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Authority Trap on Tibetan Refugee News Coverage by Nepalese Press: An Equilibrium Dogma of Pre-1990 and Post-1990 Scenario

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ABSTRACT

This study examined government authority's trap (control) of Tibetan refugee news on the Nepalese press of before and after 1990's restoration of democracy. The extent of media freedom regarding minority communities' news coverage depends critically on two variables: the mobilizing character of the government (for foreign policy, one-China policy here) and the size of the advertising market. One-China and anti-China media bias in Tibetan refugee news coverage is greater and state ownership of the media more likely when the need for social mobilization is large; however, the distinction between state and private media is smaller in case of such criticality. Large advertising markets reduce one-China and anti-China media bias in both state and private media, but increase the incentive from the concerning nation for the government to nationalize private media. This study illustrate these arguments with a case study of media freedom in post democracy of 1990 Nepal in comparison to pre-1990 media freedom regarding Tibetan refugee news coverage by the Nepalese press, where media bias has responded to the mobilizing needs of the foreign policy (one-China) and government control over the Tibetan refugee news on media has grown in tandem with the size of the advertising market.

KEY WORDS: Control, Government, refugee, News, Press.

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INTRODUCTION

Nepal's role as a bridge between China and India for Tibetan refugees highlights the country's strategic location between its two giant neighbors. The political and security situation within Nepal cannot be understood without reference to the relationship between India and China. There is an oft-quoted metaphor attributed to an 18th Century Nepali king that describes Nepal as "a delicate yam between two boulders". This aptly describes the country's potentially vulnerable position between the two great regional and increasingly global, powers of India and China¹.

The Nepalese political arena changed dramatically in 1990 when political parties were re-realized following pro-democracy movement. Under the 1990 constitution, Nepal became both a multiparty parliamentary political system and constitutional monarchy with a directly elected lower house of parliament (205 seats) and an upper house (60) seats elected by an electoral college and nominated by the king. Nevertheless, these constitutional provisions were halted following the November 2001 state of emergency, which hoped to combat the Maoist insurgency. The constitutional provisions were officially suspended in May 2002 when parliament was dissolved following heightened political instability².

Following the 1991 election, the 1990s were characterized by political instability in Nepal, reaching an apex in 2001 with the murder by Crown prince Dipendra of most of the Royal family. Another king Gynendra took power in February 1, 2005³. There was a crisis of stability because of the dissolved parliament restored following the success of people's uprising in April 2006. The Nepali army had been brought under civilian control, an interim constitution was drafted which is now working after the failure of CA in 2012. And discussion are under way for new elections to a constitute assembly and now Maoist is in government with another partner MJF.

After the revival of democracy in 1990, there was a quantum growth in media in Nepal⁴. This has been played a decisive role in promoting and strengthening news coverage practice of press for all, including minorities like Tibetan refugee as well. Press freedom was ensured by the constitution, and the national Communication policy of 1992 had promised greater autonomy of the government-controlled broadcast media and privatization of electronic media industry through the issuing of license. However in reality, writing that is perceived as undermining the monarchy, national security and public order was broadly suppressed by both the constitution and press and publication Act. The country's main television and radio station was owned and operated by the government and favors the ruling party⁵.

Although the institutional history of Nepali press could be traced back to 1851 when Rana prime minister Jung Bahadur Rana installed a printing press(Giddhe Press) , or in 1901 when the

state-owned newspaper, the Gorkhapatra, was launched, its practical history begins in 1950s, after the fall of Ranas, when several pioneering journalist took to publishing newspaper in a transitional democracy. Thirty years after the royal takeover of 1960 represented a repressive press system. During this time, press enjoyed limited right sand lobbied, to some extent, for multiparty democracy that could guarantee press freedom. After the restoration of democracy in 1990 a drastic change came in the Nepali media particularly in the private sector. Liberal provision and guarantee of press freedom enshrined in the constitution opened up avenues for the private sector to involve on the media sector. The 1990's democracy yielded by the people's Movement also established rights and freedom of the press. The constitution of the Kingdom of Nepal (1990) formally guaranteed the freedom of the press and publication⁶.

With the restoration of multiparty democracy in 1990, the media environment in Nepal took a dramatic turn. The issue of freedom of speech and expression first found specific recognition in the country's first Constitution in 1948 but it was never implemented. All subsequent four constitutions in 1951, 1958, 1963 and 1990 made similar recognition with varied wordings and provisions. The acts that followed were of different nature and pattern however⁷. The interim constitution 2006 has followed the same pattern of before⁸.

Refugees are legally defined under Article 1a of the *1951 Convention relating to the Status of Refugees* as:

*Any person who owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his/her nationality and is unable, or owing to such fear, is unwilling to avail himself/herself of the protection of that country*⁹.

The refugee problem has existed since the emergence of the nation state. The process of nation-building and state-building has been itself responsible for producing a vast number of refugees. Besides, war, famine and political oppression have been the other reasons contributing to population displacement¹⁰.

