

# **Role of Media Freedom in promoting political stability and Economic Development**

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## **Abstract**

*With the advent of technology Mass Media has been flourishing day by day. Research shows that Media freedom is beneficial for the stability and health of the economic system of a country. Since 1947, Pakistan has a free and fair Media, but nothing can be said certainly due to absence of empirical evidence and concrete literature on the relationship between Media Freedom, Political Stability and Economic growth.*

*This study focuses on the empirical bases and relation among the Independent variable Media freedom and Dependent variables, Political stability and Economic growth. Political stability index has been used as a proxy for political stability, World press freedom index for Media Freedom and Annual GDP growth percentage for Economic Growth. The data is secondary in nature and spans 2001-2018, the structural equation modeling has*

*been used to check the significance of hypotheses using IBM-AMOS.*

*First, Media freedom has significantly positive effect on Political Stability. Second, Media freedom has insignificantly positive effect on economic growth. Third, Since 2001- 2018 Pakistan has been negatively scored in Political stability index showing instability in the country.*

*This research study is authors' original work and is the 1st of its kind to check the impact of Media freedom on Political stability and economic growth using proxies via structural equation modeling.*

**Key Words:** Media Freedom, Political Stability, Economic Growth, Press Freedom Index, GDP Growth %, Political Stability Index, Structural Equation Modeling.

### **Introduction**

Researchers reach to a consensus in the opinion that media sector is the largest provider of information and thus it becomes important for media industry to get good quality, greater reach and sound degree of freedom (Pal, Dutta & Roy, 2011). A concentration of media house owned by government have resulted being censored and biased, evidences show that such countries where the media sector is controlled by government are poorer compared to the countries where media houses are owned by private enterprises (Djankov et.al, 2003). Several studies reveal that the role of information is significantly positive in promoting economic growth and development. The presence of information provides efficient market that allows customers and investors to make correct investment choices thought it be political, financial or economic and this information is majorly provided by the media sector. Free Media is considered to be solving the problems of citizens (Common people) due to its free flow of information that allows the improvement in the public policy by enhancing transparency/accountability of government and brining political consciousness among the principal agents (Citizens) - see (Besley and Burgess, 2000; Djankov, McIiesh, Nenova and Shleifer, 2003; Leeson, 2008).

In liberal democracy Communication theories and communication technologies have been argued as being important for democracy both contemporary and historical, making the role information delivery to mass media – see (Rokeach & DeFleur, 1976; Lipset, 1959, 1994; Djik, 2006; Vanhanen, 2013). Haberma (1989) argued that the sharing of ideas and opinion at public platforms is not only good but necessary of the developing societies, importantly for the democratic societies with public spheres and modern media systems. Researchers have conducted studies on the diffusion of media systems and their content such as (Radios, Newspapers, Television and Internet) along with impact on political stability

and economic growth in research inquiries – see (Lerner, 1958; Coyne & Leeson, 2004; Tetlock, 2007; Pal, 2011; Khondker, 2011; Franklin, 2014). In this research these variables have been measured using Media Freedom Index (World Data Bank), Political Stability Index (Global Economy) and GDP growth % (World Data Bank).

### **Literature Review**

Research and development in Mass media began late, so do its determinants and measures due to its development in recent few decades let alone newspaper and print media. Sen (1984) argues that in India, citizens never experience famine as Indian press served as an inspector over the then Indian government that took actions immediately to avoid famine and starvation. Besley and Burgess (2001) delved into archives to find the actions taken by then Indian government to avoid famine and found strong correlation with newspaper circulation in that era. The ignition of Arab Spring also has its root into the Free float of Mass Media that turned the regimes upside down. There exists a strong consensus among the researchers and policymakers that Media Freedom makes politicians, civil servants and even employees working with private enterprises more accountable, pushing corruption to the lowest of levels (Brunetti and Weder 2003).

