



Press Freedom and Economic Development in Latin America

2005

On average, during last year Latin America has enjoyed a good economic growth. Also on average, it has suffered an important setback in its press freedom indexes. In fact, the countries that put more obstacles for the practice of journalism are among the countries that have experienced the highest growth. Does this show a negative correlation between press freedom and development? No. Just like this report shows, it is a clear proof of how little consolidated Latin American democracies are.

Hernán Alberro



FOREWORDS

For Centro de Investigación de Medios y Sociedad Andes (CIMAS) at Communications College at Universidad de los Andes it is a privilege to take part in the publishing of this new Report on Press Freedom and Economic Development in Latin America that CADAL puts together.

Actually, as this report claim, our region has enjoyed a good economic growth, but curiously it has suffered a set back in press freedom, why?

In our times, when some people start to question the “economic (classical liberal) development model”, once again we need to insist that our region needs the coexistence of both Political Liberties and Economic Freedom. That is to say, democracy and market should go hand in hand as the only chance to overcome underdevelopment. The rest is populism, demagogy, rethoric, that sometimes captivate the electoral masses that in despair fall for a “Messiah” with short term promises.

In the next 14 months, Latin America will face 9 presidential elections and twelve parliamentary elections. Some say that there should not be any risk for investments, though the populist uncertainties in Venezuela and Bolivia - countries with the most important risk - are still present and will continue, but what about the rest of the region?

Media is a reflection and contribute to shape public opinion, so the perceptions on democracy and economic development are directly related to the way the inform, that is why we need a broad freedom of speech, one of the cornerstones of democracies.

So, this work constitutes an indispensable tool not only for those who inform and want to be informed, but to every single person that take parte in the decision process.

A stable democracy needs informed citizens, and they - at the same time - need a journalism committed with truth, liberty and ethics.

We congratulate CADAL and CIMAS for this initiative.

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“Feedback is essential to assure that government adopts policies benefiting citizens. To the extent that government policies have a material impact on the economy, such feedback is a significant element driving growth”. This clear and conclusive definition presented by Richard Roll and John Talbott (2003) reveals how important the press is for economic development. However, if the practice of the press is to have a true role in generating feedback, as an intermediary between society and political leaders, it must have a real space of freedom to thrive.

“Political rights, including freedom of expression and discussion, are not only pivotal in inducing social responses to economic needs, they are also central to the conceptualization of economic needs themselves”, sustains Amartya Sen (1999) to clarify this same idea. Without freedom of expression and press, not only can we not talk about economic development, but it will also be difficult to discover which economic needs are required to measure it.

However, as we shall see below, it seems that Latin America has not heard these academics’ clear message and intends to look for economic development beyond, and at times even going against, political and civil freedoms, especially affecting freedom of press.

The information presented in *Freedom of the Press 2005*, elaborated by Freedom House, shows a setback when comparing this year’s freedom of press data with that of last year. Although at first glance the setback appears to equal the average improvements in the region, we can observe a large difference in the volume of these changes. That is to say, the declines in freedom of press are almost three times larger than the indicator’s improvements.

We can observe that the countries that have experienced the largest reduction of space for the exercise of press are Peru, Argentina, Venezuela, Mexico and Nicaragua; the countries that have shown improvements (albeit to a lesser degree) are Haiti, Guatemala and Bolivia. Something similar happens with the *2005 Index of Economic Freedom*, elaborated by Heritage Foundation, shedding light on the relation that exists between these indicators. Here we also observe that the setbacks related to free markets are more pronounced than the improvements.

With regards to economic growth, when measured in terms of Purchasing Power Parity (PPP), every country in the region showed improvements. ECLA, in its *2004 Preliminary Overview of the Economies of Latin America and the Caribbean*, assures that “the region’s strong economic performance was closely tied to developments in the international economy. World economic activity picked up speed in 2004, resulting in estimated global GDP growth of just under 4% (versus 2.6% in 2003), while the expansion of world trade could top 9% (versus 5.5% in 2003).” Therefore, what initially appears to be an outright refutation of this paper’s hypothesis and of the academics’ statements quoted above, is not so. It is quite clear that the growth of a good number of the countries in the region is not a product of their good public policies but of the favorable international setting.

