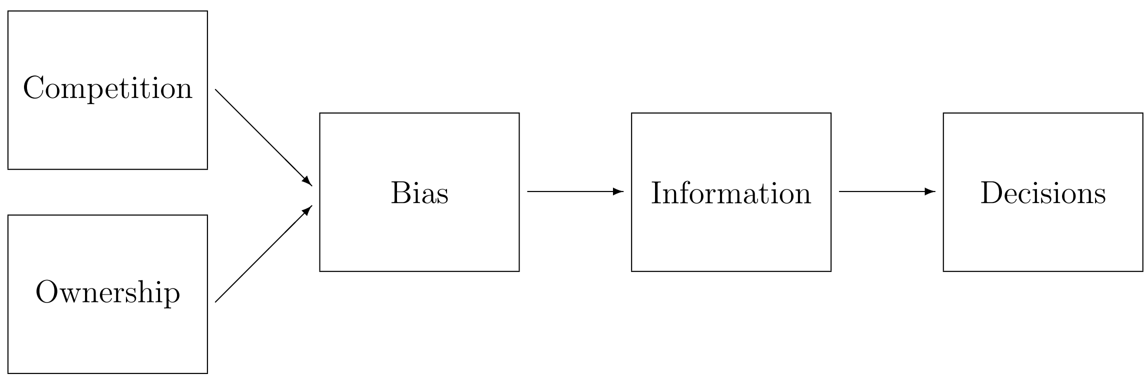
Media Freedom: What Matters?*

Scott Gehlbach
University of Wisconsin–Madison

Why do we care about media freedom? There are various answers to this question, including the intrinsic value many place on freedom of expression. From the perspective of much democratic (and, increasingly, non-democratic) theory, however, media freedom is a means to an end rather than the end itself. The presence of free media is presumed to imply better decision making by the general populace, one effect of which is greater accountability of rulers to citizens.

Roughly speaking, we can think of the relationship between media freedom and decision making as follows:



The "primitives" of media freedom are competition among media outlets and media ownership (state vs. private, concentrated vs. dispersed, etc.). Together, competition and ownership determine media bias, perhaps in interaction with various demand-driven factors (e.g., consumers prefer media that reinforce their prior beliefs). The extent of media bias determines the information available to citizens. Finally, the availability of information affects decision making.

As a stylized example, consider the contemporary Russian environment (e.g., Gehlbach, 2010). Various actions taken by Vladimir Putin have restricted competition in the media sector and transferred ownership from private actors to the state. As a result, the media express a narrower range of views today than during the 1990s. Although some citizens have access to the Internet and a still-vigorous print media, for many this has meant a decline in information about politics and policy. Perhaps as a consequence, there has been little public dissent during the Putin era, even in the context of a global financial crisis that has affected Russia more than most countries.

Much contemporary work in political economy seeks to identify these causal relationships, often in reduced-form fashion (i.e., by skipping one or more steps in the sequence above). Gentzkow, Shapiro and Sinkinson (2010), for example, examine the impact of newspaper competition on political participation, and White, Oates and McAllister (2005) and

*Memorandum prepared for discussion at the APSA Conference on Appraising Media Indicators, Annenberg Public Policy Center, November 8–9, 2010. Some of the material in this memo is based on work with Konstantin Sonin.

Enikolopov, Petrova and Zhuravskaya (2010) explore the effect of competition and ownership (access to the private Russian television station NTV) on voting behavior. Similarly, Leeson (2008) estimates the relationship between media freedom and political knowledge, where media freedom is operationalized as the Freedom House Press Freedom Index, which seems to incorporate both the first step (competition and ownership) and the second (media bias) above.

This is incredibly useful work. In thinking about the relationship between media freedom and decision making, however, a couple of precautionary notes would seem to be in order. First, all of the effects above may be conditional on other features of the political-economic environment. Second, it is important to distinguish between partial- and general-equilibrium effects. I discuss each of these themes in turn.

Conditional effects

Theory suggests that the impact of the causal relationships discussed above may be conditional on the political-economic context. As an example, consider the impact of ownership on media bias. In principle, the government can induce bias (in excess of consumer demand) even in private media through subsidization (Lawson, 2002) or outright bribery (McMillan and Zoido, 2004). If utility can be transferred from the government to private media at little cost—if budget rules allow for direct subsidies or there is a culture of institutionalized corruption—then there may be little difference between state and private media.

