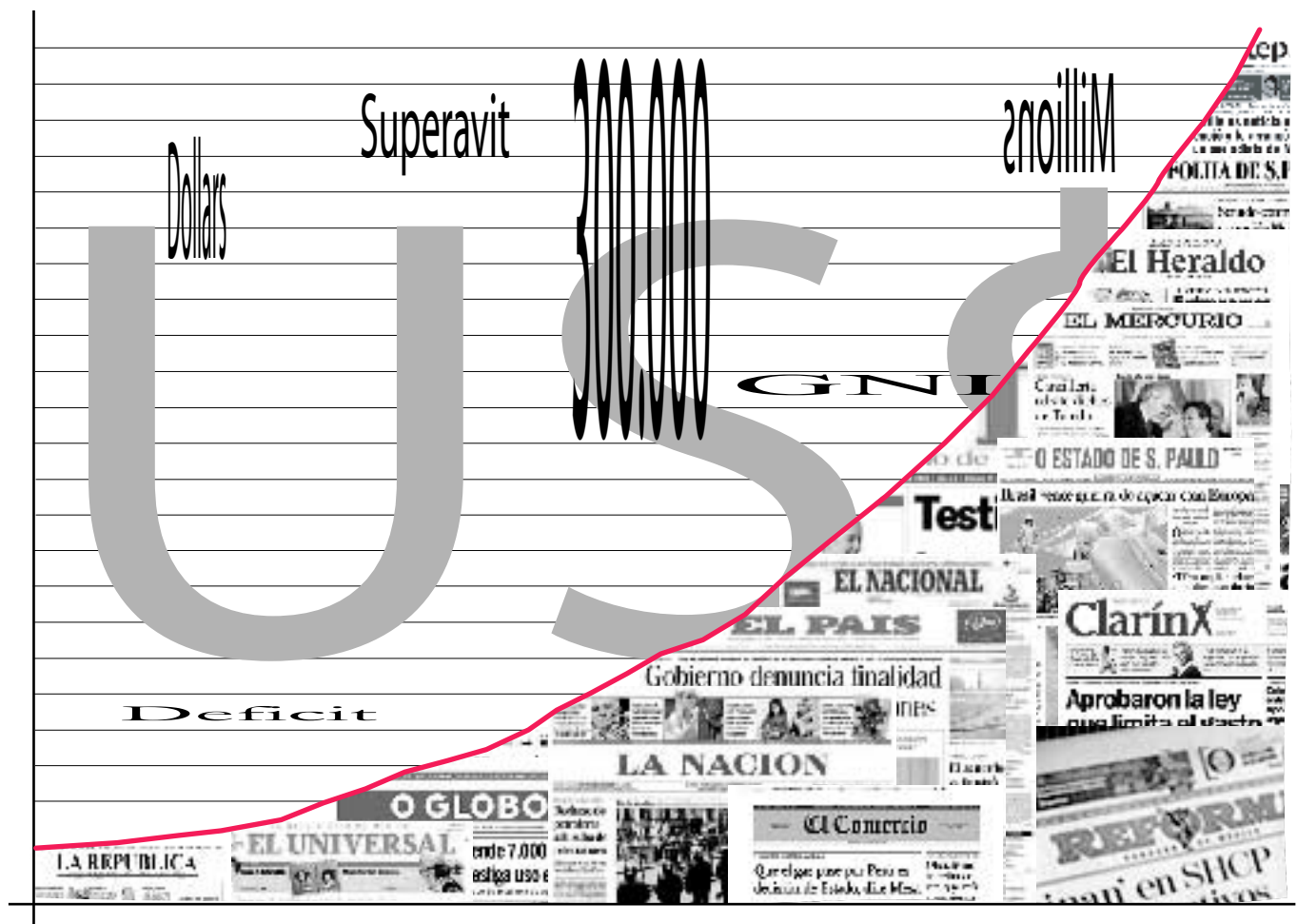


# Press Freedom and Economic Development in Latin America

by *Hernán Alberro*

Capitalism has been oftenly attacked under the pretexts that it does not promote development and that, among other things, it hinders the exercise of the freedom of the press. This report gives the data that shows exactly the opposite analyzing indexes of press freedom, economic liberty and per capita GNI.



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Latin America is now facing a process of change. After the so called “neoliberal” decade, several countries of the region have focused in destroying the remaining of openness and economic integration, deregulation and privatization remnants of former administrations. Thus the current measures intend to “compensate” the losers (the poor and the unemployed) and “punish” the winners of the last decade (big local and international firms) and to take part in the fight against the economic “imperialism” resultant of the globalization. These open intentions are generally oriented to attack globalization and free market.

In opposition to this trends, this research report will show that today, in Latin America, those countries with more economic freedom tend to evidence a higher freedom of the press and a higher economic development.

### Confronting Voices

During the World Newspaper Congress, the 1998 Nobel Laureate in Economics, Amartya Sen, referred to the relationship between press freedom and poverty:

*“It is not at all hard to see why uncensored and active news reporting helps to prevent famines. Even though hardly any famine ever makes the ruling groups suffer directly from it, the stigma and disgrace resulting from adverse press coverage impose indirect costs on the rulers, and when combined with a functioning democracy, this can also make it impossible for the incumbent government to withstand scrutiny or to be re-elected.”<sup>1</sup>*

With these words the Indian economist vindicates the importance of the media as a counter-power, or Forth Power, in the sense that it highlights its role as denouncer of corruption as well as of policies contrary to the common good.

