

Presentation at the Workshop on Institutional Analysis

*The Demand For Democratic
Institutions:
The Case of Independent Mass Media*

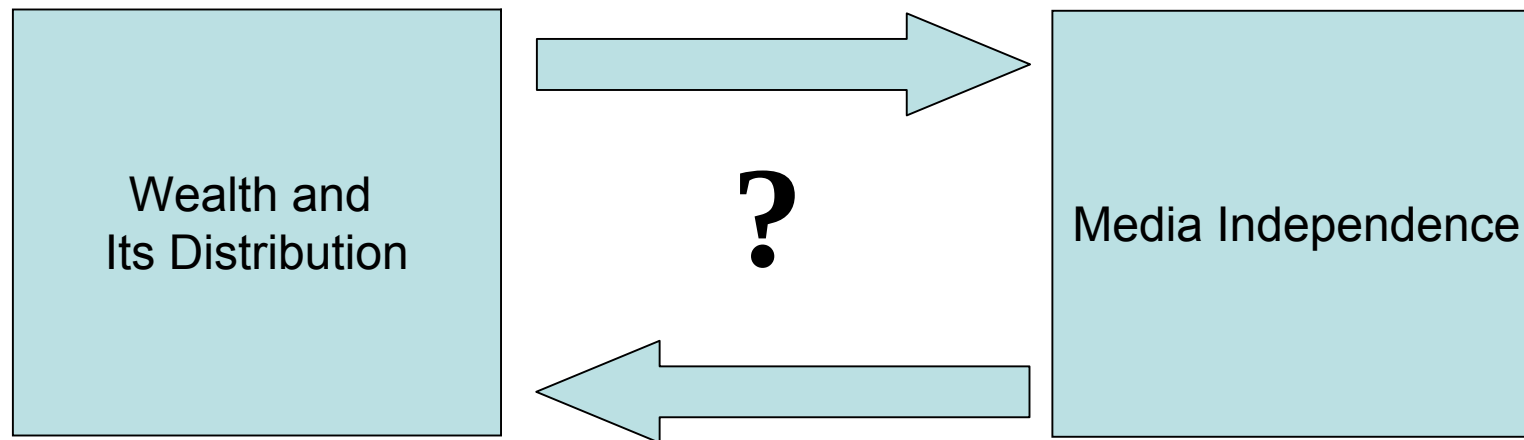
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The Open Economy Institute

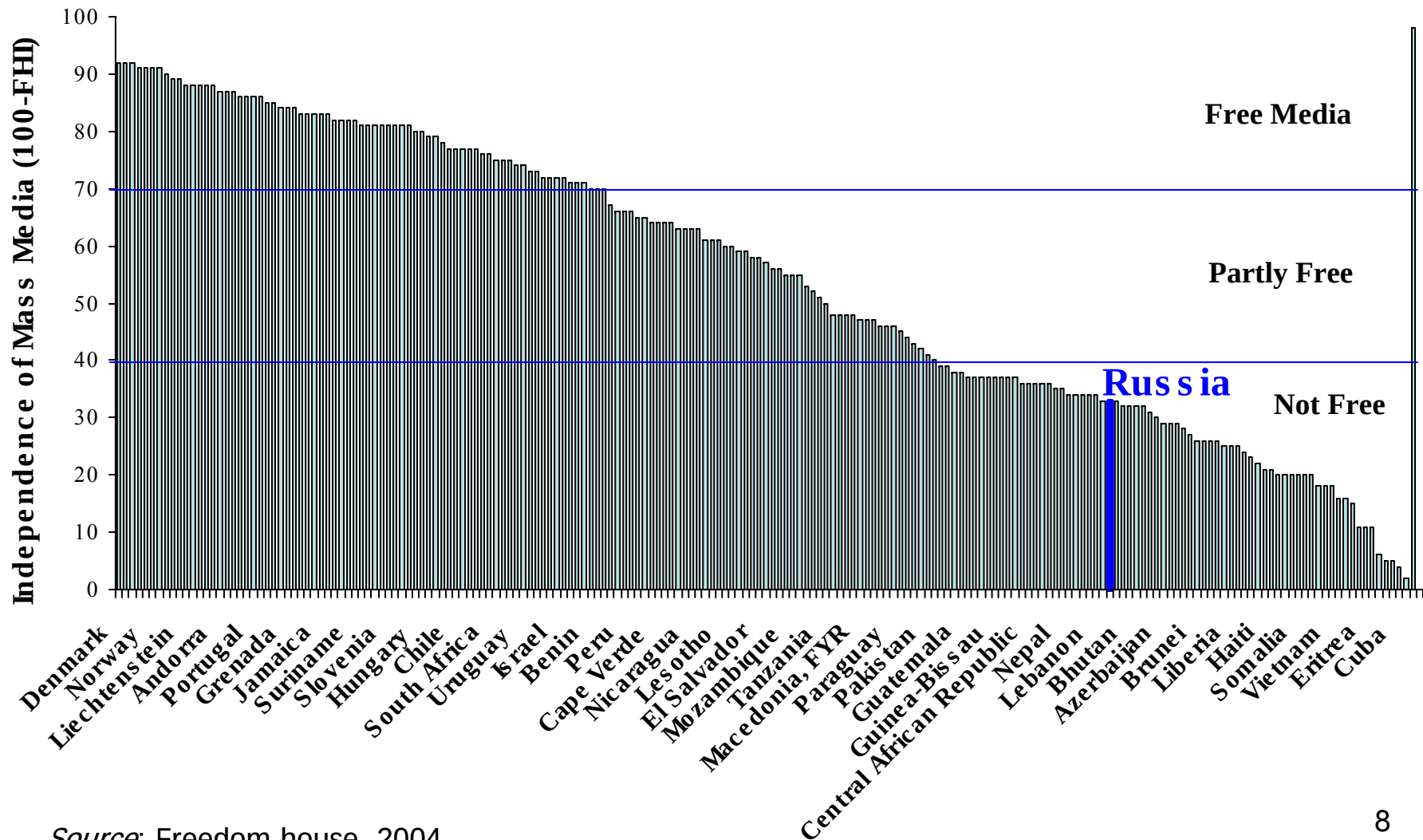
Question about Russia

- After a decade of the post-communist reforms, a steady decline in national wealth (per capita) has been followed by the steady decline of public interest (and trust) in the independent mass media in Russia.
- Is this a coincidence or a story common for other countries?