The greatest obstacle to the Media Freedom is authoritarian government, due to the threat it poses to the regimes in power. Usually the media coverage of civil unrest (e.g. protests) is considered as a threat to premier or authoritarian government. An extensive amount of empirical evidence is available proving the reports of civil unrest and the enhancement of political instability in the country (e.g. European revolutions, Russian Revolution, the color Revolution and Arab Spring) – see (Huntington, 1991; Lohmann 1994; Hale 2013). The

cited revolutions were ignited in a domino effect / chain reaction, from the one country to another, from one region to another due to wide availability of media freedom and internet. Thus, authoritarian governments tend to censor the news regarding the civil unrest and any news against the rule of regime. China is one of the brightest examples of the Censorship over media and internet, but the main purpose of this check is not to stop the criticism against government but to avoid socially avoidable actions, creating instability (King et al. 2013). Along with the information of mobilization and coordination of citizens, media freedom also helps premiers to have a check over the lower officials of the regime or government (Egorov et al. 2009; Lorentzen 2014). However, despite of strong censorship media in china has not been successful in stopping the collective events including large protests. In Economics and Finance literature it is widely discussed that media can play an important role between organizations and stakeholders by filling information gap. This gap is filled by broadcasting information that is publicly available and is easily accessed by common mob (Zingales, 2000; Dyck and Zingales 2002), also the information about the exploitations conducted inside or by the firms including corruption, insiders trading, bid and ask spread creating arbitrage opportunities and Post IPO equity cost – see (Miller, 2006; Bushee et al. 2010; Dyck and Zingales, 2004; Brunetti and Weder, 2003; Houston et al. 2011; Bushee et al. 2010; Liu et al. 2014; Dyck et al. 2008).

In Economics and political science literature, political instability is termed either act of terrorism, civil unrest, immediate rise and fall of regimes or integration or disintegration of countries. Also, when countries are split into religious, ethnic, regional and communal bases, they are expected to boost political violence and disrespect for law and order. Such, conflicts between these groups could be an impediment to economic development and growth. Such situations may prompt the regimes to make extensive public

expenditure to appease the competing groups causing a potential for the conflict (Annett, 2001). Empirical evidence is available on the factor and reasons for the outbreak of civil wars – see (Collier and Anke Hoeffler's, 2002, 2004). Lack of economic opportunities are the main factors igniting political factors encouraging revolutionaries (rebels) a reason for civil war causing political instability (Fearson and Laitin, 2003). The political instability then creates the political risk, that happens when the regime or government in house change the policies and rules of transactions or operations. Such changes may affect the economic, social and geographical dynamics of a region effecting countries participation in the globalization and reducing potential for foreign direct investments. There are various measures for measuring political instability or uncertainty of a country including but not limited to political stability index (Benhabib & Spiegel, 1994) and political policy indices based on macroeconomic variables (e.g. Inflation, debt, deficits, unemployment and Investments) – see (Tabellini, 1992; Ozler & Tabellini, 1991).

Economic growth is one of the most intriguing topics of today's world and field of economics. To curtails one of the major problems of humanity every nation needs to attain significant economic growth. By the times John Keynes, Karl Marx and Adam Smith presented the basic models to pave a road for the development of economics there were already significantly rich and poor countries (Maddison, 2005). The gap in the economic development of the countries have growth vast since Adam Smith introduces the perfect market competition and the capitalist school of thought got conceived and the gap had become incomprehensible to modern economists. Some countries like western Europe showed a significant economic growth where as some countries like African stagnated. This growth disparity creates differences in the factors (macroeconomic variables) of growth, most significantly Gross National

Income and Income per capita representing the living standards of the citizens. However, countries have significant power and resources to come back on the lost track of economic development following a recent example of Asian Tigers (Japan, South Korea, Singapore, Taiwan and China). This change in the economic growth by a few percentage points can have significantly greater impacts on the living standards of citizens (Acemoglu, 2012). Economic growth leads to economic development, economic development is not only about the percentage growth points showing aggregate output but economic transformation including geographical standpoint, demographics, sectorial structure and institutional outlook. These development areas need a more holistic standpoint of economic growth with demographic, political, institutional and social elements being of paramount importance. Economic growth is about aggregate outputs, despite much of factions in economics, economic growth has remained an area of macroeconomics but, recent research and development in the field of microeconomics including information economics and game theory has brought energy in the area of economic growth and development (Cass, 1965).

