

# **Press Control and Socioeconomic Development: What can Laos learn from the world?**

By  
Mana Southichack, PhD

**DRAFT**  
October 24, 2005

## **Abstract**

Statistical evidence strongly indicates that Press Control Index (PCI) and per capita Gross National Income (GNI) are inversely related, with high-income countries having lower PCI and low-income countries tending towards higher PCI. That is, countries in which governments exercise strong control of the press tend to have lower per capita income than those with more moderate government interference. High PCI reflects government's desire to attain high level of control over its citizens by controlling and restricting the press through economic, legal, and political means. Continued government strict control of the MIA industries, which comprised of media industry, intellectual industry, and art and entertainment industry, can hamper the economy directly by preventing or hindering private investment in the industry, thereby retarding income and job growth. It also penalizes citizens with special talents and abilities in art and intellect, costing society in the forms of lost talents and human potentials. The indirect effects, which are more significant in strength and scope than the direct effects, have various aspects, some are revealing and, others, hidden. Strong government control of the press does not limit to the MIA industries, it depresses other industries through backward and forward linkage effects, human capital effects, and cross-industry escalation effects. It also causes institutional rigidity, which prolongs inefficiencies. Strong government control also exacerbates inequality in favor of the better-off individuals at the expense of the poor and disadvantaged citizens.

## **1. Introduction**

Press control is a simple expression for a situation in which government exercises control of the contents and business conducts of the printing press and media industry as a whole, through economic, legal, and political means. Degrees of control vary widely across countries, depending on the political system and governance structure. In general, governments in less democratic countries exercise more control of the press than governments in more democratic countries.

This paper discusses the effects of press control on socioeconomic development. The objective is to provide some evidence that, hopefully, would shed light to a better understanding of how government's efforts to attain high level of control of society under the name of maintaining stability and social justice could do more harm than good to the overall socioeconomic development.

The paper begins with a review of the *Press Freedom Survey*. Following that, a simple statistical analysis is performed on the relationship between press control and per capita income using a global sample of 168 countries. Evidence strongly indicates that countries in which governments exercise strong control of the press tend to have lower per capita income than those with moderate government interference. Then, the paper ends by offering explanations why and how differently strong versus weak government control of the press could affect the economy.

## **2. The Press Freedom Survey**

Freedom House's annual survey of press freedom status in 2005 was conducted for 194 countries. Each country is scored based on the level of control government exercises over the press through legal, political and economic means.<sup>1</sup> The score measuring press freedom as reported in the survey ranges from zero to 100. Zero means the press is perfectly free from government interference, and a score of 100 implies that the press is completely controlled by government. The survey defines that any country with PCI between 0 and 30 is considered to have *free press*, between 31 and 60, *partly free*, and from 61 and above, *not free*. For the purpose of this paper the score measuring press freedom is called Press Control Index (PCI).

The 2005 survey suggests that 69 countries do not have free press, 50 countries have partly free press, and 75 countries have free press. North Korea has the strongest press control, with PCI of 97, followed by Turkmenistan, Myanmar, and Cuba, with PCI of 96 each. The survey suggests that Laos remains one of the most repressive regimes in the world. With PCI of 83 in 2005, Laos is world's 14<sup>th</sup> most repressive country, tied with Somalia and Syria. Other countries with PCI higher than that of Laos include Libya (95), Eritrea (91), Zimbabwe (89), Equatorial Guinea (88), Sudan (86), Belarus (86), Uzbekistan (85), Rwanda (84), and Israeli Occupied Territories & Palestinian Authority (84). Among countries with the strongest and weakest government control of the press in 2005 are summarized in Table 1.

---

<sup>1</sup> Legal means through which government controls the press refers to "laws and regulations that influence media content;" political means refers to "political pressures and controls on media content (including harassment or violence against journalists or facilities, censorship, self-censorship etc);" and economic means refers to "economic influences over media content."

Table 1  
**Among Countries with Strongest and Weakest Press Control in  
 the World in 2005**

World's Highest PCI Countries		World's Lowest PCI Countries	
Country	PCI 2005	Country	PCI 2005
North Korea	97	Finland	9
Myanmar	96	Iceland	9
Cuba	96	Sweden	9
Turkmenistan	96	Denmark	10
Libya	95	Norway	10
Eritrea	91	Belgium	11
Zimbabwe	89	Luxembourg	11
Equatorial Guinea	88	Netherlands	11
Belarus	86	Switzerland	11
Sudan	86	New Zealand	12
Uzbekistan	85	Marshall Islands	13
Israel Occupied Territories and Palestinian Authority	84	Palau	13
Rwanda	84	Andorra	14
Laos	83	Bahamas	14
Somalia	83	Liechtenstein	14
Syria	83	Monaco	14
China	82	Portugal	14
Vietnam	82	Ireland	15
Congo (Kinshasa)	81	Jamaica	15
Iran	80	Germany	16
Saudi Arabia	80	San Marino	16
Tunisia	80	St Lucia	16
Swaziland	79	St Vincent & Grenadines	16
Yemen	76	Barbados	17
Kazakhstan	75	Canada	17
		Dominica	17
		Estonia	17
		Latvia	17
		United States	17
		Australia	18
		Lithuania	18
		Malta	18
		Micronesia	18
		United Kingdom	18

Data Sources: Freedom of the Press 2005, Draft Country Reports (April 27, 2005),  
[www.freedomhouse.org](http://www.freedomhouse.org).

Table 2 summarizes ASEAN-10 countries together with advanced Asian countries showing 2003 and 2005 surveys with score details of the three criteria determining the PCI. It is noticeable that governments of the ASEAN-10 countries tend to exercise relatively high degrees of press control. In 2003, with a PCI of 80, Laos was 8<sup>th</sup> place from a country with highest degree of government control of the press. Laos tides with China, Rwanda, Saudi Arabia, and Syria. The Philippines, with PCI of 30, was the only country to have a *free press* status, but only in 2003. In

2005, no ASEAN-10 countries have a free press status. Both the Philippines and Thailand, the two ASEAN countries which are considered to have relatively low press control, moved farther away from the *free* towards the *not free* status in 2005. However, all three advanced Asian countries (Japan, South Korea, and Taiwan), with PCI below 30, are considered to have free press.