Press Freedom in Latin America according to Freedom House		
Countries	2004	2005
Argentina	35	41
Bolivia	37	35
Brazil	36	40
Chile	23	24
Colombia	63	63
Costa Rica	19	19
Cuba	96	96
Ecuador	42	41
El Salvador	42	41
Guatemala	62	58
Haiti	79	66
Honduras	52	51
Mexico	36	42
Nicaragua	37	42
Panama	45	44
Paraguay	54	56
Peru	34	40
Dominican Rep.	39	38
Uruguay	26	29
Venezuela	68	72

Countries with less Freedom of the Press	9
Countries with more Freedom of the Press	8
Countries that remain unchanged	3

Sum of negative changes	-101,6
Sum of positive changes	39,78

Economic Freedom in Latin America according to Heritage Foundation		
Countries	2004	2005
Argentina	3.48	3.49
Bolivia	2.59	2.7
Brazil	3.1	3.25
Chile	1.91	1.81
Colombia	3.13	3.21
Costa Rica	2.71	2.76
Cuba	4.08	4.29
Ecuador	3.6	3.49
El Salvador	2.24	2.2
Guatemala	3.16	3.18
Haiti	3.78	4.04
Honduras	3.53	3.43
Mexico	2.9	2.89
Nicaragua	2.94	2.9
Panama	2.83	2.74
Paraguay	3.39	3.45
Peru	2.83	2.78
Dominican Rep.	3.51	3.54
Uruguay	2.55	2.6
Venezuela	4.18	4.09

Countries with more Economic Freedom	9
Countries with less Economic Freedom	11

Sum of positive changes	21.72
Sum of negative changes	31.02

Instability and relapse: a characteristic that is present in the region

When using freedom of press as a democratic indicator, the 2004 experience does not present a positive outcome. Nine countries have suffered relapses in terms of freedom of press. The most outstanding cases are: Mexico, Argentina, Venezuela, Nicaragua and Peru.

Mexico has witnessed a steep fall in the ranking because it is the country in Latin America that has experienced most mortal crimes against journalists. Freedom House has downgraded Argentina due to the government's arbitrary use of official publicity. In Venezuela, freedom of press has been curtailed with the passing of the law on media content. Nicaragua unfortunately experiences the deficits of the three aforementioned countries: endangerment of journalists' lives, arbitrary allocation of official publicity and legislation that is contrary to the advancement of the free exercise of journalism.

Although Peru has seen an improvement in its freedom of press since former president Alberto Fujimori's period in office, over the last year it has experienced revival of harassment, attacks and illegal arrests of journalist who, in their great majority, were investigating cases of local corruption. Even though all these countries have witnessed setbacks in freedom of press, they have all seen their economies evolve in a positive way.

This, as mentioned above, is the greatest cause for alarm in the region because it reflects the weakness of democratic values in our countries. It is no coincidence that freedom of press has not been the only liberty that has been affected during this period; it is also the case economic freedom, and although the *Index of Economic Freedom* elaborated by Heritage Foundation shows that there have been no setbacks on average, there has been a regrettable stagnation.

The only countries that can be referred to as having consolidated levels of freedom of press are Chile and Costa Rica. The Andean country witnessed a slight variation in its freedom of press, but its economic development is not in the least affected due to its excellent scores in the past and Chile progresses along the line of growth.

Costa Rica, the Latin American country with the highest freedom of press score and second highest for economic freedom, is clearly another country that can be said to have consolidated its democracy and therefore, its economic development as well.