From a theoretical perspective, there are six broad casual factors responsible for refugee creation namely (i) anti-colonial wars and self-determination movements; (ii) international conflicts; (iii) revolutions, coups and regime changes; (iv) ethnic, communal and religious conflicts; (v) creation and restructuring of state boundaries, and (vi) population transfers¹¹. However, Muni and Baral identify three broad categories of refugee- generating factors in south Asia¹² which obviously applies to Nepal as well.

The Chinese People's Liberation Army launched its first 'invasion' into Tibet in 1949 which is now the autonomous region of the People's Republic of China. In the years that followed the Dalai Lama's efforts to make peace with the Chinese leadership failed. On the night of March 17, 1959, the Dalai Lama took flight towards India, hoping to appeal to the international community to take action against Chinese 'aggression' in Tibet. On March 31, 1959, exhausted and seriously ill, the Dalai Lama crossed onto Indian soil. All hope for the survival of Tibet's 2,000 year old civilization lay in India with the Dalai Lama and 100,000 refugees living in India and Nepal¹³.

An estimated 20,000 Tibetan refugees in Nepal arrived between 1959 and 1989¹⁴. Since the early 1980's, when China-Tibet opened to trade and tourism, a second exodus of Tibetan refugees have joined the Tibetan exile community in Nepal India and fleeing religious persecution, political repression, aggressive sinocization and cultural genocide¹⁵.

At the end of 1989, Nepal stopped registering Tibetan refugees. Of the remaining registered refugees, some 12,000 live in Kathmandu's Bouddha or in Pokhara, Baglung, and other places. China considers these refugees as illegal immigrants. From 1986 to 1996 approximately 25,000 Tibetans have taken refuge in India increasing the exile population by more than 18%, 30% are children seeking placement in an exile school. Refugees must travel for days in waist-deep snow, there is nowhere to find shelter, food or water in the mountain passes; many suffer frostbite, injury, death. It has been a consistent policy of Nepal that Tibet is an integral part of China. Sino-Nepal relations in political, economic and cultural spheres have grown from heights to heights since diplomatic relations was established in 1955. Occasionally, Nepal faces criticism from the U.S and some European countries as regards to its Tibetan refugee policy¹⁶.

The numbers of Tibetan asylum seekers had decreased from apx.3, 621 in 1994 to 2448 in 2002. It is also dangerous for refugees to return; a Tibetan who has been to Nepal or India risks interrogation, harassment, work and travel restrictions. A number of changes occurred at the UNHCR run Tibetan Reception Center in Kathmandu. In recent years, there have always been over 2,000 new arrivals annually, but only 596 came in 2008. This can be put down to tighter border security, the Olympic Games and clampdowns in Tibet. Those who came into Nepal received food, medical care and counseling facilities at the Reception Center. Staff here also dealt with the processing of the Special Entry Permit from the Indian Embassy and the exit permit from Nepal. This was followed by allocation of subsistence allowances and transportation to New Delhi by bus. New procedures put in place at the Center improved the service provided to new arrivals. LWF Nepal assisted in completing these tasks, providing trauma counseling and using volunteers. In addition, a volunteer community outreach officer looked after unaccompanied children¹⁷.

Nepal is a small country wedged between the rising powers of China and India. It was ruled as an absolute monarchy until 1990, when it became a parliamentary democracy with the monarch as head of state. In 1996 the United Communist Party of Nepal- Maoist (UCPN-M, hereafter referred to as 'the Maoists') launched a 'People's War', fuelled by a widespread feeling of marginalization among the rural population, which sought to replace the monarch with a communist regime. The decade of violent conflict that followed claimed the lives of between 13,000 and 17,000 Nepalese and displaced over 70,000. The war ended in 2006 with the signing of the Comprehensive Peace Agreement (CPA) between the Maoists and the main political parties. The 2008 elections resulted in an overwhelming victory for the Maoists, who won a majority of parliamentary seats. The leader of the Maoist insurgency, Prachanda, was appointed Prime Minister and in the same year Nepal declared itself a Republic and started drafting a new Constitution¹⁸.

Both Nepal and India are not the party to the 1951 Convention Relating to the Status of Refugees and neither to the 1967 Additional Protocol. Additionally, none of these countries have enacted any refugees' law to govern the growing mass exodus. The protection refugees are based on the traditional hospitality and the deeply ingrained culture in the host community. The host governments are operating refugees' response on ad-hoc basis thus there is no any legally binding instruments to guarantee the refugee protection. Thus, whenever there is any change in the governments or power equation in the host governments, the refugee community undergoes a tremendous psychological pressure about their safety, security, human rights and the possibility for safe and dignified return¹⁹. Tibetan refugees have no legal status in Nepal, but they move freely, work in the local economy, utilize local facilities, and farm land that was purchased for them in the 1960s by the Nepal Red Cross. In Katmandu, some have dispersed among the local population²⁰.

Democracy vs. Government Control on Media: Tibetan refugee aspects

Without freedom of expression, there is no democracy; and without democracy, there can be no freedom of speech. The freedom of the news media in a society is indicative of the grounding of democracy in any given country. Right to know is an important component of a functioning democracy²¹.

