

**When Foreign Support Becomes a Liability: Funding Independent Journalism in the  
Authoritarian Media Landscapes of Russia and Hungary**

**A Dissertation**

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Konrad Bleyer-Simon

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Supervisor: Prof. Dr. Christian Volk

Second examiner: Prof. Dr. Christian Baden

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## Preface

This dissertation grew out of the Human Rights Under Pressure joint interdisciplinary doctoral program at the *Hebrew University in Jerusalem* and the *Freie Universität Berlin*. As such, it was shaped by the joint interdisciplinary colloquia, the high-profile guest lectures and the fruitful exchanges that took place between the diverse international body of doctoral candidates, researchers, and professors. Like many of the dissertation projects in this program, it zooms in on a specific example of contemporary pressures on human rights and investigates how the communities affected try to weather through the challenges. In this particular case, the affected communities are the independent journalists of Russia and Hungary whose work is obstructed, among others, through repressive laws and market manipulations. In the following pages, I will describe how these pressures affect them and how journalists and their newsrooms try to counteract them. Often with international support. But as we will see in this dissertation, this international support can come with caveats, chiefly that it may trigger further repression from government.

Before going further, I need to explain how journalism is related to human rights. Media freedom (the ability to freely write about issues of public interest) and media pluralism (the availability of a wide range of viewpoints in society) are key conditions when it comes to protecting a population's human rights (and the freedom of the press itself is a human right). As such, they are seen as “essential foundations of contemporary liberal democracies” (Brogi et al., 2020:18). They are protected, among others, by Art. 10 of the European Convention on Human Rights (“Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers.”) and Art. 19 of the International Covenant on

Civil and Political Rights, both of which were ratified by Russia and Hungary, the two countries that are in the focus of this dissertation.

While it would be their duty to uphold this right, we can see in practice that the governments of both Russia and Hungary take measures that obstruct the work of journalists and limit the reach of the free press. In fact, the independent press is still being tampered with in many new democracies, and it is among the first institutions a populist government or a leadership with authoritarian tendencies starts targeting—alongside courts and civil society. In recent years, both in Hungary and in Russia, attacks on the press have been in the focus of journalistic reports and commentaries in the international press, as well as in policy documents and political statements among others on the EU-level. There were even arguments made (Gohdes and Carey, 2017; Walsh, 2020) that the state of the press is a similar early warning sign as the canary in the coal mine: intensifying attacks on the press are symptoms of deeper structural pressures, and they foreshadow severe human rights violations. This is the context in which the international community hopes to uphold media pluralism by supporting the existence of media that are capable and willing to act as checks on the governments, investigate wrongdoings and provide viewpoints that would otherwise not be available in the public discourse.

But the independent media is not simply an institution built to uphold the right to freedom of expression. Media systems are to a large extent still made up of commercial enterprises that earn money by selling their products (to readers or advertisers). Thus, to profoundly understand the complicated dynamics at stake, one needs more than just a human rights or democratization-focused lens. This work brings together research in the fields of media economics, political economy of the media, comparative media systems as well as democratization (or authoritarianization). As such, it hopes to provide valuable insight into a complex topic that has not been investigated before: the ways grant-financed journalism

persists in countries where the state targets both democratic actors (including the press) at home and their supporters abroad.

The empirical insights in this dissertation are based on conversations with media professionals who have first-hand experience of the ways in which state pressure manifests in practice and who can provide explanations about the ways in which democratic actors and their supporters can counteract those pressures. From September 2018 to January 2019, I conducted interviews with representatives of newsrooms in Russia and Hungary. In addition, given the involvement of international media and exiled newsrooms, I have visited three capital cities in Europe, where I could have conversations with practitioners who opted to do their work from a safer location abroad.

Due to the often dangerous, and even life-threatening situations that these journalists work in, I opted to anonymize my interviews. Some interviewees have themselves expressed discomfort with sharing information on the record. For example, in one conversation in Moscow, the newsroom representative asked me not to take notes or record anything, to turn off my phone and take the device to a separate office space. While I was doing so, she disconnected the landline. Clearly, this conversation was not included in the list of interviews analyzed, but still it helped me better grasp the context in which newsrooms operate. In another case, I could see a relatively large scar on the interviewee, the remnant of a stab wound inflicted by a fanatic who got angered by the newsroom's work. In most cases interviewees didn't ask me to keep them anonymous, but often they were talking more freely when they knew their name won't stand next to the quote. In the months and years following the interviews, pressure on Russian journalists has increased and some of my interviewees experienced harassment by the hands of the government. In light of this, I decided to revisit the quotes used, and take further precautionary steps (for example, changing some of the professional titles to look more general, and removing some of the quotes that I used in earlier drafts), in order to make sure

that the information shared with me won't be used against my interviewees at some point in the future. The need for precaution was made clear to me once again in October 2021, when I received a warning from my email provider that "government-backed attackers" might have tried to hack into my account. While there is a chance that this was only false alarm, the email provider highlighted that only 0.1 percent of their users receive such warnings.

This work can speak to academics, representatives of civil society, journalists and a general audience that aims to understand the challenges independent media is facing under authoritarian governments. It further provides insights into the role and impact of the international community on media pluralism. Some journalists might read this dissertation with a critical eye, as their everyday lived experience of the challenges and remedies of independent media might not seem to be in line with the outcome of the dissertation. This discrepancy is in part due to the look of the outsider and the academic's use of distance that enables me to make observations and identify patterns that the actors involved might not perceive themselves.

## Chapter 1: Introduction

This dissertation deals with the pressures newsrooms experience under the authoritarian governments of Russia and Hungary, as well as the role foreign support plays for the survival of independent journalism in these countries. Challenges to newsroom independence have accelerated in the last two decades (Reporters Without Borders, 2020). Technology-driven developments on the media market exposed key vulnerabilities of news media's business models (McChesney, 2003; Cooper, 2011, Pickard, 2000), while the 2000s and 2010s saw a new trend of authoritarianization worldwide (Freedom House, 2019), which led many elected leaders to try to exploit these vulnerabilities. Rankings of media freedom and the state of democracy are raising alarm about the constant deterioration experienced not just in countries with fragile institutions, but even in established democracies like the United States under Donald Trump (Carlson et al. 2021). Year after year, these rankings list new examples of authoritarian leaders cracking down on independent media, authorities targeting journalists or politically motivated interest groups capturing news outlets.

This is in sharp contrast with the eureka of the 1990s, when the international community saw a growing consensus about the preferability of liberal democracy over other forms of government. During the "third wave" of democratization (Huntington, 1991), a number of formerly authoritarian countries started experimenting with democratic reforms. Most of these countries saw the mushrooming of independent media outlets, which were financed by revenues from the growing advertising market. Politicians, in the meantime, seemed to come to terms with the idea that they are not the masters of the media anymore. Instead, they became just one of the many sources of information, a frequent topic of articles and a possible target of journalistic investigations.

The literature has understandably focused on many aspects of this relatively quick switch from the flourishing of independent news media to its current day challenges. There is an extensive body of literature both on the problems of business models and the pressures that originate from authoritarian governments (Becker, 2004; Müller, 2013; Repnikova, 2017). However, there has been limited attention so far to the intersection of the two challenges: most of the literature on media financing (Downie and Schudson, 2009; Chandra, 2009) focused on the problems of Western journalism, while most of the works on authoritarian state pressure—especially in my countries of interest, Russia (Akhrarkhodjaeva, 2017) and Hungary (Bajomi-Lázár, 2013)—have disregarded the relevance of business models for news media. The Western focus of the literature is also visible when it comes to proposed solutions to the journalism crisis: authors have recommended new forms of audience revenues, subsidies, and philanthropic support (Browne, 2010; Schiffrin, 2017), but these were rarely dealt with within the context of an authoritarian state. To make up for this shortage of research, my dissertation identifies one of the key revenue forms utilized by independent newsrooms in Russia and Hungary to make up for the deficiencies of the market: foreign support. While it bears similarities with subsidies and philanthropic support that were highlighted as solutions in the Western context, it comes in different shapes and sizes in Russia and Hungary. Its most common iterations are still grants provided by either Western government agencies or philanthropic organizations. Due to the different contexts in which this support is utilized and the efforts of the two governments to stop newsrooms’ access to these sources, the challenges and opportunities differ from those described by subsidies and philanthropic support in the Western context. The goal of this dissertation is to explore in what forms foreign support is available in these countries, how it changes the working conditions for newsrooms that operate in an environment characterized by authoritarian pressure, and how this form of funding can

still function when governments impose further pressures on foreign donors and grant recipients.

Although my analysis focuses on Russia and Hungary, where measures against foreign donors were widely publicized in the last years, newsrooms in many countries suffer from the interplay of political pressures and financial vulnerabilities (see for example Reporters Without Borders, 2021). As foreign donors are actively supporting newsrooms all over the world, hostile measures against donors and grant recipients on the pretense of foreign interference cannot be ruled out in other countries either.

### **It's Not Just the Media**

The independent news media are not the only entities under attack in countries with authoritarian tendencies, among others, courts, the political opposition and members of civil society are also targeted. The problems described in this dissertation bear important similarities to the challenges civil society organizations (or non-government organizations, NGOs) are facing in these countries. In both Russia and Hungary, civil society has for decades enjoyed the financial support of Western donors, such as the Open Society Foundations and the National Endowment for Democracy or governmental agencies of, among others, the United States and the United Kingdom. But in the 2010s, both governments became increasingly hostile towards civil society organizations. They passed laws to limit the support that is available from foreign donors and launched smear campaigns against both donors and the recipients of funds.

This similarity in challenges faced by civil society and the media can be traced back to a great part to the fact that NGOs play a similar role in society as independent newsrooms: among others, they hold the government accountable and inform the citizenry about issues that are important to make informed decisions. Journalists often cooperate with NGOs to further

some specific goals (see among others, Jacobs, 2016 and Powers, 2018), and in some cases newsrooms themselves are registered as NGOs.

The entanglement between NGOs and media goes back at least to the time of the third wave of democratization. In the last decades of the 20<sup>th</sup> century, the concept of civil society, or the so-called “third sector”, started attracting more and more attention both in the political science literature and in the discourses about economic and political development. Scholars have seen certain groups with the aim of representing the will and voice of “the people” as a crucial player in the struggle for democracy. Democratization scholar Larry Diamond even listed the press as a part of civil society; as he wrote: „Citizens pressed their challenge to autocracy not merely as individuals, but as members of student movements, churches, professional associations, women’s groups, trade unions, human rights organizations, producer groups, the press, civic associations, and the like” (Diamond, 1994:4). According to his definition, civil society is...

...the realm of organized social life that is voluntary, self-generating, (largely) self-supporting, autonomous from the state, and bound by a legal order or set of shared rules. It is distinct from “society” in general in that it involves citizens acting collectively in a public sphere to express their interests, passions, and ideas, exchange information, achieve mutual goals, make demands on the state, and hold state officials accountable. (Diamond, 1994:5)

Journalists, scholars, and the policy community assign an important role to these organizations: in nondemocratic societies they are seen as the voice of change and the drivers of reforms, while in democratic societies they contribute to the work of policymakers by providing know-how and by representing the society’s demands in the policymaking process.

While putting journalism in the category of civil society seems far-fetched, the similarities in their roles in society are hard to oversee.

Although Diamond claims that civil society is supposed to be “(largely) self-supporting” the situation on the ground seems to differ from his theory, as a great number of these organizations is relying on state funds or in case of less wealthy countries on financial support by foreign governments and foundations. This enables governments to question their impartiality and restrict their operations or funding (Neier, 2011:24). As such, the pressures on the media that I describe in the dissertation are indicators of broader challenges in these societies.

### **Pressures Camouflaged by the Market**

While most civil society organizations have always been relying on state subsidies or some form of charity, news media traditionally are seen as for-profit businesses. After the market reforms of the 1990s, even in Russia and Hungary, the most well-known news media were seeking to finance themselves from the market. However, most of this income didn't come directly from the newsroom's audiences, a large portion of news media revenues was provided by advertisers hoping to catch the attention of the readers. For many years, advertising functioned like a subsidy, as readers had to pay less for a newspaper copy than what its production costs would have implied. In some cases, they could even be supplied for free. However, the changes in the media market put an end to this special constellation, and many newsrooms started struggling for their survival.

This newly exposed structural vulnerability made it possible for political interest groups to put pressure on the media through “cruel markets” (Scheppelle, 2018)—this means that the deficiencies of a broken business model were utilized to control media outlets without making

state involvement obvious to most observers, and without requiring governments to clearly violate civil liberties. Pickard (2020:175) saw the sources of this vulnerability in the “market ontology” of the media: “we treat the market’s effects on journalism—as we treat the market’s effects on nearly everything—as an inevitable force of nature beyond our control or, at the very least, a public expression of democratic desires.” An emerging strand of journalism studies literature refers to these covert measures as “media capture” (Mungiu-Pippidi, 2013; Schiffrin, 2018). It is against this background that foreign support is provided to independent news media by foreign philanthropies and governments to prevent capture. But governments in turn retaliate.

In light of these developments, the dissertation looks at the state of the independent media in Russia and Hungary—with a focus on the problems related to funding, as the frail financing capacities of the market provide ample opportunity for the governments of the two countries to put pressure on their news outlets. It asks the following questions: How do journalists perceive their opportunities on the market and what traditional or new forms of financing can or do they rely on? How does international support for news media manifest itself in the countries in question? How is the impact and influence of these support measures perceived by journalists? What are the actions taken by authoritarian governments to interfere with the use of foreign support? How do newsrooms react to them? And, finally, what determines whether a newsroom still opts for foreign support despite the expectable repercussions?

I explore these questions using a political economy framework. This subfield of media studies looks at the structural conditions that determine the ways media operate—including ownership, state pressure and capture—and how these influence its potential to act as a watchdog of democracy. I make the case for the country comparison based on the expanding literature on comparing media systems, and contextualize my findings in the discourse on

democratization, especially Levitsky and Way's (2010a) work on competitive authoritarian systems.

## **Outline of the Dissertation**

Following this introduction, chapter 2 brings together the political science literature on competitive authoritarian regimes and the latest research on media capture and media economics. The first part of the chapter starts with a wider overview of the third wave of democratization that led to the establishment of free institutions and independent media in several regions of the world, from Latin America, Africa, Asia to Central Europe and the former Soviet Union. It also describes how the optimistic belief in the worldwide triumph of democracy was refuted by the realities on the ground. The second part of the chapter zooms in on the role of the free press in a democratic society, showing how the previously described pressures affect the media landscapes of countries whose governments are heading towards authoritarianism. It also points out that democracy backsliding coincided with the emergence of new economic challenges to quality journalism—which in turn have created an environment in which governments could weaken the media by amplifying market pressures, and thus taking control over the press without facing serious condemnations or sanctions from the side of the international community. After describing the roles media play in society and how states try to pressure those outlets, it introduces foreign assistance to the media.

In chapter 3, I describe my theoretical framework. It combines several bodies of literature that allow me to conduct an empirical investigation of media organizations' financing under governmental pressure in non-democratic settings. Specifically, I am going to analyze the situation of independent Hungarian and Russian news outlets through the lens of the theory of the political economy of the media, with an emphasis on the emerging literature on media

capture, which describes situations in which vested interests exert control over media organizations. In addition, the literature on media subsidies and forms of foundation-funded journalism will help better understand how media support is conceptualized by the scholarly community. When comparing the two countries, I am drawing on the insights of comparative media system research, which will allow me to build a framework that enables me to conduct a systematic analysis of how media support functions in my two countries of interest. The differences in the degree of pressure are explained with the international position of a country, which Levitsky and Way (2010a) divided into two major factors: linkage and leverage. The first refers to a country's international embeddedness, the second to the country's relative strength to withstand democratizing pressure. In chapter 4, I apply the theory to compare the media systems of the two countries and highlight some of the key differences that determine the leeway of their governments when it comes to using pressure against the media.

In chapter 5 of the dissertation, I explain how I designed my investigation and how I analyzed the interviews that form the empirical base of my dissertation. I also introduce the political and media systems of my two countries of interest (Russia and Hungary) and make a case for the comparative analysis. Chapter 6 is the first empirical chapter of the dissertation. It deals with the shrinking space for independent media. It positions my research in the field of political economy and especially among the literature on media capture. It provides an overview of the economic problems private media are facing all over the world, and the many sophisticated methods governments can use in the current context to affect the reporting of the press in their countries. Zooming in on the media landscapes of my two countries, I show that both Hungary and Russia experience the disappearance of parts of their independent media landscapes—and that especially legacy media outlets are falling prey to a combination of economic and political pressures. These outlets are replaced by new, but much smaller media without a strong brand and with no access to traditional sources of revenue. This situation

necessitates a greater role of foreign donors. These donors, however, are put under increased governmental pressure in both countries.

Chapter 7 shows how media assistance compensates for the increased losses of private media. Besides media assistance provided by Western donors, it also builds on the literature on foundation funded journalism, which has become an important trend for nonprofit journalism in Western countries. As grantees in my interviews have explained, grant funding is a limited, but relevant form of funding in both Russia and Hungary, which can a.) partly support small media organizations, and b.) can allow larger media to produce contents that they would not necessarily be able to produce just based on the market conditions. While donors and grantees alike try to communicate this form of funding as temporary (in part because of the scholarly literature's emphasis on the risks of donor dependency), the practice shows that both donors and grantees look at them as a kind of revenue that must be available in the long- or at least the medium-term.

The final chapter suggests a theoretical framework to explore the connection between governmental pressure and the use of foreign funds. It contributes to the literature on media capture and media assistance by showing the potential downsides of media support for independent media in a pressured environment and providing a theoretical explanation for the conditions that determine under what circumstances a media organization is willing to live with its risks. As the interviews show, the major factor is the external position of the given country: In Hungary, a country with high linkage and high leverage, the government's pressure could only aim at the reputation of the media but could not outlaw any form of revenue. In Russia, at the same time, many forms of foreign funding were deemed illegal. How the newsrooms reacted was further made clear by looking at individual decisions through the lens of Bourdieu's field theory—it shows that in Hungary the only outlets unwilling to accept grants were the ones too young and too small to have built up their own legitimacy. They were afraid

that being associated with a foreign donor would drive away potential readers. In Russia, on the other hand, the new and small outlets felt that there is not much to lose, and thus relied on grants. Older outlets, in the meantime, were afraid that the pressure could have led to their effective closure—if that would happen, the journalists would not have a chance to rebuild their lost legitimacy. The discussion and conclusion will look at the question what these insights mean for the media systems of these countries and explains why the findings are relevant for the scholarly community.

## Chapter 2: The State vs. Media Independence

Independent journalism—often referred to as the fourth estate—is widely seen as one of the main checks and balances a healthy democracy needs to function. Besides raising alarm when leaders misuse their power, it also gives a voice to the government’s challengers and aims to provide the necessary knowledge for citizens to cast an informed vote on election day (Leonard, 1986; Schedler, 2002; Voltmer, 2013). As such, it seems to be a threat to those political groupings that disregard a plural democratic discourse and the interests and wellbeing of their voters. Thus, throughout history we have seen that those in power have utilized considerable resources at their disposal to silence media, sabotage its production process and obstruct the audiences’ access to content.

Nevertheless, independent news media still exist in regimes led by leaders with authoritarian tendencies. Moreover, actors from democratic countries are also able to assist them. There are numerous authoritarian countries where foreign actors—such as foundations or foreign governments—can invest into the support of media pluralism, thereby keeping independent newsrooms alive. My goal is to describe in what forms this support can take place under state pressure.

This chapter brings together the political science literature on competitive authoritarian regimes and the latest research on media capture and media economics. The first part of the chapter starts with a wider overview of the third wave of democratization that led to the establishment of free institutions and independent media in several regions of the world, from Latin America, Africa, Asia to Central Europe and the former Soviet Union. It also describes how the optimistic belief that liberal democracy will triumph over all other political ideologies, was refuted by the realities on the ground. The second decade of the 21<sup>st</sup> century was marked

by the emergence of the kinds of non-democratic regimes where elections and liberal institutions are weakened or manipulated, although not completely abolished.

The second part of the chapter zooms in on the news media, highlighting the role of a free press in a democratic society, and showing how the previously described pressures affect the media landscapes of countries whose governments are heading towards an authoritarian direction. It also points out that democracy backsliding coincided with the emergence of new economic challenges to quality journalism—these two components together have created an environment in which governments can weaken the media by amplifying market pressures, and thus taking control over the press without facing serious condemnations or sanctions from the side of the international community. After describing the roles media play in society and how states try to pressure those outlets, it introduces foreign assistance to the media and media systems, by focusing on two main issues: media development assistance and public diplomacy.

## Part 1: Pressured by the State

The second decade of the new millennium—at least in Western democracies—was marked by increased anxiety about the worldwide situation of liberal democracy as well as the freedom of the press. International media watchdogs, such as Freedom House (2017) and Reporters Without Borders (2020) mentioned in their reports that the threats to journalists and media organizations are increasing from year to year, both in democracies and authoritarian states. Freedom House went as far as writing in its so-far latest *Freedom of the Press* report that “global press freedom declined to its lowest point in 13 years” (Freedom House 2017). Its *Freedom in the World Report* (2019) pointed out that the downward trajectory of human rights and civil liberties had affected even consolidated democracies.

The deterioration came unexpected for the international community, as the political transitions of the late 20<sup>th</sup> century brought with them the widespread belief that liberal democracy might soon become the “only game in town” (Linz and Stepan, 1996:15). Diamond and Plattner (1995:4) have celebrated the fifth anniversary of the *Journal of Democracy* with the words “democracy reigns supreme in the ideological sphere,” and Francis Fukuyama has applauded the “remarkable consensus concerning the legitimacy of liberal democracy as a system of government” that has “emerged throughout the world [...], as it conquered rival ideologies like hereditary monarchy, fascism, and most recently communism” (Fukuyama, 1992:xi).

Even though the inevitability of democratization wasn't spelled out as such by these scholars, the democratization of the third wave brought about a seeming consensus in the international community about the desirable form of government and prompted a trend of democracy support in Western countries. After some dispersed efforts in the preceding decades, in 1989 the U.S. gave democracy promotion an increased role in American foreign

policy (Carothers, 2003). Western government aid agencies, multilateral organizations and private institutions have handed out great amounts of “political development assistance” in newly democratizing countries and more often than not they have encountered cooperative partners in the leadership of the recipient states; as Plattner (2008) put it: “Anti-imperialism and anti-Americanism suddenly seemed all but invisible, and recipients, especially in the postcommunist countries, tended to have no qualms about accepting democracy assistance, even if it came directly from a U.S. government agency” (Plattner, 2008:8). In the year 2000, Ottaway and Carothers (2000:5) wrote that the U.S. government alone spent USD 500 million annually on helping nondemocratic countries democratize or new democracies consolidate their institutions.

However, the blossoming of democracies didn’t last long, and the new millennium has presented a momentum for repressive leaders. Thomas Carothers (2002) was among the first to argue in his influential article *The End of the Transition Paradigm* that the belief that determined the interpretation of the “third wave”<sup>1</sup> of democratization—namely that all countries that moved away from dictatorship are inevitably heading towards democracy—did not hold true. After the 1990s, several countries found themselves in a gray zone, which analysts and scholars started to denote with “qualified democracy” labels, such as “illiberal democracy” (Zakaria, 1997), “semidemocracy” (Huntington, 1991) or “pseudo-democracy” (Diamond, 2002). While some countries didn’t have an intent to democratize to begin with, others were rolling back earlier efforts that aimed at establishing liberal institutions.

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<sup>1</sup> The term was used by Samuel Huntington (1991) to denote the democratization processes in Latin America, Southern Europe and post-Socialist Central and Eastern Europe. According to his definition, the three waves of democratization looked as follows: 1.) first, long wave of democratization 1828-1926, 2.) second, short wave of democratization 1943-1962, and 3.) third wave of democratization, starting in 1974, and was still seen as being in progress when Huntington published his book (later, some scholars debated whether the “Arab Spring” that started in the second decade of the new millennium could be labelled the “fourth wave of democracy,” among others, due to its new technological properties; see: Howard and Hussain, 2013 and Somer, 2017). According to Huntington, the first and the second wave were followed by reverse waves of approximately two decades.

There has been a variety of explanations for this trend. One reason could be the discovery by scholars and policymakers that the link between economic development and liberal democracy is much weaker than assumed before (Bueno de Mesquita and Downs, 2005). Economic growth can even be used to strengthen oppressive regimes (at least in the short-term), as it was shown by the economic success of some of the BRICS countries<sup>2</sup>, Venezuela under the leadership of Hugo Chavez or the Philippines, where president Rodrigo Duterte publicly endorsed extrajudicial killings. The “new self-confidence and seeming vitality” (Plattner, 2015:7) of these and other authoritarian countries was accompanied by a shifting geopolitical balance where China and Russia were quickly scaling up their international roles. In addition, Foa and Mounk (2016) have found, based on their analysis of 20 years of *World Values* survey data, that even consolidated democracies may run the risk of losing their appeal, as a growing proportion of the population of North American and Western European countries has become “more cynical about the value of democracy as a political system, less hopeful that anything they do might influence public policy, and more willing to express support for authoritarian alternatives” (Foa and Mounk, 2016:7).

Mounk (2018:135) highlights three main factors that contributed to the decomposing of democracy: 1) the rise of the internet and social media that have allowed the distribution of the kinds of extreme ideas that were previously limited by the dominance of mainstream mass media; 2) the changing ethnic composition of democracies that provoked a backlash from conservative groups that feared for the loss of their values; 3) as well as the stagnating standards of living in the Western world that led many to question whether democracy was indeed the best form of government the country could have. Furthermore, factors such as the millennial generation’s decreasing interest in politics (Norris and Inglehart, 2019), the worldwide

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<sup>2</sup> The term is used in the press and policy discussions to refer to Brazil, Russia, India, China and South-Africa.

economic crisis of 2008, the ensuing Eurozone crisis, the growing gap between rich and poor (Eichengreen, 2018), the Western interventions in the Middle East and North Africa, as well as the European refugee crisis have prepared the ground for a populist surge in the Western world, and a worldwide decrease in the trust in liberal institutions (Zuckerman, 2021). Often, these liberal institutions were associated with Western values or were seen as tools of Western influence.

### ***Qualified Democracies and Authoritarian Systems with Democratic Characteristics***

There has been a long strand of literature looking at regimes that show a mix of authoritarian and democratic features and trying to locate them on the spectrum of political systems. Fareed Zakaria (1997) called them illiberal democracies, as they held multiparty elections, but disregarded some other features that were inevitable components of the Western liberal democracies of the 20<sup>th</sup> century, such as respect for the rule of law, the separation of powers and the protection of civil liberties. Initially, Zakaria used the term illiberal democracy to refer to a wide range of countries—starting from those with weak institutions like Argentina to outright repressive systems, such as Kazakhstan and Belarus. Later, authors of the early 2000s started refining his theory. Many of them argued that these systems cannot be qualified as democracies to begin with, as they fail to meet the minimum standards of a procedural democracy. Instead, they started using new terms, calling them “electoral authoritarian” (Schedler, 2002), “democratic authoritarian” (Brancati, 2014), “dominant-power politics” or “feckless pluralism” (Carothers, 2002) systems or “hybrid regimes” (Diamond, 2002), while also differentiating between more or less stable, and more or less competitive forms of government among them. The most common form of these regimes was identified by Levitsky and Way (2002) as competitive authoritarianism, by which the authors referred to “civilian

regimes in which formal democratic institutions exist and are widely viewed as the primary means of gaining power, but in which incumbents' abuse of the state places them at a significant advantage vis-à-vis their opponents" (Levitsky and Way, 2010a:5).

It is important to emphasize that for a state to qualify as democratic, it is not enough to hold regular elections; these elections must also "offer an effective choice of political authorities among a community of free and equal citizens" (Schedler, 2002: 38). To determine under what conditions this choice can be effective, Levitsky and Way (2010a) extend the procedural minimum definition used by Robert Dahl, and present five criteria which a country needs to fulfil in order to qualify as a democracy:

1. It regularly must hold free, fair and competitive elections,
2. It must provide full adult suffrage for its citizens,
3. It must provide broad protection of civil liberties (including freedom of speech and the press), to make democracy meaningful for the people,
4. There must be no nonelected "tutelary authorities" in the country, such as the military or clerics with political powers,
5. And it must hold up a reasonably level playing field (defined as equal access to resources, media and the law) for the opposition and the incumbent.

The word "reasonably" in the last criterion is important to highlight, as under real-world conditions a completely level playing field is very unlikely. There is a long-strand of literature dealing with incumbent advantages in democracies, which can be traced back, among other factors, to a proven track-record of those in office, the higher abilities of those candidates that already managed to win elections in the past, their readier access to funds and the media

(Diamond, 2002:29), as well as the reluctance of possible challengers to run against candidates with a track record in office (Ashworth and Bueno de Mesquita, 2008).

When looking at authoritarian systems which held regular elections, there is an important distinction to make. While there are numerous authoritarian regimes that “establish the institutions of liberal democracy on paper, yet subvert them in practice through severe, widespread and systematic manipulation” (Schedler, 2013:2), in the subset of competitive authoritarian regimes, opposition candidates still see elections as meaningful enough to participate, even if the elections aren’t totally free, civil liberties aren’t protected or the playing field is otherwise substantially rigged (Levitsky and Way, 2010a:7). Freedom House’s 2019 report, for example mentioned that in Cameroon—where the street protests of the 1990s brought about several reforms and led to the passing of a new constitution with a pluralistic political system (Yanou, 2013:307)—President Paul Biya has secured a seventh term by making voting in the country’s anglophone region “nearly impossible” through violence and intimidation, thereby increasing his own chances of staying in power. Levitsky and Way have identified similar properties in the political systems of, among others, Cambodia, Serbia, and Zimbabwe of the 1990s (Levitsky and Way 2010a:33).

In the remaining part of the dissertation, I will follow the categorization of Levitsky and Way and differentiate between competitive and full electoral authoritarian systems. The latter refers to hegemonic regimes in which democratic institutions are reduced to a façade. Even if elections are held regularly, candidate restrictions, repressions and systemic fraud make it impossible to change the government—unlike in competitive authoritarian systems. Cambodia, for example, has turned into a full (although still electoral) authoritarian system in 2017, after the country’s Supreme Court banned the main opposition party. In this case, elections still exist, but the opposition party that would have a chance to govern cannot run, thereby leaving voters without viable options. As we will see in later chapters, Hungary has

the characteristics of a competitive authoritarian system, while Russia has in the past decade moved towards full electoral authoritarianism.

### *Unleveling the Playing Field*

Authoritarian regimes are often said to formally respect (or only rarely openly disrespect) civil liberties or the requirements of free and fair elections—even if their infringements limit the freedom and fairness of competition. This is the reason why Levitsky and Way (2010a) have added the level playing field as an additional category that helps determine whether a country’s political system can be seen as democratic. In fact, many electoral authoritarian systems (especially those that they classify as competitive, but not exclusively) use sophisticated methods to increase their own chance of staying in power. The authors define the playing field as uneven, when “the incumbent abuse of the state generates such disparities in access to resources, media or [access to the law<sup>3</sup>] that opposition parties’ ability to organize and compete for national office is seriously impaired” (Levitsky and Way, 2010b:57). I will look at these three categories—access to resources, media and the law—one-by-one.

The first category refers to cases in which the government is using public resources or manipulates agents of the private sector to further its own position or to marginalize opposing voices. An example for this manipulated access to resources would be to cut previously existing state funding provided to NGOs (and in some cases private or public media) or increase the bureaucratic paperwork required for the operations of human rights organizations, thereby

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<sup>3</sup> As Helle (2016:49) points out Levitsky and Way are switching in their texts between “access to state institutions” and “access to the law” as the third category in their texts. Following Helle’s suggestion, I will go with the second option (“access to the law”) as the clearer option.

reducing their capacities to act as checks on the government. We can also mention a government's use of state funds to provide "gifts" (money, food items or other short- or long-term benefits) to groups of voters prior to elections; or governments can create an environment in which private donors who contribute to political actors other than the governing party may be afraid that they might face repercussions for their acts. Scheppele (2018) points out that the use of market manipulations, especially through politicizing the access to public procurements and other state contracts—as is the case in our two countries of interest—is another possible method to impact the playing field, as dissenters and their potential supporters could find themselves without access to sufficient funds. This can be among the most effective ways of controlling dissent without formally violating rights:

If one's employer closes due to regulatory pressures, or one's business fails because it can no longer make a profit in a tight market, are rights violated? No, that's just how markets are supposed to work! Those who fall into poverty, or leave the country, or find their life plans thwarted have not experienced rights violations because those are not the assaults against which rights were designed to be a shield. (Scheppele, 2018:2)

The second category, disparity in media access can manifest itself in the creation and maintenance of partisan state-owned media outlets (which take the place of public service media) or the governing party's influence over private media. These outlets rarely provide opportunity for candidates of the opposition or challengers of the government's line to share their views and opinions or present facts that would undermine the dominant narrative. If the government achieves significant control over the media sphere, it can in effect influence the information that voters rely on.

Media access can be manipulated by changing the leadership of the state-funded broadcasters, or cutting support provided to specific outlets. There are also cases when government-aligned investors buy up news media that were previously publishing content critical of the government. Levitsky and Way bring the following example to highlight the difference between rights' abuse and an uneven playing field: "closing down a newspaper is a clear violation of civil liberties, de-facto governing-party control of the private media – achieved through informal proxy or patronage arrangements – is not" (2010a:6). As we will see in the later chapters, such forms of control over the independent press are not uncommon in our countries of interest.

The third category, manipulated access to the law is prevalent when courts are biased towards opposition candidates, when electoral monitoring bodies disregard complaints by the opposition (Helle, 2016:54), or when legal instruments are used in a discretionary way. Biased courts can be found in many electoral authoritarian systems, where opposition candidates are imprisoned on made-up charges or arbitrarily banned from participating in elections; and so are discarded complaints by opposition candidates, even if their claims are often in line with the findings of international electoral observers. The discretionary use of legal instruments is often highlighted in the case of Russia, where "although the constitution provides for freedom of speech, vague laws on extremism grant the authorities great discretion to crack down on any speech, organization, or activity that lacks official support" (Freedom House, 2019). Levitsky and Way point out that "[a]lthough such repressions may involve the technically correct application of the law, its use is selective and partisan, rather than universal" (2010a:9). In other cases, authorities violate existing laws, as it was the case in Armenia. Here, the right to free assembly is legally guaranteed, nevertheless, the police violently interfered in the 2018 antigovernment demonstrations and detained hundreds of protesters.

## *The Rationale for Toleration*

Why don't authoritarian systems eliminate all their democratic institutions, and why do they continue living with these possible weak spots of their control over the people? To determine how state pressures can be countered, one must first look at the possible explanations to these questions. Scholars of electoral authoritarianism see the maintenance of some degree of democratic institutionalism as a strategy of governments to keep their power by, among others, "confusing voters, distracting opposition actors, distributing patronage, pacifying contending elite members, or alerting the government of spikes in popular rejection" (Schedler, 2013:5). They refrain from violating civil liberties or the requirements of free and fair elections because they still want to meet minimum international standards, among others to avoid sanctions or a cut in foreign assistance (Levitsky and Way, 2006:388).

Researchers argue that competitive authoritarian regimes are relatively stable—and that this stability doesn't occur despite having institutions that resemble those of democracies, but mainly because of them. Gandhi and Przeworski (2007) for example have argued that these institutions can contain the opposition, by giving it a stake in the regime's survival. Geddes (2006) saw regularly held elections as tools for authoritarian leaders to show possible contenders that their regimes are accepted or even supported by the population, while Brancati (2014) adds that democratic institutions can also allow the leader to keep an eye on her immediate circle (and vice-versa), as well as to gain information about the weaknesses of the opposition and the needs of the people, which they can later address. Friedrich and Brzezinski (1956:135) have already argued in their analysis of 20<sup>th</sup> century dictatorships that monopolistic control over information will lead to distrust and a "general disillusionment" in society. While letting some free media operate in the country can be more than just a means of pretending that

media freedom is respected, it can also help overcome the structural limits an authoritarian system poses to the information its leaders can acquire.

As Schedler (2013:38) puts it: “the more powerful [an authoritarian leader] the less he can know about those he rules over and those he rules with”. There are indications that this logic is indeed followed in practice: King, Pan and Roberts (2013), for example, argue based on their analysis of the Chinese social media, that the government is willing to tolerate free speech on the internet, as long as it can make sure that the content has no capacity to mobilize masses. This allows it to learn about the grievances of the people. Independent coverage can also be found in other competitive and full (electoral) authoritarian systems. Especially on the internet, where independent opinions—and news—become available on platforms that are used by a wide segment of the population. In this case crackdowns or the blocking of popular sites would draw unwanted attention to content that is found problematic by these governments. And such measures may not even be effective, as large parts of the population will access the content through encrypted channels (Zuckerman, 2015). This was seen in practice during the Arab Spring in the early 2010s where information was exchanged between members of society on platforms like Twitter or Facebook—albeit larger authoritarian states like Russia and China are promoting their local social media as part of a more tightly controlled online environment.

When it comes to determining the extent of media independence tolerable to authorities, at least in relation to domestic pressure, the *Dictator's Handbook* (2011) can provide guidelines for estimation. In this book, Bruce Bueno de Mesquita and Alastair Smith argue that leaders don't need to care about the needs of all their citizens to stay in power (neither in democracies, nor in authoritarian systems). In fact, the better they calibrate the circle of people they plan to keep loyal, the higher their chances to make their reign durable. If the “essentials” are identified and their loyalty is guaranteed, the rest of the population doesn't have significant impact on the outcome of an election. Geddes and Zaller (1989) have shown on the example of Brazil's

authoritarian period that some groups, especially people with high political awareness (e.g. people with specific political views, special economic interests or personal values) were more resistant to governmental persuasion, still their dissent didn't pose a significant risk to the regime.

However, these regimes are not static: managed democratic institutions in fact can get out of the control of the regime (Carothers, 2018) and thereby pave the way for either democratization or increased authoritarianization. The cases where competitive authoritarian systems have, through protests or unexpected electoral successes, come closer to turning into rule of law states with free and fair elections signal to international donors that the funds they spend on promoting democracy and human rights might not be a complete waste of resources. While at the same time these trends incentivize competitive authoritarian regimes to take a tougher stance against them. In Ukraine, following the demonstrations that started in late 2013, President Viktor Yanukovich was forced to resign, and the country's new leadership put the country on a reform path. The 2019 *Freedom in the World* report of Freedom House highlighted the still high degree of corruption, and the numerous attacks against journalists, civil society activists and members of minority groups. Nevertheless, it has already experienced its second free and fair presidential election, where a political outsider, Volodymyr Zelensky won by a landslide against the incumbent. Examples for moves towards full authoritarianism were provided, among others, by Russia after the 2011-2012 demonstrations, where President Vladimir Putin has further concentrated his power over the political system, and the Organization for Security and Co-operation in Europe (OSCE, 2018) reported that there has been a "lack of genuine competition" in the country's 2018 presidential election. That year, the oppositional contender Aleksey Navalny was disqualified from running, and civil society organizations were regularly harassed by authorities. The situation further deteriorated in 2020-

2021, when Navalny was poisoned (allegedly by members of the foreign military intelligence agency GRU) and later sentenced to 3.5 years at a penal colony.

## Part 2: Independent Media in a Dependent Environment

Free media are widely seen as a key component of a functioning democracy as they provide a forum for citizens to understand matters of public interest and have a say in politics. As such, they relate to the idea of the democratic public sphere. Niklas Luhmann (1995:125) argues that mass media contribute to a society's construction of reality—by updating people's concepts of society and by creating “cognitive world horizons” that determine how they explain the reality around them. Similarly, Jürgen Habermas (1974:49) writes that “newspapers and magazines, radio and television are the constituents of public sphere,” and as such they provide the means for a large public body to exchange their views about matters of public interest. On the most basic level, the independent media uses the power of the masses, as Hannah Arendt phrased it in her work *The Human Condition* (1998:50): “everything that appears in public can be seen and heard by everybody and has the widest possible publicity“. Habermas described the concept in the following way:

[The public sphere] mediates between society and state, in which the public organizes itself as the bearer of public opinion, accords with the principle of the public sphere – that principle of public information which once had to be fought for against the arcane policies of monarchies and which since that time has made possible the democratic control of state activities. (Habermas, 1974:50)

This idea bears similarities to the descriptions of the press in studies about the state of democracy, and the role of journalistic work in particular. Eichengreen (2018: xi) defines the media as one of the institutions (besides the electoral system, the legislative, courts, the civil service and civil society) that secure the functionality of the political system and gives the

citizenry a voice in the political process. Looking at it from a holistic perspective “the ultimate goal of press freedom is to enable a robust and inclusive public debate, which is at the heart of a healthy and sustainable democracy” (Voltmer, 2013:12).

This is in part because journalists “deal professionally in making things explicit and producing discourses” (Bourdieu, 2005:37). In Schudson’s interpretation of Bourdieu, the news media is the “primary circulator of meanings in society, the realm in which the ideas and values of other fields and other lands come to the same page before a wide array of readers and viewers” (2005: 220-221). Thus, a functioning press provides a “vernacular”—a common language in both words and pictures—for political interests to be expressed and shared (Leonard, 1986:4). It creates “social empathy” (Schudson, 2008:12) by giving a voice to, and sharing the views of, members of a wide range of different groups in society (among them the less advantaged). Moreover, a media system, if pluralistic, can be a space of “contention by adversaries” (Schedler, 2013: 67) for different interest groups in society. In order to live up to this task, Roudakova emphasizes that journalism has to be driven by the values of “truth-seeking and truth-telling” (2017:146).

But news media and journalists don’t operate in a vacuum. Bourdieu sees journalism as a “field” with its own rules whose actors are driven by the same goal as political actors: “imposing the legitimate vision of the social world” (Bourdieu, 2005:37) on society. For this reason, agents of the political and journalistic fields constantly interact with each other and try to influence each other’s activities. Political actors depend on it to share their ideas with their constituencies and to provide a “fair knowledge about available choices” (Schedler, 2002:42) for citizens aiming to make informed political decisions.

Free and independent media are also among the checks and balances in a democratic society that can hold elected officials to account: the practice of investigative or watchdog journalism, for example, is allowing the press to monitor the government’s activities and

shedding light on the misuse of power. Moreover, it is seen as having “a way of waking citizens up to their political responsibilities” (Leonard, 1986:193) and to enable them to raise their voices against illegitimate power. This makes them a potential ally of human rights groups and activists (Neier, 2012; Powers, 2018) in their fight for liberties and the acceptance of human rights. Therefore, those in power might see independent media as a threat to their political survival, as it may uncover issues that can hurt their public image or lead to criminal prosecution (Collings, 2001:6)—especially when it comes to hiding issues like criminal conduct, corruption, or the violation of human rights. In the context of authoritarian or democratizing countries, Diamond (1994) listed the independent press as part of civil society or the so-called third sector—emphasizing that journalists become one of the groups representing the will of “the people” in the struggle for democracy.

### ***Media Freedom and Its Limits***

Due to the “ethical function they fulfil”, media enjoy freedoms and can claim privileges, but these are conditional (Tambini, 2021a:3). Freedom of expression is highlighted in Art. 19 of the Universal Declaration of Human Rights (UDHR), in Art. 19 of the International Covenant on Civil and Political Rights (ICCPR) and other legal standards under the United Nations human rights regime. Following the wording of the previous documents, Art. 10 of the European Convention on Human Rights (ECHR) states that “Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers”. Building on these documents, national laws and the case law of the European Court of Human Rights (ECtHR) restrict states’ ability to put pressure on the work of the media, and even require them to provide journalists and newsrooms with legal privileges and protections

(Tambini, 2021a). These protections are referred to as media freedom, a right that makes it possible for news media to report about events, development or opinions that are relevant for society. At the same time, the conditionality of the right is also important to highlight because uncontrolled free speech can, in cases, harm other rights and may undermine democracy. In these cases, the government needs to impose restrictive regulations. I will describe these limitations below.

For the public sphere to successfully foster public debate, it needs to include the widest array of voices possible. While the legal system of the United States presupposes that in a marketplace of ideas several different viewpoints will naturally start competing, in most other contexts the state is given an obligation to make sure that the media system is diverse and pluralistic. Media pluralism as such is not a right, but a concept or a value that needs to be upheld to make sure that the widest possible variety of voices and viewpoints are available. Nevertheless, the notion of media pluralism has been recognized in international human rights texts and jurisprudence. Art. 27 of the ICCPR highlights the need for ethnic, religious, and linguistic minorities to be able to enjoy their own culture, which also includes the ability to access media content that fulfils this need. The ECtHR has highlighted on numerous occasions that “it is of the essence of democracy to allow diverse political programmes to be proposed and debated, even those that call into question the way a State is currently organised, provided that they do not harm democracy itself” (Cilevičs, 2019). Article 11(2) of the Charter of Fundamental Rights of the European Union (which applies to Hungary, but not to Russia) expressly mentions that the “freedom and pluralism of the media shall be respected”.<sup>4</sup>

While media pluralism might at first seem like simply an obligation for states to provide privileges and protections to the media, at the same time, Tambini (2021a:7) points out that it

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<sup>4</sup> The different concepts of and approaches to media pluralism are described in length by Valcke, Sükösd and Picard (2015) and Raeijmaekers and Maesele (2015).

is “essentially an admission that media power must be limited” (see also Valcke, Sükösd and Picard, 2015). If some players of the media market get too powerful or if too many outlets put entertainment over news, the public discourse can get distorted, and states need to impose limitations to correct the problem. These limitations might include measures falling under competition policy, such as the need to break up monopolies in order to secure a diversity of media ownership, or regulators might require specific forms of media to provide a certain percentage of public interest content, including content that caters to cultural, linguistic or religious minorities. Other measures to further media pluralism include supporting the production of quality content by funding public service media or providing subsidies (Oster, 2015)—these measures are not limiting, but they are often criticized for hurting the competitiveness of some actors.

Apart from securing media pluralism, media freedom can also be limited for the sake of both the public interest and individual rights. Intrusions to safeguard public interest include, among others, the protection of national security, territorial integrity, public safety, public health, morals, the authority of the judiciary or the prevention of disorder and crime. The protection of individual rights entails issues of privacy, reputation, intellectual property, and religious feelings (Oster, 2015; Kmezic, 2018). Several countries misuse (or try to misuse) these limitations—the conditionality of media freedom—to interfere in the work of independent newsrooms. They do so because they can believe or claim that the legitimacy of a measure is at least open to interpretation—for example when a journalist’s home is searched with the pretext that she reported state secrets or when anti-terrorism legislation is used to prosecute a journalist who discussed the possible motives of a suicide bomber in a radio show.

To prevent governments from misusing limitations with the aim of silencing media or limiting their reach, these limitations have to fulfil three requirements: they have to be prescribed by law, have to pursue a legitimate aim and have to be necessary in order to achieve

those aims. As such, the measures need to be foreseeable by those affected by them and legal protections need to be provided against arbitrary interferences. Moreover, governments must opt for the least intrusive measures (Oster, 2015). Even if a government decides to pass a law that allows for a certain kind of interference, the law will not necessarily provide the measure with legitimacy, as international human rights standards prevail over national law. Governments, nevertheless, continue to misinterpret the requirements or test the limits of what is doable under the pretenses of a legitimate need to interfere with media freedom. They can do so as international courts only get involved when all domestic aims are exhausted or when the countries don't cooperate.

### *Pressuring the Press*

Media can, as part of the public sphere, operate as a mediator between state and society. But it can also find itself trapped in a conflict zone in between the two. If the visions of politics, media and society differ, the political realm (or other interest groups) can try to put pressure on what Bourdieu (2005) refers to as the journalistic field. In simpler words: the potential of uncovering what those in power hope to keep hidden, and the threat of bringing into voters' attention critical issues provides ample reasons for political interest groups to suppress media, and thereby limit voters' access to information on choices they can make. Thereby the political field reduces the chances of citizens to make informed decisions on election day.

There are measures used by governments to limit activities of the media that are fundamentally contrary to media freedom—such as arbitrary arrests, closings of newsrooms or in some cases even the killing of journalists. These measures immediately expose the perpetrating government as a violator of human rights and might trigger backlash. When the Russian police arrested the investigative journalist Ivan Golunov on made-up drug charges in

2019, the country experienced an almost unprecedented wave of protest. Even prominent Kremlin-loyalists joined the mobilization to free Golunov, in the end leading to his release (Gessen, 2019)—thus, whatever the original goal of this measure was, it wasn't achieved, while at the same time, it drew attention to the injustices of the system. In the famous case of Jamal Khashoggi, the journalist was killed inside the embassy of Saudi Arabia in Istanbul, and the act was soon connected to Saudi Arabian political elites, including Crown Prince Mohammed bin Salman. While the Crown Prince was spared of sanctions by the United States, his image as a reformer was irreparably tarnished, thereby possibly hurting the country's international relations. Perpetrators bear a high risk of being called out for these extreme measures, not to mention that it is almost impossible to justify arbitrary arrests or murders to the public or to the international community.

Earlier in this chapter, I have shown that most authoritarian governments don't want to completely eliminate democratic institutions, as it would be counterproductive. This definitely applies to the independent media as well, which is a key institution of functioning democracies. Even in electoral and competitive authoritarian systems, one can find papers at newsstands that are critical of the government, radio stations that share dissenting points of view or investigative outlets that uncover corruption and misuse of power. They can operate—but they do so in a controlled environment, where funding is scarce and restrictions are increasing, thereby depriving journalists from many of the opportunities their counterparts in democracies have. In this environment, some of them try to stick to their values and ideals, continuing the work with less resources, limited reach and under constant financial uncertainty. Others get pushed into a “market for loyalties” where the different voices operate as “sellers [...] for whom myths and dreams and history can somehow be converted into power and wealth” (Price, 2019:21).

The practice in electoral authoritarian systems shows that the repressions used against the press can occur through restrictions on means of news production, media content and media access (Schedler, 2013:68). In the following paragraphs, I will look at these 3 areas of restrictions one-by-one, putting the emphasis on examples where media are restricted in ways in which civil liberties are not formally violated—in accordance with the unleveling of the playing field—or when governments limit media freedom under the pretenses of protecting the public interest or individual rights. When describing the control measures, I go from traditional, older forms to newer, more sophisticated methods.

**a.) Means of News Production.** Governments and other interest groups use two primary means to put obstacles in front of media outlets to hinder the production or distribution of their content: controlling infrastructure and interfering in the media market. The first method was common in third-wave democracies in the early years of democratization: the government used regulations and other visible obtrusions to interfere in the production process, thereby making it logistically challenging for publishers to get their publications out to the public. The second method, interfering in media markets, is more subtle: it exploits an old weakness of the news media industry without obvious attestation of state involvement, thereby making it hard for publications to refinance their work.

The experiences of the third wave of democratization have shown that even after widespread declarations of media independence, political elites and other interest groups seek to assert their control over news producers in one way or another (Price, 1995). In several countries impacted by the third wave of democratization, broadcast media, especially television, are still the dominant source of information. Thus, regulation can restrict possible entrants to the market, as governments have the rights to revoke or deny licenses (for example due to the scarcity of airwaves, which, however, becomes less of an issue in the online age). At the same time, in many countries, registration requirements, the monopoly on newsprint,

distribution infrastructure or other important components of the production and distribution process were used since the very beginning of the democratization process to increase the costs incurred by independent news producers (Akharkhodjaeva, 2017).

Recent changes in the media market have exposed one of the initial vulnerabilities of the newspaper industry. Walter Lippmann has already written in the first half of the 20<sup>th</sup> century about the paradoxical situation of newspapers. They are, on the one hand, expected to produce public goods, and, on the other hand, to be supplied to the readers below cost, mainly paid for through “concealed” payments, such as advertising.

Nobody thinks for a moment that he ought to pay for his newspaper. He expects the fountains of truth to bubble, but he enters into no contract, legal or moral, involving any risk, cost or trouble to himself. He will pay a nominal price when it suits him, will stop paying whenever it suits him, will turn to another paper when that suits him (Lippmann, 1946).

The media’s difficulty to finance itself purely from readers’ contributions have led to a strand of literature that looked at the vulnerabilities of news media and the forces shaping content, both in established democracies and states with democratic deficits. The side-effects of increased internet penetration and the emergence of an online media landscape were exposed early on: media revenues started dwindling, news outlets became financially vulnerable, and journalists turned towards creating cheaper forms of journalism (Meyer, 2004; Davies, 2008; Freedman, 2010; Phillips 2010; Redden and Witschge 2010). In this context, the importance of providing subsidies to uphold the pluralism of news media has been highlighted by several scholars (McChesney, 2011; Murschetz, 2013; Rusbridger, 2018). But subsidies can also be a trap for journalists and newsrooms that want to report independently (Mungiu-Pippidi, 2013).

Knowing of the financial vulnerabilities of the media, governments can use this financial support, as well as its possible leverage over the allocation of advertising, as a sticks and carrots policy on the media market, where favorable news production will be rewarded. At the same time, critical news outlets can be further hit by advertising related taxes or by informal pressure on their advertisers—measures where the rights violation cannot be clearly pinpointed. These measures will be discussed more extensively when showing how governments “capture” the media.

**b.) Media Content.** Another way to limit the media’s ability to inform society about issues of interest is interference in the content that is made available to audiences. Here, the two methods are content creation and interference in content production. When content is created, interest groups are directly involved in the construction of words and pictures made available to audiences, while the second method sets boundaries to what independent journalistic actors can convey with their work.

The easiest, and most well-known way of getting to the media consumer is for the governing regime to foster the creation of media content or to incentivize some form of (self-)control when news is reported—either on state-owned outlets or in friendly private media. This can mean, among others, the production of entertainment shows that divert attention from politics or persuasive content that aims to promote the government’s agenda, as well as divide the political opposition, civil society organizations and citizens. Mancini (2012) called this the instrumentalization of the media, while Bajomi-Lázár (2015) referred to it as the colonization of the media. This colonization can take place most easily in the public service media and can enable political interests “to mobilize their inactive supporters, to address undecided voters, [...] to paralyse their rivals by means of limiting their visibility, and to influence decisionmaking processes” (Bajomi-Lázár, 2015:76).