Finally, we are left with countries such as Cuba that unfortunately still display a poor performance in terms of freedom of press and economic freedom, and are placed at the bottom of both rankings, not only in Latin America but in the world. This regrettable case, a proof of the relationship between freedom of press and economic development, increases the economic pressure applied on its people, setting obstacles for private initiatives and for the use of remittances sent from abroad, and at the same time intensifies the persecution of the incipient independent press on the Caribbean island.

Brazil represents a paradigmatic case of the problem. Brazil has a high rate of economic growth but has experimented setbacks in terms of freedom of press and economic freedom, corroborating the weakness of its democracy.

Ranking of Freedom of Press and Economic Development

In order to see the positioning and relationship between freedom of press, economic freedom and economic development in a different light, this section of the report elaborates a ranking using the aforementioned indicators.

This ranking grants equal weight to the freedoms and GDP per capita; each represents one third of the final result, where 0 indicates a total lack of freedoms and development and 1 indicates the opposite.

At first glance, we can observe that the ranking of countries portrays the relationship between indicators of freedom of press, economic freedom and economic development, because the countries that are ranked highest also lead the freedom of press and economic freedom indexes.

Another issue that stands out is the fact that the countries that are at the top of the ranking are smaller countries with the ability to reach consensus and with more stable democracies.

But there are two exceptions: Bolivia and Mexico. The Bolivian case entails a country that is struck by a high level of domestic inequality, a large informal economic sector and political instability. Although it has seen improvements in freedom of press, the small setbacks in economic freedom and political instability still translate into low levels of income for its

Per capita income in Purchasing Power Parity (PPP), according to the World Bank		
Countries	2003	2004
Argentina	10190	12460
Bolivia	2390	2590
Brazil	7450	8020
Chile	9420	10500
Colombia	6150	6820
Costa Rica	8560	9530
Cuba	n/a	n/a
Ecuador	3340	3690
El Salvador	4790	4980
Guatemala	4030	4140
Haiti	1610	1680
Honduras	2540	2710
Mexico	8800	9590
Nicaragua	2350	3300
Panama	6060	6870
Paraguay	4590	4870
Peru	4880	5370
Dominican Rep.	6270	6750
Uruguay	7710	9070
Venezuela	5220	5760

population. However, we must point out that the relatively positive indicators of freedom of press and economic freedom, in particular, have enabled Bolivia to achieve noteworthy rates of growth over the past years. Undoubtedly, the outcome of the political dispute the Bolivian society is facing at present is a question that will have a decisive influence on the development of freedoms and economic growth.

On the other hand, Mexico is a large country, both in territorial and economic terms, and although it has not solved its problems yet, is gradually finding (to a great degree thanks to its free trade agreement with the United States) its path towards a consolidated democracy, rule of law and economic development. It is clear that there are still pending issues, such as unequal income distribution and safety problems generally linked to drug trafficking that trouble journalists as well as public officers and politicians.