The media are unlikely to be the main driving forces for fundamental long term change. Rather they act as a channel and facilitator and they help to make society aware of itself as well as of changes, by reflecting them in content and also by providing the means for debating and adapting to change²². Understanding what affects the media has on individuals and society has been of interest to researchers for decades.

Many approaches have been proposed for studying the effects of the news on political preferences. Agenda setting²³, priming²⁴, framing²⁵, issue ownership²⁶, news on economic cues²⁷, conflict oriented news²⁸, and horse-race news may serve as examples²⁹.

Research that combines different theoretical approaches in a single empirical study³⁰ is scarce. Apparently, most researchers consider them as mutually exclusive research paradigms, each of them rendering the other ones superfluous. The first theory that comes to mind when thinking of the effects of news on issues is agenda setting. Agenda setting in its original form means that issues that appear frequently in the news tend to become the issues that deem important³¹. From the many empirical studies on agenda setting, we know that attention for issues has a strong effect on voters' judgment of the importance of these items³².

When one considers the scale of change aspired to in Nepal, such political instability is not surprising. During the past five years, the country has been undergoing a profound shift as it seeks to transform itself from a Hindu monarchy to a secular, multi-party republic. There have been a number of stumbling blocks in this process and occasional outbreaks of violence, but there have also been significant achievements. These include bringing the leaders of the Maoist insurgency into Nepal's political system and holding elections that have been conducted relatively freely and peacefully³³.

Nepal's media scene is fairly diverse and has the space and autonomy to be critical of the Nepal government. But there are other interest groups – including political parties, businessmen, and armed group members – whose exertion of pressure on media houses and individual journalists has led to Nepal being ranked at 106 out of 179 countries in Reporters without Border's "Press Freedom Index 2011-2012."^a Their desires to control media output are aided by a culture of impunity which ensures little state response to threats, attacks and even murders of journalists. With such little state protection, media houses and individual journalists are left vulnerable to external pressures. Judging by the increase in negative news coverage on Tibet over the past few years, China is making outreach to Nepali media an integral part of its approach to consolidating its hold over Nepal vis-à-vis Tibet. However, there is no blind compliance of Nepali media with China – some publications entertain Chinese pressure when it suits their own interests, whereas others strive to maintain an independent voice. What is clear is that this has become a new frontier in negotiating representations of Tibet in Nepal's social consciousness.

Nepali language newspapers tend to be more negative in their reporting on Tibetan issues than their English language counterparts in Nepal. This works to China's advantage, as the Nepali language press is more widely read by Nepalese and, thus, provokes fewer reactions from the 'expat' or diplomatic readers of the English language press. Beyond this, the many Nepali language publications connected to Nepali political parties are ready and able to be influenced by China. Some

Nepali media outlets have focused on China's suspicions that Nepal is being used as a base for "free Tibet activity." Articles often read more like conspiracy theories than new reporting. This includes rumors published in the Nepali press that by visiting the Mustang region, former U.S. Ambassador Nancy Powell was supporting "guerrilla resistance against China" during a trip taken before her resignation in July 2009. U.S. Ambassador Powell visited remote Mustang in northern Nepal, which borders Tibet, in order to visit a cultural preservation project and to pursue her interest in photography. But the visit was interpreted by some Nepali journalists as an "inspection of the Chinese-Nepalese border" in preparation for the "next Khampa rebellion."^b In a reference to the Khampa guerilla resistance against China in the 1960s, supported in some measure by the U.S. Central Intelligence Agency (CIA), Bishnu Sharma of the Dristi Weekly reported: "A former army official who is well acquainted with the Khampa rebellion instigated by the American detective wing CIA three and half decades ago said, 'The activities [Nancy Powell's visit, and the visits of other ambassadors from Kathmandu] are directed at reviving the Khampa rebellion.'"^c The Tibetan resistance force operated out of Mustang from 1959-1974.

In an indication of the level of concern about this visit to a sensitive border area, the Chinese Ambassador Quo Guohang visited Mustang himself in June. A Nepali-language weekly magazine reported: "The Chinese ambassador did not believe that the American Ambassador Nancy J. Powell reached bordering district of Mustang to fulfill her photography passion, carrying her SLR camera. Maybe that is why within three months of her visit, the Chinese ambassador reached Mustang with his own associates. He not just kept an eye on whether there were any 'Free Tibet movement' going on in Mustang, but also inquired about it with the Nepali authorities and locals."^d Further stories in the Nepali media fixate on Tibetan Buddhist monasteries in Nepal being centers for "free Tibet activities." In December 2009, the media reported that a National Intelligence Department (NID) report "listed 24 Buddhist monasteries in the Kathmandu Valley as sensitive for their involvement in the 'Free Tibet Movement' and 'anti- China activities'...The national spy agency has placed seven of them on the 'very sensitive' list from the security point of view. It has suggested the Home Ministry to keep tabs on altogether 43 monasteries in the capital [Kathmandu], out of 59 it studied."^e In response, the Nepal Buddhist Federation called the allegations "baseless," while noting that there was "a growing negative media campaign against monastery institutions established in the land of Buddha's birth and that the state police has been unnecessarily harassing our monks and nuns," and that there were attempts being made in the Nepali media to "fabricat[e] false and imaginary accusations such as storing weapons and organizing [a] so called 'Free Tibet movement.'"^f

