

# Mass Media and Political Accountability\*

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## 1 Introduction

Mass media can play a key role in enabling citizens to monitor the actions of incumbents and to use this information in their voting decisions. This can lead to government which is more accountable and responsive to its citizens' needs. In spite of the intuitive plausibility of the proposition, there is comparatively little work in the political economy literature that scrutinizes the role and effectiveness of the media in fulfilling this function. A literature, however, is emerging which focuses attention on the importance of the so-called fourth estate of government in the policy process. A key feature of the approach taken here is to focus on incentives the media have to produce and disseminate information.

This chapter discusses work on political agency problems with a focus on recent work by the authors. Besley and Burgess (2001), (2002) looks at the effect of media on responsiveness to shocks in India while Besley and Prat (2001) focuses on the determinants and consequences of captured media, with empirical evidence from cross-country data. At the heart of these

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papers is the idea that citizens have imperfect information about the actions of government. Mass media can therefore enhance citizens' abilities to scrutinize government actions. Here, we develop the main themes and assess the emerging empirical evidence. The latter identifies and tests the mechanisms through which development of mass media can enhance accountability. It also examines the determinants of media capture and hence the constraints on its capacity to perform a watchdog role.

There is a host of reasons why governments are better informed than voters and, hence, act on the basis of privileged information. Politicians know more about their competence than those who vote for them. They have access to more policy advice and scenarios from a variety of sources. For example, if a bridge or dam is being built, then it is only through media scrutiny that citizens can ascertain whether proper attention has been paid to the relevant costs and benefits. Similarly when natural disasters strike an active mass media increases the ability of citizens to monitor their representatives have put in effort to protect the vulnerable. This is particularly important in low income countries where citizens rely so strongly on state action for social protection. Suppose, for example, that there is a region of a country containing fifty villages where one village is hit by a flood. Without media, only those directly affected can observe the actions of government. However, mass media enables citizens in all fifty villages to observe whether the government is responsive. This raises the incentive of politicians to respond since citizens in the other forty nine villages may use this information in their voting decisions.

For information generated by the media to be valuable, it needs to elicit an appropriate collective response. Even in autocratic settings, this may be possible. However, clearly this is more likely to happen when there are democratic institutions such as free elections. In a democracy, citizens require information which they can use to select politicians that serve their needs and to punish those that do not. Otherwise formal democracy has no bite.

While most countries have media of some description, its mere existence is no guarantee that it is an effective vehicle for critical scrutiny of state actions. This requires that media outlets have real information about such actions which they are willing to print or broadcast. This will depend on the extent to which the media is regulated, captured or repressed. The latter is affected by a variety of government actions. These range from policy decisions affecting the regulation of entry and ownership of the media,

through to explicit bribery or threats. There are many countries which, while formally democratic, have limited amounts of press freedom. In a sample of 151 countries for which we have both a press freedom ranking from Freedom House and which have held elections in the past five years then we find that 36 receive one of the bottom two press freedom scores and only 59 are in the highest two categories.<sup>1</sup> The “democracies” with low press freedom scores also tend to be low income countries.

How the government treats the media industry affects the development of news media and the quantity and quality of news generated. What the raw data suggests is that there are huge variations in access to the media across the world. Data from the World Development Indicators data for 1997 show a variation in circulation between 0.008 daily newspaper circulation per 1000 population in St Vincent and the Grenadines to 792 in Hong Kong. There are similarly broad variations in television ownership. The same data source shows a variation in television ownership per 1000 population varying from 0.1 in Rwanda to 850 in the United States. Not surprisingly, there are strong links between media development and other development indicators such as income per capita and literacy. After controlling for income per capita and regional dummy variables, there is also evidence that newspaper circulation and television ownership is lower in countries that have a larger fraction of state owned media using the data of Djankov et al (2001).

Whether causal or not, there is also a strongly positive correlation between media penetration and measures of press freedom from Freedom House. Media penetration seems also to go hand in glove with indices of formal and real democracy. Using data from the Polity IV data base,<sup>2</sup> countries that are rated as more democratic have higher levels of news media penetration as measured by newspaper circulation and television ownership. Of course, the direction of causation is unclear. There is a similar positive correlation between media penetration and the weaker formal notion of democracy measured as whether a country has held an election in the past five years.

