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THE ROLE OF MEDIA AS A
SUPPORTING INSTITUTION:
IMPLICATIONS FOR
DEVELOPMENT POLICY

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EXECUTIVE SUMMARY

Liberal democracies cannot thrive without a free and vibrant media. A free media gives voice to the citizenry, allows for peaceful debate, and improves government's responsiveness to voter desires. In democracies, the presence of an independent media not only heightens voter awareness of important policy issues but also provides them with accurate information about the behavior of political agents. This enables voters to monitor politicians who are thus made more accountable to the public. For core economic and political institutions to be effective, a free media must support them.

The degree of private ownership and the ease for new entrants to establish themselves in the media industry influence the effectiveness of media in providing the feedback required to maintain core liberal democratic institutions, thereby enabling prosperity. As a general rule, the larger the share of private ownership and the freer the entry, the more effective the media industry will be in this role.

Many countries maintain barriers to private ownership ranging from an outright ban on private ownership of media outlets to intimidation of media employees, heavy regulation, and licensing. When such barriers exist, the effectiveness of media in promoting social, economic, and political change is constrained. Where media is under the control of government, democracy is generally stifled and reforms are slow.

The ownership structure and role of media must be considered when formulating policy to promote economic and political development. Policymakers must work to ensure the opportunity for competition in the media industry. This can be achieved through policy that:

- Allows for private ownership and free entry;
- Creates an environment conducive to foreign direct investment;
- Enforces laws that protect journalists and allow for transparency.

THE ROLE OF MEDIA AS A SUPPORTING INSTITUTION: IMPLICATIONS FOR DEVELOPMENT POLICY

INTRODUCTION

The discussion about how to best encourage economic and political development throughout the world is increasingly focusing on the role of the media.¹ Modern liberal democracies cannot exist without a free media; indeed, every developed country in the Western world has a free media and laws enforcing fundamental civic freedoms, such as freedom of the press.

The institutions of property rights, freedom of contract, and the rule of law are fundamental to economic prosperity. A free media is an essential supporting institution that not only complements, but also helps sustain the existence of the core liberal democratic institutions. For instance, it is impossible to conceive of unbiased free elections without media playing a considerable role.

Modern democracy rests on the flow of information generated by a free media. Media also extends civil society by giving a voice to the citizenry and allowing for peaceful debate and the

exchange of ideas. Where media is under government control, democracy is generally stifled and reforms are slow.

This Policy Primer explains the role media plays in economic change and development, and provides recommendations for policy makers considering this issue. A free media is characterized by:

- High levels of private ownership of media outlets and complementary industries, combined with,
- A stable economic and legal environment that: (a) protects property rights and allows free entry in the media industry, (b) fosters transparency, (c) protects journalists from harassment, intimidation, and censorship and (d) protect public and private individuals from harassment, intimidation and slander by the media.

In addition to explaining the important role that media plays in achieving and maintaining a free and prosperous society, the various factors influencing the level of media freedom are discussed in detail.

¹ For instance, the World Development Report 2002, *Building Institutions for Markets*, contained a chapter exploring the relationship between media and development. See especially chapter 10 which focuses on the role of media: <<http://www.worldbank.org/wdr/2001/fulltext/fulltext2002.htm>>. Freedom House has focused, since 1980, on the importance of press freedom in their annual *Freedom of the Press: A Global Survey of Media Independence*. Available at: <<http://www.freedomhouse.org/research/pressurvey.htm>>.

This Policy Primer is divided into three parts:

- (1) An overview of the role of media in economic change and development with an emphasis on the importance of private versus public ownership of media outlets.
- (2) An analysis of the various factors that contribute to—or prohibit the development and maintenance of—a free media. This section defines the conditions which determine the ability of privately owned media outlets to operate effectively.
- (3) Implications for development policy:
 - A. The media industry must be characterized by high levels of private ownership in order for it to be an effective check or “watchdog” of political agents and institutions. In this regard, private media requires more than just media outlets; it also requires complementary industries such as information technologies, delivery outlets and networks, etc.
 - B. Creating an environment conducive to foreign direct investment in the media industry is critical for its growth and development. This is especially true in developing countries that may lack the relevant management skills and know-how, as well as an adequate number of trained journalists.
 - C. Government has a key role to play in creating an environment in which a free media can operate effectively. This includes the creation of laws to

protect journalists from harassment, intimidation, and censorship and to protect individuals from harassment and intimidation by journalists. It also includes the creation and enforcement of transparency laws that allow media outlets to obtain relevant information related to political institutions and political actors in a timely fashion.