Opposed to this standpoint, the director of *Le Monde Diplomatique*, Ignacio Ramonet, considers that “The worldisation is also the worldisation of the mass media, of communications and information. Worried mostly about the preservation of its gigantism, that obliges them to flirt with the other powers, this great groups don’t propose themselves, as civic aim, to be a ‘forth power’ nor denounce the abuses against the right, nor to correct the malfunctioning of democracy to smooth and improve the political system. They do not even erect themselves into a ‘forth power’ and, even less, to act as a counter-power. [...] The true power is now in hands of a couple of economic planetary groups and global enterprises whose weigh in the business world is sometimes even more important than that of governments and States. [...] This is why it is necessary to construct what could be named an ‘information ecology’. With the aim of cleaning up, separating information from the ‘black tide’ of lies”<sup>2</sup>.

In other words, Ramonet suggests that globalization, as a process of worldwide economic opening and integration, among other things, made that the media was left in a few gigantic groups that far from serving as a “forth power” or defending the benefits of freedom of the press, uniquely look for their own perpetuation in power and that is why it is necessary to clean, control, in sum, regulate information.

Thus the journalist adds that “the current systems of mass media regulation are unsatisfactory everywhere”<sup>3</sup>, suggesting, urging, claiming more regulation over the media.

After such eloquent expressions on the subject, Who is right? Which is the true relationship between press freedom, free market and economic performance? To solve this matters, nothing better than appealing to the “hard” data given by different indexes to trail these relationships, always with pertinent advise that they are just indexes and as such they do not show the whole reality, but they surely are a clear and very objective guide to solve this matter.

### Correlation between free market and press freedom

To see if it is true that economic opening and liberalization drives to the impossibility of exercising a true freedom of the press, it is suitable to begin inquiring about the relationship between economic liberty and press freedom. Thus I take two indexes from different organizations to see the result.

On economic liberty, I chose the *2004 Index of Economic Freedom* by Heritage Foundation. This study starts defining economic liberty as “the absence of government coercion or constraint on the production, distribution, or consumption of goods and services beyond the extent necessary for citizens to protect and maintain liberty itself”<sup>4</sup>. So the authors analyze 50 economic independent variables organized in trade policy, fiscal burden of government, government intervention in the economy, monetary policy, capital flows and foreign investment, banking and finance, wages and prices, property rights, regulation, and informal market activity.

Thus, following its results only one Latin American country is considered Free, while eight are classified as “Mostly Free”, nine figure as “Mostly Unfree” economies and two countries, Cuba and Venezuela, appear to be “Repressed” economies. The average for Latin America being “Mostly Unfree”.

**Table 1**  
**Economic Liberty ranking in Latin America**

Country	Economic liberty	Classification
Chile	1,91	Free
El Salvador	2,24	Mostly Free
Uruguay	2,55	Mostly Free
Bolivia	2,59	Mostly Free
Costa Rica	2,71	Mostly Free
Panama	2,83	Mostly Free
Peru	2,83	Mostly Free
Mexico	2,90	Mostly Free
Nicaragua	2,94	Mostly Free
Brazil	3,10	Mostly Unfree
Colombia	3,13	Mostly Unfree
Guatemala	3,16	Mostly Unfree
Paraguay	3,39	Mostly Unfree
Argentina	3,48	Mostly Unfree
Dominican Rep.	3,51	Mostly Unfree
Honduras	3,53	Mostly Unfree
Ecuador	3,60	Mostly Unfree
Haiti	3,78	Mostly Unfree
Cuba	4,08	Repressed
Venezuela	4,18	Repressed

Source: Author's data using information from *2004 Index of Economic Freedom*.

In this aspect, the process of transformation and the exit from “neo-liberalism” during the first years of the 21<sup>st</sup> century in Latin America had a negative result in this region. The above mentioned study asserts that “economic freedom in the region has not increased: It has decreased”. And among the ten countries that lead the list with the greater deterioration of economic freedom, are Argentina and Venezuela, together with Panama.