What these raw correlations tell us is that there may be significant costs associated with having an underdeveloped media. Moreover, underdevelopment of the media is often the result of decisions by governments to insulate themselves from scrutiny and criticism. Often this takes the form of government ownership, barriers to entry for private media companies and anti-

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<sup>1</sup>The ranking is on a six point scale.

<sup>2</sup><http://weber.ucsd.edu/~kgledits/Polity.html>

defamation laws. While this may be in the interests of government officials, it is often less clear how it serves the public good. Deregulation of the media therefore stands out as a possible powerful policy lever that could be used to promote accountability in the underdeveloped world. How such deregulation could be implemented in the face of government opposition is a challenge that needs to be faced.

The chapter is organized as follows. In the next section, we discuss how the media can mitigate political agency problems in theory. We first discuss how the media can reduce or improve the efficiency of the political system, assuming that the media operates freely. We then discuss the theory of media capture. Section three reviews the evidence both from within country and cross country studies. Section four concludes.

## 2 Intellectual Framework

This section lays out the political agency framework which we view as a useful organizing device for discussing the role of the media in democratic settings. We first discuss the forces that influence the effectiveness of free and independent media. We then discuss what determines the likelihood that media is captured.

### 2.1 Political Agency Problems

A good framework in which to think about the role of the media is one in which citizens are imperfectly informed about the actions of government and the track records of their leaders. To the extent that we believe that politicians may behave opportunistically, and serve their own private agendas ahead of that of the public at large, then politics is a kind of principal-agent problem. The principals are the citizens of the polity who finance government activities through taxes and are subject to various regulations, and the agents are the elected officials and bureaucrats who determine policy outcomes.<sup>3</sup>

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<sup>3</sup>This approach has a long tradition in both political science and economics beginning with Barro (1973) and Ferejon (1986). For recent reviews see, for example, the contributions in Przeworski, Stokes and Manin [1999] and Persson and Tabellini (2000, chapter 4).

There are a couple of features of political agency which distinguish it from other agency relationships that economists have studied. First, the incentive schemes on offer are typically very crude. For example, with politicians, the only sanction typically available (except for cases of gross malfeasance) is not to re-elect. Monetary or other more nuanced incentive contracts are almost never observed. This has the consequence that incentives are mostly *implicit*, with politicians having to guess what the voters would like them to do, rather than the latter posting performance criteria in advance. Even in the case of lobbying, it is very hard to imagine a very complete contract which specifies the details of what the principals (the lobbyists) desire.

The second distinctive feature is multiplicity of principals. There are many citizens and other actors (such as corporations) who differ in countless ways. Thus even if the incentives could be made explicit, it might be very difficult for the principals to agree on the incentives that they will subject their agents to. Thus, we could easily find principals with diametrically opposed interests wishing to pull the actions of the agents in different directions.

Information availability is at the heart of this agency theoretic view of government and politics. When the principals try to influence policy either via the ballot box or by lobbying, then they do so with limited information about the agents whom they are lobbying. There are both problems of hidden action (moral hazard) – when an agent has discretion to make or take a bribe unbeknown to the citizens, and hidden type (adverse selection) – when the motivations and/or competence of the agent is unknown. Effective incentives would ideally punish incumbent politicians for bribe taking and/or incompetency. But if this cannot be widely observed, then doing so is difficult.<sup>4</sup>

There are good reasons for believing that private information gathering exercises by the principals are unlikely to provide sufficient information. This insight is at least as old as Downs (1957) who argued that voters would be “rationally ignorant” about politics because they have significant costs of being informed and negligible benefits – they being only one out of a mass of voters. This rational ignorance comes on top of the usual free-riding

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<sup>4</sup>Besley and Case (1995) suggests that there is evidence for the empirical significance of political agency models applied to U.S. Governors, some of whom periodically face a term limit which bars them from running for office again. Incentives for governors to acquire reputations vary at such points – those with re-election incentives have stronger incentives than those without. They find that there are distinct policy differences between Governors in their initial and term-limited terms.

problem in voting itself, when a single voter may not find the benefits of voting exceeding the cost. This might suggest great pessimism in the ability to find solutions to political agency problems.