Márquez-Ramírez and Guerrero (2017:51-52) mention Mexico's privately owned *Televisia* channel as a good example of such a controlled outlet. As the channel had good relationships with the government, it has excluded critical and oppositional voices from its offering, while portraying the police, the military, and the governing elite in a positive light. Similarly, a number of public service media in the Central and Eastern European area are criticized by the scholarly community for not living up to the requirements of providing objective and unbiased contents and are often even seen as serving as mouthpieces for the governments (Mungiu-Pippidi, 2003; Milosavljević and Poler, 2018).

States can interfere in numerous other ways to influence the content produced, even by outlets run by critics of the government. As a soft way to steer media towards self-censorship, Voltmer (2013:141) highlights libel and freedom of information laws. There are still many competitive and full authoritarian systems where libel laws can be applied—when someone is said to have insulted the nation or the country's symbols—thereby restricting the journalists' ability to criticize the powerful. In Kyrgyzstan, a post-Soviet country with a relatively pluralistic media landscape, for example, one can witness widespread self-censorship in the media, as outlets can be fined, their assets can be frozen, and journalists can be limited in their movement, for issues that would otherwise be protected by the freedom of expression, such as “insulting” the president. In other cases, laws that are aimed at countering terrorism, fighting drug use, or protecting children are misused to go after media, thereby leading newsrooms to avoid covering specific topics.

Refusing journalists access to information is another effective way of interfering, as it makes it difficult for news outlets to inform audiences or to provide sufficient support for the claims that were made in public discussion. This form of manipulation can be especially effective in post-communist states, as the journalism of these countries is dominated by opinion and commentary, with less interest in “factuality and ‘hard’ news” (Voltmer, 2013:125), which

makes it easier for governments to neglect unfavorable reporting as being opinion rather than fact. Even if a country has already taken democratic reforms, it is still possible to provide exemptions to the already existing regulation, so that those in power can use them for their own sake. For example, restrictions on access to information as provided by laws are often justified by the needs of national security over the citizenry's right to know, or by adding ambiguity to the working of the laws, which makes it hard to determine, when and how the law applies; or simply just not complying.

**c.) Manipulating Access.** The third restriction interferes with the users' ability to access the content that was created and published by independent newsrooms. The methods of choice can be blocking or creating a choice architecture. While blocking is a discernible interference which makes it clear to the audience that some content is not available, the second option is more subtle: it can divert the attention of audience members without them being aware of it.

Broadcast licenses are common in media systems, both in the East and in the West. Due to the limited number of frequencies, governments could prevent aspiring media companies, even if they had the required finances and equipment from broadcasting, simply by not issuing licenses. In less democratic contexts, the decision was often based on the political allegiances of the given applicant. To this day, we can see television and radio stations banned or removed from the offerings of the media providers, which makes them inaccessible by audiences. At the same time, there are numerous countries where websites have been inaccessible to the audiences during and after protests, or even permanently, using made-up justifications, such as the protection of minors or the aim of limiting extremist contents. However, if a government wants to maintain some degree of media freedom and plurality in its country, it must do so in a more sophisticated way, by containing those voices it may deem harmful—as described in the next section.

A new form of manipulating access is built on the nudging of audiences. In their book *Nudge: Improving Decisions About Health, Wealth, and Happiness* Richard H. Thaler and Cass R. Sunstein write about the concept of “choice architecture” (Thaler and Sunstein, 2009), a setting in which a regulator or service provider can change the environment in which people make their choices, thereby increasing the likelihood of a particular outcome. A good example is the choice between the “regular” and the “custom” installations of a software—usually, when running an installation program, and making choices about the settings, a box is already ticked next to the choice preferred by the provider. Schmidt (2017) argues that without the necessary democratic control mechanisms, this so-called “nudging” can be used in manipulative ways. In many competitive authoritarian states, political elites (often by proxies) are controlling or at least influencing the most easily accessible media outlets, thereby requiring news consumers to take extra steps—and be conscious about their preferences—if they want to consume news that is different from the official narrative.

Nudging is also part of media markets and media policy. When, for example, a service provider makes decisions about including a channel in a given cable television package or assigns a particular number to it, it impacts the likeliness that audiences will watch it. In the online environment, regulators discuss the notion of prioritization and findability of public interest content, which would require that algorithms up-rank specific contents—or downgrade others—when searching the web (Mazzoli and Tambini, 2020). The same method can be used by authoritarian environments to decrease the visibility of specific content, for example by controlling news intermediaries, such as content recommendation platforms, or using state resources to increase the visibility of approved content. It is common both in established democracies and competitive authoritarian systems that free-of-charge newspapers are handed out at subway and bus stations to commuters, thereby increasing the likeliness to use this particular print outlet as their source of information. In Israel, this free outlet is *Israel Hayom*—

while being owned by the late US billionaire Sheldon Adelson it became famous for its vocal support for then prime minister Benjamin Netanyahu. In Hungary, *Lokál*, owned by the government-aligned Central European Press and Media Foundation was widely available at public places. In countries where the population is still overwhelmingly relying on broadcast media as news sources—while most of the television and radio stations are controlled by investors with ties to the government—, creating a choice architecture means that a large part of the audience will be steered towards controlled content, without even noticing that their media consumption is being manipulated. Contents with a point of view different from the regime’s line of communication will mainly be accessed by those who proactively seek for content on the internet or buy their papers at newsstands. Providing subsidies or state advertising to friendly news outlets can enable their publishers to make their publications available for a lower price than their more critical competition. In addition, smear campaigns to discredit newsrooms were and still are used to decrease audience trust in specific media (Erdélyi, 2021). All these efforts of nudging enable authoritarian governments to maintain the façade of media pluralism, while at the same time minimizing the risk that critical reporting will have a damaging impact on those in power.

### *Assisting Media from Abroad*

In democratizing countries (as well as in some authoritarian states), there has been a long tradition of foreign involvement in the media landscapes. On the one hand, the opening markets have led to increased foreign—and especially Western—investment in the media markets. On the other hand, international actors (both governments and private foundations) undertook non-commercial efforts related to the media of democratizing countries. The two major groups of efforts were media assistance or media development programs (which

included, among others, financial help, skill-building and infrastructure development) and public diplomacy (the provision of media content aimed at local audiences)—serving as a counterpoint to the pressures and shortcomings related to means of news production, the quality of content, as well as audiences' access.

Foreign assistance of the media has become an important tool in the 1990s,<sup>5</sup> after international donors increased their investments in media development<sup>6</sup> in third-wave democracies. The former communist world has been the first area where media assistance involved more than just training, establishing journalist associations and supporting media watchdog groups: state and private donors also helped in organizational development—meaning that they donated equipment and worked with governments to improve the media infrastructure (Carothers, 1999). Thereby they improved the conditions of news production, trained journalists to improve the quality of contents and worked on strengthening the media literacy of audiences, so that people have proper access to the information provided by the newly opened competitive media market.

Research has shown that journalist training and other media development activities have had an effect on the work of journalists: the Cox Foundation's 2001 study in Eastern Central Europe and Latin America has, for example, found in interviews with participating

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<sup>5</sup> Carothers (1999) mentions that US efforts to develop independent media were relatively “small and scattered” (Carothers, 1999:236) in the 80s, nevertheless the National Endowment for Democracy has been involved in some programs to strengthen independent media in Eastern Europe and the Soviet Union.

<sup>6</sup> Media development includes a range of foreign-funded activities that aim to create and/or strengthen the capacities of independent (or in some cases public) locally-run media organizations: in a broader sense this means all those foreign activities that aim to improve the quality of the media without asking in exchange for revenues (e.g. investments). According to the literature, media development includes activities aimed at, among others, facilitating the independence of media from political players (or other dominant interest groups), strengthening the legal and regulatory framework of the sector, improving the sector's business, management and financial practices, ensuring that information reaches its audiences (by improving media literacy, accessibility, affordability, etc.), improving the quality of journalistic work and products, as well as strengthening associations, NGOs and networks active in the field (Roy, 2011).

journalists, that their awareness of democracy, reporting standards, journalistic independence and attitudes towards the US have been improved (Becker and Lowrey, 2001), while a study by the Jefferson Institute (2007) argued that private foundations could be “transformational catalysts” in the media landscape of these countries—Golub (2000:139-140) mentions the example of the Philippine Center for Investigative Journalism, supported by the Ford Foundation and the Asia Foundation as an example worth replicating, which may not have made the country’s overall democracy stronger, but might have made important contributions to the reform of government processes, by revealing unethical activities in high offices.

Direct grants to media organizations already existed in the early 90s, but they were not widespread and were seen as a form of temporary assistance in those years. The donor community expected that the market will sustain the media landscape and the funds necessary for the operations of media were provided by local and foreign investors. And indeed, foreign investors played an important role, especially in the countries of East and Central Europe: Stegherr and Liesem (2010) wrote that an estimated 85 percent of the media in Central Europe was owned by foreign companies (three quarters of them by Germans). Although foreign investors were criticized for not holding up the same high standards their Western outlets were known for, there are signs that the influx of foreign capital allowed newsrooms to successfully “disentangle themselves from a particular political elite” (Downey, 2012:133).

However, the changes in the media market have altered both the needs of news producers and the priorities of donors. With the spread of new technologies and due to the financial crisis of 2008, the financial situation of news media started to deteriorate visibly (Rusbridger, 2018), leading to the departure of foreign investors in several markets that started opening in the last decades (Štětka, 2015). This in turn has allowed interest groups to “capture” media organizations. Seeing this development, donors have reacted to the changing news environment: one example is the Open Society Foundations, which has in 2014 restructured its

media department, and shifted its focus from media policy and reform to supporting newsrooms; this organization alone is reported as investing USD 13 million a year into media globally (Graham, 2018).

The second form of support, public diplomacy has historically played an important role in authoritarian and democratizing countries, with the US government funded *Radio Free Europe*—and the associated *Radio Liberty* and *Voice of America*—being at times the sole voice not under the local governments’ control in the pre-transition years in the former Eastern bloc. Public diplomacy is a tool of soft power that is originally utilized by states to “win the hearts and minds” of people living abroad (Nye, 2008:94); Berridge (2010:179) refers to it as “white propaganda” as it aims to manipulate “public opinion through the mass media for political ends” albeit in a more honest fashion, by revealing its sources. Public diplomacy is also used by some powerful authoritarian regimes, such as Russia, which operates local-language services of *RT* and *Sputnik* in countries that it finds strategically interesting (Yablokov, 2015). In contrast to Western public diplomacy, these Russian outlets are widely considered purveyors of disinformation (Elsawah and Howard, 2020). Kumar (2006) points out that there is an important difference between media development (media assistance) and public diplomacy, both regarding their objectives and the strategies they employ to achieve them: while the objective of media assistance is to develop and strengthen local capacities that enable the free flow of information, as well as to operate their own media; public diplomacy is aimed at generating positive attitudes towards a particular set of policies or institutions. This aspect of being an interest-driven actor cannot be ignored, and I will address it in my case studies.

However, Kumar adds that public diplomacy can support media development activities and “possibly pave the way for the eventual emergence of free media outlets in the region” (2006:4). Moreover, in the context of global news networks, such as the Qatari state sponsored *Al Jazeera* or the private international broadcaster *CNN*, scholars believe that the attitude of

public diplomacy providers has changed, as they compete with private players, and are required to increasingly adhere to established principles of journalism (Seib, 2010). This requires moving from monologue to a dialogue or collaboration with audiences (Zöllner, 2006; Cowan and Arsenault, 2008), thus the reporting produced by outlets such as *Radio Free Europe*, *BBC* or *Deutsche Welle*, can—for our sake—just as well be seen as products of foreign supported journalism.

### **Summary of the Chapter**

This chapter brought together the political science literature on competitive authoritarian regimes and the latest research on media capture and media economics. It describes how the seeming consensus about the “end of history” (Fukuyama, 1992) and the optimistic belief that democracy may become “the only game in town” (Linz and Stepan, 1996:15) was refuted by the realities on the ground. The second decade of the 21<sup>st</sup> century was marked by a disillusionment from democracy and the emergence of new non-democratic regimes. These were regimes where elections and liberal institutions are weakened or manipulated, although not completely abolished—in electoral authoritarian regimes elections and other democratic institutions are just a façade, but in the case of competitive authoritarian systems there is even a chance for the opposition to obtain power and change the course of the country.

One of the characteristics that differentiates these systems from a democracy is the lack of a reasonably level playing field (defined as equal access to resources, media, and the law) for the opposition. This means that in case of an unlevelled playing field, dissenting actors find themselves financially vulnerable, experience hurdles when trying to convey their messages to the wider audience and don’t experience the same protection by the law as those who are

aligned with the powerful. Still, technically, their rights are not violated. The first part of the chapter also highlights that most authoritarian leaders don't attempt to eliminate all forms of dissent—to some extent liberal institutions can allow them to pretend that they are still democratic, and they might even contain the opposition by giving them a stake in the regime's survival.

The second part showed that a free and independent media is one of the key institutions of a functioning democracy, because it acts as a check on government and provides citizens with the kind of information needed to make decisions about their lives. However, authoritarian systems try to limit the impact of independent media by interfering in news production, media contents and media access. As democracy backsliding coincided with the emergence of new economic challenges to quality journalism, newsrooms found themselves in an environment in which governments could weaken the media by amplifying existing market pressures. Finally, I looked at the role foreign assistance to the media and media systems play in this context. The international community has been active in the public sphere for several decades; it was focusing on two main measures: media development assistance and public diplomacy. In the past years both measures were adapted to the current circumstances.

What roles international support plays for independent media in Russia and Hungary will be the key question in chapters 7 and 8 of this dissertation. In the following, third chapter of my dissertation, I explain how I started my investigation, walk the reader through the theory that guides my assessment, introduce the political and media systems of my two countries of interest, and will make a case for the comparative analysis.

### Chapter 3: Theoretical Framework

This chapter describes the theoretical framework of my dissertation. It combines several bodies of literature that allow me to conduct an empirical investigation of media organizations' financing under governmental pressure in non-democratic settings. Specifically, I am going to analyze the situation of independent Hungarian and Russian news outlets through the lens of the theory of the political economy of the media, which looks at the choices and challenges that media must make while facing pressure from both economic and political power. I put an emphasis on the emerging literature on media capture, which describes situations in which vested interests exert control over media organizations. In our context this means that the state is hindering most of the outlets in reporting freely about issues of public interest. In addition, the literature on media subsidies and forms of foundation-funded journalism helps us better understand how media support is conceptualized by the scholarly community, while Bourdieu's field theory explains newsrooms' actions.

Hallin and Mancini's book *Comparing Media Systems: Three Models of Media and Politics* (2004) introduced a typology to compare different Western media systems. When comparing the two countries, I am drawing on the insights of Voltmer (2008), Mihelj and Downey (2012), Vartanova (2012), Toepfl (2013) and others who extended this literature to non-Western settings, including Eastern and Central Europe. This allows me to build a framework that enables me to conduct a systematic analysis of how media support functions in my two countries of interest. The specific historical and geographic context also requires me to look into the literature on democracy backsliding. Here especially the research of Steven Levitsky and Lucan A. Way on so-called "competitive authoritarian" systems (2010a) is used as an important reference point for authors aiming to understand the political and institutional dynamics in a region where years of opening were followed by political backlash.

## **Theoretical Framework**

The work of journalist and their newsrooms is to a great extent dependent on the economic and political environment they operate in: it needs stable finances and a rule-of-law abiding state in order to fulfil its mission as truth seeker and a check on government. Historically, audiences' financial contributions were not seen as sufficient to finance the work of a newsroom. Thus, in an ideal setting, the factfinding work of a journalist was subsidized by advertisers, who pay a newsroom in exchange for having the chance to present their goods and services to a media outlet's audiences.

But this ideal scenario turned out to be very fragile: in practice, advertisers could use their economic leverage to put pressure on newsrooms, for example, by withholding advertisement, in case they deemed some reporting unfavorable, journalists could have been paid off by interest groups, new technologies could distort the relationship between readers and news producers, or governmental interventions could have caused disruptions even in the best of environments. Not to mention that the financing model through which up to 80 percent of newspaper revenue came from advertisers (U.S. Department of Commerce, 1991:26-3; Bridges, Litman and Bridges, 2006:8) only worked in capitalist economies of the 20<sup>th</sup> century (Pickard, 2011; Rusbridger, 2018). In the late 90s, the model started crumbling in the West—as advertisers started shifting to online services that promised better targeting of audiences than the news media. At the same time, in new democracies in Eastern Europe, where independent media have started developing later and operated in a less supportive environment, newsrooms were at greater risk of falling prey to interest groups (Roudakova, 2017).

### ***Political Economy***

This is where the political economy of the media comes into play. The aim of this strand of literature is “understanding and navigating the central relationship of communication to the broader economy and political system” (McChesney, 2008:12).<sup>7</sup> McChesney argues that the political economy of the media plays an important role in understanding how power works in today’s societies. As Mosco (1996) and Meier (2003) put it, it allows readers to understand the social and political relations that constitute the production, distribution and consumption of resources. Therefore, using a political economy lens can help better understand the situation in the countries investigated. There are countries, where the government plays not only a regulatory role, but also has aims at promoting an alternative, government-friendly media sphere and affects the media by using the fragilities of the market.

The literature has assigned both positive and negative effects to the market in the literature. Schudson (2003:132) and Gentzkow et al. (2006) for example made the popular argument that commercialization has shielded media from government control, liberated it from political pressure, and encouraged the development of professionalism. Petrova (2011) has shown based on her empirical investigations of the 19<sup>th</sup> century U.S. newspaper landscape that advertising has in fact contributed to the creation of a press that is independent of political actors, while Gentzkow and Shapiro (2006) as well as Besley and Prat (2006) have shown that bias in journalistic work decreases in a media environment in which there is increased competition. The work of these scholars explains why renowned newsrooms not only had the capacity to publish news pieces that are critical of (or even damaging for) their governments,

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<sup>7</sup> McChesney goes on: “Political economists of media do not believe the existing media system is natural or inevitable or impervious to change. They believe the media is the result of policies made in the public’s name but often without the public’s informed consent. They believe that the nature of the media system established by these policies goes a long way toward explaining the content produced by these media systems. (...) It is a field that endeavors to connect how media and communication systems and content are shaped by ownership, market structures, commercial support, technologies, labor practices and government policies (McChesney, 2008:12).” He adds that media shape the world we live in and they are “a central part of the capitalist political economy, the center of the marketing system, and a source of tremendous profit on their own right” (McChesney, 2008:14).

but also to conduct costly and time consuming investigations into issues that might be hidden from the public eye, and continue doing so even under market conditions. The biggest newsrooms were proudly asserting that their journalists were sheltered from the demands of advertisers, and thus market-supported news outlets could give their journalists a free hand to dig into controversial topics, which led to the revelations of the Pentagon Papers, the Watergate scandal or the Catholic Church's Boston child-abuse scandal that was portrayed in the Academy Award-winning movie *Spotlight*, just to name some of the most well-known pieces of journalistic work.

The other point of view was represented among others by the journalist-turned media scholar Ben Bagdikian, who has argued that advertising “reduced the media’s responsiveness to reader desires” and could therefore “not possibly tell each community what it needed to understand its own problems and needs” (Bagdikian, 1997:176). The authors weary of media markets started in the 1990s and 2000s focusing on the issue of concentration of media ownership (Meyer, 2004, Baker, 2007, Noam, 2013), the emergence of media conglomerates (Barnouw, 1997), as well as a number of other structural forces that create dependencies (Herman and Chomsky, 2002), and thus might shape media content even in established democracies. Dean Starkman’s *The Watchdog That Didn’t Bark* (2014) for example highlights that finance journalists were unable to spot the early signs that would have pointed to the development of the financial crisis of 2008 because big media holdings were pushing their journalists towards “access journalism”—a form of reporting that favored profiles of business owners and stories about the yields of stocks over investigations.

In the last decades, one of the major changes affecting the global media landscape, and with it the (political) economy of the media, has been the growth of internet penetration and the emergence of an online media landscape. Some scholars saw in it an opportunity to strengthen the public sphere (Papacharissi, 2002; Dahlgren, 2005; Brants, 2005; Brundidge,

2010). As the barriers to entry for new media organizations have been reduced to almost zero by the internet, an online native with a national reach can be run for “peanuts” compared to legacy outlets (Robinson, Grennan and Schiffrin, 2015). But part of the scholarly community has early on started looking at the downside of this development, as both the new entrants and the established media organizations were facing challenges in the new environment. First, digitalization impacted the quality of news, among others by increasing the speed of news production and deprofessionalizing the news industry (Meyer, 2004; Davies, 2008; Freedman, 2010; Phillips, 2010; Redden and Witschge, 2010). Secondly, the market experienced a decline in overall advertising for newspapers (Pickard, 2008) that was driven only in part by the economic crisis of 2008, and was accelerated by the change in preferences by both small and big advertisers for online platforms, such as Craig’s List, Facebook or Google (Rusbridger, 2018). News about media companies has been dominated by lay-offs especially in the local press, but even big players like *The Guardian* and *The New York Times* had to let a number of their staff members go due to financial problems—even if some of them managed to get back in the black thanks to changes in their business models.

### ***The Distinctness of Central and Eastern European Media Systems***

The democratization literature of the 1990s that has already been dealt with in depth in the previous chapter—starting from the optimism of the “end of history” (Fukuyama, 1992), when transitologists believed that democracy is going to become the “only game in town” (Linz and Stepan, 1996:15), to the disenchantment of the new millennium, when it became obvious to scholars of democratization that backsliding countries are more than just exemptions that strengthen the rule.

Levitsky and Way (2010a) further pointed out that authoritarian systems can have characteristics that would normally be associated with democracies, while Carothers (2002) challenged the idea that media or civil society (that were seen as important components of a liberal democracy) had a specific “form and coloration” (Siebert et al., 1956) that is only determined by the country’s political system.

[...] the various assumed component processes of consolidation – political party development, civil society strengthening, judicial reform, and media development – almost never conform to the technocratic ideal of rational sequences on which the indicator frameworks and strategic objectives of democracy promoters are built. Instead they are chaotic processes of change that go backwards and sideways as much as forward, and do not do so in a regular manner. (Carothers, 2002:15)

This insight proved consequential also for the field of comparative media analysis, which for many decades was determined by the 1956 work of Siebert, Peterson and Schramm *Four Theories of the Press*. Taking a “universalizing” stance (Hallin and Mancini, 2012:1), Siebert and his co-authors had not only conceptualized media systems as the immediate consequences of their country’s political systems, but also understood their development consequently as a linear process, where the endpoint of media development was seen as something resembling the American model. To overcome this universalistic approach, Hallin and Mancini’s book *Comparing Media Systems: Three Models of Media and Politics* (2004) introduced a typology to compare different Western media systems. The authors have categorized 18 Western media systems into the “liberal”, the “democratic corporatist” and the “polarized pluralist” models, and compared the 18 chosen Western states along the following criteria: a.) the role of the state, b.) political parallelism (to be understood as the relation

between the media and the societal environment), c.) the professionalization of journalism, and d.) the structure of media markets.

The *liberal* model denotes media systems of the United Kingdom, the United States, Canada, and Ireland. Countries have a long history of press freedom and the mass-circulation press; professionalization of journalism is strong, the state's role is very limited, while the threat from instrumentalization may come mainly from business interests, and less from political groups or the state. The *democratic corporatist* model refers to the media landscapes of the northern part of continental Europe, such as the countries of Scandinavia, the Benelux countries, and the German-speaking countries. These countries are also characterized by a relatively long history of a developed media industry, but many media have been connected to parties or organized social groups. Finally, the *polarized pluralist* model refers to Mediterranean countries, such as Greece, Spain, Portugal, or Italy, where a small circulation press is focusing mainly on the elites, and the wider masses rely on broadcast media. In these countries, media industries started developing relatively late, the respect of media freedom is a relatively recent phenomenon, and the press is dependent on subsidies to go on functioning. This, in turn, gives political, economic, or other interest groups a chance to instrumentalize the media. Political parallelism is high, journalistic products are often opinionated, commentary oriented or have a strong focus on advocacy, and journalistic professionalism is not as strongly developed as in many other countries of Europe. The state plays a large role as both owner and regulator in the media markets of these countries (Hallin and Mancini, 2004:73-75). For many newsrooms in Central and Eastern European countries, the journalism practiced in the liberal model was seen as the golden standard, nevertheless, scholars initially highlighted parallels between the media of new democracies and the "polarized pluralist" media landscapes of Southern Europe (Splichal, 1994; Wyka, 2007; Jakubowicz, 2008). In both regions television has been the main media of choice in society, newspapers (at least from the 1990s onwards)

were catering only to a small elite audience, while clientelism and state paternalism were common characteristics in both regions (see Vartanova, 2012:122).

However, Voltmer (2008:37) argued that “[e]ven though similar problems can be found in the media systems of established and new democracies, such as commercialization and political parallelism [...] the media systems of new democracies cannot easily be classified into the three models proposed by Hallin and Mancini”. Mihelj and Downey (2012) added that even adding a “post-communist” media model wouldn’t suffice: instead, one needs to improve the comparative framework, and incorporate more non-political factors, such as economic and socio-cultural variables. Newer works argue that media systems outside the Western world “are the result of interactions between historical heritage, politics and political culture, economic development, media owners and journalistic culture, social culture and civil society, and also the implementation of and access to new technologies” (Dobek-Ostrowska, 2015:13; for similar arguments see also Voltmer, 2012 and Roudakova, 2012). Dobek-Ostrowska (2015:11) highlights that there are two major negative media trends in the post-socialist region of the world to be found in almost every country in the region: politicization and commercialization, which both stem from a kind of pressure. Both of these will be described in the countries of interest. Kraidy (2012) points out that in the current media environment the borders of a media system don’t necessarily coincide with the state borders, since new technologies have enabled the creation of a number of transnational media organizations. Toepfl (2013) also adds external factors to the list of criteria, among others the country’s proximity to the West. This argument bears similarities to Levitsky and Way’s (2010a) focus on the degree of Western “leverage” over authoritarian and democratizing states—meaning that the more influence Western countries have over a given country, the higher the chance that human rights will be respected (I will give a detailed explanation of their theory in the next section). This was reiterated by Mungiu-Pippidi (2015) who argues that Western influence played an enormous role in the

media landscape of post-Communist Europe, as it provided a cultural model to be followed by journalists (as well as politicians), because of the conditionalities of accession to regional organizations (such as NATO, Council of Europe, EU) and “through the permanent channels of communication between professions” (Mungiu-Pippidi, 2015:183). Roudakova (2017:101) adds that besides contributing to a better regulatory environment, the proximity to the West led to the wider availability of foreign capital, which stabilized media ownership structures in Central Europe and also strengthened the professionalism of journalism. Given these conditions, we can argue that in a large, militarily strong country with a relatively closed economy and weak Western ties (following Levitsky and Way’s concept, I will refer to them as low-linkage and low-leverage) it is more likely that the government can crack down on civil society, media, the opposition or other democratic actors without repercussions.

In light of my focus on the state and economic pressures and the donor community’s responses,<sup>8</sup> I will follow the suggestions of Vartanova (2012) who, in her efforts to adapt the Hallin-Mancini-concept to media systems beyond the Western world, described the difference between Eastern European media environments as a result of “diversity of informal constraints in national environments” (Vartanova, 2012:122). As such, she suggests that in case of Russia and other countries in the region the “main focus of media system analysis should be on interrelations between the »state« taken as a theoretical and cultural concept, as the quintessence of power” and other institutions “such as the market economy, political parties, certain state agencies and agents, and the journalistic profession” (Vartanova, 2012:122).

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<sup>8</sup> I find the additional components of media systems highlighted by Dobek-Ostrowska and other scholars relevant when one aims to define the overall characteristics of a media system, cultural variables or the specificities of a country’s historical development would take me too far from my intended analysis (although further studies could indeed look into ways in which cultural and historical variables impact a society’s willingness to pay for news or the acceptability of foreign support).

I will start my comparison by turning to the core categories of Hallin and Mancini, as they provided the basis of many comparative research articles, also in the Eastern European context. I also highlight the role of foreign influence in these countries, which I see as the important additional criteria highlighted in the literature about media systems in Eastern Europe, but also a key factor when analyzing current forms of foreign support in our countries of interest. Following Vartanova's (2012) suggestion of focusing on the key role of the state, I will argue that in regards of the many similarities, the main determinant of the differences in outcomes is the nature of the state and the freedom it enjoys to mingle in media affairs. Therefore, I turn to the concept of linkage and leverage as defined by Levitsky and Way (2010a) to come up with an analytical framework for analyzing the states' courses of action, and the newsrooms' options given how far their governments can go when aiming at putting pressure on independent newsrooms.

### ***State Pressure***

In the previous chapter we described the rationales behind authoritarian governments maintaining some degree of democratic institutionalism—among others the aim to demobilize the opposition, retain access to foreign support and to keep an eye on the opposition. But the degree of respect for these institutions, and the extent to which dissent is tolerated, differs from country to country. To understand the extent to which a state can put pressure on democratic institutions—including the media—, Levitsky and Way (2010a) offer a compelling conceptual framework. In their structuralist analysis, they focus on factors rooted in long-term historical processes that form the so-called linkages and leverages of a given state and thereby determine their trajectory. Leverage refers to the given country's strength on the international political arena, its bargaining power towards the West, and its vulnerability towards sanctions and other

forms of pressure. It is best understood as the West's leverage over the country. Linkage is defined as the "density of ties (economic, political, diplomatic, social, and organizational) and cross-border flows (of capital, goods and services, people, and information) among particular countries and the United States, the EU [and especially the pre-2004 EU members], and Western-dominated multilateral institutions" (Levitsky and Way, 2010a:43).<sup>9</sup> The authors argue that the lower the West's leverage over a given country against outside forces and the lower its linkage to the West, the less chance there is to see meaningful democratic institutions emerging or surviving in these countries.

The leadership of a large, as well as economically and militarily strong country (such as China, India or Russia), that can itself put neighboring countries into its zone of influence, counts as a low-leverage country, as it can withstand pressure coming from the West—without facing serious repercussions. At the same time, smaller countries are more dependent on cooperating with others, thereby experiencing higher leverage.

The role of linkage can be best seen in Latin America and Central Europe, which the authors regard as two high-linkage regions where most of the competitive authoritarian regimes have democratized, not lastly because the geographical closeness to the U.S. and the EU respectively has strengthened the ties with prosperous democracies, and thereby increased the standing of democratic institutions in the local elites. Moreover, this closeness has also shifted the West's interest towards what was happening in these countries (violations became news in the West) and increased the chances of the West taking action.

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<sup>9</sup> A country's leverage is determined by a.) the size and strength of the country's economy, b.) Western interest in the given country, and c.) countervailing powers to the West. Linkage includes the number of cross-border connections, that manifest in the a.) economic (the extent of trade, investment and credit), b.) on the intergovernmental c.) technocratic (the share of the Western educated elite), d.) social (flow of people across borders), as well as e.) information and civil-society (international networks of NGOs and other organizations) levels.

The authors see the chances of democratization as highest when both linkage and leverage are high. At the same time, countries with high leverage and low linkage have only experienced a weakening of authoritarian tendencies but did not manage to create a stable democracy. This was for example the case in Kyrgyzstan, a relatively small, former Soviet republic, which has strong economic and political connections with two major non-Western and non-democratic geopolitical powers (China and Russia). Thus, even though Kyrgyzstan has experienced two popular uprisings (the “Tulip revolution” in 2005 and the 2010 revolution, referred to as the “April Events”), and both have led to the ouster of authoritarian presidents, new governments didn’t fulfil the expectations of democratic minded observers. Freedom House (2018) has, for example, reported about the Kyrgyz government’s efforts to consolidate power and the use of the justice system “to suppress political opponents and civil society critics.”

In the case of the countries of Central Europe especially, the high level of linkage and leverage has turned out to have a beneficial effect in the 1990s and 2000s. Once transition from communism started, Western companies started scaling up their interests in these countries, increasing their foreign direct investment, among others in the media. In addition, Western governments and multilateral institutions played an active role in the democratization of these countries by setting democracy and rule of law requirements for loans and assistance; a prominent example is the EU’s introduction of the Copenhagen Criteria which set out the rules that define whether prospective members are eligible to join the European Union. International donors also started complementing economic aid with political and democracy assistance to speed up transitional processes of their countries of interest.

### ***Linkage and Leverage in International Affairs and Democracy Assistance***

When it comes to the West's capacities to effectively apply counter-pressures against countries that break the rules, exactly the same aspects, such as existing ties to the West and the size and geopolitical position of a country come up in the foreign affairs literature: "small states" or "small powers" (commonly defined as states with a population of less than 10-15 million people, factoring in some measure of economic and military strength, as well as the country's area) are described as countries that are vulnerable to pressures coming from the international system (Kassimeris, 2009; Steinsson and Thorhallsson, 2017), and therefore Hey (2003), for example, argues that states that are relatively small and rely on support from others are more likely to emphasize internationalist principles, international law, and other "morally minded" ideals. They secure multinational agreements and join multinational institutions whenever possible. Moreover, they often choose neutral positions, as they cannot openly object to the interests of superpowers, who they rely on for „protection, partnerships, and resources" (Hey, 2003:5). Luif adds that "smallness is a handicap" (2003:111) for a country that aims to defy democratic ideals—as it was highlighted by the sanctions imposed by the EU-14 against Austria when the far-right populist FPÖ became part of the government. The leverage argument comes in, among others in the work of Alter et al. (2016:28) who mention that in cases where multilateral organizations provide market access or financial assistance to countries in need, compliance with judgements of international courts—also including respect for human rights—is more likely, as these supported countries are thereby signaling their commitments to donors' goals.

Similar arguments come up in the literature about political assistance, influencing both donors' willingness to get involved in a given country, and the recipients' acceptance of foreign activities—as the optimal constellation in democracy promotion would entail partnership and cooperation in democracy promotion.

Carothers and De Gramont (2013) emphasize, on the one hand that many donors are willing to be more assertive in their political and development goals when a government is unwilling to engage with the West—for example in 2000, when Western governments supported the challengers of Slobodan Milosevic, the president of Yugoslavia, who was by then indicted for war crimes. Other examples include Chile in 1988 when dictator Augusto Pinochet aimed to extend his rule by 8 years through a referendum, or the pro-democracy movements in Georgia in 2003 and in Ukraine in 2004. However, the Western aid providing countries are sometimes driven by their own self-interest, and thus reluctant to try to make an impact. Alesina and Dollar (2000) have found that strategic and political goals play a large role in giving, showing for instance that non-democratic former colonies often receive more support than other countries with better policy credentials. Geopolitical interests are especially important when the donation comes from states or supra-state entities. Research highlights that the EU's track record in democracy assistance shows that “poor, marginal African states tend to be subjected to negative conditionality more easily than strategic countries, even if they have similar human rights records” (Panebianco, 2006: 145). In a similar vein, Sunn Bush (2015: 13) points out that donor governments often prioritize stability over change, especially when they have favorable relationships with a given government.

Gershman and Allen mention that some states with limited Western ties, such as Cuba, Burma, North Korea, and Syria „have never permitted democracy assistance and deal harshly as a matter of course with any sign of internal opposition” (2006:36), while countries that have still relatively good relationships with Western governments—or are relying on development aid for other reasons—can still be convinced by the international community to refrain from pressuring civil society and other recipients of foreign democracy support (Gershman and Allen, 2006:46). However, in the last decade the number of countries willing to put pressure on civil society has grown (Carothers, 2016; Neier, 2012). Carothers and De Gramont point

out that countries such as Bolivia, Russia or Uzbekistan made use of their ability to resist foreign aid—by enacting restrictions on aid acceptance, expelling donors or arresting aid recipients—when they felt that the activities of donors could lead to too much pressure for change (Carothers and De Gramont, 2013:265-269).

### ***Media in a State of Capture***

While states are limited in their use of outright pressure against the independent media, the precarious economic situation of newsrooms, aggravated by digitalization, has opened up new—more sophisticated—opportunities for states to increase their power over domestic news media. These measures are often less visible, and don't come with outright violations of human rights or civil liberties: as shown in chapter 2, instead of revoking licenses, authorities can use selective subsidies as sticks and carrots or instead of blocking content they can create a “choice architecture” in which critical content is harder to be found.

To understand soft pressures, there is another important analytical framework that helps us understand how media continue to be affected and controlled by a government and businesses (Schiffrin, 2018, Schiffrin, 2021). This is the literature focusing on the issue of “media capture”. Besley and Prat (2006:720) refer to media capture as a “combination of formal press freedom and substantial political influence” while Mungiu-Pippidi (2013) has described it as a situation in which media have “not succeeded in becoming autonomous and manifesting a will of their own, nor able to exercise their main function, notably of informing people,” as they are captured by “vested interests” (2013:41). These interests are mainly businesses and governments, but scholars have also added other factors such as dependency on advertisement (Herman and Chomsky, 2002), digital platforms (Nechushtai, 2018; Bell, 2021; Usher, 2021a) and philanthropy (Benson, 2018; Gabor, 2021) to the list. While the market can

capture the media mainly through ownership (and the owners' interests) and a dependency on advertisement, tools of media capture by the government include state subsidies, debt bailouts, preferential distribution of state advertising and tax breaks for owners (Mungiu-Pippidi, 2013) as well as market disruption measures (Dragomir, 2018).

In this context, the importance of providing subsidies for the news media has been highlighted by a number of scholars (McChesney, 2011; Murschetz, 2013; Rusbridger, 2020), while an emerging literature on donor-funded newsrooms has looked at foundations as the sources of alternative revenue for news outlets (Feldman, 2007; Guensburg, 2008; Westphal, 2009; Browne, 2010; Benson, 2018; Wright et al., 2018; Scott et al., 2010). In the 2010s, grants provided by foundations or governments are seen as an almost inevitable source of funding for the kind of journalistic content that is ignored by the market. Examples are reporting on international development (Bunce, 2016; Schiffrin, 2017) or investigative journalism (Nisbet et al., 2018). Grants are not without their own perils: the literature has written about the (sometimes hidden) agenda of donor organizations (Browne, 2010; Bunce, 2017; Schiffrin, 2017; Benson, 2017; Wright et al., 2018) which might affect the reporting of newsrooms; while Kumar (2006) writes that assistance to individual media creates a culture of dependency; and based on his experience implementing and designing programs, he adds that the international community has been more successful when it came to improving professional standards of journalism, than when it came to creating sustainable, and economically viable media organizations. Gonzalez Cauhapé-Cazaux and Kalathil (2015) mention that many donor-funded media projects need to close when funding ends. According to Rothman (2015) and Nelson and Susman-Peña (2012), one of the main reasons for the lack of sustainable progress is—besides a lack of donor coordination and cooperation—the unfavorable political environment (as Carothers and Gramons, 2013 stated: “[b]y its very nature, foreign aid is politically sensitive” and “inherently intrusive”). An enabling environment for the media

cannot be created without the necessary framework of laws and regulations; these laws and regulations in turn are the outcome of a cooperative government, which is not always given. However, these statements also highlight a tension at the core of the issue: To reach an optimal outcome, donors need the cooperation of governments. But strong and independent media are acting as checks on government. As such, many governments are unwilling to cooperate with foreign donors. Thus, even if improving standards of journalism could theoretically be more useful and sustainable, donors find themselves in a situation in which they have to rely on measures that can only promise a short-term stabilization of the financial situation of newsrooms.

While donor-funding aims to help newsrooms withstand media capture, it also provokes new responses from authoritarian states that are targeted specifically at donors and recipients. The aim of these reactionary pressures is to either limit the availability of foreign funding to newsrooms or to inflict some harm on newsrooms that receive the funding—as chapter 8 shows, the intensity of these measures is also determined by the countries' linkage and leverage.

### ***Field Theory and Newsrooms' Reactions***

Despite operating in the same country context, not all media outlets react the same way to pressure. To describe the differences in newsrooms' reactions, I will rely on Bourdieu's field theory. This theory is widely used in journalism studies and can both help understand the external constraints to journalism and the different reactions of news media outlets (Benson 2006:188). The applicability of Bourdieu's field theory to journalism is to a large extent based on the text *The Political Field, the Social Science Field and the Journalistic Field* (Bourdieu, 2005) in which Bourdieu shows how political and civic interests shape news production. He

looks at journalism both as an integral production process and a creator of frames that helps media users make sense of the world. Those working in journalism are all agents of a field.

In the field of journalism, a number of actors cooperate and compete in order to produce content (and meanings), whose rules are “comparable to a field of physical forces (Bourdieu, 2005:30)”. This field is shaped by internal and external forces, to which journalists and newsrooms react, or which they aim to shape. To what extent these internal or external forces are impactful, depends on the set of dispositions the given actors of the journalistic field acquired, as these dispositions can provide their “preconstrained” acts with a degree of freedom.

In a similar way to the political field, the journalistic field aims to “impose the legitimate vision of the social world” (Bourdieu, 2005:37). Due to this similarity in aim, agents of the political and journalistic fields constantly interact with each other and try to influence each other’s activities. Bourdieu’s prime example of an agent successfully influencing the political field is the French writer Émile Zola.<sup>10</sup> While he is seen as a successful agent, to a large part due to the autonomy provided by the high standing of literature at the time, Bourdieu cautions that the journalistic field of the late 20<sup>th</sup> century has a low autonomy—advertising pressure, audience ratings and precarious employment conditions make the actors in this field dependent of and vulnerable to outside forces (Bourdieu, 2005:41-43). This means that it is more likely that politics will make successful attempts to influence, or even capture the journalistic field than the other way around. The market developments of the last decades have further increased newsrooms’ dependency and vulnerability.

With time, members of the field acquire a set of dispositions that can increase their freedom. Bourdieu calls the dispositions that the actors of the field acquired (economic, social

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<sup>10</sup> He held the French government to account for falsely convicting the officer Alfred Dreyfus for treason, in an open letter published in the newspaper *L’Aurore* in 1898. With this letter, Zola entered the field of politics to influence its inner functioning without becoming a politician himself (Bourdieu, 2005:46).

and cultural) capital: in addition to money they comprise, among others, of know-how, style, connections and networks. The interplay of these components can, with time, lead to the creation of so-called symbolic capital: this means that the actors are “perceived and recognized as legitimate” (Bourdieu, 1986:4) by outside observers. Champagne (2005) refers to the symbolic capital of a newsroom as legitimacy. I will argue that this legitimacy is key in understanding which newsroom are most vulnerable to pressure.

Taken together, the differences and similarities discussed above enable me to develop a nuanced understanding of the reasons why independent media outlets in the two countries take, to some extent, different paths when it comes to finance the operations of their newsrooms that aim at providing independent news coverage. While there are several additional aspects beyond those core concepts that have been discussed in the literature on comparative media systems, the chosen focus on state and economic power enables a robust analysis and facilitates its integration with the wider scholarship on media systems and media financing in authoritarian settings.

## **Summary of the Chapter**

This chapter looked at the theoretical framework of my dissertation, combining several bodies of literature that allow me to conduct an empirical investigation of media organizations’ financing under governmental pressure in non-democratic settings. I described how I am going to analyze the situation of independent Hungarian and Russian news outlets through the lens of the theory of the political economy of the media. This theory allows readers to understand the social and political relations that shape the production, distribution and consumption of news media. There are countries, where the government plays not only a regulatory role, but also tries to control the media, among others by using the current fragilities of the media market.

To understand how this works, the literature on media capture provides a useful analytic lens. This can take place through economic means, such as ownership and a dependency on advertisement, while tools of media capture by the government include state subsidies, debt bailouts, preferential distribution of state advertising and tax breaks for owners (Mungiu-Pippidi, 2013) as well as market disruption measures (Dragomir, 2018).

I made the case for comparative dimensions, drawing on the insights of among others, Voltmer (2008), Vartanova (2012) and Toepfl (2013). In her efforts to adapt the Hallin-Mancini-concept to media systems beyond the Western world, Vartanova described the difference between Eastern European media environments as a result of “diversity of informal constraints in national environments” (Vartanova, 2012:122). She suggests that in case of Russia and other countries in the region, researchers should focus on the interrelations between the state and other institutions, such as the media. To help understand the differences in the role of the state, the theory of Steven Levitsky and Lucan A. Way (2010a) helps identify a key determinant of political and institutional dynamics in these two countries: the country’s size and strength, on the one hand, and the intensity of its ties to the West, on the other. While the structural country context shapes the newsrooms’ decisions related to reliance on foreign grants, there are still diverging responses among newsrooms inside both countries. I suggest that Bourdieu’s field theory can be of help when attempting to better understand what drives individual decisions. In the following chapter, I will show how Russia and Hungary fit into the comparative frameworks.

## Chapter 4: Comparative Case Study

In the previous chapter, I described the theoretical framework of my dissertation. I highlighted that for the comparison of Russia and Hungary I am drawing on the insights of Voltmer (2008), Vartanova (2012), Toepfl (2013) and others who extended Hallin and Mancini's (2004) work on comparing media systems to non-Western settings, including Eastern and Central Europe. This allows me to build a framework that enables a systematic analysis of the financing and support of the media in my two countries of interest. To understand the role of the state, which Vartanova, 2012 sees as the key determinant when it comes to understanding the state of a specific Eastern or Central European media system, I rely on the research of Steven Levitsky and Lucan A. Way on so-called "competitive authoritarian" systems (2010a). This conceptual framework is used as an important reference point for authors aiming to understand the political and institutional dynamics in a region where a brief period of opening was followed by political backlash.

It is against this background that I start my investigation of independent media organizations which are operating in the two media landscapes—those of Russia and Hungary—where the respective governments started to pressure journalistic organizations that were reporting critically about the holders of power and aimed to provide their consumers with information that was challenging the government's narrative. I first briefly describe the experiences of democratization in the two countries and the role Western influences played in the process, then I compare the countries based on their key characteristics: the development of media markets, the development of journalistic professionalism, political parallelism, as well as the degree and nature of state intervention. The last part determines the differences in the degree of possible state pressure—the key determinant of the state of media freedom in the region.

## 1. New Democracies in Central and Eastern Europe and the Powers of the State

Since the transformations in post-communist Eastern and Central Europe have happened very quickly (see Dobek-Ostrowska, 2015 and Jakubowitz, 2001), adaptation and the copying of best practices have played a large role in how the reforms turned out in the countries in question. A number of recent works have pointed out that regime change brought about a form of Westernization, driven, on the one hand, by the promotion of economic reform ideas of the so-called Washington Consensus (Ther, 2014), the newly democratized countries' strategies to develop themselves by copying well-functioning Western models (Krastev and Holmes, 2019), and on the other hand, by Western governments' and foundations' efforts to share know-how and best-practices with politicians and policymakers, as well as members of civil society and the media (Carothers, 1999).

The copycat mentality seen in the transformation of societies was just as visible in the media landscapes. Voltmer points out that several scholars and practitioners believed that “the media in emerging democracies would adopt Western models of operation, preferably the Liberal one with its emphasis on minimal state regulation and neutral reporting” (Voltmer, 2012:232),<sup>11</sup> and as such the development of the media market was determined by “imitation and a lack of innovations” (Splichal, 2001:51). Carothers highlights that during the years of

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<sup>11</sup> This understanding of media developments can be seen, for example, in the work of Dobek-Ostrowska (2015) who differentiated between four models of central and Eastern European media, which constitute four different levels of development or westernization. The concept showed similarities with Hallin and Mancini's comparison of media systems, and their liberal media model was placed at the highest stage of development. Dobek-Ostrowska has identified the Hungarian media as falling under a consolidated polarized pluralist model, which has reached the level of “secondary transition”: here the media are plural, free but heavily politicized. The Russian media is seen as authoritarian: it is used as a tool of political power and suffers under extreme state control and censorship. Since Dobek-Ostrowska's research was conducted before 2015, when Hungarian media were less centralized, and the takeover of much of the press in Hungary didn't take place yet, one can argue that Hungary has since moved closer to Russia, or at least regressed to the stage of primary transition, where media are strongly politicized, while the connections and entanglements of the media's political and business relations are far from clear.

transition, a number of Western organizations, such as the government-linked USAID, USIA, NED and Eurasia Foundation, and private groups such as the International Media Fund, the International Center for Journalists, Pro-Media or Internews were very active in this region, adding that „the use of American models [...] is particularly marked in media assistance” (Carothers, 1999:236-237). He points out that these U.S. media assistance programs emphasize a few core principles: the importance of nonpartisanship and objectivity, the value of investigative reporting, and the preferability of privately owned to publicly owned media—values that are still seen as important when talking to journalists in the neighborhood.

Russia and Hungary are both late democratizers, so called third-wave democracies whose status as (liberal) democracies has been contested by numerous political scientists in the past decade(s). They are two former “communist” or state socialist countries, which in the course of democratizations and a process of opening in the 1990s have...

[...] borrowed many features from an ideal ‘Western’ model, including abolition of censorship, freedom of press concepts and related legislation, privatization of media, a shift to more objective reporting, and increasing control by journalists and editorial boards over news production (Vartanova, 2012:121).

In the years following regime change, Russia and Hungary have strengthened their ties to the West: both countries became members of the Council of Europe, and Hungary went on to join NATO and the European Union.

Although the processes were similar, the degree of opening has differed quite a bit. While Hungary was praised for its reform activities, Russia was looked at with concern. Despite President Boris Yeltsin’s pro-Western gestures, the country’s weak economy and a wave of political turmoil have created a range of challenges for those who were hoping for

swift democratization. In the early years, Jakubowicz (2001:69-70) described the key difference between Hungary's and Russia's political and media development by pointing out that Hungary's "media war" in the 1990s took place strictly in accordance with the law, where constitutional and legal interpretations played an important role in legitimizing the steps of a given actor. Russian law, on the other hand, had far less authority, as it was "under pressure from lawlessness" (Jakubowicz, 2001:69-70).

The difference in the path of democratization was visible on the scores assigned to the countries by the human rights NGO Freedom House, which has aimed at quantifying countries' democracies in order to enable comparisons. In its report of the year 2000 (Freedom House, 2001), for example, Hungary was ranked "free" with a political rights score of 1 and a civil liberties score of 2, while Russia had the status of being "partly free" (5 for both political rights and civil liberties). Almost two decades later, Hungary was marked as "partly free" and Russia as "not free"—with both countries constantly declining in the context of persistent democratic backsliding in the 2010s (and in Russia already in the 2000s). Indeed, several Western commentators have highlighted similarities between the two countries, for example by using the label "Putinization" (Müller, 2011) to refer to the Orbán government's efforts to transform the country's constitutional system and the dismantling of checks and balances.

With the current trends of democracy backsliding, both political systems fall in the categories labelled by Carothers (2002) as "dominant-power politics" or "feckless pluralism" meaning that they have an existing political space, an opposition that participates on the elections, as well as democratic institutions, but one political grouping dominates the system. Levitsky and Way (2010a) would categorize the Hungary of the 2010s as a competitive authoritarian system, where the opposition still has chances of winning, while Russia is an electoral authoritarian system, where elections do not provide a space for real competition—

for example, because contenders who promise substantial change are often disqualified from running.

### *The Different Degrees of Pressure*

In their structuralist analysis, Levitsky and Way (2010a) focus on factors rooted in long-term historical processes that form the so-called linkages and leverages of a given state and thereby determine their trajectory. The theory, described in chapter 3 defines leverage as a government's bargaining power towards the West and its vulnerability towards sanctions and other forms of pressure (high leverage meaning that the West has high influence over the country); linkage refers to a country's density of ties to the West or its embeddedness in Western framework (the higher the density, the higher the linkage). In countries with lower linkage and leverage, the state has more opportunities to exert pressure.

Looking at this conceptual framework, one can easily make the argument that Russia is a low-linkage, low-leverage country, while Hungary is exactly the opposite: it is high-linkage and high-leverage. While Russia is a regional power, a country of 140 million and one of the biggest oil and gas exporters in the world which can relatively easily withstand economic pressures from abroad (as the sanctions regime following the occupation of Crimea has shown), Hungary is a country of 10 million, inside the EU whose economy is dependent on the activities of German and other Western European manufacturers.<sup>12</sup> This is reiterated by the literature: While Levitsky and Way (2010a:187) have pointed out that Russia's features size, gas reserves and nuclear warheads (among others) effectively contributed to the country's "authoritarian

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<sup>12</sup> Additional reasons for the differences in the human rights situation in the two countries include different culture and traditions, the citizens might be more prone to turn a blind eye to repressions in one than the other, not to mention that Russian democratization has not been as successful as in Hungary and its backsliding has started much earlier than in its EU-member counterpart.

stability”, Bozóki and Hegedűs (2018) refer to Hungary as an externally constrained “hybrid” regime, due to its external embeddedness in an alliance of democratic states that makes it harder for the country to get rid of its democratic institutions, as well as its checks and balances.<sup>13</sup>

The pressure that the respective governments put on foreign donors is a good example of a state measure that has similar intent but plays out differently according to the country’s situation. Commentators see many of the Orbán government’s repressive policies as motivated by Russian examples; the parallels between the Russian “foreign agent law” and Hungary’s “law on transparency of organisations funded from abroad” are amongst the most visible, due to the parallels in timing and the nature of measures (civil society organizations are mandated to report the foreign funding they receive, and they can be fined if they fail to do so).

The Russian “foreign agent law,” officially called “On Amendments to Legislative Acts of the Russian Federation regarding the Regulation of the Activities of Non-profit Organisations Performing the Functions of a Foreign Agent” was enacted in 2012 and it requires all non-profit organizations that receive donations from abroad and engage in “political activity” to register as foreign agents. The following “undesirable organizations law” of 2015 gave prosecutors the power to extrajudicially declare international NGOs

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<sup>13</sup> In Hungary, the Copenhagen criteria, which defined the conditions for joining the EU have required the existence of strong liberal institutions, independent media and a strong civil society. Thus, the country has already been a full-fledged democracy, with checks and balances in place, by the time its authoritarian turn began, which would in practice have made it harder to orchestrate an authoritarian turn. However, a number of other international efforts to constrain the Hungarian government were without effect, Pech and Scheppele (2017:26) mention, for example, that the European Commission has been unable to use the Rule of Law Framework against Hungary, as its government has due to its constitutional majority managed to bring the constitution in line with each of their acts that would have normally violated it (the authors call this “constitutional capture”). “With Hungary, the Commission’s default preference was to use the infringement procedure, which, given the way it has been deployed, has not produced any meaningful results because it aimed to reverse facts on the ground, something it did not have the power to accomplish.” Moreover, Kelemen (2016:131-132) adds that after the Commission brought infringement before the European Court of Justice (ECJ) for violating directives or regulations, the Hungarian government has refrained to “systematic resistance,” while it is also questionable whether the country’s courts “meet EU minimum standards concerning judicial independence and effective judicial redress” (Kelemen, 2016:136).