What is the relationship between wealth and freedom?

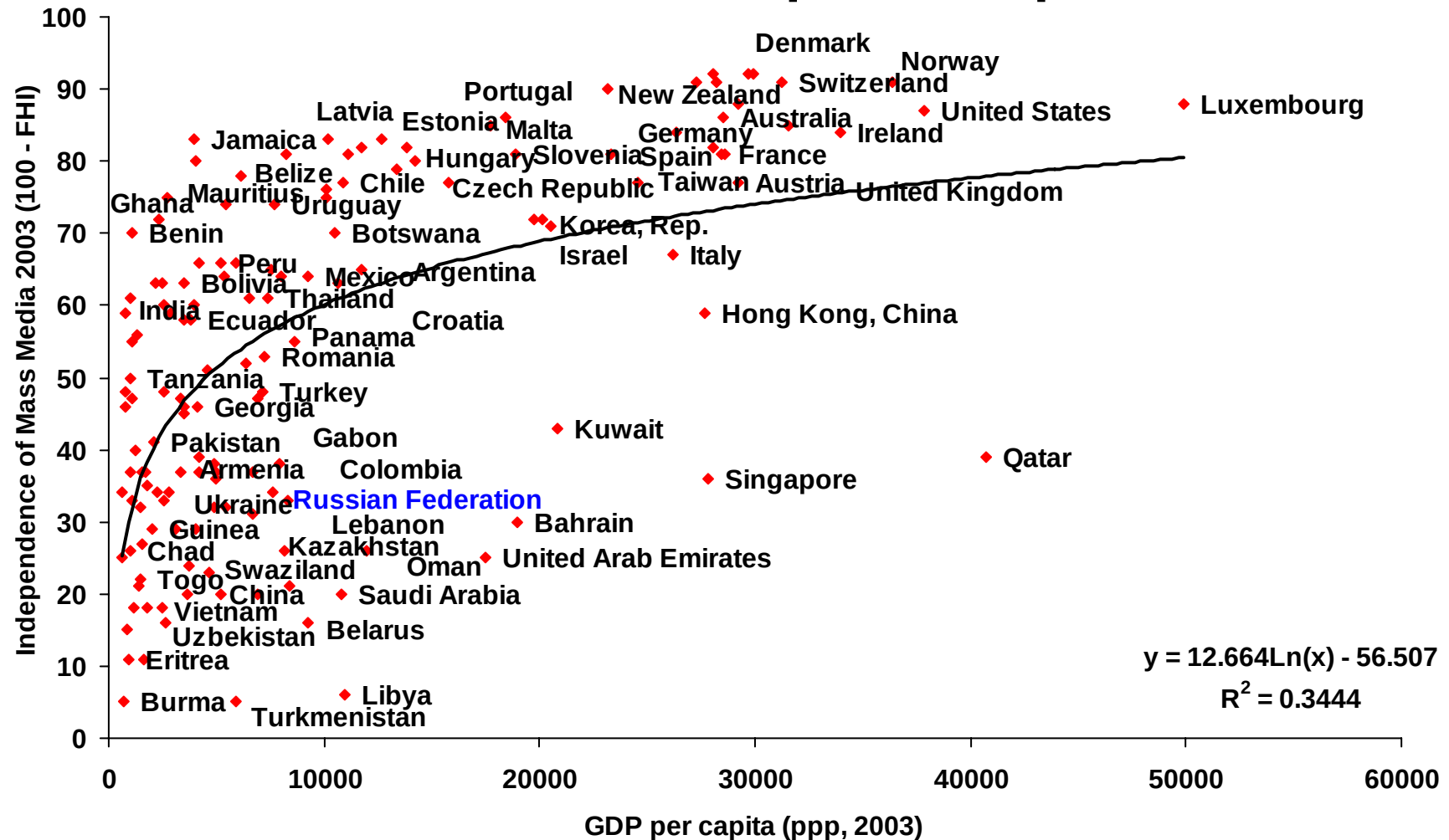


The dependent variable: Index of Media Freedom across the world



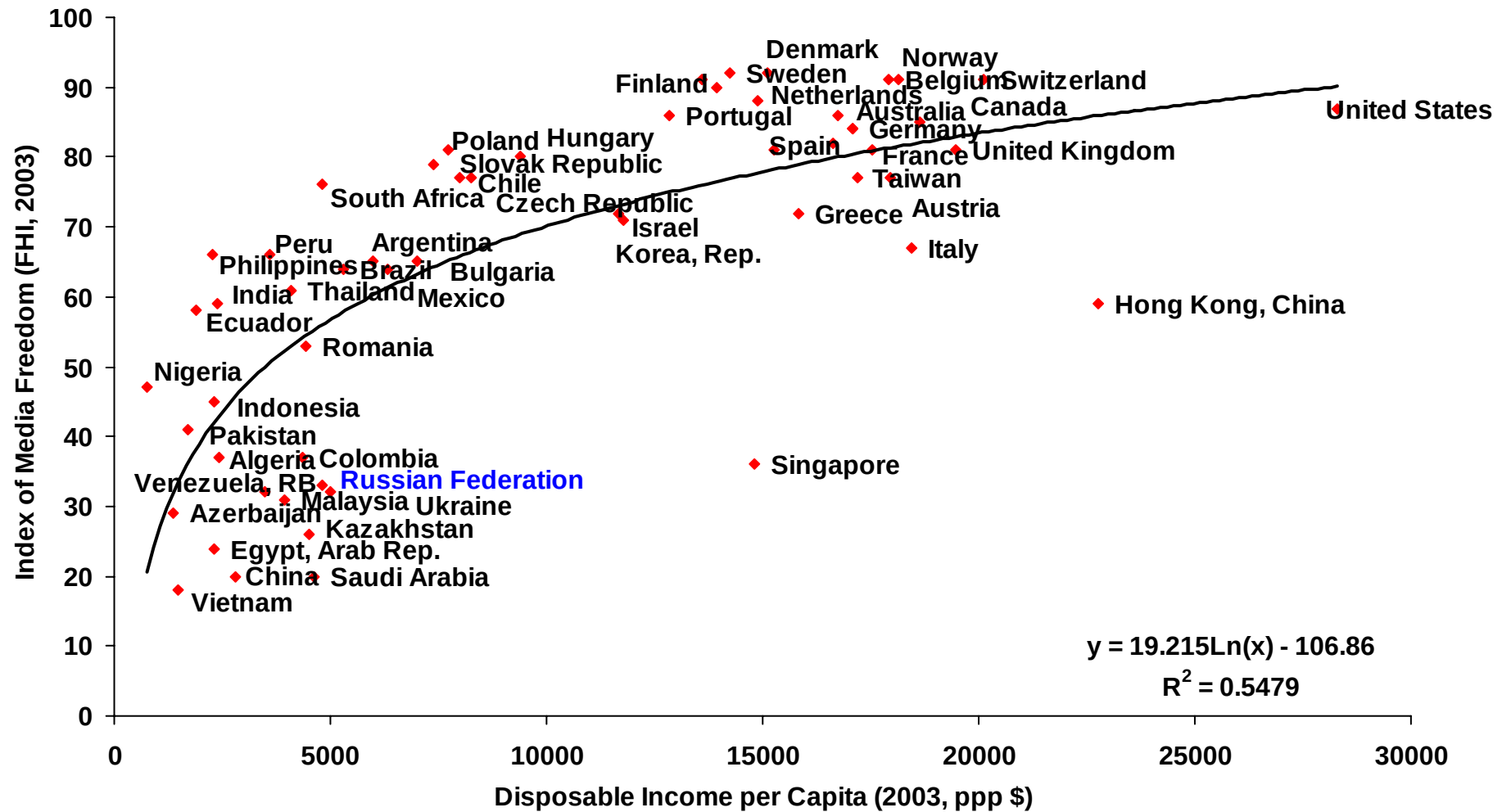
Source: Freedom house, 2004