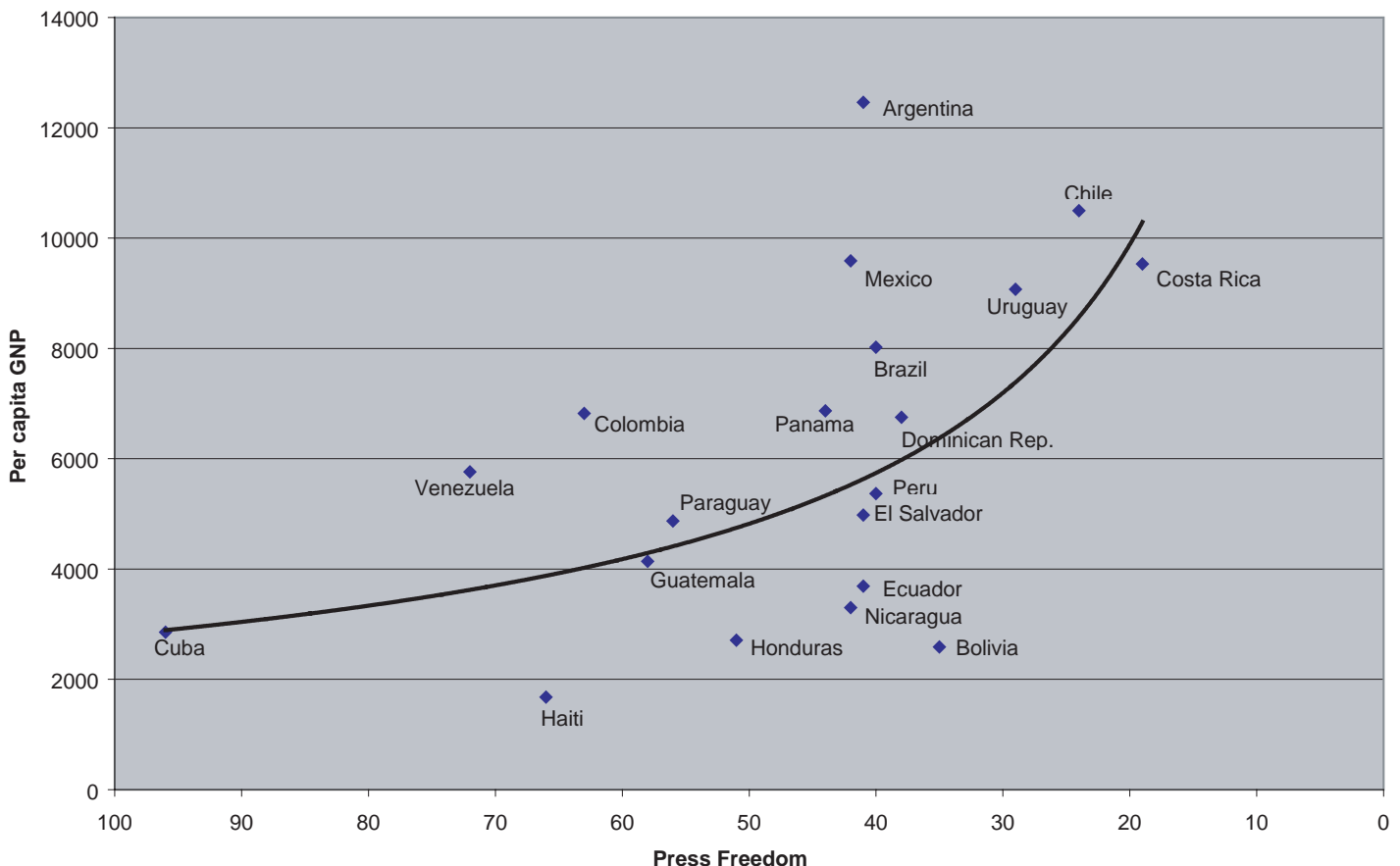
Unlike previous reports, this graph does not clearly portray the relationship between freedom of press and wealth in the countries of the region. However, this does not support the view presented by different authors over past decades (Galenson 1959; de Schweinitz 1959), denouncing democracy as an obstacle to growth. Luckily, these theories have been ruled out and at present the theoretical and empirical data relate wealth with civil and political freedoms, including freedom of press (Roll y Talbott 2003).

However, as mentioned above, it seems that Latin America is shunning this evidence and is wasting the opportunity that the economic upturn is offering to strengthen democratic values. This, following Roll and Talbott's line of thought, will not only produce democracies that are weak or non-existent, but will hardly lead to economic development.

Also, the graph clearly reflects that countries that have shown less respect for freedom of press are precisely the ones where the citizens have lower purchasing power parity.