- D. Press councils are a viable option in developing countries where in the absence of a strong legal environment, they can protect the freedom of the press. These councils are independent and serve as a watchdog group over the entire media industry. They hear complaints ranging from harassment and intimidation, both by and against journalists, to issues dealing with integrity and ethics—such as misreporting. These complaints, if

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deemed to be accurate, are made public. The aim is to encourage media responsibility and also to protect media freedom.

A. MEDIA AND ECONOMIC DEVELOPMENT

The importance of a free media for achieving and maintaining a liberal democracy can be traced back to the American Revolution which relied on pamphlets for the expression of ideas and motivations behind the Revolution.² Later, Alexis de Tocqueville, in *Democracy in America*, noted that newspapers are critical to civilization and to a strong civic sphere separate from political institutions.³ Newspapers kept citizens informed about political activities and fostered debate and the sharing of ideas.

Of course, the nature of media has changed drastically since Tocqueville's time. Media now includes many organized means of disseminating information. This information can be factual, opinion, editorial, artistic, or some combination of these. The types of media available today are wide-ranging and include, but are not limited to, newspapers, magazines, cinema, radio, television, and the Internet.

“Perhaps the most important factor influencing the role of media in any society is the ownership of media outlets and the resulting structure of the media industry.”

The range of media outlets will continue to grow as technologies advance, allowing for increased duplication and reach at decreasing costs. For instance, technologies that allowed for mass physical duplication, such as the printing press, enabled the widespread dissemination of print media. Physical duplication was followed by the development of technologies associated with television and radio, allowing electronic duplication to reach an entirely new audience. Most recently, the development of the World Wide Web and telecommunications technologies have created a new kind of interconnectedness, resulting in relatively cheap and fast information dissemination to individuals around the world.⁴

Indeed, the Internet is completely changing the media industry. Readership of physical news sources is decreasing as individuals turn to elec-

² See Bernard Bailyn (1992) *The Ideological Origins of the American Revolution*. Massachusetts: The Belknap Press of Harvard University Press.

³ Alexis de Tocqueville. [1835-1840] (1988) *Democracy in America*. New York: Harper Perennial, p. 517.

⁴ For one example of this, see “The world through their eyes,” *The Economist*, February 26, 2005, p 23, which discusses the impact of satellite television on information dissemination in the Arab world.

tronic forms of media. Further, the evolution of weblogs and other decentralized sources of news is reshaping the media landscape and redefining the boundaries of the media industry.⁵ As the cost of the technologies and infrastructure required to access electronic media sources continues to fall, it will become easier for developing countries to gain access.⁶ For instance, a recent World Bank report indicated that 77% of the world's population currently lives within the reach of a mobile network.⁷

Given the historical importance of media, and what is sure to be its continued and increasing importance in the future, it is critical for those concerned with promoting sustainable economic development to understand the role of media in this process.

Perhaps the most important factor influencing the role of media in any society is the ownership of media outlets and the resulting structure of the

media industry.

A1. MEDIA OWNERSHIP

There are two schools of thought⁸ regarding media ownership:

- (1) State ownership: this school of thought holds that privately owned media outlets produce selective information and disseminate biased news reflecting the interests of the private owners, therefore neglecting the interests of the public at large. The logic behind state ownership of media is that the state serves the public interest by disseminating accurate and unbiased news to the general public.
- (2) Private ownership: this is the exact opposite of the state ownership approach. It contends that state-owned media outlets will distort information to benefit incumbent political agents. These agents, preventing changes in the status

⁵ On the impact of the worldwide web on the media landscape, see "Yesterday's papers," *The Economist*, April 21, 2005, p. 59, and "Newspaper Circulation Continues to Decline, Forcing Tough Decisions," *The Wall Street Journal*, May 2, 2005, p. A1. Weblogs or "blogs" are revolutionizing the dissemination of information throughout the world. As an example, consider the case of Iran. Despite the fact that Iran's media is largely controlled and censored by the government, there currently exist an estimated 100,000 weblogs. Iranians who utilize these blogs typically use pseudonyms to criticize the government and discuss taboo topics. The government has attempted to crackdown on the use of weblogs for criticism by detaining and beating online critics. As a result of this harsh response on the part of the government, dozens of blogs have emerged that focus on evading government detection. See *Time*, "Blogwatch," May 9, 2005, p. 20.

⁶ For a discussion of the role of telecommunications in developing countries see "The real digital divide," and "Calling across the divide," *The Economist*, March 12, 2005, p. 11 and 74 respectively.

