

Why Economic Growth Needs a Free Press

By [Konstantin Sonin](#)

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Several major events involving freedom of the press occurred last week. First came news that the head of Lenta.ru, a leading media website, was fired, followed by a significant number of its staff quitting in protest. Next, the authorities blocked access to anti-corruption whistleblower Alexei Navalny's blog, which rightfully elicited extremely indignant responses.

Observers said such a ban on a political blog violates an explicit provision in the Constitution that bans censorship.

A free press — and that includes blogs — is a crucial component of any efficient market that enables the economy to grow and citizens to lead better, informed lives. Of course, there are many other, noneconomic arguments in favor of a free press, but economic considerations alone are significant.

How does the market benefit from a wide variety of sources of information? What good comes from competition between different forms of media?

Without free and independent media outlets, many financial investments turn out to be ineffective and useless. In addition, in the absence of information, investors cannot adequately know their markets and thus cautiously pare down their investments.

When information channels are weak, the financial system — banks, funds and other intermediaries, stocks and bonds — becomes worse at fulfilling its function. One of those basic functions is transferring money from those who have it to those who could use it most effectively by producing goods or services.

It is therefore no surprise that numerous studies show that there is a correlation between press freedom and the development of financial systems.

Of course, some countries' economies managed to grow without developed financial markets or press freedoms, but they all began with very low gross domestic products.

The wealthier an economy has become and the less it can "earn points" for catching up to more advanced economies, the more it needs strong financial markets and, as a result, press freedoms.

The Soviet economy, for instance, managed to do a good job of catching up quickly, but then it steadily slowed down.

In the final decades before the Soviet collapse, government institutions proved completely unable to properly manage investment, and therefore, to foster economic development or an improved standard of living for its citizens. In fact, the primary reason for glasnost and perestroika in the late 1980s was not a concern for the rights of citizens but the need to make government bureaucracy less wasteful and more efficient.

In other words, partially unshackling the media provided the feedback mechanisms needed for progress. And it is no coincidence that China, the global champion of economic growth, has been struggling with this same problem for 20 years.

The economic situation in Russia is more complex, and recent geopolitical events have made it even more so. With that in mind, it would be economically suicidal to aggravate the situation further.

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