Ranking of Press Freedom and Economic Development 2005		
Nº	Countries	Ranking
1	Chile	0.609
2	Costa Rica	0.538
3	Uruguay	0.514
4	El Salvador	0.473
5	Mexico	0.45
6	Panama	0.433
7	Bolivia	0.431
7	Peru	0.431
8	Argentina	0.428
9	Brazil	0.414
10	Nicaragua	0.397
11	Dominican Rep.	0.386
12	Ecuador	0.354
13	Colombia	0.33
14	Guatemala	0.327
15	Honduras	0.318
16	Paraguay	0.317
17	Venezuela	0.217
18	Haiti	0.208
19	Cuba	0.096

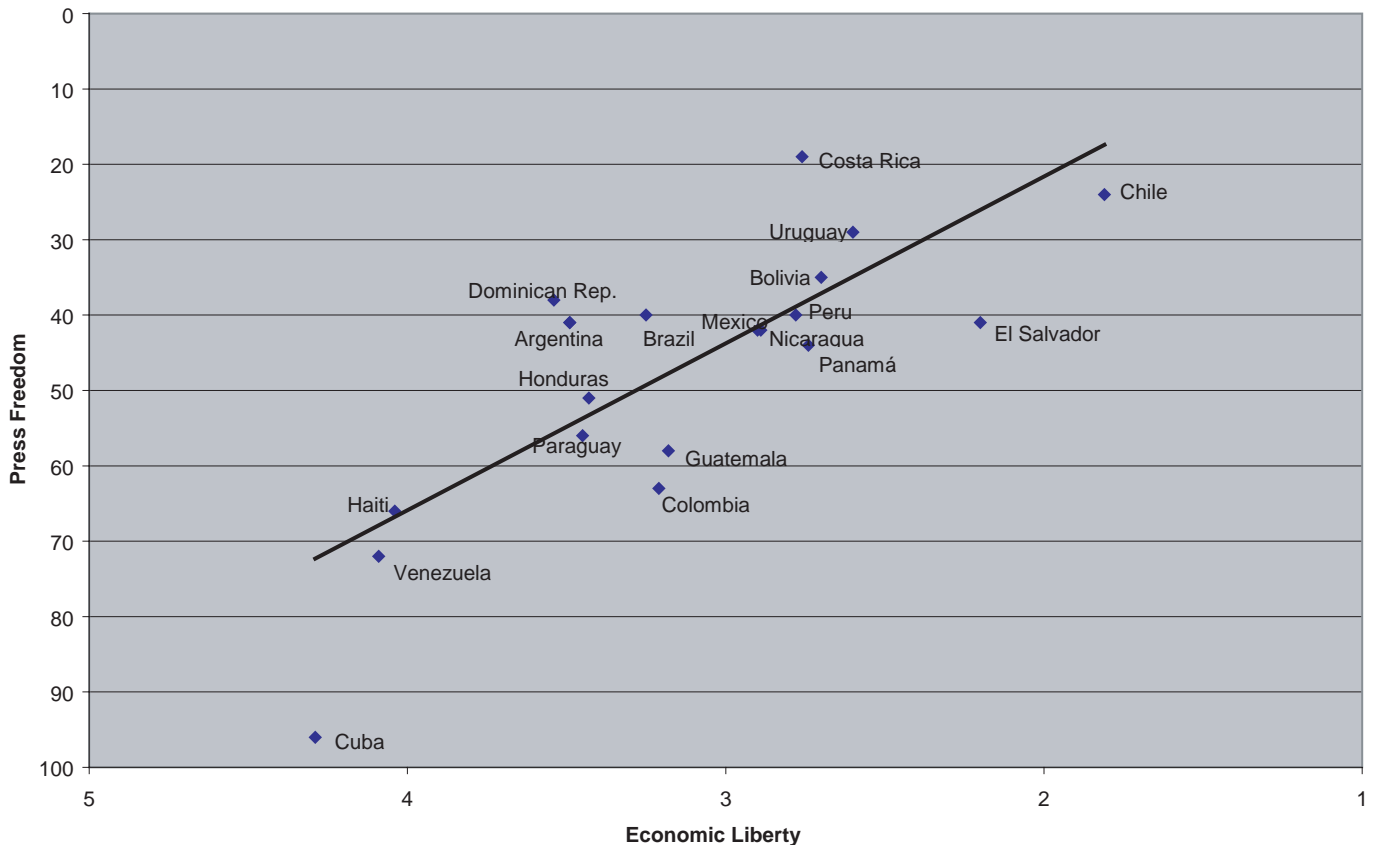
Per capita GNP and Press Freedom 2005



This graph shows the relation between the freedoms analyzed in this report. We cannot establish causal relationships based on statistics but we can state that there is a certain correlation between the indexes of freedom of press and economic freedom. In other words, where we observe greater freedom of press, we also observe greater economic freedom, and vice versa.

The extreme positions of Cuba and Chile are useful as paradigms of this hypothesis. As mentioned above, Cuba not only represents the last bastion of communism but is also the largest prison for journalists in Latin America and one of the largest in the world. On the other hand, it is no coincidence that Chile, the country that has experienced the greatest economic opening over the last decades, also has one of the most consolidated democracies and greatest respect for civil and political freedoms.

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In this sense, Argentina is also useful as a paradigm of what is unfortunately taking place in the region. While the economies are growing at truly high rates, Latin American policy makers prefer to take advantage of the upturn to increase taxes, close the economy to international markets and use surplus resources to accumulate political capital, threatening freedom of press in the meantime.

While having access to greater resources, the governments, instead of taking advantage of the resulting political benefits to carry out pending reforms to consolidate growth, use the surplus funds to further increase their political capital. This not only poses a threat to the treasury because clientelism, populism and the arbitrary use of resources is a way of squandering public funds, but also seriously threatens democracy in two ways. In first place, because political leaders have more money in their pockets and a certain degree of support guaranteed due to clientelism, they can “take advantage” of the situation to remain in power, an issue that always represents a risk for democracy. As maintained by Feng Yi, “in the short run, growth can strengthen the fist of a dictator and grant the government the excuse to sacrifice democracy and freedom.” (Yi 1997) In second place, the surplus money has often been used throughout the region in exchange for the support of the press, or to silence the opposing press. This explains the current preoccupation that exists in Latin American countries about the governments’ arbitrary use of resources destined to official publicity.

