PRIVATISATION OF PRESS IN CENTRAL AND EASTERN EUROPE 1989–1991. CASE STUDY: ROMANIA

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ABSTRACT: One of the measures which had a major impact in achieving a free press was the liberalization of the media market, and thus foreign trusts were able to enter the market. These trusts promoted a politics free from any political interests, and also being passed over in the property of certain persons or national groups. In the first years after 1989, foreign press trusts attempted to develop a powerful media network in the respective countries, aiming at making huge profits, since the “hunger for press” was so high that profit was guaranteed. After December 1989 in Romania, the state monopoly gradually vanished due to the appearance of some new press enterprises, even though, at an early stage, setting up a publication did not have the required legal framework. In 1990, it may be noticed that press was regrouped into two large categories: one consisted of headlines which belonged to the state and were later to undergo privatization, and the second one consisted of headlines created by private enterprises, individually or grouped. During the privatization process, various methods were used, according to case. As compared with the other countries in the region, Romania did not benefit from the contribution of foreign capital dedicated to the development of the mass-media system. Despite this lack of foreign capital into the mass-media market, Romanian undertakings were courageous enough to invest in this field, in which gains had become a certainty.

KEYWORDS: privatisation, press, Romania, Hungary, media economy, transition countries
In a capitalist society, the media plays a number of roles, serving the readers, society, and consumers. The media disseminates information and offers the interested parties the opportunity to hold public talks, directed towards political and social matters and economic issues. Soon after communism fell, in Central and Eastern Europe several newspapers appeared and their number exceeded the financial power of the patronage and the readers, which turned the battle between newspapers into a fight for survival.

At the same time, journalists in this region realized that both politicians and the audience did not have a preference for investigative journalism. Even the governments and political leaders in the most democratic states in Central and Eastern Europe continued to believe that the most efficient use of the media was to consider newspapers “attack dogs” and not “watch dogs”. They believed the noisiest and the most sarcastic voice was the most efficient one (Johnson, 1998: 113–121).

The paper at hand shall endeavour to analyse the manner in which the press in this region underwent the privatisation process in the years 1989–1991, with emphasis on the manner in which it was conducted in Romania. Furthermore, the paper will endeavour to present the manner in which Western trusts entered these new markets. In Romania’s case the paper will analyse the reasons why this action was not possible. Among the sources used in Romania’s case are a number of interviews with journalists and newspapers’ managers from that period.

One of the measures that had a major impact on achieving a free press was the liberalization of the media market, thus allowing foreign trusts to enter the market, and these trusts promoted a policy independent from any political interests. A stronger censure in countries such as USSR, Romania and Albania as compared to Poland or Yugoslavia left a mark on the formation of a real class of journalists who should have other aspirations than the ones related to Party propaganda. State media was first monopolized and subsequently the liberalization process led to privatisation (Mungiu-Pippidi, 2008: 90). As compared to other countries some of them were an attraction for foreign investors; as such they may be divided into three groups:
1. Countries that rushed to take over the Western model by way of an influx of movies, television programs and other media products however investments being excluded. This lead to a decrease in the growth of local products, which were not too numerous.

2. Countries, such as the Baltic countries, in which the political stability, economic growth and the development of the market economy brought investors a profit, however it was too small to achieve a significant growth of their incomes.

3. Countries, such as Hungary, the Czech Republic, Slovakia and Poland, also including some actions in others which were seen as markets favourable to large investors (Jakubowicz, 2007: 216–217).

Other factors that made the privatisation of the media easier were identified in Central and Eastern Europe: (1) in some countries in the region, clandestine media was an initial and natural source for the new private press; (2) collapse of state and government control generated some conditions of semi-freedom for the written press; (3) written press private institutions were cheaper and easier to incorporate than private radio and television institutions; (4) great number of former communist newspapers allowed an already existing system to undergo privatisation (Gross, 1999: 89).

After 1989, media became the manager of its own undertaking, by taking over the newspapers, either by privatisation, or by acquiring the name and history of certain publications. As a result of the changes in August 1989, the media underwent profound structural modifications which affected their legal and economic statute. In the first years after 1989, foreign press trusts attempted to develop a strong media network in these countries, counting on huge profits, since the “hunger for press” was so great that profit was guaranteed. With the economic changes, the new reforms, and decrease of the purchasing power of the people, these trusts redirected their attention to certain niche publications, which were able to support themselves and, as in the case of Hungary, they chose to withdraw. The explosion of the press also led to an explosion in the number of journalists, driven by their desire to become involved in this sector.
As regards privatisation, one success case in that period was the case of Hungary. Due to the liberalization during communism and the subsequent transition, the media was able to become an institution and an independent political player, thus becoming legitimized in front of their readers (Hall and O’Neil, 1998: 125).

