contemporary literature the publishing house could not keep its market share as a result of the mushrooming competition. Company M did not change its profile substantially and continued to publish contemporary literature. As a result of losing its former market position and in the absence of a revamped profile or new product strategy Company M was shrinking year by year during the 1990s and performed poorly in financial terms. The company employed 200 people before 1989, which was reduced to 9 by 1995 (Interview, company interviewee m). It published 38 titles in 1995 with an average print run of 4 thousand, which was a low figure compared to the market average. The bleak situation was admitted by the manager of the company when he declared his main aim was 'to keep Company M alive' (Interview, company interviewee m).126

---

126 Company interviewee m became the managing director of Company M in 1995. He had a number of predecessors, none of them was successful in restructuring the company.
Privatisation and the new private owner did not turn around the misfortune of the firm. The new owner did not invest in the company or come up with any restructuring plan. Even though the local investor also owned one of the largest distribution companies Company M was not helped in distributing its products, either in terms of organisation or providing discounted rates. Considering these factors one could question the motivation of the local investor to acquire Company M. Possible reasons for this investment could be that the investor aimed to diversify its operation, or to lower the competition for its other book publishing companies, or to buy the brand name of Company M which was well known.

Company G
Company G in Poland is an example where the employees took control of ownership in the wake of the post-communist era. Company G was established in 1944. It specialised in publishing contemporary and classic Polish literature during the communist era. Company G was formally a cooperative but in effect was controlled by the state. After 1989 the cooperative ownership structure of the company was rejuvenated and put into practice. On paper thus the company was not privatised. However the ownership control of Company G did change with the employees gaining control.

According to the managing director the cooperative structure of the company halted the necessary transformation of the publishing house (Interview, company interviewee g). One of the main problems was that it was difficult to make decisions. Painful resolutions about restructuring were not easily accepted by the members. For example, ‘only’ 10-15 people were fired what the managing director thought was not enough (Interview, company interviewee g). Decisions were also taken slowly in a time when rapid actions would have been required. There was also the additional problem that because of the cooperative structure the publishing house could not form a joint venture or involve capital from outside, either domestic or foreign, which would have helped in restructuring and modernising the company. Because of these problems Company G decided to change its cooperative structure, however due to the lack of regulation on the transformation of cooperatives in Poland they could not (Interview, company interviewee g).
Similar to Company M, Company G also lost its monopoly in its former specialised field and had to face competition. The company largely kept its original profile and tried to consolidate its market position in a niche market (Interview, company interviewee g). To increase revenues Company G did enter new areas such as publishing Encyclopaedias. The first part of the 1990s were especially difficult for the company, it was in fact fighting for survival (Interview, company interviewee g). By the mid 1990s the publishing house consolidated its position with increasing sales. Company G used to publish 300-350 titles a year during the communist era, in 1991 it published 100 titles and in 1993 40. Book title output of the company increased by the mid 1990s, it published 61 titles in 1995 and 80 titles in 1996 (Interview, company interviewee g).

Company T

Company T in Hungary is an example where the employees bought the majority share of the company during privatisation, but later was acquired by an investor. Company T was established in 1950. The firm specialised in publishing children and juvenile books, in which area it had a monopoly during the communist era. It was a political decision during that time that children and juvenile books had to be accessible to everyone, thus the sector received the largest subsidies and Company T relied on state supports for decades. As a result of the system change subsidies ended abruptly, which put the company in difficult financial position. With the post-communist transformation the company also lost its monopoly in its former specialised field as competition in the children book market segment intensified rapidly.

Company T was sold as part of the privatisation programme of the first post-communist government. Before privatisation the publishing house was transformed into a joint stock company and then a tender was announced. The first tender was unsuccessful and it had to be readvertised. The second tender was won by a consortium of the employees of Company T, three individuals, an institution and a financial investor in 1993 (Interview, company interviewee t). Initially the employees had the largest ownership share. However, there was a capital increase in 1994 in which the employees could not participate because of lack of finances, thus the other investors became the dominant owners. In the interview it came across that the employees were not very happy about the ownership change.
Company T was attractive to its financial investors because compared to many formerly state-owned publishing house it was relatively successful during the post-communist era. Between 1989 and 1995 Company T was profitable in most years, although the profits were not large (Interview, company interviewee t). The company used to publish around 300 titles a year during the communist era, which decreased to around 100 titles a year in the 1990s. The company went through a painful restructuring process, which resulted that the number of employees decreased from 120 in 1989 to 40 by 1995 (Interview, company interviewee t). The profile of the publisher did not change substantially, it continued to publish mainly children and juvenile books.

Company P
Company P in the Czech Republic is an example for a company that was not privatised (until 1998). Company P was established in 1945 and owned by the Socialist Union of Youth. It was one of the largest print media companies of communist Czechoslovakia. The firm published not only books but newspapers and magazines as well. Most of its publications targeted children, juveniles and young adult audiences. Company P also had a sizeable section which published contemporary Czech literature.

In 1990 the new Parliament accepted an anti-communist law, which included a ban on privatisation of the properties of the former Socialist Union of Youth. This decision was partly aimed to prevent the organisation (and its leaders) to financially benefit from the sell-off and partly to keep the publishing house, which was seen as serving a national interest, state-owned. Company P was transformed into a share-holding company with only one share owned by the state. The company's leadership was revamped, a board was set up, the members of which were elected by the Parliament (Interview, company interviewee p). Company P was restructured. Two divisions were created, one for publishing books, the other for publishing magazines. The latter published some eight magazines in 1996 mainly for young people (Interview, company interviewee p). The number of employees was reduced, the firm used to employ some 900 people during the 1980s, by the mid-90s it employed about 150. The profile of the publishing house changed, it started to publish more fiction from abroad and sales became to rely on popular bestsellers (Interview, company interviewee p).
The rise of a section devoted to sensation and scandals in East Central Europe was an important feature of post-communist transformation in the newspaper sector and a good example of the commercialisation process. As market forces became dominant new commercial companies appeared and new commercial products were introduced into the print media markets of the three countries. In the daily newspaper markets the most successful introduction was that of tabloid titles.

It would be a mistake to treat the appearance of popular papers in Hungary as a completely new phenomenon or solely the outcome of the post-communist transformation. The popular press has a historical tradition in the country. In the first decade of the 20th century there were already ten so-called 'boulevard newspapers', although none of them reached a mass circulation audience. The first Hungarian boulevard papers copied the German type of popular press (Buzinkay, 1997). During the first part of the century in the market-led but politically controlled media system the so-called boulevard newspapers dominated in terms of circulation with the exceptions of extreme political circumstances. In Hungary the Est, which was the first mass circulation newspaper selling 400,000 copies on the eve of World War 1, lead the circulation top list for decades.

The introduction of a Soviet-type communist media system meant that there was no place for the pre-war type of popular papers. The communist press system is usually associated with having only highly political and propagandist type of newspapers that were censored and their operation controlled in every aspect. While these characteristics of the communist press were true, there were some differences between the content and format of the published titles, which were discussed in Chapter 4. In Hungary the evening paper in Budapest Esti Hirlap and the sports daily Népsport published all the important news the communist authorities thought the population should read about. Nevertheless, they could be regarded as more populist than the other titles, because the newspapers as well as the articles were shorter and the papers contained more human-interest stories. The development of these titles was overseen and limited by communist

---

127 A version of this Case Study was published, in: Sparks and Tulloch, 2000.
128 Although the focus of this Case Study is on the Hungarian tabloid press, the development of the popular segment of national newspaper markets was similar in the Czech Republic and Poland.
media control mechanisms, which centrally determined the circulation of newspapers always prioritising the main title of the Communist Party.129

As a result of the processes of system change tabloid papers firmly established themselves within a few years in post-communist East Central Europe. In Hungary by 1994 there were four tabloid type newspapers. The circulation of tabloid titles increased substantially. The total circulation of tabloids rose from practically zero at the beginning of 1989 to more than 300,000 by the mid-1990s. In 1996 popular titles had 28 percent share in the national daily newspaper market, which increased to 32 percent by 1999. If the sport daily is included among the popular titles130, than the market share was 35 percent in 1996 and 47 percent in 1999. There were five national dailies during the first decade of the post-communist era that can be regarded as tabloid newspapers in the sense that they focused more on human interests stories, the articles were shorter and the language was different than that of quality papers. Some of these titles were short-lived and competition between them was intense. By 1998 as a result of a process of consolidation the popular market segment became dominated by two tabloid titles Blikk and Mai Nap which could boast the second and third highest circulation figures respectively.