The institutional dynamics of weak democracies

The previous report presented a virtuous circle of economic freedom, freedom of press and economic development. We proposed that economic freedom favors economic growth and this, in turn, allows for a greater diversity of companies, advertisers and of an audience with economic access to both massive and alternative media which, in short, entails the existence of a greater degree of freedom of press.

Given the region's situation, we are going to conclude this report by proposing a model of weak democracies' vicious behavior. Market institutions are not only key instruments to economic growth but are also vital for democracy. "Markets are defensible on grounds of the rights that people have (*viz*, that they should be free to transact), rather than because of their welfare-generating effects". (Sen 1993)

It is precisely the lack of consolidation of democracy that explains why the economic upturn, in absence of the market and rule of law institutional framework, has an adverse effect on political and civil freedoms.

Latin America should take advantage of the opportunity that economic growth is offering to strengthen its democracies, instead of insisting on the same combination of populism and demagoguery that has caused so many frustrations in the region.

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The Center for the Opening and Development of Latin America (CADAL), with headquarters in Buenos Aires, Argentina, and a representation in Montevideo, Uruguay, was created as a Foundation on February 26, 2003 with the aim of strengthening democracy, rule of law and economic liberties in the countries of the region. With this purpose, CADAL organizes activities related to analysis, research, dissemination and training in the following areas: Latin American Politics; Human Rights; Journalism and Democracy; Economics and Rule of Law; Modernization of Political Parties; and Development and Institutional Communications. CADAL is member of Red Interamericana para la Democracia (Inter-American Network for Democracy) and Network of Democracy Research Institutes. For its work, CADAL has received two international awards: "2005 Templeton Freedom Award Grant for Institute Excellence" and "2005 Francisco De Vitoria Prize for Ethics and Values".

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