The daily newspaper Népszabadság, the newspaper with the largest circulation at national level, separated from the Labour Party, and 40% of the shares were sold to the German conglomerate “Bertelsmann AG”. The government newspaper Magyar Hírlap became an independent concern, and 40% of the shares were sold to Robert Maxwell – Mirror Holding Company. At the same time, the official newspaper of the trade union, Népszava, separated from the state ideology and the connections with the trade unions, however without benefiting from the support of foreign capital (Lánczi and O’Neil, 1996: 89).

During the most popular event that occurred in early April 1990, seven regional newspapers, former bodies of the Hungarian Labour Party, achieved a spontaneous privatisation, transferring them to the ownership of the German press magnate, Axel Springer. The latter did not pay anything for this takeover, he simply guaranteed he would continue to keep them operational (Lánczi and O’Neil, 1996: 89–90).

As such, the Hungarian press achieved the highest degree of privatisation in Central and Eastern Europe, benefiting from the largest foreign capital infusion since the socialist and communist regime, prior to the organization of free elections.

As regards the Polish example, the newspaper Rzeczpospolita, the former government press body, after privatisation became a limited liability company, a sort of joint venture between the Polish government and the French company Socpress. This change allowed the publication in question to gain its editorial independence (Lánczi and O’Neil, 1996: 26).

Another important daily newspaper was Zycie Warszawy, the oldest newspaper in this category, incorporated in 1944. In 1991, the newspaper became part of a new company, which was made up of the following: Societa Televisiana Italiana, several Polish companies and
Warsaw Press (the shares were held by several Polish journalists). In 1993, several shares belonging to the Polish party were sold to the Italian partners, which in the end came to hold 80% of the shares (Lánczi and O’Neil, 1996: 26).

The case for privatisation to foreign trusts in the Czech Republic may be exemplified by way of the newspaper *Mladá fronta – Youth Front* – the newspaper of the party’s youth organization, which quickly gained credibility with the help of a team of young journalists who joined the newspaper and which presented in a favourable manner the student demonstrations from November and December 1989. After being renamed into *Mladá fronta dnes – Today’s Youth Front*, the newspaper started to follow a new path in the Czech media. *Mladá fronta dnes* became part of trust Socpress, owned by the French magnate Robert Hersant (Kettle, 1996, 45–47).

In 1990, the Swiss Group Ringier entered this market with the financial newspaper *Profit*, confusing the market all of a sudden by launching the tabloid *Blesk – Thunder* – in 1992, which quickly became the bestselling newspaper in the Czech Republic.

As regards the case of Romania, the private sector began to make its presence felt in the context of confusing economic politics led by the state and given the absence of regulatory measures able to ensure coherent development. The “sui generis” enterprisers profited by the advantages which the new “free market” of consumer goods offered for coming out of the clandestine state and developing economic activities. The present state was so natural that the free will of each individual became a certainty, lacking any boundaries. They acted on a market which lacked any regulatory measures, and even if they existed they were disregarded (Pasti, 2006: 309). The dissolution of the communist state led to a fierce fight for taking over its patrimony, especially the one belonging to the party. This fight was regarded by Silviu Brucan as being part of the stage of “wild capitalism” (Brucan, 1996: 61–128), a stage when an economy of prey was born in which the main elements were the primitive acquisition of capital and the formation of new economic and political elites, and oftentimes they were rooted in the party activists and members of the Security Services (Brucan, 1996: 61–128; Pasti, 2006: 307–498). It is a fight fought on all fronts and which was not subject to any rules.
Nicolae Arsenie, former journalist with Adevărul, remembered a discussion with Darie Novaceanu, the newspaper’s manager, with two Spanish journalists, who told him about Spain’s transition from Franco’s dictatorship to democracy. They told him that: “You are left with what you put your hands on.” “And in this manner I succeeded in mobilizing some colleagues into scraping together a patrimony for Adevărul” (Interview 1).