Table 2  
Control of the Press in ASEAN-10 and Advanced Asian Countries

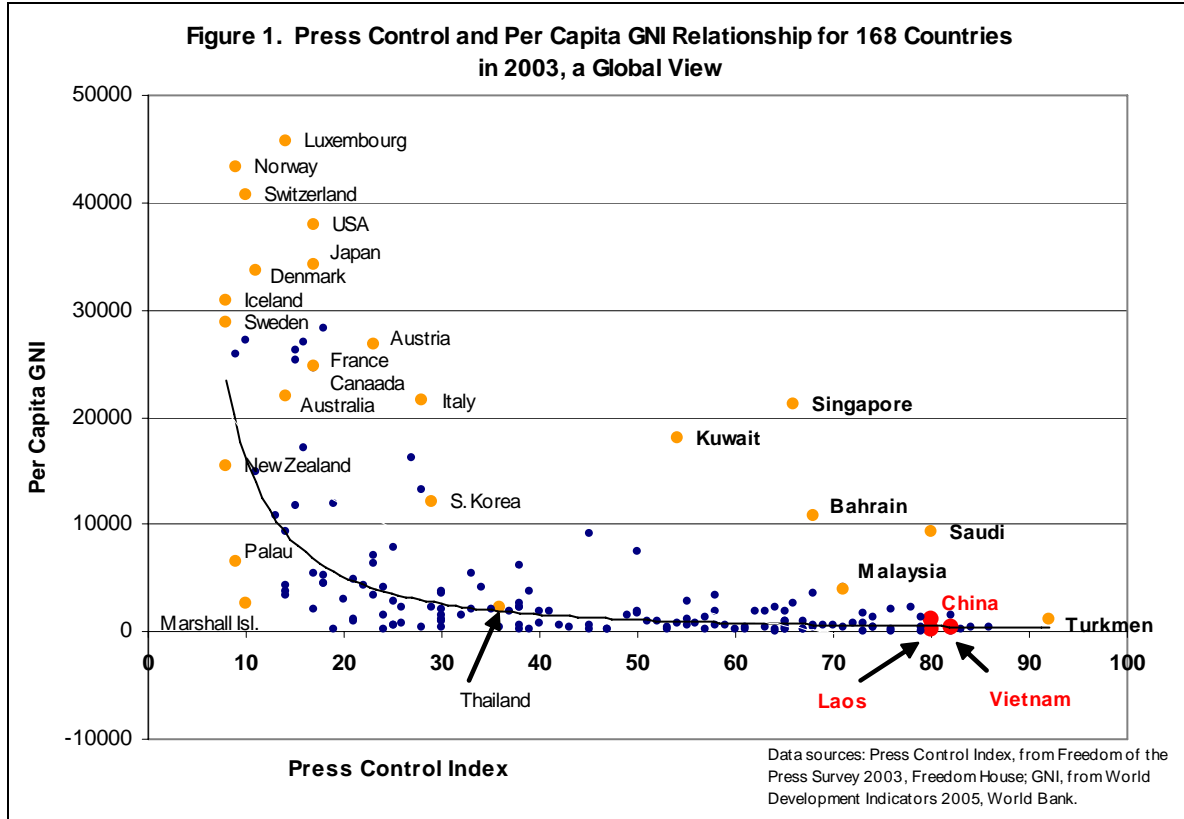
	2003				2005			
	Legal	Polit	Econ	PCI	Legal	Polit	Econ	PCI
<b>ASEAN-10</b>								
Brunei	28	26	22	<b>76</b>	27	26	22	<b>75</b>
Cambodia	19	21	24	<b>64</b>	17	24	21	<b>62</b>
Indonesia	19	25	12	<b>56</b>	20	23	15	<b>58</b>
Laos	26	31	23	<b>80</b>	28	32	23	<b>83</b>
Malaysia	26	27	18	<b>71</b>	26	26	17	<b>69</b>
Myanmar	30	37	27	<b>94</b>	30	38	28	<b>96</b>
Philippines	3	17	10	<b>30</b>	6	19	10	<b>35</b>
Singapore	24	21	21	<b>66</b>	23	24	19	<b>66</b>
Thailand	12	12	12	<b>36</b>	13	17	12	<b>42</b>
Vietnam	30	30	22	<b>82</b>	28	30	24	<b>82</b>
<b>Advanced Asian Countries</b>								
Japan	2	7	8	<b>17</b>	2	12	6	<b>20</b>
S. Korea	7	10	12	<b>29</b>	8	11	10	<b>29</b>
Taiwan	9	8	7	<b>24</b>	8	6	7	<b>21</b>

Data Sources: Freedom of the Press 2003 and Freedom of the Press 2005, www.freedomhouse.org.  
Legal = Laws and regulations that influence media content; Polit = Political pressures and controls on media content (including harassment or violence against journalists or facilities, censorship, self-censorship etc); Econ = Economic influences over media content.

### 3. Press Control and Per Capita Income

PCI and per capita Gross National Income (GNI) are examined whether there is any relationship between government control of the press and economic outcome. Due to the availability of the per capita GNI data, 2003 PCI data and 168 countries in the survey are included in the analysis. A scattered diagram, [Figure 1](#), shows an inverse relationship between PCI and per capita GNI, with high-income countries clustered in the lower PCI range towards the left hand side of the diagram, and low-income countries scattered in all partitions but tending towards the higher PCI region on the right hand side of the diagram.<sup>2</sup> That is, countries in which governments exercise strong control of the press tend to have lower per capita income than those with more moderate government interference. This result is consistent with the relationship between per capita GNI and Economic Freedom Index (Miles, et al, 2005). The outliers (Bahrain, Saudi Arabia, Kuwait), except for English speaking Singapore, are oil-rich countries whose relatively high incomes are attained from exporting oil.

<sup>2</sup> A regression confirms the inverse relationship at the 99 percent confidence level.