To continue the example, the impact of ownership may also depend on the degree of competition in the media market. As Besley and Prat (2006) show, when media outlets are perfect substitutes for one another, the cost of inducing any (common) level of media bias is greater, the more numerous are the outlets. This implies that the difference between state and private media may be greater, the more competitive is the private media market.

Finally, the impact of ownership may depend on the size of the advertising market. Private media are more costly to buy off, the larger is the advertising market, as (excessive) bias reduces media consumption. (State media may also suffer a loss of advertising revenue, but the presence of transaction costs and competition imply that the effect on bias in private media is greater.) Thus, one may expect private media to take an increasingly assertive editorial line, relative to state media, as the advertising market increases in size.

Partial- versus general-equilibrium effects

Theory also suggests that it is important to distinguish between partial- and general-equilibrium effects of various contextual factors. As a first example, consider the impact of the advertising market on media bias. In general, as Petrova (2010) demonstrates in an analysis of the newspaper market in the nineteenth-century U.S., the availability of advertising revenue reduces bias. However, as discussed in the previous section, this effect is generally greater for private than for state media. As a consequence, the government may have an incentive to nationalize private media as the advertising market grows in size, possibly resulting in an increase rather than decrease in media bias (Gehlbach and Sonin, 2010).

As a second example, consider the relationship between the value of information—say, the repressive capacity of the government—and decision making. First, and most obviously, citizens are more likely to seek out information when it is valuable: they religiously watch the evening news, employing well-honed strategies to extract signal from noise (Mickiewicz, 2008). Yet the government may respond to this demand by increasing bias in the media it controls (Gehlbach and Sonin, 2010), at least partially offsetting the first effect.

Implications for indicators of media freedom

This brief discussion has various implications for the design and use of indicators of media freedom. First, more direct indicators of the various elements of media freedom are needed; the measures of media ownership in Djankov et al. (2003) are a model for what one might hope to see more generally. Second, in employing these more direct indicators, empirical researchers might give greater attention to conditional effects of media freedom—to the best of my knowledge, these have largely been ignored in existing work. Finally, research design should be sensitive to potential endogeneity arising from general-equilibrium effects (a general point, but one that seems particularly salient here).

References

Besley, Timothy and Andrea Prat. 2006. "Handcuffs for the Grabbing Hand? Media Capture and Political Accountability." *American Economic Review* 96:720–736.

Djankov, Simeon, Caralee McLiesh, Tatiana Nenova and Andrei Shleifer. 2003. "Who Owns the Media?" *Journal of Law and Economics* 46(2):341–382.

Enikolopov, Ruben, Maria Petrova and Ekaterina Zhuravskaya. 2010. "Media and Political Persuasion: Evidence from Russia." Mimeo, New Economic School.

Gehlbach, Scott. 2010. "Reflections on Putin and the Media." *Post-Soviet Affairs* 26(1):77–87.

Gehlbach, Scott and Konstantin Sonin. 2010. "Government Control of the Media." Mimeo, University of Wisconsin and New Economic School.

Gentzkow, Matthew, Jesse M. Shapiro and Michael Sinkinson. 2010. "The Effect of Newspaper Entry and Exit on Electoral Politics." *American Economic Review* forthcoming.

Lawson, Chappell. 2002. *Building the Fourth Estate: Democratization and the Rise of a Free Press in Mexico*. Berkeley: University of California Press.

Leeson, Peter T. 2008. "Media Freedom, Political Knowledge, and Participation." *Journal of Economic Perspectives* 22(2):155–169.

McMillan, John and Pablo Zoido. 2004. "How to Subvert Democracy: Montesinos in Peru." *Journal of Economic Perspectives* 18(4):69–92.

Mickiewicz, Ellen. 2008. *Television, Power, and the Public in Russia*. New York: Cambridge University Press.

Petrova, Maria. 2010. "Newspapers and Parties: How Advertising Revenue Created an Independent Press." Mimeo, New Economic School.

White, Stephen, Sarah Oates and Ian McAllister. 2005. "Media Effects and Russian Elections, 1999-2000." *British Journal of Political Science* 35(2):191–208.