⁷ World Bank report cited in "The real digital divide," *The Economist*, March 12, 2005, p. 11.

⁸ Simon Djankov, Caralee McLiesh, Tatiana Nenova, and Andrei Shleifer (2003) "Who Owns the Media?" *Journal of Law and Economics*, 46, 2003, pp. 341-382.

quo that threaten their entrenched positions and authority, will abuse the media. The logic behind private ownership assumes that private owners will act in their own self-interest. Using this logic, one can also assume that public owners will act in the same manner. However, private ownership brings discipline through competition, giving this approach an advantage.

Unchecked public ownership will, in all likelihood, be biased in favor of those in power. An environment that permits competition between media outlets, naturally disciplines the tendency for media to bias information in reporting. In a competitive media environment, as in other competitive environments, while some outlets may present biased information, others present alternative views and interpretations. Media outlets develop a reputation for providing a certain type and quality of reporting. In countries where private ownership is an option, there tends to be a variety of media products ranging from high quality dailies to low quality tabloids. In the United States, for instance, a consumer can choose between *The Wall Street Journal* and the *National Enquirer*, with many options of quality and coverage in between.

Both categories of media ownership assume that owners are self-interested and will provide biased news to the general public. The main difference between the two is that the “state owned” view requires a monopoly over the industry, while the

“In countries where private ownership is an option, there tends to be a variety of media products ranging from high quality dailies to low quality tabloids.”

“privately owned” approach fosters competition. While it is true that some private owners may bias information in their favor, competition serves to provide a menu of different views allowing others to present unbiased information.

In the case of complete state ownership, legal competition is absent and the menu of media choices is reduced. If political agents bias information to promote their self-interest there will be no legal competition to offer a different or dissenting view.

However, if legal competition is prohibited, there is still the potential for black markets in information and news. Indeed, there is often pressure from media sources from other countries where media competition is allowed.

For instance, this was the case with the development of Al-Jazeera in the Middle East. When Qatar first gave permission to broadcast Al-Jazeera, it caused quite a stir in the Arab world, as it was against the law in many Arab states to watch “non-authorized” news. However, over

time satellite dishes popped up all over the Middle East allowing individuals to access news produced outside their home country.⁹ From coverage of the elections in Iraq and Palestine, to the assassination of former Lebanese Prime Minister Rafiq Hariri, Al-Jazeera has been a major source of information dissemination throughout the Arab world. Precisely because of its effectiveness in transmitting information, the network continues to meet resistance in many parts of the region. Iran, Saudi Arabia, Kuwait, Algeria, and Tunisia have all banned Al-Jazeera correspondents or the coverage rights of the news network.¹⁰

Another instance of state resistance to the spread of free media is China. As the Internet continued to develop, China's government persisted in passing regulations regarding what citizens can and cannot view. It has established what has become known as the "Great Firewall of China," which is meant to filter and block specific external information.¹¹ However, while it is possible to restrict some of the information circulating on the World Wide Web, it is impossible to do it exhaustively. Zittrain and Edelman analyzed the access to more than 204,000 Web sites in China

and found 19,000 inaccessible at least part of the time. These sites contained information on world news, events and politics.¹²

Many countries have a mix of private ownership with state intervention that falls between these two extremes. In these cases, there is some combination of private ownership and state involvement in the media industry. For instance, even countries with a "free media" have certain regulations and licensing procedures that are implemented and controlled by the government.

Further, it is possible that a country with private ownership of media can still be influenced by the state through indirect influences such as subsidies and tax breaks, for example.

Some countries have both private media ownership *and* some state owned media sources. For example, the United Kingdom has a free press characterized by private ownership and the state-run BBC media outlet.

In addition to the degree of private ownership in the media industry, the opportunity for free entry

⁹ See "The world through their eyes," *The Economist*, cited above. See also, Hugh Miles, *Al-Jazeera The Inside Story of the Arab News Channel That Is Challenging the West*. New York: Grove Press, 2005.

¹⁰ Robin Wright, "Al-Jazeera Puts Focus on Reform; Mideast Coverage by Network Reviled in Washington Is Boon for Bush," *The Washington Post*, May 8, 2005, p. A16.

¹¹ For more on the Internet in China, see Katherine Hartford, "Cyberspace with Chinese Characteristics," *Current History*, September 2000 and William Foster and Seymour E. Goodman, *The Diffusion of Internet in China*, Center for International Security and Cooperation, Stanford University, November 2000.