A strong example in 2010^g of Chinese influence on the Nepali media was an article in the Dhrishti Weekly that claimed: “Western countries are preparing armed battle for freedom of Tibet through Nepali soil.” The article claims that American organizations and Christian missionaries are collaborating with Tibetans who “have been providing [sic] commando training in Chkrawat jungle near to Dehradun, India.” It also claims that the Tibetan Refugee Welfare Office is the Dalai Lama’s “silent embassy” which has planted “trained Tibetan warriors” in Kathmandu. While to the informed eye the article reads like a spoof, less informed readers of the newspaper may not be able to distinguish fact from fiction and, thus, doubt is sown about Tibetans among sections of Nepali society.

Nepali authorities have at times used press stories as an excuse to investigate the Tibetan community. For example, an ICT source explained that after hundreds of Nepali Buddhists had lent their support to Tibetan protesters during 2008, Nepali police used a questionable press report about guns having been found in Tibetan monasteries as a pretext to search monasteries for information that the authorities suggested may have been used to “brainwash” Nepalis into being “anti-Chinese.” No such information was found.^h

Although no one wanted to go on record saying so, a few Nepalis interviewed by ICT with ties to both the media and political parties were frank in their assessment that China makes direct contact with heads of media houses in order to restrict news on Tibet. One ex-Nepali Congress politician said: “All the big media houses are paid off by either China or India. In fact, these days I think some are paid by both!” Two journalists working at separate national daily newspapers spoke of having had their pitches for stories about Tibet repeatedly denied by their editors. “I think it’s a really important issue to write about, but I just can’t,” said one. Another said she felt that it was perhaps more acceptable to write about Tibetans in Nepal, but “writing an opinion piece about Tibetans inside Tibet is out of the question.” They were not sure about the background reasons, but were clear that their respective newspapers were under pressure from some source to limit their Tibet-related stories.ⁱ

In 2009, Tibetans in Nepal were shocked to see The Kathmandu Post run a 4-page center-spread about the benefits of development in Tibet, and the happiness of Tibetans living there under Chinese rule. Made to look like the paper’s own reporting, this was actually an advertisement paid for by the Chinese government^j. Not all such paid propaganda is so obvious. Dolma Lama, Director of the Himalayan Society for Youth and Women’s Empowerment, an NGO headquartered in Kathmandu, believes that negative articles on Tibet are part of a Chinese government strategy to undermine Tibetans in the eyes of Nepalis and could have long-term effects if Tibetans cannot counter them with stories of their own. In an ICT interview in Kathmandu in January 2011, Dolma

Lama said: “The former Chinese Ambassador to Nepal made a remark on ABC news about not understanding why, even though China is putting so much money in Nepal, the Nepali people are still supporting Tibetans. He told the new Ambassador to change tactics, which is what they’ve now implemented and the Nepali media is being bribed to write negative articles about Tibetan refugees. To counter this pressure, you also need money to bribe the journalists. Even in 2008, despite so much international media attention, Nepali journalists were only willing to write articles for favors in return. They would ask ‘If I write this article for you, what will you do for us?’ meaning, how much are you willing to pay? The Chinese have enough money, but Tibetans do not. This will ultimately mean Nepalis are going to be negatively influenced against Tibetans through the media.” Despite Chinese pressures, some prominent Nepali commentators have sought to shift the narrative on Tibet. Some among them appear to be motivated by humanitarian concerns about the Tibet situation, others from the desire that Nepal make its own policies, independent of the ambitions of its neighbors, India and China. In an article published in January (2012), writer Arun KR Shrivastav, an editor for one of Nepal’s most popular English-language newspapers, wrote boldly about the need for Nepal to develop a position independent to China’s and in the nation’s interests on the Tibet question. Arun KR Shrivastav’s article, published in the influential Nepalese newspaper Republica, comments on the postponed visit of Chinese Prime Minister Wen Jiabao in December 2011, saying that it was “the last masterstroke by the outgoing leadership in China to link its relations with Nepal firmly and solely with the Tibet issue.” KR Shrivastav calls for Nepal to take a decision on Tibet “based on conscience and interests of the nation” as opposed to the Chinese authorities’ diktats. He writes, “The Chinese policymakers have failed to learn from the Tibetan culture and worldview. They have rather tried to obliterate it altogether. There is where China needs to amend its course. China should realize that finding a solution to the Tibet issue is crucial to its relations with Nepal because it affects Nepal like no other country.”^k

Chinese influence on the media goes beyond article content to how news can actually be reported. In this, China plays a significant role in determining the freedom of Nepal’s press. In 2009, the Nepali authorities’ crackdown on March 10 protests in Kathmandu included attempts at suppressing media coverage of the demonstrations. Kathmandu police seized the camera memory cards of local Nepali journalists seeking to cover a vigil at the Boudhanath stupa. Prior to March 10, a Tibetan journalist working for a Tibetan language newspaper in Nepal was accused of writing anti-Chinese articles and subsequently detained and his home searched. The journalist, whose name is withheld, was later released after paying a large bribe to officials. These actions took place in the context of intense pressure from the Chinese embassy in Kathmandu on the Nepal government.