However, there are at least a couple of reasons to be more optimistic. First, there can be significant private gains to becoming informed about policy. Consider the case of old-age pensions. Any rational individual planning for their retirement would have a significant private benefit from understanding the evolving public policy debate in this area. Second, the power of forces such as a civic duty may make private benefit a poor guide to what happens in practice.

The third reason for potential optimism is the primary focus here – the role of the media. Mass media can be a powerful source of information generation at low cost to citizens. By being bundled with other activities (such as sport or entertainment) many individuals may be induced to regard acquisition of information not as a chore, but as a pleasure, thus raising the general level of awareness about policy and public affairs. This, at least, is the rosy eyed view. Here, we will use the framework of political agency to give a tighter specification of the issues. We will suggest that discussions of the effectiveness of the media can usefully be decomposed into two parts: (i) the forces that enable a free and independent media to induce governments to better serve the public interest; (ii) the forces that lead the government to successfully intervene to silence the media.

## 2.2 Media and Agency

There are three main routes by which non-captured media can affect political outcomes: sorting, discipline and policy salience. We will discuss each of these possibilities in turn and then what features of politics and media markets are likely to give the largest incentive to the media to perform this function.

Sorting refers to the process by which politicians are selected to hold office. The motivation of politicians is a potentially important issue for citizens – some politicians (albeit rarely) such as Gandhi and Nelson Mandela enjoy an almost saintly status while others are reviled. The practical ground is typically intermediate between these two. However, the kind of information provided in the media can potentially be important to voters who are deciding who to put in charge. This would include information about the previous track record of potential office holders. Actions that they perform

in office may also be an important source of information about their underlying motivation or competence. By printing news stories that responsibly cast light on this, the media can be a powerful force. To the extent that sorting is effective, ex post incentives are less necessary.

The role of the media in achieving discipline is most relevant in situations of hidden action. Suppose that a politician is thinking of taking or making a bribe and that the probability that this will become public depends on the efficacy of the media in both discovering it and broadcasting it widely. Then the marginal cost of that action will tend to be higher, potentially deterring the individual from doing so. Thus, we would expect media development to be negatively correlated with such actions leading to better incumbent discipline.

The media can also have an effect on which issues are salient to voters. Besley and Burgess (2002) considers the case of a vulnerable population in a developing country subject to shocks such as droughts and floods. Such populations are dependent on state action to mitigate the impact of these shocks but need political clout to get their interests on the political agenda. One way of achieving this is for politicians to find it worthwhile to develop reputations for being responsive in the event of shocks occurring. This requires that these groups are informed about actions of politicians and that, if they are informed, then the issue is salient among the many other characteristics of politicians that they care about. Assuming that responsiveness of government to droughts or floods is a significant enough issue to these citizens, then more information enhances the salience of this issue at the ballot box and, thereby, creates incentives for politicians to build reputations for being responsive. Mass media can thus play a central role in enhancing responsiveness by providing information that citizens can use to decide whom to vote for.

More generally, by publicizing politicians' stances on particular issues, the media can change the structure of salient issues in elections. This may mean that the media wields considerable influence. In some countries this can be less than benign, depending on the motives of newspaper owners – news stories can, for example, publicize events that enhance the salience of ethnic tensions leading to victimization of these groups.

All three of these effects rely on the media providing reliable information. The quality of the news on offer to citizens depends on a number of factors. First, the transparency of the political system is important. In countries without traditions of free information flows, information will tend to be hard

to obtain. The extent to which the media will print more speculative news will also be dependent on the legal environment in which the news media operate. For example, the United States allows a public figure defence in libel law and therefore makes it easier for news media to print stories without recourse to libel suits. This contrasts with the UK where libel laws make publishing speculative news stories more difficult.

Also important to news quality will be the methods and traditions of investigative journalism. This may depend on the training of journalists and the extent to which news editors reward investigative activity and allow journalists to devote time to it. It may also rest on some perception of how keen are the citizens of a particular country to be informed and hence the commercial value of breaking important news stories.

## 2.3 Media Capture

As we have just argued, to keep government accountable to the electorate a country needs effective media. In this section we study one of the main obstacles to media effectiveness: the possibility of political capture.