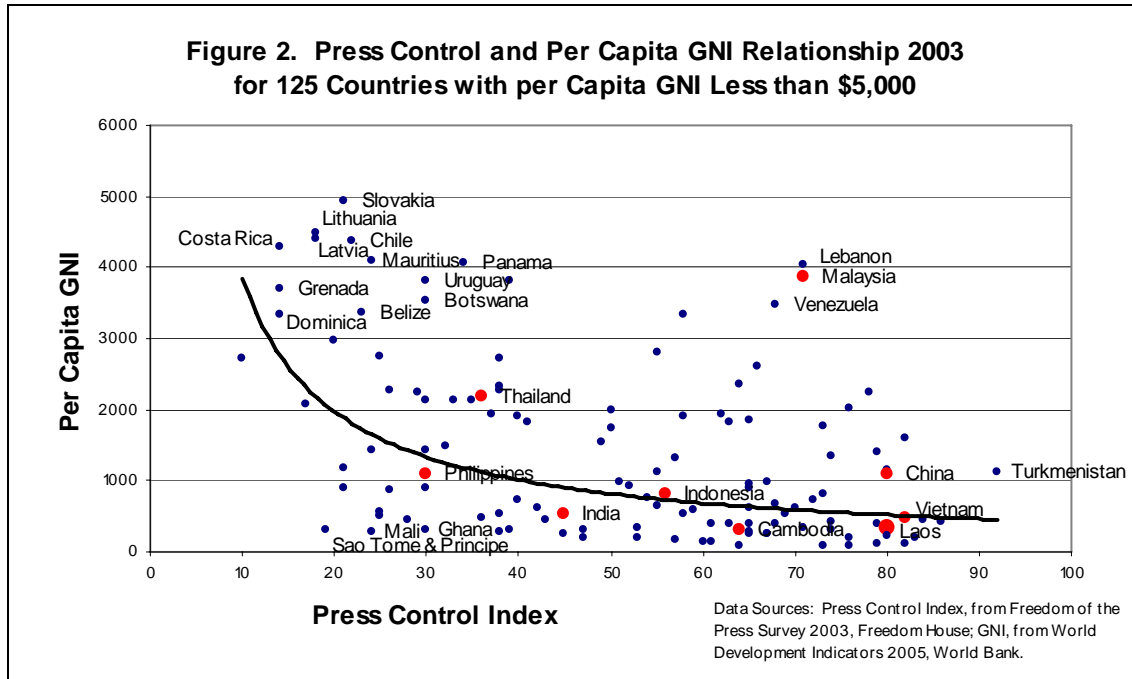
However, the differences in the per capita income levels among the countries with low degree of press control, in the free press region in Figure 1, are considerable. In addition, as appears in Figure 1, a considerable number of countries with middle and low per capita income scattered throughout the PCI stretch. Is there any relationship between PCI and per capita GNI for middle- and low-income countries?

To answer this question, countries with per capita GNI \$5,000 and above are excluded, leaving 125 countries for the analysis. In Figure 2, their PCI's are plotted against per capita GNI's, and a curve that estimates the tendency of per capita income at various PCI levels is drawn to help elucidate the relationship between the PCI and per capita GNI. The scattered diagram clearly reveals that the inverse relationship between PCI and per capita GNI prevails even among middle- and low-income developing countries alone. That is, countries in which government exercises relatively low control of the press tend to do better economically than countries with relatively strong government restrictions on press freedom.<sup>3</sup>

In Figure 2 countries with relatively low government control of the press and relatively high per capita incomes are those in Africa (Mauritius and Botswana), the Caribbean Sea (Grenada and Dominica), Central America (Costa Rica, Panama and Belize), Eastern Europe (Latvia, Lithuania

<sup>3</sup> A regression confirms that the inverse relationship is statistically strong at the 99 percent confidence level.

and Slovakia), and South America (Uruguay). Countries with relatively high government control of the press and low per capita income, in the bottom right corner in Figure 2, are mostly in Africa and Asia, including the Middle-Eastern countries and Central Asian republics that gained independence after the collapse of the former Soviet Union. Laos appears in the bottom right corner in Figure 2, with PCI of 80, tied with China, Rwanda, Saudi Arabia, and Syria.



To conclude, the simple analysis strongly suggests that press control and the level of per capita income are inversely related. That is, countries in which governments exercise strong control of the press tend to have lower per capita income than those with more moderate government interference. Although this is hardly a surprising reality, the explanation to why they are inversely related and how government interference with the press, free flow of information, freedom of expression and of conscience affect socioeconomic development are important.

#### 4. Why are PCI and per Capita GNI Inversely Related?

The statistical evidence discussed earlier is not a proof that government control of the press has adverse effects on the economy. However, the evidence that all developed countries, except for Singapore, have low PCI and that less-developed countries tend to be associated with high PCI supports the well documented view that strong government control of the press affects the socioeconomic development negatively.

Western Europeans recognized the adverse effects of press control centuries ago and, as a result, the transformation from a feudalistic towards democratic form of governance swept across the Western European hemisphere. Today, developed countries are concentrated in Western Europe.

Other developed countries outside of Europe are either extensions of Western European civilizations (United States, Canada, Australia, etc.) or those that have adopted a democratic form of government that emulates the Western European model (Japan, South Korea). All of them have relatively low PCI. Singapore, a highly successful small English speaking state, is a special case.<sup>4</sup> Although Singapore has relatively high PCI, in 2005, the country has the world's second freest economy after Hong Kong, and its government was among the world's least corrupted. In addition, Singapore also inherited among world's best administrative systems from the British, who ruled the region until 1957.

There are various explanations why continued, strong government control of the press could hamper the economy. In countries with high PCI, governments often restrict the production and distribution of intellectual products, including artistic and cultural products, by restricting their contents and styles. It depresses growth in the media, intellectual, art and entertainment (MIA) industries, other related industries, and the overall national human capital accumulation. (For simplicity, call products produced by the MIA industries MIA products.) Continued government's strict control, thus, in the long run, retards the socioeconomic progress directly and indirectly.

### **The Direct Effects**

Government strict control of the MIA industries can affect the economy directly by preventing or hindering private investment in the industry, thereby retarding income and job growth. Governments in countries with high PCI commonly monopolize the ownership and operations of the printing press, newspapers and magazine publishing companies, and radio and television stations. Thus, not all incomes and jobs are lost due to the absence of the private sector in the industry. However, wages at all levels are usually very low and the industry is not self-sustaining. Poor quality, inability to capture the audience interest, government propaganda, and restrictions on advertising are turning away money from advertisers who are interested in maximum exposure of their advertisements. Thus the operations of government-controlled press and media must rely heavily on subsidies from tax money and government revenues drawing from elsewhere. This takes away public funds that could be spent on education, healthcare, or elsewhere.

In addition, strong government restrictions suppress the publications and broadcasting programs that are useful for everyday life and consistent with the public demand, critical for the success of the industry. Newspapers, magazines and books that are authorized for publication and broadcasting programs authorized for airing have low quality and most are not useful for the daily needs of individual consumers and workers, and the business community. Strong government control of the MIA products also costs society substantially in the forms of lost talents and human potentials. While the official reasons for strong government control are commonly cited for preserving national identity and maintaining stability, such a policy is employed mainly to deliver government propaganda and keep government critiques silent.