¹² Jonathan Zittrain and Benjamin Edelman, "Empirical Analysis of Internet Filtering in China," Berkman Center for Internet & Society, Harvard Law School, 2002. Paper abstract available through: <<http://cyber.law.harvard.edu/filtering/china/>>.

and exit from the media market is of the utmost importance. Free entry includes the ability to set up new media outlets as well the freedom to contract with distributors and other complementary industries. While many Western countries, such as the UK, France, Spain, Italy, and Austria have government-owned media outlets, they also have few impediments to the establishment of new private media sources. This creates competition by removing the threat of government-owned as well as private monopolies in the media industry and serves as a check on government-owned media outlets.¹³

A2. MEDIA AND PROSPERITY

Given the alternatives of state or private ownership, or some combination of the two, it is impor-

“Relatively higher levels of private media ownership allow for competition and the free flow of information from a variety of different sources.”

tant to understand the implications of these alternatives on economic performance and progress. The key issue becomes the level of private and public ownership in the media industry and the extent to which there is open access to the media market. Although the literature addressing the connection between media ownership and economic outcomes is still small, recent empirical research in the economic literature that considers these competing claims supports a private media.¹⁴ Citizens in countries characterized by higher levels of government ownership of the media are poorer, die younger, have higher infant mortality rates and less access to sanitation. Further, in countries with higher levels of state ownership of the media, there is more corruption and less developed capital markets. In stark contrast, where there are higher levels of private ownership in the media industry, the opposite is true.¹⁵

Relatively higher levels of private media ownership allow for competition and the free flow of information from a variety of different sources. This competition drives transparency in government actions, which forces political actors to address the challenges that the country faces and

¹³ However, free entry and private ownership of radio and television outlets is a recent phenomenon in many Western European countries. As late as the 1970s, France and Spain, for instance, had government-owned monopolies in the radio and television industries.

¹⁴ See Djankov et al. (2003); Timothy J. Besley and Robin Burgess (2002) “The Political Economy of Government Responsiveness: Theory and Evidence from India,” *Quarterly Journal of Economics*, 117, pp. 1415-1452 and Timothy J. Besley and Andrea Prat (2002) “Handcuffs for the Grabbing Hand? Media, Capture and Government Accountability”, London School of Economics, Mimeo.

¹⁵ See Djankov et al. (2003).

“...the opportunity for free entry and exit from the media market is of the utmost importance. Free entry includes the ability to set up new media outlets as well the freedom to contract with distributors and other complementary industries.”

to be accountable for the choices they make. For instance, Amartya Sen has argued that the absence of democracy, an independent media, and freedom of information were all major contributing factors to almost thirty million deaths during China’s Great Leap Forward between 1958 and 1961. He juxtaposes this with India, which has not experienced widespread famine since its independence. Sen argues that this is, at least partially, due to a free press that makes the threat of a famine common knowledge to citizens and forces politicians to address the challenge.¹⁶

Consider the case of an economy in transition—

that of Poland. With the fall of Communism in 1989, Poland replaced its state run media with a simple licensing program. A private media industry soon developed. Moreover, the constitution (Articles 14, 54, and 213) bans censorship and guarantees freedom of the press.

One of the two major newspapers, the *Rzeczpospolita*, played a key role in the transition. The paper expanded its political and economic coverage and created the “green pages” which specifically focused on Poland’s economic development, in terms of the policies adopted and the progress of those policies. The paper serves as an information source on mass privatization, enabling readers to realize the benefits and track the progress of political efforts.¹⁷

In other words, the media in Poland has increased the transparency of reforms and political activities, lowering the cost of monitoring and understanding the activities of the government for citizens and civil society in general.

A3. MEDIA AND CORRUPTION

A free media also has significant impact on the

¹⁶ Amartya Sen (1984) *Poverty and Famines*, Oxford: Oxford University Press. See also Sen (1999) *Development as Freedom*, New York: Alfred A. Knopf Inc.

¹⁷ Tim Carrington and Mark Nelson (2002) “Media in Transition: The Hegemony of Economics,” in A. Clapp-Itnyre, R. Islam and C. McLiesh (eds.), *The Right to Tell: The Role of Media in Economic Development*. Washington D.C.: The World Bank, pp. 225-248.

effectiveness of policy reforms. Where the media is free, it improves government's responsiveness to voter wants.¹⁸ In democracies, the presence of an independent media not only heightens voter awareness of important policy issues, but also provides accurate information about the behavior of political agents, enabling voters to monitor politicians who are thus made more accountable to the public.