What motivates media? First, they want to reach a large audience. This is true both for newspapers because sale and advertising revenues are linked to circulation and for television stations because of advertising and, where applicable, cable fees. Competition for audience interest pushes the media to look for interesting news and to establish a reputation for reliability.

While the desire to increase market share is common to most industries, there is also a second motivation that derives from the special role of media as political monitors. Anytime someone is monitored, they may be tempted to ingratiate or threaten the monitor in order to get better coverage. In the case of the government and the media this takes a variety of forms. Some are very simple, like cash bribes offered to individual journalists, violent threats, or censorship. Some are more subtle and typically not illegal. The government can pass regulation that benefits the ultimate owner of a particular media outlet. For instance, if a newspaper is owned by an industrial conglomerate which also owns a car company, beneficial regulation can take the form of a tariff on car imports.

To ascertain which of the two motivations we should expect to prevail, Besley and Prat (2001) build a simple model of media capture. There are three classes of players: voters, politicians, and media. Voters are rational and, for simplicity, they have homogeneous preferences. Their problem

is they cannot monitor their politicians directly. All the information they receive comes from the media.

The political side of the model is represented by a standard two-period accountability problem. In the first period, a politician (the incumbent) is exogenously put in power. The type of the incumbent (good or bad) is not directly observable. At the end of the first period, an election is held in which voters can re-elect the incumbent or replace her with a challenger of random type. In the second period, the candidate who wins the election is in power.

The media industry is made up of  $n$  a priori identical outlets. With some probability, they receive verifiable news on the type of the politician, which they can report to the public (for simplicity we assume that they are either all informed or all uninformed). We assume that a media outlet cannot fabricate news and that an outlet that reports informative news has a higher audience than one that reports no news. Moreover, the audience share of an outlet that reports news is decreasing in the number of other outlets that report news. The best case for an outlet is to be the only one to break news.

We also assume that news can only be bad, that is one may have verifiable information that a politician is bad but not that she is good. This assumption is not restrictive for our purposes because the government would never want to suppress positive news. The important assumption is that news cannot be fabricated. Allowing for that - while keeping the assumption that voters are rational - would make the analysis very difficult. The credibility of media would arise as a result of a complex signalling game.

The revenue of a media outlet has two components that correspond to the two motivations discussed above. The first is an increasing function of audience. The second is a transfer from the government (which should be interpreted loosely as favorable regulation). The cost to the politician of making a transfer of a given value to the outlet depends on transaction costs. This is because some forms of transfer may be illegal or politically costly, while others can be disguised as normal policy making. More about transaction costs will be said later.

The timing of the game is as follows: (1) The media outlets receive or do not receive verifiable information about the incumbent; (2) The incumbent knows what information the media got and makes them transfer offers; (3) Each outlet chooses whether to accept or reject the offer; (4) The outlets that accept the offer suppress their information; the ones that reject it report their information to voters; (5) Voters re-elect the incumbent or replace her with a challenger.

In searching for the equilibrium of this game, the main question is whether the incumbent finds it profitable to buy off the media industry or not. If an outlet thinks that all the other outlets are going to be quiet, then its incentive to reject the incumbent's offer goes up because it would be the only one to break news to voters and it would gain a large audience. This means that, in an equilibrium in which all media sell out, the incumbent must pay each outlet as if it were the only one who could break news. Even if we keep the total industry potential revenues constant, increasing the number of media outlets makes it more expensive for the incumbent to buy their silence. This is the sense in which media pluralism is good for media independence.

Besides the number of outlets, the other parameters that determine whether media are captured or not in equilibrium are transaction costs and the amount of audience-related revenues. Both decrease the likelihood that the incumbent manages to silence media. Instead, the probability that media are informed does not affect media capture but of course it increases the probability that voters are informed.

This model can be extended in a number of directions. Besides having a "type", the politician may choose the amount of rent extraction activity she carries out. The larger the rent, the higher the probability that the media are able to spot her. Then, media monitoring does not only weed out bad politicians but has also a discipline effect because it makes dishonest politicians more likely to get caught. This creates a U-shaped relation between media effectiveness and political turnover. The probability that the incumbent is replaced is low both when the effectiveness is very low (because no politician is ever caught) and when the effectiveness is very high (because no politician dares to extract rent). Other possible extensions include ideological media, vertical differentiation, and endogenous entry.<sup>5</sup>

To summarize, the media capture model yields several testable implications. The probability of media capture, and hence of bad political outcomes such as corruption, depends positively on the following variables: media industry concentration, transaction costs, and audience-related revenues.