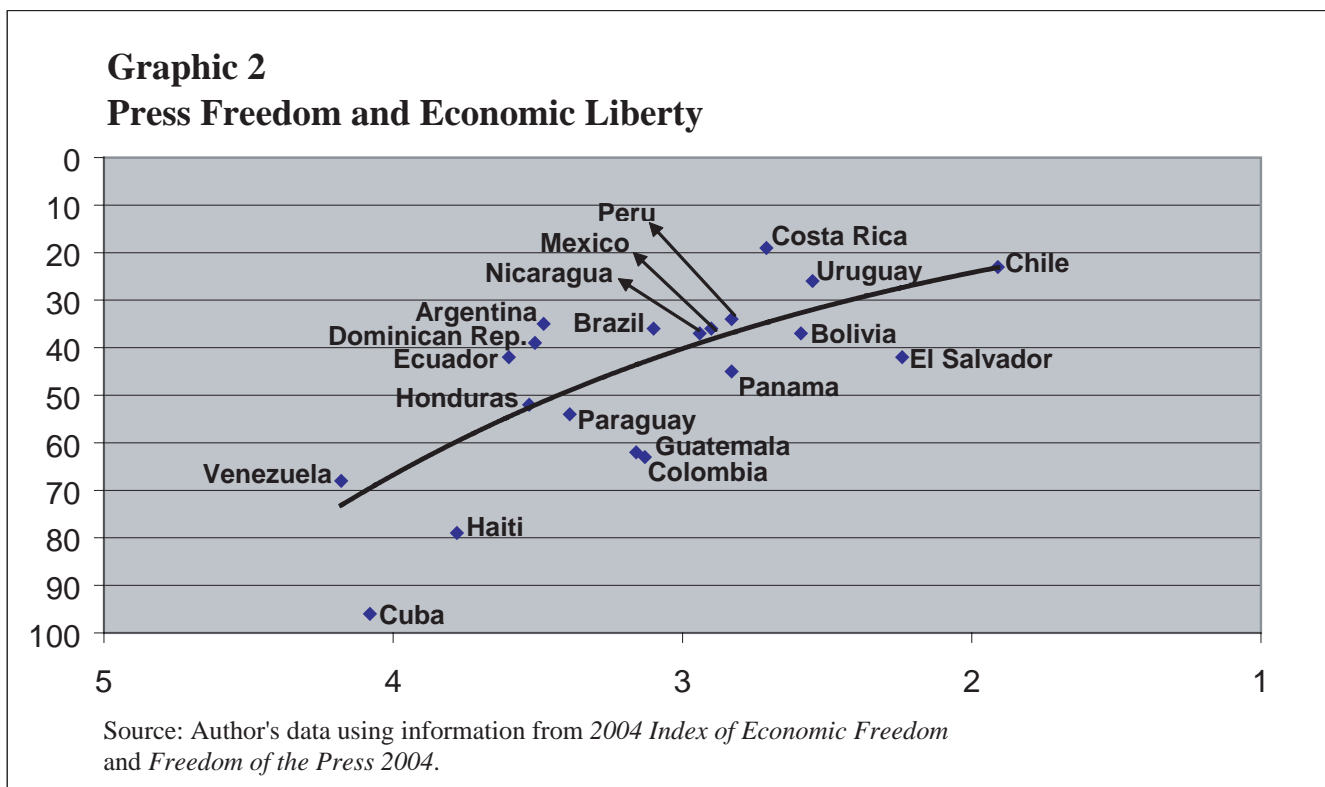
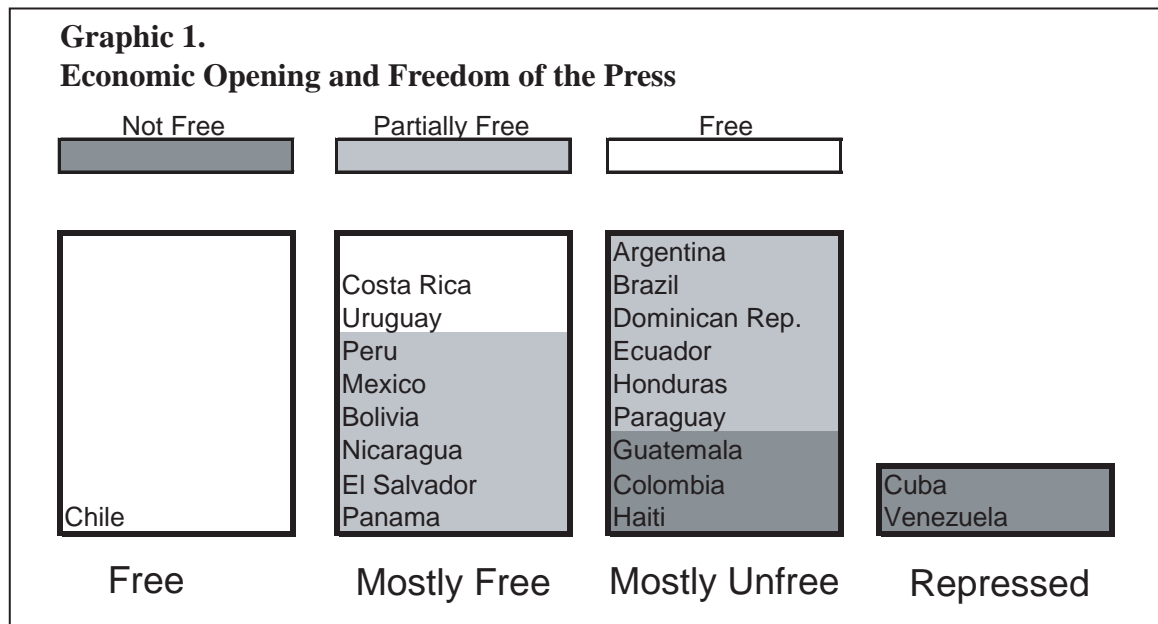
Now that we know the way in which the economic freedom is distributed in the region, it is necessary to get to know which the level of press freedom in each country is. With this intention I turn to Freedom House's *Freedom of the Press 2004*, which warns in advance that during 2003 the press freedom suffered a substantial decline, with Bolivia, a Latin American country, as one of the greatest weakening.

The above mentioned study, which has been done since 1979, is based on a survey that includes 193 countries. The degree in which each country allows the free flow of information determines the classification of “Free”, “Partially Free”, “No Free”. This classification is based on the evaluation of the structure of the news-delivery system as functioning under the country's laws and administrative decisions, as well as, their influence on the content of the print and broadcast media, the degree of political influence over the content of news media including issues of access to information and the economic influences on media content, including pressure by government funding, corruption, withholding of government advertising as a selective pressure point, or bias in licensing.

Although just 25 per cent of the Latin American countries are classified with a “Not Free” press, the study warns that “the negative regional trend observed during 2002 continues”. That is to say that the hypothesis of the free market critics could already be discarded since in Latin America it can be seen that on the one hand there is a decline of economic liberty and at the same time there is a decline in press freedom.