Media freedom increases with the GDP per capita



Source: Economist Intelligence Unit, 2004; Freedom House, 2004

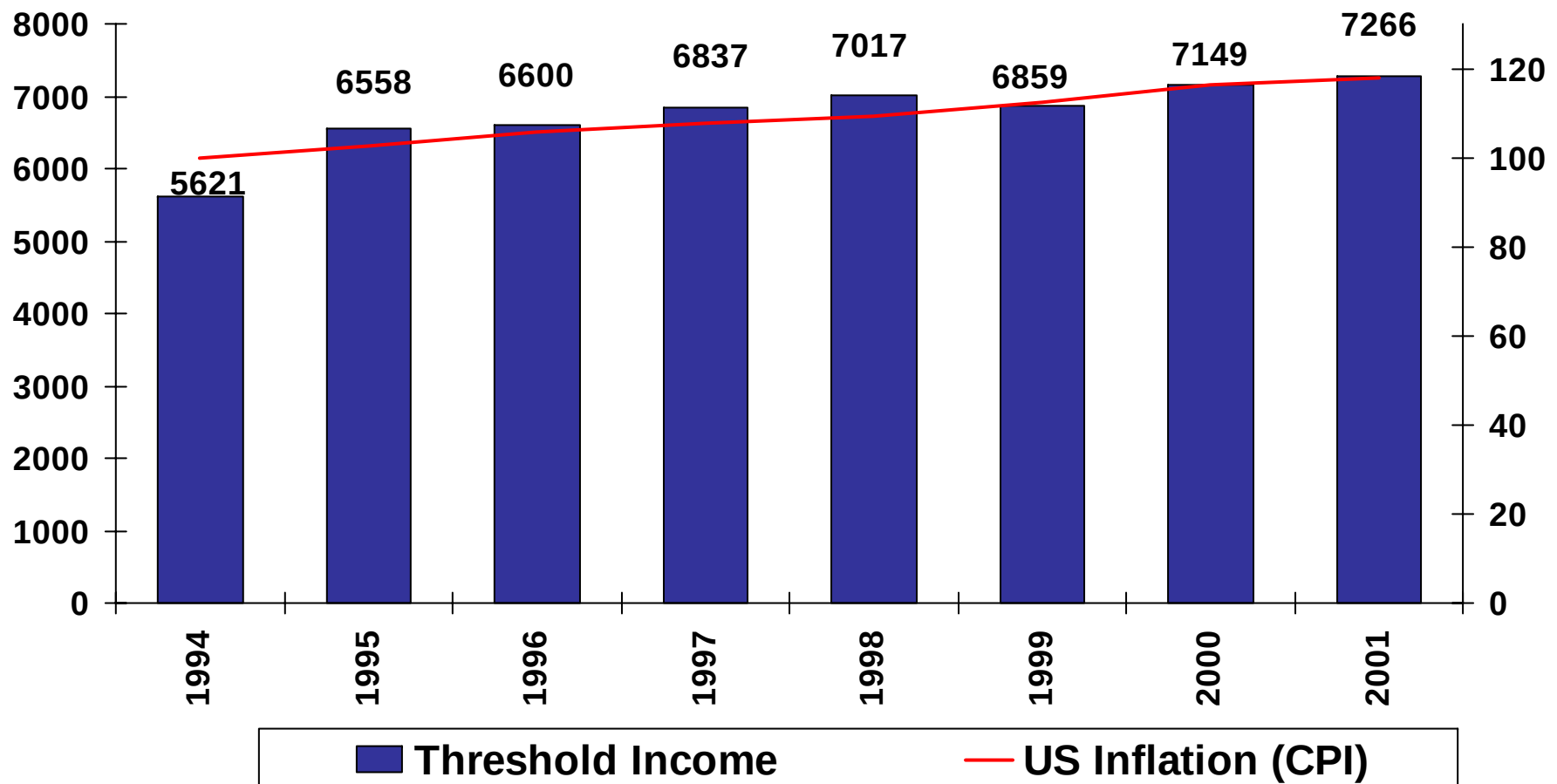
The freedom of press is related to the disposable income