Such policy suppresses economic activities in the MIA industries and penalizes citizens with special talents and abilities in art and intellect. Individuals have different inclinations towards

---

<sup>4</sup> In mid-2005, Singapore had a population of about 4.4 million.

alternative activities for which one may chose to pursue and become good at. In addition to scientific and educational literatures, MIA products such as songs, movies, games, performance, painting, etc., are important parts of the economy and way of life in all societies. However, these products can flourish only in countries with low PCI. In countries where PCI is low, industry regulations in place are mainly for protecting consumers and private investments in the MIA industries are decided based on market demand (demand of businesses, individual households, students and professionals). Profit incentive drives investment towards producing abundant MIA products to meet the multiplicity of interests and demand for different types of MIA products, creating jobs and income and fostering advancement in human capital.

### **The Indirect/Hidden Effects**

The indirect effects, which are more significant in strength and scope than the direct effects, are both revealing and hidden. The indirect effects have various aspects. First among them are the linkage effects. The second aspect of the indirect effects is the effect on human capital development. Because high PCI is a result of government's desire to attain a high level of control, government control and restrictions often escalate to other industries. Thus, the third aspect of the indirect effect is associated with cross-industry escalation of the policy. The fourth aspect involves institutional rigidity; and the fifth is inequality effect.

**Linkage Effects:** There are two types of linkage effects: backward and forward. The backward linkage effect operates through the MIA industries' purchases of inputs from other industries. The MIA industries purchase a wide range of products and services, such as papers, ink, materials, machine and equipment, advertising, design, delivery service, real estate, telecommunication, among others. The forward linkage effect operates through the consumption or use of outputs the MIA industries produced. MIA products are different from other products in that most of them can be consumed by an infinite number of consumers over an infinite number of times. The consumption of a television and radio broadcast and a literary product (about how to grow super crops, or how to prolong life, or anything else) by one person does not reduce the amount of the content for others to consume. Thus, the benefits of the forward linkage effect, especially in the long run, can be tremendous.

Businesses and individuals need information for everyday decision-making and long-term planning. Schools at all levels need good quality books. Hospitals need an efficient way to communicate with the public, and doctors need new knowledge to keep up with newly arising problems. Everyone needs new products or ways to help maintain physical and mental balance, such as listening to music and reading a book-of-choice, watching a performance or movie, or visiting an untraditional art gallery, etc. The list goes on. Thus the performance of virtually all industries that are either the suppliers of inputs to the MIA industries or users of the MIA products is depending on the performance of the MIA industries. In addition, incomes workers earned in all these industries would be spent on products and services, which would further create more jobs and income elsewhere.

As an example, in Laos, both Lao citizens and foreigners living inside the country spent more time on Thai and other foreign television channels and radio stations, because of quality differential. The lower quality of Lao television and radio shows are largely the result of

government control, and not because the Lao are inferior to the Thai in creativity and ability to learn. In addition, the Ministry of Information and Culture also has many restrictions on advertising. Many of these restrictions are unwritten, and subject to the opinions of individual officials in charge. For all these reasons, businesses that need advertising are discouraged from using Lao media. With limited ways and means of getting commercial information to the consumers, businesses' ability to market their products in the country is limited, thereby discouraging investment. The result is a lost for everyone. The Lao television stations lost income needed to modernize equipment and raise staff salaries; Lao advertising businesses lost business opportunities; Lao citizens who have special talents, skills, and knowledge lost the opportunity to maximize their potentials; existing businesses that need advertising lost exposure and ability to expand sales; potential investors are discouraged because of high restrictions on marketing potentials; the Lao government lost tax revenues from all businesses; and, most importantly, the Lao people lost incomes, jobs, and good quality local television shows.

**Human Capital Effect:** Strong government control depresses the MIA industries and restrains human capital advancement required to sustain growth. Countries with high PCI tend to have less literary products and less useful information, which are either transmitted visually or audibly. With the flows of useful information limited, ideas and knowledge do not grow. Thus, it is not a surprise why virtually all new products and technological advancement originated in societies where PCI is low and individual freedoms are highly valued.

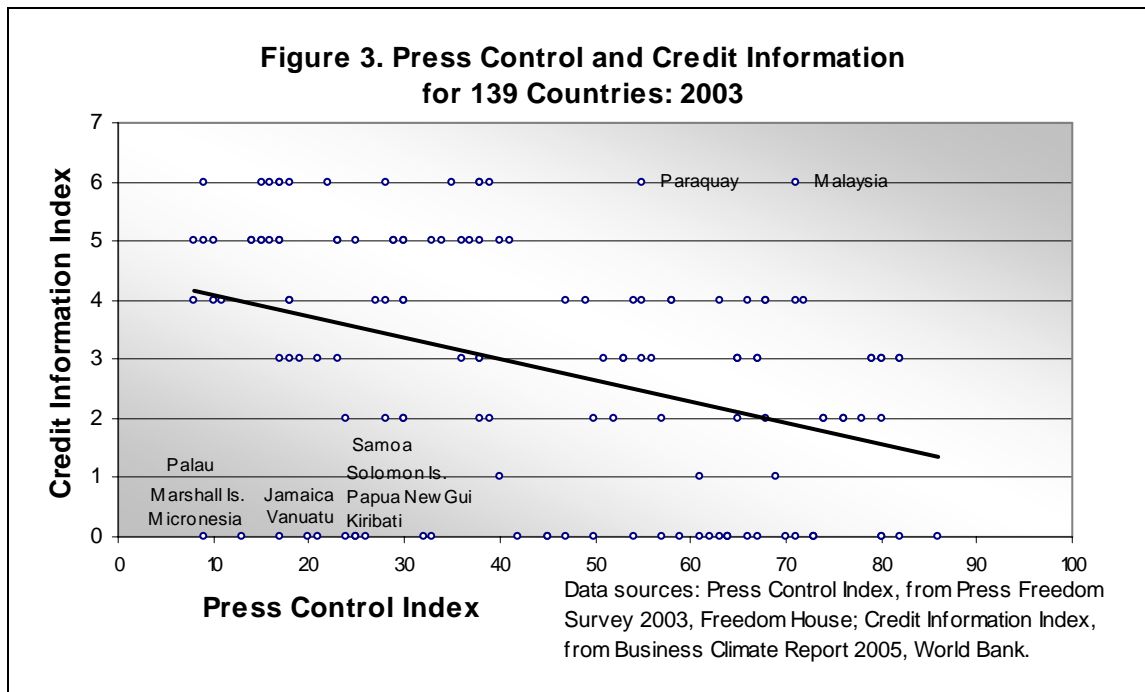
People accumulate human capital through learning from information gained either visually or audibly and from hand-on experience. Better, more efficient ways of doing things, new and better products all began with new ideas. Although products in a developed market normally must have gone through stages of research and experimentation in a laboratory under a controlled environment, ideas are mostly originated outside of the controlled environment. Many good ideas that have become applicable for solving human problems, improving efficiency, creating new products are not born from a controlled laboratory environment, but from a free and diversified environment. People learn from each other and they learn better in an environment that is stimulating.