“undesirable”, thereby forcing them to cease their operations in the Russian Federation, while a 2017 follow-up to the foreign agent law has extended the registration requirement to foreign operated news agencies. Inspired by the Russian precedent, Hungary has passed the “law on transparency of organisations funded from abroad” (Act LXXVI of 2017) in 2017, which requires all associations and foundations to report to a court that they are “organisations funded from abroad” if their foreign donations exceed HUF 7.2 million a year (approximately EUR 25,000 at the time).

The laws had different effects in the two countries. In Russia, the laws have led to the closure of a number of foreign donor organizations (among others the Open Society Foundations, the National Endowment for Democracy, Open Russia and the Open Russia Foundation), which were all active, among others, in supporting independent media in the country. In late 2017, Russian President Vladimir Putin announced that a number of civil society organizations that accept grants from abroad had declined from 165 to 89.<sup>14</sup> In Hungary, in the meantime, affected CSOs have submitted a joint appeal to the European Court of Human Rights (ECtHR), and many organizations decided to not comply with the law. This is relevant because Bozóki and Hegedűs (2018) argue that the EU and other international organizations are both an external context for the country, as well as part of its integral system, as member states transfer parts of their sovereignty to the EU. They write: “the joint efforts of the Council of Europe and the EU, especially through the judgements of the European Court of Human Rights (ECtHR), could secure respect for personal freedoms at a relatively high level (...) Even the neutralized Hungarian Constitutional Court, which was packed with justices loyal to the

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<sup>14</sup> He didn't specify the reason, whether the organizations have managed to find other sources of income, scale down their operations, or ceased operating. According to media reports in Russia, many local civil society actors started responding to pressure from the state by refraining to apply for money coming from foreign sources (See The Moscow Times, 2017).

governing Fidesz party, accepts and applies the jurisprudence of the ECtHR” (Bozóki and Hegedűs, 2018: 1179).

In contrast, Russia, which is also a party to the ECtHR, but not a member of the EU, and has much looser ties with Europe, is often reluctant to comply with the decisions of the ECtHR. The Russian Constitutional Court, for example, was given the power to declare judgments of an international human rights body „impossible to implement” if they are inconsistent with the Russian Constitution—the doctrine was applied in 2016 to a case of the ECtHR (Madsen et al., 2018: 210). In other cases, the state’s response was „limited to paying damages without further implementation of judgments” (Madsen, 2016:174); and the ECtHR rulings condemning violations of LGBTQ rights were rejected by the Russian government in order to “advance a broader »Eurasia« political strategy that includes appealing to nationalists and conservatives who oppose such rights” (Alter, Helfer and Madsen, 2016).

These developments are of key importance when trying to understand pressures on the independent media, who are among the key democratic institutions of these countries. Carothers, for example, explains their crucial role as follows: “Whatever energies and hopes for effective opposition to the regime remain often reside in civil society groups, usually a loose collection of advocacy NGOs and independent media (often funded by Western donors) that skirmish with the government on human rights, the environment, corruption, and other issues of public interest” (Carothers, 2002:12).

## **2. The Media Systems of Russia and Hungary**

Both Russia and Hungary still have a relatively diverse media landscape, with a large number of newsrooms, and both of them have constitutions that provide for freedoms of the press and speech, while in the meantime the respective governments are undermining the

guarantees provided (see the latest Freedom House country reports from the year 2017). Due to this, we find in both countries a media model that lacks “coherence”, as de Smaele (2010:41) has described it: “There is private ownership but also heavy state control. There is a ban on censorship but also pressure on journalists to write or not to write about certain things. There is decentralization but also a highly centralized television. There are Western-style journalists who present the facts, but there are also those who are merely publicists.” And in both countries, we find a situation in which media that are independent and critical of the state are constantly in the lookout for new tools that enable them to continue operating.

On the following pages I am going to look at how this foreign influence has played out in the two countries, with a focus on the four core categories set out in the comparative media system literature: the development of media markets, the development of journalistic professionalism, political parallelism, as well as the degree and nature of state intervention.

#### ***a.) The Development of Media Markets***

Hallin and Mancini (2004:22) see the development of the mass circulation press as one of the most important determinants of the development of a media market. During the years of state socialism, both countries had relatively high newspaper readership. In the Soviet Union, for example, Moscow-based newspapers (which accounted for 73 percent of all circulation) had a nationwide circulation of over 80 million (Belin, 2002:140); with a population of 286.7 million (Anderson and Silver, 1990) we can infer an approximate 382 newspapers per 1,000 inhabitants. After the fall of communism, however, the Russian newspapers found themselves without the necessary financial support. The situation became so severe that in early 1992, the country’s largest newspapers *Komsomolskaya Pravda* and *Trud* were not available at newsstands anymore, due to a lack of newsprint (Androunas, 1993:61). With the help of state

interventions, foreign support and investments, the market got stabilized in the 1990s, but nevertheless the interest in the printed press has fallen well below the earlier numbers: in the 2000s, the estimated number of newspapers sold was 100 per 1,000 people (de Smaele, 2010:48).

Similar trends were visible in Hungary. The estimated number of newspapers per 1,000 people fell from 273 in 1988 (Baló and Lipovecz, 1992) to 163 in 1996 (KSH, 2002), and continued to fall. According to the 2002 report of the Hungarian Statistical Agency (KSH, 2002) Hungarian newspaper readership numbers were around average in the former Eastern bloc. Due to the post-transition economic problems, many of the old newspapers would have been unable to survive on the free market without foreign investment (Aumente et al. 1999), thus by the mid 1990s almost 80 percent of Hungarian newspapers belonged to foreign investors. But even the foreign cash injections weren't enough to bring back demand for news publications to the same level as they were prior to the years of transition. "Citizens initially reacted enthusiastically to the novelty of uncensored publications. But the enthusiasm quickly waned as the novelty wore off, an accustomed cynicism returned, and ordinary citizens worried more about economic survival than the daily political bickering of the various political parties and factions" (Aumente et al. 1999:138).

Despite economic hardships, the 1990s and 2000s have led to the founding of a number of high-quality news outlets, and an increased demand for professionalization amongst newer generations of journalists in both countries (see Gálik, 2004 and Bajomi-Lázár 2017), therefore news outlets like *Kommersant* and *Vedomosti* in Russia or *Népszabadság* and *HVG* in Hungary enjoyed high prestige even by international observers. But in the meantime the changing interest of readers, newsrooms focusing on news and analysis rather than entertainment did not gain a strong enough economic footing (Bajomi-Lázár, 2014). Soon television has become the main source of information, both in Russia (de Smaele, 2010, Vartanova, 2012, Volkov &

Goncharov, 2017) and in Hungary (Mérték, 2018) – and as such, willingness to pay for print (and later online) news has dwindled. In an Ipsos poll of 27 countries, conducted in 2020, Hungary and Russia were the two countries with the highest percentage of respondents who said they only consume news that they can access for free (79 percent in both countries) – although there has been a divergence when asked about willingness to pay (Hungary 23, Russia 15 percent) and ability to pay (Hungary 25, Russia 15 percent) for trusted sources (Ipsos, 2020).

In the years following the transition from communist one-party state to a more competitive political constellation in Hungary, “journalists sought refuge from government control in the arms of rich foreigners” (Kováts and Whiting, 1995:123). But once the economic crisis hit and the print and online media started facing thus far unprecedented challenges, with no viable solutions for profitability in sight, investors’ willingness to shelter media from state pressure has visibly waned (Trappel, 2017:231) in both countries. The Finnish publishing house Sanoma for example has sold its Central European holdings and started divesting from Russia already before new media ownership laws were announced, while the legal changes of the year 2014 bar foreign investors from holding more than 20 percent in a Russian media organization. This legal development forced, among others, the German company Axel Springer and the Swedish Bonnier corporation to sell its stakes in local media outlets in Russia. While the old foreign owners were usually sheltered from government pressure, the new local owners in both countries are seen as much more vulnerable to the government’s activities or might share interests with those in power. In addition, the state is an active participant in these countries’ weak media markets and is openly or covertly subsidizing news outlets that provide favorable coverage to those in power (Sipos, 2013; Urbán, 2013; Makeenko, 2013; Dragomir, 2018; Gerli et al., 2018). In Russia, so-called state information contracts are a common way to support friendly media (Dovbysh and Lehtisaari 2020). In the Hungarian case, Bátorfy (2019:40) writes that state advertisements accounts for 30 percent of the overall advertising

revenues on the Hungarian media market. The author adds that in the case of some government-friendly news outlets, there is proof that 75-80 percent of their revenues comes from the state or state-owned enterprises.

### ***b.) The Development of Journalistic Professionalism***

The professionalization of journalism is determined by the professional norms that drive the daily work of journalists. In both Russia and Hungary, these norms have undergone changes in the 1990s and later years, in part due to the transformation of the media systems, and a changing role of the media within it. Scholars of media transformations (O’Neil, 1997, Kovats and Whiting, 1995, Vartanova, 2012, Bajomi-Lazar, 2014) have defined the change in ideal journalistic professional roles in former communist countries as a shift from the Leninist tradition of propaganda, agitation and organization in accordance with the (state-)party line to a Western understanding of watchdog journalism, where the press is not merely a tool of the powerful, but one of the checks and balances in society, and journalists are servants of the public.

Jakubowicz (2001:75) writes that according to the reform logic, journalists were expected to “redefine themselves from propaganda tools to providers of competently collected and written information and non-partisan, impartial interpreters of social reality.” But the ideals were not always met: Jakubowitz argues that journalists in Eastern and Central Europe have seen themselves in a quasi “messianistic” role, subordinating their work to the task of promoting political and social change. Weaver (2015:99) as well as Mocek (2015:113) write that in many of the countries in the region, journalism has lost its prestige in the years following the fall of communism, the boundaries of journalism have become less clear and many

journalists are doing other kinds of media-related works on the side, sometimes even for political actors.

In the case of Russia, Nataila Roudakova argued in her acclaimed book *Losing Pravda* (2017:159) that the initially declared mission of truth-seeking in the journalistic tradition was soon defeated by growing cynicism in mainstream journalism, when newspapers started changing hands, many acclaimed journalists of the 1990s and early 2000s had to change professions and quality journalistic work was soon sidelined. Toepfl (2013) highlights that even in the Glasnost era of reforms, many of the Russian media practitioners remained supportive of the party-line, while the changes in journalism education were slow and limited in the decades following regime change. Many journalists still saw themselves as belonging to a specific interest group. There was a lack of journalistic unions with the necessary authority, a limited system of professional ethics and no agreement upon professional standards (de Smaele, 2010:53). Pasti (2005: 107) has pointed out that neither the old nor the young generation of Russian journalists has managed to live up to the standards of independent journalism, while the older generation still stuck to its role as a propagandist (if not for the state then for economic interest groups), the younger generation often decided to work in fields that are less political. In the meantime, many new media entrepreneurs saw the key to success in utilizing “working-personal alliances” between journalist and parts of the political and business elite (Pasti, 2015: 131).

At the same time, there were also some works that highlighted efforts towards professionalization—albeit rarely successful. Wu, Weaver and Johnson (1996) have found that in the early years of transformation, journalists did feel an obligation to inform and set the agenda, but didn't put an emphasis on going after their government's claims, however, in 2012 Nygren and Degtereva found that Russian journalists had a similar understanding to their Western counterparts, believing that their task was to “disseminate information quickly and

verify the facts, to analyze and to develop the public interest concerning significant questions for society” (Nygren and Degtereva 2012:741) but political and economic pressures have hampered their efforts.

In the Hungarian case, Kovats and Whiting (1995:119) argued that in the early years the separation of opinion and fact-based journalism did not manifest in many of the news outlets, and at times the public service media was accused of being used as a propaganda outlet of the government. Writing about the later years, Sipos (2013) points out that the norms of Anglo-Saxon journalism are seen as a standard to aim for in the journalistic community, and in the country ethical codes have emphasized the need of impartiality, objectivity and separation of news from opinion, but in practice he found heavily biased journalists. He argued that strong ties between journalism and politics have led to a situation in which “information is not checked when it serves the interests of the given political party or coincides with their ideology” (Sipos, 2013:100). Similarly, Mocek (2015) mentions that “the separation of facts from opinion and internal pluralism, have been ignored and have not been fully implemented throughout the entire period of transformation” (2015:114), but he also lists the names of a number of organizations that aim to promote quality journalism by handing out prestigious awards and formulating codes of ethics. Gerli et al. (2018:30) mention that in Hungary there are also examples of pseudo-investigative journalists, who are acting “on behalf of their owners’ political or economic interests”.

Despite the difficulties and shortcomings, both countries have experienced an increase in investigative journalistic activities, which is also reflected in the shortlist of the *European Press Prize*, a prestigious award for quality news published in Europe. Although the selection criteria of such an award are far from objective and often nominations can be interpreted as an act of support for journalists working under tough conditions in troubled environments, the act of nomination could at least be interpreted as a sign that the listed newsrooms are committed

to truth seeking and that their work has reached a certain standard that can be called quality journalism. In the last years, for example, the Hungarian investigative newsroom *Atlatszo.hu* and *Direkt36*, and the news site *Index.hu* were shortlisted for best innovative reporting and best investigation, respectively; *Novaya Gazeta* from Russia is a recurring name on the list of nominees, and the 2019 recipient of the prize for best investigation was a cooperation between the British newsroom *Bellingcat* and journalists from the Russian investigative group *The Insider*.<sup>15</sup>

### **c.) Political Parallelism**

Political parallelism, or “the extent to which the media system reflects the major political divisions in society” (Hallin and Mancini, 2004:21) has already been touched upon in the previous point about professionalism: the literature sees journalists in both countries as biased towards a given political grouping, and having a hard time separating fact and opinion based journalism.

In the Russia of the 1990s “media were used to promote the interests of emerging elites, some of whom tried to legitimize themselves as political parties” (Vartanova, 2012:131). The process started early on with the Perestroika, as both the last General Secretary of the Communist Party of the Soviet Union Mikhail Gorbachev and later the first president of the Russian Federation Boris Yeltsin saw that they needed the media in order to govern, and as such they started rewarding those that were reporting favorable. With time, a system was created in which competing power groups (or patrons) had influence over different media publishers, and as such a form of “external pluralism” was created in which the news were

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<sup>15</sup> The list of nominees can be found here: <https://www.europeanpressprize.com/people/laureates/>

provided by a range of biased outlets – and which pluralism was later threatened by the emergence of a strong central government (de Smaele, 2010:51).

The “polycentric” media model of several politically biased power centers has dominated the 90s, but with Vladimir Putin’s election to the position of the president, efforts were made to build a “power vertical” which eliminated the competition and gave all the power to the government: in just a few years “various state agencies took financial or managerial control over 70 percent of electronic media outlets, 80 percent of the regional press, and 20 percent of the national press” (Khvostunova, 2014:11). As part of this takeover Gazprom Media (a subsidiary of the largest state-owned corporation in Russia) bought NTV, one of the country’s most popular television channels—which gained international acclaim for its coverage of the wars in Chechnya in the 90s.

In Hungary, the so-called “media wars” in the 90s have seen the government use indirect means of control, such as interventions in the sale of newspapers to foreign investors when the country’s first, conservative government helped the French right-wing newspaper magnate Robert Hersant acquire the daily *Magyar Nemzet* (Kovats and Whiting, 1995:119; Sipos, 2013:94). In the meantime, the Hungarian Socialist Party retained part-ownership of the biggest daily newspaper *Népszabadság*, and the remaining political dailies were also seen as sympathizing with one or the other political party (Sipos, 2013:94). Conservative governments launched their own publications, first the daily *Pesti Hírlap* in the 90s, and later—after Viktor Orbán declared that he introduces the policy of “media balance”—the weekly *Heti Válasz* was brought to life with the help of government subsidies (Juhász, 2004). In the second half of the 2000s, investors close to Viktor Orbán’s Fidesz party started to increase their investments in the Hungarian media market: when the Swiss investor Ringier announced plans to shut down the daily *Magyar Hírlap*, it was soon acquired by one of the country’s most well-known investors, Gábor Széles, who was already back then known for having strong ties to Viktor

Orbán (then leader of the biggest opposition party). Bajomi-Lázár has emphasized that already in the late 90s and early 2000s, there has been strong political polarization in the Hungarian media landscape, and politicians were treating newsrooms according to their actual or perceived political loyalties, as such many conservative or right-wing politicians have “actively denounced the journalistic community” (2003:106) and accused them of being biased. In this context Vásárhelyi (2012: 241) found based on her sampling of Hungarian journalists that in 2006, 60 percent of journalists “said there were topics about which the public could not be honestly informed, and three-fourth of journalists claimed to have experienced pressure to cover or not cover certain topics for political or economic reasons”.

The process of media purchases by investors with political ties was further accelerated after Viktor Orbán was reelected to power in 2010—and in a matter of years Hungary’s media system became dominated, similarly to Russia’s, by one central interest group. Among others, the news website *Origo* (formerly owned by the German Telekom) ended up in the hands of the son of the Hungarian Central Bank president, and parts of Ringier’s and Axel Springer’s portfolio (among them the majority of local and regional newspapers) were bought by firms close that were associated with Lőrinc Mészáros, the former mayor of Orbán’s hometown. Bajomi-Lázár (2013) calls the situation in 2000s Hungary “party colonisation of the media” in which media control is not only about influencing coverage, but it is also used by political interest groups to “extract resources from the media”—be it managerial positions, advertising contracts or subsidies—that can benefit loyalists. In the Hungarian situation, this extraction of resources is made possible by government advertising which accounts for the majority of revenues in loyalist newsrooms (Bátorfy, 2019:31).

#### ***d.) The Degree and Nature of State Intervention***

In Russia, the state has played an important role already at the beginning of the political and societal transformations of the 90s. It was, for example, Boris Yeltsin's edict that made sure that newspapers survive: in those years, the government has introduced fixed prices for newsprint (below production costs), which not only allowed publishers to go on printing their publications, it also gave the state power to maintain its control over the press under the conditions of a free market and democracy (Androunas, 1993:61). Pasti (2005: 107), however, points out that in the 1990s Westernization was a shared task of the media and the state, which often meant that they often acted in tandem. The 2000s saw a rise in oil prices and with it a declining Western dependence and a growing appetite for the Kremlin to control the information sector. The state's grip on media organizations became visibly stronger after Vladimir Putin became president and started breaking up the rivaling interest groups, among others by enabling state agencies to acquire large media holdings (Khvostunova, 2014:12).

De Smaele (2010) identified four ways in which the state is exerting control over the media: as owner, as funder, regulator and censor. As an example he mentions that the major state media holding VGTRK owns a number of major broadcast media channels, *Perviy Canal* (the first channel) is jointly owned by the state and private Kremlin-friendly owners, and a lot of other "semi-state" entities; but we can also find a number of state-related owners on the market of printed publications: the government publishes *Rossiyskaya Gazeta*, the presidential administration *Rossiyskie Vesti* and the parliament *Parliment'skaya Gazeta*, while many local newspapers are run by local authorities (de Smaele, 2010:54).

In its role of a funder, the government provides subsidies, sponsorship and advertising revenues. It provides direct support to the media it owns, but also subsidizes different forms of television programs (such as cultural or children's programs) due to the "social significance" of the content. In addition, de Smaele (2010:54) points out that there have been no criteria and standards to measure this significance of the programs, and the Ministry for Media has been

accused of being partial in the allocation of funds. There have also been indirect subsidies, such as tax breaks and reduced utility rates, and there are also (covert) subsidies at play (de Smaele, 2010:54). As a regulator, the government provides the basic framework in which the media functions (the law on Mass Media and the Law on Advertising) and regulates the broadcasting market. The president appoints the chairmen of a number of national television channels, and laws are often selectively enforced, and used to pressure media owners. An extreme, but still common form of this selectiveness is the courts' attitude towards violence against journalists. As Toepfl (2013:246) points out, authorities' reluctance to prosecute criminal acts committed against journalists is contributing to the overall feeling of vulnerability in the media landscape. Finally, de Smaele (2010:55) adds the role of the censor: although Article 25.9 of the 1993 constitution and the 1991 Russian Federation Law on the Mass Media (Article 3) ruled out censorship, there are so-called "state and other law-protective secrets" that can trump the principle of freedom of information of freedom of the press.

In Hungary, scholars have pointed out many similarities of changes in the media landscape to those observed in Putin's Russia (Bátorfy, 2017; Bajomi-Lázár, 2019). After Viktor Orbán was reelected to power in 2010, investors close to the government started buying up media organizations from foreign owners who decided to leave the Hungarian market due to decreasing profitability, this soon led to a situation in which 14 investors with close ties to the governing Fidesz party were owners of the majority of broadcast media, as well as the local news media serving the regions outside of Budapest—in late 2018 these owners have donated the majority of the outlets they owned to a newly founded entity, the Central European Press and Media Foundation (Bátorfy, 2019). Although in Hungary, an EU member, subsidizing friendly coverage constitutes a violation of EU competition rules. Still scholars have shown (Urbán, 2013; Bátorfy, 2017; Szeidl and Szucs, 2020) that the state has taken up the role of the biggest advertiser in the Hungarian market. In practice, this position enables the covert

subsidizing of media, as instead of placing advertisement in newsrooms based on reach, it is allocating these funds according to the newsrooms' loyalty to the government. Dragomir (2017) has also brought examples of the state using its role as a regulator to control the media market: in 2013, for example, the Hungarian government has announced the introduction of a new advertising tax that would have hit only one media company, the German-owned RTL. The media law also allows the government to make decisions over the use of frequencies, and the media authority has a right to veto activities that might lead to monopolization in the media market – which it did when two big foreign companies, Axel Springer and Ringier, were about to merge their portfolios and when Bertelsmann was trying to expand into the online media market in Hungary, however, it didn't find any problems with the Central European Press and Media Foundation becoming the owner of 476 publications overnight. State censorship, on the other hand, was not yet documented in Hungary – although commentators have raised alarm more than one time about the possibility that laws of the Orbán government could lead to (self)censorship: “Act CLXXXV of 2010 on media services and mass media” for example in its initial version would have imposed fines for what the regulator would deem unbalanced reporting (Vos, 2010).

How these differences in the positions of the two countries determine the developments of the media systems, will be analyzed in the following chapters, in which I will look at the funding models that newsrooms in Hungary and Russia can utilize in their respective environments and the different forms of pressure they experience.

### **Summary of the Chapter**

In this chapter, I made the case for a comparison between the two countries. First, I looked at the country's post-transition experiences, which were to a great part determined by

Western influences—in terms of best practices, standards to aim for and support to make it happen. The specific historical and geographic context also required me to look into the literature on democratization and democracy backsliding. The theory of Steven Levitsky and Lucan A. Way (2010a) helps identify a key difference that determines the political and institutional dynamics in these two countries: the structural conditions of Hungary, a competitive authoritarian system allow for less political backlash than the conditions in which the electoral authoritarian Russia finds itself. This will also determine the reliance on foreign support, as can be seen in later chapters.

I continued with the description of the media landscapes of Russia and Hungary, for which I was drawing insights from the works of, among others, Voltmer (2008), Vartanova (2012) and Toepfl (2013). I looked at four categories: the development of media markets, the development of journalistic professionalism, political parallelism, as well as the degree and nature of state intervention. I established that both countries have experienced similar trends in the past decades. They started developing a free media market that had many Western features, however, the 2000s and 2010s brought a new trend of authoritarianization that has impacted the state of the news media as well.

In the following, methodological chapter, I will define two key terms of this investigation: foreign support and independent media. Then, I proceed to the phases of the research: case selection, interviewing and exploratory empirical analysis.

## **Chapter 5: Methodology**

In this chapter, I first operationally define two key terms of this investigation: foreign support and independent media. Then, I proceed to the phases of the research: case selection, interviewing and exploratory empirical analysis. I have identified a group of predominantly print and online media outlets in Russia and in Hungary that are seen as committed to providing coverage that is critical of the government, and are thus navigating in an increasingly hostile environment.

In order to gain insight into their understanding of threats and opportunities in the media market, as well as to understand the decisions underlying strategic choices made for their outlets' economic and political survival, I have conducted in-depth interviews with their representatives. My focus during this endeavor lied on understanding the pressures, the availability of foreign support and the choices they made when it came to rely on support from possible foreign donors.

## Terms and Definitions

Before delving into the means of data collection and analysis, it is necessary to further specify the key measures of interest in this investigation. There exists a wide range of definitions and approaches toward key constructs such as newsroom independence and foreign assistance in the scholarly literature, in law and the various activities of civil society organizations, which are not necessarily clear or compatible. There exist many forms of assistance, offered by a widely heterogeneous range of donors. Not all support is material, some of it can come in kind, through trainings or assistance in content. But even material support can be manifold, from grants to loans and investment (this bears similarities to the problems of empirically capturing state subsidies to newsrooms, as described by Murschetz, 2013). Some recipients only report about the support they received in the detail required by law and especially in countries where the media is under pressure, donors don't make the list of supported newsrooms public. Thus, databases, like the *Media Grants Data Map* of Media Impact Funders are incomplete.

Most research on foreign assistance looks at grants from internationally active foundations (Browne, 2010; Benson, 2017; Scott, Bunce and Wright, 2019). Russian law, however, considers all sorts of contributions, be it from organizations of any type or from foreign (or stateless) individuals, as foreign assistance (Freedom House, 2012). Even though not codified law, in the Hungarian case foreign ownership and grants became central in the discourse around state assistance. In this investigation, I conceptualize foreign assistance as a multi-dimensional concept: this definition includes transactions such as shared ownership, grants, loans and loan-for-equity as these are all possible ways of foreign support or participation in a media project's operations. However, in my interviews, I use a grounded approach and keep the door open for possible other forms of foreign assistance to be included

if the participants saw it as part of the concept. As already visible in the second chapter of this dissertation, public diplomacy was added early on to the list of foreign support measures.

Another challenge is to define newsroom independence. The literature has aptly pointed out that a newsrooms' independence can be conditional on a number of factors, be it the advertising market, the owners' economic interests, the journalists' worldviews or the taste and consuming behavior of the audiences – all of which are significant in one way or another when approaching a particular media organization. I have chosen to define independence, taking a minimalist approach, as independence from the governing structure. That is necessary because the current political regimes in the countries of interest have created a political and media environment in which everyone dealing with politics is forced to take a side—not necessarily meaning whether they are with the government or against, but at least whether they are capable of voicing opinions and publishing news that are challenging the government's narratives. While there is no directory of news media independent of the government or a scientifically validated set of criteria that lets us assign media organizations of these countries into the two distinct camps. Scholarly work describing political parallelism in Russia (see Vartanova, 2012; de Smaele, 2010; Khvostunova, 2014) and in Hungary (see Bajomi-Lázár, 2003; Sipos, 2013; Bátorfy, 2018) provides some guidance. Moreover, in the interviews and when making referrals to other outlets, journalists themselves have assigned news producers into independent (critical of the government) on the one hand, and supportive of the Kremlin as well as of the Orbán-government on the other. Although I see this distinction between dependent and independent outlets as the best possible under current conditions, it has to be emphasized that this perception-based identification (mainly based on news content) does not rule out that some of the selected outlets are still (co)owned by the government or some associated entity, captured or rely on governmental subsidies. I asked them about these aspects in the interviews.

In the research, I am focusing on a small segment of media outlets: online natives, as well as print dailies and weeklies that produce news and current affairs journalism, which is the kind of journalism “that purports to be for the public good and in the public interest” (even if this aim of serving the public interest is sometimes not more than just an “ethical horizon”) (Fenton 2010:3). These outlets follow a “fairly standard set of norms, ethics, and practices that structure news gathering and news production” (Bélair-Gagnon and Usher, 2021). They create the majority of original reporting and are most affected by the distortions associated with the emergence of the internet. Broadcast outlets (television and radio) may be important sources of information in other countries, but in the two countries I am looking at they were by the time of research overtaken by the government or its loyalists.

Of course, the field of news producing actors is broader than what I could capture in my investigations, in part due to the hybridization of the media environment where activists, bloggers, political analysts and opposition politicians alike are producing content worthy of interest. For example, in Russia, Alexey Navalny, an opposition candidate who was several times banned from running for office, runs a YouTube show on which he is working with a team of investigators to expose corruption. At the same time, in Hungary, activist Márton Gulyás’s investigation of “fake” political parties even got him an honorable mention by the “Forum of Editors-in-chief” which has set up a prize for the best journalistic work of the month. Some publications with activist features made it into my sample, as Voltmer (2013:81) pointed out that both in non-democratic regimes and freshly democratized countries, journalists are closer to activists in their roles than to professional newsmakers. Further extending my focus to non-journalistic organizations could have provided additional insight into the question how a public sphere survives, it would also have run the risk of diverting attention from newsrooms and actors who see themselves practicing professional journalism.

## **Phases of the Research**

I was looking for explanations to a puzzling phenomenon—namely that despite the introduction of so-called foreign agent laws, the demonization of recipients of support, and the respective governments' efforts to put an end to the operations of some donor organizations, there are still newsrooms in these countries that rely on foreign grants. My research, therefore, aims to understand, on the one hand, how the profile of newsrooms relying (or willing to rely) on support from abroad differs in the two countries, and, on the other hand, aims to explain the different decisions made by the journalists running those newsrooms.

I started with the mapping of the contextual conditions determining media operations in each country, then the research proceeded in three phases. The first stage included case selection and background research. Secondly, I conducted a total of 53 in-depth interviews, which were analyzed in phase 3. The case studies conducted are exploratory in nature. Since foreign owners only recently withdrew from these countries, and grants support started in the late 2000s, the case studies are looking at a relatively new development, without a large body of literature that could explain the phenomena in these countries.

As there is to date no sufficient scholarly base to formulate confident hypotheses to be tested, the purpose of this study is to form new hypothesis. While doing so, I am looking at both the cross-case and the within-case level, as this integrative theory allows me to jointly focus on causal effects on the cross-case level and causal mechanisms on the within-case level (Rohlfing, 2012: 3): meaning that I compare the composition of grant recipients in the two countries and explain the differences through looking at the mechanisms that drive the individual newsrooms' decisions in the given countries. Central to my research is to see how clearly delineated sets of newsrooms form a distinct set of priorities, so that I can find patterns

that show different preferences and demands for foreign participation—defined by the country-specific context on the one hand, and newsroom specifics on the other.

### *Phase 1: Selecting Cases*

Following the specification of context (above), the first stage was the case selection. Rohlfing defines a case as “a bounded empirical phenomenon that is an instance of a population of similar empirical phenomena” (2012:25). This means that a number of empirical instances together form our population of interest, and their similarity allows us to make generalized inferences about the phenomena that I aim to describe in my research. Since it was not possible to randomize my observations, I had to adapt my case selection to the given environment and rely on nonprobability forms of sampling.

In Hungary, as it is a rather small country with an assessable number of independent newsrooms focusing on political topics, of which most of them centered around the capital Budapest. Thus, I reached out to editors and editors-in-chief of all identified newsrooms via email and phone calls to set up interviews. In order to decrease the bias of the process, I was “sampling for range” (Small, 2009:13)—meaning that I made sure that the country-based sample includes different sub-groups of newsrooms, such as web, print, weekly, daily, magazines, startups and legacy media. Apart from a small number of cases where my inquiries were left unanswered, I have set up meetings in person (or, in limited cases, on an online messaging application) to conduct the interviews.

In Russia, however, where the size of the country accounts for a sprawl of newsrooms and the political situation hampers access, my first attempts to reach out to newsrooms were often left unanswered. Only during my fieldwork could I establish contact with a significant number of Russian newsroom representatives, thanks to initial contacts with journalists and

other professionals in the field of media who have referred me to editors and journalists from their network. This allowed me to build up a level of trust with my interviewees that is necessary when talking about a sensitive issue. Thereby, my sampling method can be described as respondent-driven sampling (also referred to as snowball sampling), which is the method usually applied to hidden groups that can be hardly accessed by outsiders (Heckathorn, 2011). In this case the newsrooms were not hidden, in the sense that their contents were widely accessible and their creators were openly displayed on the media products they published, but still gaining access to them was only possible through trusted sources. Although far from perfect (see, for example, Gile and Handcock, 2010 for the bias induced by preferential referral by respondents), this method has brought me the closest to gain access to the experiences of a wide range of newsrooms in the country, including many that operate outside of the capital, or even abroad. Besides Russia, I have met with Russian language newsroom representatives in three other countries. Still, after being referred by local journalists or other embedded actors, there were instances when my inquiries were left unanswered. In a small number of cases, interviewees were only willing to engage in off-the-record conversations without recordings or any notes taken, while cellphones were left in a separate room and landlines disconnected.

Besides newsroom representatives in the two countries of interest, I spoke to some representatives of donor organizations, researchers and experts familiar with the two media landscapes and journalists from other countries that worked under similar conditions and experienced similar problems. These discussions, just like the off-the-record conversations in Russia and Hungary, were not included in my sample for analysis, nevertheless, they provided me with valuable insights to better understand the problems that I am investigating.

For the sake of analysis, I differentiated between newsrooms based on their size. While it is hard to determine the exact size of a newsroom due to fluctuations in employment and the reliance on freelancers, I categorized the local newsrooms as small, medium and large, based

on their relative size in the given country sample. Small outlets are usually those that employ a dozen, or maximum two dozen journalists, but some of them had as few as two journalists at the time of the interviews. The meaning of medium-sized is different in the two countries: while in Russia's media market anything below hundred employees would count as medium sized, in Hungary the cut-off point is below 50. In Russia, there are still legacy newsrooms that employ more than a thousand journalists, and while I define large Russian newsrooms as those having at least hundred employees, the outlets covered might have several hundred or even more employees. In Hungary, the biggest online media and legacy media had between 50 and 100 employees at the time of interviews. In general, larger newsrooms were older, having roots in the early 2000s or earlier. Small newsrooms were launched in the last decade, already at a time of increased pressures and an unreliable economy. In the case of medium-sized newsrooms we could find examples of outlets that had decades of experience, but also some newsrooms that were launched only a few years prior to the interviews. In the Appendix, I provide an anonymized list of interviewees. To each outlet I add a description whether the outlet defines itself as investigative or specialized (be it human rights, economy or any other relevant specialization).

### ***Phase 2: The Interviewing Process***

In the second stage of the research, I have conducted semi-structured interviews with journalists of the newsrooms that I have successfully contacted for my research. While I aimed for the editor-in-chief, in some cases, due to time, accessibility or language reasons the representative I spoke to was a manager, an editor or a journalist. I have conducted a total of 53 interviews, 28 of them with Russian newsrooms and 25 with their Hungarian counterparts.

They lasted on average 86 minutes. The semi-structured interviews were guided by a predefined set of questions, which I adapted according to the situation and the time constraint.

The discussion started with questions about the history of the particular media organization and the background of the interviewee. We went on to talk about the size of the newsroom, the interviewee's objectives and their perceived roles and impact as journalists. As the key focus of media system analysis in the region is on the interrelation between the state and other institutions (Vartanova, 2012), I asked interviewees about their relation to and perception of the state (media-state relations), as well as their access to political actors as sources of news, the perceived threats to their journalistic work and the perceived sustainability of their organization. To understand how structural conditions in the country affect their work, I asked them about possible topics that are off-limits and the compromises they have to make in their daily journalistic work. As news media are in most cases still expected to be for-profit enterprises, I asked about interviewees' perception of market conditions and their income sources. Turning to the issue at the heart of this research, I asked interviewees about their interest in or reliance on foreign grants or other form of foreign support. I asked them to list the grants and other foreign sources of support they rely on and to explain how they use them; then we discussed the pros and cons of foreign support, as well as the ways in which the government retaliates against users of foreign funding, and how newsrooms can adapt. Finally, I asked them about other forms of income and their plans to achieve sustainability.

Due to the often dangerous, and even life-threatening, situations that these journalists work in, I anonymized my interviews. I also opted to use the feminine pronoun "she" to refer to all interviewees, in order to avoid being identifiable. In most cases interviewees didn't ask me to keep them anonymous, but often they were talking more freely when they knew their name won't stand next to the quote. In the months and years following the interviews, pressure on Russian journalists has increased and some of my interviewees experienced harassment by

the hands of the government. Therefore, I decided to revisit the quotes used, and take further precautionary steps. I changed some of the professional titles to look more general and removed some of the quotes that I used in earlier drafts. These steps were necessary in order to make sure the information shared with me won't be used against my interviewees at some point in the future.

### ***Phase 3: Exploratory Empirical Analysis***

After conducting the interviews, I proceeded to the explanation of the differences between the newsrooms of the two countries. This explanation was provided through intervening steps, given by the causal process observations on the within-case level. My chosen method of analysis was grounded theory, which allowed me to interpret the interview texts that describe underresearched phenomena by allowing me to “generate new theories rather than force data into a few existing theories” (Urquhart, 2017:6). The founders of grounded theory Barney G. Glaser and Anselm A. Strauss emphasized the notion of “theory as a process” (2005:43)—meaning that data collection, coding and analysis should be connected as much as possible. As such, I have already started coding and analyzing my texts during the interviewing process, which allowed me to seek out new interviewees who can explain some particular phenomena. I first approached the texts through open coding, when I developed initial conceptions, identified possible in-vivo codes (terms used by interviewees that are suitable to be applied besides regular codes to identify phenomena) and started categorizing the data. In the interviews I was looking for substantive categories that helped determine the financial viability, the possible and already manifested pressures, and the alternative forms of financing—with an emphasis on foreign grants—that could help them overcome the economic problems and weather state pressure. Properties of the categories were the rationales

interviewees used to explain what shaped a given category—for example, in the case of financial viability these properties were both the different problems of the market and the state’s interference with their revenue sources.

As I was looking at how conditions were related to the outcome (the willingness to accept grants), I had to measure the cause in differences in kind. Following the advice of George and Bennett (2005) on drawing implications of case findings for theory development, I build my theory using initial findings from some of the most typical interviews, which I test against other evidence in my cases, such as further interviews, details of previously looked at interviews that go beyond simply indicating interest in or refusal of grants, as well as available documents that can underpin what was said in the interviews.

### **Summary of the Chapter**

In this chapter, I first defined two key terms of this investigation: foreign support and independent media. As there exists a wide range of definitions and approaches toward these key constructs in the scholarly literature, I made the case for a multi-dimensional concept of foreign support that encompasses a wide range of funding sources and keeps the door open for additional forms of assistance. When it comes to newsroom independence, I go with a minimalist approach that only requires newsrooms to have no formal ties to the government but doesn’t rule out other possible forms of dependencies.

I proceed to the phases of the research: case selection, interviewing and exploratory empirical analysis. I have identified a group of predominantly print and online media outlets that are seen as committed to providing coverage that is critical of the government, and are thus navigating in an increasingly hostile environment. These outlets produce news and current affairs journalism, which is the kind of journalism “that purports to be for the public good and

in the public interest” (Fenton 2010:3). In order to gain insight into their understanding of threats and opportunities in the media market, as well as to understand the decisions underlying strategic choices made for their outlets’ economic and political survival, I have conducted in-depth interviews with their representatives. My focus during this endeavor laid on understanding the pressures, the availability of foreign support and the choices they made when it came to rely on support from possible foreign donors. The interviews were anonymized as many of the journalists were working under pressure from the government. After conducting the interviews, I proceeded to the explanation of the differences between the newsrooms of the two countries.

## Chapter 6: Shrinking Space for Independent Media

This chapter describes the trends that shape independent media in Russia and Hungary, in the context of global developments. It starts with the description of the changes that digitalization and the internet brought about in the 2000s, and how these trends impacted the economic environment in which privately owned media were operating. Since most of the private media of Russia and Hungary have adopted Western business models, the economic trends affecting these countries have shown similarities to those happening in the United States or the older member states of the European Union. However, the weaker economic base, the lower circulation of newspapers, as well as the political interest groups' interference in the process of news production and distribution have created a number of additional challenges for the media of my countries of interest.

The first two decades of the new millennium were characterized by the disappearance of parts of the independent media – especially legacy outlets. While many established media in both Hungary and Russia were either shut down or taken over by government-friendly owners with an urge to interfere in editorial processes, the remaining or newly launched newsrooms were much smaller in size, and often unable to cover a wide range of topics in a way that would be relevant for an informed public.

Newsrooms experience pressures from many directions, but the key to understanding the problem is the new media economy which enables political interest groups to take advantage of the system's vulnerabilities. Thus, in the following pages I am going to describe how changes in financial models disrupt income streams and lead to changes in ownership, how governments speed up these processes to capture the media, and in what ways this capture influences the freedom and pluralism of the media. Finally, I will describe how newsrooms have reacted and react to the pressures we have described.

## **1. A Worldwide Change in the Media Economy**

In the last decades, one of the major changes affecting the global media landscape, and with it the economics of the media, has been the increase of internet penetration and the emergence of an online media landscape. Some scholars saw in it an opportunity to strengthen the public sphere (Papacharissi, 2002; Dahlgren, 2005; Brants, 2006; Brundidge, 2010), as the internet has reduced the barriers to entry for new media organizations to almost zero. On the other hand, the literature has early on started looking at the downside of this development: online operations of media organizations are often loss leaders, whereby they push journalists towards creating cheaper forms of journalism (Meyer 2004; Davies, 2008; Freedman 2010; Phillips 2010; Redden and Witschge 2010). In addition, scholars have observed that the need to work faster and create more content leads to “creative cannibalization” rather than an increase in original work (Phillips 2010), a changing journalistic culture (Ryfe, 2012), as well as a growing demand for imitation that leads to greater uniformization of contents (Boczkowski, 2010). In the meantime, audiences are even more inclined to see news as a common good (Cooper, 2011) that is non-excludable, and as such should be made widely available for free.

Schudson and Downie (2009:1-3) write about the decline of media revenues (in the United States) as an almost common-sense issue: “As almost everyone knows, the economic foundation of the nation’s newspapers, long supported by advertising, is collapsing, and newspapers themselves, which have been the country’s chief source of independent reporting, are shrinking—literally. Fewer journalists are reporting less news in fewer pages, and the hegemony that near-monopoly metropolitan newspapers enjoyed during the last third of the twentieth century, even as their primary audience eroded, is ending.” The changes have also

had an impact on the online media that emerged in the 2000s, as “it is unlikely that any but the smallest of these news organizations can be supported primarily by existing online revenue”.

Cagé (2016:5) points out that the problem is not due to a lack of demand for news. People are still reading, but news producers are unable to monetize their content. It is especially legacy media or general interest newspapers that are suffering in the current situation, incurring high fixed costs as they need to cover a wider range of topics. Facing dwindling revenues, as well as the competition from other newsrooms, many opt for lower quality while keeping the quantity. Since broadcast media often get their stories from these legacy outlets, the problem has an impact on television and radio contents as well. As such, one of the main questions driving discussions about the future of news is how to make sure that “the business that survives will have news as its central mission” (Jones, 2009:153). In order to maintain a kind of journalism that serves the public interest, a number of scholars have highlighted the importance of providing subsidies for the news media (McChesney, 2011; Murschetz, 2013; Rusbridger, 2018). Pickard (2020:173) even suggested that in future deliberations about funding journalism we start “with the premise that commercial journalism is a dead end”.

There have been several efforts to overcome the problems posed by the demise of the old business model. Schudson and Downie (2009:2-3) pointed out that journalism, in the current environment has looked at a more diverse set of income sources: “Financial support for reporting now comes not only from advertisers and subscribers, but also from foundations, individual philanthropists, academic and government budgets, special interests, and voluntary contributions from readers and viewers.” In addition, we have seen, in the prominent example of *The Washington Post*, a billionaire buying a prestigious newsroom and making it dependent on the owner’s goodwill—Schiffrin (2021:8) for example notes that the paper is barely covering the issue of tax avoidance, which is a problematic topic for the owner. However, the need to rely on new income sources also increases the vulnerability of newsrooms to fall prey

to vested interests in times like this (Grueskin, Seave and Graves, 2011; Mungiu-Pippidi, 2013; Picard, 2015). This is especially true in countries that have less experience with philanthropy and where news consumers cannot afford or are unwilling to pay for content. A financially vulnerable media system is more at risk of interferences and pressures by government. In the two countries that this dissertation deals with, Russia and Hungary, we can see the same core problem accelerated by the country's short experience with commercial media, a comparatively weak media market and hostile government.

### ***How the Market is Used to Capture the Media***

In the 21<sup>st</sup> century, most authoritarian regimes try to refrain from using outright violence or clear violations of civil liberties, their authorities don't imprison critics (or just selectively) and don't impose a complete ban on information. These measures would be costly, as they could lead to international sanctions and could alienate possible supporters. Instead, they use more sophisticated methods, which are used partly to indirectly intimidate critics and partly to raise the costs of critical media and diminish their impact. One key mechanism used in this context concerns states' interference in market mechanisms in an effort to put pressure on independent media, this is what Kim Lane Scheppele (2018) calls "cruel markets", a set of seemingly autonomous procedures, often taking the form of market mechanisms, that are used in "formerly democratic publics" to nudge or pressure "individuals to cede their democratic aspirations to a thuggish state but that do so without obviously violating rights" (Scheppele, 2018:2). In the case of the media, this approach is made especially viable for new authoritarians because news media is still seen primarily as a commercial enterprise in many parts of the world—among others also in the United States, which is still an important reference point for media landscapes that were liberalized in the last decades. Pickard (2020:175) writes about the

media's "market ontology" as follows: "we treat the market's effects on journalism—as we treat the market's effects on nearly everything—as an inevitable force of nature beyond our control or, at the very least, a public expression of democratic desires."

In the journalism literature, the restriction of journalists' room for maneuver by financial means is referred to as media capture. I have described this strand of literature in chapter 3. News outlets can be captured through the interests of their owners, but also through a dependency on advertisement, state subsidies or platforms of distributions—among many others. Mungiu-Pippidi (2013:42) argued that countries that had "lighter versions of communism" were more likely to create a more developed media market, as they experienced less state interference when setting the ground for a new media system in the 1990s. Still, the literature on media capture shows that even in countries of Central Europe that joined the European Union, such as the Czech Republic (Vojtechovská, 2017), Slovakia (Štetka, 2015), Hungary (Dragomir, 2018; Bátorfy and Urbán, 2019) and Slovenia (Milosavljević and Poler 2018), media capture has become a serious problem that shapes the media environment and the pluralism of available media contents. In the Czech Republic, for example, Vojtechovská describes how foreign companies, that have dominated the media landscape in the post-transition years, started exiting the market with the 2008 economic crisis. Outlets that used to be owned by international companies and were thus somewhat protected, soon ended up in the hands of local interest groups involved in a number of different sectors. One of the major new investors was Andrej Babiš, the country's third largest businessman who bought the Mafra media group that published two major political dailies in 2013: *Mladá fronta Dnes* and *Lidové noviny*. The investor was by then already the leader of the ANO political movement, became Minister of Finance in 2014, and Prime Minister in 2017. As a media owner, Babiš has also used his media as political tools, infringing upon their independence (Vojtechovská, 2017).

To see how this situation of capture came to be in our two countries of interest, we will first look at the developments that shaped the media market and journalistic practice in the years of democratization that started in the 1990s, and afterwards I will describe the main sources of pressures identified by journalists in the two countries.

## **2. The Case of Russia and Hungary**

### *The Experiences of Post-Communist Journalism*

In both Russia and Hungary, journalists who were active in the 1990s and the early 2000s have mentioned that the post-transition years led to increased professionalization and the creation of a market-driven media economy in which journalists enjoyed a form of autonomy that was unprecedented in the years of Communism.

The opening of the market and the easing of political control created an opportunity for journalists to write freely about a wide range of issues that would have been considered taboo just a few years earlier. Even if market transformations created serious disruptions of economic activities, and seriously impacted the wellbeing of post-communist populations, journalists who were lucky enough to keep their jobs, experienced an increased satisfaction with the work they were doing. As a Russian interviewee who started her career in the 1980s said: “The whole Soviet Union was collapsing, everything was going bad of course, but for the journalists, I think, it was one of the most interesting time[s] you can find ever” (Russian interviewee Nr. 19).

The Russian Law “On the Mass Media” from the year 1991 gave Russian journalists an unprecedented degree of freedom. Nevertheless, as time passed, the problems of the Russian economy started seriously affecting the business of journalism as well. Natalia Roudakova

documents in her book *Losing Pravda* (2017) how, at first, it was the shortage of paper that affected supply of newspapers, later hyperinflation seriously impacted the demand for journalistic outlets. In many other post-communist media markets (such as that of Hungary) foreign media companies started investing early in the 90s, thereby allowing newspapers and broadcast media to continue doing what they saw as independent journalism, while keeping news and advertising separate, even if this diminished profits in the first few years. In Russia, by contrast, the market was dominated by local owners, many of whom soon needed to find new income sources in order to continue operating. One way to do so was to position themselves on one or the other side of an “intrabureaucratic” battle and offer their services to politicians in exchange for payment (Roudakova, 2017:99-124). Even highly regarded media such as *NTV*, the country’s first independent TV channel, and the *Kommersant* daily took sides in favor of President Boris Yeltsin during the 1990s struggle for political influence (Khvostunova, 2014:11). According to Roudakova (2017:157-195), the media’s dependencies and their constant weaponization in political battles had a visible impact on the ways journalists and media outlets started perceiving their roles in society; thus, from the late 1990s onwards the Russian mainstream media became characterized by cynicism and a complete lack of truth-seeking.

In the 2000s, Vladimir Putin decided to eradicate political challengers and started to build a “monocentric” media system (Khvostunova, 2014) in which state agencies were taking financial and managerial control over the majority of the broadcast media and the regional newspapers. The most visible takeover was *NTV* which was turned into a Kremlin mouthpiece under the control of the state-owned Gazprom Media Group (Khvostunova, 2014:11-12). Yet, national print outlets and the internet, were mostly left alone. Publications like the *Novaya Gazeta* daily and foreign-owned media outlets such as *Vedomosti* or *Forbes*, as well as freshly launched online media were relatively free to pursue the kind of journalism they wanted.

Lehtisaari (2015) described this as a two-tier system in which tight control and a relative laissez-faire approach live side by side in different spheres of the media. In the 2000s, the Russian advertising market was rapidly growing, and newsrooms, even independent ones, could sustain their operations from the market (Lehtisaari, 2015:4), but the trend was reversed after the 2008 economic crisis. In the early 2010s, Makeenko (2013:291) has described the Russian media market as “underdeveloped with very weak advertising, retail and subscription markets.”

Russian interviewee Nr. 3, a journalist of the small Russian branch of an international media start-up has spent her professional life working for a range of print and online media, she described the early 2000s as being “as close to free press as possible”. However, even in the safer domains, a gradual decline in freedom started after Putin was reelected for a third term in power. The protest waves of 2011-2012, and later the conflict in Ukraine, made the Russian leadership more worried about the less controlled spheres of the media, and newsroom take-overs—referred to as “razgroms”<sup>16</sup> (Sopova, 2017)—became relatively common in the online sphere as well. The most well-known case was that of *Lenta.ru*, one of the most popular online news sites whose editor-in-chief was fired on the pretext of an interview conducted with a member of a Ukrainian nationalist movement. After the firing, half of the newsroom decided to leave, and *Lenta.ru* gave up its critical stance towards the Russian leadership. “I saw the rise of censorship in Russian press like with my own eyes. And things that were more or less possible, would not say completely possible, more or less could do it 15 years ago, you cannot do it now. And cannot do it now in *Rossiyskaya Gazeta* of course, but also cannot do it in *Gazeta.ru*, or *Lenta.ru* or *Kommersant*, or any other major publications that used to be free not long ago”, interviewee Nr. 3 added.

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<sup>16</sup> The word literally means defeat, but according to Sopova it is its likeness to the word “pogrom” that led to its widespread use as a word for political takeovers of newsrooms.

In this time of increased political pressure on newsrooms, new technologies accelerate the problems. Russian interviewee Nr. 10, the publisher of an online news startup said: “Right now 50 percent of our audience comes to our site from recommendation system Yandex Zen, and we need to learn how to work with that audience because it’s the largest segment of our audience and simultaneously it’s the worst conversion to subscribers.” Interviewee Nr. 20 referred to this source of readers as “toxic traffic”, as it can get lost easily, in case Yandex Zen or any other platform changes its algorithm. Russian interviewee Nr. 9. added that the content offer on the internet can also overwhelm readers with its inherent noise, and the activities of the so-called “troll farms”: “I think that critical voices still exist, but the base of listening is smaller and smaller because we have bots and troll farms and all those [...] indirect ways to shut down these voices. For example, if you publish in some blog on YouTube about propaganda or fake news in federal media, the bots come in and dislike your video like crazy, and if your video is disliked much, you have not enough viewers for them.”

Despite improvements at times, the Russian media never advanced beyond being classified as “partly free” in Freedom House’s Freedom of the Press Reports (see for example the year 2002), while Hungary was for many years labelled “free” and only downgraded to “partly free” after Viktor Orbán’s repeated intrusions into the media landscape. Efforts to impose governmental control over the media were commonplace in Hungary as well. The early 1990s ignited political battles over who is going to head the public service broadcaster and what control the state can have over the media (Lánczi and O’Neil, 1996). Still, the presence of foreign investors and the market logic they brought with them shielded newsrooms from interference (Gálik, 2004, Bajomi-Lázár, 2017).

Journalists acknowledge that the Hungarian media landscape of the 1990s and early 2000s was far from perfect: Political parallelism was still high, tabloids became the most widely read newspapers and the market-driven approach led management to prioritizing

entertainment over news in broadcast media. Still, they look back at the time with a sense of nostalgia. Interviewee Nr. 12, who spent more than two decades at the biggest political daily of the country said: “Now we are all sentimental. We miss the protection that a German company could mean. Just look at *RTL Klub*, how they avoided the advertising tax.<sup>17</sup> The whole European Union has acted in favor of them. If Bertelsmann had remained in [our newspaper, the government] would have never been able to shut it down. Of course, there has been exploitation, there have been tough economic conditions, but, on the other hand, foreign ownership is a huge political and legal protection in a country like Hungary.”