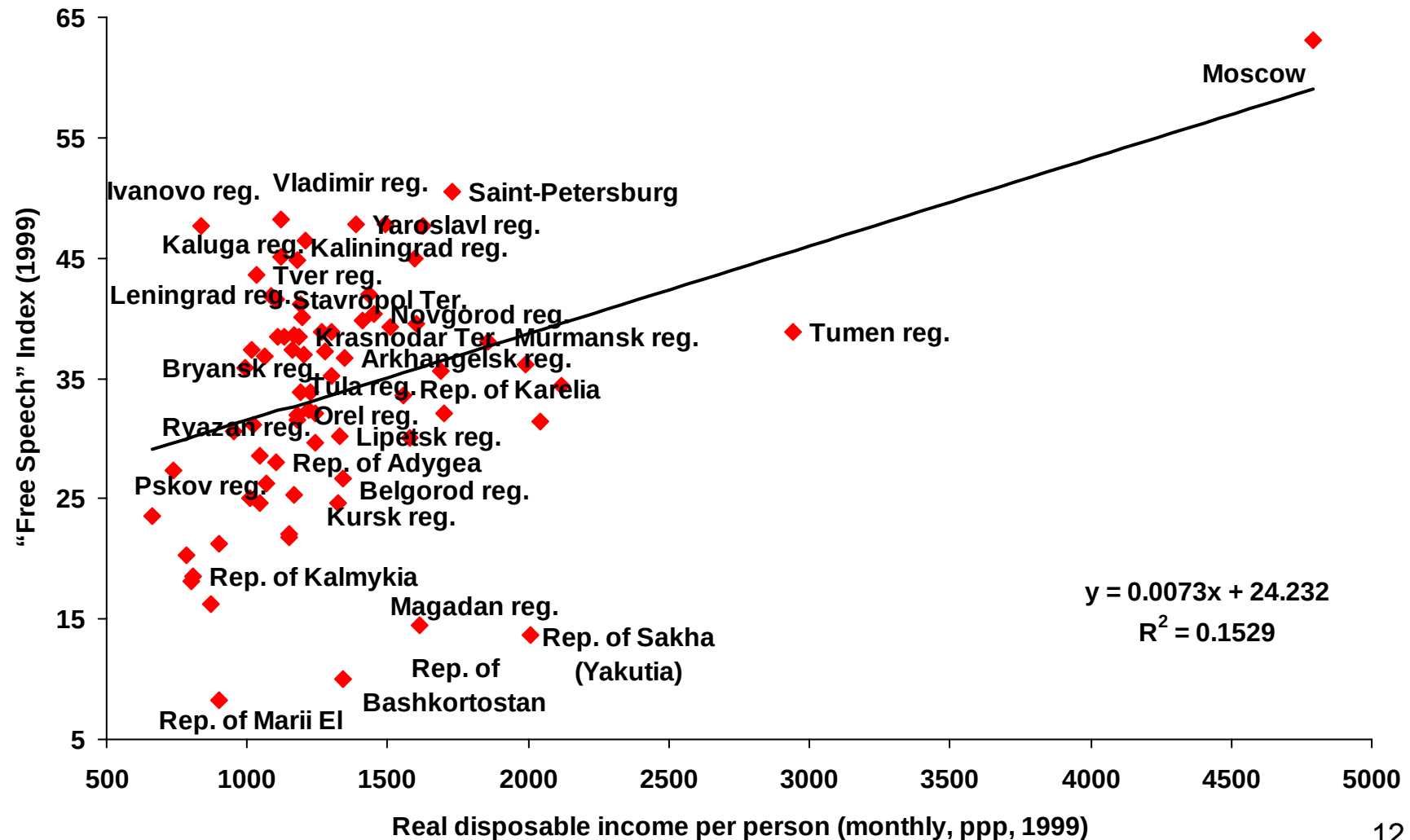
Sources: Economist Intelligence Unit, 2004 Freedom House, 2004

Threshold Income Level for Media Freedom

(Maximum Likelihood Estimations for income level,
current USD, PPP)



Russia: free speech grows along with income across the regions



Sources: Goskomstat, «Public expertise», Open Economy Institute

Macro evidence on possible causality between the incomes and free press

The Data:

1. Media Freedom (mf_{it}): Freedom House 1979-2003
2. GDP per capita, ppp (w_{it}): Economist Intel. Unit 1980-2003

Trend Elimination:

$$\Delta w_{it} = \ln w_{it} - \ln w_{it-5},$$
$$\Delta mf_{it} = mf_{it} - mf_{it-5}.$$

The Model:

$$\Delta w_{it} = \alpha^w + \sum_{j=6}^q \beta_j^w \Delta w_{it-j} + \sum_{j=6}^q \gamma_j^w \Delta mf_{it-j} + \varepsilon_{it}^w,$$
$$\Delta mf_{it} = \alpha^{mf} + \sum_{j=6}^q \beta_j^{mf} \Delta w_{it-j} + \sum_{j=6}^q \gamma_j^{mf} \Delta mf_{it-j} + \varepsilon_{it}^{mf}.$$