The foundation of knowledge that enables the society to produce and deliver goods and services to meet the demand of final consumers in a modern time is institutionalized in the educational system. After schooling, individuals further advance their knowledge and skills through the application and experimentation with real world problems on the job, reading professional literatures, attending conferences and seminars, etc. However, most individuals do not have the opportunity and ability to attend professional conferences and seminars or read professional literatures. In a free society individuals can gain much of useful knowledge such as personal healthcare, child nutrition and health, physical fitness, home decoration and repair, gardening, etc., from reading articles in their favorite magazines or newspapers during leisure time. A well functioning market system induces the production of magazines and books that meet the needs of society members, be they carpenters, farmers, home owners, business owners and managers, doctors, lawyers, home-stayed mothers, young children, students, teachers, and so on.

**Cross-Industry Escalation Effect:** High PCI is a reflection of government's desire to attain high level of control over its citizens by means of controlling and restricting the press and MIA

industries as a whole. Thus, the means through which governments in authoritarian countries assert their control extend beyond the MIA industries to other industries. In countries with high PCI, governments either made illegal or impose strong restrictions on private investment and operations on industries including financial service, legal service, education, healthcare, and trade. In some countries with high PCI, governments monopolize banks and hospitals, private law practices do not exist, and private higher education institutions are restricted from offering programs that are more advanced than public institutions. Some observers could view such government interventions as egalitarian policies. However, inefficiencies in state-owned enterprises, due to poor incentive structures and institutional flaws, together with government's heavy-handed approach to assert control penalize the entire economy. Laos is an example of a country with high PCI that fits the description above.

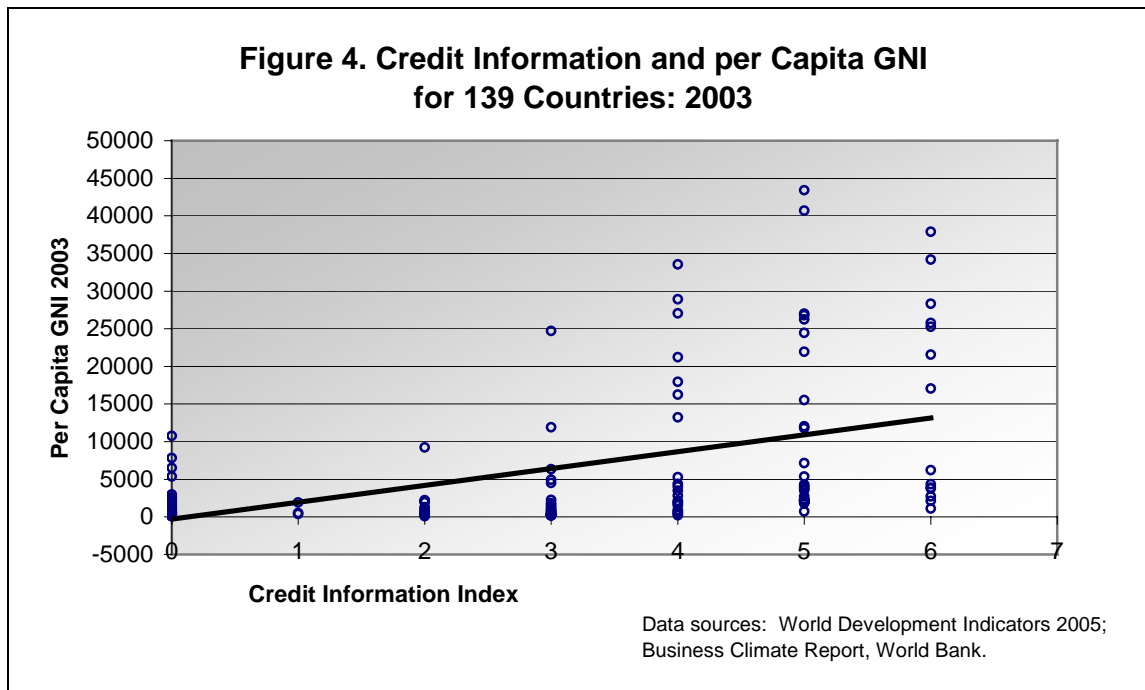
Figure 3, which plotted PCI against Credit Information Index (CII) for 139 countries, provides statistical evidence for cross-industry escalation of high PCI. In Figure 3, countries with high PCI tend to have low CII, indicating low level of credit information.



A country can partially increase the availability of credit information by investing in a computer network system that centralizes the information and made accessible to authorized financial institutions. However, problems associated with credit information cannot simply be overcome by investing in technology alone. Much information financial institutions and professionals used for decision making is obtained from sources external to the financial institutions. Countries with low PCI, as oppose to those with high PCI, allow the information industry to develop information products that serve the needs of other businesses and the public. With abundant information on finance, business environment, the economy, and consumer behavior, banks or

