

The Economics of Media Freedom: is Sri Lanka on a virtuous or vicious cycle?

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Is media and press freedom a matter of economics? The answer is a resounding yes. But it may be important to explain why. There are at least three reasons. We can describe them as indicative, instrumental, and integral.

Freedom “from” and freedom “to”

Isaiah Berlin, the renowned British philosopher of Russian-Jewish origin helped to articulate the idea of freedom by distinguishing its negative and positive forms. Negative freedom relates to the external constraints (we face from others) in pursuing our actions. Positive freedom relates to the internal constraints (we face from within) in overcoming our lesser instincts and pursuing our own deeper expectations of ourselves. Media freedom should also be seen in this wider scope. It is about the vibrancy that media achieves, not simply about the external constraints faced.

How does Media Freedom Matter for Economics?

Indicative: The indicative reasons are the easiest to explain. Media freedom is indicatively important because it is a direct reflection of the "doing business" environment. Future oriented, strategically minded business leaders, assisted by think tanks and research organisations, make it a habit of conducting what is known as **PESTEL analysis**. That is an analysis of the Political, Economic, Social, Technological, Environmental and Legal factors that impact a business.

The vibrancy of the media in any society is a quick and important indication on several of the PESTEL factors; not only because the level of media freedom is formed by the PESTEL environment, but also because the PESTEL environment is formed by the level of media freedom. There is here, invariably a virtuous or vicious cycle.

Instrumental: The instrumental reasons have two layers. The first is directly connected to economic actions. Information is fundamental to economic success and the media is the most important institution in the provision of information. More information, greater reliability of information and information shared equally (rather than asymmetrically) paves the way for more and better decisions, investments and transactions. For instance, it is precisely poor investigation and dissemination of information with regard to the assets and activities of the publicly quoted finance company CIFL, which crashed in August 2013, that led to depositors being wooed and now left them in the lurch.

The second layer of instrumental reasons is less direct. That is free media helps to reduce bad political practices that are corrosive to economic success, by shining the light on such actions. A study by Pal, Dutta and Roy on media freedom, socio-political stability and economic growth underscores this instrumental benefit. First by increasing government accountability, and second by increasing the political consciousness of citizens, the media helps to improve the overall economic environment and results. A vibrant media can help to expose corruption and incompetence that leads to government failing the public, such as the failed CIFL being listed as an accredited institution by the Central Bank.

Press Freedom Trends in Sri Lanka

Before explaining the integral reason, it helps to examine how Sri Lanka is doing on Media Freedom. Freedom House, a US-based organisation, has developed a **Press Freedom Index** (PFI) for 197 countries. Scores range from 0 (best) to 100 (worst). Rating is based on 23 methodological questions, divided into three sub-categories that deal with the **Economic**, **Political** and **Legal**, environments within which press reportage takes places (The first E and P&L of PESTEL).

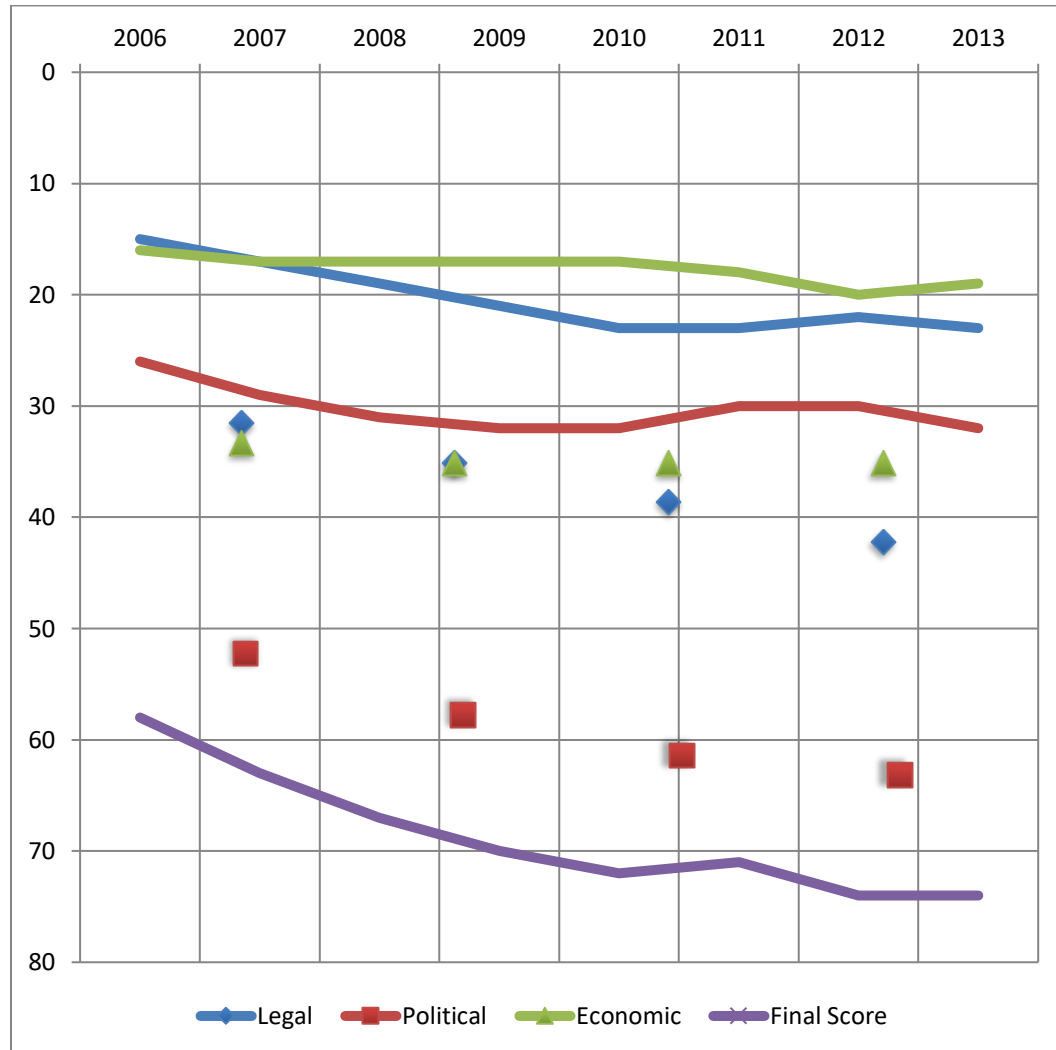
SAARC: Ratings for 2013 are based on assessment between 01 January and 31 December 2012. In 2013, Sri Lanka's rank fell 3 places from 161 to 164, now making it the worst performer in the SAARC region, with a press freedom score that is below even Afghanistan, Iraq and Egypt – three countries that have been hugely destabilised in the last decade.