The first new title in the national daily newspaper market at the dawn of the post-communist period was a tabloid paper, Mai Nap, which was launched in February 1989. The paper quickly gained popularity, although its circulation did not exceed the established titles. The potential of the paper was good enough to attract Murdoch’s News International Group, which bought the majority share in January 1990. Murdoch, however, was cautious with his first investment in a former communist market, conditioning his purchase on the financial performance of the title. Since Mai Nap did not prove to be profitable the co-owner, a state-owned Hungarian bank, had to buy back the shares of the paper in 1992. Following Murdoch’s departure, the title was acquired by the JMG Ost Press group. Under the Swiss ownership Mai Nap was rejuvenated with extensive marketing campaigns and the use of game schemes to attract readership. By 1998 it achieved the highest readership among the popular papers and after years of loss making it became profitable.

129 Népszabadság had the highest circulation figures throughout the communist period, while Esti Hírlap and Népsport were middle-range papers in terms of circulation. In 1987, for example, Népszabadság had 695,000 daily circulation, Esti Hírlap 200,000 and Népsport 282,000.
130 There is a strong case for that, since there is limited political news in sport dailies.
Murdoch was not the only foreign investor interested in the popular end of the Hungarian press at the beginning of the post-communist period. Maxwell’s Mirror Group acquired a majority share of the communist evening paper *Esti Hirlap* in early 1990. The newspaper, however, could not keep its former readership and its financial performance was very poor. After the Mirror group withdrew in 1992 following Maxwell’s death there were further ownership changes, but neither the circulation nor the financial performance of the paper improved. The title eventually folded in 1996. The second new tabloid paper to be established after *Mai Nap* was *Kurir* which was launched by the Austrian Denton AG in early 1990. The paper reached middle range circulation figures, but it did not achieve financial success. After several ownership changes the title became a part of the growing media ‘empire’ of the state-owned bank Postabank. Postabank also acquired another tabloid paper *Pesti Riport*, which was distributed mainly in Budapest. *Pesti Riport* was not a successful introduction as the paper folded after a few years of its launch.

Apart from *Mai Nap* the other tabloid, which managed to establish itself firmly was *Blikk*, which was launched by the Swiss Ringier Group in March 1994. Ringier specialised in launching new titles in foreign markets by copying its existing titles in the Swiss market (see Case Study/3 - Internationalisation of media products). One publication Ringier decided to export to East Central Europe was its Swiss tabloid title *Blick*. Ringier launched two tabloids in East Central Europe, one in the Czech Republic and the other in Hungary, using *Blick* as a template. In Hungary *Blikk* became the most popular tabloid following its launch. Although its circulation decreased continuously in the second part of the 1990s (see Figure 6.3.13, page 238), it retained one of the leading positions in the press market.

Many post-communist tabloids copied and adopted the format and structure of similar titles in Western Europe. Arguably foreign investors, who dominated the Hungarian national daily newspaper market throughout the post-communist period, played an important role in the development of the popular end of the market. The relatively rapid expansion of the tabloid market segment was possible because there was a gap in the market, as the popular end of the press was underdeveloped during the communist era. The introduction of tabloid titles was helped by marketing and promotion campaigns. Tabloids were the first ones to include winning schemes and games in newspapers.
Changes in media consumption patterns also influenced the development of popular press in post-communist Hungary. Tabloid titles attracted readers because they offered new types of content. However, many readers remained loyal to the 'old' quality/political newspapers. Despite the successful entry and relatively high circulation figures tabloid newspapers did not dominate the national press market. This is partly due to the fact that many press titles of the communist era managed to transform and rejuvenate themselves into market-type quality/political papers, and partly to the characteristics of newspaper consumption where familiarity is an important factor.

Although post-communist tabloids bear similarities with their Western counterparts they also have particular characteristics. Newspaper readership of quality/political and tabloid newspapers in Hungary were more mixed in terms of social class and income than in Western Europe. A large percentage of the readers of Hungarian popular daily titles had average or high income. In the case of Blikk, for example, 51 percent of the readers were from the better-off strata of society in 1995 (Szonda Ipsos, 1995). This is mainly due to the fact that tabloids were read as second newspapers. The majority, 70-80 percent of tabloid readers read a political paper as well (Richárd, 1994). This suggests that tabloid newspapers were usually not read as primary but as complementary news sources. Unlike in Western press market there was no substantial price difference between quality and tabloid newspapers in Hungary during the 1990s. The lack of price differentiation between tabloids and qualities in post-communist press markets was partly due to the depressed price structure inherited from the communist era, partly to structural changes in the market, and partly to the long-term effects of the changes in media finance.

In conclusion the development of tabloid newspapers in post-communist Hungary was part of the commercialisation and marketisation processes of system change. It was influenced by different factors including market and economic conditions, cultural changes and transforming media consumption patterns. Post-communist tabloid press were also affected by various features such as readership composition, press traditions, values of media culture, development of advertising sector and price structure of press markets. As a result of these influences and the legacies of the communist system the tabloid market segment in Hungary differed from those in developed media markets.
Case Studies/3 - Internationalisation of media firms

To illustrate the development of foreign investments and the differences in strategies and motivations of foreign investors in the print media markets of the three East Central European countries three case studies are discussed below. These were chosen because they represent different categories of foreign investors. The three examined companies Passau Neue Presse, Wolters Kluwer and Bertelsmann had different financial and organisational background, and they were different in size and financial strength as well. In Herman and McCheesney’s (1997) classification of international media firms each represents one of the three categories. Bertelsmann belongs to the first, Wolters Kluwer to the second and Passau Neue Presse to the third tier.

Passau Neue Presse

Passau Neue Presse (PNP) was established as a family press venture in Germany in 1948. The firm, which is based in Passau, has been mainly active in publishing regional newspapers. Until 1991 the company was a German regional media firm. Developments in the European Union and profound changes in East Central Europe provided the opportunities that motivated Passau Neue Presse to invest in other countries and thus to become an international player. First it invested in Austria then in the Czech Republic and Poland during the first part of the 1990s. The geographical proximity of the Czech and Polish markets played an important role in the decision to enter those markets (Interview, company interviewee d). In 1996 the company owned 15 regional titles in Germany, 15 in Austria, 36 in the Czech Republic and 12 in Poland (company website). In 1998 PNP invested in the Italian regional press and a year later in Slovakia. The expansion of the company is illustrated in Figure 8.1.

Figure 8.1 - Turnover of Passau Neue Presse (million DEM)

Source: Passau Neue Presse website.
The background of the German company was in regional publishing, thus investing in regional markets of neighbouring countries was a sound investment strategy. In the Czech regional newspaper market there was a gap the company could exploit and without major competitors it managed to acquire substantial interests relatively quickly (Interview, company interviewee d). In the Polish regional press market a good investment opportunity emerged for the German firm when the French Hersant group had to sell its regional interests. The reason why the company did not enter the Hungarian market, a logical step for other foreign investors, could be that there was no similar opportunity. The Hungarian regional press sector was controlled by three foreign firms, which were more powerful than PNP. The interests of PNP in post-communist markets were important parts of its overall business. By the late 1990s revenues from those markets gave about half of the turnover of the company (see Table 8.4 below).

Table 8.4 - Interests of Passau Neue Presse in 1999

<table>
<thead>
<tr>
<th>Name</th>
<th>interests</th>
<th>average daily circulation</th>
<th>turnover (million DEM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neue Presse (Germany)</td>
<td>Regional titles (15 mutations), local radio, distribution, new media</td>
<td>180.000</td>
<td>250</td>
</tr>
<tr>
<td>Italpress (Italy)</td>
<td>2 regional titles (5 mutations)</td>
<td>130.000</td>
<td>100</td>
</tr>
<tr>
<td>DruckService</td>
<td>Printing houses in Germany, Austria, Czech Republic, Poland</td>
<td></td>
<td>240</td>
</tr>
<tr>
<td>Vlatav-Labe-Press</td>
<td>5 titles (47 mutations) in the Czech Republic, 2 titles (10 mutations in</td>
<td>260.000 daily (600.000 of magazines) in Czech Republic; 100.000 in Slovakia</td>
<td>100 in Czech Republic, 10 in Slovakia</td>
</tr>
<tr>
<td>(Czech Republic)</td>
<td>Slovakia), magazine and supplement publishing, distribution, Sparta Prag football club</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landesverlag (Austria)</td>
<td>Regional titles (12 mutations), local radio</td>
<td>270.000</td>
<td>80</td>
</tr>
<tr>
<td>Polska Press (Poland)</td>
<td>11 regional titles (41 mutations), magazine and supplement publishing,</td>
<td>500.000 of dailies, 1.7 million of magazines</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>distribution</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: based on Passau Neue Presse website; Interview, company interviewee d.