As an example, consider the study by John McMillan and Pablo Zoido of corruption in Peru and specifically that by secret-police chief Vladimiro Montesinos. McMillan and Zoido analyze the amount of bribe money Montesinos paid to opposition parties, the judiciary, and the press, and they determine that payments to the press were 100 times what were paid to politicians and parties.

The authors conclude that by revealed preference, via bribe payment, the free press was the strongest check on corruption in Peru.¹⁹ In other words, politicians who wanted to ensure that their crooked-ways were not made public, placed the highest value on keeping the media in

their pockets—higher than judges, mayors, or legislators. Incidentally, as the article notes, it was ultimately the press that exposed this corruption and put an end to one of the most sophisticated bribery operations ever discovered.

In general, a free media serves a critical watchdog function, making it more likely that political agents will act in a transparent and accountable way. An institutional structure that allows for private media ownership is therefore one key component to achieving and maintaining liberal democratic institutions.

As corruption continues to take the center-stage in development policy discussions, the role of media becomes all the more important.²⁰

“Citizens in countries characterized by higher levels of government ownership of the media are poorer, die younger, have higher infant mortality rates and less access to sanitation.”

¹⁸ Christopher J. Coyne and Peter T. Leeson (2004) “Read All About It! Understanding the Role of Media in Economic Development” *Kyklos* 57, pp. 21-44. John Mueller (1992) “Democracy and Ralph’s Pretty Good Grocery: Elections, Equality, and the Minimal Human Being,” *American Journal of Political Science*, 36, pp. 983-1003. See also Sen (1984, 1999), Besley and Burgess (2002) and Besley and Prat (2002).

¹⁹ John McMillan and Pablo Zoido (2004) “How to Subvert Democracy: Montesinos in Peru,” *Journal of Economic Perspectives*, 18(4), pp. 69-92.

²⁰ The Millennium Challenge Corporation criteria for allocating funds are based on country’s overall performance in relation to three broad policy categories: Ruling Justly, Encouraging Economic Freedom, and Investing in People. Low corruption is the only absolute condition in the selection criteria. See the MCC’s website: <<http://www.mcc.gov/>>

A4. SELF-SUSTAINING INSTITUTIONS

A free media is a necessary but not a sufficient condition for successful economic development. A free media is correlated with economic development and the world's most developed economies all have a free media.²¹ However, one does observe countries that have a free media but remain relatively poor such as Costa Rica, Benin, Fiji, and others. There are clearly other factors outside the media industry—political, economic and legal stability, education, ideology, etc.—that play a role in generating economic progress.

In fact, a free media can be both a consequence and a source of reform. The initial development of a free media requires the preexistence of certain fundamental institutions. For instance, some basic notion of property rights is required for private ownership of media outlets. However, once in place, a free media can serve to re-enforce existing institutions and contribute to further change.

In the case of Poland, discussed above, reforms that allowed for the initial development and protection of freedom of the press were critical in establishing private and free media outlets. Once established, these media outlets further contributed to the reform process by increasing transparency around subsequent reform efforts. Given that media is one key ingredient, understanding

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responsiveness to voter wants.”*

the various factors that influence the operation of media outlets is key to understanding their ultimate success or failure in contributing to the establishment and maintenance of a liberal and prosperous society.

The institutions of property rights, freedom of contract, and the rule of law are fundamental to economic prosperity. What is often overlooked is that in order for these core institutions to exist and be sustained over time, a free media is vital. In other words, a free media plays a vital supporting role which not only complements but also helps sustain the existence of the core liberal democratic institutions.

B. CONDITIONS CONDUCIVE TO A SOCIALLY PRODUCTIVE MEDIA ENVIRONMENT

This section considers some of the major factors that determine the effectiveness of the private media as a mechanism for economic, political, and social change.²² The factors considered are

²¹ See Djankov et al. (2003).

²² For a more detailed analysis of each of these factors see Coyne and Leeson (2004).

not meant to be an exhaustive list, but rather a few of the key determinants that allow or prevent media from contributing to the development process.

B1. MEDIA AUTONOMY

The ability of privately owned media sources to act without government interference is critical in their role as mechanisms for change. One can envision three main influences on the independence of media sources:

- (1) Market forces: as long as media sources are privately owned and do not rely on government for financial support, they will be subject to the market forces of profit and loss. Outlets that are able to meet consumer demands will earn a profit and those that fail to do so will incur a loss. A government that is actively intervening in specific industries through excessive regulation or subsidies will prevent the market from operating effectively. Instead of allocating resources to meet consumer needs, media outlets will allocate resources to meeting

“...a free media serves a critical watchdog function, making it more likely that political agents will act in a transparent and accountable way.”

the demands of political agents who can grant them favors.

