

In George Orwell's famous book, "1984", the Ministry of Truth serves as the government's propaganda wing, controlling and censoring news reported to control dissent and distort public opinion. Today, with increased political pressures due to public funding of news, Orwell's dystopian future no longer looks as fictional.

In this essay, I argue that a hybrid funding model including government subsidies, crowdfunding and philanthropic support is vital to safeguard the independence of journalism. Such a model can reduce biases and deliver accurate news, leading to a well-informed democracy.

Accurate news reporting as a public good

Public goods are characterised by non-rivalrous consumption and non-excludability.¹ Non-excludability implies that once news is reported, it's difficult to prevent its dissemination to the public, despite barriers like paywalls. Non-rivalrous consumption means that one person's consumption of the good doesn't reduce its availability to others. Given these characteristics, news reporting faces the same financing challenges as other public goods, like the free rider problem that occurs when people who don't pay for a good—such as holding government officials accountable to serving public interests instead of their own—still enjoy its benefit.

Public goods are normally funded through taxation because they benefit all citizens, regardless of individual contributions.² For example, national defence is funded through taxes because it benefits all citizens, regardless of whether they pay for it. Thus, it follows that funding news reporting through taxes is necessary because it circumvents the free-rider problem. However, this approach introduces a conflict of interest, affecting the type and quality of news reported.

The traditional business model

News has always been sold as a joint product with advertising. But this business has been declining over the past twenty years. Every source of revenue, from news-stand to subscription sales has fallen dramatically. Given these economic pressures, news organizations must look to alternative funding mechanisms.³

The current business model is based on one that was very profitable when newspapers were the only medium to receive news, but that's no longer the case.⁴ Before social media and the consequent rapid dissemination of news, newspapers were still non-excludable, but with a loophole—while they couldn't prevent competitors from stealing ideas, the lag of a single day was enough to make distributing information very profitable. This presented news agencies as an attractive investment. But rise of internet has changed the situation. As soon as prominent newspapers like the New York Times publish, bloggers and social media users reframe and repost the content, often making more profit since they do not need to pay their reporters as much.

Since ad revenues are more profitable when distributed on google and internet ad networks (with contextual ad targeting), much of the revenue of newspapers has relocated. Furthermore, online news allows readers to continuously switch between mediums for news which also reduces revenues and thereby incentives for private companies to fund them.

Alternative funding models

News organizations around the world rely on different funding sources, with advertising and subscription sales being the most prominent. Digital advertising now accounts for nearly half of newspaper advertising revenue in the U.S., although overall revenue has declined⁵. Subscription models and paywalls have become critical as the business digitises and revenues decrease. However, none of these effectively counter the problem of falling revenues. As a result, new ways of funding are necessary.

Crowdfunding initiatives like Spot.us and micro-sponsors allow individuals to sponsor specific stories and topics financially. This allows a wide range of topics to be covered, allowing the public to have a direct impact on journalism. However, it may not provide a stable income as it may lead to the limiting of coverage to only popular topics and the introduction of biases if journalists aim to please funders. For example, consumers tend to donate more to stories offering practical guidance for daily life, such as public health or local infrastructure, rather than stories focusing on general awareness like cultural diversity or government and politics.⁶

Philanthropic support can promote investigative journalism and in-depth reporting that prioritises public interest over profits. It also can help to bridge the gap in news deserts by providing resources for community founded startups, thereby encouraging partnerships between journalists and citizens.⁷ It promotes investigative journalism by providing stable funding which enables in-depth reporting that would have otherwise been financially unfeasible. This in turn also strengthens citizens capacity to fulfil their democratic duties. A major concern with this method of funding is the presence of undue donor influence. However, transparent guidelines can help to keep them in check, to maintain the independence of journalists.

Another method, community-supported journalism has proven successful in providing local news coverage and fostering community engagement. Models like the Texas Tribune and Voice of San Diego rely on community donations and memberships to fund their operations. These organizations prioritize transparency and accountability, building trust with their audiences and ensuring financial sustainability. Local journalism uncovers governmental mismanagement and corruption, leading to financial savings and improved civic engagement. For instance, investigations by local reporters have uncovered financial scams by political leaders, reduced pollution, and led to policy changes that save lives and money. Thus, the economic and societal returns on investing in local journalism far exceed its costs.⁸

The other route is public funding of news. This includes funding news through direct subsidies and tax benefits, which is common in many countries, particularly in Europe. Nordic countries like Norway, Finland, and Iceland provide significant direct subsidies to support local and minority-language media. France and Germany offer extensive financial aid, including grants and tax breaks, to sustain both national and local press. However, ensuring these subsidies do not compromise media independence remains a critical concern.⁹