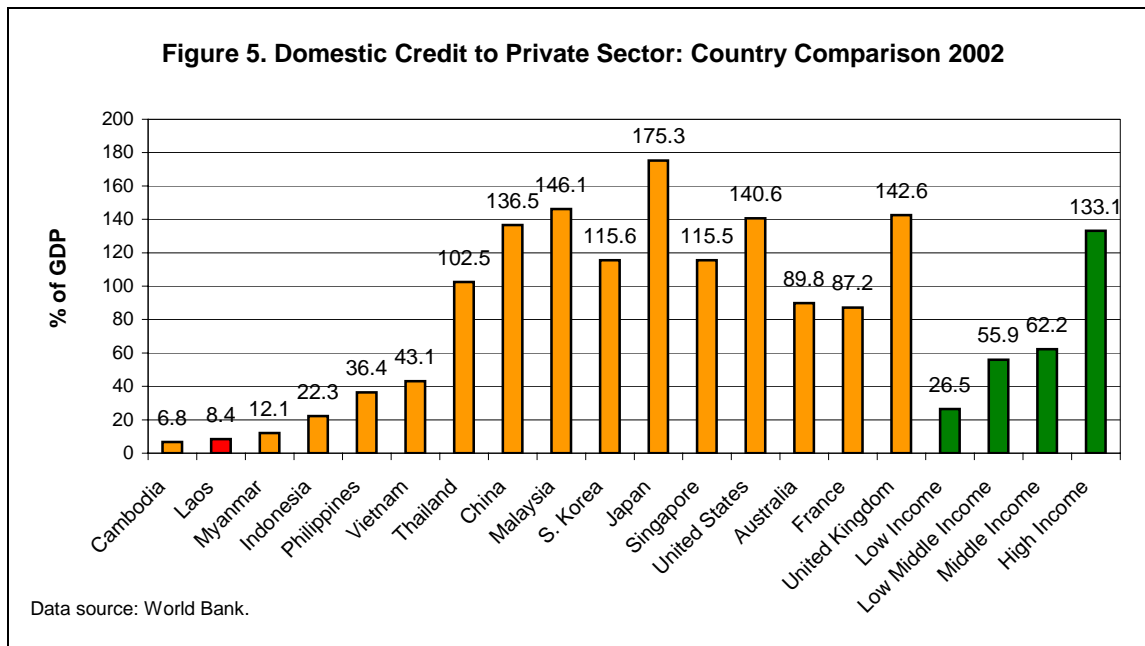
other type of financial institutions could better assess their portfolio risks and hence develop financial products and expand services.

Figure 4, which plotted CII against per capita GNI for 139 countries, suggests that countries with higher CII tend to be associated with higher per capita GNI. One could argue that high CII is not necessarily the cause of high per capita GNI. Credit information itself does not directly cause per capita GNI to grow. However, good credit information affects the per capita GNI indirectly, through improving the performance of the financial industry, which causes the economy to grow. The fact that developed countries all have relatively high CII is clear evidence that good credit information is important for the economy to perform well.



Controlling financial institutions is one of the key areas government used to maintain high level of control. This is one aspect of cross-industry escalation of government's desire to attain high level of control. Domestic credit allocated to the private sector as a percent of GDP is a useful measure for cross industry escalation, as it is positively correlated with the level of private sector development. That is, a country with more, as oppose to less, domestic credit as a percent of GDP allocated to the private sector either has a growing private businesses or a large share of private sector in the economy. Thus, governments that are more interested in maintaining high levels of control will limit the amount of domestic credit allocated to the private sector. However, a low level of credit allocation to the private sector may be because the country's financial system is underdeveloped. Nevertheless, the state of being underdeveloped of the financial system is usually the result of strong government control and interference, or poor financial and economic policies, or a lack of government's seriousness to develop the country's financial system because of government's emphasis on administrative rather than financial tools for managing the country's economy.

Figure 5 compares domestic credit allocated to the private sector as a percent of GDP for selected Asian and Western countries and for group average based on income level. On average, in 2002, high-income countries allocated domestic credit to the private sector 133.1% of GDP while low-income countries allocated 26.5% of GDP. Among selected countries, Cambodia, Laos, and Myanmar (Burma) allocated domestic credit to the private sector the least as a percent of each respective country’s GDP, each with 6.8%, 8.4%, and 12.1%, respectively. Vietnam’s domestic credit allocated to the private sector accounted for 43.1% of its GDP, higher than Indonesia (22.3%) and the Philippines (36.4%). China, surprisingly, allocated a high 136.5% of its GDP to the private sector, reflecting Chinese government’s rational economic growth policy.



**Institutional Rigidity Effect:** Countries with high PCI tend to resist changes and institutional dynamics that are efficiency enhancing, a reflection of institutional rigidity. The resistance to changes and institutional dynamics of countries with high PCI is also reflected in laws, regulations and administrative procedures. These laws, regulations and administrative procedures are often counterproductive, in that they raise transaction cost, or prohibit productivity-enhancing activity and investment.

Government’s efforts to preserve the existing administrative structures and ways of handling the economic, political and social affairs in many less-developed countries have been among the major causes that preserve inefficiencies in government and society at large. These inefficiencies usually took the forms of time and resource wasted on compliance—to comply with unnecessary and counterproductive administrative procedures, misused, mismanagement, incompetence, and leakage of public resources in government. Problems were usually either ignored, or quibbled, or raised in the “National Assembly,” a talk shop for party members. Important issues ended with the enactment of new laws and regulations. However, the enforcement of some new laws and

regulations actually worsen the problem. Others were either unenforceable or ineffective. For example, anti-corruption laws enacted and a task force set up, creating an impression that government is serious about solving the problem. However, laws are ineffective and the task force ability to tackle the problem is subdued, because the future of the task force members depends on their good relationship or “good behavior” with others in the government’s/party’s chain of command who are the subject for investigation. Often, these individuals are the bosses.

Leakages, incompetence and mismanagement of public resources, including monetary and physical resources, by government administrators have been part of the major causes of continual under-funding public programs and irregular payments of the under-living wages for civil servants. Another part of the problem has been the continual enforcement of counter productive laws and regulations that prevent many sectors of the economy to grow at their natural rates, causing government revenues to be below its potential.