PNP entered the Czech market in 1991 when Vlata Laba Press (VLP) its subsidiary was established. The company acquired regional titles which were formerly owned by the Communist Party. By 1996 PNP printed 36 mutated regional titles in the Czech Republic, which increased to 47 by 1999. VLP is a concern including three companies for the three main regions of Bohemia (Interview, company interviewee d). Passau Neue Presse also owned Astrosat publishing house, which published three supplements for the regional papers including a tv guide, a magazine for women and a weekly supplement, Panorama. Passau Neue Presse established another company Insert Media to
provide service for its numerous regional titles. This firm managed the advertising and marketing businesses of the regional newspapers. PNP also acquired some interests outside the regional press including a title in the capital, Vecemik Praha and the football club Sparta Praha. The German company entered the Polish market when it bought eight regional titles and two printing plants from the French Hersant group in September 1994. In the following two years PNP acquired four more titles, and by 1996 Passau Neue Presse had 12 regional newspapers in Poland each with several mutations. These included Trybuna Slaska the largest Polish regional daily with 240 thousands circulation131 (see Table 8.4).

Passau Neue Presse did not only expand geographically it extended its activities vertically as well in connected industrial areas. In the Czech Republic and Poland it acquired printing plants and invested in press distribution. The company viewed that they could reduce costs with vertical integration (Interview, company interviewee d). To become successful Passau Neue Presse used market tactics previously not known in the Czech and the Polish regional markets such as dumping prices and special offers for advertisers. In the Czech Republic, for example, to attract more advertising revenues the company offered 15-20 percent reduction in rates if the client advertised in every regional paper of PNP (Interview, company interviewee d).

Passau Neue Presse reorganised the newspapers it acquired using techniques and formats of its German titles. It developed mutations for each regional title to cover larger areas and keep production costs down. PNP invested in technological developments of its East Central European titles. It introduced colour pictures in the papers, which were new in the regional markets of these countries. The company also launched supplements such as television guide, hobby magazines, again an unknown technique in these regional markets before. One aspect where the company had difficulties with reorganisation of its titles was finding journalists they wanted, because the esteem for writing for regional titles in post-communist countries was rather low (Interview, company interviewee d).

131 Passau Neue Presse's Polish subsidiary is Polska Presse.
Passau Neue Presse established itself as a dominant player in the Czech and Polish regional press markets within a decade. The company successfully exploited the business opportunities in these markets which emerged as a result of the post-communist transformation. Importing and adopting its business and production strategies and techniques contributed to its success.

Wolters Kluwer

Wolters Kluwer, a Dutch-based multinational company, is active in business, legal, tax, medical, scientific and educational publishing, professional training and trade publishing, as well as electronic publishing (Wolters Kluwer, Annual Reports). In many of these niche areas the company is one of the leading firm in the world. Wolters Kluwer had subsidiaries in 17 countries in 1995 and in 24 by 1999 (company website). The multinational firm started its international expansion in the 1970s for two reasons: partly because its Dutch home market became saturated, and partly to achieve economies of scale (Interview, company interviewee u). Until its investments in post-communist countries Wolters Kluwer only entered mature book markets of the developed world. During the 1990s the company speeded up its international expansion, which is illustrated in Figure 8.2 and Figure 8.3 below. While the total turnover increased about 2.5 times, the number of employees more than doubled between 1995 and 1999.

Figure 8.2 - Turnover of Wolters Kluwer (EUR million)

Sources: Wolters Kluwer website and Annual Reports.

Figure 8.3 - Number of Employees

Sources: Wolters Kluwer website and Annual Reports.
While the multinational company ventured into new areas, its traditional markets in professional publishing provided most of its income during the 1990s (see Figure 8.4). Unlike Passau Neue Presse the investments of Wolters Kluwer in East Central Europe were neither crucial in its expansion strategy, nor significant in its overall sales and revenues.

Figure 8.4 - Geographical and subject breakdown of Wolters Kluwer turnover in 1998

Sources: Wolters Kluwer website and Annual Reports.

Wolters Kluwer entered the East Central European book markets in 1994, and within two years it built up a substantial market share in the region in its specialised fields mainly in professional publishing (see Table 8.5). The multinational company focused its activity in the Czech Republic, Poland and Hungary, as other former communist countries were seen more risky to invest in (Interview, company interviewee u). The reasons for the investments in the three East Central European countries were multifold. Partly it was a part of an overall expansion strategy of the company to achieve economies of scale at an international level. Another reason was that the multinational firm saw the four East Central European countries as having the best chance to integrate into the West European legal, social and professional systems for which Wolters Kluwer is one of the main publisher (Interview, company interviewee u). A further reason was cultural, as these countries had similar patterns of media and information consumption to Western Europe. Wolters Kluwer made very moderate profits on its investments in East Central Europe, but as the representative of the company pointed out profitability was not an issue during the first years (Interview, company interviewee u).

132 Slovakia included
Wolters Kluwer acquired already existing publishing houses in the book markets of the three post-communist countries. The market segments, in which Wolters Kluwer was interested were mainly dominated by formerly state-owned publishing houses, most of which were privatised by the time the Dutch company entered the market. This meant Wolters Kluwer bought mainly formerly state-owned companies such as the Hungarian Akadémia Kiadó, Közgazdasági és Jogi Könyvkiadó, Műszaki Kiadó, the Polish Lex and the Czech Codex publishing houses, all of which dominated their own niche market segment. Wolters Kluwer acquired new private companies if they had the promise to be market leaders in their niche market. The Hungarian Invenciő a small firm specialised in electronic publishing was such a company. At the time when Wolters Kluwer bought Invenciő in 1994 the firm already held a database containing all Hungarian legislation, thus destined to become a market leader in that fast developing sector (Interview, company interviewee u).

Wolters Kluwer acquired more companies in Hungary than in the other East Central European countries (see Table 8.5). According to the resident director of the multinational company there were no major differences between the former communist book markets Wolters Kluwer invested in (Interview, company interviewee u). Wolters Kluwer had to adopt its strategy and practices to the conditions in post-communist markets. For instance, while the company usually focused on horizontal expansion in developed mature book markets, in East Central Europe it had to invest in vertical diversification as well. The multinational firm had difficulties with book distribution in these countries and to overcome those it set up its own distribution centre and acquired bookshops (Interview, company interviewee u). Wolters Kluwer had three bookshops in Hungary in 1995, in which half of the sales of its local subsidiaries took place.

The multinational publishing firm reorganised the companies it acquired in East Central Europe according to its worldwide business and managerial practices. It
had a blueprint to incorporate these firms into the multinational system of Wolters Kluwer and adopt organisational practices and standards. The restructuring of the companies involved modernisation such as computerisation, development of logistics, as well as changes in personnel and managerial posts. On average Wolters Kluwer asked 10-20 percent of the former staff to leave and then hired young professionals (Interview, company interviewee u). As the representatives of the multinational firm commented they had difficulties with attitudes and lack of managerial, promotional and marketing skills in the formerly state-owned publishing houses (Interview, company interviewees u, v).

Since Wolters Kluwer only acquired companies whose profile already fitted in with the activities and strategy of the multinational firm, the profiles of the new subsidiaries did not changed significantly. However, there were some changes in the publishing lists of the companies. There was more emphasis on publications attracting larger audiences. For instance, the traditional market segment of the Hungarian Közgazdasági és Jogi Könyvkiadó was professional books for lawyers and academics. When Wolters Kluwer bought the publishing house it put more emphasis on publishing books for 'average people' about business, bestseller professional books and practical business guides (Interview, company interviewee v).

Wolters Kluwer is an example for a multinational company investing in the Czech, Hungarian and Polish book markets as part of a larger international expansion strategy. Wolters Kluwer was less interested in the specific business opportunities the transformation generated in the post-communist print media markets. Rather it made sure with its investments that it was present in these markets which were rapidly integrated into an international market, for which Wolters Kluwer provided its specific professional products. This strategy is reflected in the fact that the multinational firm did not acquired new companies after, during a two-year period between 1994 and 1996, it bought all the available firms it was interested in.
Bertelsmann

Bertelsmann is the fourth largest multinational media company in the world with 29 DEM billion revenues and 65,000 employees in 1998/1999 (Bertelsmann website). The company was founded in 1835 in Germany, it was during the 1980s when it attained a leading position in the global media. In the last two decades Bertelsmann expanded rapidly (see Figure 8.5).

Figure 8.5 - Bertelsmann's turnover in DEM billion

![Bertelsmann's turnover in DEM billion](image)

Sources: Bertelsmann Annual Reports, website.

The growth of the company involved both geographical expansion and diversification in various media sectors. Bertelsmann was present in 54 countries by the late 1990s, while a few years earlier, in the middle of the decade it had interests in 40 countries. Most of its businesses were in developed countries and the majority of its revenues came from these markets. Figure 8.6 shows that the geographical composition of the operations of Bertelsmann changed during the 1990s, which involved a decreasing ratio of its home market.