Another problem which the Romanian economy faced was the lack of foreign investments, which may be explained by the lack of political measures aimed at drawing capital. The politics promoted by the National Salvation Front, and expressed in an electoral campaign in the 90s, had a properly defined path contained in the slogan: “we are not selling our country”. This latter remark was directed against Ion Rațiu, one of the opposition leaders, and his program of becoming more open towards the West. The communist isolation had continued after 1990. On the other hand, Western investors were not drawn to Romania in those years. An explanation for this attitude could rest in the lack of information on Romania, which was known primarily from the stories written by Bram Stoker.

As regards the media, after the 1989 events, the state monopoly gradually vanished through the incorporation of new press enterprises, even if, in a first stage, the establishment of a new publication did not benefit from the required legal background. In 1990, we notice a regrouping of the press into two large categories, a part comprising publications belonging to the state and which were to be later privatised, and the other part comprising publications printed by private individuals or grouped enterprisers. The transfer of ownership from the lawful owners (Romanian Communist Party, Communist Youth Union, Romanian Trade Unions General Union) to the government and thereafter to the employees was achieved by way of a number of normative acts (Petcu, 2002: 94). The first normative act was the decree dated 15 January 1990, which gave birth to the Printing House “Presa Liberă”.

As compared to other countries in the region, Romania did not benefit from the contribution of foreign capital in its effort to develop a mass-media system. The state of the press editors, in Bucharest, in the year 1991, had the following structure (Petcu, 2002: 96):
Table 1.

<table>
<thead>
<tr>
<th>COMPOSITION OF CAPITAL</th>
<th>PUBLISHING OF NEWSPAPERS</th>
<th>PUBLISHING OF MAGAZINES AND PERIODICALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full foreign private capital</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Mixed capital, Romanian state and private capital</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Full Romanian private capital</td>
<td>244</td>
<td>175</td>
</tr>
<tr>
<td>Romanian and foreign private capital</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>State owned capital in full</td>
<td>-</td>
<td>5</td>
</tr>
</tbody>
</table>

As can be noticed from Table 1 above, in 1991 the publications held in full by Romanian capital were predominant. In its capacity as owner, the State was only marginally represented, and the involvement of foreign capital accounted only for an insignificant share. Despite the prospect of gaining a significant profit, the foreign capital and Western investors did not see fit to invest in the Romanian mass-media market, in this first period of transition. After the 1989 Revolution, Romania’s image was affected by the political and economic measures of the newly installed power. The inherited communist system could not be radically reformed, therefore as regards the discussed aspect, we may speak about a lack of activity in Romania, as compared to other countries in the region.

Despite the lack of foreign capital in the mass-media market, Romanian enterprisers had the courage to invest in this field, in which achieving a gain had become a certainty. In 1990, press owners relied on obtaining profit from selling publications. Advertising was added to this process, which did not exist in the communist period. Profits achieved from press were considerable, and an example of this was România Liberă, which in the first five months of 1990 earned RON 80m with expenses of RON 51m, paid taxes worth RON 11m, and was left with a profit of approximately USD 800,000 (Petcu, 2002: 78). Oftentimes, profits achieved from press were invested in other fields, and thus some of the owners in the mass-media business shortly became successful businessmen.
We will hereinafter present the manner in which the main Romanian daily newspapers were privatised, in particular *Adevărul* – the heir of the former press body of the Romanian Communist Party and *România liberă*, which became the main opposition newspaper.

As regards *România liberă*, the manager from that period and, later, also one of the main shareholders of the daily newspaper, Petre Mihai Băcanu, recalls the following:

> We were the first newspaper that was privatised. Our association contract was numbered 001. The problem we were facing was that the printing house was a nuisance for us, in the sense that we had to pay upfront in order for the printing workers to start their work and secondly they had began to censure us. It was at that time that we thought to ourselves we need our own printing house. Decree No. 54 was passed, if I am not mistaken, conceived by Iliescu, (the president of Romania) and Roman (the prime minister of Romania), at the level of slightly larger workshops, no more than 20 persons. I read the law and consulted a specialist in business law, who told me a little about the history of this decree. At the time the decree was conceived, they thought let’s play experts in business law and they turned to a professor in business law, a great authority under the communist regime; he added to the law a very simple matter, these small companies, of no more than 20 persons, as per the Commercial code of 1885, as far as I know it had not been abrogated, could become associated. I consulted with a lawyer and I said “here’s the story, we are a number of 123 persons, we incorporate six companies and we immediately become associated”. I was told nothing was against the law. And there on the spot, at the reception desk, we named six enterprises; I forgot to write the name România Liberă, for which reason when the government found out that we were privatised the entire press became alerted, and all kinds of commissions were sent to investigate us (Interview 2).