In Graphic 1 it can be seen that there is just one country classified as “free” in both indexes. Besides the countries with less economic freedom are also those with less press freedom.

If one looks at the trend shown by Graphic 2, it is also clearly seen the relationship between economic liberty and freedom of the press in the region. In this graphic the countries are classified from 1 to 5, where 1 is greater liberty and 5 is more economic repression. On the other axis, from 0 to 100 one can see the countries classified according their press freedom, and the lesser the classification the greater the freedom of the press. It is no casualty that Cuba and Chile are at the opposed extremes of the graphic, both in press and economic freedom.

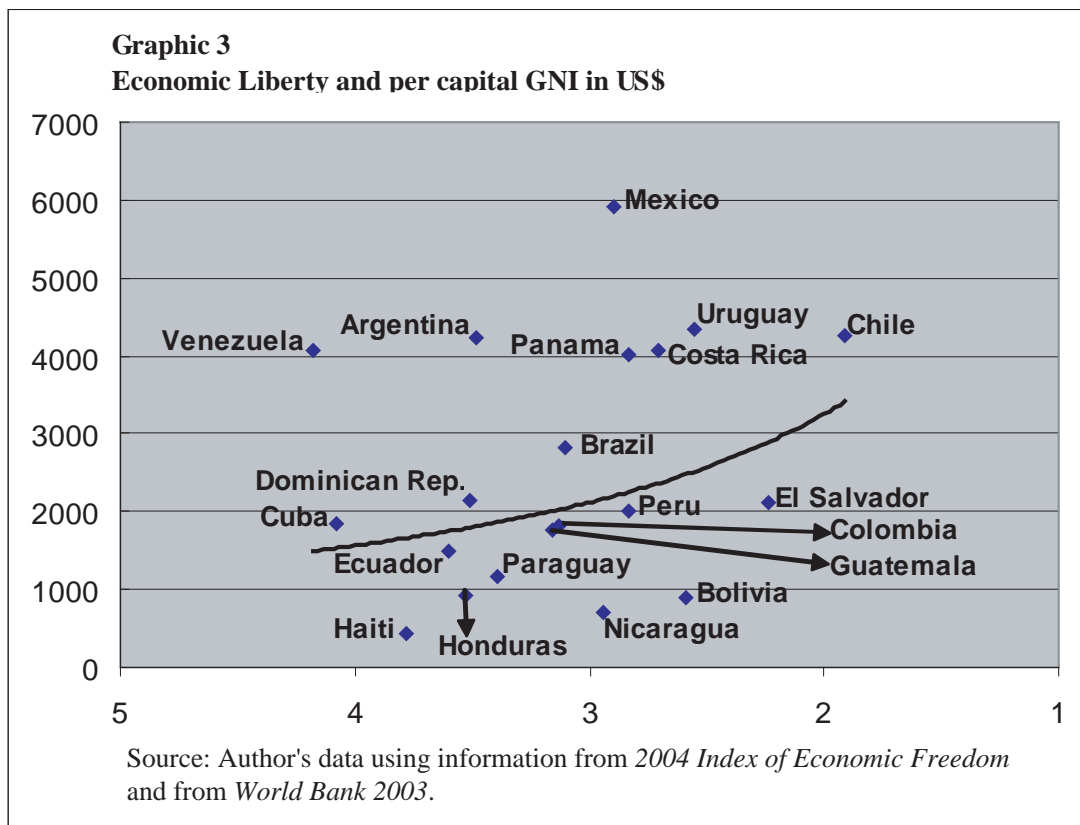


In sum, this graphic shows that there actually is certain tendency that in the countries where there is more free market there is also greater, and not less, opportunity to exercise the freedom of the press.

### What about economic development?

Latin America is a region with countries that have not yet been able to find, in many cases, the path to economic prosperity in all its history, and in other cases, they have lost the way and could not take it back for at least the last five or seven decades. For this reason, it is not surprising that one of the main interests of these countries is to discover, or re-discover, the path to development.