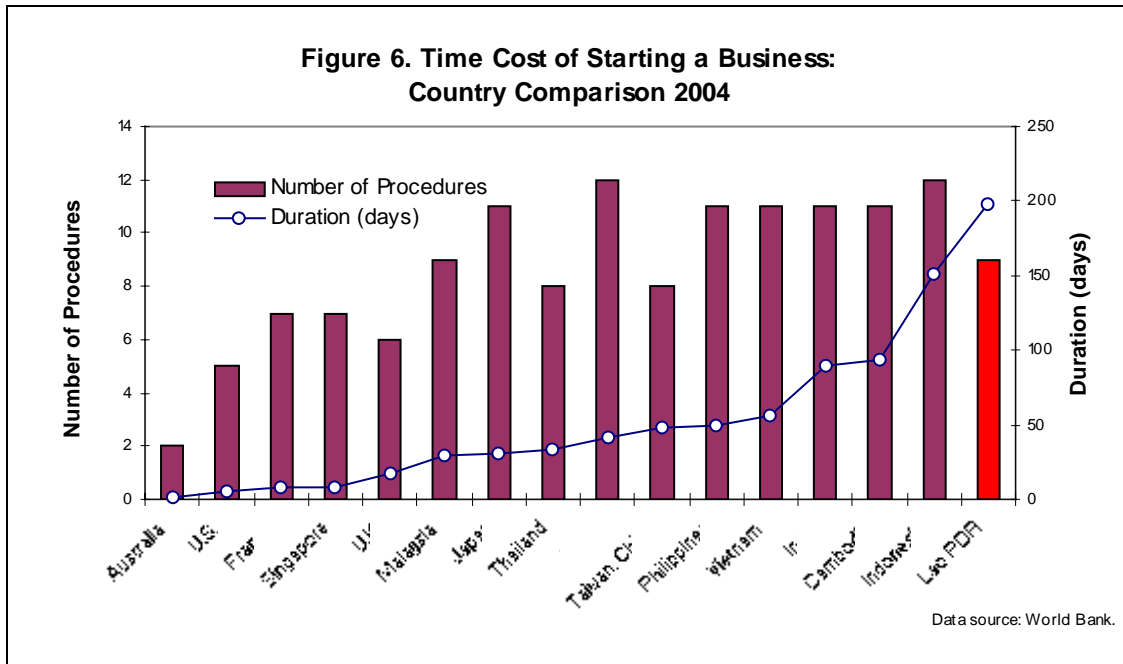
Some countries with high PCI, regardless of what the Constitution may contain, prohibit the press, individuals or civil groups to criticize or protest against government policies and directions. Domestic press and media are usually under the control of government completely. In many of these countries, only the local “civil groups” formed and led by members of the political party in power are allowed to operate. These government sanctioned “civil groups,” for example, youth union, women union, chamber of commerce, etc., often perform political functions that serve the purposes and directions stipulated by the political party in power.

Without a channel for the press, individuals, and independent civil groups to freely express their problems and concerns, problems that exist in government or in society that needs proper government’s attention are either ignored or get quibbled by some party members and remained unsolved. In addition to voicing concerns, independent civil groups could perform many functions that benefit society, including those in health care, education, environment, community development, etc. Especially in poor countries where governments have limited resources and capacities, civil groups could draw additional resources from private sources to perform functions that benefit society. While there are legitimate reasons for civil groups to be sanctioned or controlled by government, the lack of independence of the organization and fresh ideas and views prevent creativity from being brought out into use.

An example that describes institutional rigidity effect is the on-going irregular payments of the below-living wages for civil servants, police, and military personnel in Laos since 1975 that remain unsolved today. Salaries for schoolteachers in the provinces, and even in some districts of the capital city, Vientiane Municipality, have mostly been paid every three months each time. Schools from elementary to university level are lacking proper equipment, textbooks and teachers; college and university education quality in Laos is the lowest in SE Asia and among the world least developed. All these problems are blamed on poverty. Healthcare quality and coverage are low, and a lack of modern equipment is often cited as a responsible factor. The recurrent lost of livestock due to diseases that are preventable remains an unsolved problem in most part of the country. As livestock has been a common form of savings for rural households, a recurrent lost of livestock has prevented most rural household to accumulate wealth that could finance children education and an investment in alternative income earning activity. Where there are bank services, rural households’ savings are exposed to risks from both an unstable domestic

currency and diseases. All these problems and deficiencies are continued until today because of institutional rigidity, which preserves an administrative system that encourages inefficiency and counterproductive practices.

Inefficiency in government is illustrated in Figure 6, which compares the number of government administrative procedures and the number of days required for processing to start a business in selected Asian and Western countries. In 2004, Laos had nine different administrative procedures required for starting a business, and it took 198 days on average for processing before a business can start operations. China and Indonesia each had 12 administrative procedures, higher than any other countries. However, on average it took 41 days for China versus 151 days for Indonesia to complete processing a business application before it could start operations. Australia is the most efficient country in processing a new business, with only two procedures and two waiting days. Japan has 11 administrative procedures, but it took 31 days to process. Thailand has eight procedures and 33 waiting days; Vietnam, 11 procedures and 56 waiting days; Cambodia, 11 procedures and 94 waiting days. In SE Asia, Laos is the least efficient.



A robust economy and society requires competitive environment in both business and politics. Businesses are more active, more responsive to demand, and more efficient in a competitive market environment governed by laws and regulations that assure justice, promote fairness, and protect individual consumers as well as producers with the least possible negative effect on efficiency. The same principle applies to government. An active, responsive, effective and efficient government can emerge only in a competitive political environment that is effectively governed by laws and regulations that assure justice, promote fairness, and protect individual rights and freedoms. The efforts to attain a high level of control by a political party in power subdue competitive environment in government and political affairs. Without a competitive

pressure that keeps government working hard, many social and economic problems would not receive proper attention and treatment. Without competition in government, corruption, inefficiency and ineffectiveness in government will continue to prevail. Free press, hence, free speech does not only induce growth in the MIA industries that creates jobs and income, promotes human capita advancement, and encourage creativity. It promotes competition that leads to progress; it helps keep corruption, inefficiency and ineffectiveness in the public sector in check; and it serves as public eyes and ears to maintain justice in society.

**Inequality Effect:** Government control on the MIA industries could exacerbate income inequality by making useful information a more scarce resource than what would be in its natural state. Strong government control often turns useful information, which would otherwise be available widely to the public, into a luxury good that is accessible by a few, better-off and well-connected individuals. This is an unintended consequence that discriminates against the poor and disadvantaged.

In countries where PCI is high, newspapers, magazines, and books are scarce. Those that are published domestically are low in quality and have limited scope of coverage, which further limited their usefulness. The limited number of foreign publications imported for distribution, which are normally superior in quality and much more useful than those published domestically, are usually affordable only by the economically well-off locals and foreigners living inside the country. In addition, the language of publication also makes foreign publications less accessible for the average and disadvantaged citizens, as the opportunity to study foreign language is also much more limited for them. Family's wealth and connections allow the better-off individuals more opportunities to acquire foreign language(s), which opens up their access to the knowledge that is available only in foreign languages and countries. Hence, the better-off individuals can jump over the national barriers and further get ahead while the poor and disadvantaged are stuck in the low level of national knowledge curve conditioned by strong government control. Thus, press control exacerbates inequality in favor of the better off and politically well connected at the expense of the poor.

The political rhetoric of virtually every government of less developed, and often repressive, countries has been that of maintaining stability in order to eradicate poverty and promote equity among economic and social classes, genders, and ethnics. However, the government's emphasis to maintain stability via controlling the press, among others, has been the main cause that kept the poor and disadvantaged from realizing their potentials.