Figure 8.6 - Geographical composition of the operations of Bertelsmann

![Geographical composition of the operations of Bertelsmann](image)

Sources: Bertelsmann Annual Reports, website, and Bunting, 1995.
The background of the multinational media concern is in book publishing and music media, however as a result of extensive diversification it became active in the production and distribution of most mass media forms. Bertelsmann had seven main divisions in 1999: book publishing, BMG Entertainment which was active in music and television businesses, CLT-UFA broadcasting company in which Bertelsmann had a 50 percent ownership share, Gruner und Jahr the magazine and newspaper publishing division, Arvato the printing and distribution division, the Multimedia section and the Special Interest division (Bertelsmann, Annual Report, 1999, website; and Herman and McChesney, 1997). Figure 8.7 shows that significant changes took place in the company structure during the second part of the 1990s. Mainly because of the interests in CLT-UFA, broadcasting media became more prominent and provided an increased share in the total revenue. Multimedia also became more important during the second part of the 1990s.

![Figure 8.7 - Contributions of the Bertelsmann divisions in the total revenue](image)

The divisions were further broken down into sections, each of which dedicated to either a geographical market or a specific product or production phase. The book division, for example, had six sections: Book and Record Clubs Germany, Book and Record Clubs International, Hardcover and Paperback, Professional and Trade Magazines - Information Services, How-To-Books/ Cartography and Encyclopaedia Publishing (Bertelsmann website). Gruner und Jahr's operation was organised in four sections: Magazines Germany, Magazines International, Newspapers, Printing Plants and Trade (Bertelsmann, Annual Report, 1997). Bertelsmann also had numerous joint ventures and strategic alliances in various media markets.
Given the extensive geographical and industrial diversification of Bertelsmann, its investments in the print media markets of the three East Central European countries were not significant in its expansion strategy. Bertelsmann did not have an overall strategy to enter the former communist print media markets, as its operations are decentralised and diversified in the various divisions. The divisions entered the post-communist markets separately each with their own strategy (see Table 8.6). It is interesting to note that, similar to Wolters Kluwer, Bertelsmann invested only in four post-communist countries: the Czech Republic, Hungary, Poland and Russia. The reasons were also similar to those of Wolters Kluwer, the three East Central European countries were seen as having the best chance to integrate into the international media markets and had similar media consumption patterns than those in Western Europe.  

Table 8.6 - Main Interests of Bertelsmann’s divisions in East Central Europe in 1997

<table>
<thead>
<tr>
<th>Divisions</th>
<th>Czech Republic</th>
<th>Hungary</th>
<th>Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book division</td>
<td>Knizni Klub, GeoCenter Prague</td>
<td>Könykkub, Officina Nova, Mobil kiadó</td>
<td>Świat Ksiązki, GeoCenter, Warsaw, BWF, ibud</td>
</tr>
<tr>
<td>Gruner und Jahr</td>
<td></td>
<td>Népszabadság, Délmagyarárszág, Délvilág, Nimród</td>
<td>Claudia, Naj, Sandra, Halo, Majo Gotowanie, Tele Magazyn, Focus</td>
</tr>
<tr>
<td>BMG Entertainment</td>
<td>BMG International Czech Republic</td>
<td>BMG International Hungary</td>
<td>BMG International Poland</td>
</tr>
<tr>
<td>Ula–CLT</td>
<td>radio stations</td>
<td>RTL Klub, InterPannonia Film</td>
<td>Ula Poland, Telewizja Wisła, RTL 7</td>
</tr>
<tr>
<td>Printing, Technical Services</td>
<td>Bertelsmann Service Center Czech Republic</td>
<td>Bertelsmann Service Center Poland, Mohndruck Wydawnictwo Kalendarzowe</td>
<td></td>
</tr>
<tr>
<td>Multimedia</td>
<td>Prompt ’92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Springer Science+Business Media</td>
<td>Bertelsmann Media, BPI CR</td>
<td>Bau-Data Project, Bertelsmann Szakkiad-</td>
<td>BWF Bertelsmann Wydawnictwa Fachowe, ibud informacje budowlane</td>
</tr>
</tbody>
</table>


The Book division of Bertelsmann entered the Hungarian market first in East Central Europe. It purchased Officina Nova in 1992, a then successful publishing company. The Bertelsmann group, however, was more active in establishing new companies than buying up already existing firms. It set up book clubs in the three East Central Europe countries in Hungary in 1992, in the Czech Republic in 1993 and a year later in Poland, copying the structure and business practices of its

---

133 Russia was attractive mainly because of the size of her markets.
other book clubs in Western Europe. The three subsidiaries proved to be a success and within a couple of years of their launch they gained substantial market shares. By the mid 1990s together they counted 1.8 million members and produced positive financial results (Bertelsmann, Annual Report, 1997). The Hungarian Book Club, for example, had 620 thousands members and published 220 titles in 1996 (Kőnyvbarát, 8/96, p 16). With such figures it became one of the leading publisher in Hungary controlling about 30 percent of the market. The success of the book clubs was partly due to the fact that there was a gap in the market, this type of book clubs which focused on bestsellers and distributed its products through the postal service did not exist before. The Bertelsmann book clubs benefited from avoiding the general distribution problems of the East Central European book markets. Given their organisational background they also had advantages over local publishers in purchasing copyrights of bestsellers, which provided the most lucrative part of the book business.134

The newspaper and magazine division of Bertelsmann, Gruner und Jahr, published 38 magazines in eight countries (Germany, US, UK, France, Spain, Italy, Poland and Hungary) and 10 newspapers in three countries (Germany, Hungary and Slovakia) in 1996 (Bertelsmann, Annual Report, 1997). What is interesting that apart from the East Central European countries Gruner und Jahr had interests only in large mature developed press markets such as the British, French and the American markets. Smaller and less developed countries such as the East Central European markets were not the usual investment targets of the Bertelsmann group. Gruner und Jahr did invest in the region especially during the first part of the 1990s. The company was probably motivated by a number of factors including opportunities of the new opening markets, geographical and cultural proximity and low prices. It has to be noted, however, that the sizes and financial strengths of the East Central European interests were smaller and less significant than those in the developed markets.

Unlike other divisions of Bertelsmann Gruner und Jahr did not focus on launching carbon copies of its Western products in the East Central European markets. It did not enter the post-communist markets with an overall blueprint strategy, like the Book division of Bertelsmann or Wolters Kluwer did. Gruner und Jahr took

134 Bertelsmann sold its interests in the Hungarian Book Club in 1998. The reasons were complex including the long-term potentials of the market segment and specific managerial problems.
investment opportunities as they came choosing those which looked the most promising. This strategy is reflected in the mixture of interests it acquired in the region during the 1990s (see Table 8.6 above). The first investment the group made was the purchase of a 40 percent share in Népszabadság, Hungary's leading national daily newspaper in 1990. Gruner und Jahr increased its ownership stakes in the paper gradually, and by 1998 it owned the majority of the shares. The Bertelsmann group also acquired two regional newspapers in Hungary. Later Gruner und Jahr bought a newspaper in Slovakia but not in Poland or the Czech Republic. In Poland the Bertelsmann group focused on magazine publishing, and it became one of the leading companies with popular publications such as women's magazines Claudia, Naj and Sandra and the weekly television magazine, Tele Magazyn. Gruner und Jahr did not acquire substantial interests in the Czech Republic. This and its diversified interests in the other post-communist countries show that the group did not enter the region with a planned strategy to dominate a market segment.

BMG Entertainment, the music and television division of Bertelsmann, also entered the three East Central European countries. It established music clubs and launched companies which produced and distributed CDs, tapes and records. Similar to the book sector, BMG Entertainment entered the post-communist markets to acquire significant market shares and achieve regional dominance in its market segments. UFA-CLT, another division of Bertelsmann also invested in East Central Europe. The multinational joint venture, which became the largest European commercial television broadcaster with sales of $3.5 million in 1996 (Herman and McChesney, 1997, p 87), launched a national television channel RTL Klub in Hungary in October 1997. It also owned Telewizja Wisła and RTL 7 in Poland. Other divisions of Bertelsmann also entered the three post-communist markets. The printing and technical division established subsidiaries in the Czech Republic and Poland to provide services to other ventures of the multinational company.

Case Studies/3 - Passau Neue Presse, Wolters Kluwer and Bertelsmann

The three case studies showed similarities and differences in foreign investments in the three East Central European countries. One of the similarities was that the three companies entered these markets when they were in an expansion stage. Other similarities included that the three foreign companies were financially strong, and that they were all relatively successful with their ventures in East
Central Europe. However, post-communist print media markets played different roles in the expansion and investment strategies of the three companies. While for Passau Neue Presse these investments were significant and made the firm a multinational company, for Wolters Kluwer and Bertelsmann entering the three post-communist countries were neither considerable in size - compared to the operations of the multinational companies as a whole - nor momentous in their expansion strategy. The foreign companies were motivated by different factors. Wolters Kluwer and Bertelsmann's Book and BMG divisions invested in order to find new market and sales opportunities for their international products and production. While Bertelsmann's Gruner und Jahr invested in ventures that promised to lead to dominant position in a particular market segment. Hence the reasons and strategies of multinational investors in the three post-communist print media markets depended on the characteristics of the foreign company as well as the features of the particular print media product and market segment.
Case Studies/4 - Internationalisation of media products

The two case studies discussed below are examples of foreign investors introducing new media products into the three East Central European countries.