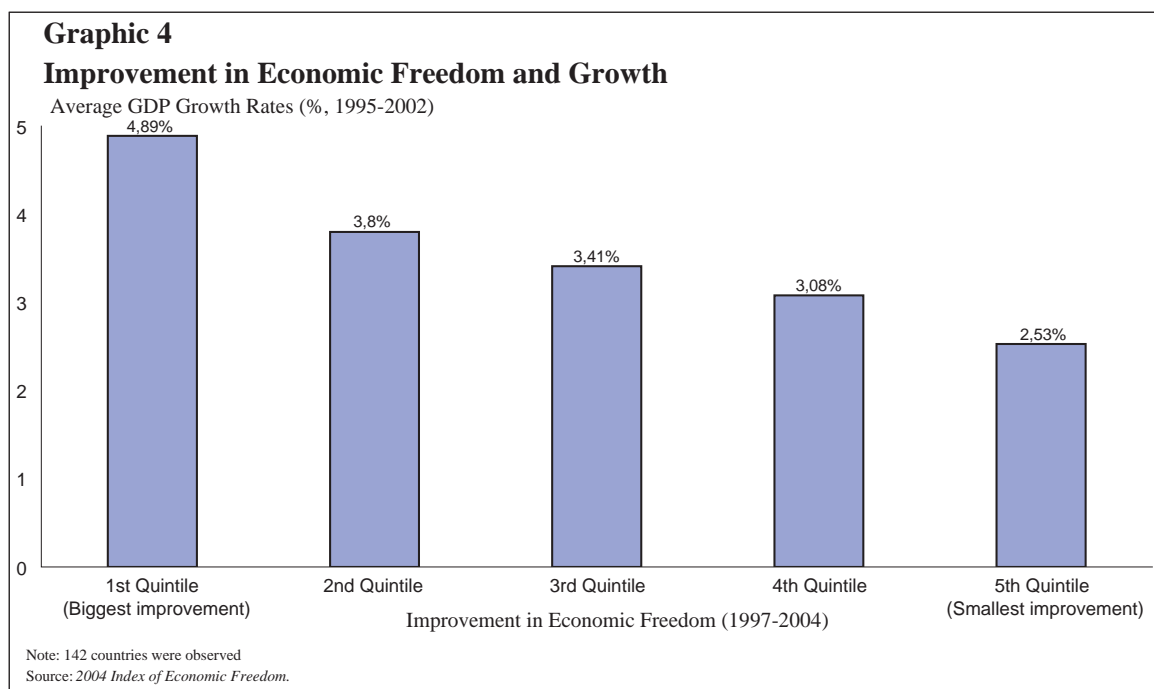
We have already seen how press freedom and economic liberty are tightly related, but let's move on now to see the relationship between free market and economic development. For as Ana Eiras, from Heritage Foundation, claims: "the literature on economic growth, development and prosperity concurs that the key to prosperity is economic freedom built on a strong rule of law"<sup>5</sup>. This is precisely what the 2004 *Index of Economic Freedom* tries to demonstrate: that the countries with the most economic liberty tend to show a greater per capita GNI. Strictly referring the Latin America, this is what Graphic 3 shows.



Sure, in this small sample of the world some “deviations” can be observed, since there are countries that with not so much economic liberty show a high per capita GNI. But the index itself warns that this kind of situations usually happen with countries in a process of reform, one way or the other. Venezuela, for instance, is now heading to a more closed and hostile-for-business economy, but still shows a high per capita GNI, though this will not last long. Something of the sort happens with countries like El Salvador that are taking favorable measures for economic liberty but it could not yet harvest the benefits of economic opening and growth.

It is also important to highlight that there is a temporal difference between the measures of the GNI by World Bank and the Heritage Foundation’s index, since the bank’s figures refer to 2002, though they were published in 2003, while the economic liberty data correspond to 2003, published in 2004.

For these reason, it might be easier and clearer to see another data given by the *Index of Economic Freedom*: the relationship between economic growth and free market opening, based on the strong supposition that a greater economic growth will lead in the mid and long term to a better economic development.





Thus, Graphic 4 shows that the growth rates of the countries positively relates with improvements in economic liberty. In other words, during the last seven years observed by Heritage Foundation, those countries with more economic liberty tend to show a higher rate of economic growth.

### Press freedom and development during the last decade\*

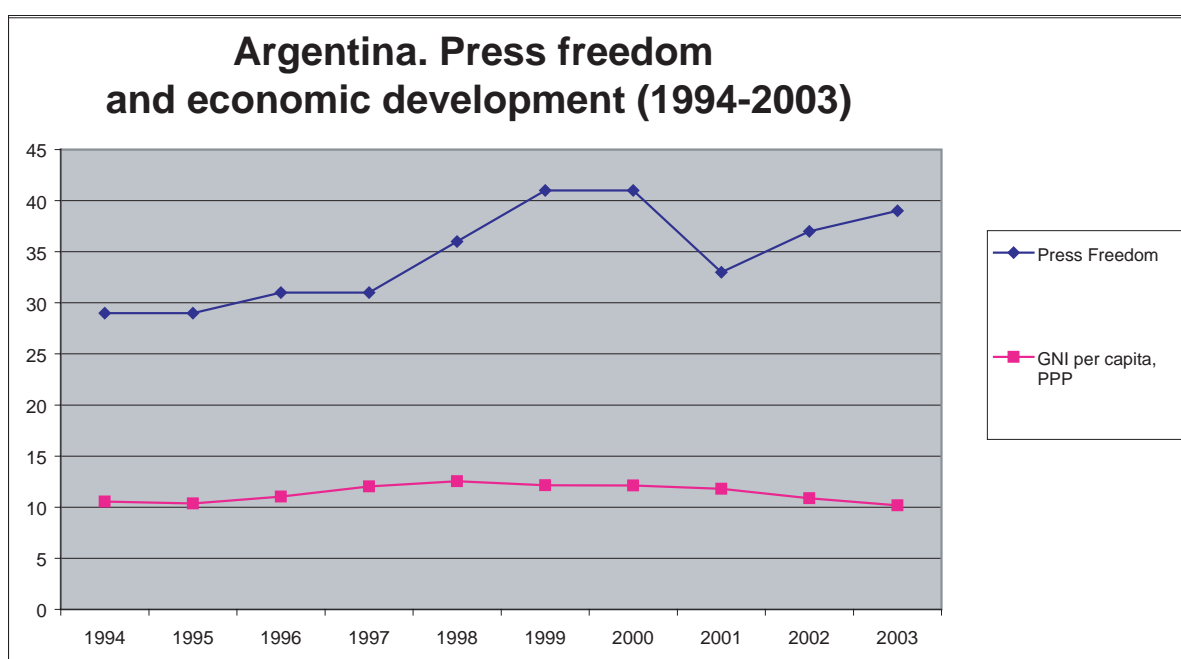
It still remains to see the performance of the freedom of the press and development within a period of time, in order to search for some pattern like the one proposed in this Report.