In the run-up to Wen Jiabao's ultimately-postponed visit in December 2011, the Nepal Department of Information was reported to have decided to "limit the access to the media persons [during the visit] as per the request made by the Chinese authorities."¹ The Economic Times reported a senior Nepal government official as saying that: "Chinese officials have been continuously exerting pressure on the Nepalese government to allow only a few journalists during the event." Shiva Gaunle, of the Federation of Nepali Journalists, pointed out that "such a decision will deprive a large section of the media from accessing information."^m

THE OVERVIEW

A substantial literature ties media freedom to good governance.ⁿ Less is known about the determinants of media freedom itself. Although correlated with the presence of democratic institutions, political institutions alone do not determine media freedom. Many non-democracies have higher levels of media freedom than many democracies, and among the least democratic countries there is little obvious relationship between political institutions and media freedom.^o Moreover, media freedom often fluctuates within countries even as political institutions remain unchanged³⁴. This paper judges the media freedom in respect to Nation's foreign policy, especially here in this case as one-China policy regarding to Tibetan refugee and it adapts and follows Gehlabach and Sonin's paper, Government control of the media 2008 a-z to show in Tibetan refugee and Nepalese approach, as a model.

What accounts for variation in media freedom as concerns state's foreign policy? This paper provides a formal framework to explore this question. Paper focuses especially on Nepal where the government uses the media to mobilize citizens in support of actions that may not be in their individual best interest, though some of the arguments may also apply to high democracies. Paper emphasizes variation along two dimensions of media freedom regarding Tibetan refugee news coverage: *media ownership*, by which generally mean whether the media are state-owned or private, and *media bias*, which define as the extent to which the media misreport the news in favor of government interests, here in this case one-China aspects only. As paper show, media ownership typically influences media bias regarding Tibetan refugee news in Nepal, but media ownership itself is endogenous to the anticipated bias under state and private ownership in respect to Tibetan community's coverage.

Theoretical framework stresses a fundamental constraint facing any government seeking to influence media content: bias in reporting reduces the informational content of the news, thus lowering the likelihood that individuals who need that information to make decisions will read, watch, or listen to it. This constraint operates in two ways. First, excessive media bias works against

the government's desire for social mobilization, as citizens who ignore the news cannot be influenced by it. Second, media bias reduces advertising revenue, as media consumption is less when pro-government bias is large. In general, this reduction in advertising revenue is costly to the government, regardless of whether the media are state owned (to the extent that profits and losses of state-owned companies are internalized) or private (because the government must subsidize private owners to compensate for lost revenue)³⁵. Figure 2 illustrates the total news coverage pattern by Nepalese press in dictatorship and after 1990's restoration of democracy in 1990.

Paper highlights two variables that influence the operation of this constraint. First, the mobilizing character of the government determines the value the government places on the mobilization of citizens to take actions that are not necessarily in their individual best interest, such as voting and demonstrating in favor of the incumbent regime³⁶ or exposing the corruption of local bureaucrats³⁷. When the need for social mobilization is large, the government is more willing to pay the cost (foregone advertising revenue or subsidies) of media bias. Media bias may therefore be greater in autocratic states whose leaders aim to transform society, or under populist governments that retain power through mass public participation, than in "kleptocracies" or "sultanistic" regimes.^p Moreover, holding regime type constant, media bias will be greater in periods when mobilization is especially important, as during an election campaign. Consistent with cross-country evidence³⁸, bias is generally greater in state-owned media, though as mobilization increases in importance, bias in state and private media converge. Despite this convergence, the government may be more inclined to seize ownership of private media when mobilization is important, as it can save the cost of subsidization by controlling the media directly³⁹.

Second, the *size of the advertising market*, which may be influenced by such factors as media technology and economic regulation, determines the opportunity cost of lost consumers due to bias in reporting. In the words of a Mexican journalist working in the 1990s at the independent *La Jornada*, "telling the truth is good business"⁴⁰, though the extent to which that is the case depends on the responsiveness of advertisers to circulation, viewership, or listenership. Consistent with the findings of an emerging empirical and theoretical literature,^q Paper show that private media are generally less biased when the advertising market is large, as purchasing influence through subsidization or outright bribery is relatively expensive for the government. Here in advance on this understanding with two new results. First, it shows that growth in the advertising market can also reduce media bias under state ownership, though because the government need not bargain to achieve bias when it directly controls the media, this effect will be comparatively small. Second, and more important, here it demonstrates that the government may seize ownership of the media for itself when the advertising market is large. Not only can the government implement a higher level of bias

when it owns the media—an advantage that grows with the size of the advertising market—but it can economize on subsidies and acquire advertising revenue for itself. A surprising implication of this analysis is that the relationship between media freedom and the size of the advertising market may be nonmonotonic. Holding ownership constant, growth in the advertising market reduces media bias, regardless of whether the media are private or state-owned⁴¹. However, the same growth may prompt the government to seize direct control of the media, which lead to a discontinuous jump in media bias.