- (2) General economic environment: the general economic policies undertaken by governments affect the ability of media firms to operate effectively. Media outlets will face the same negative economic situation that other businesses face in developing countries, which can potentially include an unstable monetary system, poorly defined and enforced property rights, excessive corruption and regulation, and more.

The potential problem here is that a vicious cycle may result where the financial and economic situation is so bleak that media outlets turn to the government for assistance. Doing so limits their independence as they become increasingly influenced by and dependent on government.

The general economic environment will also influence the level of foreign direct investment that is critical for the development of both the media industry as well as complementary industries. For instance, a country characterized by a high risk of expropriation attracts less foreign direct investment; investors lack confidence that their investment will be protected. This can cause media to turn to the state for financial support and thus

the vicious cycle begins.

- (3) Political pressures: they can be direct or indirect. Direct political pressures occur when those in positions of political power influence the media industry through direct contact. Forgiving debt or taxes for certain types of news coverage is a common example of direct pressure. A more extreme, though not uncommon, example would be the payment of bribes directly to media outlets to bias news in a certain direction.²³ Direct pressure influences the type of news covered and the information conveyed to the populace.

Indirect political pressure occurs when political actors exert influence on the

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structure of the media industry or complementary industries. Examples here include raising the barriers to entry so that government agents can control which outlets are legally allowed to provide news to the populace. Another example of indirect pressure is state control of the distribution mechanisms and materials that are used in the production process, such as paper for newspapers. Both types of political influence distort the ability of media sources to report accurate and complete information to the populace.

B2. LEGAL STRUCTURE

This factor focuses on the laws related to the availability of information and the ability of media outlets to use that information. Of the utmost importance are the laws that apply to private individuals and media firms as well as those that apply to the government regarding transparency and the protection of journalists and media outlet employees.

Transparency in the public sector requires that information about the government be available to the media.²⁴ Furthermore, media outlets must

²³ See for instance McMillan and Zoido’s study of corruption in Peru cited above.

²⁴ As one example of this, consider the Freedom of Information Act in the United States which requires federal agencies to disclose records requested in writing (statute 5 U.S.C. § 552). It should be noted that federal agencies can withhold information pursuant to certain exemptions and exclusions.

have the freedom to utilize this information as long as they act within existing laws which protect the rights of others. In other words, freedom of speech laws must be enforced to protect journalists from lawsuits, physical violence, harassment, and censorship. At the same time, laws must exist that protect individuals from harassment and intimidation by journalists and media outlets.

In most countries some laws exist that hold media outlets responsible for what they report. For instance, in the United States, libel and slander laws exist. Moreover, although rarely evoked, there is an exception in U.S. law that media may be required to limit what is reported in cases of national security risk. There is a fine line between these two sets of constraints. On the one hand, in order to be effective, media outlets must have the right to obtain and utilize information without being harassed by public officials. On the other hand, rules must be established so that journalists and media outlets do not harass private and public individuals. Finding the balance between the two sets of constraints and ensuring that there is no abuse in either direction can be a difficult task. It will often be a fine line whether a certain law results in intimidation.

To illustrate the difficulty in striking the right balance, consider that in U.S. law there is no such thing as “reporter’s privilege.” What this means is that government prosecutors can subpoena journalists and request them to disclose confidential sources of information if the govern-

ment believes those sources were involved in, or have information about, criminal activities. If the subpoenaed journalist refuses to divulge the source he can legally be put in jail. Despite the fact that this is currently legal, one could make the argument that this constitutes a form of intimidation.

B3. QUALITY OF MEDIA

Assuming that media autonomy and a stable legal system allowing for reasonable access and dissemination of information are present, another key factor is the quality of the media.

Openness and availability of information fosters an environment of competition between media outlets to obtain and report on information in a timely and accurate manner. There is an inherent check in such an environment because information is readily available and verifiable by other media outlets. As such, those that misrepresent facts will be eventually weeded out and overall media quality will increase.

In developing countries, it is often difficult to find well-trained employees to staff media outlets. This difficulty ranges from business management of the firm to journalists lacking the relevant skill set of how to interpret and report information. Even with autonomy and a favorable legal structure, an inability to accurately report and gather information will hinder the ability of media to effectively generate reforms and social change.

One way of overcoming this problem is opening

“Democracy and peaceful societal order will not long succeed without a free media.”

the media market to external influences through foreign direct investment and the hiring of foreign employees. This enables developing countries to import foreign media resources. These external resources can overcome the problems mentioned above on several levels. For one, foreign direct investment can aid in overcoming management problems. Foreign managers, journalists, editors and researchers will bring their skills set with them to the developing country. This also creates the possibility for untrained citizens to learn from their more experienced counterparts on the job, thus building local media capabilities.