Unfortunately, we can only go back in time to 1994, since that is the year when Freedom House adopted its current numeric methodology used in the *2004 Freedom of the Press*. Even though it is a short period to observe a very clear and irrefutable relationship, the graphics presented forward let us discern the pattern proposed here.

Arbitrarily I chose five countries; the biggest Latin American economies and the evolution of press freedom during the last decade and the GNI per capita in that period were crossed to see the result.

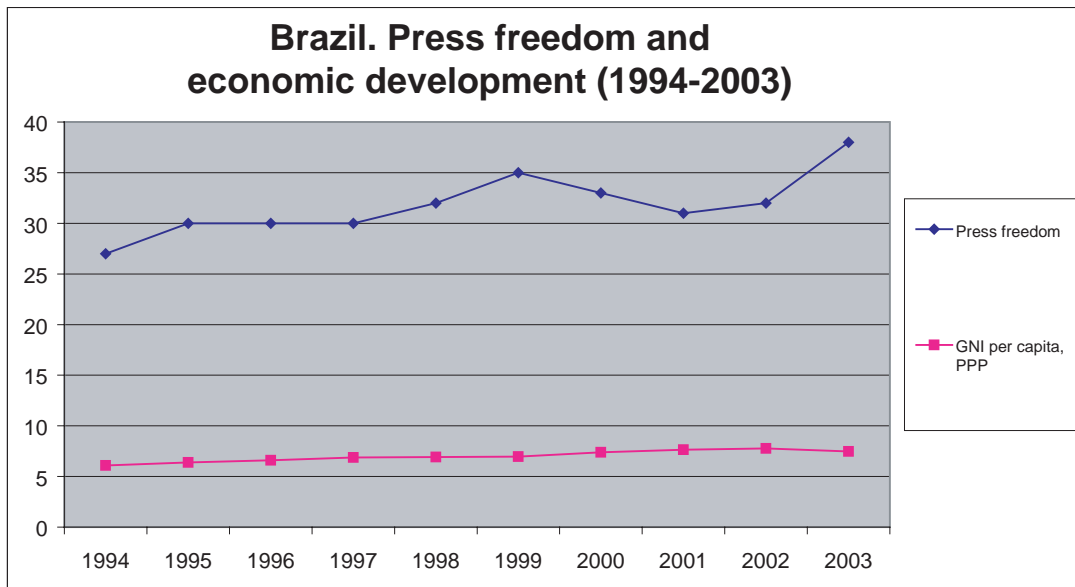
First of all, needless is to say that the region, in general terms, is characterized by high economic volatility which makes it even harder to see these relationships, but if you see the graphics with special care you will be able to find the statistical affinity suggested in this Report.

Lastly, before proceeding to the analysis of the graphics it is important to notice that when the blue line (press freedom) grows, it means that the freedom diminishes; on the other hand, when the GNI per capita line goes up, it means an increment of this indicator in thousand dollars.

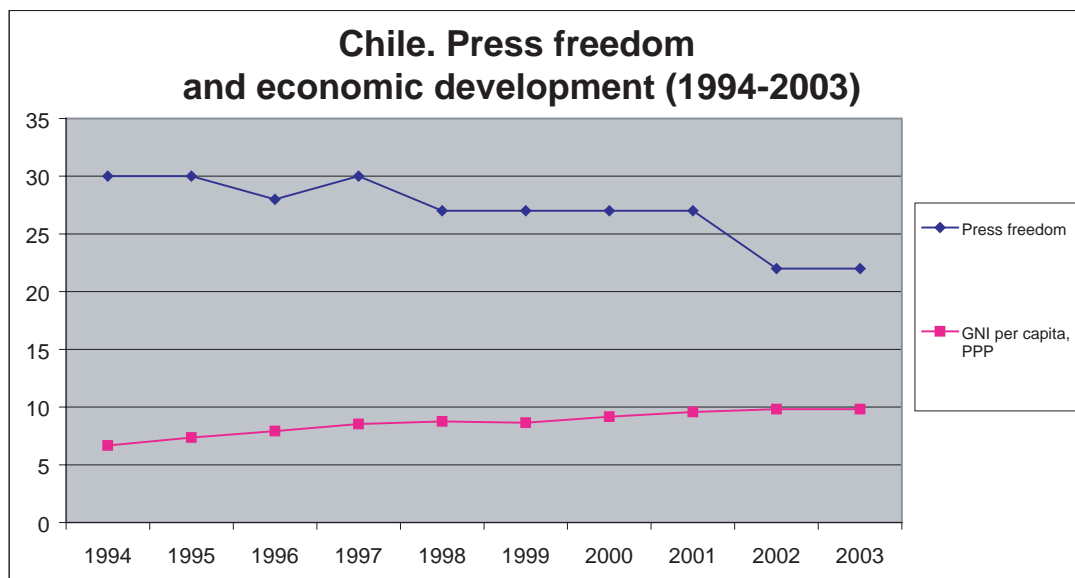


To begin with, the Argentine case is very interesting because at first sight it could be said that the relationship between press freedom and wealth is precisely opposed since the peak of lack of press freedom (between 1997 and 2000) Argentina lived its years of greater GNI per capita. However, we should pay attention to the little changes to the better that begin to show in 1999, when there is a peak in lack of press freedom and although in 2001 an improvement can be seen in this indicator, it does not get to appear in the GNI per person index which keeps with its negative trend. This is because, as explained earlier, there exists a temporal distance between the measure of these indicators, but also the economic variations and the press freedom's ones do not show its effects immediately, in fact it takes a while to have any results, and in many cases, because of the high economic volatility, these changes have not enough time to show.