### **Theoretical Framework and Hypotheses Development**

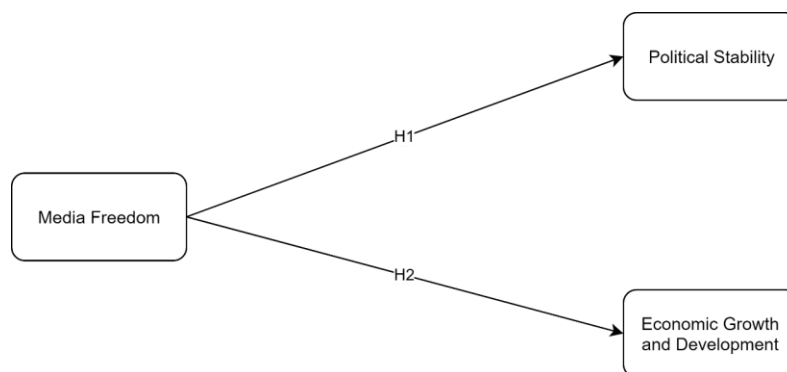
Theoretically, Media freedom may bring political stability and economic development in many ways. First, Censored Media may be biased and get manipulated by the regimes and ignite political and civil unrest in benefit of governments in house. (e.g. In pre-partition Indian sub-continent, the press was majorly owned and controlled by British government who used to publish anti-Muslimism prejudices giving rise to riots). Second, Free media makes governments accountable and improve their responsiveness towards citizens/public. In short, the free media helps to curtail the principal agent problem, bridging the gap between government and citizens (Besley et al. 2012). The incumbents stay in power because of any one of the two main reason a) they have

misappropriated the rule and are on the seat by force, b) they are elected by the people via a rational electorate system. Free Mass media characterizes the relationship between Citizens (Principals) and elected governments (Agents), Television and Internet mainly closes the gap and emphasize the government's interest to act in the interest of people. So, it could be inferred that incumbents stay in power because they act in the interest of public. Following Hypotheses have been developed and shown in the model framework in figure 1.

**H1:** Promoting the Free and Uncensored Mass Media significantly brings about the political stability and bridges the information gap.

**H2:** Unbiased and Free Media has significantly positive effect on the economic growth and development of a country

**Figure 1**



**Theoretical Framework**

Djankov (2002) argues that Media freedom reduces the potential of corruption and the violation of civil right. Stomberg (2004) shows that increase in the number of radio listeners accounts for the increase in relief funds for public spending. Another way for Media Freedom promoting political stability is its ability to

disseminate the news internationally that creates pressure on the incumbent government to function for the welfare of citizens (Sen, 2000). In unregulated media the political participation tends to be higher (Leeson, 2008). Leeson accumulated thirteen European countries for political knowledge and sixty for the political participation. Whereas, Pal (2011) shows that there is negative correlation between political-social instability and media freedom.

### **Research Methodology**

#### **Variables under study:**

This research employs mainly three variables with Political stability and Economic growth/development as dependent variables and Media freedom as independent variable. The variables under study are mainly latent in nature, hence proxies have been employed for each variable with press freedom index measuring Media freedom followed by Political stability index for political stability and GDP growth percentage for GDP growth/development.

#### **Data Collection and Analyses:**

The nature of this study is quantitative, whereas, secondary data has been employed given the nature of data required. The time series data spanning 2001-2018 (n=18) has been extracted for the proxies of the understudy variables. The data for political stability (political stability index) has been extracted from the global economic forum whereas the data for Media Freedom (World Press freedom index) and Economic growth (GDP growth %) has been extracted from world data bank. Given the nature of variables and theoretical framework structural equation modeling, correlation analyses and descriptive statistical techniques have been used. Structural equation modeling with two dependent variables Political stability and Economic growth and one

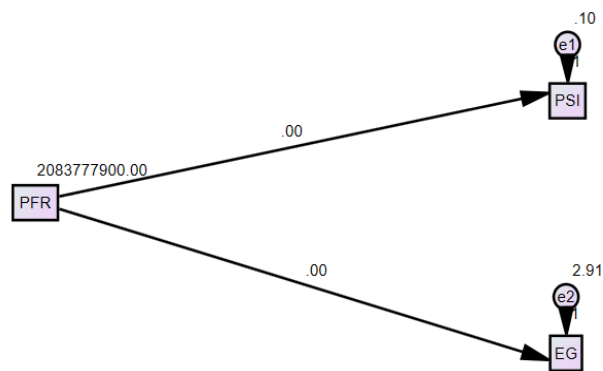
independent variable Media freedom has been tested using IBM AMOS. For correlation analyses and descriptive statistics IBM SPSS has been employed.

**Results:**

**Structural Equation Modeling**

Following the maximum likelihood estimation structural equation modeling has been used to find whether Media freedom has a significantly positive impact on political stability and economic development using time series data for 18 years from 2001-2018 (n=18). The SEM model shows the excellent model fit based on model fit indices. CMIN/DF = 1.797; CFI = 0.919; TLI = 0.756; RFI = 0.579; NFI = 0.860; SRMR = 0.132; RMSEA = 0.217; PCLOSE = 0.189; AIC = 11.797.

