THE PROFITS OF THE PRESS

The most important recommendation in the recently published report of the Royal Commission on the Press is the establishment of a General Council of the Press with the object, among other things, of encouraging 'the sense of responsibility and public service among all engaged in the profession of journalism'. Apparently it is to do this by 'censuring undesirable types of journalistic conduct and by all other possible means to build up a code in accordance with the highest professional standards'.

A considerable part of the report was devoted to censuring undesirable types of journalistic conduct, but by itself this is not, perhaps, likely to have very much effect upon the press. Those papers which find they can build up the largest weekly and daily circulations in the world by methods which may not, in the opinion of some, be in accord with the highest professional standards are likely to do so in spite of any General Council which may or may not be set up. If they find they can make good profits by 'giving the public what it wants' they are likely to do so in spite of the criticisms of the Commission and the doubts that are expressed from time to time by individuals.

In this connection it is interesting to note that three of the more responsible national newspapers, the *Observer*, the *Manchester Guardian* and the *News Chronicle*, are owned by trusts. These three more or less Liberal newspapers are not run by ordinary commercial companies for the profit of stockholders. They are run on a non-profit basis; that is to say they are run in the interests of their readers. A limited return is paid on capital and all surplus revenues are devoted to the improvement of the paper. The *Sunday Times* said on July the 3rd last that 'those in positions of power in the press are trustees with a special obligation to maintain its rights and privileges'; but the Royal Commission did not favour the idea of making those in positions of power in the press trustees not only in theory but in fact.

They declared that they did not consider it would be 'effective or appropriate to put any pressure on proprietors by fiscal inducement or otherwise to adopt either trust ownership or any of the arrangements whose purposes are similar'. The reason they give is that a trust does not necessarily convert a newspaper from a commercial to a non-commercial concern or give it a quality which it did not previously possess. In reply to another suggestion the Commission insists that to 'limit dividends throughout the industry would be to discriminate between established undertakings and

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those not so favoured where risks are greater, and would restrict the flow of capital into the industry, which in turn would increase the difficulty of launching new newspapers'.

Lord Camrose, in a statement circulated for the twenty-second annual meeting of the Amalgamated Press on July the 27th, is even more emphatic in criticising the idea of dividend limitation. He does so primarily on the ground that such dividend limitation would be bad not so much for the press as for the shareholder. 'If a policy of limitation of dividends were persisted in over a period of years', he wrote, 'the shareholder's lot would indeed be an unhappy one. He would receive nothing more from companies which continued their prosperity and he would receive less, and perhaps nothing, from companies which ran into adversity. Such a state of affairs would not only be bad for the shareholder but would mean a curtailment of investment powers and a freezing of that venturesome enterprise which has built up the commerce of this country.'

Now dividend limitation is already operative in the case of newspapers such as the *Observer*, the *Manchester Guardian* and the *News Chronicle* that are owned by trusts. The main objection seems to be that it would make it more difficult to launch new newspapers —a thing which is difficult enough in any case. But dividend limitation does not necessarily mean that dividends should be limited to whatever dividends may be paid now by newspapers that are owned by trusts. Lord Camrose proposed that the Amalgamated Press should this year pay a dividend of 22 per cent, the same as that paid in the last two years, and any general application of the principle of dividend limitation to the press would presumably mean that established papers would continue to distribute in dividends what they paid in 1947 and 1948. There is no reason, however, why the same limit should be imposed in the case of a new paper where, as the Commission remarks, the risks are greater.

A considerably higher dividend could be allowed on the initial capital of new papers if that was thought likely to encourage their establishment. It is probable, however, that most new papers are established not so much to pile up profits as to put forward a point of view. Many periodicals have been run at a loss in their early years but have carried on because those responsible have considered them worth carrying on even at a loss. It might even be suggested that the less profitable journals have been the more worth while. If a fairly high limit was set in the case of the initial capital of new journals, it is difficult to understand why dividend limitation should discourage the foundation of new journals, and if it was accompanied by fiscal or other inducements it might even encourage it.

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On the other hand dividend limitation might make an appreciable difference to the standards of established journals. Pushing up circulation and advertisement revenue by dubious means is one way of increasing profits; but if dividends are limited by law there is little point or purpose in adopting such methods. Those papers which have built up record circulations by lowering their standards would be able to use surplus revenue for devoting more space to news and less to advertising or improving the quality of their journal. There would, of course, be no kind of guarantee that such improvements would take place; but at least the incentive to sacrifice quality to quantity would be removed. The Ordinary Shareholders of the Amalgamated Press might be able to manage with their 22 per cent, which is considerably more than the holders of the Preference Shares of the same company receive. And it would surely be very satisfactory for Lord Camrose to be able to tell the readers of the *Daily Telegraph* that that journal was no longer run for the profit of private stockholders and that its surplus revenues were wholly devoted to providing the public with a better news service. It may be a coincidence that those journals which already limit their dividends are liberal in outlook, but if the Conservatives want to persuade the public that the publication of a newspaper is a kind of trust they should not lay quite so much stress on the importance of an unlimited return being paid on capital. If legislation on dividend limitation is considered premature it would surely be a good thing if some kind of pressure were brought to bear on the press to induce it to organise itself on a non-profit making basis. Only then can it be fully independent.

PAUL DERRICK.

The illustrations in the following article are entitled:—

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p. 474. *Christian Chieftain on the Qat e Valbones Pass.*

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