Commonwealth: Among Commonwealth states, Sri Lanka ranked 49th of 53 member-states, both last year and this year alike. Worse than Sri Lanka was the Southeast Asian sultanate of Brunei (167) as well as African states of Swaziland (170), Rwanda (174) and The Gambia (179).

The press in each country is classified as **free** (scores of 0 to 30), **partly free** (31 to 60) and **not free** (61 to 100). Sri Lanka's absolute score is 74 on the 2013 index (down from 71 the in 2012), thus falling into the category of a country whose press is **not free**.

The P&L of PESTEL: Post-war trends in Press Freedom

Figure 1. Time-Series of Freedom House Press Freedom Scores for Sri Lanka*



*The vertical axis is in reverse order because a higher score indicates a worse outcome.

Legal Environment: The freedom house assessment scores the legal environment in terms of the regulatory framework for potential impact on press freedom. This includes constitutional provisions guaranteeing rights for the freedom of expression, security laws that have an impact and laws dealing with the right to information. It also examines judicial independence, media registration regulations and the ability to operate effectively.

The index captures Sri Lanka's legal environment for the press getting steadily worse during the last 4 years of the war, and this momentum of decline continuing into the post-war period. The environment improved slightly in the 2011-2012 period, and declined again to its lowest level in 2012-2013.

Political Environment: This is scored on the basis of political control over the media. That includes editorial independence, restrictions on sources of information, official censorship and self-censorship, harassment, intimidation or other imposed barriers, including arbitrary detention, imprisonment, violent assault or other threats.

Here the index captures the same trend as the legal environment, except that the momentum did not continue into post-war. The environment did not get worse in 2009-2010, and improved 2010-12. But reversing this positive turn, it has gotten

Economics is also Integral

Besides the indicative and instrumental reasons Media Freedom relates to Economics for integral reasons. This is because the vibrancy of media (and this is true of democracy as well) is determined not only by political and legal structures, but also by the economic structures.

The Freedom House index gets at this though evaluating concentration of ownership, costs, vulnerability to state and private advertising as well as financial corruption of journalists.

Sri Lanka is relatively better performing in the economic factors. Here, the war years were not the cause of deterioration (see figure 1). But post-war there has been a steady deterioration from 2010-2011 and 2011-12; but also an improvement in the period 2012-2013.

Media Freedom is an "Institution"

A previous Verité insight on the "Economics of the Non-Economical" discussed how the quality of institutions in a country matter for economic success, determining the health and returns of economic activity, and that institutions were not merely buildings, or organisations, but principally systems and norms by which we function. In that light, a vibrant media is a very important institution for any country.

At the dinner to commemorate the independence day of India on 7 September, organised by the Sri Lanka India Society, Padma Bhushan Shekhar Gupta, Editor-in-Chief of the Indian

Express newspaper ended his address on this note: "Institution building is a tough job but institution building is the finest investment a democratic and diverse society can make in its future". Though Shekhar Gupta is not an economist, his discernment resonates deeply with the best principles of economics.

(Verité Research provides strategic analysis and advice to governments and the private sector in Asia)