Interviewee Nr. 3, formerly deputy editor-in-chief of a news website owned by the Hungarian subsidiary of the German Telekom mentioned that the protection of their foreign owner was felt even after many other foreign owners started selling their Hungarian media due to the economic crisis and the declining profitability of investments in the Hungarian media. “We could feel that this is a strong background. The German Telekom, strictly speaking the German state was behind us. You cannot push that into all kinds of directions. For the Telekom [this investment] was worthwhile because they were selling internet connections, and it’s good when content comes with it. Through this they could popularize the internet.” According to his understanding, the diverse and financially sound owners have created a pluralistic media landscape in Hungary. “Of course, we didn’t publish contents that [scrutinized] Telekom, and we didn’t do big investigative stories about the Telekom story.<sup>18</sup> But there are only a few places where you can [investigate] your owner... Even though telecommunications businesses are in

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<sup>17</sup> In 2013 the Hungarian government announced a progressive advertising tax. The top rate of this tax (40 percent) only had to be paid by one company, RTL, therefore the company requested that the European Commission start an infringement procedure against Hungary. The role of this tax in pressuring independent media will be described later in this chapter.

<sup>18</sup> In 2006 a series of investigative articles exposed corrupt activities at the Hungarian Telekom, which led to the resignation of the CEO of the company.

many ways exposed to the government, they didn't make us feel it. Only at the end, but not before. But that was a different constellation," interviewee 3 said, referring to the pressures the newsroom experienced in 2014, not long after Viktor Orbán's second consecutive election victory.

In Hungary, Facebook was the most common platform used to reach audiences, interviewee Nr. 14., the editor-in-chief of a news startup even referred to it as the primary source of information in the country. Since her news site started out as a blog, with strong reliance on Facebook followers, she openly mentioned that a change in Facebook's algorithms could impact her site's readership. Other newsrooms rather spoke about their efforts to generate direct traffic to their websites in order to forego a sudden throw-back in readership.

There were also some journalists referring to the apathy of audiences. Not only did many of them have the impression that there is only a low willingness to pay for content or to contribute financially to the wellbeing of their newsroom, some of them have also mentioned that readers too easily accept the fact when a newsroom is closed or taken over. Although there were regularly demonstrations when a newsroom was under attack, the protests were never strong enough to make the government backtrack from media related policies. "When *Népszabadság* was shut down, there was a lot of uproar [...] I gave a statement to *The Guardian*, I was contacted by *The New York Times*, and not just me, my colleagues as well [...] There was a lot of sympathy, but nobody wanted to or managed to save us. [...] On the other hand, there hasn't been enough hysteria in the country to considerably change how the workings of power, the popularity of power or the way in which the power relates to the world," said interviewee Nr. 2.

### **3. Pressures Identified**

I can say that I really hate this part of discussions with a lot of my international friends, because they are sure that we have a lot of pressure and that we don't have like journalism at all, and all the newspapers have to write about [Russian President] Vladimir Putin something nice and good. And it's not true. If we talk about television maybe yes. We have several channels under the pressure all the time. [...] About newspapers, I don't think that it's true. We have several main newspapers: *Kommersant*, *Vedomosti*, *RBK*, *Novaya Gazeta*. And I'm sure that these newspapers are not under the pressure. (Russian Interviewee Nr. 5)

This statement by Russian interviewee Nr. 5, who is a journalist at a legacy media outlet in Moscow shows the ambiguous nature of outside interference in the media. While pressure on news media is felt, the government doesn't aim for complete control of the media landscape. In fact, it is in its interest to uphold the façade of a democratic media landscape, where a diversity of opinions, including critic of the government, can be accessed, and even some investigative articles that expose corruption on the highest level are tolerated. While there are occasional legal burdens and visible violations of human rights, often justified with upholding order or protecting the population, pressure in most cases manifests in ways where the government's involvement or malintent cannot be necessarily pointed out. As Hungarian journalists and some commentators see Hungarian measures inspired by the Kremlin's action, at their core the logics of pressure are similar.

When talking about the current media environment, journalists in both Russia and Hungary highlighted four major—and often intertwined—means of interferences: a.) Legal restrictions of media activity, b.) Political interferences with media activity, c.) Legal and political interferences with media economics, and d.) Pure economic pressures. To a lesser degree, some journalists also mentioned problems posed by new technologies, audiences and

journalistic professionalism. These means of interference are felt in all three areas of pressure described in chapter the: news production, media content and media access (Schedler, 2013). On the following pages, I will describe the four main areas one-by-one, providing a comparison of the two countries, and then briefly describe the additional challenges mentioned by interviewees.

#### ***a.) Legal Restrictions of Media Activity***

**Russia.** The Russian Law “On the Mass Media” from the year 1991 allowed the country to move closer to a liberal media regulatory environment. It eliminated censorship, allowed the creation of private media enterprises and also gave journalists the right to access the government’s non-classified documents, to interview state officials and to keep their sources confidential. The constitution also provides for freedoms of speech and of the press. Article 29 (1) states “Everyone shall be guaranteed the freedom of ideas and speech,” while (5) explicitly mentions the media by stating: “The freedom of mass communication shall be guaranteed. Censorship shall be banned.”

Russia’s Mass Media Law was labeled “one of the most liberal press laws in the world” (Lehtisaari, 2015:9), nevertheless, journalists, watchdog organizations and analysts point out that Russian journalists experience serious limitations while trying to do their job, due to regulations that are, on the one hand, limiting individual journalists freedom to look for information and through regulations that are aiming at weakening their funding base, among others by going after foreign funders. Overall, online media is seen as freer than broadcast media, but regulations of the 2010s have provided the basis to block newsrooms or hinder the work of journalists.

Accessing information related to government bodies is described as “extremely difficult” (Freedom House, 2017b), defamation is still a criminal offence and strategically abused to curtail media freedom, while libel laws allow political and economic players to demand excessive damage charges if they believe their reputation has been harmed by an article published in the news. In 2004, for example, the Moscow Arbitration Court ruled that the *Kommersant* daily had to pay 320.5 million rubles, back then the equivalent of USD 11.5 million, to Alfa-Bank for “falsifying information of public interest and disseminating rumors in the guise of valid statement” (CPJ, 2005). Government officials reportedly use the country’s biased court system or supervisory authorities to go after those journalists who aim at uncovering government’s misuse of power. One of the commonly used justifications to start procedures against journalists or newsrooms is the publication or spreading of extremist content—a seemingly legitimate concern for national security. In 2012, the Venice Commission (2012:8) found that a number of existing definitions of the Russian anti-extremism law are “too broad, lack clarity and may open the way to different interpretations.” Roskomnadzor, the Russian Federal Surveillance Service for Mass Media and Communications, has the authority to block websites that are seen as disseminating calls for riots, alleged “extremist” behavior or participation in illegal assemblies. These laws are often misused to harass media. The so-called Yarovaya laws of 2016 have set the maximum penalty for “extremism” at 8 years in prison.

The Federal Assembly adopted the Federal Statute “On amending some legal acts of the Russian Federation in order to improve legal regulation in the sphere of mass information” which mandates website owners to go through a special registration process as a precondition of journalistic work. Any website, blog, or even public social media account with more than 3,000 daily viewers has to register with Roskomnadzor as a media outlet and comply with the regulations accompanying that status—this includes, among others, a legal responsibility for

comments posted by users (Freedom House, 2017b). Roskomnadzor's main task is to issue warnings in case of the 'abuse of freedom of mass information', especially when a content provider seems to promote extremist thought (European Audiovisual Observatory, 2017).

Legal watchdogs in Russia have raised the alarm that Roskomnadzor often issued unjustified or unfounded warnings, for example in cases when the news article in question was only reporting about extremist content, or quoted texts seen as extremist, with the sole aim of refuting it (Richter, 2015:5-8). In amendments to the law, the government has also banned the use of a set of obscene words in the media, as well as references to narcotics. In July 2013, the news website *Rosbalt* received two subsequent warnings, as some of their video contents contained obscene words. In turn, the Moscow City Court decided to permanently annul the registration of the website (later, the Supreme Court has pronounced the legislation void). In March 2014, *Lenta.ru*, one of the most cited online news outlets of Russia, received a warning from Roskomnadzor because it published an interview with a member of the Ukrainian nationalist Right Sector political party and included in it a hyperlink to a publication in which another member of the party appealed to Ukrainian nationals to support their struggle against Russian intervention. Since this was *Lenta's* second warning in 12 months, Roskomnadzor requested that *Lenta's* license be terminated. As a reaction *Lenta's* longtime editor-in-chief Galina Timchenko was fired, and half of the newsroom resigned in protest. Freedom House (2017) mentioned in its last freedom of the press report that by mid-2016, more than 30,000 websites were blacklisted by Russian authorities. Among them was the news website *Grani.ru* which allegedly called in its contents for participation in illegal protests (Columbia Global Freedom of Expression, 2014).

These regulations have impact on the work of newsrooms, as they impose significant administrative burden on the newsroom, increase the time spent with legal consultations or going to court, leaving journalists less time to produce journalistic content. Besides that, there

is also an impact on content, as the vaguely defined requirements make it hard for newsrooms to address some specific topics that would be relevant for society. As Interviewee Nr. 3 pointed out when talking about her newsroom's choice of thematic areas covered: "I hope at some point we will have an edition dedicated to drugs, because drugs problems is huge, prisons are filled with small time users, and we have [basically no] rehabilitation policy and no substitute therapy. It is a huge problem and it is more huge because it is very heavily censored, any article you can write about drug problem in Russia can be prosecuted for drug propaganda, because we have [a law] that forbids advertising drugs, and any article about drug problem mentioning the specific stuff and giving any detail, like »you can buy Chinese synthetic marijuana in Moscow [and] it will make you very sick.« This can get your publication closed."

**Hungary.** The Hungarian constitution (Fundamental Law) protects freedom of speech and freedom of the press. It stipulates: "Hungary shall recognise and protect the freedom and diversity of the press, and shall ensure the conditions for free dissemination of information necessary for the formation of democratic public opinion." However, only half a year after Viktor Orbán was elected prime minister in 2010, the government passed its controversial media law which prepared the "structural revamping of the media system in such a way as to cement for the long haul the dominance of the current ruling parties in the public domain" (Mérték, 2015:5).

The media law created a single, centralized media regulator, the National Media and Infocommunications Authority (NMHH), whose leader also chairs a five-person Media Council tasked with content regulation. All members of the Council were nominated by the governing Fidesz party, and its head has the right to nominate the executive directors of all public media – this form of government impact has in turn enabled the removal of most of the critical journalists at the public service broadcasters.

As described previously in chapter 2, contrary to Russia, Hungary is a low linkage, low leverage country, whose size and international embeddedness has a visible impact on how far a government can go when pressuring independent institutions. This is also visible in the field of media regulation. Even if the European Union itself doesn't have clear media policy competences, there are several community law competences that make it possible for EU institutions to step in if the freedom of the provision of media services or free and pluralistic provision are jeopardized by national policymakers (Polyák and Szávai, 2018). This was already visible after the passing of the media law, when the European Commission made two objections. In accordance with the EU's Audiovisual Media Services Directive, the Commission argued that fines for foreign media providers whose content can be consumed in the country are not in line with EU law. The other two objections were based on the freedom of establishment and the freedom of services, as well as the freedom of expression – as the proposed Hungarian law would have required all media providers to register their services, and introduced an “obligation of balanced coverage” which could have hampered journalistic work and would put too much of a burden on (especially private) newsrooms (see Polyák and Szávai, 2018:94 and Venice Commission, 2015:14). As part of the critique coming from EU institutions and other international entities, parts of the proposal were amended.

In its last *Freedom of the Press* report, in 2017, Freedom House highlighted the 2013 amendment of the Hungarian penal code, under which “anyone who knowingly creates or distributes false or defamatory video or audio recordings” can face a prison sentence of one to three years. A civil code provision that took effect in 2014 allows for penalties on those who take pictures of people without permission. In addition, journalists from outlets critical of the government are not invited to official events, and there are many reported instances where journalistic inquiries were not answered by the authorities. Amendments to Hungary's Freedom of Information Act allow public bodies to charge for information requests, based on

some vaguely defined labor costs. The impact of this amendment has been voiced by Interviewee 13, the founding editor-in-chief of an investigative newsroom:

Since 2012, the law was tightened twice. First, they said there is a misuse of information requests. Meaning, in case someone is asking for too much at once, it can be denied [on the grounds that the given authority has no capacity to fulfil all requests]. But they didn't define in what cases it counts as misuse. And secondly, what is even worse, they started charging for it. Now they can ask for money in case someone has an information request, saying that it took X work hours and scanning, and so on. A journalist will of course pay for it, it's a few thousand forints, when it's needed for a case. But in the data request system [the outlet has set up an online platform where citizens could fill out a template that enabled them to file freedom of information requests] we have seen much more unfinished requests. Once they are asked to pay 6,000 forints [EUR 18], the average citizen will not spend that amount to get an answer to the question.

### ***b.) Political Interferences with Media Activity***

**Russia.** Although Russia has a wide range of private media outlets, the news agenda is to a large extent controlled by the Kremlin. There is a widespread perception, especially at larger newsrooms and among journalists who are critical of the state, that their existence depends on the goodwill of office holders. This dependency creates lots of unclear situations, even the existence of many newsrooms is at times seen as a puzzling phenomenon to observers and news consumers. Aleksei Venediktov, the editor-in-chief of *Echo Moskvy*, a radio station that still reports critically about those in power, for example, referred to Putin as his “only boss” in an interview with the Russian language edition of *BBC*—although at the same time he

emphasized that this relationship doesn't make the outlet a mouthpiece of the government. "He can fire me. But showing me how to do my job... that's up to me. This is the uniqueness of my existence" (Reiter and Goryashko, 2020).

For state-owned outlets, editorial lines are dictated more or less directly by the government, and as such their content shows strong bias towards the governing United Russia party. Control over the content of these newsrooms aims not just at limiting the spread of information that could be hurtful to the government, but also at depoliticizing and demobilizing citizens (Roudakova, 2017; Pomerantsev, 2014) through putting the emphasis on entertainment rather than politics. At the same time, there are outlets that are indirectly controlled, such as the above mentioned *Ekho Moskvy*, an opposition radio station, which is partly owned by Gazprom Media—a subsidiary of the state-owned energy corporation—, or the *Kommersant* daily, which is owned by the oligarch Alisher Usmanov. While the degree of state interference in these kinds of outlets is hard to pinpoint, interviewees have mentioned that some topics or some kinds of critical statements might be off-limits when working for such an outlet. In the case of *Kommersant*, for example, two reporters were forced to quit after authoring an article about the reshuffling of Putin's circle of allies. In a statement, the owner's representative denied being involved in this decision, stating: "the shareholder does not interfere in editorial policy let alone make decisions on dismissing or employing journalists" (Balmforth, 2019).

Government-friendly news outlets often run smear-campaigns against opposition politicians like Aleksei Navalny, and even against independent newsrooms (Applebaum, 2016; Lipman, 2016; Carnegie Moscow Center, 2017). Interviewees have mentioned that politicians look at journalists as political actors, and often try to discredit them by claiming that the articles they published were paid by some interest groups. Interviewee Nr. 13, an investigative journalist saw a continuity between the first decade of post-Soviet journalism, when many

newsrooms sold their services to political groups in order to secure the funding necessary to operate, and the journalism of the Putin-era.

In fact, in the 1990s when journalism in Russia just started appearing after Soviet Union time, there were plenty of situations when in fact, because all the newspapers were owned by different [interest groups] and there were struggles, and nobody knew how to do quality journalism, nobody asked for comments, [...] you could understand why it was published in this media, what was the goal and so on. But a lot of years passed since that time, [but] the problem is that [...] these officials, these politicians, these businessmen didn't change at all... I mean this approach, that you are the enemy, if you [are] criticizing [...], if you are asking questions they don't want to hear, you are [seen as] the enemy.

She adds: "Russian officials never ever believe that journalist can act independently. All of them consider that if any critique appears it is because somebody ordered to publish it. It's their usual position, they never think about the journalist like an independent [entity, but] kind of a tool of somebody."

While there are still independent radio, print and online outlets, a number of them refrain from challenging the government's narrative or reporting about corruption, out of fear from repercussions—a common symptom of media capture. Freedom House (2017a) mentions that in the last decade there were many documented cases when authorities disrupted the production and distribution of news content, among others through eviction from offices, obstruction of print circulation, and seizure of pressruns, while there were also dozens of reported cases when the owner, the management or the editors of a newsroom were replaced, and in turn their editorial line became more favorable towards the government. Outside of big

cities another source of pressure comes from local governments. Russian interviewee Nr. 20, an editor at a local news startup believes that for local newsrooms local authorities pose a greater threat than the federal government, while the Kremlin itself would rarely attack them.

As I understand the situation, Moscow authorities, the Kremlin knows about situations of regions through the media, via search programs, or something like this. And every day some people, I think, read articles from regions about some protests, some problems and so on and they can find really true information about regions, what has happened yesterday for example. And that's why governors and governors' team [...] don't want some Kremlin guys to read about problems, they need to share happiness with Kremlin, something like this. That's why in all Russian regions governors or governors' teams try to control all the media [...], so it was the situation in our region, in [our republic], so that's why under pressure the first newspaper closed down, and after 3 years they tried to push the second one, the last one they closed down too in [...] 2014 or 2015.

Interviewee Nr. 16, a senior journalist at an international newsroom catering to audiences in Russia points out based on the experiences of her newsroom that political interference is not always easy to prove, as the Kremlin is abstaining from outright interference. “What happened was that Putin never attacked us, his regime never attacked us directly, physically, or just really few of our correspondents have been targeted, but what they did—they are very smart—they [went after] our content.” The outlet initially operated in broadcast form, with local partners all over the country, who were pressured to stop cooperating with the organization. “And that was very obvious, some of them came to us and told us, that they were invited to local FSB office, and they were threatened, that they'd be closed, if they had continued rebroadcasting us. Sometimes it was a fire marshal, that came and said, that you have

this or that irregularities, but if you drop rebroadcasting [your partner organization], then we will turn blind eye on this. Things like this.” As an effect, interviewee Nr. 16 concluded, “by the year 2012 we were left with zero partners in Russia.”

Individual journalists have experienced physical attacks and intimidation. According to the Committee to Protect Journalists, 58 journalists were killed in Russia between 1992 and 2019 (CPJ, 2021). Although the government’s involvement in the violence is hard to prove, it is complicit in leaving most of the cases unresolved (Votmer, 2013:139); thus, perpetrators are often unpunished and the motives behind the violence is unclear. Some editors have also mentioned that colleagues of theirs had to stay low for some time, or even leave the country due to imminent danger to their life or safety.

**Hungary.** While in Russia, there is a widespread understanding of the fact that the Russian state has numerous means at its disposal to put pressure on the media, to shut down newsrooms or to go after individual journalists, in Hungary many interviewees referred to an element of surprise when the retaliation hit them. This was clearly the case with interviewee Nr. 2. At the time when I met her, she was the CEO of a recently launched online news startup, but previously she served as the last editor-in-chief of one of the country’s biggest political dailies. 2 years prior to the interview, this newspaper was shut down unexpectedly, after the Swiss media holding Ringier sold it to a local company.

The story is one of the best examples of the functioning of “cruel markets” in Hungary. Journalists recalled going to their office, where they were astonished that their keys didn’t open the doors anymore, thus a battle of interpretations occurred. The critics of the government called the shutting down of the paper “a serious attack on press freedom and democracy” while members of Viktor Orbán’s Fidesz party, as well as government-aligned newsrooms argued that the closing of *Népszabadság* had “purely economic reasons” and was inevitable due to its decreasing revenues and shrinking readership (BBC, 2016). In an interview with the Hungarian

edition of *Forbes*, Michael Ringier, chairman of the Ringier publishing house supported the government's claim that closing it might have been an economic necessity (Galavits, 2021). To some extent, both parties had some evidence on their side to back up their argument: On the one hand, *Népszabadság* has been making losses for many years, on the other hand, the paper started getting into the black, and had a daily circulation of 37,000 that surpassed that of its competitors.

I have returned [to the newspaper in the position of editor-in-chief] knowing that *Népszabadság* is 100 percent owned by [the Austrian investor Heinrich] Pecina [widely seen as the middleman of different Hungarian investors close to the government]... But I wouldn't have dared to think he would do this to us. When I spoke to him, prior to being appointed [editor-in-chief], he said he found *Népszabadság* to be a good paper, it was seen as a brand, [respected] even abroad... it looks good, you can build on it, its losses are steadily declining, and so on. [...] Operational results were close to zero, the fall in circulation has been stopped, which is a non plus ultra in the case of a political daily, as all political dailies are losing readers. [...] It stopped at 37 061 copies, which is really a good average.

While the closing of the newsroom was experienced as a shock, the editor-in-chief had anticipated some attempts for the capture of the newsroom. She had 3 scenarios in mind: "The first one was that Lőrinc Mészáros [Hungary's wealthiest person, the former mayor of Viktor Orbán's home town, who is mentioned in the Hungarian media as the prime minister's personal middleman] would somehow take over the paper, but keep it as it is (...) so that [critics] cannot say about the Orbán system that it (...) silences all critical voices. (...) Second, Lőrinc Mészáros takes it over (...) and turns it into a rightwing paper, as it was done with *Origo* and *TV2* (...)

The third one was closing the newspaper. But even my sources at the Prime Minister’s Office told me that they would not dare doing this.”

Hungary’s media landscape is still relatively diverse, but since Viktor Orbán got into power in 2010, a number of independent newsrooms were transformed or even closed down. There have been indications of political involvement: after closing *Népszabadság*, for example, the paper’s publisher (which also owned an economic weekly and a number of regional newspapers) was sold to a company associated with the above mentioned Lőrinc Mészáros. At the same time, politicians of the governing party have emphasized that the closing of the newspaper has not been a great loss, given that the paper has been the official outlet of the Hungarian Socialist Workers’ Party before 1989 (although most journalists who worked there joined already at a time when Hungary was a democracy). The *Origo* news website’s editor-in-chief was let go after the outlet published investigative articles about the misappropriation of state funds, involving one of the acting ministers, and in a number of cases media organizations ended up in the hands of businesspeople with ties to the government. *Origo*, for example, was bought by Ádám Matolcsy, the son of the president of the Hungarian Central Bank; and the government levied a targeted tax on the RTL Klub television station in order to impair its profitability on the Hungarian market.

In 2018, the owners of more than 500 media outlets “donated” their media holdings to the newly established Central European Press and Media Foundation (KESMA), an organization which the prime minister declared of “national strategic importance” thereby exempting it from the review of the competition authority. As most of these outlets were already supportive of the government and many of them were recipients of state advertising, it is widely held that the act of donating was politically orchestrated. The government-aligned newsrooms (now mainly working as part of the KESMA holding), along with the public broadcasters, are used to reinforce the government’s messages, and are often utilized to wage

orchestrated attacks on opposition politicians and independent newsrooms. Similarly to the situation in Russia, independent newsrooms in Hungary are often labeled political actors, says Interviewee Nr. 5, the editor-in-chief of one of the first online newsrooms of the country: “They want to push us [...] into the role of the real opposition. [...] Orbán tends to say, and the Nézőpont Institute [a government-friendly pollster] also had a study, that we are the real opposition. It’s not the opposition parties, but the press.”

Unlike in Russia, physical attacks on journalists are rare, but journalistic work is made harder by limiting journalists’ access to information. Representatives of independent newsrooms are often banned from attending official events, the representatives of the governing party rarely give interviews to what they see as the “opposition press” and press departments leave questions of non-friendly newsrooms unanswered. Interviewee Nr. 4, the editor-in-chief of an online start-up covering mainly social issues added that in the last 2 years she has experienced that less sources are willing to go on the record. “First it was the teachers who were not allowed to speak, only with a permission from the principal. Now principals aren’t allowed to speak either, only if they have permission from the school district. [...] The same applies to the Child Protective Services and everyone. Every institute has a superior institute, from which it has to ask for permission, and this permission won’t arrive...” She added that there is also an increased reluctance from civilian sources to go on the record or be featured in an article out of fear from possible repercussions. “If you look at our articles, 60-70 percent of our sources are anonymous. Nobody dares to give a statement on the record. From the institutions it’s nobody. And we have to send back articles for approval to people who make statements anonymously. That’s a joke.”

### ***c.) Legal and Political Interferences with Media Economies***

**Russia.** In 2012, Vladimir Putin has signed the so-called “Foreign Agent Law” which required non-profit organizations that receive funding from abroad and engage in “political activity” to register and openly declare themselves “foreign agents”—a term referring to spies in the Soviet era. While the law was justified as a measure to increase transparency, it constitutes a disproportionate interference in the work of affected organizations and its use is often unforeseeable. The term “political activity” has been vaguely defined, therefore encompassing a wide range of organizations involved in activities as diverse as election monitoring, polling or nature conservation. While the law initially only focused on local NGOs, a follow-up, titled the “Undesirable organizations” law has enabled prosecutors to outlaw and shut down foreign or local organizations without a court verdict. The registry of undesirable organizations includes mainly internationally active NGOs, many of which were providing financial support to civil society and media, among them the Open Society Foundations and the Media Development Investment Fund. In 2017, a new law has included foreign funded news agencies in the pool of organizations subject to register as “foreign agents”, in turn Radio Free Europe, a US state-financed news provider was labelled a “foreign agent” and was later fined RUB 100,000 (EUR 1500) for not complying with the registration requirements. Chapters 6 and 7 of this dissertation will provide an in-depth investigation of the impact of these laws on the work of Russian newsrooms. In a 2019 follow-up, that took place at a time when my interviews were already conducted, the status of a “foreign agent” was further extended, including private persons who receive funding from abroad, while in 2021, the law started targeting local newsrooms.

In 2016 foreign ownership of media outlets was limited to 20 percent by the „Act on the limitation of foreign ownership in the media”, which meant that foreign owners like the German Axel Springer, the Swiss Bonnier, the US-based Dow Jones or the UK-based Pearson sold their stakes in Russian newsrooms to local interest groups. While the official justification

of limiting ownership was preventing strategic interference in media matters from abroad, Russian media practitioners perceived this law as an effort by government to interfere in the editorial line of some widely read and influential newsrooms. As Interviewee Nr. 13, a longtime journalist explained: “It gives much more opportunities to the authorities to press media because before you have at least Vedomosti and Forbes who can’t be pressed at all... You just simply didn’t know where to press because the shareholders are abroad. Now you have shareholders in Russia, [...] if you have any problem, you can call, you can make any forms of pressure on them...” In addition, the profitability of outlets was affected when advertising was banned on commercial TV stations that were also charging subscription fees for viewers in 2015.

**Hungary.** The country has passed the “law on transparency of organizations funded from abroad” in 2017, which requires all associations and foundations to report to a court that they are “organizations funded from abroad” if their foreign donations exceed HUF 7.2 million a year. The law, however, only targeted NGOs, not media (but the registry of foreign funded organizations included the Center for Independent Journalism, an NGO providing training and some financial support to journalists), and some of the largest NGOs of the country opted not to comply with it. The NGOs were not penalized for their noncompliance, and in 2020 the European Court of Justice ruled that Hungarian restrictions on the funding of civil society organizations were unlawful.

Competition laws are utilized selectively. Two major mergers were halted by the Media Council on the grounds that they would threaten media pluralism: in one case Ringier and Axel Springer were planning to merge their local operations, but were only given the green light, after they sold their political publications, in the other case the RTL television station was planning the merge with the online content provider Central Digitális Média. However, when the Hungarian government created its own media holding of over 500 outlets, it was declared

of “national strategic importance”, and thus exempted from the jurisdiction of competition authorities.

Media organizations’ incomes were seriously impacted by the advertising tax that was first announced in 2013. The top rate of this tax (40 percent) only had to be paid by one company, *RTL*, the local subsidiary of the Luxemburgish media group, while the other big commercial television station, *TV2* (which the German ProSiebenSat.1 sold to a Hungarian owner in 2013) received special exemptions (Dragomir, 2018:11-12). *RTL* requested that the European Commission start an infringement procedure on the grounds that discriminatory taxation practices were not in line with EU regulations, while the Commission itself found that the tax was in breach of state aid rules, as it provided selective advantage to other companies. Therefore, the Hungarian government amended the rule, and in 2017 it came up with a flat tax of 7.5 percent on all advertising revenues over HUF 100 million (EUR 289,000). While representatives of smaller newsrooms did not mention the tax as a serious burden, or didn’t yet see its impact, Hungarian interviewee Nr. 15, the CEO of a publishing house has described the tax as one of the main difficulties of larger media organizations to run a financially sustainable operation, as the tax rate imposed on revenue is above the average profit margin in the media sector.

#### ***d.) Pure Economic Pressures***

##### **Russia**

*i. Ownership and Investment.* Although Russia has still a diversity of media outlets, many of them are dependent of political interest groups, and the Russian market itself is heavily concentrated. In its 2017 report, Freedom House emphasized that all major national television and radio stations, two news agencies, as well as the largest newspapers were controlled by the

government – either directly or through proxies. The state also has control over outlets widely seen as critical of the government – the radio station *Echo Moskvy*, for example, is part of the portfolio of Gazprom Media, while *Kommersant*, one of the leading economic dailies is owned by the oligarch Alisher Usmanov, who fired one of the paper’s editors and the head publisher, after *Kommersant* published a picture that showed a ballot paper with a derogatory statement about Putin written on it.

By the end of the 1990s, some highly regarded news outlets were owned by foreign investors. In the 2010s some owners already started contemplating to sell parts of their outlets due to a lack of profitability, and a law limiting foreign ownership of media assets at 20 percent has accelerated this process: foreign owners such as Axel Springer and Sanoma have sold their holdings to Russian investors. The move has made these newsrooms much more subject to pressure. Interviewee Nr. 8 who used to work for *Forbes* at a time when it was still owned by the German Axel Springer said the following: “You were much more protected because if it’s part of the German company, [interest groups] just don’t know who to call to withdraw a story or to change something in a story, [...] When it was run by Axel Springer nobody called to kill a story in *Forbes*, now it belongs to a Russian businessman who also owns several glossy magazines and some real estate business or development business and he has partners and he has interests in other sectors, it’s much-much easier to pressure him, even if he declares total freedom of speech, he can’t do it, he can’t maintain it, provide it.”

*ii. Newsroom Revenues.* Out of Russia’s 165 cities with a population of 100,000 and over, only 80 have a customer and advertiser base that is stable enough to sustain its own media (Makeenko, 2013). Many news outlets, especially on the regional level, depend on state subsidies, as well as open or hidden financial help from the Kremlin-controlled business elite. As such, interviewees have drawn a grim picture of the media market, large news outlets were preoccupied with keeping at least part of their current revenues, while newer outlets were often

unsure which form of revenue they could rely on sustainably in order to build a financially stable operation. “I don’t see that things could change, so it’s really [just about] surviving. [...] Only one thing about it is politics. It’s just one thing, everything else is just mostly economical stuff”, said Interviewee Nr. 11, an editor at a legacy outlet about the general situation of the media. She pointed out that in the 2010s Russia’s overall economic performance was weak due to low oil and gas prices. In addition, the EU and the United States imposed sanctions on the country after the annexation of Crimea, which impacted advertisers’ abilities to spend money especially in the print media market.

With advertising sources disappearing, newsrooms have to rely on their readers, but even that is becoming harder when there is less willingness from readers to buy newspapers and the market is further disrupted by governmental interference, as Interviewee Nr. 19, the editor-in-chief of the local edition of a political daily explained: “If you go to the kiosk, where the newspapers are sold, you’ll see that [our newspaper] is probably one of the most expensive. And *Rossiyskaya Gazeta*, which is supported by the government, they are 9 rubles. And we are 45. It’s not because we drive Mercedes and we are living in luxurious estates, or anything like this, or that we are greedy or stingy or something. It’s just because they’re getting huge investments from the government, and we don’t.” She added: “Every year [we have] less and less [readers]. I’ll tell you exactly who are reading the paper corpus. In Russia the circulations are going to total hell. The people 65 plus or maybe even 70 plus, and the bureaucrats in the city administration for whom the press secretary is still cutting with the scissors the articles and marking with a yellow marker what is about them. I think that’s all, because we are publishing online.”

Although parts of the latter statement seem exaggerated, it describes the overall trend in the Russian media market. According to research by the independent Levada Center polling agency, the majority of the population is still using television as its primary means of news

consumption. 72 percent have mentioned that they get their information from television (93 percent of Russians over 65, but only 42 percent of those under 25), while 34 percent have mentioned social networks, and 32 internet sites as their source of information. Print newspapers were only mentioned by 12 percent. The most read newspapers (reaching up to 10 percent of the population) are *Argumenty I Fakty*, *Komsomolskaya Pravda*, *Rossiyskaya Gazeta*, *Izvestia* and *Moskovsky Komsomolets*, which are all seen as being in line with the government. Besides them economic newsrooms, such as *Vedomosti* and *Kommersant* have a readership of 1-2 percent of the Russian population, while the RBC economic daily reaches 4 percent, mainly thanks to its website. According to Levada, 35 percent of the population consumes what they see as “independent media”—in cities it is close to half of the population (Volkov and Goncharov, 2019).

*iii. Content.* In line with the changes outlined in the literature on the effects of digitization, many Russian journalists recall that the growing competition on the internet requires newsrooms to create more content with less resources. As interviewee Nr. 11, an editor of a legacy outlet in Moscow recalled: “The owner said you should do more on the internet, so we have more people doing copy-paste, [...] more like clickbait news, because he says that we need to have a big audience, because if you do something like we have now, we’re not important for digital advertising agencies, so we will be losing money. And it really changes something, because before that we published more things, more about industry news [...] and now we are hearing that you shouldn’t publish it, it’s not worth your time, because it would be [only] several thousand users reading it, it’s not good enough. [...] And we lost some editors because of that, some really strong people...” Especially investigative contents and time-consuming reports are hard to cover, as the reporting costs are not matched by the revenues they generate—which Russian interviewee Nr. 8 sees as an outcome of the current economic environment: “I worked at [a large business outlet] and we had back then the luxury to have

the resources on investigative news and stories, and now I just can see that we cannot do it, it's financially not possible.”

While the literature on the political economy of the media looks at advertisers as forces shaping content, in the Russian context journalists in Russia see many advertisers as weak economic players whose advertising decisions are more dependent on their wish to please the state than to buy favorable coverage with newsrooms. Due to the experiences of the 1990s, when favorable coverage could be bought and sold in the Russian media (corruption in newsrooms was mentioned in the Freedom House report of 2017, but in my interviews the issue was only mentioned once—this can be either because the interviewed newsrooms don't engage in this kind of activity, or some of them would not feel comfortable admitting it), many interviewees explained, that there is a perception in the Russian media sphere that advertisements are signs of support. Interviewee Nr. 19 described this the following way: “In Europe and the United States the advertisers understand the difference between editorial and advertising. But here they understand that they're under surveillance. If they're publishing the ad in [our newspaper] that means they're supporting it. If they're supporting it, they'll have problems.” The same journalist brought an example from her work, when an advertiser somehow found out that the advertisement he ordered will be published along with an investigative article: “At that particular copy we were thinking that we'll have a big advertising. Some guy decided to publish [an advertisement], but then he understood that he would be standing next to a story [uncovering the government's missteps]. So, he was saying: Please... [...] In any normal country it would be like, here is advertising, here is editorial... but here it will be read like: He sponsored that article.”

## **Hungary**

*i. Ownership and investment.* Under the Orbán governments, the Hungarian media market was shaped by increased investments of governmental proxies in the media market. Foreign owners, whose holdings according to estimations accounted for 80 percent of the Hungarian market, started gradually selling their stakes. The new buyers were investors with close ties to the Orbán government, who often received state-backed, low-interest loans to acquire the outlets (Bátorfy, 2019). Due to this shift in ownership, the majority of the broadcast media, as well as the complete regional printed press, ended up in the hands of 11 government-aligned businesspeople (Bátorfy, 2017), who in 2018 donated their holdings to a newly established foundation called the Central European Press and Media Foundation. Many formerly independent newsrooms or non-friendly newsrooms were affected by this trend: the news site *Origo* was transformed to a government mouth-piece, the political daily *Népszabadság* was shut down. The same is true for the conservative daily *Magyar Nemzet*, which was owned by Lajos Simicska, the former treasurer of Orbán's Fidesz party who fell out of grace in early 2015. Governmental proxies also acquired a stake in *Index.hu*, the most widely read online news site of the country, when a member of the Christian Democratic Party (the small coalition partner of the governing Fidesz party) bought 50 percent of Indamedia Group. This company was in charge of selling advertising space on *Index.hu*, and was thus controlling the outlet's revenue streams. In the summer of 2020, while finishing up this text, almost the whole newsroom quit out of protest against governmental interference.

Owning a newspaper that covers politics is seen as a political statement for or against the government. "If [our owner] wouldn't spend his billions on us, this newspaper wouldn't be able to operate", said interviewee Number 6., the deputy editor-in-chief of a legacy newsroom whose owner was in an open conflict with the prime minister. Interviewees mentioned that they see it as close to impossible for newly established independent newsrooms to find investors. While the economic environment doesn't promise profits, being associated with media that are

critical of the government can increase the risk of some form of governmental retaliation. The difficulties of starting a commercially operating enterprise, were best described by interviewee Nr. 1, the CEO of a news start-up with a general focus. For a decade he had been responsible for the financial part of Hungary's biggest online newsroom, and left because he felt like there was too much pressure coming from the media's owner. Two years after leaving the newsroom, he teamed up with the former editor-in-chief to launch a new outlet, but he recalled experiencing pressure coming from the owner of his previous newsroom and his circle of interest. "They used seriously illegitimate means to stop us from being launched. Economically, politically, through the use of threats, they used all possible mafia tools to make it harder for us, or even impossible. [...] We had a contract for sales [...] with a partner who was pressured economically and politically in such a way that the contract was deemed void before our outlet was launched. We had supporters who received personal threats, just because they were planning to support us or contribute." Interviewee Nr. 16, the founding editor-in-chief of the same outlet added that the first sponsors and investors who loaned the seed money for their investment required to stay anonymous. "We wanted to be a totally transparent company [...]. But from the first moment we failed to do so", she said.

*ii. Newsroom Revenues.* In the years of the research most of the independent newsrooms have shown losses on their balance sheets. Interviewee Nr. 1's newsroom has managed to become one of the top 10 most widely read newspapers in just a matter of years, and thus became lucrative to businesses to advertise with. Nevertheless, he didn't see financial stability possible in the short-run. "We have reached the break-even point, or at least we got really close to it. But that meant that we were running as an overstretched company. An average journalist had to spend 6 out of 8 weekend-days working, the operative tasks were done by one and a half people, and these one and half people had to do all the activities related to the newspaper. They were taking care of sales, chasing advertisers, taking care of financial

management, HR, marketing, rectification procedures, office rent, bringing up the toilet paper, mailing, and so on. Without an actual apparatus doing these things, a 27-person company almost collapsed under the weight of it.”

Although there is no direct state support to media, apart from the public service broadcasters, research by Urbán (2013) and Bátorfy (2019) shows that advertising is used as indirect subsidy to reward friendly newsrooms. In the case of government-friendly newsrooms, state-advertising is used as a means to keep operations profitable in a market that would otherwise not sustain them, Bátorfy (2019:40) mentions that there are media where up to 75-80 percent of turnover comes from state advertisements, while in the case of independent newsrooms these advertisements are used to create dependencies. Some government-critical media, like the *ATV* television station or the *Népszava* daily regularly received state-funded advertisement for which journalists in other newsrooms labelled them “his majesty’s opposition” and emphasized that their editorial line might be impacted by the government. While start-ups and smaller newsrooms didn’t get state funds, some of the larger newsrooms reported having received advertisement during the second (2010-2014) and the beginning of the third (2014-2018) Orbán legislatures; however, this sort of income has waned over time. One of the editor-in-chiefs added that state advertisements were very sensitive to the content published in the given newsrooms, he recalled, for example, that their newsroom had lost a relatively large advertising contract with a state agency because of the investigative articles it has published.

Interviewee Nr. 1 has managed the finances of a large, general-interest online native news outlet, one of the major publishing houses, as well as of a news start-up, and came up with the following typology for the advertising market:

I tend to say that the power dependencies have concentric circles. There is the literal Hungarian state which is obviously not advertising with us. It is important to mention it, because it is the biggest player on the Hungarian advertising market. There is also the state in the wider sense, through fully or partially state-owned enterprises – from ELMŰ [Hungary's biggest electricity and gas supplier] to MOL [a Hungarian multinational oil and gas company]. [...] These are also far from us; this is the second circle. Then, we have companies that operate on an extremely regulated market, and are therefore either really afraid of the state or in very tight contractual connections. Such firms are the telecommunications firms, big medical companies or big banks [...]. [Advertising] agencies also start being afraid. Especially those agencies that have state clients or clients that are close to the state. These companies are afraid to bring the money of their non-state clients to us, out of fear that they might lose [other businesses]. And there are clients whose fears are not really rational. I mean in the sense that they are not tightly dependent on the state. Everyone has some [dependency], but not that tight that they would lose money or access to markets. But they are afraid of some form of repercussion. Be it irrational or real. This is the widest circle [...] and more and more companies can be found there.

*iii. Content.* Hungarian journalists say they are overwhelmed with the topics they need to cover, at the time of the interviews only a handful of interviewees said that they can regularly attend most important press events, collect stories from all over the country and also conduct time-consuming research. “In this house, there are 150 people working, that included the publisher as well, but half of them are journalists. You don’t see [many newsrooms of this size]. [...] The big problem with them disappearing or being smashed is that the kind of research that you can do with such big team will be completely impossible. You need this many

people in order to have at least 2 or 3 stories a day which is referenced all over the press”, said interviewee Nr. 6, deputy editor-in-chief of a political daily whose newsroom was shut down a few months after we talked.

Interviewee Nr. 11, the former editor-in-chief of an online native pointed out that online operations that only depend on advertisement have to produce a large number of “clickbait” content in order to attract sufficient numbers of readers. “I could say fuck the weather forecast, or [don’t report about] the lottery results. These used to be examples that I brought many times. But as the editor-in-chief [of a news media] I cannot say this. It requires two minutes of work and brings in a large amount of clicks. [...] When your content is for free, you have to pay attention that you always have these kinds of easily digestible, widely read and easily producible contents, whose added value is very low.” When there is a shortage of staff, it is usually the more expensive, more time-consuming content that is sacrificed in order to retain income. “Investigative journalism is an expensive genre. We try to support it, when [journalists come up with an idea], but imagine a newsroom where 10 people left last year, and we cannot employ new ones”, said Interviewee Nr. 4.

#### **4. How Pressure Feels Like Inside the Newsroom**

##### ***Russia***

Pressure is still not experienced as part of the working routines by most journalists, in part because there are editors or management members who act as “lightning rods” so that journalists can work without interference. At least until a point. Russian interviewee Nr. 6 said, at his previous newsroom, a larger online news start-up, the pressure that led to the firing of the editor-in-chief came almost out of the blue. “Well, journalists didn’t really experience it,

but I could pick up that [our editor-in-chief] had to really defend what we were doing to the investors, [...] she was great at it, so we didn't know much about it. [...] Up until the day when she was fired, we didn't have like anything, didn't have any calls from out there demanding certain articles to be taken down or anything, [...] if any of that existed, she kind of mitigated the whole thing. At some point it just wasn't working anymore.”

Journalists in larger newsrooms, however, have also mentioned some degree of self-censorship or the prevalence of taboo topics that need to be avoided (the extensive reliance on self-censorship is also described in Bodrunova et al., 2020 and Yablokov and Schimpfössl, 2020). Interviewee Nr. 5 for example said: “One very important thing is that people here in Russian in general and in [our newsroom] in particular have developed something like... I wouldn't call it the self-censorship but something like that, some traits of that. For example, nobody would suggest writing an article about Vladimir Putin's hidden riches in Europe, because everybody knows that this article will be deleted. So why bother writing about that.” A motivation to avoid possible conflicts with political interest groups is a person's dependency on a secure job. Russian interviewee Nr. 5 added:

It is like this 5 percent [of topics], everybody knows what it is, and you just don't go [there]. If you want to go there, you must be ready that you don't have advertisement. *Novaya Gazeta* is a clear example. People will have a salary of like seven or eight hundred dollars, which is below a reasonable level to sustain living in Moscow. People have constant problems with the police. People would have constant pressure. If it's your choice, if you choose this life, it is okay, then you have *Novaya Gazeta*, you can go there and do work as you [wish].

Interviewee Nr. 2. emphasized: “In a situation where people are loaded with debts and families, and they are afraid to lose their job and they are in a situation where they used to be cautious, it is part of their job description to be cautious.” Besides personal motives, the wellbeing of the newsroom and collegiality is also a reason that is brought up; journalists have a responsibility towards their newsroom. “Nobody wants to be too bold... there is always some understanding that all journalists have, how to, on the one hand, how to be as honest and as professional as you can, and on the other hand not to jeopardize the work of the whole newspaper”, said interviewee Nr. 5. He also added that, in his opinion, the Russian context requires a different understanding of media freedom: “It’s very easy to cry about the freedom of press when you live in Great Britain or in the United States.”

The peculiarity of the situation is that there are no clear requirements for the kind of behavior that is expected from a journalist if he or she wants to stay out of trouble. A famous example that many interviewees referred to was the change in leadership at the business and political daily *RBC (RBK)* in Moscow. After the two editors-in-chief Elizaveta Osetinskaya and Roman Badanin have left the newsroom in 2016, many commentators believed that there was political pressure in the background. They were replaced by Elizaveta Golikova and Igor Trosnikov, two senior journalists who came from the state-owned news agency *TASS*. On July 7, 2016 the two new chief editors attended a meeting with the team of the newspaper, the recording of which was acquired and published by the news start-up *Meduza* on July 8 (English version published on July 12). Here, the two new chief editors describe the boundaries of journalistic autonomy with the help of a traffic metaphor:

RBC journalist: My name is \*\*\*, and I represent the financial news desk at the moment. My question is that our chief editors were fired, as you know, and they were fired, we've been hearing, because something didn't come together correctly with [RBC's] editorial

policy. So obviously our editorial policy won't remain exactly as it was, as you've just told us, because clearly something about it before didn't work out.

Igor Trosnikov: Quite right.

RBC journalist: If you fire people for something that wasn't working out, then you probably don't want anymore of those things, when you hire new people.

Elizaveta Golikova: Look, do you drive a car? Do you?

RBC journalist: Yes.

Elizaveta Golikova: Have you got a license?

RBC journalist: I've got a license.

Elizaveta Golikova: Do you ever break the traffic laws? Ever gotten a ticket? Do you pay up?

RBC journalist: Yes, of course.

Elizaveta Golikova: Well, if you drive over the solid double line, they take away your license. Does this [risk] mean you'll stop driving your car, or that you'll start traveling by plane, or maybe in something else?

RBC journalist: Where's the solid double line?

Igor Trosnikov: Unfortunately, nobody knows where the solid double line is.

Elizaveta Golikova: And this is the road. The information space, as you all know too well, is a very sensitive place. And we all find ourselves at a catastrophically difficult moment—not just for RBC, but for the entire mass media. This difficult moment, I don't know—the traffic is at a standstill, the drivers are growing anxious, and there's a catastrophic stress overtaking the people outside and inside the cars. Our job is to show our professionalism in such a way that the traffic is safe for the people inside and for the pedestrians [inaudible].

Igor Trosnikov: We all grew up in the same paradigm. I think many of you learned from [the newspaper] Kommersant when I had arrived there and was working. We're all from the same school [of journalism]—believe me. We share the same relationship with our audience, and respect the same responsibilities before our readers—really, the same.

RBC journalist: But the question was actually about something else.

Igor Trosnikov: And I answered you: no one knows where the double line is.

RBC journalist: No, it's always moving...

Igor Trosnikov: Yes, and in the current environment it moves, unfortunately [inaudible]. And what about standards? The basic standards of journalism [at RBC] absolutely won't change. [inaudible] (Meduza, 2016)<sup>19</sup>

This story of the undefined “solid double line” was echoed by Russian interviewee Nr. 2, who experienced a similar conversation at one of his previous workplaces in the early 2010s. “I sometimes like to play stupid and I did so, and I asked [my supervisors], ‘look maybe we should get a stop list’, [a list of what] we do not write about and stuff, [things we need to] avoid. Like a writing, we could pin it on the wall, it will be so much easier this way. And they like did not answer, did not hear me... pretended to not hear me. And later my boss, who was the managing editor of this publication, he took me away and said ‘that’s what you get paid for, you have to understand for yourself, you have to feel this, get it from the air and from the waves what is the bad thing to do’. That is basically what happens.”

The freedom of a journalist also depends on the kind of newsroom she is working for. While many larger publications require caution in order to keep their advertisers or not to cause problems to their politically exposed owners, smaller outlets see less impediments to their work

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<sup>19</sup> Additions in brackets by the journalists of Meduza.io.

– in part because their stories are expected to reach smaller audiences, their brand may not be well-known yet, or their resources may not be enough to provide content that those in power see as threatening to their position. Some interviewees also said, they believe the Kremlin needs newsrooms that is critical of the regime, because that contributes to the veneer of democracy.

Interviewee Nr. 1 said:

We don't experience pressure right now, but it's usually if you start to get pressure, you are already closed. You start to get pressure, then you try to fight, and they just block you, open a criminal investigation or I don't know, attack journalists and it will be the end of this media outlet. It's like same that if you hear the bullet, it is already dangerous for you. So, we don't hear any threats, we don't hear any signs of pressure, but that doesn't mean that we are in a safe situation, they just haven't started to do anything. So, all of what we experienced is some DDOS attacks, some phishing emails from FancyBear, which is a Russian hacker group from GRU, all of this stuff, but nothing really serious came out.

### ***Hungary***

In the Hungarian case dependent critics of the government have a clearer idea of what topics they expected not to cover. Interviewee Nr. 16 started experiencing interference from the owner right after the 2010 election. “Two months later he started warning me because of articles, that we shouldn't do it like this [...] we shouldn't [deal] with Orbán's personal things. [...] It's a returning element in the press issues of Orbánism, that they want to protect Orbán's personal dealings and his family.” But in practice, the requirements seemed to be more fluid. Often office holders, politicians or other people with whom the owner has a good relation were

off limits. Senior editors working at newsrooms where the owners have political interests mentioned demands from owners to take down articles or even to fire journalists – most of them added they didn't comply with the demands. Others mentioned they have witnessed articles being moved to less prominent positions on the website.

Interviewee Nr. 4, the editor-in-chief of a small online startup, who has been in senior positions in a number of other media before, argued that self-censorship can become a quasi-unconscious part of the journalistic routine. “There is a point where you lose track. You don't know anymore which compromise is still okay and which one is not okay. [...] The seriousness of the problem became clear to me when I realized that I started to check myself. That's when there's no more need to threaten me, I start to control myself.” She mentioned that during their daily work editors started to make some minor tweaks in content, just to avoid unnecessary confrontations with the subjects of their articles. In other cases, stories were edited or left unpublished out of fear that civilian sources could face retaliation.

Whether or not a given limitation on content is still acceptable also came up in interviewees. Interviewee Nr. 6, the deputy editor-in-chief of a conservative newspaper, for example, tried to rationalize self-censorship, and argued that it was an unescapable reality of almost every newsrooms. Her newsroom was seen as being aligned with the official government line, however, in 2015, the owner of the media started a quarrel with the prime minister, and as a result the editorial line changed, and the content of the media became more critical of the government. “I think, there is no place in the world where there is zero censorship. The question is only how strong it is [...] From an existing, strong censorship, we got to a point where it has shrunken to a minimum. [...] That's of course not good, it doesn't help the trustworthiness of the paper, but it is still a fact that everyone has to accept some form of compromise.” The interviewee went on pointing towards her belief that censorship is a common practice in Western newsrooms as well—even if, as she saw it, journalists rarely

admitted it: “If we sincerely spoke to an editor of a German paper, and she opened up, [she would say that] there are many compromises they have to make, due to business or political interests. We could for example talk about the [coverage of] migrant issue, which [plays out in] opposite ways. The Hungarian propaganda press exaggerates the phenomenon and the risks, and the German press is visibly downplaying it [...].”

Others argued that limitations on a newsroom’s freedom can only be tolerated if the benefits (especially in terms of the public good) exceed the costs. “There have been some weird instructions, which of course led to a really bad mood [in the newsroom]. But in the meantime, there has always been the saying that [our newsroom] plays a really important role in the Hungarian public sphere; so, should we let this go or should we all quit? And that’s a really bad situation, because you always have to give up a little bit from what you otherwise believe.” Leaving a newsroom is a hard decision to make, especially if the alternative would be to launch something new, which has to be built up from scratch. “I was the founder of [the newsroom], I even founded its predecessor. [...] as a fortysomething I was really afraid to jump into the unknown [...] it was really hard to let this story go”, said interviewee Nr. 16.

## **Summary of the Chapter**

The overarching theme that emerges from the literature and the interviews is that—contrary to totalitarian systems—today’s competitive or electoral authoritarian regimes, including Russia and Hungary, refrain from all too obvious infringements against the freedom of the media and the basic civil and human rights constitutive of their work. Interferences with rights mainly happen as limitations under the pretense of safeguarding public interests or individual rights. The main vulnerabilities of newsrooms are economic in their nature, even if politics and the legal environment play a major role in aggravating their problems. In the years

of transition and democratization foreign investors were the ones that shielded newsrooms from pressure. Their (partly voluntary, partly forced) withdrawal from the two markets in question, combined with the decreasing profitability of newsrooms, has made independent media an easy prey for governments that were showing increasing authoritarian tendencies.

The overwhelming majority of journalists in these countries see the market as not functioning properly. The state is involved in market procedures to an extent that commercial newsrooms cannot rely on a stable and predictable economic and regulatory environment that would be necessary for their operations. Media organizations that are critical of the government cannot count on advertising—historically, the income source that allowed newsrooms to take on the costly mission of providing a public service and acting as checks on government—to make their operations sustainable. Many newsrooms are in the hands of investors with strong political connections who are willing to interfere in content creation in order to secure their newsroom’s revenues (or to avoid pressure on their other, non-media-related businesses).