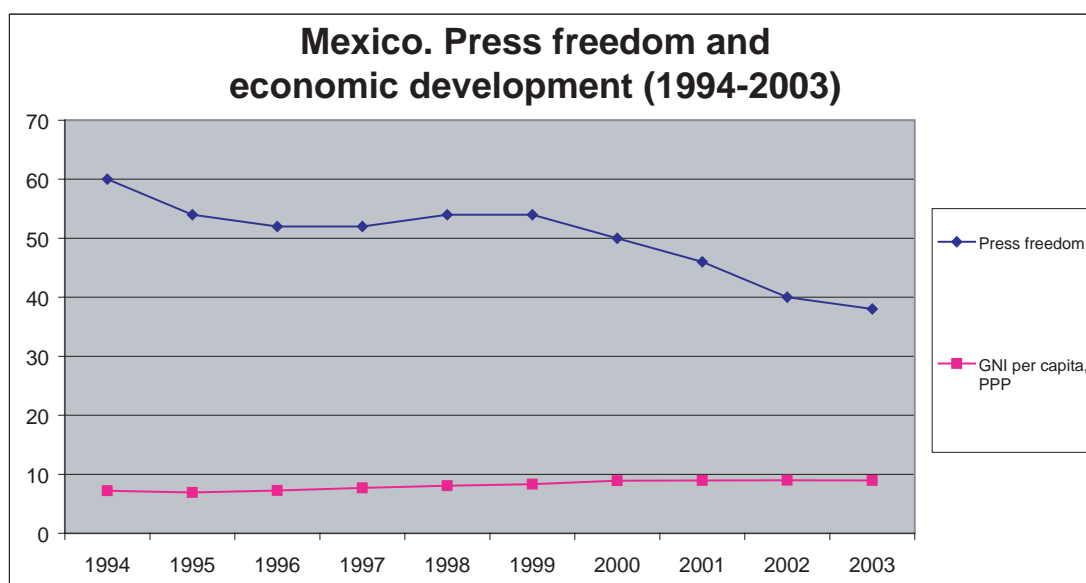
\* All the graphics in this section were made by the author using data from Freedom House ([www.freedomhouse.org](http://www.freedomhouse.org)) and *World Development Indicators* ([www.worldbank.org](http://www.worldbank.org)).



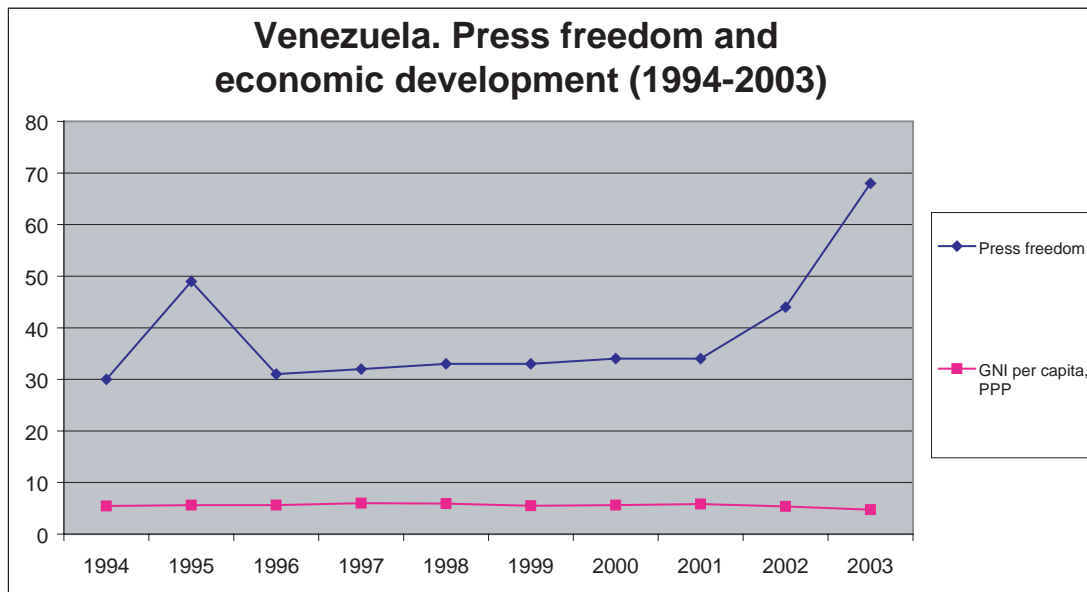
Something alike happens with Brazil, though in this case the rise in lack of press freedom corresponds to drops in the per capita GNI.



Maybe the clearer example of the relationship between these indicators is Chile. In fact this is the country that has more firmly stick to the economic liberty path deregulating and gradually opening its economy. The graphic shows how the growth of freedom of the press relates year after year with a rise in the country's wealth.