Children magazines and books of Egmont

Egmont, established in 1872, is a multinational media company based in Denmark. Egmont had more than 120 subsidiaries in 24 countries in 1996 (Egmont, Annual Report, 1996). Its activities were divided into four divisions each focusing on a product area. Nordisk Film is specialised in film production and distribution in Scandinavia. Egmont Magazine publishes family magazines and special interest magazines in Denmark, Norway and Sweden. Egmont Juvenile focuses on publishing comic magazines, pocketbooks and audio products for children and juveniles in a number of countries. The fourth division, Egmont Books publishes books mainly for children and teenager audiences. Egmont is the largest publisher in Europe of comics and books based on popular characters of Walt Disney and other US producers. The company received a licence from Walt Disney in 1949, and since then it became the largest Walt Disney publisher in the world in the magazine and book business.

Stories and characters of Hollywood cartoons were already well known in the three East Central Europe societies before Egmont entered these markets, thus the demand for these products were present. Since Egmont had the licence from the American producers local companies could not compete. Egmont entered the Hungarian market first in the region in 1989. Not long after that the company appeared in the Polish and in the Czech markets in 1990. The multinational firm was not interested in the privatisation process or acquiring local publishing houses, it established its own subsidiaries. By the mid 1990s Egmont was present in ten former communist countries. These subsidiaries shared the same structure and profile, they all published magazines and books based on the popular characters of Hollywood cartoon producers. The Czech, Polish and Hungarian subsidiaries had common publishing plan, publishing the same kind of magazines and books with the same content at the same time, in order to achieve technical and economies of scale of production (Interview, company interviewee r). Given the international nature of these types of publications there was no need to include local aspects. Indeed these children magazines and most books were published having translated to the local language from a carbon copy sent from the headquarters of Egmont in Copenhagen. Egmont's subsidiaries in
the three countries published magazines such as Mickey Mouse, Donald Duck, Asterix, Dumbo and Bugs Bunny with exactly the same appearance and content. These magazines and series of books were new type of products in the post-communist markets because of their content, format and production. Egmont captured a lucrative market with its international products in the three post-communist countries. By the mid 1990s it dominated the children and juveniles magazine sectors and had substantial shares in the children book markets.¹³⁵

**Tabloids and business weeklies of Ringier**

Ringier, which is based in Switzerland, expanded its activities in a number of countries including in East Central Europe and parts of Asia during the first part of the 1990s. Between 1991 and 1995 the company entered the Czech Republic, Slovakia, Romania, Bulgaria, Poland, Hungary, Vietnam and China. By the middle of the decade the Czech Republic became the main foreign market of Ringier with 14 publications including three daily newspapers. Ringier both acquired already existing titles and launched new ones. In its expansion strategy, however, launching new titles was more important. Particularly two of its home products, a tabloid and a weekly business magazine, played significant roles in the international expansion of the company. Ringier introduced very similar products to these two titles copying their format and structure in the East and Central European and some of the Asian markets.

The tabloid which was used as a template copy was *Blick*, the main title of Ringier and the most popular daily in Switzerland with more than 330,000 circulation in 1996 (Ringier, Annuial Report, 1997). Tabloid type of newspapers already existed in East Central Europe when Ringier entered these markets. What Ringier introduced was a new type of popular newspaper, the Western type of tabloids with more sensational stories, pictures, easily readable texts etc.. Ringier launched two tabloids in East Central Europe one in the Czech Republic, another in Hungary. The Czech *Blesk* was launched in April 1992, the Hungarian *Blikk* in Mach 1994. The format and the structure of both national papers were adopted from the Swiss *Blick*, even the names of the titles mean the same thing in the different languages. *Blesk* and *Blikk* reached second highest circulation figures in their respective markets within a few months of their launch as a result of strong market demand and extensive promotion and marketing campaigns.

Until 1997 neither of the two newspapers were profitable, which was expected by the company during the first years of their operation (Interview, company interviewee I). The competition was fierce in the market segments of the two titles. Realising that the markets were too small for competing tabloids Ringier bought up its main rival (Express) in the Czech Republic and then closed it down. The company tried the same tactic in Hungary but it was unsuccessful there during the 1990s.

The other product Ringier used in its international expansion was the Swiss popular weekly business magazine Cash, which had 68 thousands circulation in 1995 (Ringier, Annual Report, 1997). The company introduced similar products copying its format and structure in eight countries. The first clone of Cash was Profit in the Czech Republic started in September 1990. It was followed by the Romanian Capital in December 1992, the Hungarian Kápe in April 1993, the Bulgarian Kesch and the Polish Cash in June 1993, the Slovak Profit in September 1993, the Vietnam Thoi bao Kinh te and the Chinese Cash in 1994 (Jakubowicz, 1996). Ringier's title was a new type of product in East Central Europe in terms of format and content, because it had a more popular approach than its rivals in the business weeklies market segment. Unlike the two tabloids the clone business weeklies did not prove to be very successful. In the three East Central European countries the titles achieved relatively low circulation figures. In Hungary Kápe was closed down in 1996.

Case Studies/4 - Egmont and Ringier
Both multinational companies entered the post-communist markets by introducing new type of print media products. These products were copies of publications the companies had in other countries. In the case of Egmont the introduction of children and juvenile magazines and books based on popular Hollywood cartoon characters was successful because the new types of products filled a gap in the market sector, there was strong demand for these publications and the competition was kept back as Egmont had the exclusive copyright. Ringier was relatively successful in introducing new type of tabloids. However their business success was hindered by the legacies of the communist system, fierce competition and the saturation of the market segment. The introduction of popular weekly business magazines in post-communist markets was not successful, because market demand was low for such products and there was strong competition in the market segment.
Case Studies/5 - Cases of Product Strategies

In the following Case Studies the changes in product strategies of three companies are discussed. Each represents an example for a particular type of product strategy in the print media markets of the three post-communist countries. The three examples are from the Hungarian book market.

Company J

Company J relied upon external financial supports, both from private and state sources, during most of the 1990s. These supports were essential to maintain the operation and production of the firm. Company J is a successor of a famous underground publishing house of the 1980s, which launched a well-known oppositional periodical in 1984. In 1988 the editors started to receive manuscripts and decided to engage in book publishing (Interview, company interviewee j). After the political changes of 1989 and 1990 the former underground publishing house continued to publish books in areas of social sciences, politics and serious literature. It worked as a foundation and maintained its operation with the help of external financial supports, which were more significant than the revenues from the book sales. Company J published approximately 90 titles a year between 1994 and 1996 (Interview, company interviewee j). According to title output Company J was among the 20 largest publishing houses in Hungary. The turnover of the company was 100 million HUF in 1994 (Interview, company interviewee j).

A new name and a new commercial company structure were adopted in 1994. With restructuring the profile of the publishing house changed although not dramatically. The main target audience of its books remained the 'intellectual circles' (Interview, company interviewee j). Company J tried to move away from relying so heavily on external supports, and it started to publish financially more viable titles mainly university textbooks. The company launched series of university textbooks mainly in the social sciences, which proved to be relatively profitable (Interview, company interviewee j). In 1995 half of the new titles were university textbooks. Despite these changes subsidies remained important in the finances of Company J. In 1995 without external supports the company would have made 30 percent loss (Interview, company interviewee j).
Company C

Company C is an example for a relatively successful formerly state-owned publishing house, which cross-subsidised between its titles and published both bestsellers and 'serious literature'. The predecessor of Company C was established in 1945. The company specialised in publishing foreign fiction during the communist era. It used to publish 200-250 titles a year in the 1980s, which decreased to 100-120 titles a year during the post-communist period (Interview, company interviewees c). Company C was one of the few publishing houses during the 1980s which did not rely on state subsidies completely. According to turnover the publishing house was among the five largest publishing companies in Hungary during the first part of the 1990s. Company C was privatised and bought by the employees and managers in 1992. The new owners had to take out considerable loans to be able to buy the publishing house. Although the interest rate was relatively low - it was supported by the government - the debts burdened the finances of the company (Interview, company interviewees c). The publishing house was restructured and half of the employees were made redundant.