Paper illustrates the theoretical model with a case study of government control of the media in post-restoration of democracy in Nepal. Largely created from scratch after the collapse of *Panchayat*, Nepal's advertising market has grown dramatically in recent years, a development that would seem to bode well for media freedom. Yet by most accounts, Nepal has seen an equally dramatic decline in media independence, as the ruling body has seized direct control of large segments of the Nepalese media market. The model suggests two complementary explanations for this phenomenon. First, Royal authority seemed more predisposed to use the media to mobilize society in support of their rule than latest predecessor from different political parties government. Second, the Kingship may have been motivated to prevent private media, newly flush with advertising revenue, from asserting their independence. The model also provides a theoretical framework for understanding other developments in the relationship between media and the state in Post restoration of democracy in 1990, such as the convergence in bias among private and state-owned media prior to the 1990' restoration of democracy and the behavior of more and less commercial press controlled by the government in the run-up to the 2013 CA election declaration.

Theory builds on two modeling traditions in the political economy literature. First, it follows the approach pioneered by Shleifer and Vishny⁴² in modeling a bargaining relationship between a politician and a firm, which in this case corresponds to a media outlet. As in Shleifer and Vishny, it emphasizes the allocation of control rights, which in this setting is the ability to decide what to report. Under state ownership, the government possesses this right. It refers to this environment as “direct government control” of the media, to emphasize that the government chooses media bias directly. In contrast, under private ownership, a private owner possesses the right to choose what to report. Paper term this situation “indirect government control,” as the government may still induce media bias but must pay for it by providing subsidies to the private owner.

Second, Paper build on a growing body of work that attempts to explain the origins of media bias. Existing work stresses the inherent biases of media owners or journalists⁴³; the market response to consumer demand for bias, which arises either for exogenous reasons⁴⁴ or because firms skew their reporting toward consumer priors to build a reputation for quality;^f the interaction of market

forces and the internal structure of the media⁴⁵; and the purchase of journalists by special interests⁴⁶. A useful distinction sometimes made in this literature is between “demand-side” and “supply-side” explanations of media bias⁴⁷. This paper falls into the latter category: citizens in this model always prefer less pro-government bias to more.

Relative to most of this literature, the key distinction of its approach is that it models the government as a strategic actor. Besley and Prat⁴⁸ do consider government influence over the media, but their emphasis is the impact of media freedom on government accountability in democracies. Here the approach is complementary: it analyzes the relationship between government and the media in an environment that may best characterize weak democracies and autocracies. Other models of media manipulation in dictatorships include Egorov, Guriev, and Sonin⁴⁹, Debs⁵⁰, Edmond⁵¹, and Lorentzen⁵². Here contribution differs from these in that we explicitly compare media bias under private and state ownership and that it endogenize media ownership, showing in each case how the actions of the government depend on its mobilizing character and the size of the advertising market⁵³.

Within the literature on media bias, the theoretical framework is most closely related to Gentzkow and Shapiro⁵⁴. As in their work, it model Bayesian citizens who may use information reported by the media when making a costly decision whose outcome depends on the state of the world. The questions here explore in this framework, however, are very different from those that Gentzkow and Shapiro pose. Here the approach is also similar in some respects to Petrova⁵⁵, who like this examines the tradeoff between advertising revenue and bias. In this case, however, it treats the government as the relevant special interest, an important distinction since the government may acquire control of the media by force. As it show, the government may be more motivated to seize private media when the advertising market is large, implying a relationship between advertising revenue and media freedom counter to that predicted by Petrova but observed in the Nepalese case that this paper discuss.

Here the adoption of a Bayesian framework captures in a tractable way the assumption that individuals’ beliefs can be affected by what they see, read, and hear in the media. Numerous studies have examined and generally affirmed this proposition in the American context; Kinder⁵⁶ and Goldstein and Ridout provide reviews of the literature. Studies in immature democracies have found media effects that, if anything, are stronger than those typically identified in the U.S. These include White, Oates, and McAllister⁵⁷ and Enikolopov, Petrova, and Zhuravskaya on Russia; Lawson and McCann⁵⁸ on Mexico; and Gentzkow and Shapiro on the Mideast.

DIRECT CONTROL BY GOVERNMENT OF TIBETAN REFUGEE NEWS ON THE MEDIA

Situation

Consider a model with two sets of players: a continuum of Tibetan refugee who are illegal one, indexed by i , and a government that directly controls a news outlet of the Tibetan refugee (i.e., the news outlet is “state-owned”). As here discuss below, various features of the model lend themselves best to broadcast/print media. For concreteness, here therefore say that Public (refugee even) “watch/read” the news, as when the news outlet is a television station or broadsheet publication.

At a cost normalized to one, each Public (refugee) i may “invest” in a single project, $\pi_i \in \{0, 1\}$. The private return from investment depends on the situation of the press freedom in the geography $S \in \{L, H\}$, where L denotes a “low” situation of press freedom like in *Panchayat* and H a “high” situation like in democracy regarding Tibetan refugee news coverage.