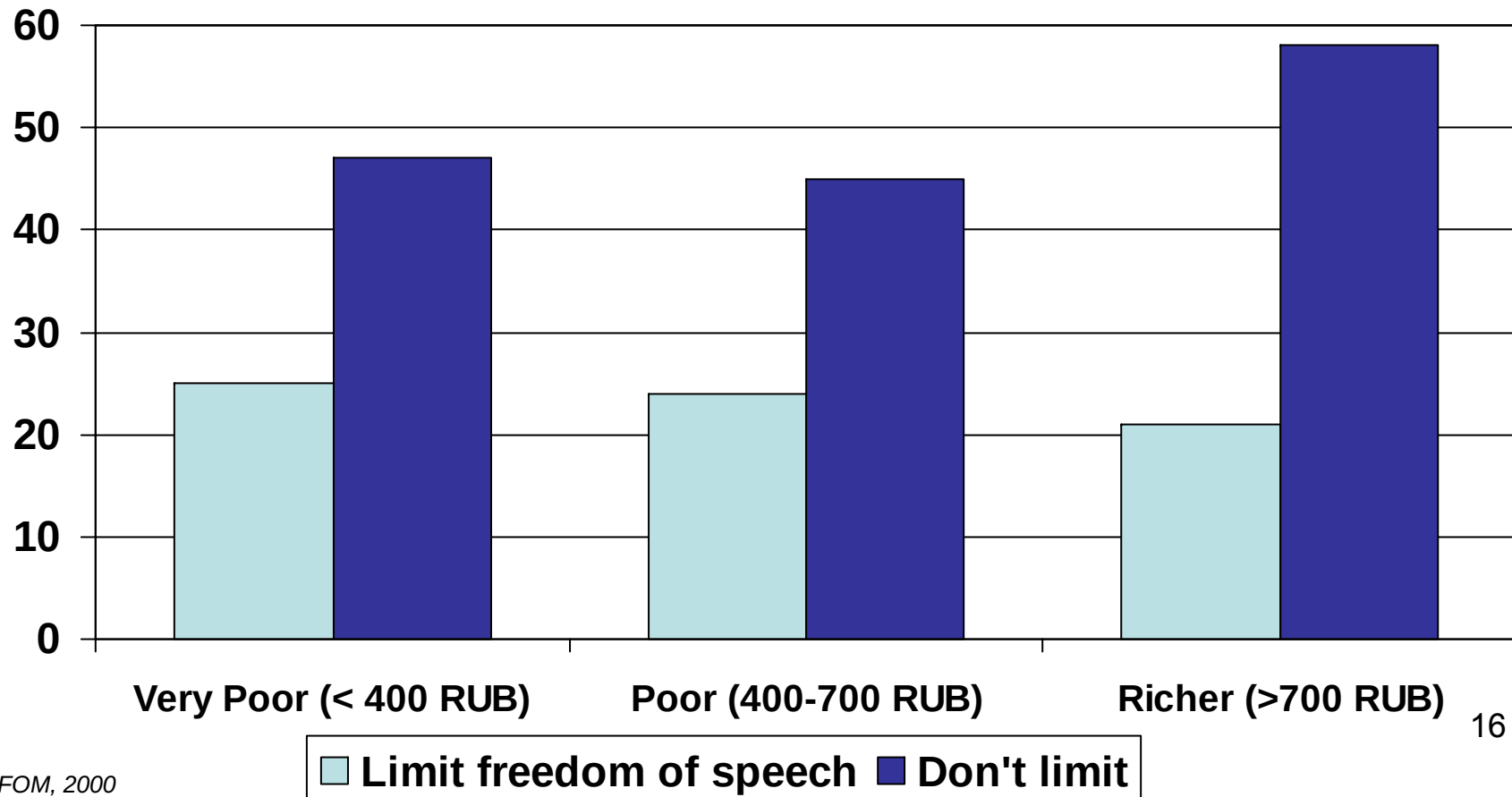
The Results:

The change in wealth (Δw_{it}) is a Granger cause of the media freedom change (Δmf_{it});

The change in media freedom (Δmf_{it}) is NOT a Granger cause of the change in wealth (Δw_{it}).

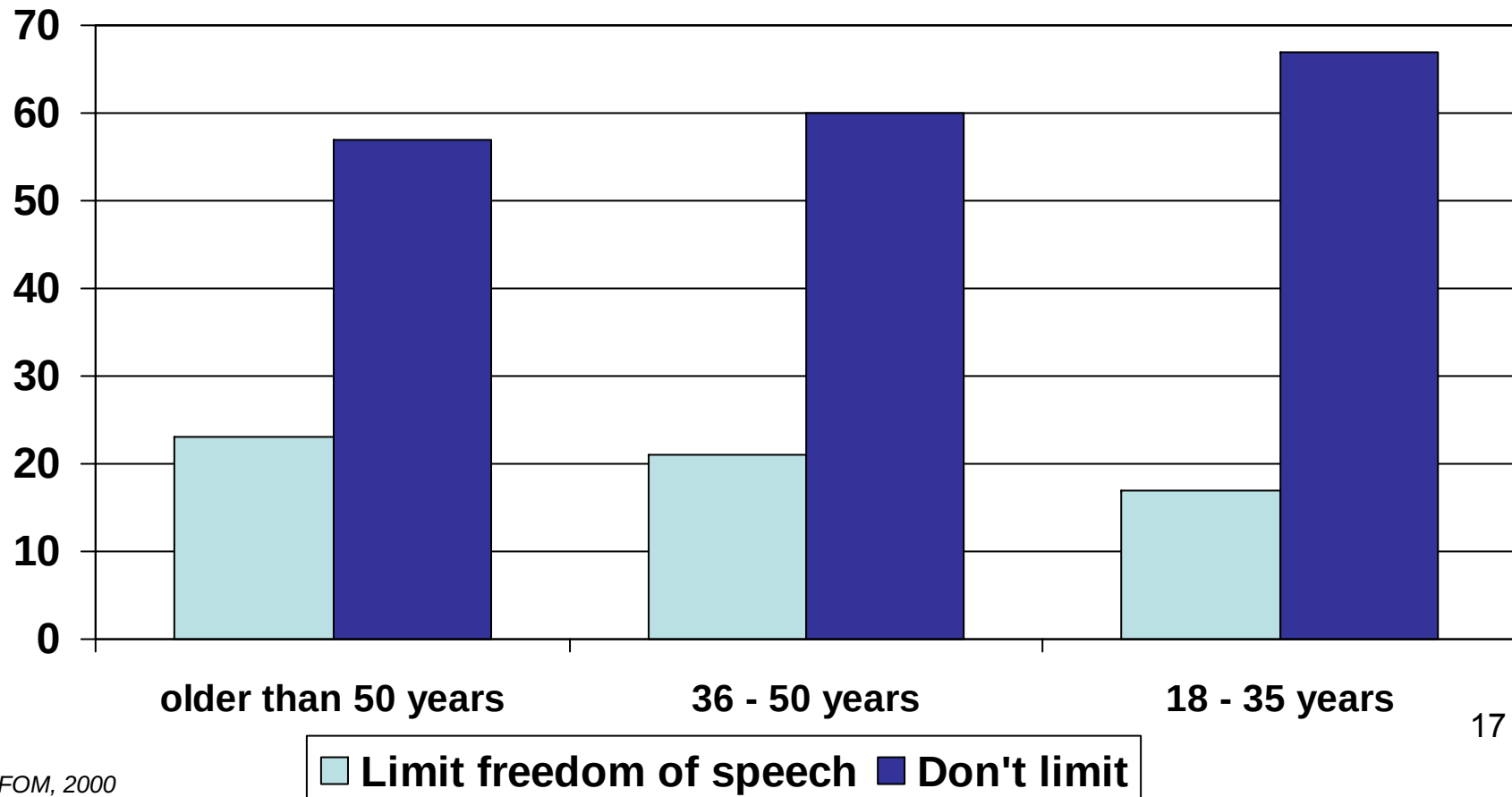
Higher income produces more demand for free press