**Figure 2**



### Structural Equation Model

According to the hypothesis 1, Promoting the Free and Uncensored Mass Media significantly brings about the political stability and bridges the information gap. The results shown in table 1 confirm the hypothesis that encouraging Free and Unregulated Media has significantly positive effect on political stability of the country ( $\beta_{Political\ Stability} = 0.667$ ,  $p\text{-value} < 0.01$ ). Based on Hypothesis 2 which states that Unbiased and Free Media have significantly positive effect on the economic growth and development of a country, the results mentioned in the table one shows that there is indeed the positive impact of Media freedom on Economic growth/development but the effect is not significant at 5% level of confidence. ( $\beta_{Political\ Stability} = 0.667$ ,  $p\text{-value} > 0.05$ ).

**Table 1**  
**Structural equation modeling results**

H	Proposed Relationship	$\beta$	t-value	p-value
H1	Media Freedom→Political Stability	0.667	3.695	***
H2	Media Freedom→Economic Growth/Development	0.237	1.006	0.314

*Note:* \*\*\*  $p < .001$ , \*\*  $p < 0.01$ ,

### Correlation Analyses:

Based on the results of correlational analyses for the variables Political stability (PSI), Economic growth (EG) and Media Freedom (PFI) shown in table 2, it is confirmed that there is positive correlation among the variables, especially between Media Freedom & Political stability ( $r = 0.667$ ) Media Freedom and

Economic growth ( $r = 0.237$ ). Both correlations are positive and support the literature and earlier finding. However, the analyses presents an empirical evidence for Pakistan based on the results found in this research study.

**Table 2**

		PFI
PSI	Pearson Correlation	.667**
EG	Pearson Correlation	.237
PFI	Pearson Correlation	1

**Descriptive Statistics:**

The descriptive statistics in table 3 show the nature and behavior of data from 2001 to 2018 (n=18) for the variables including Political stability, Economic Growth and Media Freedom. The data shows that on average the Pakistan has remain unstable politically with negative mean and a significantly lower spread ( $\mu = -2.2689$ ,  $S.D = 0.438$ ). However, the economic growth has remained significantly positive with an average increase of 4.38% on GDP every year whereas, the difference has remained on 1.80% to the mean ( $\mu = 4.3864$ ,  $S.D = 1.80$ ), which is good. Pakistan is ranked 142 in the 2019 on media freedom index among all the other countries in the world, whereas on average the score has remained significantly moderate ( $\mu = 47009.7778$ ,  $S.D = 46971.8328$ ).

**Table 3**

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
PSI	18	-2.2689	.43847
EG	18	4.3864	1.80740
PFI	18	47009.7778	46971.83288
Valid N (listwise)	18		

**Discussion:**

On the basis of positive relationship of Media freedom with Political Stability and Economic Growth this research contributes to the field of Economics, Mass Media and Political Sciences in 6 different ways. First, this is the 1<sup>st</sup> study that combinedly discusses the relation of Media freedom with Political Stability and Economic Growth and create the link using literature and empirical evidence from earlier research work in this area. Second, this study confirms the results of previous studies discussed in the literature review in the context of Pakistan and finds that Media freedom has boosted the economic growth but not much significantly, due involvement of other idiosyncratic factors which are not involved in this study. Third, this study confirms the political stabilization in Pakistan can be promoted by enhancing media freedom which is significant and has remained so for the last 71 years but, still Pakistan is on lowest levels of political stability. This shows that fractionalization, creating multiple political parties is not properly catered by the Media sector which needs greater attention. Fourth, this is the first research study to provide empirical evidence of both political stability and economic growth together with Media Freedom. Fifth, this is the first empirical study presenting evidence from Pakistan based on the data on Political stability, Economic growth and Media Freedom. Sixth, this research study provides a way forward for further studies and highlights the gaps in the literature with further recommendations to work in the area of Media Freedom.

Considering the results from the analyses, this study tried to measure the magnitude of effect of Media freedom on Economic Development/Growth and Political Stability. The results are positive and are in line with the results of Goidel (1995), Pal

(2011) and Khondker, (2011) in different contexts but, with different measures and variables under study.

### **Conclusion**

Media Freedom promotes and has significantly positive effect on political stability whereas the media freedom has insignificantly positive effect on economic growth in the Pakistani context, the later results provide are new direction for research to explore the possible reason for the insignificant effect of Media freedom on economic growth in Pakistan. This study provides empirical evidence and presents the magnitude of such effects.

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