In particular, when $S = H$ the project yields a private return $r > 1$, whereas when $S = L$ the private return is equal to zero. Public (refugee) do not know the situation but have a common prior belief that the situation is high with probability $\theta \in (0, 1)$. Here let us assume that $\theta r < 1$, which implies that in the absence of any additional information Public/audience (refugee audience even), do not invest.

Public (audience) may update their belief about the situation of the world even the country by watching/reading the news. A news broadcast/published contains one of two messages, $\hat{S} \in \{\hat{H}, \hat{L}\}$. Rather than choosing the message directly, let us assume that the government structures the news operation to attain the desired level of bias, with the message determined probabilistically by the structure after the situation of the world/nation has been realized. This implicitly captures the need to delegate responsibility for the news to the reporters, anchors, and editors who make daily decisions about what to cover and how to cover it. Importantly, let assume that this choice is observable by all public/audience members. This assumption seems especially compelling for broadcast media, the primary news source for public in most countries.

In particular, at the beginning of the game, prior to realization of the situation/condition of the world, the government publicly chooses an *editorial policy* $\beta(S) \in [0,1] \times [0,1]$, where $\beta(S)$ is the probability that the media outlet reports the message \hat{H} when the condition is $S \in \{L,H\}$. Here the abuse notation slightly to denote any public’s posterior belief about the condition of the world, conditional on having received the message \hat{S} , by $\theta(\hat{S})$.^s Thus, conditional on having watched/red the

news and received the message \hat{S} , any audience prefers to invest if $\theta(\hat{S})r > 1$.

Watching or reading the news may therefore be profitable to audience if the government's editorial policy $\beta(S)$ is such that the news is sufficiently informative. Potentially offsetting this benefit, each audience i has an exogenous idiosyncratic opportunity cost of watching the news μ_i , where μ_i is distributed uniformly on $[0, m]$. Let assume for simplicity that $m > r - 1$, which implies that for all θ the proportion of individuals who watch (red) the news in equilibrium is strictly less than one. We use the indicator variable $\omega_i \in \{0, 1\}$ to denote the decision to watch (red) the news.

The assumption that this opportunity cost is exogenous applies most clearly to broadcast media; where there is no purchasing decision to be made so long as a audience already possesses a television or radio. In this context, the opportunity cost of watching the news may reflect a audience's work schedule, family obligations, and similar considerations. For print media, the opportunity cost would also reflect the purchase price, which would be a choice variable of the media owner. Let here choose to leave that extension to future research.

Summarizing, the timing of events is:

1. The government chooses an editorial policy $\beta(S) \in [0,1] \times [0,1]$, which is observed by all audiences.
2. Each audience decides whether to watch the news, $\omega_i \in \{0, 1\}$.
3. The condition of the world $S \in \{L, H\}$ is realized, with the message $\hat{S} \in \{\hat{H}, \hat{L}\}$ determined probabilistically according to $\beta(S)$. Only audiences who watch the news receive the message \hat{S} .
4. Each audience decides whether to invest in the project, $\pi_i \in \{0, 1\}$.

In general, let assume that the government may value viewership as well as the mobilization of audience to "invest," to the extent that viewership or readership increases advertising revenue at (and thus may reduce the cost of running) the state-owned news outlet. Let model this concern in a reduced-form way, assuming that total advertising revenue is proportional to readership/viewership. Let γ denote the size of the market. Further, assume that the government's preferences over investment and advertising revenue are separable, such that those preferences can be represented by the following utility function:

$$U_G = \psi \int_0^m \omega_i(\mu_i) E \left[\pi_i \left(\hat{S}(S) \right) \right] d\mu_i + \gamma \int_0^m \omega_i(\mu_i) d\mu_i. \quad (1)$$

The first term is proportional to expected investment (recall that, by assumption, audiences choose to invest only if they watch and read the news, i.e., only if $\omega_i = 1$), with expectations over S , and the

second term is advertising revenue. The parameter ψ denotes the mobilizing character of the government, i.e., the weight that the government puts on investment relative to advertising revenue.^t To establish intuition for the behavior of citizens and the government, let begin by deriving equilibrium media bias as $\frac{\psi}{\gamma} \rightarrow \infty$ i.e., when the government values only mobilization. This paper then examines the general case where the government values both mobilization and advertising revenue.

When Government Values Only Mobilization: Equilibrium Approach

Here let solve for a perfect Bayesian equilibrium of this dynamic game of incomplete information, focusing in this section on the special case where the government values only the mobilization of audiences to “invest,” i.e., to take costly actions that are not necessarily in their individual best interest. To begin, note that the government wants audiences to believe that $S = H$, as it is profitable for citizens to invest only when the state is H . Therefore, in equilibrium, it must be the case that $\beta(H) = 1$.^u However, it cannot be the case in equilibrium that the media outlet always reports that the condition is H , i.e., that it also chooses $\beta(L) = 1$, as then the news would be uninformative. Regardless of the message \hat{S} , any public who watched or read the news would choose not to invest; given the opportunity cost of watching and reading the news, all audience would therefore choose not to watch and read. Thus, in equilibrium the media must truthfully report the condition with some positive probability when the situation is L , i.e., the government must choose $\beta(L) < 1$.