Transaction costs are particularly interesting. One should expect that they depend on media ownership. If the outlet is state-owned, the government may appoint the management and control the resources. If it is owned by a family or has a controlling shareholder, the government can pass regulation favoring the interest of the owners. If it is a widely-held corporation,

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<sup>5</sup>See Besley and Prat (2001) for details.

then the government cannot benefit the owners directly but has to do some direct transfer to the outlet. Finally, if the owner is a foreign entity transfers may become very difficult.

### **3 Empirical Evidence**

Our analytical framework has served to identify a number of channels through which mass media can influence policy making. Information provided via the media can be used in voting decisions. This can both increase the salience of particular issues and of selecting politicians which act in the public interest. A free press can also serve as a direct check on the excesses of politicians. Therefore we might expect some effects of factors like corruption. In general, it is not easy to find reliable evidence to match with the richness of the theoretical possibilities. In this section we review the limited available evidence. What we know comes mainly from fairly reduced form cross-country evidence. This is a notoriously difficult context to study with directions of causality being near impossible to discern and highly imperfect measures of most variables. A more promising approach is to exploit data from within countries that for one reason or another exhibit variation in media activity. A case in point is India where state level media institutions vary significantly. We will discuss the findings that are available from this and other contexts. Given its greater reliability we discuss the within country evidence first and follow this by an assessment of what can be learned from cross-country studies.

#### **3.1 Evidence from India**

The tradition of free and independent press has permeated somewhat into the developing world. A prominent example is India which has a newspaper industry that is distinguished from the bulk of other low income countries by being both free and independent (Ram, 1991). Sen (1984) has attributed a major role to this factor in explaining why India has not experienced any major famines in the post Independence era. He observes that “India has not had a famine since independence, and given the nature of Indian politics and society, it is not likely that India can have a famine even in years of great food problems. The government cannot afford to fail to take prompt action when large-scale starvation threatens. Newspapers play an important part in this,

in making the facts known and forcing the challenge to be faced.” (page 84). In contrast, the lack of democracy and of freedom of information have been pointed to as reasons behind why China experienced a major famine between 1958 and 1961 with excess mortality figures ranging between 16.5 and 29.5 million. Representative democracy and the media have also been identified as factors in African countries which have been successful in preventing famines (see Dreze and Sen, 1989). As the Sen statement makes clear media increases the salience of government performance in famine situations by providing information on the actions of politicians which citizens can use in their voting decisions.

Though suggestive the Sen analysis does not establish a robust link between development of mass media and government responsiveness. Analysis of the role of media in influencing government policy has recently been deepened by Besley and Burgess (2002). Using panel data for Indian states for the 1958-1992 period, they look at two policy response systems. First, public distribution of food as a response to falls in food production associated with droughts. Second, spending on calamity relief as a response to crop damage caused by floods. They then examine how newspapers and politics affect how responsive state governments in India are to these shocks. They find that higher newspaper circulation is associated with government being more responsive to falls in food production and flood damage. The magnitudes of the effects that they find is large – a 10% drop in food production is associated with a 1% increase in public food distribution in states which are at the median in terms of newspaper circulation per capita whereas for states that are in the 75% percentile a 10% drop in food production is associated with a 2.28% increase in public food distribution. Interestingly Besley and Burgess (2002) find that it is newspapers published in the regional languages that are driving their results.<sup>6</sup> This makes sense – it is regional language news papers that report on localized shocks and are more likely to be read by local vulnerable groups and politicians. These results hold up in the face of a whole array of robustness checks. Thus we have strong evidence that even *within* India variation newspaper circulation can explain how responsive government is to the needs of its citizenry.

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<sup>6</sup>We have data on newspaper circulation broken down into nineteen different languages. Hindi and English (at least in part) are national in scope whereas the remainder tend to be state specific. Poor, vulnerable populations will tend to be conversant in the state specific language. In our regressions therefore newspaper circulation is broken out into Hindi, English and “Other”.