When I asked whether he paid any money for this privatisation, he answered:
We had nothing, other than our pens, at that time it did not have a name, matters of this nature, with rights registered with OSIM (authority handling the registration of trademarks). We were lucky we had created a printing house, which we named România liberă and any printing house was able to also print a newspaper (Interview 2).

Petre Mihai Băcanu, along with other members of the editorial staff, began the process of incorporating small enterprises under Decree No. 54/1990. It is not a privatisation process per se, since at that time there were no laws in force in this sector.

By using the provisions of this decree, six small enterprises were incorporated, which became associated, giving birth to the Company R. Transferring România Liberă from the state’s ownership into private ownership was achieved in exchange for no money. Given the conditions previously presented, some criticisms brought against this process are substantiated, because a brand having a significant circulation was privatised. This was achieved as a result of the existing legislative void. In 1991, Company R was registered with the Commercial Registry.

The second presented case is more spectacular, given that the privatisation of the daily newspaper had implications at the highest level in Romania.

In 1990, the daily newspaper Adevărul was the main Romanian newspaper, with a circulation that reached 1.5 million readers a day. At the same time, it was the descendent of the Communist Party’s newspaper, following its direction. In particular it supported the country’s leaders, in the case at hand the team installed by Ion Iliescu.

The moment chosen by Darie Novâceanu (newspaper manager) to privatise Adevărul is not poor in political implications. In March 1991, Petre Roman was elected the national leader of the National Salvation Front. Ever since the autumn of 1990, a fierce fight had begun for grasping power between the group led by Petre Roman and the group led by Ion Iliescu. Albeit at that particular moment, one could not speak about a face to face fight between the two group leaders, the fight was starting to get fiercer. In an article published in Adevărul, Silviu Brucan described this confrontation: “young Turks
and a group of Martians, Bârlad citizens and Ștefan-Gheorghiu followers on the Cotroceni Hill, desperately clinging to key positions in the nomenclature". Since Darie Novăceanu was close to Petre Roman, Adevărul was an essential “endowment” in the service of his fight. Ever since December 1990, Darie Novăceanu had accepted for publication an article written by C.T. Popescu, Daruri pentru președinte (But Mr. President) (Popescu, 1990), one of the articles criticising Ion Iliescu in Adevărul, thus the newspaper had begun to outline its position in this dispute.

At the time the newspaper was privatised, two very important matters significantly influenced this process: the first one was politics, by the fact that Adevărul was a true weapon used in the fight for power, and the second was the economy, the huge patrimony it had gathered, and dividing this patrimony was very important (in 1990 a number of assets were transferred from the ownership of the state in the patrimony of Adevărul; at the same time the incomes achieved from selling newspapers were very high).

From among the interviewees, the paper will present the opinions of some journalists, who played a significant role in its privatisation. The process was commenced by its manager, in particular Darie Novăceanu, who attempted to take over the publication, along with the patrimony gathered in the previous year. After a meeting, Novăceanu was excluded and the journalists took over the newspaper.

Sergiu Andon (at that time a journalist with Adevărul and the president of the Romanian Newspaper Company, the most important press trade union) recalls:

The day of the general meeting followed. The morning was marked by tensions, and the meeting was extremely stormy. I recall speaking excessively. I had put all my eggs in one basket. Most people came from Scînteia (predecessor of Adevărul), not necessarily from a company made up of calm people, but from a professional community that included disciplined persons by their nature. On the one hand, at Scînteia there were free talks, as compared against other editorial staffs, and the sense of discipline and the fact that it was a privilege to work where they worked caused them to be disciplined. All of a sudden they played everything in an adventurous manner, their biogra-
phy, their job, their salary, their social status, and a rebellion within Scînteia was unimaginable. It is quite a miracle for me even now, that these people joined a dissident mission. A dissident position was against personal nature, biorhythm and daily reflection. And I imagine that it was only the desperation to continue with such an inspiring experiment, which we were living, that made them come together so quickly and only two of them remained by Novâceanu’s side. The newspaper would have ceased to exist if it had turned into a government office. The winning current was very precarious. Victory resembled the victory of a street revolt, which at the time seemed to be winning. The newspaper could be easily suffocated, despite Darie Novâceanu’s departure (Interview 3).