Although there have been examples of new media projects that were launched in these countries in total independence from power structures, journalists often feel trapped in captured outlets, and find themselves in a situation in which they have to constantly weigh the costs and benefits of accepting some degree of pressure, or undergoing self-censorship. Leaving a newsroom would mean that journalists lose the existing reach, the well-known brand and the established income sources of the newsroom they are working for, and the alternative often offers them less financial stability and less opportunities to reach possible readers. As such, many journalists opt for a newsroom that is controlled and unable to touch certain topics, but still able to give the journalist a sense to provide some degree of public service.

This is the setting in which the need for new forms of income arises. In the following chapters, I will look at the different new and old sources of revenue that Hungarian and Russian newsrooms utilize (or experiment with) in order to build a financially sound and stable

newsroom, or at least decrease their dependence from the government or related interest groups. Given the weak market and the limited willingness to pay for content, grants and other forms of foreign (philanthropic) support are widely utilized in these countries to enable them to create content that they see as serving the public interest (while the market or the state would not be able or willing to support it). As might be expected, this form of funding is also not without risks, it may cause other forms of dependencies that I will describe in the next chapter, while governments and interest groups can opt to retaliate against newsrooms that utilize foreign support by increasing pressure on newsrooms; this will be the topic of chapter 7.

## Chapter 7: Financing the Media

This chapter explores how journalists in Russia and Hungary cope with the economic challenges in the media industry. Drawing on a review of the literature and an analysis of the interviews conducted with media professionals in both countries, the chapter highlights the crisis of traditional media revenues, the struggle with finding viable, alternative sources of income, and the crucial role state and donor funding can play in such a context. While the international literature mainly focuses on Anglo-Saxon and Western European experiences, and relatively little has been written about the specificities of the news media market and its new revenues in 21<sup>st</sup> century Russia and Hungary, I argue that these pieces of research can still provide relevant insight for both countries. Since the 1990s, journalists and media managers in the two countries of interest were looking at the Western media market for inspiration, and still in the interviews many of them mentioned Anglo-Saxon outlets as role models. Or at least they are used as justification for some particular editorial or business decisions they made.

I follow the same logic for the literature review and the two country sections. I start with an investigation of traditional forms of income—advertising and sales of physical copies—, which are still utilized by many of the newsrooms. Although in some cases they come in newer forms, such as native advertising—this phenomenon is widely criticized in the profession for possibly blurring the boundaries between journalistic content and paid-for advertising. Then, I turn to new forms of revenues utilized by journalists, mainly the 3 forms of audience revenues propagated by journalism professionals: subscriptions, donations and membership. Thereafter, I turn to philanthropic funding and other forms of foreign (or in rare cases domestic) support that allows journalists to work free from market pressures. Finally, I contrast the situation of domestic outlets against foreign outlets and public diplomacy media producing content in the local language. This comparison is necessary, because the interviews

with journalist in Russia (some of whom referred to these outlets as the few places where journalists can work freely), as well as Slavtcheva-Petkova's (2018) decision to include Radio Free Europe/Radio Liberty in her analysis of "liberal" or "independent" media in Russia make it clear that in order to get a clear picture of the media landscape's independent actors ("independent" in our case means independent from the state) needs to take account of them as well.

## **1. Media Financing**

In the past two decades, news media have experienced a crisis of their models of financing, which led to a great number of closures and layoffs, the precarization of labor conditions, as well as the development of so-called “news deserts” as many important topics cannot be covered anymore with journalistic means (Waisbord, 2019). The difficulties of monetizing quality journalistic content have been described in both the scholarly literature (see among others: Cagé, 2016; Rusbridger, 2018; Parcu, 2020; Pickard, 2020) and in policy research commissioned by governments or international organizations, such as the European Commission (Aguiar, Gomez, and Mueller-Langer, 2018), the Council of Europe (Nielsen, Cornia, and Kalogeropoulos, 2016) or the UK government (The Cairncross Review, 2019). In Western countries, quality and timely news has traditionally been provided by print daily and weekly newspapers, as well as magazines—other media (chiefly radio and television) were looking at print publications to fill their own programs with content (see Pickard, 2011; and Cagé, 2016). In the 1990s and 2000s, most print outlets have established an online presence, and started publishing original content both in their print editions and on the internet, while a new breed of online native news media have adapted print journalistic standards and practices to online only news production.

In economic terms, print news media is an industry characterized by high fixed costs and low marginal costs (Cagé, 2016; Chandra and Kaiser, 2015). This means that launching and operating a print news media business requires significant capital from owners, as employing journalists, editors, copy editors, visual staff, as well as paying for printing and distribution has made the production of a quality media product expensive. However, once the product (e.g. a given print issue of a newspaper or magazine) was put together, the cost of getting an additional copy to a reader was negligible. This phenomenon of the so-called

increasing returns to scale (referring to the fact that a growth or decrease in market size doesn't considerably affect the production costs) meant, on the one hand, that even in the decades when running a print newspaper was financially viable, the market (at least from its economic structure) favored the creation of monopolies and quasi-monopolies. On the other hand, once revenues got scarce, cost optimization meant for many newsrooms that they had to decrease the quality of the product by laying off content producers and limiting the scope of topics covered.

### ***The Internet's Impact on the Advertising-Driven Business of Journalism***

While subscription numbers of legacy print media have been dwindling for decades, the decline was accelerated in the new millennium, when readers found that the internet provides them with an abundance of free content, including the kinds of news items which they previously accessed in newspapers (at the time, the film and music industry were also hit by the same trend)—thus driving down willingness to pay. The changing consumption habits have hit the core of the print media's business model. For the most part of the 20<sup>th</sup> century, print media were sold to the audiences well below their production cost, as the subscription or newsstand prices of the print paper were subsidized or supported (depending on the framing) by advertisers. This made sense economically, because news media publishing functioned as a two-sided industry: it sold a journalistic product to the readers, and it sold readers to advertisers (Argentesi and Filistrucchi, 2007). In this constellation, the decline in either of them hurts the other, as less advertising leads to an increase in the newspaper's prices, while a decrease in readers makes the outlet less appealing to advertisers. This trend has seriously hit the newspaper industry—especially legacy dailies and the regional press, at one point in the late 2000s, even The New York Times, the world's probably most well-known newspaper brand,

was close to bankruptcy. Publications whose content was less time sensitive or whose coverage was specialized were somewhat sheltered. Weeklies and magazines were more likely to be sold on a national level than daily newspapers and were better at differentiating themselves “through their choice of subject matter” (Chandra and Kaiser, 2015:399), at the same time outlets like *Forbes*, *The Financial Times* or *The Wall Street Journal* were more likely to be read by the kinds of audiences that high-end advertisers are interested in (Koschat and Putsis, 2000; Chandra 2009).

Despite the hardships it caused, initially, the internet was seen as more of an opportunity than a threat by many representatives of the news media industry. Even if the worldwide web meant a loss of paying readers, the new opportunities could have made up for the losses: with the internet there was no need to spend money on printing or delivering the paper, while the free content was not only able to offer a greater number of readers to advertisers than ever before, the new technology also provided opportunities to target audiences based on specific characteristics. However, the digital advertising market, driven by advertisers’ demands to more effectively target, or “microtarget”, audiences didn’t favor content producers. Thus, advertising revenues of digital operations were unable to offset the decrease in print revenues. On the internet, the dominant product became search advertising, which by 2020 accounted for nearly half of the digital advertisement, followed by display ads, and online video advertising (Peitz and Reisinger, 2015; Morton and Dinielli, 2020), which were all dominated (to different degrees) by online platforms such as Facebook or Google’s parent company Alphabet. Even some of the display advertisements featured on the websites of news media is operated by Google, who thus act as an intermediary between advertisers and the site that publishes the ad, and in turn receive a cut from the advertising revenue. In addition, one of the important revenues of print media (especially local outlets) the 20<sup>th</sup> century was classified advertising (Chandra and Kaiser, 2015; Rusbridger, 2018), such as recruitments, sale of property,

announcements, etc. On the internet, most of these ads have ended up on specialized websites such as Craig's List or Monster.

To regain the interest of advertisers, many online newsrooms included so-called native advertising services (the term, to some extent, overlaps with what is labelled as sponsored or branded content) in their portfolio. This native advertising allows marketers to borrow “from the credibility of a content publisher” (Wojdyski and Golan, 2016) by integrating advertising into the editorial content of a news website (or in some cases print publication). These advertisements include content that mimics the format of an actual news article (although they are written by, or in collaboration with, the advertiser), as well as feature articles written by the newsroom staff, but paid for by a third party. The marketing community sees them as an efficient way to overcome the intrusiveness of banner advertisement (Harms, Bijmolt, and Hoekstra, 2017), but there are also concerns about their ability to mislead consumers of news media. The issue is disputed. Wojdyski (2016), for example, found that readers often miss the disclosures that indicate that the content they saw was actually advertisement, Howe and Teufel (2014), on the other hand, were somewhat more optimistic, arguing that readers in fact identify native advertising as advertising, and thus do not perceive their use as an act of deception.

Numerous scholars (most prominently Herman and Chomsky, 2002 and McChesney, 2003) have criticized the media's old, advertising-driven business model, emphasizing that the dependence on advertising placements can compromise their reporting, as newsrooms might refrain from publishing articles that are critical of the companies that use their advertising services. To refute the claims about influence, many news outlets referred to the existence of so-called “Chinese Walls” between content producers and business operations inside the outlet. In some cases, this wall even meant a physical separation of the newsroom and the advertising divisions, while in other cases it was seen as an ethical concept that allowed journalists and editors to follow their own professional judgement and act independently from the interests of

the hand that feeds them (Axhami, Mersini, and Zela, 2015; Coddington, 2015; Rusbridger 2020). Thus, scholars have voiced concerns about native advertising's ability to blur the line between paid and journalistic content, as well as eroding trust in quality journalism (Conill, 2020; Levi, 2015).

### ***Reader-Driven Revenues***

As an alternative to advertising, journalists and their newsrooms have looked for ways in which they could earn extra revenues by tapping into their potential readers. Arrese (2016: 1064) points out that following the economic crisis of 2008, Rupert Murdoch started a “crusade” to put the online versions of his papers behind a paywall, and The New York Times invested significant efforts into selling online subscriptions. In turn, there has been an increased willingness by online content providers to ask money for their content. Hansen and Goligoski (2018) differentiate between three main forms of audience revenues: 1.) subscriptions require audiences to pay for access to news items, 2.) donations convey a charitable relationship in which readers are asked to contribute to the production costs of articles that are otherwise (in most cases) freely accessible, and 3.) membership is a “more committed relationship that is robust and active,” meaning that it allows the readers to support a cause they believe in, while also participating in a “two-way knowledge exchange between journalists and members” (Hansen and Goligoski, 2018:13). Just like with the advertising driven model, where a newsroom could rely both on paying readers and advertisers (or in some cases only one of the two), the three audience revenues are not mutually exclusive: a newsroom can offer free content supported by donations while locking other articles behind a paywall, or ask wealthier readers to throw in some extra in support of its otherwise paywalled journalism.

**Subscriptions.** The first form of audience revenue that started spreading was the subscription—in most cases secured by a paywall. However, its utilization was not without problems. First, it raises the ethical issue that outlets that utilize this form of audience revenue may lock the “most saleable and valuable commodity” (Myllylahti, 2017:469) of journalism away from the larger audience. Secondly, the evidence so far shows that paywalls are not a panacea for many players on the media market. Myllylahti (2014) argues that paywalls don’t seem to provide a remedy for the short term, although it is hard to find reliable financial data on paywall success, as many outlets don’t disclose sufficient information. Sjøvaag (2016) adds that it is usually outlets with strong brands or dominant market positions that profit from paywalls. Cook and Attari (2012) found in the first months following the launch of *The New York Times* paywall that charging for content led to a moderate increase in the willingness to pay when framed as a financial necessity, while the justification of making profits was not compelling to readers. Pickard and Williams (2014) point out that the U.S. experience of the early 2010s shows that paywalls may work out for some niche outlets, but overall, they don’t compensate for the losses experienced in the market. Similarly, Carson (2015) found that for larger legacy outlets paywalls cannot be a standalone solution. Building on a decade of experience with charging for online content, a study commissioned by PWC has spelled out what has been cautiously mentioned in journalist workshops of the time: in the search for paying customers, many news media find themselves competing with popular streaming sites and entertainment content. The study argued that as a general rule, a “company charging for subscriptions can provide either very focused content (as the *Economist* does) or sectorspecific newsletters, or it can focus on volume, à la Netflix” (Ballhaus, 2020:10). However, only a small number of news media can provide the kind of volume that brings in sufficient paying users. The most well-known example is *The New York Times*, which (following years of financial difficulties) announced in November 2020 that the number of its digital subscribers has reached

7 million, and for the first time the online edition brought in more revenue than the print operation. The company in turn used its stable financial position to acquire startups that focus among others on podcast production, thereby diversifying its offer (Lee, 2020).

**Donation.** Another major source of reader revenue is donation, which is often conflated with “crowdfunding” in articles. The term crowdfunding itself is misleading, as newsrooms with each of the three business models can rely on crowdfunding campaigns, either to gather a pool of subscribers or members to their product, or to secure support for their free-of charge content. This way of securing funding is mainly utilized by journalism startups (Porlezza and Splendore, 2016). Carvajal et al. (2012) argue that donations are an especially welcome model for nonprofit media, which put the readers into the role of producers “without endangering content quality (2012:645),” by allowing them to contribute to the production costs of articles they deem interesting. But overall Porlezza and Splendore (2016) as well as Aitamurto (2015) found that donation doesn’t seem to work as a standalone solution for the financial problems of media. Hunter (2016) adds that crowdfunding for reader donations can be a labor-intensive effort, and it may not work in every case. Jian and Usher (2014) found that donors are more willing to pitch in when it comes to stories that seem to have an effect on their daily lives (such as public health or city infrastructure) and are less interested in politics. Aitamurto (2011) found that people participating in crowdfunding projects are more interested in the cause than the product itself and the act of donating has played an important role in expressing their identity to the outside world (e.g. many donors have tweeted about the fact that they have supported a journalism project), while they might not even follow-up to see whether the promised piece was indeed delivered. Jian and Shin (2015) found that although donors indicate in their self-reports that their donations are driven by a sense of community and a commitment to the freedom of content, in practice high levels of donations correlated with a sense of fun and a commitment to friends and family, thus the authors concluded that crowdfunding is better

suitable for one-time ventures, and is less likely to function as a sustainable support mechanism. In addition, Hunter (2014) found that a reliance on crowdfunded donations can lead to a clash between the journalists' expectations about their own professional autonomy and the readers' expectations about the content that is to be produced.

**Membership.** The third form of audience revenues, membership projects are too new, and thus haven't produced much scholarly output so far. A membership program aims to overcome the mindset that paying customers receive exclusive access to content, instead they think of journalistic articles as a public good that can be accessed well beyond the pool of paying readers, but readers can opt to become more engaged with the publication and participate in its work by sharing skills and expertise or voicing their opinions (see Zirulnick, 2020). In 2017, Jay Rosen, an Associate Professor at New York University became an enthusiastic supporter of the Dutch newsroom *De Correspondent*, which in the previous years built up a relatively large and faithful follower base by offering what they called "unbreaking news" (going deeper and finding uncovered stories, instead of constantly looking at the newest developments) and facilitating increased engagement from the audiences, among others by sourcing articles from readers. Their project differed from other online media in that they didn't feature advertising on their website, but neither did they implement a paywall that cut away all non-paying readers from their content: instead, they asked for membership payment, which allowed "members" to freely share as many articles as they want with their community (Rosen, 2017). Together Rosen and the team of *De Correspondent* set up the Membership Project to promote this new form of funding to the journalistic community, and to launch a fundraising campaign for the English-language *The Correspondent* publication. In a rare scholarly work on membership projects, Price (2020) has surveyed the readers of the membership-based Scottish investigative newsroom *The Ferret* and found that it is possible to build a sustainable business model on politically active people "who perceive a wider social value in the content

and want it to be exposed to a bigger audience” (Price, 2020:1333). However, finding the readers who are willing to stick around for the long-rung is not easy, Aitamurto (2011) has found in her research on crowdfunded journalism projects that the majority of donors were not interested in participating in the production process, and many of them were not even commenting on articles. Although Aitamurto’s article was written before “membership” became widely known in the journalism community, it points towards some serious challenges, when it comes to generating audience revenues through increased audience engagement. This was shown in practice, in late 2020, when *The Correspondent* announced that it will cease publishing, as too many of their initial supporters opted not to renew their membership.

### ***Revenues Beyond the Market***

So far, the market-driven revenues can only partially satisfy the funding needs of newsrooms, as most advertisers still favor online platforms (such as Facebook or Google) over online news media. In the meantime, the revenues generated by audiences are still beyond what could cover the production costs of quality journalism. Good journalism is widely perceived as a public good, as the positive externalities that news items can create (for example impactful investigations, like the Panama Papers) benefit a much wider pool of people than just those who have paid for a given news product (Allern and Pollack, 2019). Thus, the importance of alternative sources of support that could counterbalance market pressure – especially grants by governments and philanthropic funders – were highlighted by several scholars (Murschetz, 2013; McChesney, 2016; Pickard, 2020). In the following paragraphs I will provide a brief overview of three forms of non-market forms of financing that are most relevant for the sake of our investigation: 1.) public support, 2.) philanthropy or grants by foundations and (foreign) states, and 3.) public diplomacy.

**Public Support.** Already in the decades when news media was still seen as a viable business, the state has played a role of a media funder in almost every media system in the world. Support to the domestic press can take three main forms: the maintenance of public service media, indirect subsidization and direct subsidization of private media. Overall, the most common form of support is license fee- or state budget-funding for public service broadcasters. Even in the United States, a country which is seen as taking a “minimalist approach” (Nielsen and Linneband, 2011:5) in domestic media support, one can find state-backed public service broadcasters, such as the *Public Broadcasting Service* (PBS) and the *National Public Radio* (NPR).

For the private media, the most common form of support is indirect subsidization, which refers to tax concessions, favorable postal rates and other efforts that provide financial assistance to a media organization without providing grants, preferential loans or other forms of cash payment to the media. Some researchers also include advertisement by government and state-owned enterprises in this category (see Urbán, 2013). These indirect efforts are favored by many governments because they bear less political risk and are less subject to scrutiny by civil society and watchdogs, as it is harder to arbitrarily exclude outlets from the list of recipients. With the growing financial difficulties of the press, the number of direct subsidy schemes to private media has also grown a bit. A number of countries look at the dwindling of advertising revenues as a sign of market failure (Pickard, 2014; Allern and Pollack, 2019) which requires the state to step in in order to safeguard information provision as well as the jobs of people employed by media organizations (Zahariadis, 2013). As an argument in favor of public support to private media, Pickard (2011) pointed out that there is evidence that shows that in democracies state supported private media are generally not less critical of government than advertising-driven media are. However, the support schemes are not without controversies. Scholars have pointed out that policies to support the press are slow to react to

the changing circumstances on the ground (Nielsen, 2014), it is not sure whether the support indeed leads to improvement in content (Picard, 2007; Wellbrock and Leroch, 2013). Others decried that grant support can create an “unhealthy dependence” on the state and distorts the market structure. Not to mention that it often favors media that won’t necessarily contribute to the public good (see Picard, 2013; Murschetz, 2020), such as sensationalist or tabloid newspapers whose circulation is higher than that of quality media, while their production costs are usually lower.

**Philanthropy.** In addition to public support, an emerging strand of literature on donor-funded newsrooms has looked at foreign entities as possible sources of revenue for news outlets (Feldman, 2007; Guensberg, 2008; Westphal, 2009; Browne, 2010; Lewis, 2012; Benson, 2018, Scott et al. 2017; Wright et al., 2018); these foreign entities were most of the time private foundations, but in some cases, they also included funds from government. These sources are especially beneficial for newly emerging nonprofits startups, as well as news that is ignored by the market, be it on international development (Bunce, 2016; Schiffrin, 2017) or investigative journalism (Nisbet et al., 2018). Over the years, a number of strong brands emerged that relied almost exclusively on philanthropic donors, some of the most well-known examples being *The Intercept* and *ProPublica* in the United States and *Correctiv* in Germany, but foundation funding has also been widely utilized in non-Western contexts, such as in the media markets of Sub-Saharan Africa (Schiffrin, 2017). Nevertheless, the Centre for Media, Data and Society at the Central European University has found in its *Media Philanthropy: People and Impact* project that in Eastern and Central Europe “philanthropies remain a very small player; their overall share in the total media funding is infinitesimal” (Dragomir et al., 2021).

While foundation funding can make up for some of the lost revenues in the market, their use raises concerns related to newsroom independence. Many scholars have cautioned about the (sometimes hidden) agenda of donor organizations (Browne, 2010; Bunce, 2017;

Schiffrin, 2017; Benson, 2017; Wright et al. 2018) which might affect the reporting of news outlets. As Ferrucci and Nelson (2019:53) put it “unlike advertisers, foundations do not face a ‘firewall’ that separates their goals from those of the journalists they are funding.” In the long-run, the financial benefits are not without caveats either. Kumar (2006) writes that assistance to individual media creates a culture of dependency; based on his experience implementing and designing programs, he adds that the international community has been more successful when it came to improving professional standards of journalism, then when it came to creating sustainable, and economically viable media organizations. Gonzalez Cauhapé-Cazaux and Kalathil (2015) mention that many donor-funded media projects need to close when funding ends.

**Public Diplomacy.** The final issue we look at is public diplomacy, which has historically played an important role in the region that we investigate in this research, with *Radio Free Europe* being at times the sole voice not under the domestic governments’ control in the pre-transition years. Public diplomacy is a tool of soft power that is originally utilized by states for the purpose of “reaching out to global publics directly, rather than through their governments” (Seib, 2013:5) in order to “win the hearts and minds” of these populations (Nye, 2008:94). Examples include the British *BBC*’s foreign service, Germany’s *Deutsche Welle*, China’s *CCTV* or Qatar’s *Al Jazeera*. Public diplomacy is also used by Russia, which operates local services of *RT* (previously *Russia Today*) and *Sputnik* in countries it finds interesting for its soft power operations (Yablokov, 2015). While public diplomacy is aimed at generating positive attitudes towards a particular set of policies or institutions, Kumar (2006) adds that in cases it “could possibly pave the way for the eventual emergence of free media outlets in the region”. Scholars have also pointed out that in the past decades the attitude of public diplomacy providers has changed, as they are required to increasingly adhere to established principles of journalism (Seib, 2010) and to move from monologue to a dialogue or collaboration with

audiences (Zöllner, 2006, Cowan and Arsenault, 2008). Thus, the journalistic content produced by outlets such as *Radio Free Europe*, *BBC* or *Deutsche Welle*, can under some circumstances be seen as a product of foreign supported reporting.

## **2. The Revenues of the Russian Independent Media**

In this section, I look at how representatives of independent Russian newsrooms perceive the Russian media market. Russia is the larger of the two countries in this research, with a population of 140 million people. In addition, there are tens of millions of Russian speakers in the former Soviet countries, thus, providing Russian media with a large pool of possible readers and potential target groups for advertisers. As such, Russian media representatives have more faith in traditional revenues than Hungarians. Still, a number of media representatives said they have experienced the market as being increasingly inaccessible—these outlets were most of the time rather new, as well as small in size and reach, operated outside the capital, or they had an openly confrontational stance towards the Kremlin. Some newsrooms that had problems accessing traditional revenues have experimented with alternative forms of advertisement, or reader-driven revenues; but neither of those turned out to be a panacea. And neither were they without controversies.

Following the analysis of the market-driven revenues, I look at the different forms of support coming from state or non-state entities, both at home or abroad. In Russia, many privately owned outlets are known to rely on state support in order to cover their operating expenses. This form of income is crucial outside of the big cities, where advertising is less lucrative for companies. But these kinds of revenues are not available to outlets that are critical of authorities. What they might rely on instead is support from foundations and other grantmakers (why this is not necessarily easy in the current political environment, will be

described in the next chapter). This funding, most of the time, originates from foreign entities. Finally, I look at foreign outlets and public diplomacy. While the former refers to foreign, private outlets that have a Russian language offer, the latter covers a set of media outlets that are usually not considered to be sources of quality news, and especially not seen as independent journalism. However, in the context of the Russian media, outlets like the *BBC*'s Russian edition are highly regarded and contribute to a stream of news that makes it possible for audiences to access relevant information even when the government imposes control over the knowledge available to citizens.

### ***Traditional Revenues in Russia's Media Market***

Advertising still plays a dominant role in Russia's news media. In terms of its size, Russia is estimated as being among the "top-10 European advertising markets" (Vartanova, 2019); moreover, in a "foresight research" about the Russian media market, Vartanova et al. (2016) wrote that Russian media experts and representatives of the largest media companies still see advertising as „the basic business model for the largest part of the media industry" (Vartanova et al., 2016:73). Thus, even if it is going to gradually lose its prominence, advertising is expected to retain its dominant position in news media well into the 2020s. In this context it is no wonder that Russia still has some large and profitable newsrooms; some newsrooms among the ones interviewed employed hundreds of journalists.

While Russia has also experienced a move of advertising revenue from news media to online platforms, the view about the prevalence of advertising was echoed by interviewees who represent some of the country's larger news media and legacy outlets. „Nothing works without advertising. [...] You cannot live without it, as long as people work for you, you will have to pay their wages. [...] Making money is difficult, but advertising is there, and it is still one of

the most stable incomes”, said interviewee Nr. 22, the deputy editor-in-chief of one of the leading Moscow-based newsrooms. And indeed, the interviews have shown that a number of outlets look at advertising not only as their main source of income, but as a stable and reliable source of revenue. However, making financial plans based on advertising often requires newsrooms to make specific compromises.

This is amplified by the conversation conducted with Russian interviewee Nr. 23, the editor-in-chief of a legacy outlet. “[Our organization] is still making money. [...] Over a billion rubles last year”, she said when asked about the business viability of their product. Their main form of income is advertising, including so-called “spetzprojects” (special projects, a form of native advertising, where advertisers pay for edited content that includes their brand name), and to a smaller extent the sales of print publications and the organizing of conferences. “We are redesigning the editorial process, we are reducing the focus on the [print] newspaper and we are working more on the website. Because there is still a business rationale. Advertising in digital is growing, while advertising in paper-based newspapers and in magazines is falling.”

To support her arguments, she referred to trends in the Western (mainly Anglo-Saxon) media. She drew a subjective comparison with a well-known foreign media organization: “We have a very business-focused structure, and I think that now only such structures have a chance to survive. I think The New York Times is also a very business-oriented media, and all the decisions that The New York Times makes, they are also made in the interests of business.” This “business-focused structure” in the particular context, however, is also used as a justification for avoiding specific controversial topics. “If the topic carries risks for business, then it is better not to deal with it. Our task is to preserve the product, the business and the project itself. So sometimes you have to choose.”

This avoidance of controversial topics was described as being in line with international practices in journalism, according to interviewee Nr. 23 (although representatives of Anglo-

Saxon newsrooms would deny this): “I know for sure that in the same way, a topic is assessed from a business point of view at [foreign outlets such as] *Bloomberg* or *Reuters*.” In addition, Russian interviewee Nr. 23 justified her choice to limit reporting on issues that are unpleasant for those in power with readers’ demands. For this, she positioned her media at a special spot between those that support the government’s line of communication and those that try to challenge it:

There are liberal media and there are state ones, and from the point of view of the audience, both are not very good, because these are very radical points of view. [Our publication] should be in the middle between liberal and state media. And then we will be in demand. [...] The quality of journalists [in Russia] is very strong, but I don't know if you understand this word ‘polarizatsiya’ [polarization]... Journalists are taking very radical positions. There are those who are against Putin and there are those who are for him. [...] It is quite difficult to find journalists who are not for Putin, not against Putin, but simply for journalistic work. That is, the influence of politics on the minds of journalists is quite strong.

Interviewee Nr. 22, the deputy editor-in-chief of a well-known brand found the compromises required by the advertising market more problematic, and described it as a possible threat for quality journalistic work. She pointed out that the advertising-based model of financing, besides being still the most reliable source of income, makes newsrooms’ finances increasingly vulnerable to political pressures. The main risk is the government’s impact on the advertising market, which can lead to retaliations if media content is seen hurtful to those in power. Her example is very similar to Scheppele’s (2018) theory of the cruel market:

Everyone will know that they shouldn't advertise with this media. There simply won't be any advertisers. [...] no profit, no salaries. You won't be able to work for a long time, and make a newspaper, or something else. And then you have to close. You cannot even say that this is a political act. You will be told, well, as a business, these are the laws of the market.

Interviewee Nr. 16, a senior journalist of a well-known daily economic newspaper added that it is not only the political influence that causes problems for their financial viability, as a medium-sized print and online publication, she believes, they are not seen as being able to have the reach advertisers aim for, thus advertisers chose platforms (in the Russian context Yandex alongside Google) over some of the newsrooms they used to work with:

We had a problem with [the] selling of online ads, because big sellers, big companies, they do more through automatic selling [...] more and more advertising [is] going to big companies, they don't feel the need to go to small media. Why? Why don't they need to [advertise] with small companies? They could go to Yandex, it would be cheaper, they have all the traffic they want on their sites, all the people they want to reach [...] we have less and less role in clients' eyes because of these big problems.

Thus, while newsrooms that try to find a balance between being too critical or supportive of the government line can still build business models based on advertising, newsrooms that are willing to launch investigations into the dealings of the political elite see the market as increasingly inaccessible. Moreover, as news media operate in a two-sided market, the loss in advertising revenues leaves media more reliant on revenues from their readers. But without being "subsidized" by advertisers, their cover prices end up being too high

in light of the free-of-charge competition on the internet. Hoping for revenues from print media sales is thus superfluous, as interviewee Nr. 18 said with a touch of irony:

I'll tell you exactly who are reading the paper corpus [of our newspaper]. In Russia the circulations are going to total hell. The people [who are] 65 plus or maybe even 70 plus, and the bureaucrats in the city administration for whom the press secretary is still cutting with the scissors the articles and marking with a yellow marker what's about them.

This context provides a fertile ground for practices that would be deemed improper from the point of view of those Western outlets that were brought up again and again as a role model for independent Russian outlets. As the media market wasn't accessible to the same degree for all players, interviewee 26, who works for an online newsroom with presence in some of the larger cities, pointed towards some questionable revenue generating practices: "It is not official, but it is known that [commercial media can be used to further one's business interests]. A lot of businessmen come to [our media] and try to buy bad reviews or something like this. We understand that you can buy everything." The interviewee explained that this kind of bought content can include negative coverage of the competition, positive reviews of one's own product or a "stop list" which means that the media commits to not mentioning a specific entity in its articles. While the interviewee didn't approve of this practice of financing of their operations, she believed it as a common and an almost inevitable practice among Russian newsrooms (although others did not mention it): "You cannot buy something maybe only in *Vedomosti*, *Forbes*, [...] *Meduza*, *BBC*, these media who don't belong to Russian people, who are part of international [companies]. Because in Russian media you can buy everything. If you

want to buy [an article] about your rival, or something like this, or if you want to [have preferential coverage] of government. It is possible.”

### ***Experimenting with New Revenues***

While traditional revenues are harder to access, some (especially digital) newsrooms have successfully experimented with new income forms known from the Western media markets. Interviewee Nr. 6, the representative of a news start-up has emphasized that Russia is still a large market, thus, despite governmental influence and a decreasing demand, advertisers cannot completely disregard in their strategies those segments of society that consume contents that are critical of the Russian leadership. “Yeah, they want to get our readers, they are young, I think, 18 to 25 is our largest age group that we have right now: professionals, young, living in cities, more than average [income], the best target group they can ever hope for,” she said. But tapping into these resources requires relying on new forms of advertising, beyond the traditional banners. She added: “Native advertising started, you know, because nobody would buy traditional advertising with us.” Thus, after experiencing refusal with traditional offerings, the team of the newsroom started looking at foreign examples, hoping that a model that worked in the Western, especially Anglo-Saxon media market, might also be feasible in Russia.

We were really lucky that nobody tried it before us in Russia, again we were looking not at our Russian competitors, but rather Western partners or competitors who don't necessarily view us as competitors but still, this is sort of [...] the level we are kind of shooting for, and *The New York Times* has been already experimenting with native ads, other things, so we decided to give that a shot and it kind of worked from there. So, the fact that it was a hot, new, cool thing and a sort of new, innovative publication was

trying it, kind of created a hype to get major players on board, those same companies who wouldn't buy traditional advertising with us, they figured they were missing out on not trying this whole cool new native thing with us, and so [...] within several months we were on track with some major advertisers doing native...

For the news startups, advertising is just part of the income mix, and usually a smaller part, in addition, they mention a number of other sources, as Russian interviewee Number 10, the publisher of an online start-up pointed out: “display ads [are] about 20 or 30 percent of our revenue [...], programmatic, we will launch it [in the near future] and we think it will be ten or 15 percent; native placement, native ads, I think about 30 or 40, and the rest is events. [At times,] it happens that events bring half of our revenue. Right now, we are not profitable, and we are not [at the] break-even [point yet], [but] we want to break even...”

She mentioned that—in order to be profitable—an outlet that was launched in the recent years (generally after 2010) had to try to position itself in a niche market that is not served by other, bigger players. “We cannot say ‘let us give you some news in the morning and some news in the evening and you [give us] money’, we are not *Bloomberg* or we are not *Financial Times* and we feel it's not our path”, she said, adding that even financial news outlets can have a hard time to find out what specific demand they can satisfy, because most needs are already fulfilled by larger English-language media.

[The readers] have work, they have home and they [have] *FT*. At work they have *Bloomberg*, maybe they have papers that they have to read or analytics, and mainly they don't pay for that, it's provided by the corporation. (...) At home, they want the lean-back experience, they want to relax, they want fun and they want social, it's not our place either, but we know that they have something in them that comprises of their

values, for instance [...], they wear premium brands, they travel a lot, they make decisions every day.

The rest of the revenues were mainly experiments with reader-revenues. There were some sporadic attempts of crowdfunding for donations among the newsrooms (some of the human-rights-focused outlets even said, their campaigns brought in amounts that were not negligible for their operations), others mentioned selling merchandise or organizing events. One of the interviewees said their journalists could be hired to attend court hearings and report about them – a valuable service for those who are afraid they would not be granted a fair trial. Membership wasn't mentioned, but some prominent newsrooms have utilized subscriptions (paywalls), although none of the interviewees who were relying on this kind of support were satisfied with this solution. "It's not so expensive for I don't know Western audience, but for Russian audience our price is high. [...] It's not enough for us, but it's a very difficult question to raise this price and we have a lot of discussion [with] our owner about this. But now we keep the price", said interviewee Nr. 9, the editor-in-chief of an online native. Many others decided to not experiment with paywalls, because they were afraid that the project would fail. "I think people are not ready now to pay, or people from our audience are not ready", said interviewee Nr. 20, who was the editor-in-chief of a local news website. Some interviewees have also voiced concerns about two alternative revenues – similarly to the literature in the review: paywalls were seen as a threat to media pluralism, as they would limit the spread of valuable information in an already problematic media environment, while native advertising (special projects) was a threat to the credibility of journalism.

### *Non-Market Revenues*

The Russian state supports a wide range of media, such as major television stations, news agencies and the government-published *Rossiyskaya Gazeta* daily, but for the average private media the main public funding opportunities are the so-called state information contracts, which are important revenue sources for a large part of the private media landscape outside of big cities. State information contracts were analyzed in depth by some recent research into the state of local media in Russia (Dovbysh and Lehtisaari, 2020). These were defined by Dovbysh and Mukhametov (2020) as “contracts signed between state bodies and media outlets regarding the provision of informational and media services or products. The main subject of these contracts is the media coverage of specific topics, ranging from a governor’s or mayor’s activities to cultural events to local history. Other subjects include local officials’ subscription to newspapers, production of movies or other media content, and broadcasting services (for instance, sport or other events)” (Dovbysh and Mukhametov, 2020:377). The state bodies mentioned can be federal, regional, or municipal institutions. Based on decade-long fieldwork in an unnamed Russian region, Erzikova and Lowrey (2020) found that advertising has never been an important source of income for most regional or local news media. These subsidies allow the media to operate in a financially sustainable way, but in exchange they need to publish several mandatory stories, and readers cannot expect a confrontational stance towards the government.

Although our sample included some local outlets, none of them said they had access to state information contracts. Neither did locally operating outlets think of the state as a safe donor. A commonly used word in relation to public funds was “toxic”. As interviewee Nr. 13, a journalist active in an investigative journalism network explained: “It’s better not to do it because governmental money is toxic. [There are lots] of examples of this, not only in journalism, you know like in culture [...], the theaters that are accepting state money and sometimes after [that] criminal cases appeared.” The case mentioned is that of the

internationally known film and stage director Kirill Serebrennikov, who was placed under house arrest for allegedly embezzling the state funding that his theatre received.

Instead of information contracts, most of the local media representatives said that they managed to get by on keeping their newsroom size and salaries low enough to be sustained through advertising and special projects. In some cases they have also mentioned that the owners were willing to help them out, or that some local “businessmen” were willing to anonymously donate money for their operation.

Owners or investors who were willing to make up for the losses incurred by the newsroom were also mentioned by interviewees whose media outlets operated in larger cities, like Moscow or Saint Petersburg, or those who ran their operations from abroad. The explanation was often that the benevolent owners or investors (at least according to the journalists) saw the media outlet as having a social mission, such as securing freedom of speech or contributing to discussions on issues of societal relevance. “I think this is a personal choice about free speech and rights in our country [...]. Sometimes I think they are just crazy persons. But I think they deeply [care about the fate of the media outlet], in their mind they have no choice, because they are very good people”, said interviewee Nr. 9 about the reasons behind their owners’ choice to continue funding the media outlet’s operations, even if the incomes may not reach a point when it becomes self-sustaining.

While accepting foreign money is politically risky (more about that issue in chapter 8), some of the interviewees have mentioned that they rely on grants by foreign donors to support their activities. As the issue of foreign funding is a highly sensitive issue in the country, the names of supporters and recipients are treated confidentially. This can also be seen in the database of Media Impact Funders, where the names of donors and grantees in Russia were removed. The limited information provided by recipients is that, in the past, foreign support came from the Open Society Institute, the Media Development Investment Fund and US-based

foundations. Now, news outlets are looking at what they called “European sources”, as they are seen as less controversial than American entities. And also more accessible in the current context.

Overall, it was small media outlets that were founded in the last decade that relied on grants from foreign entities. They saw them as a crucial part of their operating budget, especially at times when the newsroom is still growing. Even if the amounts are relatively small, grants played a very important role in maintaining some of the niche publications, as they didn’t have the same high fixed costs as legacy media outlets. “I think we wouldn’t exist”, said interviewee Nr. 1 when asked how they could sustain themselves without grants. Others pointed out that grants have sheltered them from market pressures, and thanks to the support coming from foreign donors they could avoid producing clickbait content that would attract larger audiences but would be to the detriment of quality journalistic work.

Interviewee Nr. 1 is the founding editor-in-chief of an investigative news startup, who started her outlet with the financial help of a friend who doesn’t want to be named. “At first it was more like a blog, because there were no people in the staff, so I just wrote something on my own from a small budget from one of our investors, so just asked some freelancers to write for us, but then we created this news department, so we monitor news, and we look more like a newspaper. So now we have 13 people and several dozens who work for us as freelancers, like investigative journalists, reporters, columnists and so on”, she said. After initial financial support from a friend, it was grant support that allowed her to run her media. Under the current economic conditions, she saw them as the guarantee to do independent journalism. “I think actually this is a very good structure of supporting independent media, because when you [rely on money from advertising] you look at if you have clicks and you will write about some popular stuff without any real concern about human rights investigations, because it is easier to just get some clicks...”

As the source of support was most of the time unknown to the audience, possible interference in content and the lack of transparency was a common accusation against which newsrooms had to defend themselves. The issue was raised, among others, by interviewee Nr. 14, whose outlet didn't apply for grants, but had an undisclosed sponsor. Although in a Western media system this would count as a threat to the integrity of the outlet, she pointed out that the same standards cannot apply for Russia in the 2010s:

I don't know the name of the investor, I trust the management of [our outlet], I see the managing decisions and editorial decisions and I agree with these decisions. [...] You know, it's not very much normal in general, but for example if we talk about *Meduza* website which is now based in Riga they have not told who is their investor, who made it possible for them to work for the first time when they had no money. And there were a lot of speculation about [the exiled businessman Mikhail] Khodorkovsky being in this story with *Meduza* and a lot of other speculations; and they didn't tell [...] who is the first investor. So, in my opinion it's part of the situation we have in Russia, because we can't pretend that the situation in general is normal. It's not normal. And the situation with media is not normal at all. It's very far from being normal. It's a very difficult situation. And we have some conditions in which we work. So, in my opinion this situation with the investor is part of this more general situation with Russian media. And we know that people don't want to invest in the media at the moment in Russia, it's [a] really bad investment, so I can understand why we don't know that much. I have some ideas, I have some clues, but I don't know for sure, I have not met this person, so I don't want to speculate.

All of the newsrooms denied having ever experienced interference by donors. Interviewee Nr. 1., for example said that working with donors was easy: “we don’t have any restrictions, we can choose topics on our own.” She added:

We have never had a single issue [of interference in our content], we had like five partners [giving] grants, we haven’t seen a single time when they tried to influence our topics, what we should cover or should not cover. [...] if we would write something like we hate the European integration or something like this, maybe they would be a little bit worried about this. But we have the same values as all the democratic countries, so we support democracy, we support progressive ideas, so this case we have a lot of common with all of these institutions that support us.

A similar opinion was voiced by Interviewee Nr. 3:

I think we are within the expectations of our bosses and donors too. I don’t think they would like too much if we wrote something really pro-government, but I don’t think we will write something like that because, I mean, there are other publications for that...

The main concern of donors was to make sure that the money was spent properly and the outlet had some impact, as interviewee Nr. 1. explained further:

The only question they asked is how many viewers you had last month. And is it a bigger audience than you used to have? And what were your investigations? Give us some examples. And were they quoted by other [outlets]? So, it was these normal questions about the efficiency of using money. Because you know there are lots of

people who are just getting money for doing nothing, so of course they wanted to see if there is some impact.

The last sentence alluded to a topic that is relevant when it comes to studying the role of grant in journalism: the actual use of the money. There were other interviewees as well, who have criticized the quality of work done by some newsrooms or individual journalists who were supported by grants, however, testing that is outside of the scope of this study.

Overall, grant funding was seen as easily accessible. “It is easy if you do a good job, people will know about you pretty quickly”, said Russian interviewee Nr. 1, mentioning conferences, informal networks and word of mouth as ways to get recognition in the donor community. “They are also looking for projects to support, because as you know Russian media field is not that reachable for these investigative outlets, so they look for you, you look for them, so it is easy to find a good match.”

Sustainability remained an issue that occupied the minds of many of the interviewees. Donors might change their priorities, run out of money or lose interest, which in turn might leave newsrooms without sufficient income. This happened with interviewee Nr. 12, the deputy editor-in-chief of an outlet catering to audiences in a range of ex-Soviet countries: “Before the war in Ukraine started, we also had a huge support from international donors, like Swedish government, Nordic Council, etc. But after Russia invaded Ukraine, all the donors switched to Ukraine because they thought, of course mostly they were right, that they need help more than us.” She also added that she saw a lack of political will to have a sufficient amount of sustainable support that could lead to visible change:

It’s also politics, you know. You can’t avoid it, it is politics. If you want to tell someone that ‘please support our Russian activities’, you know they think twice, because it will

be dependent on politics. You know this is why we still don't have any Russian language European television, because it is politics. It is not like in the European Union they don't have money for that, for the European Union money for television is nothing, to find money for television, but it's political will. This is what I think. This is my opinion.

Some newsrooms (mainly the ones that had already successfully utilized other revenues, such as donations, events or native advertisement) said that they tried to look for alternatives to grants. For example, interviewee Nr. 10, the publisher of a news start-up which was launched with the help of a foreign grant said: "I think [using grants] is a possible way, but I don't think [...] we can use it in the long-run because [being] a business media that lives of grants that's strange thing to do." Others argued that donor money has to be part of a larger mix, or at least the composition of donors has to be as diverse as possible in order to limit the unpredictability of funding. However, some investigative or human-rights-focused publications did not see a viable alternative to grants at the moment.

The final issue in this section is the Russian edition of foreign media and Russian-language public diplomacy. Many interviewees have referred to the local editions of private news services like *Reuters* and *Bloomberg*, or the Russian editions of *BBC* and *Radio Free Europe* as "dream jobs" for Russian journalists. These outlets operate mainly as online publications, as broadcasting is not available to them in the country. Many of these providers have experienced a sizeable increase in their budgets in the past years; *Radio Free Europe*, for example, launched a new (mainly online) video channel named *Current Time TV*, focusing on Russian audiences. As interviewee Nr 4, one of the bureau-chiefs, explained: "The role of Russia has changed. [...] You read newspapers, you listen to the radio, for me as a Russia-based

journalist, it seems like one out of two headlines comes from Russia. So, Russia plays an important role internationally, and that increased its weight.”

The majority of these newsrooms employ both local and foreign journalists. For Russian journalists these provide a viable work environment that is not dependent on revenues from the Russian media market, and thus sheltered from many of the pressures other newsrooms have to endure. As interviewee Nr. 17, the leading editor of one of these newsrooms said: “they are searching for uncensored medias, and we are that and that’s why they come here”. While public diplomacy is often seen as a tool that is utilized by a foreign government to achieve some specific goals in the foreign audience, these outlets are well-received in the Russian journalist community (*BBC*, for example, was awarded prestigious awards for its work in the country), and can act independently from the Russian government, which is seen as the main threat to quality journalism in the country. As interviewee Nr. 17 adds:

It is very easy to put pressure on a Russian company, you can either [...] establish a court case against the general director of a Russian company, or you can just influence certain journalists, or you can buy the company, for example, and change the management. Here it’s much more complicated, because there is nothing much you can do, because it is run, operated in a very different way. So yes, probably you have more level of safety, I believe, in terms of interfering in the editorial process.

### **3. The Revenues of the Hungarian Independent Media**

In this section, I am going to describe how interviewees perceive their opportunities on the Hungarian media market. While reports about the state of media pluralism see the Hungarian media market as relatively viable compared to other EU members, they point out

that lots of the funds are only available to government-aligned media (see Bátorfy et al., 2020). This is also visible in the interviews. Representatives of independent newsrooms argue that traditional revenues are less reliable than they used to be (even just a decade ago). In the meantime, the use of new, reader-generated revenues was still relatively rare.

Direct state support is not going to be mentioned in this section, as it is not a common issue in Hungary. The closest to state support is the selectively distributed state advertisement (Urban, 2013), which we briefly cover as a market disruption, when looking at traditional revenues. But grants by foreign entities are used by many of the media representatives we asked during the interviews. In the case of smaller newsrooms, they can account for a relatively large proportion of the media's operating expenses, while larger outlets use them to produce some specialized content that would not be supported by the market. In addition, at the time of the interviews, a special breed of grants was available to EU (among them Hungarian) newsrooms which was supposed to help them come up with new ways of monetizing their content – but at the time of the interviews it was still not clear whether or in what way they have changed the market.

Public diplomacy was not a relevant part of the Hungarian media landscape during the interviews. Only later, in September 2020, *Radio Free Europe* (RFE) opened its Hungarian-language online edition, which has broken some important political stories already in the first year of its operation. In early 2021, the Hungarian Association of Journalists awarded one of RFE's journalists for his work uncovering how the government influences messages that are shown on public service broadcasters. In 2021, the German *Deutsche Welle* followed suit by making Hungarian one of its official publishing languages.

### ***Traditional Revenues in the Hungarian Market***

In comparison to Russia, Hungary's media market is visibly smaller. For example, advertising spending in Hungary was under USD 800 million, while in Russia it amounted to USD 6,500 million in the year 2020 (Statista, 2021). The number of possible paying readers or the consumers who could be targeted by an advertising campaign are a fraction of that of Russia. Another relevant difference is the lack of independent media outside the capital city, and newsrooms see themselves as belonging to one team or the other (government-aligned or critical), thus, it is hard for a media outlet with a political focus to position itself in a neutral space in between, as did Russian interviewee Nr. 23 in the previous section. By the time of the interviews, between 2017 and 2019, there was barely any news media in the country that had more than 100 employed journalists. This small staff size has left newsrooms with limited capacities, thus, interviewees have voiced that it is hard to cover sufficient issues. As Hungarian interviewee Nr. 5, editor-in-chief of one of the largest political newsrooms said: "We are very few people [in the newsroom]. Elections, soccer world cup... There are just not enough people to cover all this. Now, we are at a point that I, as editor-in-chief, have to jump in as the editor of the political desk. And I did so last week as well."

Overall, interviewees have said that the financial crisis of 2008, the following eurozone crisis, the spread of free-of-charge content on the internet, the decision of many foreign investors to leave the market, as well as the Orbán government's meddling in the media market have all contributed to the challenges the country's newsrooms were facing. While most of those who were active in the media market during the first two post-transition decades (1990-2010) remembered the first years of the new millennium as a time when quality media has managed to successfully find a foothold in a market-driven media economy, currently, they had the impression that the advertising market was less and less accessible to them.

Interviewee Nr. 2 was the last editor-in-chief of a daily newspaper that was closed without explanation by its owner. Not much after the closure, the owner's whole portfolio was

sold to a company owned by the prime minister's childhood friend Lőrinc Mészáros. Thus, the publications' closure was widely seen as an act of political pressure, while the government-aligned media emphasized that the publication was closed due to financial reasons. The editor-in-chief recalled that her newsroom got through a rough patch before her arrival, but was barely making losses in its last few months of operation, due to some rounds of restructuring. "The fall in circulation was halted, which is the non-plus-ultra on the market of political papers, where the circulation of all newspapers is declining," she said, implying that the paper's strong brand, and the still large paying readership that it accumulated during its decades-long history, would have provided the basis for the paper to sustainably operate, even if advertising revenues were below their expectations. "Every month we have made plans about the extent of advertising revenue that is needed. The sales team never managed to get as much as they hoped for. There were still ads, for example from [large car manufacturers]. But not as much as our circulation or the number of our readers would have implied." Another interviewee has mentioned that following the publication of investigative articles into entities that used to advertise with them, the newsroom had lost a large advertising campaign.

"A political news outlet cannot live from the market," said interviewee 6, the representative of another daily. Her publication has made significant losses at the time, and was therefore supported by the owner, a former aide of the prime minister, who fell out of favor in 2015. After losing the sympathies of the government, the outlet has become more critical of the government line, published evidence of corruption in the governing circle, and in turn lost many of its advertisers. The editor-in-chief mentioned that the Hungarian state lottery has stopped advertising after the fallout between the owner and the government, and many others followed (although two state-aligned advertisers, the state oil company and the largest bank, continued to buy the occasional advertising space). While in Russia, the government supports and controls media through state information contracts, in Hungary, the country's EU

membership prevents the state from unfairly distributing direct subsidies. Thus, interferences in the advertising market are the method of choice when it comes to controlling the revenue flows of media or covertly subsidizing friendly outlets. The example of the lottery is of importance in the Hungarian media market discourse; Scheppele (2018:12) has also mentioned it in her paper on cruel markets, calling it the “Lucky Joker rule”:

The Lucky Joker is one of the lottery games run by the state. And the Lucky Joker rule says that private businesses are safe if they advertise where the lottery advertises. Lottery advertising used to be everywhere. But after 2010, lottery advertising is limited to the Fidesz-friendly media. If businesses advertise in media outlets that do not carry lottery advertising, they do so at their peril.

The state’s role on the advertising market was acknowledged by interviewee Nr. 25, the deputy editor-in-chief of a government-friendly online media outlet. In her point of view, the media in Hungary were unable to properly operate without some form of outside support to make up for the deficiencies of the market:

There have always been state advertisements. Since the transition [from socialism] these are continuous. And I don’t think there is a problem with that. It is obviously needed for the survival [of many news media]. This is a tool that serves the survival of the press. Because otherwise in Hungary... and that is a fault of the transition [...] no organ, no website, no daily or weekly can live from the market.

She added that overall, she saw the market as skewed, and in her point of view many advertising companies have discriminated against rightwing media, making it even harder for

those outlets that are in favor of the Orbán government. Thus, state advertising is, in her point of view, also a tool to deal with this market failure.

[Big multinational companies] tend to avoid advertising in the rightwing press. I don't know why. [...] They all advertise one-sidedly, which is horrible, from my point of view. That is at the heart of the current problem. And that is why we need state support, if that is how we refer to state advertisement. I wouldn't call it that, but it is true that it is essential for their survival. If they wouldn't exist, many of the rightwing media would simply disappear, they would starve to death, because they would be unable to pay their journalists, and wouldn't have the resources to get published.

Interviewee Nr. 7, the editor-in-chief of a political magazine with a critical stance towards the government, had a different narrative. In her point of view, it was not the market itself that was flawed, but government intervention has created the kinds of discrepancies that made it harder for newsrooms to find a sustainable solution for their financial problems.

I am not complaining about the lack of state advertisement [...]. That would be a second phase: saying how good it would be to have [accessible] state advertising, or to have a press fund that distributes money [...] because we play a public service role [...]. Instead, I would like to see that [some of the largest museums and theaters] are not told that they cannot advertise [with us]. Other theaters are advertising with us, and maybe they do so because they like us and want to support us, but I would rather say that the main reason for them to advertise is that it is worth it.

State advertising was only in some limited cases available to outlets that were in their reporting critical of the state. While other newsrooms were usually critical of those that accepted advertisement from the state, those who used this resource (in our case two of those newsrooms that were generally perceived as providing independent reporting) have downplayed their role. As interviewee 12, the editor-in-chief of a political daily said: “90 percent of our incomes comes from the sales of the paper [...] the remaining 10 percent is advertising, and [according to the calculations of another paper], I didn’t count it myself, half of it comes from the state. Is that a big deal?”

### *Experimenting with New Revenues*

Interviewee Nr. 1 is the CEO of a news startup. She has been active in online media management since the early 2000s and since then she has seen some of the country’s leading media publishers from the inside. She explained that the idea of looking for alternatives or at least complements to advertisement has been prevalent in the Hungarian online media market since its beginnings.

