Mass Media and Public Policy for Agriculture

As economies grow, policy typically shifts from taxing to subsidizing agriculture. Mass media can have a moderating effect

Mass media plays a crucial role in distributing information and in shaping public policy. Theory shows that information provided by the mass media reflects its incentives to provide news to different groups in a society and in turn shapes the influence of these groups on policy making.

Media coverage affects the efficiency with which politicians reach different groups with their campaign promises. If a political party promises support to voters who receive less news coverage, only a fraction of these voters will be aware of it. A spending promise to this group therefore will not win many votes. But if the party were to make a similar promise to a group that attracts substantial media coverage (for example, because the group forms a large audience or because it is more valuable to advertisers), this will lead to a stronger voter response. The result is that policies will be more favorable to the second group.

A new paper by Olper and Swinnen explores what this means for agricultural policy. A stylized fact about agricultural policy is the so-called development paradox, the policy switch from taxation to subsidization of agriculture with economic development. The classic interpretation of this pattern is that the political equilibrium changes when a country becomes rich because the rural-urban income gap increases, it becomes less costly to subsidize agriculture, and agricultural interests become more effective in collective action.

Mass media has an impact on this equilibrium. Government transfers are biased toward larger groups because of scale economies in the media. Because the share of farmers is larger in poor countries, mass media competition has a different effect on agricultural policy in poor countries than in richer ones. In particular, while mass media competition is predicted to reduce agricultural protection in rich countries, it is expected to increase protection (or reduce taxation) in poor ones.

Another prediction is that government transfers will be biased toward richer groups because they are more attractive to advertisers. The impact for agricultural protection is small in (very) poor countries, where rural and urban incomes are similar, and negative in rich and emerging market economies, where urban incomes are higher than rural incomes. This effect can be reinforced by an uneven spread of mass media (such as television) between urban and rural areas. In very poor countries the diffusion of television in both urban and rural areas is low. As economies grow, the diffusion in urban areas increases relative to that in rural areas, with the gap narrowing at high income levels.

This leads to two hypotheses: that given the changing role of the agricultural sector due to economic development, the impact of mass media competition on agricultural policy will differ between poor and rich countries, all else being equal, and that this effect is contrary to the so-called development paradox of agricultural policy. Thus the traditional change in agricultural policy from taxation to subsidization associated with economic development will be mitigated in the presence of mass media competition. The authors hypothesize that this is due to a combination of the group size effect, with larger groups being more attractive to the media, and the advertiser value effect, with richer groups being more attractive audiences for the media.

To empirically test these predictions, the authors use a new World Bank data set on taxation and subsidization of farmers and food consumers in 69 countries since 1960. Their analysis looks at both cross-country and time-series variation in the data.

The authors’ empirical results are consistent with the theoretical hypothesis that public support for agriculture is affected by the mass media. In particular, an increase in media penetration is correlated with a reduction in agricultural taxation in poor countries and a reduction in agricultural subsidies in rich ones. These results are robust to the use of different indicators of agricultural policies, different media variables, different control variables, and different estimation techniques.

The authors’ findings contribute to a growing body of evidence suggesting that a free and independent media is key to efficient public policies. Previous studies suggest that a more informed and politically active electorate increases the incentives for a government to be responsive and that the mass media reduces the power of special-interest lobbies relative to unorganized interests. The results are consistent with the argument that an increase in media (television) diffusion is associated with policies that benefit the majority to a greater extent (that is, a reduction in the taxation of farmers in poor countries and a reduction in the subsidization of farmers in rich countries) and that increased competition in commercial media contributes to more efficient public policies by reducing transfers to special-interest groups.