After 1989 Company C lost its former monopoly in publishing foreign fiction. The managers realised that if the company was to survive they had to change profile and strengthen the commercial side of the publishing house. At the time of the political changes of 1989 and 1990 Company C focused on publishing titles which were banned during the communist era such as titles by Solzhenitsyn and Kundera (Interviews, company interviewees c). Company C continued to publish foreign fiction. What changed in its profile was that the publishing house focused more on Western, dominantly English language, bestsellers such as titles from Stephen King, while serious literature and poetry lost in prominence on the publishing list. However, it did publish the latter types of books mainly by cross-financing between titles. A new venture of Company C which was aimed to secure 'safe revenues' was the launch of series of compulsory readings for pupils in primary and secondary schools (Interview, company interviewees c). Representatives of the publishing house argued that the commercialisation process of the post-communist transformation made their work monotone and less exciting, but they had to join in if they wanted to survive (Interviews, company interviewees c).
Company S

Company S is an example for a commercialised print media company which published titles that promised substantial market revenues and altered its profile as popular market demand changed. Company S was established in 1988 by its director who was then the only employee. The company published children books during the first years in which area the director saw a market opportunity (Interview, company interviewee s). The initial 4-5 titles output per year increased to 50 by 1995. The turnover of the company was 150-200 million HUF during the first part of the 1990s (Interview, company interviewee s). The director altered the profile of Company S a number of times following the changes in market demand and trends. During the relatively short period in operation Company S published children books, foreign fictions mainly Western bestsellers and non-fictions such as popular science books. From 1993 the company started to publish book versions of popular foreign television soap operas.

The director adopted the structure of the company to market changes and conditions. Beside the publishing division a wholesale distribution and a foreign rights sections were established (Interview, company interviewee s). The wholesale operation was launched in 1992 to evade the chaotic situation in the book distribution system. The foreign rights section was established in 1993 in order to buy the publishing rights of foreign television soap operas. Company S also built up a well functioning marketing department.

Case Studies/5 - Company J, Company C and Company S

The three companies had different backgrounds and aims which were reflected in their product strategies. Company C is an example for a formerly state-owned publishing house which used to have a monopoly in its market segment during the communist era, but which was relatively successful in adopting to the new market conditions after 1989. Company J is an example for a company with an underground past and which did not succumb to the commercialisation process. It maintained the focus of its profile, however, the only way it could do it was with financial supports from various external sources, which raises questions about the influences of those sources. Company S is an example for a print media company which saw its operation as a commercial enterprise and changed its profile according to changes in popular market demand.
### III. Tables of coded data from the Interview survey

#### Table 8.7 - Formerly State owned companies

<table>
<thead>
<tr>
<th>Formerly state owned companies</th>
<th>activities</th>
<th>established; pre 1989 specialisation</th>
<th>ownership changes; new owner</th>
<th>restructuring</th>
<th>financing&lt;sup&gt;136&lt;/sup&gt;</th>
<th>change in profile; content; (int/national)</th>
<th>management change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company W (Hu)</td>
<td>book and periodical publishing; also had its own printing house</td>
<td>est 1828; scientific and reference</td>
<td>sold to Wolters Kluwer in 1996; previous owner: Hungarian Academy of Sciences</td>
<td>some; separated printing and publishing activities</td>
<td>mixed</td>
<td>little change in profile</td>
<td>one change; new director worked in publishing before 1989</td>
</tr>
<tr>
<td>Company B (Hu)</td>
<td>book publishing</td>
<td>est 1955; art, foreign language books</td>
<td>privatised in 1993, price: 55mil-HUF; employees and management buyout</td>
<td>yes</td>
<td>based on sales</td>
<td>new profile: reference, text and language books</td>
<td>no</td>
</tr>
<tr>
<td>Company G (Po)</td>
<td>book publishing</td>
<td>est 1944; Polish literature</td>
<td>no ownership changes; still cooperative</td>
<td>limited (because of no change in ownership)</td>
<td>mixed; 5 out of 80 titles subsidised</td>
<td>little change in profile; new: reference books; series: 50% of titles (40/60)</td>
<td>no</td>
</tr>
<tr>
<td>Company C (Hu)</td>
<td>book publishing</td>
<td>est 1945; foreign literature</td>
<td>privatised in 1992; employees and management buyout</td>
<td>yes</td>
<td>based on sales, very little subsidies; cross-financing</td>
<td>still foreign literature; more bestseller and series</td>
<td>no</td>
</tr>
<tr>
<td>Company E (Hu)</td>
<td>book publishing</td>
<td>est 1957 classical literature</td>
<td>privatisation in 1992; First Hungarian Fund (USA), part of First Hungarian Fund’s diversified portfolio interests</td>
<td>yes; ad hoc</td>
<td>mixed</td>
<td>considerable change in profile; mixed profile, more emphasis on book series; (&lt;50: int)</td>
<td>3 changes between 1992-1995; current one had no publishing experience</td>
</tr>
</tbody>
</table>

<sup>136</sup> Categories in financing operation: based on sale (consumer and/or advertisers); supported by subsidies; mixture of the two.
<table>
<thead>
<tr>
<th>Formerly state owned companies</th>
<th>output changes</th>
<th>production, (print run), profit; (new titles/reprint)</th>
<th>size of company (no of employees)</th>
<th>pricing strategy</th>
<th>distribution</th>
<th>views on post-com transformation/main problems of industry and markets</th>
<th>views on Industrial Association</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company W (Hu)</td>
<td>decreasing print runs and titles</td>
<td>title output: 220 in 1994; (in 80s: 700 titles in 2.5 mil copies)</td>
<td>no of employees decreased from 720 to 434 (with printing house)</td>
<td>target return pricing</td>
<td>owns bookshop; contracts with retailers</td>
<td>main problems: distribution (lost debt); costs increases</td>
<td></td>
</tr>
<tr>
<td>Company B (Hu)</td>
<td>decreasing print runs and titles; title output: 1980s: 120-140; 1990s: 80-100</td>
<td>print run: 12,000 in 1995; turnover 450 mHUF in 1995 (half of it from textbooks)</td>
<td>no of employees decreased from 150 to 50</td>
<td>target return pricing</td>
<td>owns 3 bookshops</td>
<td>main problems: distribution (lost debt), lack of capital, inflation</td>
<td>member</td>
</tr>
<tr>
<td>Company G (Po)</td>
<td>decreasing print runs and titles; title output: 1950s: 350; 1991: 100; 1993: 40; 1995: 61; 1996: 80</td>
<td>title output: 1996: 80; print run: 6,600 in 1995 (70/30)</td>
<td>no of employees decreased from 100 to 48</td>
<td>industry norm pricing</td>
<td>owns 1 bookshop and a coffeehouse &amp; bookshop</td>
<td>crisis in industry during early 1990s; main problems: distribution, inflation; increase in costs; collapse of former book information system; not satisfied with state policies</td>
<td>member; Association is ineffective; code of ethics cannot be enforced</td>
</tr>
<tr>
<td>Company C (Hu)</td>
<td>decreasing print runs and titles; title output: 1960s-80s: 200-250; 1986-88: 150; 1990-95: 100-120</td>
<td>turnover among 5 largest; print run: 4-5000 in 1995; was able to pay back priv debt; cash flow problems</td>
<td>no of employees decreased from 100 to 50</td>
<td>target return and demand-oriented pricing</td>
<td>owns 4 bookshops</td>
<td>main problems: general economic problems; distribution (lost debt); decreased prestige of book; ad hoc market; lack of capital</td>
<td>member; Association is ineffective</td>
</tr>
<tr>
<td>Company E (Hu)</td>
<td>decreasing print runs and titles</td>
<td>25-30 titles in 95; print run: 4,000 in 95; no profits between 92 - 95</td>
<td>industry norm pricing</td>
<td>no bookshop</td>
<td>main problem: distribution</td>
<td>not member; Association is weak</td>
<td></td>
</tr>
</tbody>
</table>

---

137 Picard (1999, p74) identifies four main types of pricing strategies in media markets, which are used in this categorisation: demand-oriented pricing; target return pricing (to cover costs and acquire profit); competition-oriented pricing; and industry norm pricing.

