

## ABSTRACT

### The Impact of Press Subsidies – an Evaluation

Total economic support to the Swedish daily press consists of direct subsidies and tax reliefs. Direct press subsidies granted under the national budget amounts to about SEK 500 million. Most of the aggregate press support is given in the form of tax reliefs. If the daily press were liable to the 25 % general VAT rate it would generate SEK 1.5 billion in VAT; at a rate of 5 %, the proceeds would total some SEK 300m. If tax on advertising in the daily press conformed to the general tax on advertising, tax revenues would rise by SEK 550m. All tax reliefs are calculated assuming that demand for both advertisements and newspapers will be unaffected if the tax reliefs are abolished.

General supportive measures benefit the whole industry. As much as 88 % of the VAT shortfall and 85 % of the advertising-tax relief are derived from metropolitan and provincial newspapers receiving no operating subsidies, i.e. thriving publications with numerous readers. These are mainly newspapers with liberal and non-socialist sympathies. Of direct press subsidies, roughly two-thirds go to 13 newspapers – three metropolitan, ten provincial – of which most are affiliated to the Social Democratic Party. The same newspapers have received press subsidies for more than a decade. Of the remaining one-third, about half goes to the 40 or so "low-periodicity"<sup>1</sup> newspapers, and the rest consists of distribution support.

Despite substantial subsidies, many newspapers have been sold or wound up, or have scaled down their operations, over the past years. Clearly, the present structure of press subsidies is incapable of braking this trend.

Removing press subsidies would affect 13 major "high-periodicity"<sup>2</sup> newspapers and all small ones, some 40 in number, of which half have political affiliations and half are "niche" publications. Accordingly, politically tinged competition would be eliminated.

Among EC member states, various types of support exist – tax reliefs as well as direct grants. Overall, no country has such heavy subsidies as Sweden. Newspaper density, in terms of the number of copies per capita of the population, is the highest in Europe.

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<sup>1</sup> Issued 1–2 days a week

<sup>2</sup> Issued 3 or more days a week