In addition, Ion Marin (journalist with Adevărul, who became the deputy chief-editor) recalls:

We convened an ad-hoc general meeting. Many people gathered in the meeting room. Darie Novâceanu continued his work with the newspaper, together with his team and friends. After that, things got a bit more intense. The calm and academic voice was put aside. The talk lasted for an entire day, the baffling tone was permanent, he used to come and leave, he said he had things to attend to, that he needed to produce a newspaper. Roman together with Darie Novâceanu wanted to create a very powerful media tribune (Interview 4).

The last interview is with Cristian Tudor Popescu (journalist with Adevărul, one of Darie Novâceanu’s trusted people, who became one of the most renowned Romanian journalists):

Some time had passed and an editorial meeting was called in which Mr Novâceanu put forward this privatisation plan. I had little idea what privatisation meant, but I realized this was no privatisation. The State held more than 90 per cent and I will tell you why my article written in December was published. Darie Novâceanu could have told me that it would not be published. Faced with the article Darie Novâceanu pulled his moustache and told me: “My dear Cristi, it stings pretty bad.” He told me, please leave it here and he did not tell me whether it would be published or not. After that, I read the article in the newspaper. What happened then. At that time the option for the newspaper was Petre Roman’s. The silent war between Iliescu and Roman had begun. Darie Novâceanu was closer to Pe-
tre Roman. His political preference was very clear. At that moment, Darie gathered the entire staff and presented this plan. I had little idea about such things but I felt chills down my spine. The government was supposed to hold over 90 per cent of the shares, not the state but the government. Darie Novăceanu was supposed to hold 1 per cent and the remaining shares were to be divided among the others. The government had a huge stake, Novăceanu had a small stake, but larger than the others. I asked what kind of privatisation was this. After this, people had become agitated. Things got out control, Darie Novăceanu got to his feet and left” (Interview 5).

As presented by the interviewees, the journalists were successful in eliminating Darie Novăceanu and they declared their independence in relation to the state, thus launching the process of taking over the publication. The publication encountered a number of problems at the time the editorial staff took over the publication. One of the most significant problems was the political one. The next step was a visit paid by the board of directors to Ion Iliescu, thus proving that the paper was the object of a dispute between the two factions of the National Salvation Front. As Sergiu Andon says “notifying the intentions”, meant presenting Ion Iliescu with guarantees with regards to the paper’s new direction. The fight for privatisation was fierce, in which Petre Roman, through Darie Novăceanu, attempted to acquire control over a media tribune which was very powerful especially for the voters of the National Salvation Front, and also to acquire control over a huge patrimony, in exchange for little cost.

In the end Adevărul was privatised by following the much blamed model of România Liberă, by way of a company incorporated in December 1990, by Nicolae Arsenie and other members of the editorial staff and who financially controlled the state newspapers subscriptions for several months. Thus, we believe the allegations that the journalists took over Adevărul only in possession of their pens are unsubstantiated, as they had a considerable number of subscriptions, made on behalf of Adevărul S.A., ever since December 1990 and moreover they had the benefit of an important brand, which they took over free of charge. This privatisation process reflected a manner in which several state economic bodies were transferred to private ownership.
The emergence of external investors in Hungary, Czechoslovakia (the Czech side) and Poland meant signalling a company open towards a Western type democracy. In Romania and Bulgaria, the state attempted to maintain their control over the press, hindering or failing to create mechanisms aimed at drawing such investments. Western investors saw in this market a financial opportunity and they stayed there as investors as long as they were able to achieve large incomes without significant investments. In Romania, the transfer of ownership from state institutions to private persons or entities was achieved without their owners achieving any income. At the same time, simultaneously with this transfer, the transfer of the assets held by the publications was attempted. As compared to other countries in the region, Romania did not benefit from foreign capital for developing the mass-media system. Despite the lack of foreign capital on the mass-media market, Romanian enterprisers had the boldness to invest in this sector, in which winning had become a certainty.
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