138 including periodicals; while the publisher was owned by the Hungarian Academy of Sciences most of the titles were commissioned by the Institution.
<table>
<thead>
<tr>
<th>Formerly state owned companies</th>
<th>activities</th>
<th>established; pre 1989 specialisation</th>
<th>ownership changes; new owner</th>
<th>restructuring</th>
<th>financing</th>
<th>change in profile; content: (int/national)</th>
<th>management change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company V (Hu)</td>
<td>book and periodical publishing</td>
<td>est 1957; economics and law</td>
<td>privatised in 1993, employees buyout; bought up by Wolters Kluwer in 1994</td>
<td>yes; considerable changes under Wolters Kluwer's ownership</td>
<td>based on sales</td>
<td>some changes in profile; more text, practical and reference books</td>
<td>yes under Wolters Kluwer</td>
</tr>
<tr>
<td>Company H (Hu)</td>
<td>book distribution</td>
<td>legal successor of AKV (inherited 500 mHUF debts)</td>
<td>bankruptcy in 1993; privatised in 1995, owners debtor publishers</td>
<td>yes</td>
<td>based on sales</td>
<td>some change in profile: only retailing business; new in strategy: some specialised bookshops</td>
<td>several changes, directors both from within industry and outside</td>
</tr>
<tr>
<td>Company M (Hu)</td>
<td>book publishing</td>
<td>est 1955; Hungarian contemporary literature</td>
<td>privatisation in 1993; Láng Holding (private, Hu) and employees</td>
<td>yes; ad hoc</td>
<td>mixed; limited subsidies</td>
<td>little change in profile; (&gt;50% national)</td>
<td>frequent changes; current director is from private sector, no publishing experience</td>
</tr>
<tr>
<td>Company K (Hu)</td>
<td>newspaper publishing</td>
<td>est 1967; governmental daily</td>
<td>privatised in 1990, subsequent owners: Maxwell, Magyar Hitel Bank, Marquard</td>
<td>yes</td>
<td>based on sales; emphasised role of advertising</td>
<td>established itself as a quality paper</td>
<td>several changes</td>
</tr>
<tr>
<td>Company I (Hu)</td>
<td>book publishing</td>
<td>est 1957; medical and guide books</td>
<td>privatised in 1993; employees buyout</td>
<td>yes</td>
<td>mixed; subsidies for textbooks; cross-financing</td>
<td>main profile still medical books</td>
<td>no</td>
</tr>
</tbody>
</table>

---

199 Categories in financing operation: based on sale (consumer and/or advertisers); supported by subsidies; mixture of the two.
<table>
<thead>
<tr>
<th>Formerly state owned companies</th>
<th>Output changes</th>
<th>production, (print run), profit; (new titles/ reprint)</th>
<th>size of company (no of employees)</th>
<th>pricing strategy</th>
<th>distribution</th>
<th>views on post-com transformaion/ main problems of industry and markets</th>
<th>views on Industrial Association</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company V (Hu)</td>
<td>decreasing print runs and titles; title output: 120 in 1995, 40-50 of those are textbooks</td>
<td>turnover: 470m in 1995; profits in 1994</td>
<td>no of employees 100 in 1995</td>
<td>target return and industry norm pricing</td>
<td>owns bookshops (5 in 1994, 3 in 1995) and warehouse</td>
<td>main problems: market is less sophisticated than West; mess; economic problems; distribution</td>
<td>member; Association is ineffective</td>
</tr>
<tr>
<td>Company H (Hu)</td>
<td>distributes 5-600 titles; reduced stock in warehouse, in 1995: 10%</td>
<td>turnover in 1995: 930 mHUF; huge debt from ÁKV (93 bankruptcy); in 1995 profitable</td>
<td>38 bookshops only in Budapest</td>
<td>industry norm pricing</td>
<td></td>
<td>by mid 1990s consolidation; main problems: legacies of communist system; volatile market</td>
<td>member; Association is important, but it is ineffective</td>
</tr>
<tr>
<td>Company M (Hu)</td>
<td>decreasing print runs and titles.</td>
<td>38 titles in 1995; print run: 4,000 in 1995; loss making throughout post-comm period</td>
<td>no of employees decreased from 200 to 9</td>
<td>target return pricing</td>
<td>part of Láng Holding, which has interest in distribution network</td>
<td>overall crisis in book industry; main problems: privatisation; distribution;</td>
<td>member; Association is ineffective</td>
</tr>
<tr>
<td>Company K (Hu)</td>
<td>circulation: 1989: 107 thous; 1990: 61 thous</td>
<td>between 1990-96: profitable for two years</td>
<td>target return and industry norm pricing</td>
<td>substantial decrease in subscriptions</td>
<td></td>
<td>Maxwell no editorial intervention; Marquard removed editors</td>
<td></td>
</tr>
<tr>
<td>Company I (Hu)</td>
<td>decreasing print runs and titles; title output: 1980s: 160-180; 1995: 53, 30 of those are textbook;</td>
<td>turnover 180 mHUF in 1994; was able to pay back priv debts</td>
<td>no of employees decreased from 100 to 33</td>
<td>target return and demand-oriented pricing</td>
<td>owns 2 shops, which gave 38% of turnover in 1994</td>
<td>main problems: economic environment; distribution (lost debt); state policies</td>
<td>left Association in 1992; viewed it as useless</td>
</tr>
<tr>
<td>Formerly state owned companies</td>
<td>activities</td>
<td>established; pre 1989 specialisation</td>
<td>ownership changes; new owner</td>
<td>restructurin g</td>
<td>financing</td>
<td>change in profile; content: (int/national)</td>
<td>management change</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------------------------------------</td>
<td>-------------------------------------</td>
<td>-----------------------------</td>
<td>---------------</td>
<td>-----------</td>
<td>-------------------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Company F (Po)</td>
<td>book and periodical publishing</td>
<td>est 1953; academic, reference, scientific books</td>
<td>privatised in 1992 management buyout with foreign company</td>
<td>yes</td>
<td>mixed, receives subsidies for textbooks</td>
<td>changes in profile: more text- and reference books, multimedia, CD-ROMs</td>
<td>yes</td>
</tr>
<tr>
<td>Company A (Po)</td>
<td>newspaper publishing</td>
<td>est 1982; governmental daily</td>
<td>privatised in 1990, Hersant ('92-'96), Orkla ('96-)</td>
<td>yes</td>
<td>based on sales; emphasised role of advertising</td>
<td>established itself as a quality daily with strong economic coverage (8-12 pages)</td>
<td>yes, editor-in-chief is from underground publishing</td>
</tr>
<tr>
<td>Company O (Po)</td>
<td>book publishing</td>
<td>est 1946; classical Polish and international literature; contemporary literature</td>
<td>no ownership changes; still state-owned</td>
<td>yes, but slow</td>
<td>mixed</td>
<td>some changes in profile; more emphasis on book series (70% of the titles published as part of series)</td>
<td>no</td>
</tr>
<tr>
<td>Company T (Hu)</td>
<td>book publishing</td>
<td>est 1950; children and sci-fi books</td>
<td>privatised in 1993; owner; investment consortium, some employees share</td>
<td>yes</td>
<td>based on sales</td>
<td>little change in profile; more narrow fields; (50/50)</td>
<td>no</td>
</tr>
<tr>
<td>Company P (Cz)</td>
<td>book and magazine publishing</td>
<td>est 1948; publications for young age groups</td>
<td>no ownership changes; still state-owned</td>
<td>yes</td>
<td>mixed</td>
<td>some change in profile; mixed profile: fiction, non-fiction, poetry; content (70/30)</td>
<td>yes (now director has underground publishing background)</td>
</tr>
</tbody>
</table>

140 Categories in financing operation: based on sale (consumer and/or advertisers); supported by subsidies; mixture of the two
<table>
<thead>
<tr>
<th>Formerly state owned companies</th>
<th>output changes</th>
<th>production, (print run), profit; (new titles/ reprint)</th>
<th>size of company (no of employees)</th>
<th>pricing strategy</th>
<th>distribution</th>
<th>views on post-communism transformation/ main problems of industry and markets</th>
<th>views on Industrial Association</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company P (Gz)</td>
<td>decrease in print runs and titles</td>
<td>70 titles in 1995</td>
<td>no of employees decreased from 900 to 150</td>
<td>industry norm pricing</td>
<td>owns 3 bookshops</td>
<td>no overall crisis, depends on firm; problems: distribution (lost debt, distributors only buy new titles, no reorder; saturated market)</td>
<td>member; good for lobbying; code of ethics is important, but not enforced</td>
</tr>
<tr>
<td>Company T (Hu)</td>
<td>decreasing print runs and titles; title output: 1980s: 300 in 13-14m copies; 1990s: 100 in 1.5m copies</td>
<td>print run: 9500 in 1996; turnover 200mHUF in 1995; profits but cash flow problems</td>
<td>no of employees decreased from 120 to 40</td>
<td>target return pricing</td>
<td>owns 2 bookshops and 2 book clubs</td>
<td>main problems: fierce competition; distribution; lack of capital; state policies</td>
<td>member, Association is ineffective</td>
</tr>
<tr>
<td>Company O (Po)</td>
<td>decreasing print runs and titles; 80s: 250 titles; 90-95: 100-120 titles</td>
<td>print run: 90-95: 5-8 thous (80s: 10-20 thou); profitable since 94; (60/40)</td>
<td>no of employees decreased from 150 to 66</td>
<td>industry norm pricing</td>
<td>owns 1 bookshop</td>
<td>main problems: distribution, increase in costs, copyright law</td>
<td>Association is ineffective; need for enforced code of ethics</td>
</tr>
<tr>
<td>Company F (Po)</td>
<td>decreasing print runs and titles;</td>
<td>mid 90s: 400 titles and 30 journals; turnover: PLN 64 mil</td>
<td>target return and demand-oriented pricing</td>
<td>owns 7 warehouses, 5 bookshops, created own aligned network</td>
<td>main problems: distribution, costs increases</td>
<td></td>
<td>member, company director is the President of Association</td>
</tr>
<tr>
<td>Foreign companies (country of headquarters)</td>
<td>activities</td>
<td>Investment in East Central Europe</td>
<td>investment strategy</td>
<td>management</td>
<td>financing(^{141})</td>
<td>change in profile; content: (int/national)</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>------------</td>
<td>----------------------------------</td>
<td>---------------------</td>
<td>------------</td>
<td>----------------</td>
<td>------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Company R (Denmark)</td>
<td>book and magazine publishing</td>
<td>Hu: 1989; Po: 1990; Cz: 1991</td>
<td>mainly established new companies as subsidiaries; some joint ventures; aims to regional dominance in its niche markets</td>
<td>local</td>
<td>based on sales</td>
<td>specialisation: children and juvenile titles from Walt Disney products; (mainly international)</td>
<td></td>
</tr>
<tr>
<td>Company O (Germany)</td>
<td>press and magazine publishing</td>
<td>Cz: 1991 Po: 1994</td>
<td>mainly local</td>
<td>based on sales</td>
<td>profile: national and regional titles, magazines and weeklies; some changes in profile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company L (Switzerland)</td>
<td>press and magazine publishing</td>
<td>Cz: 1990 Hu: 1993 Po: 1993</td>
<td>bought up existing titles and launched new ones (importing its own titles)</td>
<td>mainly local</td>
<td>based on sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company U (Holland)</td>
<td>book and periodical publishing</td>
<td>Hu: 1994; Po: 1995; Cz: 1996</td>
<td>mainly purchased existing companies; aims to regional dominance in its niche markets</td>
<td>first from the West, then local management</td>
<td>based on sales</td>
<td>professional, reference, educational book publishing</td>
<td></td>
</tr>
</tbody>
</table>