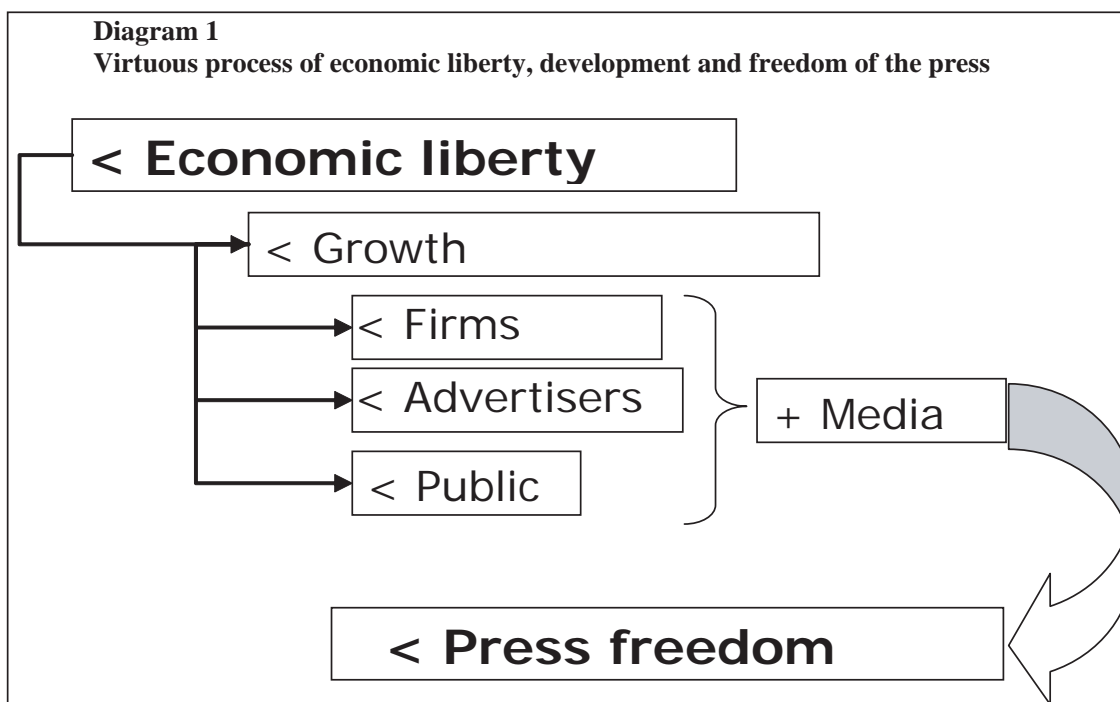
Mexico represents another similar example that has also shown a tendency favorable to free market during the last years. Besides this is an interesting case since at the beginning of the analyzed decade, Mexico had very little press freedom, and now it is in a middle situation with a positive trend. The same happens to its per capita GNI that, leaving aside the world economic ups and downs, shows a gradual growth tendency, followed by the rise in freedom of the press.



Lastly, the saddest case: Venezuela. This country has always been economically blessed by its strong fuel capital that guarantees an interesting income rate. However, over the last years, as can be seen in the graphic, the economic situation has begun to deteriorate and what is even more alarming, there is also a frightening decline in freedom of the press. That is to say that, in a country where the government is carrying out a populist policy, one can observe, not only a decline in the per capital GNI, but also a strong and alarming deterioration of press freedom.

### The right way

In front of the data and the evidence propound in this Report, there is no way but to disregard the anti-globalization and anti-market views that see a threat to press freedom in the economic opening. In general terms, the argument exposed by the dark and wrongful views on the functioning of capitalism hide behind the supposed fact that globalization, specially the economic integration, far from promoting a better place for competence, generates a media monopoly that hinder the free speech of the citizenry. The evidence against this view has been clearly shown here. However, it is useful to suggest an explanation hypothesis of the relationship between economic liberty, development and freedom of the press (Diagram 1).





In short, the model proposed in an easy and simplified way, teaches the functioning of a free market economy, from a view point almost exclusively focused in the media.

Briefly, the core hypothesis of this diagram is that economic liberty, as was previously said, is most favorable to economic growth. It still remains to show that economic growth permits a higher plurality of firms, advertisers and public able to have economic access to the paid media. If this should be the case, it would imply that there is a greater freedom of the press. Finally, to try to push the region to an anti-free market path, claiming that the market hinders press freedom is not only a mistake or ignorance, but in front of the clear statistical evidence propound here, it would be an act of evilness. Acts probably tending to the ancient models where there was not only an absence of economic liberty, but also no freedom of the press, civil liberties or economic growth. Models that unfortunately are still in force in the region and, even more alarming, models that besides its very poor results, are still sounding in the heads of certain Latin American political leaders.

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**Notas:**

<sup>1</sup> KILMAN, Larry “La libertad de prensa es necesaria para el desarrollo económico” Asociación Mundial de Periódicos, 2001: [www.wan-press.org](http://www.wan-press.org)

<sup>2</sup> RAMONET, Ignacio “El Quinto Poder” in *Le Monde Diplomatique*, octubre 2003.

<sup>3</sup> RAMONET, Ignacio “El Quinto Poder” in *Le Monde Diplomatique*, octubre 2003.

<sup>4</sup> MILES, Marc A.; FEULNER, Edwin J.; O’GRADY, Mary Anastasia; EIRAS, Ana Isabel (eds.) *2004 Index of Economic Freedom* Washignton, D.C.: The Heritage Foundation y Dow Jones & Company, Inc., 2004.

<sup>5</sup> EIRAS, Ana “Intervención del FMI y el Banco Mundial: un problema, no una solución” in *Perspectiva* Nro. 4, 2004, p. 28.

**The Center for the Opening and Development of Latin America (CADAL), with headquarters in Buenos Aires, Argentina, was created as a Foundation on February 26, 2003 with the aim of promoting the strengthening of democracy, rule of law and economic liberties in the countries of the region. With this purpose, CADAL organizes activities of analysis, research and diffusion.**

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