In line with political agency theory it is the interplay between mass media and political institutions that determines government responsiveness. Besley and Burgess (2002) examine how various political factors influence government responsiveness. They find that political turnout increases how responsive state governments are to drought and flood shocks. Greater political competition is also associated with greater responsiveness. This makes sense as higher turnout and more intense political competition will increase the incentives for politicians to build reputations for being responsive to the needs of their citizens.

Table 1 is taken from Besley and Burgess (2001) and gives the rank of a measure of state level responsiveness in public food distribution in India along with rankings of other state characteristics. The responsiveness measure tells us how much food, on average, is publicly distributed as a response to food production changes in a given state. According to this measure, Kerala is the most responsive and Bihar the least responsive state. The striking feature of this ranking is how weakly this responsiveness measure relates to the income per capita ranking. However, the rank of newspaper circulation follows the responsiveness ranking quite closely.

These results along with those in Besley and Burgess (2002) are strongly supportive of the notion that mass media helps to solve political agency problems and make governments more accountable. The intuition of what is driving the results is simple – by making the actions of the politicians more transparent the media is providing information to citizens as to the likelihood that they will be protected in the future. Citizens in turn are using this information in their voting decisions. Politicians realize this and this creates an incentive for politicians to be responsive to shocks. Note that this incentive is present even where politicians have no inherent interest in protecting citizens and are only doing so in the interests of garnering the votes of vulnerable citizens. Mass media thus affects responsiveness both by increasing the salience of the social protection issue and by affecting the selection of politicians via voting.

The Indian evidence is consistent with other recent country studies suggesting that media can have effects on policy making. For example, Yates and Stroup (2000) look at pesticide decisions by the U.S. Environmental Protection Agency and find that more draconian standards are set where more newspaper articles about safety have been published historically. This fits with the idea that issue salience can change with the media. Larcinese (2001) finds that mass media both determines the political knowledge of cit-

izens and also drives turnout in data from the UK. Strömberg (2001) relates New Deal spending in county level data for the United States to radio ownership, finding a positive association between the two which suggests that areas with higher penetration of radios were more successful at attracting New Deal spending. What makes the Indian evidence particularly poignant is the fact that it comes from a low income country.

## 3.2 Evidence from Cross-Country Data

A number of corruption measures have recently become available for different countries. It is interesting to see whether measures of press freedom are correlated with these measures. In accordance with the theoretical discussion above, we would expect that greater press scrutiny would be associated with lower corruption. Ahrend (2001) and Brunetti and Weder (1999) have carried out exercises along these lines and show that there is a negative correlation between press freedom measures and corruption in cross country data. It is difficult, however, to draw causal influences from such findings, if media can be captured by corrupt governments who can then get away with even greater corruption, then the two would co-determined without one causing the other. To make further progress, we need to measure features of the media market which may make media capture more or less likely – proxies for the transactions costs discussed in Besley and Prat (2001).

One promising route takes advantage of the data on media ownership collected in Djankov et al (2001). It seems plausible to think that state ownership of the media, in particular, will lower the cost of capturing the media. Suggestive of this idea, Djankov et al (2001) find that higher corruption is found in countries with fewer state owned newspapers. They find no effect for television.

Using the same data Besley and Prat (2001) also look at corruption as an outcome. Using three different sources of data on corruption, they find that corruption is negatively correlated with foreign ownership of the media. This finding is robust to including a wide variety of different control variables. They interpret this finding as evidence that foreign ownership may be correlated with factors that make the media a more effective information generating device.

The Djankov et al (2001) and Besley and Prat (2001) results together point to the need for us to better understand what determines media capture. A rough way of measuring media capture empirically is to look at whether a

country's press freedom is given a score of less than or equal to 2 on Freedom House's six point scale.<sup>7</sup> We can then ask which characteristics of a country's media market are significant correlated with media capture so measured. To do this, we exploit the data of Djankov et al (2001). Specifically, we include three variables: the extent of foreign ownership, the extent of state ownership and a measure of ownership concentration. In line with Besley and Prat (2001)'s theoretical predictions, capture is more likely if there is more state ownership of newspapers and there is greater concentration in ownership of newspapers. The latter suggests that media capture is affected by media plurality. Unlike the case of corruption as an outcome, there is no significant effect of foreign ownership on the probability of capture.