The players of the media market - especially the digital media market - keep talking about the diversification of their incomes and business models. This has some rather trivial components, such as book publishing and the organizing of conferences or concerts. Others are flirting with e-commerce, merchandising or brand extension. [...] Back in the day, we were investing in [an online advertising company] and through that we were involved [in the planned but failed Hungarian launch of] Piano Media, the online payment system launched on the Slovakian market. Thus, all these alternative models were part of our dream [when we launched our new publication], but we were

also aware that our prospects for the future were rather blurry or foggy. [...] What we could rely on in the first one-two-three years was the advertising market. That was an existing market, a known market. We were familiar with its logics....

But with this model, staying sustainably in the black seemed almost impossible to the interviewee. After a few years, the company got close to the breakeven point, but that required so much overtime from employees, that she became concerned about the newsroom's survival. Instead of risking relying on such a fragile model, the company decided to expand, even if that meant acquiring further debt, without a clear plan on when exactly it can be repaid. Their hope is to gradually introduce some alternative income, which could have characteristics of all three major forms of reader revenue: donation, membership and subscription. "We want to start from a voluntary, contributory point [...] through a two-way membership to some smart form of subscription. We have never planned to put all our content behind a paywall. Instead, we were thinking in terms of a partial, soft paywall freemium, metered, hybrid smart solution."

Interviewee Nr. 16, the editor-in-chief of the same publication has said, a newsroom in the 2010s, 2020s has to be an "omnivore":

You have to be clever, you have to utilize every possible trick to catch the fish in a sea with more and more fishermen. What is more: Google and Facebook are coming with fishnets [...] Your business model has to take into consideration that the situation changes from year to year. You have to try everything. And it will sustain you somehow. We won't have the same model anymore as the advertising market....

Interviewee Nr. 9, who runs a small outlet in region of Hungary that is underserved by independent media went so far as to list some rather unorthodox forms of revenues that would

be seen as incompatible with journalistic work in an Anglo-Saxon or Western European setting. In her context these were seen as the lesser evil, when the alternative is no critical voices at all. “We need to get all resources that fit into our profile... or things that we are able to do. Things like social media management, writing or PR articles, communications consulting... things for which we have time, what we can do fair and square, so things that can bring us some extra income”, she said.

Interviewee 7 explained that she sees online media (at least in Hungary) as a loss-making business:

On average, you spend more on a page view than what you can earn with it. Paradoxically, the more views you have, the more money you lose. At least if you look at the given level of costs. You cannot [do it cheaper]. At least we can't. Those can do it cheaper who steal articles or invent [stories].

This view was also echoed by Interviewee 15, the CEO of one of the country's leading publishing houses which runs a complex, and at the time of the interview profitable, operation building on print and online publications. Her assessment was as follows: “According to my preconception, Hungarian online content services make losses of billions of HUF per year. But someone finances it for some reason.” She saw the reason for her own success in the strong brand name, and the diversity of services offered, which would allow the company to provide combined, print and online, offers to the advertisers, and cross-subsidize its products if needed. For Hungarian newsrooms, native advertising was part of the mix, but it was not as prevalent in the discussion, as it was in the context of Russian media. Some of the bigger newsrooms have mentioned it as a reliable, although not the driving, source of income, while interviewee Nr 11, a former editor-in-chief saw in its use an increased risk to newsrooms' credibility. She

saw it a deeply flawed and irreparable form of advertising, with deception at the heart of its model. “It makes no sense to put a disclaimer” next to the native ad, she argued, because from that point onwards it would be just like a regular advertisement.

At the time of the interviews, paywalls and subscription to online content were still rare, only utilized by some niche publications, either catering to some special interest, representatives of a specific industry or catering to a rather wealthy audience by offering economic and financial news. For general-interest newsrooms, asking readers to pay for content was not tested yet, but many of them mentioned it as a plan. Their reluctance can be explained partly with a widely publicized crowdfunding campaign that had failed in 2018. The former editor-in-chief of Index.hu, at the time to the most-widely-read independent newsroom, has started a campaign on Indiegogo with the aim of collecting close to EUR 1 million from 30,000 subscribers. After 60 days (the maximum length allowed by the platform), the planned project collected less than 20 percent of the intended amount, and thus had to repay the small donations to the people who contributed to the campaign.

When asking for the reasons behind the difficulty of making readers pay for online content, many of the interviewees had some kind of theory. “Knowing the difficult state of Hungarian civil society, and the difficult situation of the Hungarian ‘bourgeois’ class [it is hard to ask for money]; the middle class has a different meaning here as it does in the United States or in the countries of Western Europe.” - said interviewee Nr. 7. Besides lack of money, some interviewees have also mentioned that readers might find it off-putting when a newsroom that is (or used to be) owned by a businessperson or an “oligarch”, and relies on advertising for its revenue would suddenly ask readers to pay. Paywalls could convey the message that a given online news media ceases being a public good. Interviewee 11 also mentioned apathy, as a possible reason, claiming that he heard lots of people saying: “well, the situation is shit, but

still, what we have [as an offer in free-of-charge available independent news content] is enough.”

While subscription and membership was at the time uncommon, more and more newsrooms have experimented with donations. The initiative came from an online investigative start-up, followed by a blog-turned-news site that specialized in left-wing commentary as well as the coverage of civil society activities and protests. In a matter of a few years general-interest websites have followed. While some small websites could cover close to all of their costs with donations (the earlier mentioned left-wing commentary site planned to run on HUF 30 million, less than EUR 100,000 per year), larger sites were hoping to fill the holes in their budget that were left by the falling advertising revenues. A specificity of the Hungarian context was the so-called one-percent donation. Since the 1990s, Hungarian citizens could make a declaration that they offer one percent of their personal income tax to a non-profit organization. In the 2010s, some newsrooms have realized, that they could also qualify for this donation, all they had to do was to operate as non-profits, or set up a foundation. Some newsrooms referred to it as a reliable income stream. Probably the most successful was *Atlatszo.hu* whose yearly reports have listed HUF 23-24 million (more than EUR 60,000) coming from personal income tax donations, which made up 15 percent of their yearly revenue (Átlátszó, 2020).

Many newsrooms saw a lack of prospects on the internet. Interviewee Nr. 7 said that in her point of view the solution for many newsrooms was still the reliance on print content and the faithful readers who got used to finding the paper in their mailboxes or buying it at newsstands.

It is relatively stable... If you do it well, you can make money with it. What the internet is looking for, the [reader generated revenue], is readily available in print. You don't have to build it up, you just have to protect it and convince those [readers], that it is still

worth buying your product. Because it still provides some extra value compared to what you can find on the internet.

Some print weeklies have decided to make print sales their sole income. Interviewee Nr. 6's newsroom, where she was deputy editor-in-chief, was shut down only a few months after our interview. A few months later she launched a new publication, which based its operating model solely on print sales. In a follow-up interview she said:

Lots of people ask us why we make a print publication. That's the past, now we are supposed to do online. So, we do online. And then what? How are we going to sustain ourselves? You cannot do it in a way that allows you to employ people. Only [that small amount] that they leave as the newsstands, that's the income. [...] We count with zero advertising. When we made the business plan, we said it is zero. If we get HUF 20,000 [approximately EUR 60], we will be happy about it. But we are not counting on it. For print [...] people are still willing to pay. And with print you can build a community. It allows you to filter your audience. [You write for those] who pay for and read your paper. That is not the angry proletariat anymore, but an intelligent audience. We have to treat them, all of them, as a big family.

### ***Non-Market Revenues***

In the discussions about alternative revenues, interviewee Nr. 7 brought in the concept of responsible citizens:

It all depends on whether there are sufficient responsible citizens, who know, understand or were convinced by someone that you have to pay for news. The easiest form of this behavior today is that you buy or digitally subscribe to the product [...]. The other option is that you are so responsible that you spend the billions that you have earned on *The New York Times* or *The Washington Post*.

While the first form of responsible citizen is covered in the previous part, when dealing with reader-generated revenues, the second option listed in the quote (a businessperson spending her “billions”) points towards a form of philanthropy. Some interviewees have mentioned that their owner was willing to finance their business, despite incurring serious losses (even if just temporarily, as the example of interviewee Nr. 6 shows, whose newsroom was closed a few months after our first interview). In two cases, the newsrooms have managed to successfully apply for funding through the “loan for equity” program by the Media Development Investment Fund (MDIF), an entity that claims to operate in “intersection of philanthropy, investing and media development” (MDIF, n.d.). In this constellation, MDIF become temporarily a co-owner of the media outlet they invest in. MDIF is financially supported by a range of private foundations and the development agencies of some European countries.

There were, however, also instances when the operation from the beginning by a sponsor who didn't look for financial profits. In the prominent case of *Cink.hu*, a small newsroom, publishing mainly political commentary, was financed by the US-based Gawker Media, because the small Hungarian market was seen as a testing ground for the company's new editorial software. While this previous model was aimed at enabling the profitability in another market, interviewee Nr. 4, the editor-in-chief of a startup that specialized in social issues, described her newsroom's financial background as rather altruistic. “I was introduced

to [our donor], who is a businessman, and who has a deep commitment to Hungarian democracy. At the time he lived here for 20 years.” The journalist and the donor came up with the topic of the newsroom together, and agreed on a budget, which allowed a handful of employed journalists to work without the constraints of finding advertisers. Not even reaching audiences was an issue. “Our own readership is not that interesting, it is minimal. But we give our articles [to other media] for free. Whoever asks for it will get our articles.”

The story of interviewee Nr. 4 is of course the exception, not the rule. Most newsrooms have to apply to multiple donors and be constantly on the lookout for funding sources. This is best exemplified by the experiences of interviewee Nr. 13, the founding editor-in-chief of an investigative news startup, who was among the first in the country to run a media operation on donor funds in the early 2010s. Her example shows that the gaining the initial funding is usually hard. Donors are usually not willing to contribute to the launch of a completely new site—not even if the founder is a well-known investigative journalist and a former deputy editor of a well-known brand.

We had a project to start a non-profit investigative site. We were preparing for a year, but we were shooting too high. [An NGO expert, well-connected in donor-circles] wanted to raise 1 million euros, and then launch the site. But she didn’t manage to do so. [...] After some time, I saw that this is not going to happen. So, I said, I am going to start it alone [...]. I started a blog with a friend who was an IT specialist, and with a lawyer. They were the ones who supported me. [...] It was already aimed at crowdfunding. [...] It was an experimental project. We gave it half a year. And our goal was to generate enough money to at least pay my salary. Surprisingly, this came true quite fast. In the first 6 months, the readers donated about 3 million forints [EUR 10,000]. So, we saw that it is possible to do crowdfunding for such [a project]... And

then came the Open Society Foundations with a larger grant; and then we saw that we could recruit colleagues...

Interviewee Nr. 16 has planned to secure support from MDIF right at the launch, but their first attempt was not successful, despite securing a meeting with the leadership of the organization. Only about a year later, once the site has managed to attract a significant readership, did the organization decide to join the project.

We left the meeting in Warsaw thinking we said really great things, totally convinced them... I don't want to sound self-important, and I don't like to pretend that I am the ultimate expert. But [my co-founder] can be really convincing, he looks like someone who knows a lot about the topic. And he is really the kind of person who could lead a digital publishing house in Hungary. Or the region. Or even in Western Europe. He knows about everything, he can proficiently negotiate in English. We thought that we totally convinced them. [...] We thought this is a sure thing. Then a week passed, and they didn't call. Or two weeks, as it is the case. And then they told us that there is no money for this.

But some journalists said that the process of applying for funds has become easier with time. Interviewee Nr. 3, who founded her investigative newsroom a few years later, already managed to get sufficient grant funding prior to the launch of their new site. "When we were in it, it seemed hard. But looking back, winning two large grants in just half a year... Of course, for this we needed our background and [our] network...", the interviewee said. Another factor that might have accelerated the fundraising process was the increased attention towards the Orbán government's increased pressure on independent media and the fact that interviewee Nr.

3 and her colleagues have not much earlier resigned from their jobs at a well-known newsroom, due to a scandal that implied increasing attempts of governmental interference in their work. As a general rule, grants in Hungary came from foreign entities that provided some sort of financial support to the country's independent media. (A journalist from a government-aligned newsroom mentioned support from ministries and other state entities that resembled the state information contracts discussed in the Russian part: a given amount paid in exchange for covering some specific topics of interest to the sponsor.) During our interviews with representatives critical of the Hungarian government, only one interviewee mentioned a grant that came from a local source. Besides advertisements, this newsroom was relying on the operating support provided by the Jobbik (Movement for a Better Hungary) party's political foundation, which received most of its funding from the Hungarian parliament. Jobbik started as a far-right party with a strong paramilitary arm in the 2000s and became successful by embracing antisemitic and anti-Roma sentiments; but by the late 2010s it tried to reposition itself as a moderate conservative party and a supporter of the rule of law. Interviewee Nr. 21, the editor-in-chief of the news outlet was also a candidate for Jobbik in the 2018 national election.

While it is hard to come up with a complete list of donors, and many of the supporters try to keep a low profile to avoid confrontations with the government, some of the largest players are well-known in the Hungarian discourse, and were also mentioned in the interviews. The most often mentioned private donor was the Open Society Foundations, but many interviewees have mentioned the Fritt Ord Foundation and the Rockefeller Brothers Fund. The Media Development Fund was (temporarily) co-owner of two newsrooms through a grant-for-equity support program, and there were mentions of support from two public entities; the European Parliament and the EEA Grants that were set up by the governments of Liechtenstein, Iceland and Norway.

Among the media that rely on donors, three main usages of grants were identifiable: support of core operations, support of extra activities and development of new products or technologies. Most of the time, it was newsrooms that operate with less than 10 journalists who have said that a sizable amount of their core activities was financed through grants. In the meantime, for many of the larger, established media, grant funding was rather a way to get funding for the kinds of topics that their newsroom would otherwise not prioritize, as the costs of such articles would be too high compared to the revenues it is expected to generate. As Interviewee Nr. 5 explained: “That is the case with the support coming from the European Parliament. We would normally not be able to have our own correspondent in Brussels. And it is really great that this way we have someone there.” In addition to EU-related topics, the newsroom has also published a series of video reports that aimed to show what happened in refugee camps or conflict zones outside of Europe:

It is perfectly clear that we would not have managed to get to these places, maybe to a fraction of them, without this. [...] We are trying to, of course. During the war in Ukraine, we were there, and those were also expensive trips, as [two of our journalists] were there for weeks. And we thought that this is also important to be present in conflict zones. But [the newsroom’s journalist who made the reports] got many millions of forints [ten thousands of euros] for these trips. I don’t think we would have [otherwise] gone to Syria, more or less [not knowing what comes out of it]. It ended up well. Or to Turkey, to Izmir if I remember well, where these refugee boats were organized.

A number of newsrooms, both large and small, have mentioned that they have also received a form of grant that they were unable to use for content creation. The prime example of these projects was the Google Digital News Initiative which supported digital innovations

in newsrooms, often aiming at increasing the prospects of newsrooms to find new, sustainable ways of monetizing their content. Often newsrooms said, they were hoping that Google would allow them to experiment with the creation of some kind of smart paywall or some AI-driven solution to provide customized content to the readers. Another example that a newsroom mentioned was the European Journalism Centre's Engaged Journalism Accelerator, a project that provided both funds and mentoring for startups that were hoping to improve their use of audience-generated revenues. How these innovation projects worked was best described by interviewee Nr. 1:

We also applied for grants, like in our case the Google Digital News Initiative, which were financing projects that were effectively contributing to the improvement and functioning of the company. So even if the project itself doesn't make profits, we still have a benefit [...] we end up with a new tool that we would not have otherwise been able to develop ourselves; and which will in the future help us make money. This is how we developed our support system [crowdfunding platform] and the project financing system [a platform that enables them to collect money for projects that are not related to their key operations, such as publishing books or producing documentaries]. And this will provide the basis of our later subscription system. We won two DNI projects [...] both of them are in the six figures. And we've won another grant related to our video productions, which is again [in the same order of magnitude].

While the literature raises the issue of possible interferences in content, Hungarian newsrooms denied experiencing attempts by donors to tell them what they can or cannot write about. As interviewee Nr. 4. said about the sole donor of their newsroom: "We agreed that he will let [us] do our job completely as I see it fit, and he won't interfere with us, neither

professionally nor politically. I hope he will remember this agreement. So far he remembered quite well.”

Interviewee Nr. 3. has received part of her newsroom’s funding from the Open Society Foundations, an organization associated with the name of the financier George Soros. Soros is often accused of furthering his own ideological or political goals through his organization’s philanthropy, but the interviewee (similar to many others interviewed) did not see a problem with being supported by the donor, as the values of the newsroom were aligned with those of the donor. “I am proud that they support us... [George Soros] is an influential, powerful person, so it is legitimate that journalists follow what he is doing or look into his finances and political dealings... But on the other hand, the issues [the Open Society Foundations] support – press freedom, fight against racism, gender equality, and so on – these are noble causes. [...] They don’t talk into what we are doing.” Interviewee 13 added about the same donor: “they have a list of very general principles, which are in practice aligned with the principles of ethical journalism. If you have such a project, you can apply.”

A much greater problem is accessibility, at least for parts of the independent media landscape. Some newsrooms said they don’t apply for grants, because they cannot afford employing a dedicated person to look for grants and write applications, while journalists are already busy with their main tasks.

Interviewee Nr. 9 is the founding editor-in-chief of a small news startup, focusing on local politics in one of Hungary’s counties. She founded it after the local newspaper she worked for was bought by government-aligned investors, along with the rest of the local and regional media in the country. Her partners were other journalists who lost their jobs during the change in ownership. While their blog-turned-news site quickly became a known brand in the country, as one of the handful of independent newsrooms outside the capital, the outlet found it hard to get grants. “We apply, and we actively look for grants, but most of the time it turned out that

they are not the best fit for us, or we cannot fulfil the requirements. Or they would have been too complicated”, she said. In her point of view, many of the grants are not in line with the needs of the newsrooms. “We need this money first and foremost for our operations, and the [available grants] are often [about the creation of some specific content] like ‘this is what the European Commission is communicating’, and so on.” She added that grant providers often don’t seem to be willing to provide the kind of help that would best suit the needs of newsrooms. “We have been in the European Parliament, we told [MEPs] about the situation of the independent press, and about the problems we have outside of the capital. And then they launched a cross-border [grant program]...”

Finally, there is the issue of sustainability. The literature highlights that newsrooms can get overly dependent on donors and might shut down after grants dry out. This is indeed the case in Hungary as well, but it only affects those newsrooms that rely on only one sponsor. *Cink.hu*, the local edition of *Gawker* was discontinued after the development moved to the US and the Hungarian publication failed to bring in its own revenues. In a widely-publicized case, the *Romani Press Centre* (a media project giving away news and reports to other outlets) had to stop most of its activities after the Open Society Foundations scaled down its support of Romani projects. *Budapest Beacon*, a predominantly English-language publication was closed because the US-based funder decided to focus on American democracy after Trump’s election victory.

Interviewee Nr. 4 was still rather optimistic in our interview. “We have a sum allocated for [our] operations. If that sum is really there, the costs of our operations are secured for quite a long time. Of course, [our owner] can make a decision anytime that he is going to keep his personal wealth for himself”, she said. The publication was discontinued a few months after our interview, but most of its journalists could continue working for one of the newsrooms that regularly republished their reports.

Other newsrooms try to overcome this dependency by diversifying their incomes. Most of the time, outlets that relied on grant support mentioned that they were utilizing crowdfunding as an extra leg. According to interviewee Nr. 13, this source of financing also allowed them to make the cash flows of the newsrooms much more even and reliable. This is especially important when some of the grant projects set too strict requirements related to when and how the money has to be spent:

When, for example, there is a gap of two months between two projects, and for two months I cannot use project money to pay the salaries of journalists, I can instead use the crowdfunding money. Crowdfunding makes reliable and sustainable operations possible. In our case this is about 50-50 percent, half of our money comes from crowdfunding, the other half from donors. We would hope to make it 70 percent, and only rely on donors for 30 percent of our money. Then, we could definitely say that our newsroom is supported by our readers and not the international donors.

The interviewee added that some of the donors are aware of the risk posed by overdependence and encourage their grantees to rely on other forms of support as well.

[One particular donor] has told us that they only go as high as 30 percent of a given nonprofit's budget in the grants they provide. So, if my income was 100 million forints last year, I could apply for a maximum of 30 million forints. That is part of their strategy to educate us to operate from many sources in a sustainable way. They also told us that they don't want to support us for eternity, only for a few years. But in practice, this is the seventh year that we have applied successfully for [their] grants. They didn't end

our support after, let's say, 5 years. But still, it is definitely clear that they have this expectation.<sup>20</sup>

## Summary of the Chapter

In accordance with the general trends in media markets, both Russia and Hungary experienced a decline in paying readership and advertising revenue in the last two decades. Although Russia's media market remained somewhat more lucrative, due to the share size of the country and the potential readership, independent newsrooms in both countries have suffered from the lack of resources that was accelerated by the respective government's interference in the advertising market. Independent media outlets have struggled to find sustainable revenue sources. There were only a few exceptions, such as specialized news outlets that were catering to high-end audiences—which were able to successfully use traditional or new, reader-generated revenues. But even in those cases we can see concerns. Good journalism is widely perceived as a public good, as the positive externalities that news items can create benefit a much wider pool of people than just those who have paid for a given news product, thus the successful use of paywall might be a win for the newsroom, but also a

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<sup>20</sup> The issue was also addressed by Maria Teresa Ronderos in an interview. Ronderos was head of the Open Society Foundations' Program on Independent Journalism at the time—a program that shifted from supporting policy to supporting newsrooms in 2014: “There are circumstances that are so dire that grants are essentially for survival because there is very little access to any other type of capital or the situation in that society is extremely difficult. But even in these circumstances, I would invite journalists to think about grants as capital, as equity, an investment they will use to be able to become independent in the short run or the long run. It could take a few years to develop and understand how society can value their work to the point that they will give money, but it is a better use of a grant in the sense that it guarantees your future, your independence, and most importantly: real development and the transfer of knowledge. The problem is that a lot of the traditional grants keep grantees dependent all the time. People need to think a little more strategically and not so much about who is willing to give money, but more about what kind of money they want and what they want money for. Some people might decide that they are going to live off grants. They don't want to try anything else because they can't. The circumstances won't allow it. Okay, but if you are going to do this, develop a strategy and make sure that one grant leverages the other [...]” (quoted in Graham, 2018).

loss for society. Similarly, native advertisement, which can help newsrooms regain the money it lost on declining banner ads, can contribute to an overall decline in trust in journalism.

This context provides a fertile ground for practices that would be unacceptable in the Western media that is brought up again and again as a role model for these outlets. The most extreme case was the interviewee in Russia, who mentioned that her outlet allows entities to buy positive and negative coverage, as well as to put some people on a blacklist. In both countries, we have seen newsrooms that were untransparent about their financing, and a Hungarian journalist mentioned that in order to continue the work they do, she is willing to accept tasks like public relations work that would normally not be an acceptable task for a journalist. As these examples show, not all requirements of quality journalism that are highly regarded in the Western context can be fulfilled in an authoritarian regime. In fact, in some cases the rules have to be broken in order to continue working independently from those governments whose activities journalists are supposed to scrutinize.

In both markets, there is a need for non-market revenues and subsidies. Although the state plays in both cases a role in supporting media, it cannot be relied upon by independent outlets; state funding is either perceived as non-accessible or as a “toxic” trap. The alternative is, thus, the reliance on grants from foreign donors. In Russia, these are used by a small number of relatively small, specialized outlets that provide investigations or focus on human-rights-related issues. In Hungary, their use is somewhat broader: in the case of smaller newsrooms, grants can account for a relatively large proportion of the media’s operating expenses, while larger outlets use them to produce some specialized content that would not be supported by the market. In addition, at the time of the interviews, a special breed of grants was available to EU (among them Hungarian) newsrooms which was supposed to help them come up with new ways of monetizing their content.

While the literature raises concerns about donors' interference in the autonomy of news producers, interviewees in both countries have said that they don't feel like their reporting would be compromised. In light of the alternative—larger pressure by the government—, the argument seems justified. Still, when it comes to the sustainability of this form of revenue, the interviewees had concerns. In Russia, where pressures could increase and foreign donors could be outlawed at any moment, many of those outlets that had success with other revenues – being donations, conferences or some form of advertisement—said that they would like to look for an alternative to grants, if possible. Others argued that donor money has to be part of a larger mix, or at least the composition of donors has to be as diverse as possible in order to limit the unpredictability of funding. However, some investigative or human-rights-focused publications did not see a viable alternative to grants at the moment. In Hungary, where EU membership provides a greater shield, donors themselves were more vocal in advocating for the diversification of revenues. Many grantees complied, and successfully utilized crowdfunding for donations. Those who failed to do so, ceased to exist. While in Russia, the number of interviewees who said that they relied on grant funding was smaller, and the use of grants was limited to (parts of) the core funding of niche media, the country has seen a boom of public diplomacy outlets—media operated by foreign states to provide an alternative to the state narrative. At the same time, public diplomacy was not a relevant part of the Hungarian media landscape during the interviews.

In this chapter, we could see that foreign support can provide newsrooms that operate in an environment with a high risk of media capture with the finances needed to conduct research, as well as pay for salaries and other expenses needed for a successful and financially stable operation. But as such, it provokes backlash from governments who try to keep a considerable proportion of the market captured, and thus use the available means to reduce media outlets' access to philanthropy. In the next chapter, we are going to investigate, how the

different forms of state pressure, as well as the growing anti-donor attitudes of states, which culminated into the passing of so-called foreign agent laws have impacted newsrooms that were relying on foreign support.

## Chapter 8: Donors and Newsrooms Under Pressure

In the following chapter, I will show, on the one hand, how the two authoritarian governments act against philanthropic support, and, on the other hand, how the repressive measures directed at donors and grant receiving organizations impact newsrooms' willingness and perceived ability to rely on foreign support for their operations. The issue is worth studying because this is an important part of understanding the media's situational challenges in non-cooperative, authoritarian states. The issue is still underresearched, thus, the scholarly community has very little knowledge on how newsrooms can and do utilize grants in these contexts.

My research in the two countries of interest shows that both the state and the media outlets come up with their own strategies based on their respective conditions. Governments want to restrict the use of philanthropy, but they are limited by structural constraints. How far they can go in pressuring the media is determined by their geopolitical position: depending on their respective situation with regard to linkage and leverage, certain measures may be off limits. At the same time, many independent media outlets would like to use the money offered by donors, which they see as one of the best guarantees for quality independent journalism, but still need to weight the risks and benefits of this form of support.

I look at both hard and soft pressures. The hard forms of pressure (which are often clear violations of civil liberties) include legal restrictions and political interferences, such as the passing of laws, new regulation, judicial proceedings and other rather visible measures. Soft measures are unleveling the playing field; in this context, many of them are aimed at impacting the reputation of newsrooms. Thereby, the soft pressures add to the instability of the captured newsrooms, and complement the legal and political interferences with media economics, as well as the pure economic measures that were described in chapter 6.

As both governments experience structural constraints, recipients have some leeway. When assessing the reactions of newsrooms, and their room for maneuver, I will rely on Bourdieu's field theory that illuminates how journalists' acts are shaped by internal and external actors. I will look at newsrooms' reactions in both countries, one-by-one, to describe under what kinds of pressure foreign-supported newsrooms found themselves, how this pressure influences their work and how newsrooms were able to accommodate.

## 1. State Pressure and Its Limits

A large body of scholarly work (see among others Voltmer, 2013 and Roudakova, 2017) and a number of media freedom assessments warn that authoritarian regimes exert immense pressure on independent media (see among others Freedom House, 2017a and Reporters Without Borders, 2021), but they rarely go as far as to eliminate all dissenting activity. In the second chapter of this dissertation, I have pointed to the work of scholars of electoral authoritarianism who argued that maintaining some degree of democratic institutionalism is a common strategy of authoritarian governments. In fact, they see them as contributing to their stability (Gandhi and Przeworski, 2007), as they allow them to confuse voters, keep an eye on allies and gain information about social grievances.

When it comes to authoritarian systems tolerating media freedom, the Russian examples are amongst the most well-known worldwide: If *Novaya Gazeta*, a newspaper known for its investigations, can be bought at newsstands and *Ekho Moskvy*, an iconic liberal radio station, is still on air, voters might have the impression that the freedom of the press and the freedom of expression are, if not unharmed, still respected to some extent. Especially on the internet, independent opinions—and news—become available on platforms such as social media that are used by a wide segment of the population, thus crackdowns or the blocking of popular sites would draw unwanted attention to content that is found problematic by these governments (Zuckerman, 2015).

In authoritarian states, there are examples of hard crackdowns (with clear violations of civil liberties) on independent institutions, civil society, media and the opposition—including legal restrictions and political interferences, such as the passing of laws, new regulation, judicial proceedings and other visible measures. Such interventions mainly take place when the government fears that the equilibrium that secures the regime's stability is in danger. Moreover,

even if there are risks to the stability of a regime, how much a country's leadership is in fact capable of inflicting harm on independent institutions or (further) limit civil liberties, depends to a large extent on the international position of a country: among others, the degree to which it can withstand outside pressures, as well as the acceptance of democratic institutions inside the given society. I have described the theory of Levitsky and Way (2010a) in chapter 3 and showed in chapter 4 what they mean for our countries in question. In a nutshell, the authors argue that the lower the West's leverage over a given country (or: the less the country's vulnerability to external pressure) and the lower its linkage to the West, the less chance there is to see meaningful democratic institutions emerging or surviving in these countries. Following their description, linkage and leverage are low in the regional power Russia and high in the small EU-member Hungary. The difference in the linkage and leverage of the countries determines to what extent a given country can go further than simply relying on soft pressure, such as the covert (or at least less visible) measures associated with media capture, and—if deemed necessary—resort to hard pressure, such as the passing of repressive laws and committing obvious human rights violations.

As described in previous chapters, throughout the 2010s, both countries have prioritized soft measures to control dissenting media. Media capture is a form of interference in which the playing field is made uneven, often by manipulating market conditions in a way that is either concealed, or the malintent is not obvious to outside observers. In chapter 6, I described a number of the measures that were widely used to capture media in Russia and Hungary. They included targeted taxes, selectively distributed direct state subsidies and state advertisement.

As foreign support is used to counteract the impact of media capture, the retaliation of the governments prominently features hard measures, chiefly regulation that targets recipients of foreign grants. Although both governments introduce hard measures under the pretense of

securing transparency, cases at international courts show that the intrusions don't pursue a legitimate aim. At the same time, hard measures are still paired with softer interventions: in these cases, attacks on newsrooms' reputation become the most common forms of media capture, both in Russia and in Hungary. In a related empirical investigation of the shrinking media space of feminist and social justice movements (organizations working on issues that are often stigmatized in countries with authoritarian tendencies) Kassa and Sarikakis (2021) have shown that governments utilize a number of methods to limit organizations' opportunities, among them spreading prejudices against the organizations and limiting political backup as they are downplaying the causes these organizations advocate. Due to their role in bringing in and amplifying views in the public discourse that are different from the official narrative, the media find themselves in a similar situation. In the cases investigated here, independent newsrooms have to encounter smear campaigns from the state, and at the same time, the mission and values of fact-based journalism are trivialized by official sources. The attempts to discredit media outlets are thus another effort to hurt media and impact financing: losing the trust of the public would mean both a loss of reach and a loss in revenues, as less people would read the product, advertisers would lose interest and less people would be willing to pay for the content.

The overall picture varies, depending on the degree of linkage and leverage in a given country. Russia's leadership can go further in its use of hard instruments, without jeopardizing its position in power—but still relying on a mix of intertwined soft and hard measures. At the same time, as we will see, there are also differences between responses of newsrooms inside a country—since different risk perceptions trigger different reactions. Thus, the situation on the ground cannot be explained by the measures of states alone. To shed light on the reasons between the strategies used by newsrooms (whether or not they decide to utilize grants), I will employ the field theory of Pierre Bourdieu and its interpretations from journalism studies.

Bourdieu argues that journalists and newsrooms operate in a field whose rules are “comparable to a field of physical forces” (Bourdieu, 2005:30). This field is shaped by internal and external forces, to which they react, or which they aim to shape. But according to Bourdieu, the journalistic field has a low autonomy: its unstable financial situation makes it vulnerable to outside forces (Bourdieu, 2005:41-43), and may stir actors in this field to defer to the will of powerful political forces.

With time, members of the field acquire a set of dispositions that can increase their freedom—Bourdieu calls them (economic, social and cultural) capital: in addition to money these dispositions comprise of know-how, style, connections and networks. The interplay of these components can, over years, lead to the creation of so-called symbolic capital: this means that the actors are “perceived and recognized as legitimate” (Bourdieu, 1986:4) by outside observers. Champagne (2005) refers to the symbolic capital of a newsroom as legitimacy. I will argue that legitimacy is key in understanding which newsroom opts to take support from philanthropies and which one stays away from donors.

## **2. Backlash Against Foreign Assistance in Russia**

As shown in the previous chapter, there are newsrooms in Russia that rely on foreign grants to cover their expenses and pay for the salaries of their journalists, but there are also indications that the number of such outlets is most likely smaller than it was about a decade prior to the interviews. However, it is hard to make comparisons due to a lack of research and comprehensive datasets. At the time of the interviews, newsrooms that relied on grant funding could be found among some of the smaller outlets that were founded in the late 2000s or the 2010s.

When asked about the past experiences with philanthropy, interviewees have mentioned that grants from donors associated with the US-based financier George Soros (chiefly the Open Society Institute and later the Open Society Foundations) were relatively easy to access and could be used for content creation or to fund their core operations. Some of these grant recipients added that they didn't even have to actively look for grants, as donors were familiar with those outlets that did quality work, and proactively approached them. The impact of donors was felt not just in the capital city Moscow, where most of the internationally known news media outlets are based, but in many of the regions as well; the Media Development Investment Fund (and its predecessor, the Media Development Loan Fund) has, for example, worked with regional or local media all over Russia, by providing independent newsrooms with the kind of credit that they would not had access to in the market. This latter form of support was used, most of the time, to invest in necessary equipment and technology, such as a printing press or cameras. Besides the foreign donors, there were also some Russian philanthropies active in the country, such as Boris Zimin's Sreda Foundation that provided grants to Russian newsrooms.

Due to new governmental measures targeting foreign funding, at the time of our interviews, most interviewees tried to dissociate themselves from many of the previously active donors. This also meant that signs and indications that newsrooms received funding from specific donors were actively eliminated: one of the independent media outlets, for example, used to feature a note on its website that thanked the Open Society Institute and the National Endowment for Democracy for their past support, but this text was later removed, as the journalists feared that being associated with these "undesirable" organizations would lead to penalties or other repercussions. At times when the former, predominantly American, donors

got targeted, interviewees mentioned getting support from new, European donors—both private philanthropies and public entities. But they rarely provided names.<sup>21</sup>

### ***Measures to Limit Foreign Funding***

Following Vladimir Putin’s 2012 reelection as president, a number of legal and administrative measures have made foreign involvement more complicated in both the NGO sector and the media market. Independent media and activist NGOs both have strong international connections, rely on foreign funds (grants, investment or other forms of support), and they are widely seen as the sources of critical information, often challenging the claims of those in power.

In the case of the media, there were three major measures that have impacted foreign funding, both from the demand and supply side: the laws on foreign agents, on undesirable organizations and on foreign media ownership.

The internationally most well-known measure was the foreign agent law,<sup>22</sup> which required that those non-profit organizations that engaged in “political activity” and received funding from abroad (or from foreign citizens or stateless entities) register as “foreign agents”. Organizations that registered were subject to extensive reporting requirements (seen as both costly and time consuming) and were mandated to add a disclaimer to all their communications that highlights that the publisher of the material is a “foreign agent”—a term that is intended to invoke the connotations of a spy, and thereby challenge their reputation. Those who

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<sup>21</sup> In a rare case, the head of the Norwegian Fritt Ord media support foundation openly spoke about being active in Russia (Graham and Dragomir, 2018).

<sup>22</sup> The law was amended several times in the following years to extend the scope of entities that can be targeted. For this reason, the press often writes about the passing of a new law, every time new entities are targeted. However, I will in this text refer to the foreign agent law in singular.

continued accepting money from abroad without registering were subject to fines and closure. Although the government justified the law as a necessary intrusion in order to safeguard transparency and national security (Prince, 2021), between 2013 and 2018, 66 cases were going on at the European Court of Human Rights (ECtHR) with the aim of challenging the legislation (Wiersma, 2019). While activists were sure that the ECtHR would eventually rule against the foreign agent law, it wouldn't have necessarily meant a remedy to the affected organizations, as in the 2010s the Russian government repeatedly disregarded rulings of the ECtHR (Madsen et al., 2018: 210).

The first media-related entities impacted by the law were Russia-based media support organizations. The Sreda Foundation ceased operating in 2015 after it was declared a foreign agent, alongside the Free Press Support Foundation, the Institute for Regional Press and the Press Development Institute – Siberia (see: Human Rights Watch, 2018a). At the start of the interviewing process, the foreign agent laws didn't explicitly target privately-owned Russian media (only foreign-operated outlets like *Radio Free Europe* or *Radio Liberty* were added in 2017)<sup>23</sup>; but even if the original law was aimed at non-governmental organizations, some of the media outlets were afraid that the ambiguous wording of the law could expose media to similar sanctions. As an example, many of the interviewees mentioned that while the law formally applies only to organizations that are involved in some form of “political activity”, in practice the registry of foreign agents included a number of apolitical organizations, such as NGOs focusing on the environment or nature preservation.

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<sup>23</sup> While still conducting the interviews, on October 25, 2018, a Moscow court fined The New Times magazine 22.25 million rubles (equivalent to its yearly revenues) in relation to the foreign agent law. The magazine has accepted money from its own foundation, the so-called Fund in Support of Freedom of the Press, which had been declared foreign agent in 2014 (Human Rights Watch, 2018b). This didn't mean that the newsroom itself was declared a “foreign agent”, instead it was fined for accepting money from a foreign agent. At the time of the interviews, interviewees didn't know how to make sense of this development. This points at the lack of an important safeguard for legitimate laws: foreseeability.

The first “foreign agent law” was followed by a number of amendments in the next years, as well as the 2015 law on “undesirable organizations” which allowed prosecutors to order philanthropies to close their operations in the country. This latter law has in effect eliminated many of the foreign funding sources available for media outlets. The registry of undesirable organizations includes, among others, the previously mentioned National Endowment for Democracy, the Open Society Foundations, the Media Development Investment Fund, and a set of organizations that were associated with the exiled Russian billionaire and Putin-critic Mikhail Khodorkovsky. Russian citizens who continue cooperating in any way with these organizations (for example accepting money from their foreign offices), face up to six years in prison.

In addition, a 2014 law that came into force in 2016 barred foreign entities from owning more than 20 percent of a media organization, thereby forcing foreign publishing houses like the German Axel Springer or the Finnish Sanoma to sell their stakes in the outlets they owned. This latter measure meant that newsrooms whose journalists previously felt sheltered by their foreign owners, started experiencing more interference; there were even examples of firings of journalists and management, due to their new local owners’ exposure to Russian politics.

### ***How the Measures Affect Media***

The experiences in Russia show that the passing of a restrictive law didn’t always set clear boundaries to those entities that were targeted. In the case of foreign support to the media, there were, on the one hand, the two laws that targeted the supply of foreign funding: the limits on ownership and the listing of undesirable organizations. These measures were clear both in their framing and impact: they led foreign owners, who guaranteed the political independence (and possibly covered the temporary losses) of some renowned outlets, to leave the Russian

market and made it impossible for a selected set of donors to continue supporting independent media. For newsrooms, the measures meant that these sources of funding were not available anymore.

On the other hand, the foreign agent law, which focused mainly on the demand-side, was more ambiguous in its impact. The first media-related casualties were foundations that acted as intermediaries: they accepted money from abroad and used it to support the Russian press. At the time of the interviews, the text of the foreign agent law didn't explicitly mention foreign philanthropic support provided to media outlets. This was reiterated by Interviewee Nr. 24, the editor-in-chief of a small start-up specializing in human rights issues. She saw the problem more in the availability of foreign grants and less in the possible repercussions to those who accept them:

[Relying on grants] is not a problem, not a big problem. But Europe is not giving a lot of money and is cutting programs. This is a problem. But seriously... it's better to have your own money. [...] Taking money is not very dangerous. Not dangerous now. Maybe in the future it will be dangerous.

While the interviewee didn't see an immediate threat, the last sentence of the quote already implies that there is a potential in the text of the foreign agent law to be used against media outlets. As such, many of the interviewed media practitioners considered the foreign agent law as a possible challenge that the newsrooms cannot disregard. Arguments centered around the ambiguity of laws in Russia that can, on the one hand, leave newsrooms more vulnerable to state pressure and unexpected retaliation, but, on the other hand, can also create opportunities for outlets to continue relying on foreign support.

Russian interviewees pointed out that the legislation in Russia was not straightforward, among others due to the use of vague formulations and open-ended provisions that tend to lower legal certainty. Thus, neither did they clearly understand who can be impacted by the foreign agent law, nor did they see what its implications would be if a newsroom was found in violation of it. This led to some contradicting interpretations. According to some interviewees, the law can easily be used against them, as Russia is a (low-linkage, low-leverage) country where authorities have many tools to intimidate media outlets; at times even extrajudicial actions are possible. “If you have a physical address in Russia and you have servers in Russia there is always a risk that someone will just knock on your door one day and will smash your equipment with hammers [...], I am not exaggerating, those things can happen”, said interviewee Nr. 6.

Other interviewees echoed this feeling, stating that even in the absence of clear threats or sinister signs, an outlet can find itself under immense pressure from one moment to the other. This was described, among others, by interviewee Nr. 14:

I don't feel any real pressure from the government as [a] journalist, but what I feel, what I see [is] that we are not protected in Russia. Because we may be closed at any moment. It's easy to close us, as [well as] any other media in Russia. And so, at this moment, journalists in Russia are not protected, we just work, we just do as we want and what we can. If someone wants to stop us it's very easy actually to stop us.

Nevertheless, interviewees listed a number of (at times contradicting) factors that they perceived as limiting the usability of the foreign agent law or other similar measures: 1) the Russian authorities' perceived incompetence in effectively enforcing their laws and regulations, 2) a conscious reliance on other kinds of effective measures to capture media or

distort the working environment of independent outlets, and 3) the government's interest in the survival of independent media, as a source of legitimacy in the international context.

To illustrate the government's perceived incompetence, some interviewees pointed out that in the past many regulatory measures turned out rather unsuccessful. Interviewee Nr. 5 brought up the example of access restrictions to the Telegram instant messaging platform—an application which was widely used to disseminate news and other information that was seen as relevant for the public. The restrictions were imposed in April 2018, but left the Russian user base of the platform essentially unchanged.

[The media regulator Roskomnadzor] is just a joke. Don't take it seriously, because for example after they tried to forbid Telegram, people who own Telegram channels [continued using them]. We checked the visiting rate: in the first day [they experienced a drop of] 30 percent after it was forbidden. I mean technically forbidden, it was like blocked, but the second day restored 25 percent and now was restored completely. Like in a week's time. And even most of the Russia's official ministries, like Ministry of Foreign Affairs, have their official Telegram channels. [...] And so, we have Telegram officially blocked in Russia, and ministries [still] have official Telegram channels. It is just a joke. Don't take it seriously, if you know this story, you can imagine [what is the case with other regulatory attempts].

Other journalists, on the contrary, believed that the authorities knew well what they were doing. In their view, glitches were disregarded by the government consciously. They argued that, in the context of journalism and the news media, the laws on foreign agents came with too many caveats for the government and would draw unwanted (national and international) attention to the governmental repressions. Thus, the foreign agent laws are not

used against the media as long as there are other effective but not so obviously repressive ways to intrude in the work of newsrooms. Interviewee Nr. 16, for example, argued that putting direct pressure on their media outlet could give unintended prominence to the newsroom; and thereby might even trigger a wave of solidarity, which is not desirable from the point of view of an authoritarian state. She said: “When you start to mess with people physically, it’s always public outcry. [...] When you put pressure on content distribution, [it] is much more effective. And much cleverer. And they are clever.”

Interviewee Nr. 9 pointed out that, in the case of an investigative outlet, pressure might also be understood as an acknowledgment that the newsroom’s published “investigation is true”. Instead, in her opinion, creating noise in the public sphere—for example through bots and trolls who divert attention from contents published on social media—is a more effective way to limit the impact or visibility of newsrooms without using direct pressure.

Finally, as an example of the third category, interviewee Nr. 19 reiterated the argument of the scholarly literature: there are strategic reasons for tolerating dissent. In her view, the existence of independent media was important for the government in order to keep up the appearance of a democracy. Still, she was pessimistic, how long this intent can last, given that the country’s international position didn’t make it necessary to meet international standards.

If someone in the West will start screaming “Oh, you are suppressing media!”, they say “Why? You have *Ekho Moskvu*, *Novaya Gazeta*, they are published.” [Independent media outlets] are kinda excuse for them still pretending to be democratic. As soon as they will lose this necessity, we’ll have much harder problems. [...] It’s strange that up to now they had this feeling that they must pretend. And I don’t know how long they will still have this need.

The following parts of the text will also show that this “feeling that they must pretend” is not reassuring enough for newsrooms that have built up the kind of legitimacy as the two mentioned newsrooms: they might not feel that their existence is in danger, still they might find grants too risky to use.

As already explained above, this is due to the foreign agent law’s softer impact which affects the reputation of newsrooms—in part because it becomes public knowledge that an organization is associated with foreign donors, and in part because the organization will have to publish a disclaimer in all its communications (even social media posts) that alert the audiences that the content was created by a foreign agent. The term “foreign agent” is used purposely to discredit media with, as it may evoke in audiences the association of a spy. In addition, some interviewees pointed out that being mentioned in connection with some specific donors might be especially damaging for newsrooms, but they didn’t mention names. As interviewee Nr. 3 phrased it: “In terms of reputation, some donors in some eyes may be toxic”. Due to this connection, they can be portrayed as biased or as compromised by foreign money, especially if their association with foreign donors is made public on government-aligned platforms.

### ***How Newsrooms React to the Pressure***

Despite being mentioned as a possible threat, in practice, the direct impact of reputational attacks was limited. Most interviewees did not find smear campaigns related to the use of foreign grants as a problem that would significantly affect their readership or their perception amongst possible audiences. They also mentioned that smear campaigns against media can take place even without an identifiable link between a donor and a news outlet, and even if this link is being exploited as a means to discredit an independent outlet, the connection

to a donor is not perceived as a crucial factor for loyal reader. This was also made clear by Interviewee Nr. 16, who said that in and of itself the requirement for recipients of foreign funds to use the foreign agent label might not necessarily impact what the audiences think.

Even when they adopted the foreign agent law, they tried to [use] this foreign agent [label], because it has very bad connotation, like [in] my generation's mind. But we asked young people what they think about "foreign agent." They don't have any negative connotation. It's not linked in their heads with Stalin's labels "foreign agent", so I don't know if it's positive or negative.

At the same time, there is an indirect effect of the foreign agent label, which is explained by interviewee Nr. 9, the editor-in-chief of a relatively large for-profit online outlet. "It is not possible for us to take grants from our government and it's not safe for us to take grants from other governments. So, no. We don't do that. We did, but now we don't do that," she starts the explanation. When asked why a law that is merely aimed at nonprofit civil society organizations, and for which at the time the penalties imposed were low, would hurt a for-profit media outlet, she said: "advertisers don't want to work with foreign agents." The view about advertisers was shared by the majority of large, established newsrooms: those who accepted grant support risked losing their access to the market, thus the gains associated with grant funding were outweighed by the possible losses. The amounts available through grants were relatively limited, and only small newsrooms managed to use them to cover the majority of their costs. Advertising, however, was for legacy outlets a relevant part of the income mix, and thus losing it could even mean the end of their operations.

These arguments were mainly characteristic for outlets that had a relatively large newsroom. These are media with lots of journalists on staff, a strong brand (or legitimacy) and

a sizeable readership. While the foreign agent label or a widely publicized association with donors would not significantly affect readers' demand for their contents, the loss of advertisers would significantly impair their financial wellbeing. Given the limited willingness to pay and the scarcity of grants, these outlets would not be able to make up for the finances lost, and thus would not be able to continue producing the same quality and quantity of output.

Apart from legacy media and other large operations from the capital, most representatives of the regional or local press have also opted to refuse accepting foreign donations. In their case, the justification was the additional layer of pressure: besides having to comply with the requirements of the national level, they also have to deal with the increased scrutiny coming from governors and other local interest groups. Interviewee Nr. 20 who works for a local media outlet recalled having used donor funds in the past but giving them up. As she explained: "Yes, we collaborated with, I think, Soros for one year or something like this. Soros and I think another one, I don't really know, a couple basically. But when [the law was passed], so that day, I remember that day, we stopped any contact with it, because it was the main aim to just kind of destroy the company for the state, to create some hard conditions like this."

As the previous examples show, even without a clearly spelled out ban on foreign grants to media and with the (unwittingly or purposefully) imperfect enforcement of past measures, there were outlets that found relying on foreign grants too risky for their survival. Especially larger outlets that have sufficient access to other forms of revenues and local media that face greater challenges than outlets in the larger cities, decided to adapt to the pressures targeted at foreign grant receivers by adopting the strategy of abstinence. They framed the foreign agent law as being almost a general ban on foreign grant support.

Despite the pressure, other newsrooms continued relying on foreign grants, and not just in the larger cities. Kabel et al. (2019), for example, mention a Siberian newsroom, which

“receives foreign capital in spite of the risk of being labelled a foreign agent” (Kabel et al., 2019:48). Some newsrooms have mentioned coping solutions that could help them avoid harassment from authorities, and in some cases even enable the use of grants with limited risk. These fall into two main categories: compliance and exit. Compliance can be divided into two sub-categories: for some outlets it meant compliance with the letter of the law, for others the choice was avoiding risky topics. Exit means moving abroad to a different jurisdiction.

The first form of compliance was voiced by a number of smaller online outlets that often dealt in their stories with political topics or human rights violations. Newsrooms argued that trying to comply with the letter of Russian laws, as much as possible, was a good solution to avoid harassment from authorities. Interviewee Nr. 2 believed that this strategy also works for outlets that are getting money from abroad, as long as the law doesn't say that foreign money is completely illegal, and as long as the outlet doesn't receive funds from donors that are on the list of undesirable organizations, there is a way to use foreign funds. “I only can say that everything is legal and goes through paying taxes. We don't want to have any violation of the law in this case”, she said. Interviewee Nr. 20, who previously voiced concerns about applying for grants mentioned that their outlet would see some limited opportunities to benefit from foreign money when it comes in the form of a cooperation between private, for-profit firms in two different countries. “We are a commercial company, we are not an NGO, we are kind of a commercial media, [our foreign partner outlets] are a commercial media, they are not NGO, so this is a collaboration of two commercial firms. It's legal.” As such, the outlet cooperates on journalistic reports with some EU-based outlets which are then published both in Russia and the other participating country (or countries). In that case, the money to cover the fees of the Russian staff members working on the story comes from the foreign outlet. The cooperation was, at the time of the interview, not seen as problematic, even if the money ultimately came from donors. “I think they found some money or project, it's not their own

money, but they found some money for a cool investigation”, she said about the source of funding.

The second form of compliance comes with restrictions on content and is thus not openly endorsed by too many outlets. Like interviewee Nr. 23 in the previous chapter (the editor-in-chief of a legacy media who distinguished between safe and non-safe topics from the point of view of market revenues), interviewee 21 pointed out that avoiding some form of journalistic work—especially investigations—makes life for a newsroom easier. This could allow for the organization to rely on funding sources that might be too risky for others. In her case, the outlet published opinion pieces by people with expertise in a given topic, which she referred to as “expert topics”:

Expert topics, they are quite safe because some expert sits in his chair and he just uses his mind and his analytical skills, and it is quite safe. And you can write about anything you want this way. But the most dangerous [thing] is investigation, really when you find people who talk to you and give you very important and dangerous information...

The caveat of this strategy is clear from Interviewee 21’s short quote: for many outlets it would mean self-censorship, as they would not be able to go on producing the kinds of stories that they were doing in the past.

Outlets whose strategy is “exit” found it as a possible solution to register themselves abroad and operate as a foreign entity. A small number of Russian outlets have chosen Riga in Latvia as their new base. Thus, on paper they were published in an EU member state, but as internet publications they were easily accessible in Russia as well. Interviewee Nr. 6 said:

In Latvia you can just register a business on your residential address, so that was one thing. The other thing is taxes, actually taxes aren't very low here, they are much higher than in Russia, but they are actually lower than in Germany, for example. The third thing is: no other country would have allowed us to bring in fully international workforce, for instance in Germany we would have needed to hire local staff. And here, we tried to hire local staff, and I think right now we have one Latvian, and he is not part of the editorial team, because local Russian-speaking journalist[s] they don't really understand the way things are happening in Russia, they have a very different focus [...]. We need a Russian team, Russian journalists, that sort of thing. There are probably reasons... [...] For me, for a lot of us, it was important that Riga is actually close to Moscow, because we all have family there, parents or siblings, so the fact that this is maybe an 80-minute flight from Moscow is important.

Although for such an organization, grants could be an option, Interviewee Nr. 6 said, they would avoid applying for money from foreign philanthropies, as being associated with them could "compromise" their reporting in the eyes of the audience. The size of the outlet was also larger than that of the usual grant-receiving outlets. Thus, grants could not have played a significant role in their budget.

A somewhat different opinion came from interviewee Nr. 1, an investigative journalist whose outlet was also registered abroad. In her view this attribute provided the best option for a media organization that wanted to rely on philanthropic funding and conduct investigations at the same time. In addition, interviewee Nr. 1 saw her newsroom's small size, the ensuing flexibility and its use of social media as a key advantage.

We are foreign media outlet, but most of us (are) working from Russia so we are perceived as a Russian media outlet. (...) So yeah, now it is much more convenient to be a smaller website which is more flexible, which is under the radar of Kremlin censorship. We spread most of our articles, most of the traffic for our articles comes from social networks, like Facebook and Twitter.

Interviewee 18 reiterated the previously mentioned argument that small size is a source of protection. She also brought in the issue of the strong brand or legitimacy: in her case the lack thereof was another component that provided protection, as she expected state pressure to be focused on the better-known media.