Government subsidies help to reduce financial pressures faced by media organisations, allowing them to focus on thorough news reporting. Tax breaks for news organisations can reduce fixed operational costs, thereby freeing up more money that can be spent on hiring well qualified journalists and providing them with more resources. It can also offer vital financial support to small, independent news outlets which will indirectly lead to a healthier democratic society. Research has shown that public funding of media contributes to higher quality journalism and better-informed citizens, reiterating the importance of these measures to improve the media landscape.¹⁰

While government funding through taxes can provide a steady revenue stream for media organizations and provide news to all segments of society, combatting information asymmetry, it raises concerns about media independence and bias. Relying on government funding risks political influence, compromising the objectivity of the information provided. A study by the Centre for International Media Assistance found that 70% of media organization respondents believe government funding negatively affects media freedom. Additionally, taxpayer money supporting specific media outlets can be perceived as unfair or biased, potentially leading to favouritism and unequal treatment.¹¹

To understand the different effects of government funding, we can examine the BBC and the situation in Hungary. The BBC is primarily financed through the television licence fee, which costs £169.50 per year per household as of April 2024. This fee is required to legally receive broadcast television across the UK, the Channel Islands, and the Isle of Man. The fee is classified as a tax and its evasion is a criminal offense. Despite being publicly funded, the BBC maintains its non-partisan reporting through a commitment to impartiality and editorial independence, safeguarded by its Royal Charter. The Charter mandates independence in reporting and is overseen by bodies such as the BBC Board and Ofcom, which ensures the government does not influence news content.¹²

Implementing a similar funding and governance model in poorer countries would present several challenges. Financial constraints are the main concern, making it difficult for countries like Sri Lanka to adopt a publicly funded model like the BBC. These countries also lack the institutional setup to establish the same stringent safeguards that prevent the BBC from being prone to government influence.

In contrast, Hungary exemplifies the dangers of government intervention in media funding. Regulatory agencies, dominated by the ruling Fidesz party, have undermined media independence by establishing a media monopoly and ignoring the judiciary. These agencies banned the last major

independent radio station, Klubradio, in 2021, showcasing their power to suppress dissenting voices. This shows how government control over media funding can be exploited to suppress dissent and control public perception.¹³

Challenges of government funding

Government intervention in the news industry is often proposed to ensure the accuracy and reliability of news sources and to address market failure. By investing in public media or providing subsidies, the government can prioritize quality over profit and enable a diverse set of viewpoints to be published. However, government funding comes with a long set of challenges.

Accurate, unbiased news reporting creates positive externalities by promoting awareness and thus developing human capital. However, government funding can restrict journalistic independence, particularly in investigating government corruption. The conflict of interest is visible when journalists depend on government resources to scrutinize government actions. Public trust is essential and perceived bias can reduce this trust. Trust from sources is important, as journalists must ensure confidentiality and accuracy. Without trust from the public and sources, media outlets face challenges in attracting readership.¹⁴

Government funding of media through taxes can raise concerns about media independence and bias. When media outlets heavily rely on government funding, there is a risk of potential influence or control by the government, which may compromise the objectivity of the information provided.

There are also worries about the allocation of taxpayer money when it comes to government-funded media. Some argue that using taxpayer funds to support specific media outlets could be perceived as unfair or biased, as it may lead to favoritism or unequal treatment.¹⁵

Since no one method of funding works perfectly, combining public funding, philanthropy, crowdfunding, and government funding can improve the quality of news reported. Philanthropy offers financial support for investigative journalism, and crowdfunding engages the public. Government funding adds extra support, by ensuring a reliable income flow. Using all these methods together can overcome the weaknesses of each one, creating media that serves the public best.

Institutional changes also need to be initiated to ensure that the model works seamlessly

Stringent regulatory frameworks can help to ensure transparency in media funding. Independent regulatory bodies can oversee the allocation and use of funds, ensuring that media organizations fund news reporting related to both sides of the political spectrum. These bodies should be free from political influence and have the authority to enforce regulations effectively. In countries with weaker institutional structures, like Sri Lanka, international cooperation and support may be necessary to establish and maintain such frameworks.

Conclusion

While the funding of journalism in the digital age presents numerous challenges, a hybrid funding model that integrates public subsidies, crowdfunding, philanthropy and community support can address the ethical and economic problems faced by the news industry. By combining these funding methods, it is possible to circumvent biases, maintain editorial independence and ensure the delivery of high-quality journalism. A well-funded and independent media is crucial for an informed democracy, capable of holding power to account and making rational decisions.

Endnotes

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