- Survey in Russia: “Would you approve the decision of the authorities to limit freedom of speech?”



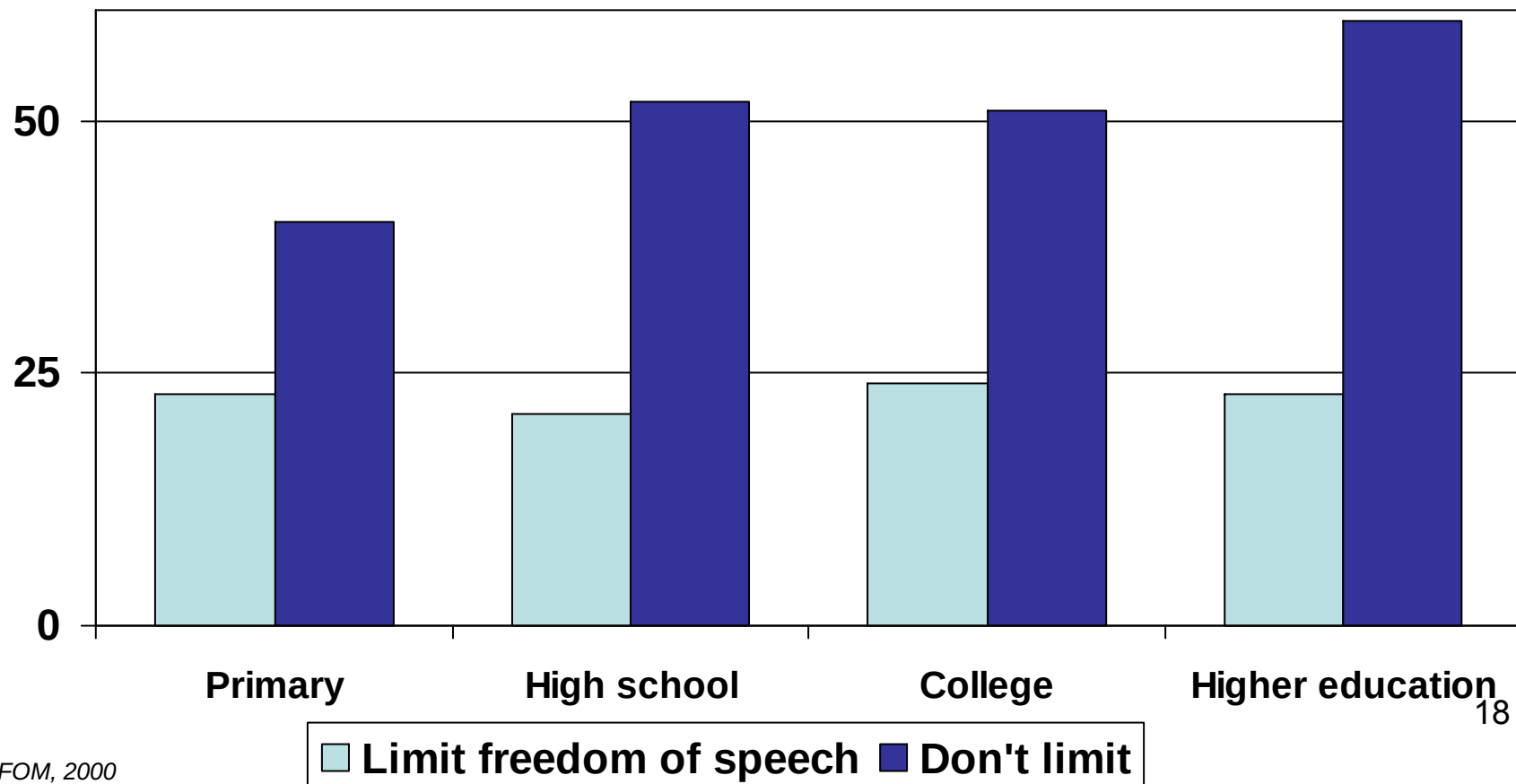
Younger age produces more demand for free press

- Survey in Russia: “Would you approve the decision of the authorities to limit freedom of speech?”



