

A contribution to the empirics of press freedom and corruption

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1 Preliminary comments

- Press freedom worldwide has worsened during recent years (Freedom House)
- The level of press freedom differs widely across countries
- Limitations to press freedom come in different forms: their nature and effects may have different implications
- Restrictions to press freedom exist not only in authoritarian states (North Korea, Cuba) but also in new democracies (Colombia, Bangladesh) and transition countries (Russia, Ukraine) and even in established democracies (Italy, France)
- Corruption is in many countries the greatest single obstacle to development and restrictions to free press have been identified as important determinants of it [Ahrend (2002); Brunetti and Weder (2003); Chowdhury (2004)]

2 Some facts about press freedom (or the lack of it)

- Italian prime minister Silvio Berlusconi exerts influence on 90% of the TV output. Strong economic and political influences on the media
- The Peruvian media during the Fujimori government was almost entirely captured by the government. Only a handful of media outlets remained honest throughout
- In Jordan and Malaysia the Constitution and other legal bodies contain several extreme restrictions on the activities of the media
- Colombia and Indonesia have a particularly high level of violence against the journalists where other pressures are less important
- In several transition countries, several journalists have given in to the many economic and political pressures and have become corrupt (*freebies* to journalists)

3 Motivation and goals

- Levels of press freedom differ widely across countries
- Restrictions to press freedom are diverse and their incidence varies across countries and time
- Impact on corruption may be different as well
- Objectives
 - Relationship between different restrictions to the press and corruption
 - Test the relationship between corruption and press freedom for robustness using sensitivity analysis (extreme bounds analysis)
 - Modifications and contributions to the standard EBA analysis
 - Address the problem of endogeneity of press freedom

4 Theoretical background

- A free press represents a check on corruption [Graber (1986); Pharr and Putnam (1997); Stapenhurst (2000)]. Main activities of the media are:
 - Straight news reporting
 - Investigative journalism
- The effectiveness of the press as a watchdog on government activities is affected by:
 - Corruption within the media
 - Politically-influenced media campaigns and investigations
 - Restrictive legal and regulatory conditions
 - Economic pressures derived from market conditions and structures

5 Theoretical background (cont.)

- A free press is only one of several democratic checks and balances. Its role in reducing corruption may be affected by the existence of the other (elections, judiciary, legislative, etc.)
- The degree of press freedom may be influenced by past and present levels of corruption. The relation seems to be two-way causal
- Reasons to expect the impact of different restrictions the freedom of the press on corruption to be different. Investigating corruption is probably less difficult if there is a restrictive legal framework than if the actions against journalists take more extreme methods (threats, bombings, and assassinations)

6 Econometric methodology

- Leamer's Extreme Bounds Analysis (EBA), as modified by Levine and Renelt (1992). The general form is:

$$y_{it} = \beta_I I + \beta_M M + \beta_Z Z + u_{it}$$

- where I is a set of 3 variables always included; M is the variable of interest; Z is a set of 3 variables chosen from a pool of potential covariates
- The EBA defines a variable as **robust** if the coefficient (β_M) retains the same sign and is significant across all the specifications

Econometric methodology (cont.)

- The base and extended specifications are:

$$y_{it} = \beta_1 pss_{it} + \beta_2 gdp_{it} + \beta_3 dem50_{it} + \beta_4 polrig_{it} + u_{it}$$

$$y_{it} = \beta_1 pss_{it} + \beta_2 gdp_{it} + \beta_3 dem50_{it} + \beta_4 polrig_{it} + \beta_5 Z_{5it} + \beta_6 Z_{6it} + \beta_7 Z_{7it} + u_{it}$$

- where the Z's are rotating variables selected from a large pool of potential covariates. These covariates are combined in groups of three and originate a large number of different specifications
- Our main analysis uses Generalized Method of Moments (GMM) with Instrumental Variables (IV)

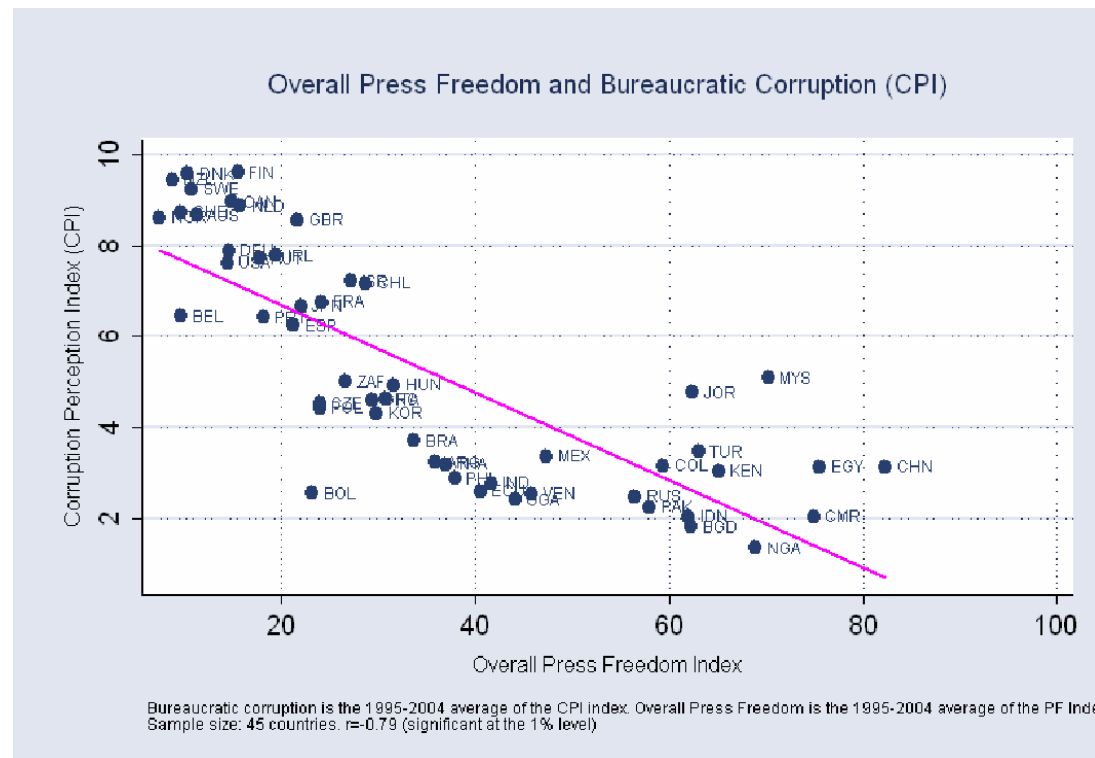
Econometric methodology (cont.)