Besley and Prat (2001) also ask whether the observed correlation between media ownership and political outcomes is because private or foreign ownership makes media more efficient or because it makes them less susceptible to political capture. Using perceived media independence as an instrumental variable, it is possible to run a test to check whether, conditional on being non-captured, media ownership influences political outcomes. In the case of private ownership, there appears to be no efficiency gain. The beneficial effect of having private media comes only from the fact that they are less likely to be captured. Instead, in the case of foreign media, the overidentification test fails, and one cannot exclude that both the efficiency and the non-capture channels are active.

These relationships can be seen graphically in Figures 1 and 2. Figure 1 plots press freedom (measured on 1-6 scale) against the degree of state ownership of newspapers using the data from Djankov et al (2001) and Besley and Prat (2001). A high press freedom score denotes more freedom. The line gives the regression line between these points emphasizing the downward sloping relationship. If we define press capture as a having a press freedom score less than or equal to three, we can predict the probability that press will be captured. We do so off of three variables: state ownership of newspapers, foreign ownership of newspapers and concentration in newspaper ownership. We then graph the International Country Risk Guide corruption measure (also on a 1-6 scale) against our predicted probability of capture. The result is given in Figure 2. The upward sloping pattern in the data should now be clear – with countries with a higher probability of being captured having more corruption. While crude, they illustrate how the cross-country data

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<sup>7</sup>This is closely related to the empirical analysis of Besley and Prat (2001).

can be used to inform the theoretical discussion.

Djankov et al (2001) also casts light on the political salience argument since they find that a very broad array of welfare and policy indicators respond positively to a lower fraction of state ownership of newspaper. If one takes ownership as being correlated with the quality of the information generation process. This would be true, for example, if profit motivated media invest more in finding out important news stories. Then, the changing policy priorities found in the data are consistent with the idea that issue salience is changing with development of the media.

## 4 Concluding Remarks

Worldwide there has been a drive to make governments more accountable to the needs of citizens. The governance agenda has been pushed by a range of actors from domestic and international NGOs through to the international financial organizations. Though there is widespread consensus on the need to improve accountability it is much less clear what mechanisms might be used to achieve this. This chapter marshals evidence which suggests that a free and independent press working in conjunction with democratic institutions can make governments more responsive to the needs to citizens. Political agency models have proved to be a useful foundation for thinking about the role of the media since they put the importance of information in the political process at centre stage. We have discussed the various chains of influence via which the media can have an important input into the policy process according to such models. We then argue that the models have some empirical mileage with evidence tying the electoral process, the media and government actions together. While the empirical literature is in its infancy, the data certainly suggests that the message that the media sector has a role of play in political agency has some link to the facts. Understanding better what makes governments better servants of the people, and how strengthening institutions supports this role, defines a rich agenda for future work in political economy.

Our central conclusion must be that a free and independent media should not be viewed as a luxury that only rich countries can afford. Instead our analysis suggests that it should be viewed as a requisite and integral part of representative democracy. A key question then is what directions of reform can strengthen the role of media in promoting accountability. The question of

media regulation is a central question here. In past decades, most countries had heavy industry-specific rules for the press and for broadcasting. Instead, in the 90's many developed countries (including the US and the EU) have seen a dramatic shift in the philosophy behind media regulation. The new paradigm is that media should be ruled by the same basic competition policy principles that are applied to the other industries, which in turn are mostly based on laissez faire except when it can be proven that consumer welfare is hurt. This has led to the elimination of media-specific rules, such as restrictions on ownership, concentration, and pricing. However, it should by now be clear that media is a different industry because of its role as political watchdog. Consumer welfare, defined in terms of the interest of customers (viewers and advertisers), is a limiting notion in that it does not take into account the effect of the industry on voters' welfare. Future research in the area should re-evaluate existing regulatory regimes in this new light.