People need information and knowledge to navigate their activities and improve performance in hopes for a higher return from their endeavors, which may be monetary, material, or psychic. Industries operating in a competitive market are constantly searching for new and better products and services in order to maintain competitiveness. Market incentives encourage entrepreneurial pursuits to apply knowledge to everyday activities people engage in. This leads to the development of new and better products and services, and new and quicker, more efficient ways of getting things done. The more efficiently and broadly information flows in a literate society, the more learning will be the result. With a higher rate of learning, the probability that some new and better products and services will be introduced in the market will be higher. In a country with low CPI, market demand and profit incentive induce the production and sale of information

and knowledge, enabling the MIA industries to flourish and further foster growth and advancement.

Looking broadly across the globe and time, there is rich evidence suggesting that freedom of speech has been a major key to social and economic advancement throughout world history. Freedom of speech in both formal and informal settings allows society members to freely exercise their intellectual capacities, thereby maximizing their potentials. The press, as a medium that disseminates information, is a mechanism that allows members in the society to share information and knowledge learned, organized and put together by others. In the process, knowledge spreads throughout the society, which further advances understanding and know-how. The market can facilitate these processes more efficiently than any government in the world can.

## **5. Conclusion**

Evidence from 168 countries indicates that PCI and per capita GNI are inversely related, with high-income countries having lower PCI and low-income countries tending towards higher PCI. A second experiment, using only countries with less than \$5,000 per capita GNI, 125 of them, also shows a strong inverse relationship between PCI and per capita GNI. That is, countries in which governments exercise strong control of the press tend to have lower per capita income than those with more moderate government interference.

High PCI is a reflection of government's desire to attain high level of control over its citizens by means of controlling and restricting the press and MIA industries as a whole, comprising of media industry, intellectual industry, and art and entertainment industry. Continued, strong government control could hamper the economy directly and indirectly. Government strict control affects the economy directly by preventing or hindering private investment in the industry, thereby retarding income and job growth. It also penalizes citizens with special talents and abilities in art and intellect, costing society in the form of lost talents and human potentials. The indirect effects, which are more significant in strength and scope than the direct effects, have various aspects, some are revealing and, others, hidden. The various aspects of indirect effects include linkage effects, human capital effect, cross-industry escalation effect, institutional rigidity effect, and inequality effect.

The backward linkage effect operates through the MIA industries' purchases of inputs from other industries while the forward linkage effect operates through the consumption or use of outputs the MIA industries produced. In addition, incomes workers earned in the MIA and all related industries would be spent on products and services further create more jobs and income elsewhere. Countries with high PCI tend to have less literary products and less useful information society members need for daily decision-making and for future planning. It also restrains human capital advancement required to sustain growth. The means through which governments in authoritarian countries assert their control cross over and beyond the MIA industries to other industries, including the prohibitions or restrictions on private investment and operation in industries such as financial service, legal service, education, healthcare, and trade. Governments often monopolize banks and hospitals, and private higher education institutions are restricted from offering programs that are more advanced than public institutions.

Countries with high PCI tend to be institutionally rigid and resist changes and institutional dynamics that are efficiency enhancing. Laws, regulations and administrative procedures are often counterproductive, for they raise transaction cost or prohibit productivity-enhancing activity and investment. Institutional rigidity preserves inefficiencies in government and society at large, which usually took the forms of time and resource wasted on compliance—to comply with unnecessary and counterproductive administrative procedures, misused, mismanagement, incompetence, and leakage of public resources in government. These have been the major causes of continual under-funding public programs and irregular payments of the under-living wages for civil servants.

Government control of the MIA industries could exacerbate income inequality by making useful information a more scarce resource than what would be in its natural state. Strong government control often turns useful information, which would otherwise be available widely to the public, into a luxury good that is accessible by a few, better-off and well-connected individuals. This is an unintended consequence that discriminates against the poor and disadvantaged.

High PCI does not open a channel for the press, individuals, and independent civil groups to freely express problems that exist in government and society at large. Thus, problems that need proper attention by government and society members are either ignored or quibbled by some party members and remained unsolved. In addition to voicing concerns, independent civil groups could perform many functions that benefit society, including those in health care, education, environment, and community development, among others. Especially in poor countries, where governments have limited resources and capacities, civil groups could draw additional resources from private sources to perform functions that benefit society. Strong government control closes these options to society.

A robust economy and society requires competitive environment in both business and politics. Businesses are more active, more responsive to demand, and more efficient in a competitive market environment governed by laws and regulations that assure justice, promote fairness, and protect individual consumers as well as producers with the least possible negative effect on efficiency. The same principle applies to government. An active, responsive, effective and efficient government can emerge only in a competitive political environment that is effectively governed by laws and regulations that assure justice, promote fairness, and protect individual rights and freedoms.

There is rich evidence extending over the globe and time suggesting that freedom of speech has been a major key to social and economic advancement throughout world history. Freedom of speech in both formal and informal settings allows society members to freely exercise their intellectual capacities, thereby maximizing their potentials. The press, as a medium that disseminates information, is a mechanism that allows members in the society to share information and knowledge learned, organized and put together by others. In the process, knowledge spreads throughout the society, which further advances understanding and know-how. The market can facilitate these processes more efficiently than any government in the world can.

Future study: The impact of a changing CPI on economic growth is more likely a gradual, over time than short-term, immediate impact. An econometrics analysis of many-enough years of data (15-30 years?), using a dynamic model would be more revealing than using cross-sectional data of countries in a single year. The relationship between per capita GNI growth rate and CPI can be analyzed using a pooled data set of multiple countries over time. A regression of the PCI on the per capita GNI growth rate over time can be performed to valuate the impact of changing CPI on economic performance gauges by per capita GNI growth rate. In addition, because the effects of press freedom on the economy operate largely through industries through indirect channels, an industry level analysis will be of considerable contribution. The insight into how government control of the press affects the economy can be inferred from the industry level analysis.

## **References**

- Freedom House (April 2005). *Freedom of the Press 2005*, Draft Country Reports (April 27, 2005), [www.freedomhouse.org](http://www.freedomhouse.org).
- International Finance Corporation, World Bank, <http://www.doingbusiness.org>.
- Miles, M., et al (2005). *2005 Index of Economic Freedom*. The Heritage Foundation, Washington, D.C. and Down Jones & Company, Inc., New York, NY.
- World Bank (2005). *World Development Indicators 2005*, [www.worldbank.org](http://www.worldbank.org).