C. IMPLICATIONS FOR DEVELOPMENT POLICY

Media is a supporting institution, crucial to the core institutions that make up liberal democracy and a market economy. Democracy and peaceful societal order will not long succeed without a free media. Many factors influence the media industry and its subsequent impact on economic, social, and political change. The analysis put forth here has important implications for the

development community.

These policy recommendations are outlined below along with questions policy makers can use to guide an evaluation of a country's media.

C1. INCREASE THE LEVEL OF PRIVATE OWNERSHIP IN THE MEDIA INDUSTRY AND ALLOW FREE ENTRY IN THE MEDIA MARKET

Countries concerned about enabling a functioning media should take steps to increase the level of private ownership in the media industry. As discussed above, every developed country has a free media characterized by high levels of private ownership. Private ownership does not just refer to media outlets but also complementary industries. These industries include distribution companies, paper manufacturers, and more. The aim is to remove the possibility of both direct and indirect political pressures on the media industry. In addition, policy should aim at allowing free entry in the media market. This reduces the risk of giving government-owned and private incumbents monopolistic positions, and it promotes quality.

Countries with higher levels of private ownership and free entry have greater wealth, less corruption and relatively developed capital markets. Removing the possibility of state ownership of media and complementary industries will insulate these industries from political influence and will foster an environment of competition.

The key questions that policy makers should ask when evaluating media in a developing country

and assessing potential policy interventions include:

- Are there state owned media outlets? Has state ownership increased or decreased on a year-on-year basis? What is the level of state ownership relative to private ownership in the media industry?
- Are complementary industries owned by the state? Has state influence in these industries increased or decreased on a year-on-year basis?
- Does the state influence the media and complementary industries through subsidies, debt relief, tax relief, etc.?
- Are there barriers to entry that prevent competition and grant monopoly privilege to certain media outlets?
- Do media outlets have to obtain licenses from the state in order to operate? If so, are licenses used to censor media outlets? What does the licensing process include (number of steps, monetary costs, bribery, renewal costs and timing, etc.)?

C2. ALLOW FOR FOREIGN DIRECT INVESTMENT IN THE MEDIA INDUSTRY

The quality of the media can be a major issue in developing countries. Often, individuals in

these countries do not have the skill set and experience necessary to put forth a media product that fulfills all of the roles outlined in this primer.

Allowing foreign investment is one key way of overcoming this problem. Foreign ownership permits foreigners with the appropriate skills to operate in the developing country, provides a readily apparent example of how to produce a quality product, and in this manner, foreign direct investment in the media industry can strengthen its independence. Attracting foreign direct investment requires an environment characterized by judicial, regulatory, and monetary stability as well as relatively well-defined and enforceable property rights.

The key questions for policy makers include:

- Are there barriers to foreign investment in the media industry?
- What is the risk of expropriation faced by foreign investors?²⁵
- Has foreign investment in the media industry increased or decreased over time?
- Are there barriers to importing technology and infrastructure that support media outlets?²⁶

²⁵ Two sources of information regarding the risk of expropriation and the broader quality of institutions are the *International Country Risk Guide* (ICRG) and *Business Environment Risk Intelligence* (BERI).

²⁶ A good source of information on the general economic environment of a country and its impact on the media industry is Freedom House's annual *Freedom of the Press: A Global Survey of Media Independence* cited above. For each country Freedom House assigns an "economic environment" score which includes: concentration of ownership, costs of establishing media outlets, costs of production and distribution, the impact of the state on advertising, the existence of subsidies and the extent to which a country's economic situation impact the development of the media industry.

C3. ESTABLISH LAWS FOSTERING TRANSPARENCY AND PROTECTING JOURNALISTS, MEDIA OUTLETS, AND PRIVATE AND PUBLIC INDIVIDUALS

A key factor in determining the effectiveness of media is their ability to obtain information related to government operations. Laws should be established that allow media outlets to obtain information in a timely fashion and report that information without repercussions. Laws must also exist that protect journalists from harassment and intimidation from public officials as well as laws that protect private and public individuals from harassment and intimidation from the media. Such laws increase transparency and allow media outlets to accurately report information to the public.