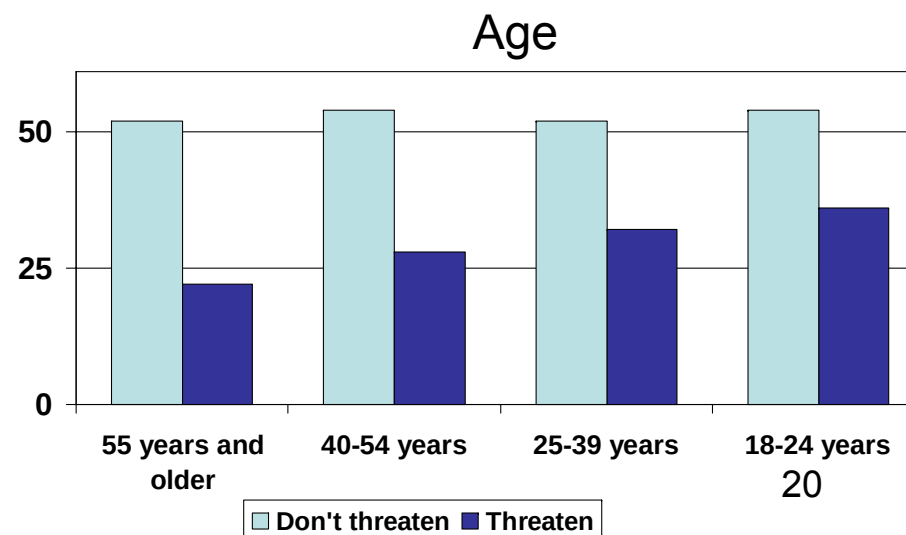
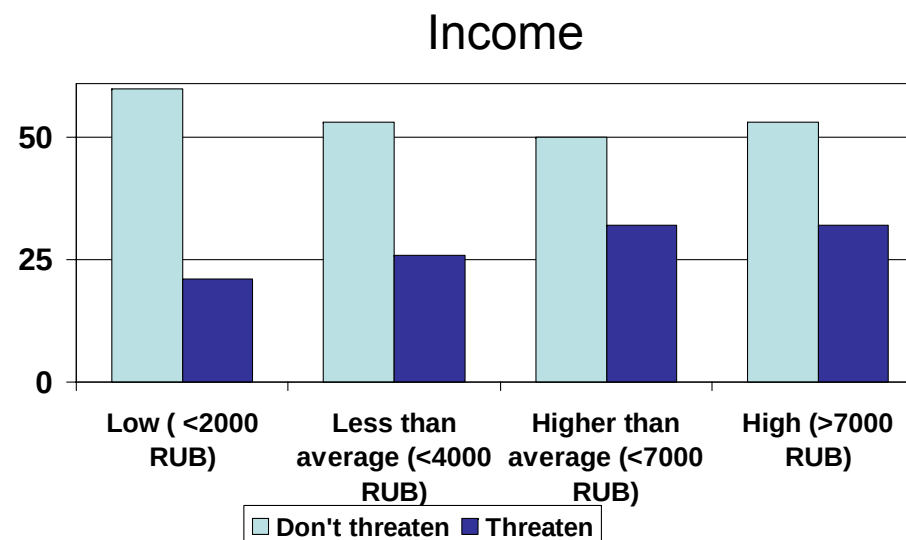
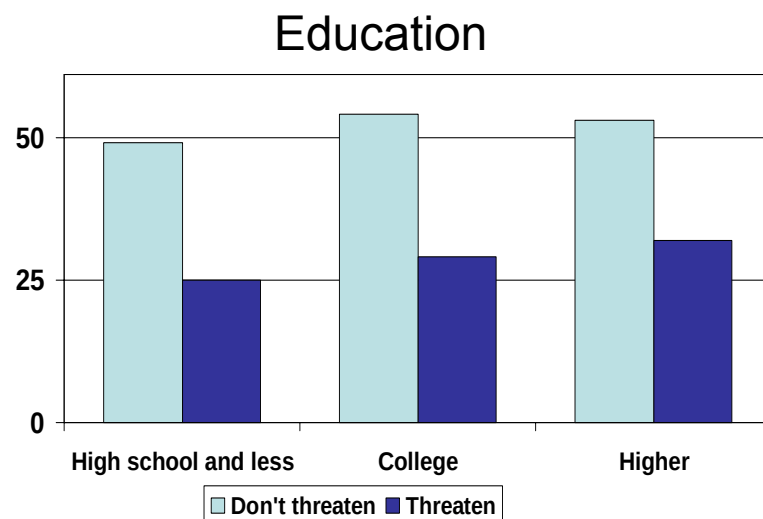
More education produces more demand for free press

- Survey in Russia: “Would you approve the decision of the authorities to limit freedom of speech?”