We are small. I don't think that anybody or the secret services particularly are interested in us because people who write for us, they also write for other bigger outlets you know people who write for *Novaya Gazeta* sometimes would write for us, well if they get in trouble they get in trouble because they write for *Novaya Gazeta* because they are known for their journalistic work, you know. It's not that we are so famous.

Smallness also allowed newsrooms to be more flexible. In case the pressure on grantees would increase, abandoning traditional forms of publishing was also mentioned as a possible way forward. One of the journalists argued that the solution was to think outside of the context of current journalism and look at new platforms and new formats to access information. Plans are being made to use alternative platforms, in case a standalone website and other traditional formats are not available anymore. Commonly mentioned examples were newsletters and online messaging services. These services were already utilized to some extent by newsrooms,

but at the time there was no newsroom that saw them at the core of their operations. As interviewee Nr. 3 said:

I want to go post-web, if we go post-web, you can only go through social networks and Telegram and publishing platforms... it is impossible to close us and you can do it with [the] right kind of branding, [the] right kind of style. Still get brand awareness, recognized without having any of those bulky things, like God forbid a paper newspaper or a website. So, I think the future lies here, I just yet cannot convince the bosses to work like that, but I think they will come there at one point, another story like Telegram, blog, probably, we have to think about something like that.

While other media that still rely on grants mentioned that donors from the list of undesirable organizations are off limits, interviewee Nr. 1 added that in its current constellation her newsroom could even accept money from undesirable organizations. Although she couldn't recall if that was in fact the case. As she explained, exiting has made it possible for them to use funds without knowing who the ultimate donor was, which in turn can be seen as a safeguard both from being associated with a given donor and from possible interferences in content.

We are not interested to know where the money we get is from. It is very possible that the organizations that are giving money to us also get money from America or Open Society Foundation or other, which we don't care, we don't ask questions, we don't want to think about that, we just care that they want to support investigative journalism. Super, we have a lot of investigations for them, and it is like a don't ask, don't tell situation.

But even if there are outlets that are willing to take the risk, using the position of exit to rely on otherwise unavailable undesirable donor money may not be possible due to the undesirably organization law's impact on the supply side. During the interviewing process, I only managed to talk to the representative of one organization that still received funding from a donor declared "undesirable". This news media outlet operated from abroad but worked with freelancers and occasional authors who were based in Russia. Interviewee Nr. 18, an editor of the outlet recalled: for many years, relying on donors that were (later) targeted by the law on undesirable organizations has enabled them to create favorable working conditions. She further explained:

We have been given grants by the Open Society Foundations, we have had other donors, so we are in the position when our work as editors have been relatively well paid. And we are also very lucky that we are in a position to pay our authors. Which is actually often not the case with other projects of the same kind. So, we transfer money to Russia, to Ukraine, to Belarus, to other places where we work, and we also pay [...] people who we collaborate [with on] other sorts of projects.

In order to protect the journalists, they work with, the newsroom is trying to find creative solutions to provide payments to their journalists in order to not get them into trouble:

There isn't a perfect solution here, but the kind of solution that we have is that we don't do bank transfers. We use systems like Western Union and similar. So yes, people receive money from abroad, but it doesn't end up on their bank accounts, so it's a little bit less transparent to the state what's going on, and we don't need to specify what kind of services they have provided for this money. It's kind of, you know, how Western

Union works, you know just somebody sending money to somebody, of course it's all traceable, but it's an extra level of work for the FSB [Federal Security Service] [...] We have authors in regions which are really dangerous and sometimes they ask us to transfer money to their friends and family abroad [...]. So then, that's what we do, and then it's their business how to pick it up. But we are trying to stay in the shade.

Despite these measures, the newsroom found it harder to do its Russia-focused work. The driving force behind limitations wasn't the media organization, but the donor's decision not to endanger recipients. As it becomes visible from her response, the funds that used to be available from "undesirable organizations" are still not matched by new donors.

We are not on the list of foreign agents, we are also not on the list of any undesirable organizations, but yes, we are funded by [the] Open Society Foundation[s] and we are in trouble now because of that, because Soros has frozen all operations on Russia and as of 1 July 2018, we are obliged not to transfer money from Soros grants into Russia. So, when we are working with Russian journalists, we are paying them from other sources, which sucks because Soros money is the biggest chunk of money that we have (...). And other foundations, other big money, other big donors actually have a similar approach and it's very difficult.

### ***Public Diplomacy in a Low-Linkage, Low-Leverage Context***

In the interviews, journalists pointed out that public diplomacy outlets are seen as increasingly important players in Russia's independent media landscape. Many of them have experienced an increase in their newsroom size at the times of increased pressure on civil

society, journalists and foreign funding. Most of these outlets receive their financing from abroad (one of the public diplomacy representatives referred to her outlet's financing as a state grant) and employ Russian journalists. But unlike the exited Russian outlets, they are backed by a foreign state. Many interviewees mentioned them as a desired workplace and a source of quality journalism. While not public diplomacy, some international media and news agencies like *Reuters* or *Bloomberg*, were also mentioned together with these outlets: these outlets provide quality reporting about Russia both in Russian and in major foreign languages and are backed by a foreign parent company.

While most local media have encountered financial problems, interviewees from public diplomacy and other foreign media have said that they have seen an increase in budget due to the growing international importance of Russia, the increasing tensions between Russia and the West, as well as the shrinking space of quality independent media in the country. Interviewee Nr. 17, the head of a public diplomacy outlet, believed that such media found themselves in a very special position.

Because we are foreign, any media which criticize the current settlement of the state, [we are not] very welcomed and due to that it became very hard to speak to [politicians and policymakers]. But on the other [hand], we managed to hire a lot of very-very good journalists with very good personal connections, so we are still able to talk to them and there are still places to talk to them. For example, last week there was the [St. Petersburg International Economic Forum]. It is a public space, there is a governor X, minister Y, there is a businessman Z, you can approach him and ask him a question and he would have to answer, especially if you have a camera.

Interviewee Nr. 4, the head of a public diplomacy project believed that the current good situation of public diplomacy outlets was not just a temporary phenomenon, but their position can remain relatively stable; she expected that they can continue working without serious harassment for the foreseeable future.

I don't think that Russia will fall back into the Cold War, into a situation in which [authorities] are spying after journalists. I know that my colleagues, who worked here in the 1970s and 1980s, barely had the chance to move freely in the country. Whenever they had to travel to St. Petersburg or Novosibirsk [...], they had to report their trip, and they needed a permit from the secret services. This doesn't exist anymore. We move freely in the whole country. We don't have to inform anyone; we do what we want. We report about topics that we want to report about. [...] We are absolutely free in our decisions. And by "we" I mean "we as a foreign media" because I know that our Russian colleagues have a completely different experience.

At first, the strong presence of public diplomacy operations that hire good local journalists might be puzzling in a country context where foreign support is targeted. In a way, public diplomacy is a more intrusive form of support than grants: it clearly signals that independent media is under pressure and must be supported by outlets that are financed by and clearly associated with foreign governments. Interviewee Nr. 17 believed that the situation of these outlets is determined by diplomacy with Russia and the treatment of Russian public diplomacy channels, such as *RT* and *Sputnik*, in Western countries. "We understand that [...] if something happens to *Russia Today* [the Russian public diplomacy outlet now called *RT*] [in the home country of the interviewee's media organization], they gonna do 'tit for tat' and [...] you know, something is going to happen to us." This scenario was exemplified with the case

of *Radio Free Europe*. *RT* was registered by the U.S. Department of Justice as a “foreign agent” in 2017 under the so-called Foreign Agent Registration Act which required the outlet to disclose its financial information and its relation to the Russian government. As a retaliation, in 2017, the Russian government placed the US-funded *Radio Free Europe*’s Russia-focused news services, and the related outlets *Current Time* and *Voice of America* on its list of foreign agents. However, during the time of interviews *Radio Free Europe* only had to pay small fines for failing to comply with the laws. As *RT* was still free to operate its English language version in the United States, so was *Radio Free Europe* in Russia.

### **3. Backlash Against Grants in Hungary**

In chapter 7, we have seen that grants are commonly utilized by independent newsrooms in Hungary, but they are often part of a larger mix of revenues. Larger newsrooms (meaning those that employ several dozens of employees) have utilized foreign grants to cover topics that would be too expensive to produce, while not bringing in enough revenue to cover the costs. Examples include the coverage of European institutions (even paying for a full-time journalist in Brussels), sending camera teams to conflict zones or conducting investigations. For smaller outlets (many of them operating with less than 10 employees) the grants were an important part of the operating budget. Some of the grants were used, similarly to the case of larger outlets, for the creation of specific contents, but there were also grants that came with no strings attached, and could be used to cover their core operations, including salaries and overhead costs.

The use of foreign grants to support media outlets became commonplace in the early 2010s, when the combined effect of the economic crisis, the ongoing weaknesses of the traditional media revenues as well as the repressive policies and media capture orchestrated by

the Orbán-government left independent news media increasingly vulnerable to all sorts of pressures. Grants were seen to some extent as a replacement for foreign ownership. Journalists remembered foreign owners as a shelter from government interference in newsroom work, while philanthropic support came in as a new form of revenues that were independent from local interest groups.

Hungarian newsrooms rely on a relatively large number of donors. Their websites mention among others George Soros's Open Society Foundations (some interviewees still referred to its old name Open Society Institute or OSI), the Open Society Initiative for Europe, the Rockefeller Brothers Fund, Internews, Fritt Ord, the Sigrid Rausing Trust, the Organized Crime and Corruption Reporting Project, the Global Anti-Corruption Consortium, the Real Reporting foundation and one outlet also mentions the Creditexpress Group as a private donor. In addition, there are two somewhat different, but still relevant, donors. The Media Development Investment Fund, a philanthropic investor that provides preferential loans in exchange for equity, is part-owner of two outlets, while Google's Digital News Initiative grants were used by a number of outlets to experiment with new technologies and new revenue forms.

### ***Measures Against Foreign Funding***

Already the richness of available information on donors points towards significant differences between the Russia and Hungary, as donors can operate more freely in a high-linkage, high-leverage context. Nevertheless, parallels with Russia are commonly drawn in the Hungarian discourse when assessing the attacks on democracy or the situation of civil society and the independent media. This is the case with the government's anti-donor measures as well: especially the 2017 law "on the Transparency of Organisations Supported from Abroad" (also referred to as the NGO-law) is considered as being influenced by the Russian foreign agent law

(see HRW 2021; CSCE, 2020). This law, passed in 2017, introduced new obligations for certain non-governmental organizations whose yearly contribution from foreign sources exceeded HUF 7.2 million (approx. EUR 24,000 at the time) to register and use the label “organisations supported from abroad” in all their publications, websites and press material, as well as to provide detailed reports to the government about the funding they receive from abroad. Organizations who fail to comply face financial penalties (European Commission, 2017). While the law was, like its Russian counterpart, justified with the need for transparency, it was too intrusive to qualify as the pursuit of a legitimate aim. Similarly to the situation in Russia at the time, the only media-related organization registered on the list of “organisations supported from abroad” was the Centre for Independent Journalism, which provided trainings and some small grants for journalists. For-profit news media did not fall under this regulation, but some non-profits were at a point unsure whether they would be required to register. Unlike in Russia, the majority of news outlets didn’t expect that the law would effectively target for-profit media in the future.

The Hungarian government also directly targeted donors through legal and political pressures. In 2014, authorities had launched a legal investigation against both the administrators and the beneficiaries of the EEA Norway Grants’ civil society fund. At one point, Hungarian authorities raided the office of Ökotárs, a foundation tasked with distributing this support. Representatives of the government were referring to the suspicion of tax evasion, but they also criticized that the fund’s beneficiaries were overwhelmingly organizations that criticize the state (Reuters, 2015). Following this conflict, the EEA Norway Grants decided to temporarily halt their operations. In 2017, the US State Department has published a tender for USD 700,000 funding to enable the independence and foster the sustainability of the regional and local media landscape in Hungary, which by then had been almost completely under the influence of government-aligned investors. The call was titled “Supporting Objective Media in

Hungary” (Duke, n.d.). As a response, the Hungarian foreign minister summoned the US Chargé d’Affaires David Kostelancik (Szigeti, 2017). While it is not clear what happened in diplomatic meetings, the grant was cancelled a few months later (see letter by members of Congress, published in Politico, 2018).

Organizations associated with the Hungarian-born, US-based philanthropist George Soros have been targeted most often. A new law deemed the educational activities of the academic institution he founded (Central European University) illegal, while the so-called “Stop Soros” package of bills declared activities that help refugees a criminal offence (Guardian, 2018). In addition, the country saw a large-scale smear campaign against Soros, with fabricated news about him in the government-aligned media and his picture placed on billboards all over the country. Due to these measures, the Central European University moved to Vienna, while Soros’ grantmaking organization, the Open Society Foundations relocated to Berlin. But unlike in the case of Russia, leaving the country didn’t mean that the organization had to stop its philanthropic activities in the country. As the organization’s statement said: “Open Society will continue to support the important work of civil society groups in Hungary on issues such as arts and culture, media freedom, transparency, and education and health care for all Hungarians” (OSF, 2018).<sup>24</sup>

Smear campaigns against the recipients of foreign grants, especially those associated with Soros, were mentioned in the interviews more often than the hard measures. Independent newsrooms and journalists were among those actors (besides academics and activists) who were portrayed as executors of foreign interests. Although concerns were voiced, representatives of newsrooms didn’t yet see a connection between their association to foreign donors and the way audiences or sources would relate to them. Interviewee Nr. 5, the editor-

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<sup>24</sup> The use of the term “civil society” for both NGOs and news media shows that the two are often grouped together by donors.

in-chief of one of the leading online newsrooms believed that the government missed its window of opportunity to effectively convey the message that the newsroom should be seen as compromised by foreign-funding: “They could have used it better. [...] They could have built a campaign around it. A campaign against [our newsroom]. But somehow, they didn’t realize it. There were some occasions, for example in [the government aligned news outlet] *Pesti Srácok*, where they were badmouthing [our colleague]. But if they had taken it more seriously, they could have used it much better. I mean, if I am trying to think with their head. But compared to that there hasn’t been a lot.” Nevertheless, she found it important to emphasize that this kind of campaign would have not uncovered anything hidden: “Why shouldn’t we get money from Soros? It’s legitimate money. It doesn’t matter. We had a disclaimer in the articles. It was no secret.”

Interviewee Nr. 7, the editor-in-chief of a political weekly added: “In an administrative way, we didn’t experience any disadvantage. [Politicians] didn’t talk to us, just like they didn’t talk to *Népszabadság* [until its closing in 2015 the largest independent daily] even though it was owned by [the Austrian investor Heinrich Pecina, widely regarded as the governing party’s middleman]. It doesn’t [bother me] that in some listings I see [the name of our newsroom], because our readers and our interviewees know [us]. [Having connections to an organization of] the Soros Empire, doesn’t diminish the value of our content in the eyes of our readers.” She jokingly added: “Of course I cannot be 100 percent sure of this, [maybe there are readers who buy the publication in order to find out] what Uncle George [Soros] has in mind... But if that’s what makes them buy the paper, why not.”

Interviewee Nr. 16, however, expressed concerns about the long-term effects of journalism’s standing in society and about the prospects of staying objective, as newsrooms are constantly in positions where they have to take a stance: “A new form of polarization came to exist in society [...] That’s the genius and both the diabolic in the heads of Orbán and co.

You cannot stay impartial anymore. When they question the legitimacy of your existence, you can't just say that you are going to look at the issue in an impartial way when it is about your existence. I cannot say that I am impartial when it comes to the questions of the freedom of the press or the Western form of democracy. How could I say that? Then I could just close the shop. And that's it. Goodbye.”

### *How Newsrooms Adapt*

Although news media are beneficiaries of foreign grants, just like NGOs, as an effect, the law “on the Transparency of Organisations Supported from Abroad” didn't apply to news media. Initially, some newsrooms feared that with time the law's focus could be expanded to include media outlets, but the actions of EU institutions have reassured newsrooms that they would not be targeted. Soon after the law's passing, the European Commission launched an infringement procedure, and the next year brought an action against Hungary before the European Court of Justice.

Some interviewees explained that going after newsrooms wasn't even the initial plan, instead the government wanted to create an environment of uncertainty. “They play this game that they can crush you at any moment, and they make you feel this. But in the end, they don't do it. That's the trick of these new autocracies [in this context meaning: authoritarian regimes with strong leaders],” said interviewee Nr. 16, the founding editor-in-chief of an online start-up, already relating the logic of the government to countries with similar authoritarian trends. She instantaneously made a connection with the state of the market: “It is not a coincidence that in a market economy one of the most important [...] requirements is a stable and predictable tax environment or legal environment. And in Hungary it is all about keeping

everyone in uncertainty.” In her view, this capture by uncertainty was one of the main reasons why newsrooms are unable to find investors and run sustainable operations.

The direct measures against grants and recipients were limited in their impact: the newsrooms didn’t get to experience legal repercussions and the biggest donor continued its support despite governmental measures. Only the Norway Grants and the US State Department grant for local media became unavailable. The latter was often mentioned in conversations. Many of the interviewees mentioned that they applied, and one of them was even convinced that she would have been the winner if the US State Department hadn’t decided to withdraw the grant.

Since the two donors whose support became unavailable didn’t play a significant role in the Hungarian media market, newsrooms could find ways to make up for their absence. Interviewee Nr. 13, the editor-in-chief of an investigative newsroom, was a recipient of the EEA Norway Grants. She believed that she was able to make the best out of the loss of a possible revenue source. The newsroom built a communication campaign around the state’s crackdown, which positively impacted both the direct donations and the so-called 1% campaign (Hungarian citizens can request that 1 percent of their paid personal income taxes be given to support the activities of a selected non-profit). “Both of them were really impacted by the crackdown on the Norway Civil Grants in 2014. The [state] managed to do that so [effectively], that the NGO grants of the Norway Grants practically ceased being available in Hungary. They didn’t publish new calls. But we communicated it in the following way: if the audience wants us to continue operating, they need to donate or give us their 1%, and this really led to an increase in [these revenues].”

None of the interviewees that received grants in the past said they would give up on grants. Still, many of them found it important to emphasize that grants are just a part of their income mix, and they hope to further decrease their share. On the one hand, they saw this as a

measure that secures their sustainability, as they could continue operating, even if a donor wouldn't be available in the future. On the other hand, newsrooms were aiming to generate more audience revenues, as those would signal that the audience sees value in their content, and what they write about meets people's demands.

The impact was similar when looking at the reactions to soft measures: all of the outlets that were targeted by smear campaigns expressed willingness to further apply. They believed that the damage has already been done and they will be associated with the donor, regardless of a decision to cease relying on funding. Interviewee Nr. 3 said: "We didn't experience really hardcore attacks. But every now and then we get mentioned in the governmental propaganda as part of [...] the Soros Empire, or part of its army. But we have already [weighed up the potential risks], we were aware that this could happen." Even the editor-in-chief of a daily (interviewee Nr. 12), that had not relied on grants from the kinds of donors mentioned in the smear campaigns expressed her willingness to take money from these sources: "I for myself would be proud of it [if a Soros organization founded us]. Especially because I know that the Open Society doesn't regularly support for-profit media. If we were worthy of it that would be great." Irony was also a common in the reactions of newsrooms, one newsroom for example started selling t-shirts with the logo "Soros Army".

However, newer outlets that didn't manage to build up the kind of legitimacy that their more established peers possessed (usually outlets that were launched 1-2 years prior to the interview) expressed more concern about the possibility of a smear campaign. At least if they were based in the capital. This attitude is the opposite of that experienced in Russia, where some journalists from small, newly launched startups expressed that they got nothing to lose, so they might as well keep accepting grants.

Hungarian news startups still saw opportunities on the market and hoped to generate revenues from readers. At the same time, they believed that being a grant recipient would be

hurtful, especially in their formational phase, when they still have to build their reader base. “And then we will be labeled a ‘Soros Media’. No. Obviously, we are not going to walk into this trap”, said Interviewee Nr. 18, the founding editor-in-chief of a newly launched startup when asked about applying grants. She expressed interest in some European organizations such as the German Bosch Stiftung or the Austrian Institute for Human Sciences, without, however, knowing whether and in what form it would be possible to apply to them.

Beyond the reputational effect these outlets have also highlighted many of the additional disadvantages of grants that we highlighted in the previous chapter. Interviewee Nr. 14 started out as a Budapest-based blogger and after years of increasing her reach and readership, she turned the blog into a news website financed by readers’ voluntary donations. She emphasized the desire to maintain independence from as many outside influences as possible.

I won’t say it’s never going to happen [that we apply for grants], but I’d rather not. As long as this model works... This is really about independence. Of course, I wouldn’t say that George Soros would give us direct orders [if we became grantees...] But a lot of this funding is project-based, and it can have a huge impact on the structure of our operations. And it can do so in a bad way. [...] In addition, there is the issue of self-censorship, which exists and always existed. So, of course, I can write about everything, but I would not be able to lace into [Soros], as I did just a few months ago [in an article]. I don’t think that in specific cases we couldn’t ask the OSI for money. But if we can operate without asking for OSI money, that is really good.

The only local news outlet in the sample had a different stance towards foreign grants. It is, however, hard to say if the outlet’s example could point towards a general trend, as very

few local media were operational in the immediate aftermath of the takeover of the country's regional and local press. Interviewee Nr. 9, the founding editor-in-chief of a local startup with three employees, mentioned that for her every form of funding was relevant, as long as it was independent from the government. At the same time, relying only on readers and advertisers would have been risky, given the lower purchasing power of the population served outside the capital. Due to the outlet's small size and low operating costs, she mentioned some sources of foreign revenue that other organizations would not. In the case of established outlets, these sums were too small to matter, and interviewees from management positions might not even be aware that their newsroom or some individual journalists benefit from them.

You know, we are doing a story [in a partnership with a Berlin-based NGO], this kind of thing matters for us. Or the mentor-mentee program of this organization which is international and local at the same time [...] Transparency International [where senior journalists help recent graduates work on an investigative story]. They have two of these mentor-mentee competitions, and we were included in both of them last year. And this is a relevant source of income for us, this is like HUF 200,000 (approximately EUR 600). And now [about the partnership with the Berlin-based NGO]: we could write an invoice of EUR 1,300, and I had the chance to speak [on their conference] for EUR 100. Of course, you have to pay the photographer from this money, and taxes, and translation. And you have to write two articles. But still, at the end you have EUR 500, which is like one person's [...] average monthly salary which I pay for a part-time position.

### *Safer Grants in an EU Member State*

At the time of the interviews, the kinds of public diplomacy outlets described in the Russian context that could have added to independent reporting were not very active in Hungary. *Euronews* had a Hungarian language service, but its contents were marginal in the Hungarian discourse. Foreign outlets like *Reuters* or *Bloomberg* had small offices in the country that employed local journalists, but the content they produced were aimed at international and not Hungarian audiences. The difference in public diplomacy's interest in the country can be explained with linkage and leverage: despite all the problems with democratic institutions, Hungary is embedded in the European system. Although foreign outlets like *BBC* or *Radio Free Europe* used to run Hungarian language services, and *BBC* remained in the country until the EU accession, restarting services in a country that is an EU member was not seen as a priority at the time.

However, in comparison to Russia, in Hungary the country's EU membership has given access to a set of grants that were seen as less risky due to the fact that they were available to applicants from all EU member states. This was important for the newsrooms' decision to apply. The existence of some donors in the country was seen as a statement that something is wrong, not just with the media market, but also with the political system that would need to step in to correct market failures. Interviewee Nr. 16, the founding editor-in-chief of an online news start-up referred to one particular donor, but given their fields of activity, the statement can be true of a number of other donors as well: "The MDIF invests in so-called troubled democracies, or countries that struggle with challenges related to the freedom of the press. Thus, it is some kind of a political message that it shows up in the EU, which is unprecedented." Grants that were available in all EU member states were not seen as conveying this message.

The European institutions funded outlets that were ready to cover issues in the Brussels bubble, the Journalismfund provided cross-border investigative grants, while the European Journalism Centre's Engaged Media Accelerator helped young startups to come up with

sustainable models of operating. The most widely utilized fund was the Digital News Innovation Fund (DNI) by Google that allowed newsrooms to experiment with new technologies. Initially newsrooms found the DNI hard to use, as it didn't support content creation or salaries, some projects turned out unusable for journalists, moreover, in some cases the grant required extra investments from the media themselves, as the outlets underestimated the costs of IT development. Nevertheless, all recipients have referred to it as a grant revenue in interviews. With time, many outlets found ways to make better use of this support, by working on projects that could facilitate audience engagement, experiment with crowdfunding platforms or even paywalls.

Still, it must be noted that this perception of limited risk didn't always mean that outlets were in fact sheltered from smear campaigns. In the case of DNI grants, some government-aligned news outlets pointed to the fact that Google's support benefits outlets that are critical of the Hungarian government. Later, DNI became further politicized, when the government-aligned news website *Origo.hu* received a grant of EUR 50,000, but following criticism published among others on Harvard's *NiemanLab* (Schmidt, 2019), the grant was revoked. Whether this experience will change the perceived risks associated with donors that are currently safe is hard to determine, in part because Google's DNI support was only temporarily available (the controversy surrounding *Origo.hu* happened following the last grant call).

## **Discussion and Conclusion of the Chapter**

Both market failures and political interferences in the media economy have made it hard for newsrooms to build a financial strategy that is based on advertising or audience-driven revenues. Many privately operated newsrooms were captured by the state or its proxies, thereby being unable to live up to their watchdog roles. In this context, philanthropic funding could, at

least theoretically, be a viable way to make up for the shortcomings of the market. This kind of funding, however, is almost exclusively used by outlets that are critical of the government: Thus, both in the Russian Federation and in Hungary, the governments started to obstruct the use of this kind of revenue.

Although there were similarities in measures, as Hungary's law "on the Transparency of Organisations Supported from Abroad" was widely considered to be influenced by the Russian foreign agent law, the pressure on newsrooms was perceived differently by journalists in both countries. This is to a great extent because the government in Hungary experienced structural constraints as an EU member. These constraints gave the government less opportunity to resort to clear violations of civil liberties. There were also visible differences in the impact of measures; this is best illustrated by the Open Society Foundations' response to the pressures experienced in these countries: while in the Russian Federation, the OSF ended its cooperation with all newsrooms it supported, in Hungary, it continued supporting Hungarian organizations, while moving its office abroad.

To explain this difference, I relied on the structuralist analysis of Levitsky and Way (2010a), who trace this contrast back to two properties of the countries' international position, namely what they called linkage and leverage. The first refers to the strength of connections to the West, the second to the vulnerability to outside pressure. We established that the leadership of a large, as well as economically and militarily strong country like the Russian Federation is more likely to withstand democratizing pressure coming from outside. Moreover, due to its limited political and social ties to the West, the international community has a harder time finding effective allies in the country who can help further democratic causes. Thus, Russia qualifies as a low-linkage, low-leverage country where the effects of foreign pressure are limited. Hungary is the opposite: a high-linkage and high-leverage country, as its small size

makes it hard for the country to withstand pressure from abroad, while its membership in the EU requires that rights and liberties are respected.

In neither of the countries did journalists say that producing independent and critical, quality journalism was impossible. It would have been hard to make this argument, given that most interviewees saw their work as both high-quality and independent. Neither did they believe that the government was aiming at completely eliminating the free press. Interviewees echoed the argument of Levitsky and Way (2010a) that the existence of critical newsrooms allows the government to signal to the West that it is still a democracy. However, some interviewees did not see this incentive reassuring, as Russia's international standing made the appearance of a democracy less of a priority.

Both of the repressive governments I investigated are seen as being able to effectively apply soft pressure on the press, thereby avoiding that the majority of the public takes notice of their efforts to impose control over independent news. This behavior is in line with the literature of media capture and Scheppele's (2018) theory of "cruel markets" which highlight that concealed measures and manipulations of the market are used to limit the leeway of independent media. Capture creates a situation which resembles Roudakova's description of the post-Soviet media market of the 1990s: at that time, outlets that were not bought by Western news conglomerates could only make ends meet by "minimizing production costs" (Roudakova, 2017:99) and thus give up on quality journalism. The role played by Western conglomerates was in the 2010s taken over by Western donors who provide grants to newsrooms that may help them avoid being captured. This activity of donors provokes further backlash from these governments.

How this backlash works is interpreted in different ways by interviewees. In both countries I have repeatedly heard statements that those in power are "clever" or references to some "diabolic" and "genius" mindset in the governing circles. At the same time, some

interviewees were referring to the incompetence of authorities or mentioned that the state missed the window of opportunity to put pressure on critical outlets. This may sound as a contradiction at first, but the trajectory of these countries might provide an explanation. Both of them have experienced years of opening in the 1990s, which exposed that the state was unprepared and unable to govern. Voltmer (2013:134) points out that a state can be both weak in its capacity to execute reforms, and still capable to dominate both civil society and the media. Therefore, a government may be aware of the weaknesses of its apparatus and utilize pressures with its deficiencies in mind. In such contexts, state measures might become at times unpredictable, but will also provide loopholes and opportunities for the news media to adapt. The unpredictable nature of measures also creates an environment of uncertainty in both countries. In Hungary, one of the interviewees mentioned this as a key challenge to working as a commercial enterprise, as investors are rarely willing to put their money in an organization whose commercial viability is uncertain. But in a similar vein, some donors might fear that their support may not have the same impact as in a more predictable country environment.

The use of harder pressures is more likely in Russia. In this country, there are indications that in case the government sees the balance of power in danger, it will resort to obvious rights violations, disregarding rulings of international courts, warnings or even sanctions from the West. Hungary, as an EU member state is seen to provide less opportunities for repression to its government. Even if it shows intent to test the boundaries of what is doable in a human rights abiding state, it usually backtracks if it receives warnings from international organizations. This difference in constellations was visible in the responses of interviewees in both countries, when they explained whether or not they are going to count on foreign grants in the future.

The difference in the newsrooms' expressed willingness to work with foreign donors was based on a cost-benefit analysis: journalists and the newsrooms' management have

weighted the gains and losses stemming from accepting foreign grants and built a strategy around it. Besides the nature of pressure in the given country, another key determinant was the limited availability and relatively small size of grants, which would not be sufficient to keep a large newsroom running.

In Russia, the key concern was that “advertisers don’t want to work with foreign agents”, meaning that the newsrooms feared losing access to the advertising market, and thus losing sizable revenues, or even being forced to close. This reaction is exemplary for the extreme impact of reputational measures. It considers not just the relation between newsroom and audience but also how advertisers and their consumers would perceive the association with a foreign agent. For this reason, newsrooms that employed a larger number of journalists (from several dozens to hundreds) decided that the scarcely available foreign grants were not a solution for their financial woes. They were considering that the newsroom as a whole was more worth than the sum of its pieces. These journalists and their newsrooms have accumulated capital (knowhow, reputation, networks, financial relations) in the Bourdieuean sense at a time when it was still possible for a newsroom to work under conditions of a free and functioning market. Thereby, they built up the kind of legitimacy that they would not be able to replicate in a weak and politically controlled market, in case they had to close due to a lack of funds. Most local newsrooms followed the same strategy due to being subject to pressure from local interest groups.

However, in cases when newsrooms have already given up on accessing the advertising market, grants became increasingly viable. These outlets were predominantly online natives with a small number of employees. They felt that they had nothing to lose—not even harder pressures seemed to worry them. These outlets even saw a competitive advantage in their small size, as it would allow them to “stay under the radar” or quickly adapt to new circumstances,

by moving their operations “post-web”. Some of these outlets held that it is not a problem if they rely overwhelmingly on grants, given that there is currently no safe and viable alternative.

To mitigate the potential harms, Russian newsrooms used three different strategies: abstinence, compliance and exit. While abstinence meant that newsrooms avoided foreign grants completely, those who couldn’t afford operating without foreign support had to resort to the second or third option. Compliance either meant that the newsroom made sure that it strictly follows the letter of the law or avoids risky topics. While both strategies promised to limit probes by authorities, the latter meant a degree of self-censorship that would not have been acceptable for most interviewees. Exiting outlets have left the Russian jurisdiction and registered their newsroom abroad. Those outlets that opted for this strategy hoped to operate without the pressures other Russia-based newsrooms experienced. However, as one interviewee cautioned, state pressures were still felt by exited newsrooms, donors that had to stop operating in Russia were not willing to provide them with support, out of fear that they might endanger journalists.

In Hungary the emblematic statement was “we have already [weighed up the potential risks]”. Although the association with foreign donors may inflict harm on a newsroom’s reputation, the grant support still seems to provide greater value by allowing them to conduct the kind of quality journalism that their readers value. Mainstream outlets might risk losing some of their apolitical readers, but still, newsrooms believe that the legitimacy that they build up over the years reassures audiences. Some outlets mentioned that the harm has already been done and giving up on grants would not save them from another smear campaign. Ironic gestures, such as the selling of “Soros Army” t-shirts, have also shown that some, if not the majority, of these outlets believed that their core readers are not bothered by character assassinations against the newsroom.

Even if smear campaigns might leave core audiences unaffected, they might have an impact on (perceived) journalistic roles. One interviewee mentioned that newsrooms lose their impartiality: when they constantly have to defend themselves against attacks, that will convey the message that they have already taken side against the government. This development may mean (at least in the eyes of the wider audience) that journalism turns partisan and loses the “ethos of truth-seeking”—a value which Roudakova sees as being at the core of quality journalism (Roudakova, 2017:217).

While most Hungarian journalists didn’t mention immediate harm, many of them believed that in the long-run they need to rely less on grants and more on audiences—not just because that would add to the newsrooms legitimacy in the eyes of the readers, but also because they thought it is feasible to generate sufficient reader revenue. At the same time, there was a small set of independent, critical outlets, recently launched in the comparatively affluent capital city, which believed that building a brand and increasing their readership is easier without being associated with foreign donors. Regional independent media were rare at the time, as the government’s takeover of the local and regional dailies had just reshuffled the market. The sole interviewee from outside of the capital was keen to accept any funding from independent sources, as long as they allow them to finance their daily work. Catering to a small, and less wealthy audience, advertising and audience revenues were not seen as sufficient, even for their 3-person operation.

As the perceived audience demand has played an important role in the decisions newsrooms made, it has to be highlighted that their behavior was not always based on evidence. Instead, their strategies were built around an educated guess about what the government may or may not do, based on, among others, the information journalists gathered during their research, and speculations on how the audiences would react. As Nelson (2021) points out, one of the key features of journalism in the 21<sup>st</sup> century is uncertainty. Newsrooms follow trial-

and-error strategies to find out how to make money and how to keep, grow and engage their audiences. However, these audiences are often “imagined” and the complex process of reception (driven both by preferences and the structure of the media market) is still a “mystery” (Nelson, 2021:138) to most media makers. In both Russia and Hungary, the uncertainty related to audience behavior is further increased by the authoritarian state measures, and without a counterfactual it is impossible to determine, how audiences would have behaved in the absence of hard and soft pressures.

What also arises as an important development in the context of state pressure on foreign support is the increasing prominence of additional forms of foreign financing in the media landscape. In the case of Russia, interviewees pointed to strengthened public diplomacy, while in Hungary, I found the existence of safer, EU-focused grants. Public diplomacy outlets are originally interest-driven actors whose main purpose it is to generate positive attitudes towards the state that finances them, Kumar (2006:4) points out that they can support media development activities and “possibly pave the way for the eventual emergence of free media outlets in the region”. In the Russian context *Radio Free Europe*, *BBC* and others are seen as providers of quality journalism. Due to Russia’s geopolitical importance and the growing repression in the country, these outlets have received additional funding in the last years. Although one of them, *Radio Free Europe*, was already declared a foreign agent, their operation in the country was seen as safe: as long as Russia can have its own public diplomacy outlets abroad it will accept other countries doing the same on its territory. At the time of my interviews, Hungary had not been in the focus of western public diplomacy: its size and its membership in the EU did not make it a priority. However, it had access to grants aimed at all EU member states, such as Google’s DNI. As these grants were not seen as having the undertone of democracy assistance, some newsrooms felt more comfortable applying for them.

## Chapter 9: Discussion of the Dissertation

Throughout this dissertation, I was looking at a complex phenomenon at the intersection of media economics, political economy of the media, comparative media systems as well as the literature on authoritarianization. Specifically, I investigated how independent media outlets can operate in a context of increased democratic backsliding or authoritarianization, and whether foreign donors can come to the rescue. The two countries that I am investigating—Russia and Hungary—have both experienced years of democratization starting in the 1990s, followed by increased pressure starting in the 2000s and especially in the 2010s. While the degree of pressure over democratic institutions was always different between Russia and Hungary, the trends were similar enough to make a comparison possible.

Besides a shared socialist tradition, an experience of free market reforms and democratizations, and similar trends in the development of journalistic professionalism, a common feature of both countries was the prominent role the West played in the formation of the media system. Newsrooms were looking at Western media as role models, regulators borrowed best practices from the EU and the United States, journalism trainings conveyed Western values to the next generation of news makers—thus making many of the insights of the literature that focuses on Western media systems applicable to these two countries as well. And what is probably even more important in the context of this research: Western actors have been an essential constituent of media pluralism, through public diplomacy, investment into media outlets and grants provided to independent news outlets.

The West as a point of reference remained observable at the time of my interviews, in the late 2010s. When talking to newsroom representatives in Russia and Hungary, even some of their controversial actions were described as being in line with international practices in journalism. A Russian interviewee from a financially successful outlet, for example, argued

that *Bloomberg* and *Reuters* probably avoid reporting about topics that might hurt their business, just like the big Russian media outlets. In the same vein, a Hungarian editor-in-chief claimed that, despite the emphasis on objectivity and impartiality, some degree of self-censorship is unavoidable even in the Western journalistic tradition. As an example, she mentioned that, in her point of view, even German newsrooms require self-censorship from their journalists when it comes to covering the refugee crisis and other politically sensitive topics. As the dissertation shows, the role of Western funds and Western practices remains relevant, but contested, as the developments that shaped media business models gave an opportunity to authoritarian governments to increasingly interfere in the media market.

### **The Captured Media Landscape**

In the 2000s, the newsrooms in both countries have experienced forms of media capture—this mechanism allows different interest groups to control newsrooms’ abilities to inform the public, without engaging in human rights violations or even making the interference visible to members of the audience. The common form experienced in Russia and Hungary is ownership by cronies or other parties with strong dependency on governmental decisions, and the governments’ control over the selective distribution of subsidies. This latter is an example that shows that the degree to which a given government can use pressure, doesn’t always mean that governments don’t find sufficient means to interfere in the workings of the media: in Russia the government is directly subsidizing friendly media through so-called state information contracts; in Hungary such a scheme would not work due to EU competition rules, so uses the state advertising budget as an alternative. Bátorfy (2019) has shown that several government-aligned news outlets rely on state advertising as their main source of revenue,

while the outlets that publish critical investigations into the government, don't gain access to this kind of revenue.

Media capture is a problem that we can find in a number of countries, even in Western democracies with strong media traditions. But in Western contexts, the capturing actors are usually private businesses, rather than governments. Schiffrin (2021) mentions that under the ownership of Jeff Bezos *The Washington Post* might be used to influence discussions on tax reform, Fitzgerald et al. (2021) show that under the leadership of George Osborne, a former Tory minister, the British *Evening Standard* was caught selling favors to two major tech players Google and Uber. Besides using their economic power, big technology firms have also enabled another form of capture: capture through platforms. As newsrooms are increasingly relying on services of Facebook or Google (Marshall, 2021), these platforms could use their power to manipulate what audiences news media can reach. The situation can become more extreme in countries where the state, the economy and technology are intertwined—as such, capture by platforms has to be seen as an evolving topic in my countries of interest. Due to its small size Hungary's audiences use international online platforms (while local social media existed and were even popular for some time, they couldn't stay alive), but statements were already made by high-level politicians about the need for online platform regulation. Russia, at the same time, has its home-grown social media, search and news aggregator services, which are under the influence of the government—some interviewees briefly alluded to the possible distortions they can cause to their activities. The problem of capture by the online platform Yandex was also highlighted in recent scholarship (Kovalev, 2020; Kravets and Toepfl, 2021).

### **Key Differences Between the Two Media Systems**

While on the previous pages I highlighted similarities between the two countries, there were some key differences, which I need to highlight here. A lot of them are related to state interference, which Vartanova (2012) considers the key constituent of Eastern and Central European media systems. To explain its dynamics, I rely on the work of Levitsky and Way (2010a) who explain the difference in countries' democratic path with the concepts of linkage and leverage. The first refers to a country's international embeddedness (the higher its linkage the greater the chances for democracy), the second to the country's relative strength to withstand democratizing pressure (the greater the leverage of the West, the higher the chances that democracy will be respected). Russia as a regional power is a low-linkage, low-leverage country, while the small EU-member Hungary is the opposite. Some impact of the difference in linkage and leverage was observable throughout the last three decades. Roudakova (2017:101) highlights that Western investors came to Russia later than to Central Europe, thereby depriving key players of the Russian media landscape from the chance to grow independent from political interest groups, and later from the state itself. In Hungary, at the same time, the majority of the media outlets were in the hands of foreign owners. They were often looked at with suspicion due to their perceived preference for profits over quality, but in hindsight, interviewees see them as the guarantors of independence that enabled journalists to create a tradition of critical quality journalism in the 1990s and 2000s.

The position of the countries also influenced the ways in which pressures started to manifest. In Russia, state capture already started in 2001, when the state-controlled Gazprom Media took over the country's leading independent television station *NTV*, in Hungary, state interferences in media ownership only started occurring more than a decade later. The difference in linkage and leverage can also be felt on the current viability of independent news outlets. While the sheer size of the Russian market can make media publishing a good business, newsrooms that are critical of the Kremlin struggle to make ends meet, and don't see an

opportunity to rely on new, locally generated revenues. In Hungary, at the same time, newsrooms are experimenting with new audience revenue forms, and at the time of the interviews donations seemed to bring promising results.

At least since the conflicts in Ukraine erupted in 2014, the Russian state is considered as leading a form of “information warfare” (as described by official publications of NATO, see Giles, 2016) with the aim of, among others, disturbing the flow of information and sowing the seeds of distrust in established news media. The means to achieve these goals are hackers, bots and online trolls (Aro, 2016; Jensen et al., 2019; Pomerantsev, 2019), but also the public diplomacy outlets *RT* (previously *Russia Today*) and *Sputnik* (Yablokov, 2015; Elswah and Howard, 2020) which spread disinformation to international audiences. The impact of Russian disinformation was most prominently highlighted in the context of the 2016 US presidential elections (Allcott and Gentzkow, 2017; Golovchenko et al., 2020).

This development is important for two reasons in the context of this research: On the one hand, while information warfare is seen as being directed at foreign audiences, it cannot be fully understood without looking at the ways Russia deals with its own independent media landscape. Disinformation also erodes trust in independent media at home (Mejias and Vokuev, 2017), and some interviewees have in fact mentioned examples in which they experienced attempts of capture through hacker attacks or online trolls that tried to influence their availability on online platforms—both measures that are mainly discussed in the context of information warfare. On the other hand, Russia’s information activities abroad are seen by interviewees as the reason why foreign public diplomacy outlets can still operate in Russia—and they can do so often more freely than the domestic outlets. If Russia decided to act against *BBC* or *Deutsche Welle*, it would likely experience increased backlash from their host countries, and might be forced to close *RT* in the UK, Germany or other Western countries where Russian public diplomacy operates.

## **The Role of Foreign Funding**

The findings of the interviews have shown that foreign funding is used in both countries to make up for the loss of revenues in an increasingly volatile media market and to overcome media capture by the government. It is in fact a relevant component of media pluralism in these countries. Albeit the way in which support is utilized differs. In Hungary, a wide range of newsrooms rely on foreign grants—even if they have access to other revenues, they see grants as a way to complement them, and often use them to finance the kind of content that would not be easily monetizable. Only a small number of newly launched outlets tried to distance themselves from donors, out of fear that being labeled a foreign-funded newsroom at an early stage would prevent them to grow further. In Russia, on the other hand, only a smaller set of outlets are willing to rely on grants—mainly the ones that feel like they have nothing to lose—especially the newsrooms that have still access to the market fear that grant support would have an impact on their relationship with advertisers.

I have explained this difference relying on Levitsky and Way's (2010a) description of the structural conditions in which authoritarian governments operate and Bourdieu's (2005) field theory that helps explain decisions made on the newsroom level. The findings show that the newsrooms' perception of threats coincides with Levitsky and Way's theory. Both governments prefer to utilize the forms of pressures that are not visible to the wider public or can seem like legitimate limitations for the sake of the public interest. The government of Hungary is constrained by its membership in the European Union and Western connections and has to rely on measures that don't visibly violate civil liberties. At the same time, the Russian government can afford using harder pressure on newsrooms if it believes that it is necessary to retain its power. Thus, most Hungarian newsrooms felt that the only way the

government can retaliate against their reliance on foreign revenues is an attack on their reputation. Since most of them were already receiving funds from donors, they believed that giving up on this kind of support would not change the situation. In Russia, newsrooms perceived an increased threat of a law that would impose penalties on them for relying on foreign grants. The law would require them to deploy extra resources on reporting to authorities and attach a label to all of their communications which signals to the readers that the content was produced by a “foreign agent”, while these would require extra financial resources and alienate some readers, the greatest threat that newsrooms mentioned was the loss of advertisers, as companies would not want to have their brand associated with a foreign agent. These aspects add to the literature on media capture, showing that attacks on a newsroom’s reputation (we can also call them smear campaigns) can turn into effective forms of media capture, by affecting newsroom’s revenue sources.

Bourdieu’s theory helps explain the newsrooms’ decisions under the conditions of pressure. The key is the legitimacy of newsrooms. This refers to, among others, the know-how, connections, and brand that the newsrooms have built up over the years. Many independent outlets in these countries managed to become household names, with a strong following, good contacts to journalistic sources and a strong relationship with advertisers. Newsrooms with a strong legitimacy were able to afford employing a larger staff and conducting costly investigations. But in most cases, this legitimacy was built up in a time when news media was still financially viable and governmental pressures were less common. This observation is in line with the arguments made by Carlson (2016) and Tong (2018), who highlight that the legitimacy of a newsroom is dependent not only on the quality of journalism but is shaped by politics and the economy.

In Russia, therefore, newsrooms with legitimacy were wary that they would lose their reputation, risk funding as an effect of being branded foreign agent and might even be forced

to close. Even if they started under a different brand, they would not be able to work under the same conditions as they were used to before. Building their current legitimacy took decades, rebuilding it under the current market conditions was seen as impossible. Thus, mainly newsrooms that were relatively new or not dependent on the market were willing to take the risks associated with foreign grants. Being an outlet that doesn't rely on advertisement and is mainly read by committed readers who are looking for specific contents, especially investigations, makes it possible for them. At the same time, in Hungary, most newsrooms believed that their past relationship with donors was already enough grounds to attack their reputation. If that relationship costs them readers, they need to learn to live with it. But they believed that they will not lose further readers simply by continuing to rely on grants. There were at the same time some small and recently launched newsrooms in Hungary that still believed that it was possible for them to build up legitimacy and to increase their readership under the Hungarian political and market conditions—thus they saw the possibility of being seen as recipients of foreign grants as an impediment to this effort.

The research adds to the literature on grants-supported journalism, by covering an area that was so far absent from other research: it shows how foreign grants to media hold up under pressure from governments. The findings show that in both countries there were newsrooms that had strategies that enable them to accept foreign funding, and thus foreign donors can still find outlets that they can cooperate with. Especially investigative news outlets can benefit from this kind of support, as their content is far more expensive to produce than that of other newsrooms. While their audiences are smaller than those of general interest outlets, many of their investigations get picked up by outlets with a wider reach, thereby making sure that relevant information gets to the audiences.

At the same time, it has to be noted that although the findings explain the motivations behind newsroom actions, but the value of legitimacy, in this context, is just a perception of

the interviewees. While journalists know what kind of content attracts the most views, they don't necessarily know how the audiences perceive them, or what motivates them to click or buy a paper (Fink, 2019).

This is in line with the literature that suggests that legitimacy is more important for journalists than audiences (Altay, Hacquin and Mercier, 2020; Toff et al., 2021). There are indications that trustworthiness and a good reputation are still important drivers for newsrooms' editorial activities. In the context of amplifying disinformation, Altay, Hacquin and Mercier (2020) found that many newsrooms are wary of publishing content whose sources they cannot verify. However, audiences may not necessarily look for the same traits in a newsroom as what the journalists prioritize—as seen in the growing influence of *Fox News* in the United States (Bartlett, 2015) and the trust in partisan media in other countries (Strömbäck et al., 2020). It was also highlighted in research by the Oxford Internet Institute and the Reuters Institute (Toff et al., 2021) that the content that enjoys the most audience trust is often not the journalism that underwent the most rigorous quality checks. Broersma (2018) argues that even high levels of critical thinking and media literacy may not necessarily lead to more trust in quality media, as an environment of skepticism makes it hard for audiences to trust anyone.

While the literature on grants mentions that donors' interests might be an additional source of capture, the interviewees that relied on grants (as covered in chapter 6) didn't feel that they had to make unnecessary compromises to be available for support. They highlighted that grants were intended to support a form of journalism that was aligned with the values of Western journalism or to create content that fosters the rule of law or an open society—all of which the newsrooms found to be in line with their mission. The reason why in the Hungarian and Russian contexts newsrooms don't perceive pressure from donors can be traced back to two possible factors. On the one hand, journalists might be more willing to turn a blind eye to compromises when they allow them to act independently from the government. On the other

hand, the donors that are actively supporting newsrooms in the Hungarian and Russian context are mainly interested in the rule of law and media pluralism, thus they are more likely to give their grantees a free hand. This mentality of donors in turn can have two explanations: First, in an authoritarian context, when independent news media are under attack by their governments and political interest groups, non-interference in grantee's affairs is seen as crucial by donors. Secondly, Russian and Hungarian audiences don't have the financial characteristics that would make them interesting for cause-driven donors like the Bill and Melinda Gates Foundation or the Walton Family Foundation that are seen as influencing the reporting of newsrooms towards the furthering of some specific policy goals—chiefly in relation to international development, health and education (Schiffrin, 2017; Gabor, 2021). This latter aspect was reiterated by a representative of a donor organization that provides grants to newsrooms in order to cover public health and development policy. When I approached her at an international event and told her what my project is about, she pointed out that the two countries are not of interest for her organization: their grants aim to motivate charitable giving in affluent populations and educate people in poor countries, the audiences of Russia and Hungary do not fall in any of these two categories.

The sustainability of grant funding was another issue that came up in the literature, even mentioning that newsrooms are sometimes forced to close when funding ends. The newsrooms covered in the interviews acknowledged that the sustainability of their grant-based funding depends on donors' interests and many of them expressed their intent to increase their reliance on other sources of income in the future. Still, in most cases grants were seen as a relevant source of income for the near future. The findings show that donors were willing to adapt to the requirements on the ground. Interviewees explained that some donors expressed their intent to provide only temporary support, but being aware that alternative sources are scarce, they were willing to extend their pledges. Being able to rely on donors in the long-run is especially

important in Russia, in Hungary newsrooms were more confident that new sources of income will be readily available with time.

### **Limitations and Directions for Future Research**

Throughout my research my aim was to reduce indeterminacy by limiting the number of possible causes through a robust theory, and by turning them into scope conditions (Rohlfing, 2012:8). This meant that instead of using the exact size of employees, I put newsrooms in three categories (small, medium and large), and the focus of news media fell into three easily differentiable categories (general interest, investigative and specialized), and instead of listing the exact founding year of a newsroom, I categorized them as being launched prior to the year 2000, when still the old media logics dominated, in the 2000s when the focus started shifting online, and after the introduction of foreign agent laws (2014 and 2016 respectively). Overall, my reliance on interviews—that can only cover a part of the two media systems—and the many factors contributing to the outcome, limits the generalizability of the findings to other country settings. The method of analysis (grounded theory) is suitable to generate only “middle-range theories” (Kuckartz, 2012:12). However, if we treat our cases as “members of a class or type of phenomenon” (George and Bennett, 2005:113), with the help of the literature and past research, we can delineate a group of countries, where, under certain conditions, similar outcomes could be expected—especially other third-wave democracies where free media landscapes developed relatively late, and state interferences are still observable.

Among other factors, the demands of consumers, the content of news outlets (focusing on self-censorship and/or a switch to popular or “click-bait” content) or the news literacy of audiences can explain additional aspects of the issue and will be valuable to consider in further

research. At this point, I will highlight three areas that I consider key issues based on the research I conducted: a.) the limits of interviews, b.) the relation of foreign grants and media pluralism in the countries investigated, as well as the changes that c.) internationalized and d.) hybridized media systems.

### ***a.) The Limits of Interviews***

The gist of the findings comes from interviews, which reflect interviewees' informed but subjective views. The interviews give us a good approximation of how interviewees perceive situation under pressure, and thus their willingness to use grants. Still, in case interviews are conducted, there are always issues that interviewees don't want to disclose.

Journalists in these two countries have experience both as interviewers and interviewees (due to the increased interest in the challenges to media freedom in these countries), and thus they know how they can effectively withhold some pieces of information—be it for security reasons, or just to not give away information that would compromise their business model; in some cases interviewees even mentioned that they are unable to talk about some specific information, mainly financial, as their work contracts don't allow them to do so. Not being a trusted, long-term contact, but just a doctoral researcher who contacted them might have added to interviewee's restraint.

Thus, especially the extent of foreign participation cannot be determined based on my findings, and there might be strategies to accept foreign grants that were not revealed to me. Neither do we know whether and to what extent private foreign people can be found under small donors who contribute to the fundraising campaigns of newsrooms. This could still be a source of foreign funding, although different from those driven by organizations, as crowdfunding would mainly attract small contributions. An indication for this kind of foreign

support came from a Hungarian newsroom where the editor-in-chief mentioned that an employee of a multinational company has sent a donation from abroad—this donation was then matched by an equal amount donated by the company, according to the company’s internal policy on employee’s charitable giving.

### ***b.) Foreign Grants and Media Pluralism***

Grant support is a measure that aims at strengthening the financial fundament of newsrooms. It is thus the key measure when it comes to tackling the capture of the media. However, the financial standing of newsrooms is just one component of a pluralistic media landscape. The quality, diversity and availability of the content are also important.