The key questions for policy makers in determin-

“Countries with higher levels of private ownership have greater wealth, less corruption and relatively developed capital markets.”

ing the relevant legal structure for the media industry include:

- Do freedom of information laws exist? If so, are they enforced? Are members of the press and general public actually able to obtain documents that are covered by such laws?
- Do laws exist to protect private and public individuals from harassment and intimidation by the media? If so, how often are they used to threaten journalists and media outlets to prevent the dissemination of information?
- Do journalists need to be licensed? If so, what factors determine if a journalist is qualified? Is the licensing process used to censor certain journalists? Do licensed journalists ever have their license revoked as punishment for reporting certain information?²⁷

C4. CONSIDER THE POSSIBILITY OF ESTABLISHING INDEPENDENT PRESS COUNCILS

In developing countries with little or no experience with liberal political, economic, and social institutions, establishing a free and vibrant press can be difficult. In many cases, these countries lack a stable and strong legal system that protects

²⁷ Freedom House’s annual, *Freedom of the Press: A Global Survey of Media Independence*, also serves as a good source of information on a country’s legal environment as it relates to the media industry. For each country Freedom House assigns a “legal environment” score. The score is determined by an examination and analysis of the laws and regulations that influence the content of media and the use of these laws by government to restrict the media’s operation. The International Press Institute <<http://www.freemedia.at/>> has data on the total number of cases of state censorship, “suppression by law” and imprisonment of journalists for the period 1999-2000.

freedom of speech and press. Moreover, laws that establish what media can and cannot do are often absent. In such cases, the critical issue is establishing the best means of providing a guarantee of a free media, and the protection of the rights of individuals from media harassment and intimidation.

One viable alternative available to policy makers is to establish independent press councils. These councils receive complaints about harassment, false or misreported information, and publicly report on such issues. Press councils are independent bodies, which are designed to be outside the control of any one political interest. Funding for press councils can come from a number of sources including membership fees and donations from non-profit organizations. The members of the council should be well-recognized as non-partisan and fair.

Press councils have no legal powers but instead serve a governance function, monitoring the media industry. This monitoring includes such things as interactions between media outlets and

political agents, and also the integrity of media outlets themselves. The aim of press council activities is to encourage responsibility on the part of media outlets and protect media freedoms by enforcing a code of conduct and set of standards.²⁸

CONCLUSION

Private ownership of media outlets is a powerful means of ensuring that the institution of media plays a supporting role for other democratic and market-oriented institutions. Indeed, a free media is the most important supporting institution a free and prosperous society can employ to ensure sound economic and political governance. Media clearly plays a role in the dissemination of information throughout society. As such, it can be seen as a key mechanism for economic, political and social change. In this regard, media operates on several key margins ranging from legitimizing reforms and political events to increasing transparency which ultimately makes political actors more accountable for their actions.

²⁸ To illustrate this point, consider the case of Australia where press freedom is not guaranteed by constitutional means but rather exists via convention. In the absence of constitutional guarantees, a large part of the sustainability of the free press stems from the Australian Press Council (available at: <<http://www.presscouncil.org.au>>). Created in 1976, the council protects the rights of journalists to access and report information. The council consists of twenty-one members including publishers, journalists and members of the public and an independent chairman. In addition to monitoring the freedoms of journalists, it also accepts and evaluates complaints by journalists against political agents and institutions and also by the public against specific media outlets. Similar press councils have developed in many other countries including the Philippines and Mozambique (created in 1991), Ghana (created in 1992), Fiji (created in 1993), and Peru (created in 1997). See Jean Huteau (April 2000) "Media and Self-Control, The South's New Option," The UNESCO Courier, pp. 43-45. Article available online: <http://www.unesco.org/courier/2000_04/pdf/uk/43.pdf>. Although the effectiveness of these councils has varied from case to case, they provide a form of self-governance, which represents an alternative to state intervention.

There are a number of factors that influence the effectiveness of a free media in contributing to the development and maintenance of a free and prosperous society. We considered three general factors: media autonomy, legal structure, and quality of media.

Policy makers concerned with enabling effective political and economic institutions must pay attention to the state of the media industry in society. A special effort should be taken to:

- (1) Increase the level of privately-owned media as much as possible and allow free entry in the media market;
- (2) Allow for foreign direct investment in the media industry;

- (3) Establish laws fostering transparency and protecting journalists and media outlets;
- (4) Consider the possibility of establishing independent press councils.

As developments in technology continue, news and information will become available to an increasing number of people throughout the world. Ensuring access to a wide range of free and competitive media sources is critical to spreading liberal democratic institutions and fostering economic prosperity. As such, the topic of media freedom will continue to be an important one for the development community. Only by understanding the critical role of a free media in the development process will efforts in this area be successful.

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