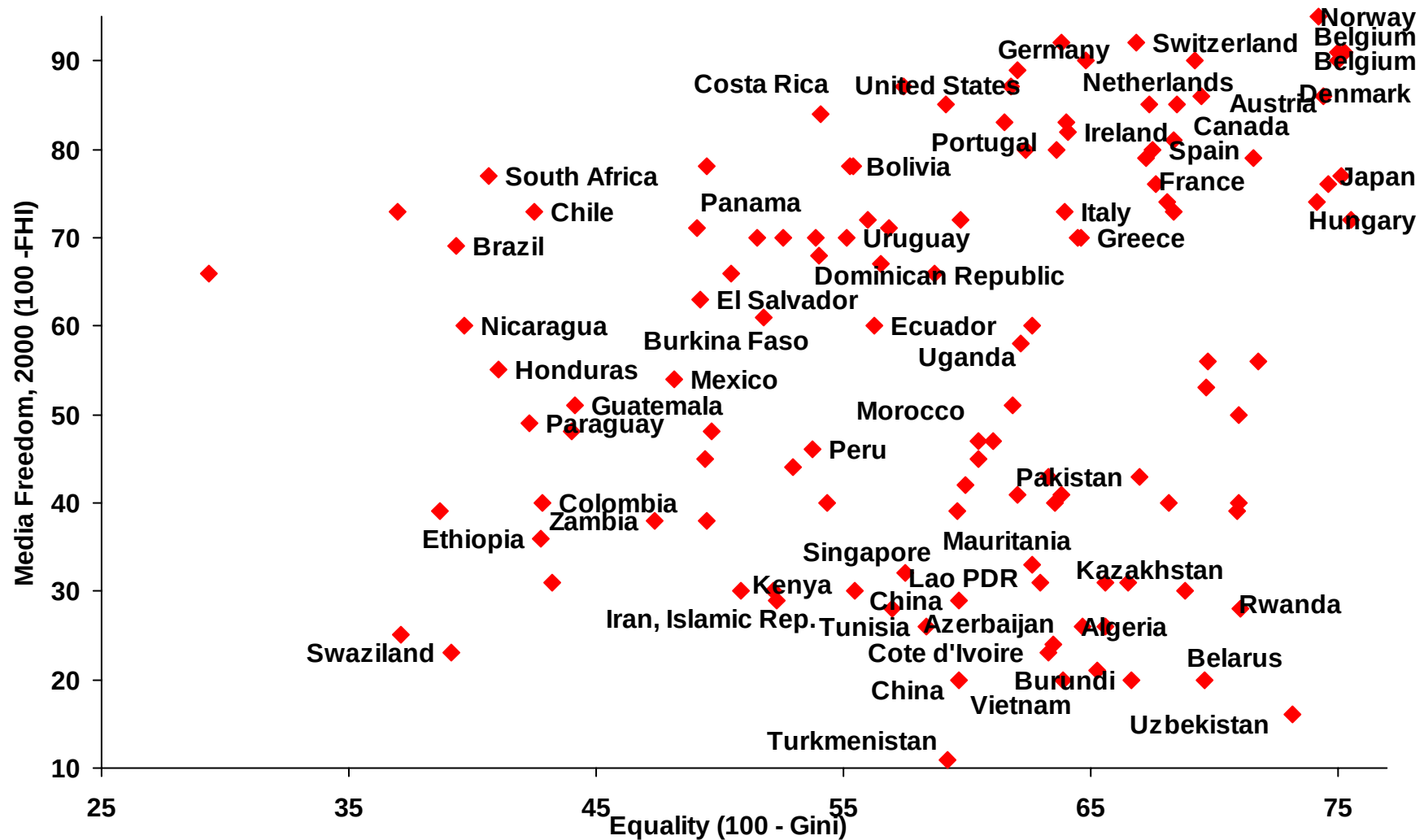
Additional Evidence

- Survey Question: “Do authorities threaten the freedom of speech in Russia?”



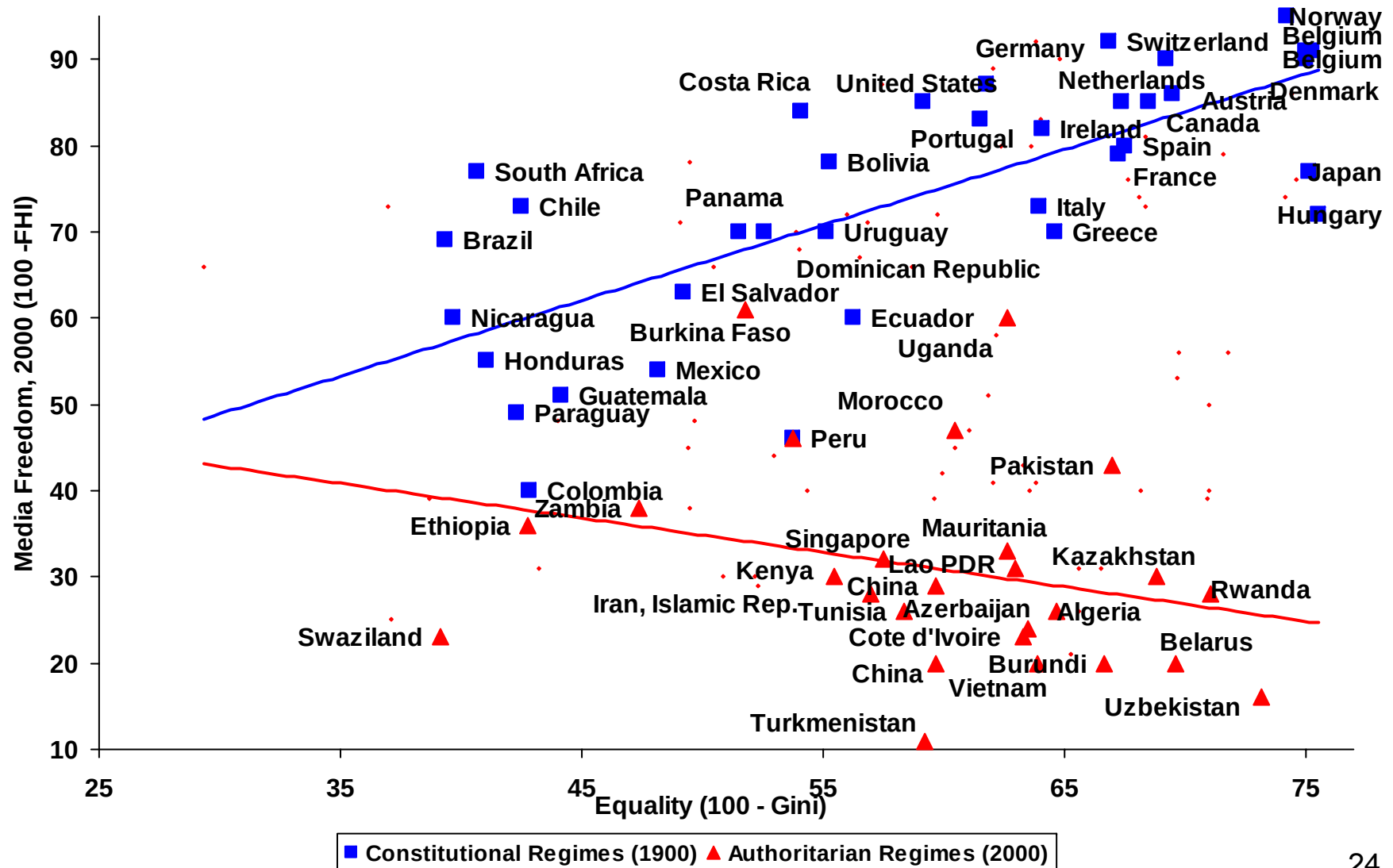
Source: Levada center, 2003

Uncertain link between the freedom (of press) and equality



Source: Freedom House, World Bank

Regime makes a difference!



Possible Explanation

- *Constitutional Regimes*: equality and freedom are complementary because democracy alleviates redistributive conflicts
- *Authoritarian Regimes*: equality and freedom are substitutes because the authoritarian leaders cannot afford to have both

What if wealth caused freedom?

- Freedom of press can be explained by at least 2/3 of the population with an annual income higher than \$7,300 (GNI, ppp, 2001)
- In Russia, only 37% of the population enjoyed the corresponding threshold income (\$2,000) in 2004 prices

Russia does not have a sufficient share of “well-off” people to generate a demand for free media