- Problems with the EBA:
 - Seen as too extreme [Sala-i-Martin, 1997]
 - Bounds from flawed models [McAleer et al, 1985; McAleer, 1994]
 - Multicollinearity
 - Too mechanical
- The way we tackle them:
 - Dropping Z-var measuring similar aspects as press freedom
 - Report and drop specifications with high (>10) **variance inflation factors**
 - Report and drop specifications with **adjusted** R^2 lower than that of base regression
 - Provide other relevant statistical information; not only the bounds and t -values

7 Description of the data

- Subjective indicators were used for both corruption (CPI; ICRG) and press freedom (Freedom House Survey)
- Sample size varies from 46 countries (CPI) to 87 (ICRG)
- Three different forms of restrictions will be analyzed, using disaggregated data from Freedom House: legal, political, and economic
- Large pool of control variables used. Originally we had 26 variables and we run the EBA for 22 Z-variables
- CPI ranking goes **from 0 (high corruption) to 10 (low corruption)**
- Freedom House Overall Press Freedom Index ranks countries **from 0 (high press freedom) to 100 (low press freedom)**

Description of the data (cont.)



IV Estimation using GMM (ethnolinguistic fractionalization index)

	Overall		Laws & Reg.		Political		Economic	
	Beta	z	Beta	z	Beta	z	Beta	z
Upper Bound	-0.045	-6.32	-0.012	-0.95	-0.073	-7.49	-0.075	-4.26
Base	-0.070	-9.54	-0.061	-3.8	-0.113	-10.29	-0.116	-6.11
Lower Bound	-0.101	-8.72	-0.132	-5.15	-0.157	-8.43	-0.205	-6.79
Z-var (upper)	Maj, Fre, Pro		Fre, Pro, Plist		Ffc, Fbc, Pro		Parl, Eng, Fre	
Z-var (lower)	Int, Exp, Plist		Imp, Def, Exp		Int, Exp, Plist		Exp, Eng, Plist	
Adjusted R ² (up)	0.81		0.78		0.83		0.79	
Adjusted R ² (ba)	0.77		0.71		0.76		0.73	
Adjusted R ² (lo)	0.79		0.72		0.77		0.73	
No. obs. (ba)	439		439		439		439	
No. of regress.	1140		1140		1140		1140	
Dropped to R ²	30		91		39		18	
Dropped to multi	0		0		0		0	
No.insign.regr.	0/1110		85/1049		0/1101		0/1122	
J-Test (ba)	0.80 (0.37)		0.65 (0.42)		0.18 (0.67)		0.41 (0.52)	
Pagan-Hall (ba)	14.40 (0.01)		30.35 (0.00)		12.13 (0.03)		22.60 (0.00)	

8 Interpretation of results

- Our results are in line with those obtained in previous work. Press freedom is negatively related to corruption
- The overall PF index is robust to changes in specification. Coefficients for the aggregate index are generally larger than those suggested in earlier works
- Looking at the different categories of the index, only the laws and regulations subindex is non robust, while both political and economic influences are rendered robust
- The coefficients for political and economic subindexes reveal that changes in different aspects of press freedom affect corruption to different extent. An improvement by one *sd* in the political influences index reduces corruption by 1.00; a similar change in the economic influences index will decrease corruption by 1.2

Interpretation of results (cont.)

- There is some evidence (albeit not conclusive) regarding the validity of the instrument, meaning that the causation appears to run from a higher press freedom to lower corruption
- The results are robust to using an alternative corruption index, lagged values of the endogenous variable with only small changes in the size of the coefficients
- Political influences, including threats, kidnappings and killings, are likely to be more strongly linked with increases in corruption than other types of influences which are less evident and bear more indirect consequences for the media

9 Conclusion

- Given the evidence suggesting that causation runs from a free press to lower corruption, some policy implications can be derived
- The evidence presented here suggests that countries could achieve dramatic improvements in their corruption standards if they were to target particular aspects of press freedom. Countries such as China, Colombia, and Russia, where political pressures on the media are extreme, could greatly benefit from reducing these influences. Something similar would happen to countries where economic influences on the media are very high (i.e. Ukraine and most CIS countries)
- On the other hand, countries like Kenya and Cameroon, which see their media mainly oppressed by a tight regulatory and legal framework, would find the process of reducing corruption through improvements in press freedom to be less certain in its outcomes

10 Extensions and further work

- Analyze the determinants and differences in levels of press freedom between countries
- Examine situations where the media are (relatively) free but are either partisan or ill-behaved
- Investigate how the industrial organization of the media affect press freedom and ultimately corruption
- Study the relationship between political campaigns, media coverage and election results