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TABLE 1: RANKING OF SIXTEEN INDIAN STATES IN RESPONSIVENESS AND OTHER VARIABLES  
(1 = HIGHEST)

State name	Responsiveness	Per capita income	Per capita newspaper circulation
Kerala	1	13	1
Maharashtra	2	3	2
West Bengal	3	5	4
Tamil Nadu	4	8	3
Gujarat	5	4	6
Assam	6	10	15
Uttar Pradesh	7	11	8
Andhra Pradesh	8	9	10
Karnataka	9	6	7
Rajasthan	10	15	9
Punjab	11	1	5
Orissa	12	12	16
Haryana	13	2	13
Jammu & Kashmir	14	7	11
Madhya Pradesh	15	14	12
Bihar	16	16	14

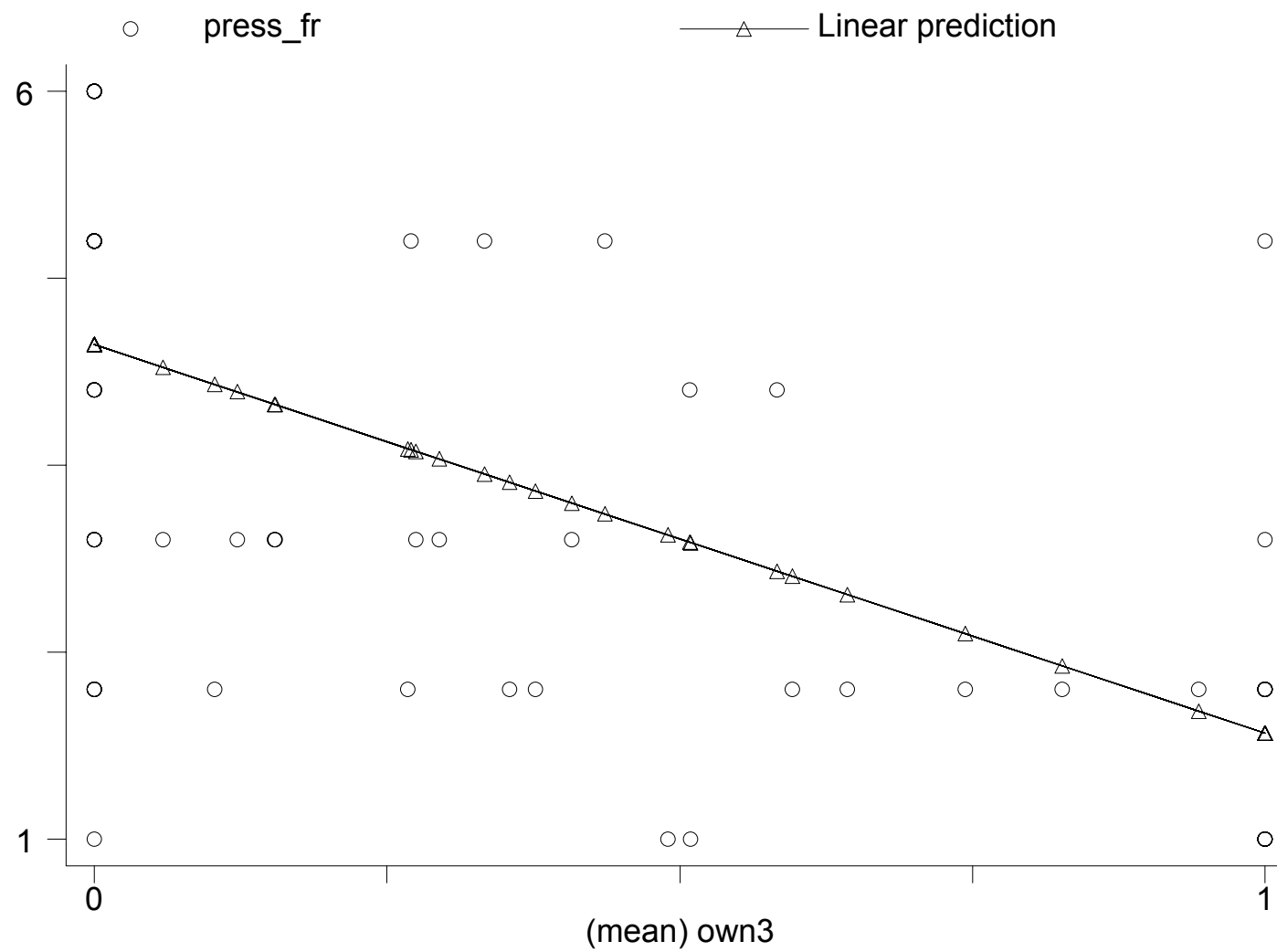


Figure 1