The findings of the dissertation cannot fully grasp the quality of news created by grants support. While being able to act independently of a dominant political interest group is in and of itself a quality, I did not investigate, for example, how well-researched the published articles are—this would need content analysis that is out of the scope of this research. Still, in both countries, I spoke to many representatives of newsrooms that were highly regarded in the profession. The interviewees were recipients of numerous journalistic awards—these are still subjective but give a good approximation of the quality of the news available on them, at least in the given country context. At the same time, while many journalists in these countries emphasize the abidance to Western journalistic roles, Voltmer (2013) points out that in these kinds of regimes, it would be hard to evaluate the performance of the media based on Western standards. As “in the struggle against the regime, objectivity as a journalistic norm would make little sense” (Voltmer, 2013:221). Here, public diplomacy has to be mentioned, as another foreign measure to contribute to the points of view available in society—even if its objectivity is contested. It has been utilized in the Russian context, where many renowned Russian

journalists work for these outlets. Although directly associated with the interests of foreign governments, public diplomacy media outlets are seen as a source of quality journalism that is independent of the Russian government.

While grant recipients provide an alternative to the government-aligned news outlets, they may not be representative of society as a whole. There might still be groups in society whose points of view remain underrepresented. In a situation in which the market is unable to sustain even some of those outlets that respond to public demand, the funding priorities—that were seen as acceptable by most interviewees—might disregard some relevant groups in society. Recently Callison and Young (2020) and Usher (2021b) have pointed out that prominent Western newsrooms have been catering to the most affluent parts of society disregarding many segments of society, if Western newsrooms are the standard for both donors and the current grantees, foreign supported journalism might replicate the bias described by these authors.

Despite being made available, the points of view supported by foreign donors may not be accessed by most members of society. That is to a large part because the governments in question have control over the most popular media formats in the country—especially television and radio which are tightly controlled in both cases. Thus, although grants help some important media stay alive and conduct research on issues of public interest, it cannot make sure that the content indeed reaches a wide range of possible readers—besides those core audiences that deliberately search for information that differs from the government’s official narrative. Moreover, as already highlighted in the discussion of chapter 8, audience behavior is still not sufficiently understood by newsrooms or researchers (Nelson, 2021), thus remaining an elusive component of newsrooms’ strategies.

### ***c.) News Production is Turning International***

The dissertation has focused on traditional forms of journalism, still we shouldn't forget about the fact that the increase in internet penetration has radically transformed media systems. On the one hand, media systems in the 21<sup>st</sup> century have a strong international component, on the other hand, new media genres came to existence with the hybridization of the media system.

When looking at the implications of Hallin and Mancini's (2004) theory of media systems outside the Western nation state context, Marwan M. Kraidy (2012) pointed at the emergence of "transnational media systems". His example was the changing Arab media landscape due to "the rise of multiplatform conglomerates" (2012:190) such as *Al Jazeera* and *al-Arabiya*, which are catering at audiences and advertisers in 22 Arabic speaking countries. While satellite television has already enabled audiences to access content produced in other national contexts, the internet has accelerated the spread of content beyond borders. The Russian and the Hungarian language are spoken not only in the two countries I investigated. Hungarian language news outlets (even public service media) are run by the ethnic Hungarian communities of Slovakia and Romania, while Russian language outlets exist all over the former Soviet Union and in Russian diaspora communities in the West. These outlets are readily accessible in both countries, alongside the online editions of renowned international news outlets. Even if their target audience is not in Russia or Hungary, their contents are often of relevance to the audiences in these countries—in cases even investigations into Russian and Hungarian issues occur on international media—and are thus influencing the public discourse. In the European context, for example, Pfetsch (2008) pointed towards an increased transnationalization of the press in the EU—many aspects of Hungarian politics thus become important topics for the readers in other member states. In the dissertation I have dealt with Russian outlets that exited the Russian jurisdiction and public diplomacy outlets whose staff

may be located abroad—both of these outlets also rely on the increased internationalization of media systems. An increasingly popular form of transnational journalism is the cross-border cooperation of journalists as part of international journalist networks (Heft, Alfter and Pfetsch, 2019). In the Russian context, one of the newsroom representatives has mentioned transnational cooperation as a way of getting funding even if grants are seen as too risky: as the same story can be interesting for newsrooms and audiences in many countries, outlets that operate in a safer environment apply for the grants, but the benefits of the story (and maybe even the financial support) can be shared across the countries.

#### ***d.) New Actors Are Emerging***

As public spheres get increasingly disrupted (Bennett and Pfetsch, 2018), hybridity is widely observable in both country contexts. In his influential book *The Hybrid Media System*, Andrew Chadwick argues that in the 21<sup>st</sup> century, media systems are characterized by “flux, in-betweenness, the interstitial and the liminal” (Chadwick, 2017:15). It is not just traditional news media that create news today, a wide range of actors, from activists through politicians to basically anyone with access to internet can utilize online platforms to publish a blog post, upload a video or write a tweet. These contents can be picked up by traditional news outlets or spread in social media, move from one platform or media to the other, having an influence on the public discourse in ways that were unprecedented in previous decades. As Chadwick writes: “today we can conceive of politics and society as being shaped by more complex interactions between competing and overlapping media logics, some of which may have little or no basis in, or are antagonistic toward, commercialism” (Chadwick, 2017:25).

To show how much this phenomenon has impacted news consumption, Andrew Chadwick mentions *The Daily Show*, a popular US comedy talk show that brings the

hybridization and integration of “hard” news and “entertainment” to the extremes, by “combining humor with serious discussion of politics, media bias, and political hypocrisy, all through a highly entertaining satirical lens” (Chadwick, 2017:15). This logic is followed by many activists in our countries of interest. In *Losing Pravda* (2017:199), Natalia Roudakova writes that, these days, most of the country’s investigative reporting comes from non-journalists like Alexei Navalny’s Anti-Corruption Foundation. Although Navalny himself is first and foremost a politician—he ran for mayor of Moscow and tried to register as a presidential candidate—, his YouTube channel has been for many years among the main sources of news that are critical of the political elite and independent of governmental control. While in the videos Navalny and his co-anchors make comments about Russian politics in an entertaining way that resembles the tone of *The Daily Show*, the videos have shed light on a number of cases of corruption, for example about the hidden wealth of former prime minister (and former president) Dmitry Medvedev, as well as illegal dealings of Chechen leader, Ramzan Kadyrov or Yevgeny Prigozhin, also known as “Putin’s cook” who is suspected of being the person behind Saint Petersburg’s troll farms and the Wagner Group paramilitary organization. In Hungary, the activist Márton Gulyás runs a popular video channel on Youtube which provides analysis of political phenomena, acts as a platform for discussions between different opposition actors, but also conducts occasional investigations. While Navalny and Gulyás are the most prominent examples of non-traditional sources of media, a number of additional bloggers, vloggers, influencers and other forms of content creators complement and even shape the information provided by independent news media.

## **Towards a Conclusion**

While this dissertation has shown that foreign support to newsrooms can take place even under the forms of pressure that characterize the media systems of Russia and Hungary, the last pages have highlighted some limits of foreign grants and issues that require further research in order to fully understand what foreign support means for the media systems in these countries. I highlighted that interview-based research gives a good approximation of the situation in these countries and is one of the few methods that can be utilized in a context where newsrooms are under constant pressure and quantitative data is not available.

Foreign grants are aimed at strengthening the financial position of newsrooms, which is an important precondition for them to be able to produce quality journalistic content. Even if the media systems have changed significantly in the past decades and the kinds of outlets investigated in this research are just one of the sources of information, they still provide the backbone of the public sphere. The dissertation thus contributes to our understanding how foreign funding empowers the public and enables informed citizenry.

In an increasingly international environment, audiences in authoritarian systems have access to the media outlets of countries where newsrooms enjoy more freedom to do their work. At the same time, the hybridization of media systems allowed a number of new players to contribute to the public discourse and create the kinds of contents that were traditionally the mandates of independent news media. To what extent the available content in fact reaches the intended audiences and contributes to their understanding of public life is, however, out of the scope of this research.

## Chapter 10: Conclusion

In this dissertation, my aim was to understand and describe a special dynamic that shapes the media landscapes of two countries with a comparable history of media development, similar authoritarian tendencies but different conditions: the dynamic between state pressure and foreign support in Russia and Hungary. In the first two decades of the 21<sup>st</sup> century, the structural conditions in which the media of these two countries operated were shaped by the drastic changes in the financing of the media and the pressures by authoritarian governments. In the current constellation, the governments prioritize forms of pressure that don't constitute obvious human rights violations. The assessment of the situation in the countries shows that their weapon of choice is orchestrating media capture: with a set of covert measures, they create a system of dependencies that prevents media outlets to live up to their watchdog role. These measures are often connected to the weaknesses of media financing: they include, among others, ownership changes, market manipulations or the selective distribution of subsidies and state advertising. Foreign support aims to alleviate some of the financial problems of newsrooms, thereby making them more resilient in the face of both market pressures and media capture.

Media capture affects the working conditions of almost every independent journalist and newsroom in these countries, either because the newsroom is in one way or another controlled by an interest group, or because it has to operate in an environment where the government deprives critical newsrooms from revenue sources. I showed that both countries experienced politically motivated takeovers of newsrooms that were disguised as purely financial decisions of the owners. Advertising became less accessible, as many commercial advertisers refrained from placing ads in outlets critical of the government. At the same time, both governments provided assistance for private media that had a hard time accessing funds

on the market, in Russia it was mainly direct subsidies (state information contracts) while in Hungary it was state advertising. The recipients were overwhelmingly outlets loyal to the government.

In this vulnerable environment, self-censorship became a widespread phenomenon. At the same time, the media market started shrinking. Legacy outlets fell prey to the combination of economic and political pressures. While the closing legacy media were replaced by new outlets, these were much smaller media without a strong brand and with no access to traditional sources of revenue. This is the situation that necessitates the increased role of foreign donors.

Foreign participation in the media systems of the two countries is not new. Media pluralism and especially the diversity of viewpoints was secured in these countries with the help of foreign owners and public diplomacy that sheltered these newsrooms from an interference from political interest groups. In an environment of increasing media capture, and the disappearance of foreign owners, foreign grants became a relevant source of revenue in both countries. While news outlets in both countries were experimenting with new forms of audience-generated revenues—subscriptions, donations and membership—, these new income forms came with caveats. While the money they can generate is not perceived as enough to sustain quality journalism, native advertising risks decreasing newsroom independence from economic interests, while paywalls and subscriptions limit the reach of outlets and might nudge audiences towards free but captured content. Chapter 7 made it clear that there is a need for non-market revenues and subsidies. As state funding is either perceived as non-accessible or as a “toxic” trap (a source of capture), the only alternative was relying on foreign donors. In Russia, grants are used by a small number of relatively small, specialized outlets that provide investigations or focus on human-rights-related issues. In Hungary, their use is somewhat broader: in the case of smaller newsrooms, grants can account for a relatively large proportion

of the media's operating expenses, while larger outlets use them to produce some specialized content that would not be supported by the market.

While the literature raises concerns about donors' interference in the autonomy of news producers, interviewees in both countries have said that they don't feel like their reporting would be compromised. Still, when it comes to the sustainability of this form of revenue, the interviewees had concerns. In Russia, where the government is seen as unpredictable and might outlaw donors, many of those outlets that had success with other revenues—being donations, conferences or some form of advertisement—said that they would like to look for an alternative to grants. Others argued that donor money has to be part of a larger mix, or at least the composition of donors has to be as diverse as possible in order to limit the unpredictability of funding. Still, some investigative or human-rights-focused publications did not see a viable alternative to grants. In Hungary, newsrooms mentioned that donors were relatively flexible, and even if they emphasized that their support was only temporary, they were willing to extend their pledges. Still, donors were advocating for the diversification of revenues. Many grantees complied, and successfully utilized crowdfunding for donations. Most of those who failed to do so, ceased to exist.

### **Assessing the Pressures on Donors and Grant Recipients**

Donors and grant recipients were targeted by repressive laws, political pressures and attacks on newsrooms' reputation. After conducting the interviews with newsroom representatives in both countries, my observations on the cross-case level have shown that that governmental pressure had an effect on the media of both countries, but as a response the outlets of the two countries decided to utilize funding in different ways: while in the Russian context representatives of many of the older media outlets have proven to be reluctant to apply

for or accept support from abroad, the newer outlets saw foreign support as a possible, or sometimes the only viable, option. In the Hungarian case, however, it was the very new outlets that resisted the idea of grants. Given the common-sense expectation that higher intensity of pressure would affect especially the new entrants, or would frighten new entrants away, this outcome was puzzling at the beginning. When looking at the interviewees' explanations for their rationales to accept grants, a clear patterns started emerging: the most important determinants turned out to be the size and specialization (whether it was a small specialized outlet or a larger one focusing on a particular topic) and the tenure of the newsroom (whether it was a print publication founded in the 90s or even earlier, an online-born outlet of the 2000s or a very new publication launched after the respective governments have announced their measures against "foreign agents").

In Hungary, a wide range of newsrooms rely on foreign grants—even if they have access to other revenues, they see grants as a way to complement them, and often use them to finance the kind of content that would not be easily monetizable. Only a small number of very recently launched outlets tried to distance themselves from donors, out of fear that being labeled a foreign-funded newsroom at an early stage of their operation would prevent them from growing further. In Russia, on the other hand, only a smaller set of outlets are willing to rely on grants—mainly the ones that feel like they have nothing to lose. Especially the newsrooms that have still access to the market fear that grant support would have an impact on their relationship with advertisers.

I explained this difference relying on Levitsky and Way's (2010a) description of the structural conditions in which authoritarian governments operate and Bourdieu's (2005) field theory that helps explain decisions made on the newsroom level. The findings show that the newsrooms' perception of threats coincides with Levitsky and Way's theory. While the government of Hungary is constrained by its membership in the European Union and Western

connections and has to rely on measures that don't visibly violate civil liberties, the Russian government can afford using harder pressure on newsrooms if it believes that it is necessary to retain its power. Thus, most Hungarian newsrooms felt that the only way the government can retaliate against their reliance on foreign revenues is an attack on their reputation. Since most of them were already receiving funds from donors, they believed that giving up on this kind of support would not change the situation. In Russia, newsrooms perceived an increased threat from a law that would impose penalties on them for relying on foreign grants. The greatest threat that newsrooms mentioned was the loss of advertisers, as companies would not want to have their brand associated with a foreign agent. These findings expand the theory of Levitsky and Way (2010a), by showing that linkage and leverage is an important factor in shaping media systems in authoritarian countries. At the same time, the dissertation also addresses an issue that was so far left unattended by this literature: while linkage and leverage are good indications of the trends visible on the country level, they don't account for the variations across affected democratic actors (in our case news outlets).

To mitigate the potential harms, Russian newsrooms used three different strategies: abstinence, compliance and exit. While abstinence meant that newsrooms avoided foreign grants completely, those who couldn't afford operating without foreign support had to resort to the second or third option. Compliance either meant that the newsroom made sure that it strictly follows the letter of the law or avoids risky topics. While both strategies promised to limit probes by authorities, the latter meant a degree of self-censorship that would not have been acceptable for most interviewees. Exiting outlets have left the Russian jurisdiction and registered their newsroom abroad. Those outlets that opted for this strategy hoped to operate without the pressures other Russia-based newsrooms experienced.

Bourdieu's field theory helps explain the newsrooms' decisions under the conditions of pressure. The key is the legitimacy of newsrooms (Champagne, 2005). This refers to, among

others, the know-how, connections, and brand that the newsrooms have built up over the years. Many independent outlets in these countries managed to become household names, with a strong following, good contacts to journalistic sources and a strong relationship with advertisers. Newsrooms with a strong legitimacy were able to afford employing a larger staff and conducting costly investigations. But in most cases, this legitimacy was built up in a time when news media was still financially viable and governmental pressures were less common. This perceived legitimacy explains why newsrooms acted the way they acted under given forms of pressure, even if the literature on legitimacy and trust highlights that journalists' understanding of these issues is often different from audiences' understanding of them (Fink, 2019; Toff et al., 2021).

In Russia, therefore, newsrooms with legitimacy were wary that they would lose their funding and even be forced to close. Even if they started under a different brand, they would not be able to work under the same conditions as they were used to before. Getting to their current legitimacy took decades, rebuilding it under the current market conditions was seen as impossible. Thus, mainly newsrooms that were relatively new or not dependent on the market were willing to take the risks associated with foreign grants. Being an outlet that doesn't rely on advertisement and is mainly read by committed readers who are looking for specific contents, especially investigations, makes it possible for them. At the same time, in Hungary, most newsrooms believed that their past relationship with donors was already enough grounds to attack their reputation. If that costs them readers, they have to live with it, but they will not lose further readers if they continue relying on grants. There were, however, some small newsrooms in Hungary that still believed that it was possible for them to build up legitimacy in the Hungarian political and market conditions, thus they saw the possibility of being seen as recipients of foreign grants as an impediment to this effort.

## **Generalization of the Findings**

The overall problem, the lack of sustainable finances is an issue that comes up in almost every country—no matter if East or West, North or South—as McChesney puts it: “Every nation faces the same existential dilemma: whether to allocate resources to journalism as commercial interests abandon the field. This is an issue that will only grow more severe until it is addressed. [...] The old system, whatever its merits, is dying” (2014:12). I have already shown in my selection of the countries that most post-socialist countries have similarities in their media landscapes, as their media transformation traces back to similar experiences; in a matter of decades they have evolved from state-controlled media organizations in the Soviet sphere of influence that were seen as a means of agitation, to relatively free outlets that are competing for audiences under the conditions of a free market economy, eyeballing global media trends and joining different Western-driven regional organizations. While the development processes have diverged in the past, and the given countries geopolitical position (be it the openness of their economy, their geographical closeness to Western countries or their ability to withstand pressures) has influenced their respective governments’ choices when it came to supporting or pressurizing independent institutions, the shared experiences provide ample basis for a comparison. In addition, under some circumstances the Russian experience might be applicable to similar positioned countries, such as Turkey, another noncompliant member of the Council of Europe with weakening connections to the West and an increase in pressures on civil society. There we can see, similar to Russia, a media system dominated by television, that is based on private ownership and market competition, however suffering from concentration, conglomeration, clientelism (see: Yesil, 2016: 3-9), and subjected to aggressive efforts of authoritarian control.

We can also find a broader applicability when it comes to third-wave democracies: Voltmer (2013:120-125), for example, has shown that countries that democratized in the late 20<sup>th</sup> century came overwhelmingly from two different forms of authoritarian systems: military dictatorships and communist one-party rules. The first form was visible, among others in Southern Europe and many countries of South and Southeast Asia and Africa, as well as Latin-America. These dictatorships didn't have a strong ideological narrative, they didn't justify their systems by more than the promise of keeping their societies away from chaos—thus, the state's legitimacy was built on its force. In these countries, societies were depoliticized, and the media owners, which were often private companies, have decided to stay away from criticizing the government, and instead put the emphasis on entertainment programs—this experience has influenced the shape of today's media markets: the media of these countries had already sufficient experience with capitalism to successfully navigate the market after the end of the authoritarian regimes, however, their past experiences haven't prepared them to act as checks on government; and thus the entertainment functions have dominated over those providing political information.

In communist one-party states, the public discourse was shaped by the central narrative of a communist ideology, and journalists were seen as “educators and mobilizers of the masses” who have spread the party's ideology, and in exchange the party has provided them with a safe income in the state-run enterprise of the media. As there were no privately owned media in communist times, many of the later media entrepreneurs were struggling during the countries' transition towards democracy (or their move away from the former one-party system). Journalism in these countries was dominated by opinion and commentary, with less interest in “factuality and ‘hard’ news” (Voltmer, 2013:125), which makes it easier for governments to neglect unfavorable reporting as being opinion rather than fact. To what extent this difference in their path to democracy influences the forms of repressions in countries with different

authoritarian experiences requires further research, however, past research on the media systems of Eastern and Central Europe have often relied on experiences from Southern Europe when explaining current media conditions, while reports highlight that the concentration of media organizations, the political influence over media content and the flight from advertisers from traditional media is a common problem in Latin America and Eastern Europe<sup>25</sup>—thereby allowing governments to rely on the same methods of pressure: marginalizing independent voices, and filling widely watched outlets with entertainment and partisan news. In addition, in both regions, small, independent news outlets are struggling economically. Thus, reports about media support highlight the importance of international donors in supporting these media financially (Márquez-Ramírez and Guerrero 2017, Schiffrin 2017).

### **The Support of Independent Media Is and Will Remain Possible**

With this dissertation, I hope to have contributed to the discussion on the challenges that affect independent media—and especially their financial standing—and provided guidance to assess some of the solutions that are on the table now. The dissertation shows on the one hand that Western participation has been an essential component of media pluralism in these countries both in the years of democratization and during the authoritarian turn—even if their forms have changed. On the other hand, it highlights that states and organizations that are interested in upholding democratic values worldwide can provide help even in countries where news outlets are under increased pressure.

While the governments of both Russia and Hungary are hostile towards independent news outlets and the foreign (or local) actors who aim to come at their rescue, they cannot

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<sup>25</sup> For ownership issues see the Media Ownership Monitor reports of Reporters Without Borders, and Podesta (2016) for Latin America.

afford to completely eliminate the independent press. The intensity of the pressures they apply and the methods with which they try to silence the media may change over time, and also in Russia and Hungary significant changes were observable in the three years that followed my interviewing process (see epilogue), the theoretical framework of the dissertation describes some of the factors that can determine the options that providers of support measures have in hostile environments.

While my dissertation emphasizes financial support to the media—that are provided by a range of specialized entities—, in order to be able to conduct quality reporting that reaches the audiences, there is also a need for increased societal awareness of the importance of free and independent media for democracy. With the increased spread of disinformation and the politically motivated weaponization of the term “fake news”, trust in the media is decreasing both in the East and the West. As I have shown in chapter 8, attacks on reputation are another form of capture: if audiences don’t trust the media, they will not pay to access the news, and they won’t care if governments increase their pressure on journalists and newsrooms. Therefore, further steps are needed to raise awareness of the problems and put the support of media pluralism on the agenda.

As I am completing this dissertation, two important developments underscore that media freedom might gain international prominence in the coming years. In her 2021 State of the Union speech European Commission President Ursula von der Leyen announced that in the following year the Commission will present a Media Freedom Act that aims to strengthen independent media in the EU (European Commission, 2021). Only a few weeks later, the Norwegian Nobel Committee decided to award the Nobel Peace Prize for 2021 to two prominent journalists working in hostile environments: Maria Ressa, editor-in-chief of the Philippine online news outlet *Rappler* and Dmitry Muratov, editor-in-chief of the Russian daily *Novaya Gazeta* (Nobel Prize, 2021).

## **Epilogue – What Happened After the Data Collection?**

The last interview of the dissertation was conducted in early 2019. Since then, major political developments of both countries were widely covered in the international press: in Russia, the most prominent challenger of President Vladimir Putin was poisoned and later imprisoned, sparking country-wide protests and aggressive crackdowns by authorities. The Hungarian government has used the COVID-19 emergency to give unlimited decree power to Prime Minister Viktor Orbán. To describe the developments that further aggravated the situation of independent media, I will briefly describe the situation in both countries, starting with the key rule of law challenges, then highlighting the developments related to independent media and describing what they meant in relation to the findings of my research.

The political developments of the years 2019-2021 have shown that many of the insights of the dissertation held true, and both the fears of Russian journalists and the hopes of their Hungarian counterparts were substantiated. In Russia, the government has increased its pressure on independent newsrooms—this included among others, directly targeting recipients of foreign support. In Hungary, on the other hand, the measures of the government have shown that there is a limit to the actions of the government. This doesn't necessarily mean that the situation of journalists cannot deteriorate, but the process takes more time, due to external constraints.

## The Situation in Russia 2019-2021

The past years came with a visible deterioration of the political situation. I have already pointed out in chapter 2 of this dissertation that Russia became a full (electoral) authoritarian system in the 2010s. One of the signs that elections were not more than a façade was that the country's probably most well-known dissident, the anti-corruption activist Alexei Navalny was disqualified from running in the 2018 election. The following years were featured by a number of undisguised human rights violations—some of which have affected media freedom and media pluralism as well.

In 2021, Navalny was sentenced to more than two years in a penal colony. The sentence was imposed due to allegedly violating the conditions of his parole when leaving the country for a life-saving treatment. As it was widely reported, in August, Navalny was poisoned with the novichok nerve agent. To save his life, he was flown to Germany for treatment, from where he only returned months later. Navalny's immediate arrest upon returning to Moscow, and the case against him was met with widespread protests all over the country. The peaceful demonstrations, in turn, were met with police violence and mass detentions (BBC, 2021). According to the independent human rights media project *OVD-Info*, more than 11,000 people were detained (Change.org, 2021). Journalists were not spared by the retaliations, many of those reporting about protests were detained by the police. Fyodor Khudokormov of *Current Time TV* (a spin-off of Radio Free Europe) was hit twice on the head with a baton, immediately after showing his press card to the police. Sergei Smirnov, editor-in-chief of *Mediazona* (an outlet founded by members of *Pussy Riot* to cover the prison system and human rights violations in Russia) was sentenced to 25 days in jail for retweeting a joke—the court argued that the tweet incited participation in protests.

In light of these developments, the leeway of news sources independent of the Kremlin has further decreased. The financial daily *Vedomosti* (previously co-owned and thus sheltered by *The Wall Street Journal*, *Financial Times* and *Sanoma*) has bent to pressure, as the state-owned oil-giant Rosneft used its leverage (due to *Vedomosti*'s debt owed to Rosneft's bank) to censor articles (Moscow Times, 2020) in the paper. There are signs that the impact of independent news is limited. This is not just true about the traditional outlets but also about the popular Youtube videos of Navalny that play an important role in the hybridized Russian media sphere. One of Navalny's most influential videos "*Putin's palace. History of world's largest bribe*" was published at the time of his return to Russia, it provides insight into the extraordinary fortune the Russian president allegedly accumulated with bribes from his network of "cronies". It was seen by more than 110 million people in less than a month. Nevertheless, a survey carried out by the independent pollster Levada Center (2021) found that the "*Putin's Palace*" video had only limited impact on public opinion in Russia. 26 percent of the respondents said that they have seen the video, but only 17 percent of them were sure that what they saw was actually true. In June 2021, Navalny's anti-corruption foundation was classified as an "extremist"—and thus illegal—organization, and many of its leading members left the country (Roth, 2021).

The measures against foreign funding have intensified. The list of undesirable organizations, whose support was not available anymore to Russian civil society and news media, was expanded by some EU-based organizations, although not by ones that were specifically interested in supporting media (Ministry of Justice of the Russian Federation, 2021).<sup>26</sup> The developments related to foreign agents were more obtrusive. While in 2017-2018

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<sup>26</sup> The law originally targeted foreign donors and most of the organizations listed as "undesirable" are international NGOs that provided support to Russian civil society and media. In 2021 the investigative news outlet *Proekt*—which is registered in the United States—was added to the list, thereby obscuring the intention of the law.

the foreign agent law didn't specifically target Russian media outlets, many interviewees were already cautious, knowing that at some point in the future the law could be applied to them as well. This hypothesis became a reality in 2021: between April and September ten news outlets and 20 individual journalists were declared foreign agents (Yaffa, 2021), among them the investigative websites *iStories* and *The Insider* and the popular online news television *Dozhd*. Two of the foreign agents, the *VTimes*—a news startup founded by former *Vedomosti* employees, after pressures started increasing in their old newsroom—and *Open Media* shut down right away. One of the most prominent new foreign agents the Riga-based Russian newsroom *Meduza.io* has published a statement in which they mentioned that the newsroom was added to the Russian Justice Ministry's list of "foreign agent" media outlets, and is required to notify its readers about its foreign agent status in all its communications. "If we refuse to label our materials like this (exactly as specified), the authorities can impose fines on Meduza, press felony charges against Meduza's editor-in-chief, and even block our content in Russia" (Meduza, 2021a). One of their journalists has explained in a short interview that in the immediate aftermath of being labeled a foreign agent the newsroom became "toxic" to some of its advertisers, thus, salaries were cut significantly (N-Ost, 2021)—this shows that the fears of established Russian newsrooms were not unfounded. *Meduza* is a news outlet that exited Russia (according to the categories established in Chapter 8)—this means that the outlet was registered in an EU member state, where its office and most of its employees were based. However, *Meduza's* exit was not complete: since the newsroom was made up of more than fifty employees, it opted to finance itself from advertising. As the outlet's content catered to Russia-based audiences, the advertisers were based in Russia, and thus subject to possible pressure by the government. It also has to be mentioned that *Meduza's* labeling as a foreign agent was not related to the newsroom's use of foreign grants—as far as we know, *Meduza*

might not have received any foreign support. The outlet has received the following justification from the Ministry of Justice:

Based on documents received from authorized state agencies of the Russian Federation verifying that it has the features matching a foreign mass media outlet performing the functions of a foreign agent, as established by Russian Mass Media Law Number 2124-1, the legal entity registered in the Latvian Republic SIA ‘Medusa Project’ (registration number 40103797863, registered on June 10, 2014) was added to the [‘foreign agents’] registry on April 23, 2021. (Meduza, 2021b)

An earlier development has also shown that exit cannot protect newsrooms from hard pressure: in 2019, one of *Meduza*’s Russia based employees, the investigative journalist Ivan Golunov was arrested based on made-up drug charges (Lombardo, 2019).

*Meduza* reacted to the new development with downsizing and cost-cutting (among others vacating its offices), and increased reliance on reader support—both foreign and Russian. In May, the outlet announced that it received support from 80,000 readers (Meduza, 2021c). How the extended use of the foreign agent label has affected the overall trend related to foreign grants and foreign support to newsrooms is, at the time of writing this, too early to say. Roman Anin, the editor-in-chief of *iStories* expressed confidence in the loyalty of audiences: “[Our] readership is smarter than the Kremlin thinks [...] All the respectable media outlets, all the respectable [people] around have become ‘foreign agents.’ It’s clear that the people who read us understand that this can’t be the case. And people really have nowhere else to read important stories, so we will try to satisfy this demand” (Meduza, 2021d). In the context of the COVID-19 pandemic, I was unable to travel to Russia, and regarding the safety of my interviewees, I didn’t see it as a good idea to follow-up with interviewees on online messaging

apps. Nevertheless, many newsrooms that had no or just a limited amount of market revenues—and especially advertising—have already indicated in the period of interviews that they are willing to take the risks associated with foreign agent labels.

### **The Situation in Hungary 2019-2021**

In the Hungarian context, commentators have pointed towards disturbing developments in relation to the rule of law, but there has been no indication of a change in the nature or degree of the pressures on journalists—especially in relation to recipients of foreign support. Moreover, there were visible signs of an increase in interest from foreign donors that can be attributed to the cumulative effect of the government’s measures since 2010.

The COVID-19 pandemic led to the passing of a new emergency statute, which was widely criticized by international observers for giving unlimited decree power to Viktor Orbán (Halmai and Scheppele, 2020). Political scientist András Bozóki (2020) even voiced concerns that the country had crossed the Rubicon and turned into a full autocracy, at least as long as the emergency statute was in place. This statute had an important implication for the media as well. It expanded the definition of the crime of “scaremongering” by stating that any person who “disseminates any untrue fact or any misrepresented true fact that is capable of hindering or preventing the efficiency of protection [against the pandemic]” can be punished with a prison sentence of one to five years (MFA.gov, 2020). As neither “misrepresented true fact” nor “the efficiency of protection” was defined, many commentators feared that the measure could target journalists who do their job, and will therefore trigger self-censorship in newsrooms (see among others: Máriás 2020; Polyák 2020; TASZ 2020). In fact, threatening journalists with prison terms for publishing “true fact” is a clear violation of civil liberties.

Despite the fears voiced by commentators and some journalist, in the end, the developments of the COVID-19 pandemic have shown the limits of government pressure and the resilience of newsrooms (Bleyer-Simon, 2021). In the three months in which it was in effect, the law wasn't used against professional journalists. While some editors said they became more cautious when presenting findings of their research, most journalists reported disregarding the law and following exactly the same journalistic norms that they had followed already prior to the passing of the emergency statute. This reaction was explained with an increased confidence in newsrooms' ability to estimate the leeway of the government. Journalists were reassured by the government's track record, as many of the legal threats of the past didn't materialize—in part due to international pressure. Despite seeing deteriorations in the judicial system, newsrooms have also mentioned that some courts still take their side. To back this up, Bleyer-Simon (2021) highlights the first-hand experience of an interviewee who successfully challenged the Hungarian Criminal Code's principle of "objective responsibility"—according to which newsrooms could be held responsible for the truthfulness of quoted content (Bátorfy et al., 2020: 9–10). The newsroom lost both the first and the second instance after being fined for quoting a statement made by a politician at a public event, but didn't give up. "We went as high as the Constitutional Court, and we won. The Constitutional Court announced that media [cannot be held] responsible if they truthfully report about a press event [...]. Therefore, you don't have to get scared, but you might need to go until you reach the last instance" (quoted in Bleyer-Simon, 2021:170).

At the same time, the takeover of the newsroom of *Index.hu* shows that media capture is still the measure of choice for the Hungarian government. *Index.hu* was one of the leading online newsrooms of the country, which was believed to be read not just by supporters of the opposition, but also by Orbán voters. The newsroom had already been in a vulnerable situation in the 2010s. Zoltán Spéder, who owned the outlet since 2006, had strong connections to Viktor

Orbán's Fidesz party, but despite some occasional interferences after 2010, the newsroom's critical stance was tolerated by the owner. Following changes in ownership, investors with connections to the governing party retained control over the sales operations—and thus the financing—of the outlet. In 2020, the editor-in-chief made repeated statements about increasing political pressure, as a consequence, the outlet's managing board dismissed him from his position. The newsroom saw this as political interference, which led to the resignation of almost the whole staff. However, even some journalists critical of the government disputed the claim that this was a government-induced takeover, remarking that the newsroom threw in the towel without obvious signs of pressure. While it is indeed hard to prove the direct involvement—or even intent—of the government in what unfolded after the capture, the new composition of journalists and the changing editorial line of the newsroom shows that *Index.hu* is a successful example of governmental take-over (Bleyer-Simon, 2021).

While Hungary lost one of its most influential independent outlets, the continuation of the story shows that one of the fears voiced in the interviews of this dissertation turned out to be partly unfounded. Interviewees believed that the legitimacy of a newsroom cannot be replicated after a takeover: *Index.hu* has existed since the early 2000s and over the years has managed to build up a strong brand, large readership, good connections with sources and a strong relationship with advertisers; according to the logic of the interviewees, a new brand in an increasingly politicized environment and in a weak media market would not have stood a chance at reaching nearly as many readers and continuing to employ a similar amount of journalists. The newly unemployed journalists, however, managed to take advantage of the increased attention. Their crowdfunding campaign brought approximately 40,000 paying supporters, which allowed the team to start a new outlet called *Telex.hu* and provide employment for most of the former staff members. The development has also raised hope for reader-driven online journalism (Simon, 2021).

The European institutional context has further provided some reassurance for the independent news media in Hungary. After the European Court of Justice (ECJ) found the Transparency Law on foreign-funded NGOs discriminatory, Deputy Prime Minister Zsolt Semjén submitted a repeal bill in April 2021 (Deutsche Welle, 2021). This made clear that developments like those in Russia, where the foreign agent law was extended to news media, are for the time being unlikely in Hungary. Moreover, in December 2020, the European Commission presented the European Democracy Action Plan as well as the Media and Audiovisual Action Plan. This development has signaled that the protection and fostering of media pluralism has become a new priority in EU policymaking. The Commission emphasized the need to secure the transparency of state advertising and help news media apply for financial support—two issues that are relevant for the financial wellbeing of independent newsrooms in Hungary. Furthermore, in her 2021 State of the Union Speech, Ursula von der Leyen, the President of the European Commission announced that the so-called Media Freedom Act will be a key priority for the EU. The proposals are seen as signals that “[t]he European Commission clearly intends to centralise and standardise media governance” (Tambini, 2021b). The increased international attention to the challenges of Hungary’s independent media has led both the United States’ and Germany’s public diplomacy organizations to establish a foothold in Hungary. *Radio Free Europe* has launched its Hungarian edition in 2020, while *Deutsche Welle* started producing Hungarian language content, which it publishes via local news outlets. In the past, public diplomacy as a form of foreign support to media pluralism was not prevalent in Hungary. The findings of Chapter 8 indicated that public diplomacy measures that foster the creation of journalism were more likely to be deployed in a country context with low linkage and low leverage. These measures are more visible and, in a way, more intrusive than grants, as they send a clear signal that media pluralism must be upheld by foreign governments. A country like Russia that is strong and influential enough to use public diplomacy abroad will

have to tolerate these kinds of measures as a sign of reciprocity. This way public diplomacy becomes a complement to foreign grants in an environment where independent news coverage is getting scarce. The decision of *Radio Free Europe* and *Deutsche Welle* to enter the Hungarian public sphere shows, on the one hand, that the deterioration of media freedom—and democracy more broadly—in Hungary was noticed by the international community; and on the other hand, implies that there is a growing willingness to be present in countries where Western influence previously existed in more subtle, less intrusive forms.

While Hungarian journalists are often skeptical when it comes to international condemnations or promises made on the EU level, the developments described signal that the Hungarian government is limited in its tools to curtail independent media. With the EU institutions' attestation that the financial viability of newsrooms is crucial for a strong democracy, media capture will be more in the spotlight. The revelation that the Hungarian government was using the Pegasus spyware to hack into the smartphones of investigative journalists (Walker, 2021) can further add to international scrutiny.

## **Conclusion**

The developments of 2019-2021 show that the findings of the dissertation hold true, even in the years following the data collection. In the Russian Federation, the government increased the pressure on independent media and increasingly relied on civil right violations—one of the targets being the recipients of foreign support. This shows that the country's geopolitical position allows the government to disregard international standards if it believes that its position in power is endangered. Hungary has also announced a measure that would have violated the liberties of independent journalists, but it did not go through with it. The country's EU membership would have not allowed such outright violations of rights to happen.

Regarding pressure on foreign funding, the situation has changed, but the developments prove that the interviewees' perception of the threat was adequate. In Russia, the foreign agent law was used against both independent newsrooms and individual journalists, and the impact coincided with the fears spelled out in the interviews conducted for this dissertation: a loss of advertisers. The developments are still unfolding and funding-related information from newsrooms is hard to access under the current conditions, still there are signs that foreign support can remain part of the funding mix of most of those newsrooms that previously relied on it. The existing strategies to mitigate pressures—complying with the letter of the law or exiting the jurisdiction—, just like the journalists' confidence that foreign agent labels won't disturb audiences, can provide some reassurance.

In Hungary, at the same time, the country's EU membership has prevented the government from increasing the pressure on foreign funding. The law that targeted foreign-funded NGOs had to be repealed after the ECJ found it discriminatory. In addition, two Western public diplomacy outlets entered the Hungarian media landscape, making a clear statement that media pluralism needs to be upheld by international actors, and the European Commission made signals that it intends to make the protection of independent media a priority. While it is hard to predict what these developments will in fact mean for media pluralism in Hungary, they are indications that relying on foreign support will remain a viable option for newsrooms.

## Appendix

### List of Interviewees

For the safety of the interviewees, I decided to provide only a very general description of the interviewees and their newsrooms. While it is hard to determine the exact size of a newsroom due to fluctuations in employment and the reliance on freelancers, I categorized the local newsrooms as small, medium, and large, based on their relative size in the given country sample.

Small outlets are usually those that employ a dozen, or maximum two dozen journalists, but some of them had as few as two journalists at the time of the interviews. The meaning of medium-sized is different in the two countries: while in a media market like that of Russia, anything below hundred employees would count as medium sized, in Hungary the cut-off point is below 50. In Russia, there are still legacy newsrooms that employ more than a thousand journalists, and while I define large Russian newsrooms as those having at least hundred employees, the outlets covered might have several hundred or even more employees. In Hungary, the biggest online media and legacy media had between 50 and 100 employees.

I categorized the newsroom as being launched prior to the year 2000, when still the old media logics dominated, in the 2000s when the focus started shifting online, and after the introduction of foreign agent laws (2014 and 2016 respectively). However, I decided to omit this categorization from the list of interviewees as it would have made the identification of interviewees easier. I add to the description whether the outlet is based outside of the capital city (local outlet) and whether it defines itself as investigative or specialized (be it human rights, financial and economic journalism, or any other relevant specialization).

## *Russia*

- 1 – editor-in-chief of small investigative startup (June 4, 2018)
- 2 – editor of small, specialized startup (June 12, 2018)
- 3 – editor of small investigative startup (May 22, 2018)
- 4 – managing editor of public diplomacy operation (December 17, 2018)
- 5 – two journalists at large legacy news outlet (December 18, 2018)
- 6 – editor at medium-sized startup (April 20, 2018)
- 7 – editor-in-chief of small news outlet (May 30, 2018)
- 8 – editor-in-chief of a small news startup (May 23, 2018)
- 9 – editor-in-chief of a large online outlet (May 29, 2018)
- 10 – publisher of a small, specialized startup (May 25, 2018)
- 11 – editor of a medium-sized news outlet (May 25, 2018)
- 12 – deputy editor-in-chief of a public diplomacy outlet (September 20, 2018)
- 13 – investigative journalists, associated with medium sized media and an investigative network (May 29, 2018)
- 14 – journalist at large online newsroom (June 4, 2018)
- 15 – journalist working for small startups and activist groups (December 17, 2018)
- 16 – deputy editor-in-chief public diplomacy outlet (November 15, 2018)
- 17 – editor-in-chief public diplomacy outlet (May 31, 2018)
- 18 – editor at small online newsroom (September 22, 2018)
- 19 – editor-in-chief small local outlet (December 19, 2018)
- 20 – editor small, specialized local startup (May 26, 2018)
- 21 – editor-in-chief small news startup (December 20, 2018)

- 22 – deputy editor-in-chief at a large legacy media outlet (December 17, 2018)
- 23 – editor-in-chief at a large legacy media (June 4, 2018)
- 24 – editor-in-chief at a small, specialized startup (May 28, 2018)
- 25 – deputy editor-in-chief at a local outlet (December 20, 2018)
- 26 – journalist at a medium-sized local outlet (December 19, 2018)
- 27 – editor-in-chief at a medium-sized local outlet (May 30, 2018)
- 28 – editor-in-chief of a specialized, local news outlet (December 19, 2018)

### ***Hungary***

- 1 – CEO of medium-sized general interest outlet (November 18, 2018)
- 2 – CEO of medium-sized online start-up, former editor-in-chief of large legacy outlet (March 20, 2018)
- 3 – editor-in-chief of small investigative outlet (September 22, 2017)
- 4 – editor-in-chief of a small, specialized outlet (October 9, 2018)
- 5 – editor-in-chief of large online outlet (March 12, 2018)
- 6 – editor-in-chief of medium-sized startup, former deputy editor-in-chief of legacy outlet (December 22, 2017 and September 11, 2018)
- 7 – editor-in-chief of medium-sized outlet with general focus (March 29, 2018)
- 8 – deputy editor-in-chief of medium-sized, general-interest media (September 25, 2018)
- 9 – editor-in-chief of small local online media (February 7, 2019)
- 10 – editor-in-chief of small specialized media outlet (March 22, 2018)
- 11 – former editor-in-chief of a large online media, new project didn't start publishing (March 2, 2018)
- 12 – editor-in-chief of medium-sized legacy media (October 3, 2018)

- 13 – editor-in-chief of small investigative outlet (April 26, 2018)
- 14 – editor-in-chief of small, specialized online outlet (March 8, 2018)
- 15 – CEO of legacy media (October 1, 2018)
- 16 – editor-in-chief of medium-sized general interest outlet, former editor-in-chief of large online media (March 5, 2018)
- 17 – editor-in-chief of large online media (October 1, 2018)
- 18 – two founding editors of small news startup (August 7, 2017)
- 19 – journalist of small legacy media outlet (October 3, 2018)
- 20 – editor-in-chief of medium-sized online startup (March 20, 2018)
- 22 – investigative journalist at a small startup (September 10, 2018)
- 23 – editor-in-chief of small online media (August 3, 2017)
- 24 – journalist at medium-sized online outlet (January 10, 2018)
- 25 – deputy editor-in-chief of medium-sized online outlet (September 25, 2018)

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## **Selbständigkeitserklärung zur Dissertation**

Ich erkläre ausdrücklich, dass es sich bei der von mir eingereichten schriftlichen Arbeit mit dem Titel “When Foreign Support Becomes a Liability: Funding Independent Journalism in the Authoritarian Media Landscapes of Russia and Hungary” um eine von mir selbst und ohne unerlaubte Beihilfe verfasste Originalarbeit handelt.

Ich bestätige überdies, dass die Arbeit als Ganze oder in Teilen nicht zur Abgeltung anderer Studienleistungen eingereicht worden ist. Ich erkläre ausdrücklich, dass ich sämtliche in der oben genannten Arbeit enthaltenen Bezüge auf fremde Quellen (einschließlich Tabellen, Grafiken u. Ä.) als solche kenntlich gemacht habe. Insbesondere bestätige ich, dass ich nach bestem Wissen sowohl bei wörtlich übernommenen Aussagen (Zitaten) als auch bei in eigenen Worten wiedergegebenen Aussagen anderer Autorinnen oder Autoren (Paraphrasen) die Urhebererschaft angegeben habe. Ich nehme zur Kenntnis, dass Arbeiten, welche die Grundsätze der Selbständigkeitserklärung verletzen – insbesondere solche, die Zitate oder Paraphrasen ohne Herkunftsangaben enthalten –, als Plagiat betrachtet werden können.

Ich bestätige mit meiner Unterschrift die Richtigkeit dieser Angaben.

07. 10. 2022, Konrad Bleyer-Simon



## Abstract

This dissertation looks at the challenges and opportunities of independent newsrooms in Russia and Hungary—with a focus on financing. Unlike in the past, when authoritarian governments often relied on outright censorship, physical threats, and imprisonment to silence the independent media, a shift towards softer methods can be observed in the first two decades of the 21<sup>st</sup> century. The preferred weapon of choice of authoritarian governments is orchestrating media capture. As media markets are increasingly enervated, and old business models of news media are failing worldwide, governments can utilize a set of covert measures, by which they create dependencies that effectively prevent media outlets from living up to their watchdog role. These measures are, among others, ownership changes, market manipulations or the selective distribution of state advertising.

There is an extensive body of literature both on the problems of news media business models and the pressures that originate from authoritarian governments. However, there has been limited attention so far on the interconnections of the two phenomena: the literature on media financing predominantly focused on the problems of Western journalism, while most of the works on authoritarian state pressure—especially in my countries of interest, Russia and Hungary—have disregarded the relevance of business models in restricting news media. This work aims to fill this void.

The dissertation starts with an analysis of state pressures and then continues with describing the revenue models of media in Russia and Hungary. After reviewing the reasons and processes that shape the media landscapes of both countries, I establish that the market in its current form is unable to provide for viable business models—and thus to protect the media from capture. As a next step, I turn to the role of foreign support. In fact, at the latest since the end of the Cold War, different Western actors have played a key role in securing media

pluralism in these countries, through foreign ownership, public diplomacy, and philanthropic support. Against the background of media capture, the role of foreign actors became more pronounced, especially philanthropic funding became a relevant revenue for newsrooms. However, this relevance also leads to increased retaliations by governments—now focused directly on donors and grant recipients. The main contribution of this work is the suggestion of a theoretical framework to explore the connection between governmental pressure and the readiness of newsrooms to make use of foreign funds. It shows the downsides and potential risks of media support for independent media in pressured environments and provides a theoretical explanation for the conditions that determine under what circumstances a media organization is willing to live with them. The empirical evidence shows that the major factor that determines this decision is the external position of the given country: While Hungary is a small European Union member state whose government is constrained by community rules and strong dependencies on other EU members, the size and strength of Russia gives its government more opportunities to put pressures on the media—including means that directly violate civil liberties.

The individual decisions of newsrooms whether or not to rely on foreign support were elaborated through the lens of Bourdieu's field theory. It shows that "legitimacy" plays an important role: the brand, know-how and network of a newsroom determines how much risk it is willing to take. In Russia, the higher possible intensity of governmental pressure made newsrooms with sufficient legitimacy cautious: they felt that they had too much to lose. In Hungary, where newsrooms felt more protected, only newsrooms with low legitimacy expressed hesitancy about relying on foreign funding: while losing legitimacy was not seen as an issue, building legitimacy as a branded foreign grant recipient was regarded as challenging. Taken together, these components allow us to better understand the dynamics of newsroom financing and the role that foreign support can play in authoritarian contexts.

## **Kurzfassung der Ergebnisse**

Die vorliegende Dissertation nimmt die finanziellen Schwierigkeiten und Möglichkeiten unabhängiger Medien in Russland und Ungarn in den Fokus. Griffen autoritäre Regierungen in der Vergangenheit noch häufig auf offene Zensur, physische Drohungen und Inhaftierungen zurück, um unabhängige Medien zum Schweigen zu bringen, ist in den ersten beiden Jahrzehnten des 21. Jahrhunderts eine Verschiebung hin zu sanfteren Methoden zu beobachten. Das bevorzugte Mittel der Wahl autoritärer Regierungen ist mittlerweile die Vereinnahmung oder auch Eroberung von Medien („Media Capture“). Die durch das Versagen alter Nachrichtengeschäftsmodelle verursachte weltweite Schwächung von Medienmärkten ermöglicht es Regierungen heutzutage eine Reihe verdeckter Maßnahmen zu ergreifen, um Abhängigkeiten zu schaffen und damit Medien daran zu hindern, ihrer Rolle als Watchdog gerecht zu werden. Zu den dabei angewandten Methoden zählen unter anderem Eigentümerwechsel, Marktmanipulationen oder die selektive Verteilung staatlicher Anzeigen.

Sowohl zu der Krise klassischer Nachrichtengeschäftsmodelle wie auch zu den Machtübergriffen autoritärer Regierungen liegt eine umfangreiche Literatur vor. Allerdings wurde den Zusammenhängen zwischen den beiden Phänomenen bisher nur wenig Beachtung geschenkt: Während der akademische Diskurs zur Medienfinanzierung sich überwiegend auf die Probleme westlicher Medien konzentriert, ignorieren die meisten Arbeiten zu autoritären Machtübergriffen—vor allem in den Ländern dieser Untersuchung, Russland und Ungarn—die Relevanz von Geschäftsmodellen bei dem auf Nachrichtenmedien ausgeübten Druck. Die vorliegende Arbeit soll diese Lücke füllen.

Die Dissertation beginnt mit einer Analyse staatlicher Machtübergriffe in Russland und Ungarn und fährt dann mit der Beschreibung vorherrschender Einnahmemodelle von Medien

in den beiden Ländern fort. Nach einer Untersuchung der Prozesse, die zu der gegenwärtigen Ausprägung der Medienlandschaften beider Länder führten, zeige ich auf, dass der Markt in seiner jetzigen Form nicht in der Lage ist, tragfähige Geschäftsmodelle zu ermöglichen—und somit die Medien vor Media Capture zu schützen. In einem nächsten Schritt wende ich mich der Rolle ausländischer Förderungen zu (Investitionen, öffentliche Diplomatie und philanthropische Unterstützung). Verschiedene westliche Akteure spielten (spätestens) seit dem Ende des Kalten Krieges eine Schlüsselrolle bei der Sicherung des Medienpluralismus in Russland und Ungarn. Media Capture hat diese Rolle ausländischer Akteure noch verstärkt. Insbesondere philanthropische Förderungen stellen für Redaktionen eine relevante Einnahmequelle dar. Diese Relevanz führt jedoch auch zu verstärkten Vergeltungsmaßnahmen seitens der Regierungen, die sich nun direkt auf Spender und Empfänger konzentrieren. Als Hauptbeitrag dieser Arbeit wird ein theoretischer Rahmen entwickelt und vorgeschlagen, mit dem sich der Zusammenhang zwischen staatlichem Druck und der Bereitschaft von Redaktionen, ausländische Unterstützung in Anspruch zu nehmen, untersuchen lässt. Er beschreibt die Nachteile und potenziellen Risiken der Medienunterstützung für unabhängige Medien in einem unter Druck stehenden Umfeld und liefert eine theoretische Erklärung für die Bedingungen, die bestimmen, unter welchen Umständen eine Medienorganisation bereit ist, mit diesen Risiken zu leben. Die empirische Beweislage zeigt, dass der wichtigste Faktor, der diese Entscheidung bestimmt, die externe Positionierung des jeweiligen Landes ist: Während Ungarn ein kleiner Mitgliedstaat der Europäischen Union ist, dessen Regierung durch Gemeinschaftsregeln und starke Abhängigkeiten von anderen EU-Mitgliedern eingeschränkt wird, eröffnet die Größe und Stärke Russlands seiner Regierung mehr Möglichkeiten, Druck auf Medien auszuüben. So können in Russland sogar unmittelbare bürgerliche Freiheitsrechte direkt verletzt werden.

Die individuellen Entscheidungen von Redaktionen, ausländische Unterstützung in Anspruch zu nehmen oder nicht, wurden unter Rückgriff auf Bourdieus Feldtheorie untersucht. Dabei wird deutlich, dass „Legitimität“ eine wichtige Rolle spielt: Die Markenstärke, das Know-how und das Netzwerk einer Redaktion bestimmen, wie viel Risiko sie einzugehen bereit ist. In Russland führte die potenziell höhere Intensität staatlichen Drucks bei Redaktionen mit ausreichender Legitimität zu Zurückhaltung: Sie hatten das Gefühl, zu viel verlieren zu können. In Ungarn, wo sich Nachrichtenredaktionen besser geschützt fühlten, äußerten nur Nachrichtenredaktionen mit geringer Legitimität Bedenken, sich auf ausländische Finanzierungen einzulassen: Während der Legitimitätsverlust nicht als Risiko betrachtet wurde, wurde der Aufbau von Legitimität als gebrandmarkter „ausländischer Agent“ als Herausforderung angesehen. Zusammengefasst ermöglichen uns diese Komponenten ein besseres Verständnis für die Finanzierungsdynamiken von Medien und der Rolle, die ausländische Unterstützung in autoritären Kontexten spielen kann.