\(^{141}\)Categories in financing operation: based on sale (consumer and/or advertisers); supported by subsidies; mixture of the two
<table>
<thead>
<tr>
<th>Foreign companies</th>
<th>size of international company</th>
<th>interests in East Central Europe (no of employees)</th>
<th>production, (print run), profit;</th>
<th>distribution</th>
<th>views on post-comm transformation/main problems of industry and markets</th>
<th>views on Industrial Association</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company R (Denmark)</td>
<td>120 companies in 24 countries in 1995</td>
<td>11 companies in 10 former communist countries; no of employees in Cz: 10</td>
<td>Cz: 300 book titles 91-96; 96: 77 titles (print run: 2000); several magazines</td>
<td>no bookshops</td>
<td>problems: distribution</td>
<td>Association is ineffective</td>
</tr>
<tr>
<td>Company D (Germany)</td>
<td>present in 3 countries</td>
<td>Cz: 36 regional titles in 96; Po: 12 titles in 96</td>
<td>Czech operations are profitable</td>
<td></td>
<td>problems: costs increases, distribution, old press law</td>
<td></td>
</tr>
<tr>
<td>Company L (Switzerland)</td>
<td>present in 9 countries</td>
<td>Cz: 14 titles in '96</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company U (Iceland)</td>
<td>no of employees worldwide: 18,000; turnover Dkr 2.7 billion; present in 17 countries</td>
<td>Hu: 5 companies in 96; 2 in Po, 1 in Cz</td>
<td>owns bookshops</td>
<td></td>
<td>problems: distribution, some inconsistencies in governmental policies</td>
<td>Association is ineffective</td>
</tr>
<tr>
<td>New private companies</td>
<td>activities</td>
<td>established</td>
<td>ownership changes; new owner</td>
<td>market strategy</td>
<td>financing¹²</td>
<td>profile; content; (Int/national)</td>
</tr>
<tr>
<td>----------------------</td>
<td>----------------</td>
<td>-------------</td>
<td>-----------------------------</td>
<td>----------------</td>
<td>------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Company N (Hu)</td>
<td>book publishing</td>
<td>1988</td>
<td>no</td>
<td>focus on niche market, publish titles in series</td>
<td>based on sales; some cross-financing</td>
<td>profile: non-fiction, new age, Eastern philosophy, esoterics (mainly int titles)</td>
</tr>
<tr>
<td>Company S (Hu)</td>
<td>book publishing</td>
<td>1988</td>
<td>no</td>
<td>produce for mass market</td>
<td>based on sales</td>
<td>changes in focus of profile: '88 children books; early '90s foreign bestsellers; mid-90s TV series titles (mainly int titles)</td>
</tr>
<tr>
<td>Company J (Hu)</td>
<td>book publishing</td>
<td>1994; predecessor: Századvég (former underground publishing house)</td>
<td>no</td>
<td>focus on niche market</td>
<td>mixed; subsidies are important; cross-financing</td>
<td>profile: academic and text books; delfingology, literature; (in '95: 70/30) (90:50/50)</td>
</tr>
<tr>
<td>Company Q (Hu)</td>
<td>book publishing</td>
<td>1989</td>
<td>no</td>
<td>focus on niche markets</td>
<td>based on sales</td>
<td>profile: non-fiction, popular science, reference books (mainly int titles)</td>
</tr>
</tbody>
</table>

¹² Categories in financing operation: based on sale (consumer and/or advertisers); supported by subsidies; mixture of the two.
<table>
<thead>
<tr>
<th>New private companies</th>
<th>output</th>
<th>production, (print run), profit; (new titles/reprint)</th>
<th>size of company (no of employees)</th>
<th>pricing strategy</th>
<th>distribution</th>
<th>views on post-com transformation/main problems of industry and markets</th>
<th>views on Industrial Association</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company N (Hu)</td>
<td>titles: 4-5 in '89, total 140 titles since 89; 35-40 titles in mid '90s; 16 series: 110 titles; decreasing copies</td>
<td>print run: 5000, turnover 50-65 mHUF in '95; profitable but no substantial profits</td>
<td>no of employees: 4 in 96 excluding distribution activities</td>
<td>target return and industry norm pricing; initially policy: first low price high print run; now higher price lower print run; based on market</td>
<td>owns mail order, club own distribution company, 2 bookshops</td>
<td>no crisis in publishing but in distribution; main problems: distribution, legacies of communism, low book price, overproduction, market will segment; government policy is not good</td>
<td>Association is ineffective</td>
</tr>
<tr>
<td>Company S (Hu)</td>
<td>titles: 4-5 in '88; 40-50 in mid '90s</td>
<td>decreasing print run, turnover: 150-200 mHUF (95)</td>
<td>3 parts of company: publishing (7 employ); International Rights (ost 93), distribution (ost 92)</td>
<td>target return and industry norm pricing</td>
<td>owns own distribution company</td>
<td>main problems: demand, competition, not fair, lack of capital, small market, distribution</td>
<td>important tasks, Association is ineffective</td>
</tr>
<tr>
<td>Company J (Hu)</td>
<td>titles: 80-90 in mid '90s:</td>
<td>turnover: 100 mHUF in mid '90s; (half in 1995)</td>
<td>no of employees: under 10 in '95</td>
<td>target return pricing; initially ad hoc; now costsx3</td>
<td>owns book club (&gt;5000 member), bookshop</td>
<td>crisis depends on pub profile; being new pub has ads &amp; disads, market still in transition; problems: lack of capital, demand, economy, distribution</td>
<td>member; Association is ineffective, but it is important</td>
</tr>
<tr>
<td>Company Q (Hu)</td>
<td>titles: 18 in '89, 70-80 in mid '90s; copies: 5-600 thous ('89-'91), 300 thous (mid '90s)</td>
<td>print run: 5000 in '95; decreasing profits; turnover 250mHUF (95); (40/30-40)</td>
<td>no of employees: 3 in '89; 15-17 in '95</td>
<td>demand-oriented pricing</td>
<td>tried to set up own distribution company, but was not successful</td>
<td>main problems: distribution, lack of capital, market still in transition, unfair competition</td>
<td>member, Association is ineffective</td>
</tr>
</tbody>
</table>
COPYRIGHT

Reproduction of this thesis, other than as permitted under the United Kingdom Copyright Designs and Patents Act 1988, or under specific agreement with the copyright holder, is prohibited.

This copy has been supplied on the understanding that it is copyright material and that no quotation from the thesis may be published without proper acknowledgement.

REPRODUCTION QUALITY NOTICE

The quality of this reproduction is dependent upon the quality of the original thesis. Whilst every effort has been made to ensure the highest quality of reproduction, some pages which contain small or poor printing may not reproduce well.

Previously copyrighted material (journal articles, published texts etc.) is not reproduced.

THIS THESIS HAS BEEN REPRODUCED EXACTLY AS RECEIVED
DX
220045