To solve for the equilibrium bias $\beta^*(L)$, let begin by considering the beliefs and investment behavior of those who watch and read the news. Using the equilibrium condition that audiences update beliefs on the equilibrium path according to Bayes’ rule, we can derive the posterior probability that the situation is H , conditional on having received the message \hat{H} , as

$$\theta \left(\hat{H} \right) = \frac{\theta\beta(H)}{\theta\beta(H) + (1-\theta)\beta(L)} = \frac{\theta}{\theta + (1-\theta)\beta(L)} \quad (2)$$

Where the second equality follows from $\beta(H) = 1$. The higher is media bias $\beta(L)$, the less likely audiences are to believe that the condition is H when they receive the message \hat{H} . Similarly, we can derive $\theta \left(\hat{L} \right) = 0$, which follows trivially from $\beta(H) = 1$. Thus, publics would never invest after receiving the report \hat{L} , but might invest after receiving the message \hat{H} if $\beta(L)$ is sufficiently small

such that $\theta \left(\hat{H} \right) r > 1$. Intuitively, publics invest after receiving the message \hat{H} only if the government is sufficiently likely to tell the truth when the situation is in fact L . In the analysis to follow, let assume preliminarily that this is the case and then show that this condition holds in equilibrium.

Given the preliminary assumption that $\theta \left(\hat{H} \right) r > 1$, which implies that publics invest if (and only if) they receive the message \hat{H} , the expected benefit from watching and reading the news is

$$[\theta + (1-\theta)\beta(L)] \cdot \left[\theta \left(\hat{H} \right) r - 1 \right].$$

The term on the left is the probability that a publics receives the message \hat{H} , conditional on watching and reading the news, whereas the term on the right is the expected payoff from investing, having received the message \hat{H} . This expression is decreasing in $\beta(L)$: demand for the news is greatest when bias is least.

With the opportunity cost of watching and reading the news μ_i distributed uniformly on $[0, m]$, the mass of all individuals who watch the news is given by

$$\int_0^m \omega_i(\mu_i) d\mu_i = \frac{1}{m} [\theta + (1-\theta)\beta(L)] \cdot \left[\theta \left(\hat{H} \right) r - 1 \right].$$

Because publics invest if and only if they receive the message \hat{H} , the probability that any public invests, conditional on having watched and red the news, is equal to the probability that the government reports \hat{H} , $\theta + (1-\theta)\beta(L)$, which is increasing in media bias $\beta(L)$. Expected investment is then equal to the product of this probability and the mass of audiences who invest:

$$\int_0^m \omega_i(\mu_i) E \left[\pi_i \left(\hat{S}(S) \right) \right] d\mu_i = \frac{1}{m} [\theta + (1-\theta)\beta(L)]^2 \cdot \left[\theta \left(\hat{H} \right) r - 1 \right]. \quad (4)$$

The government chooses $\beta(L)$ to maximize Expression 4, given the posterior belief $\theta \left(\hat{H} \right)$

(Equation 2):

$$\max_{\beta(L)} \frac{1}{m} [\theta + (1-\theta)\beta(L)]^2 \cdot \left[\frac{\theta}{\theta + (1-\theta)\beta(L)} r - 1 \right].$$

This is a concave problem, the solution to which is

$$\beta^*(L) = \max \left[0, \frac{\theta(r-2)}{2(1-\theta)} \right]$$

Equation 5 says that when $\beta^*(L) > 0$, media bias is greater, i.e., $\beta^*(L)$ is larger, the larger is the payoff from investment r . Intuitively, when the payoff from making the right investment decision is relatively large, publics watch the news even when news content is noisy. In addition, media bias is (weakly) increasing in θ , which measures the prior belief that the situation or condition is high. As Equation 2 shows, media bias plays a smaller role in determination of the posterior belief that the condition is high when θ is large, implying that bias must be greater to have the same marginal impact on investment.

In deriving Equation 5, let assumed preliminarily that $\theta(\hat{H}) r > 1$. Here we may verify this by substituting $\beta^*(L)$ into $\theta(\hat{H})$ (Equation 2). In particular, $\theta(\hat{H}) = 1$ when $\beta^*(L) = 0$ — the message \hat{H} is sent if and only if $S = H$ — so that $\theta(\hat{H}) r > 1$ holds trivially given $r > 1$, which is an assumption of the model. For $\beta^*(L) > 0$, $\theta(\hat{H}) r > 1$ is equivalent to

$$\frac{\theta}{\theta + (1-\theta) \left[\frac{\theta(r-2)}{2(1-\theta)} \right]} r > 1,$$

i.e.,

$$\theta r > \theta + \frac{\theta(r-2)}{2} \Leftrightarrow 2\theta(r-1) > \theta(r-2).$$

Similarly, here we may show that $\beta^*(L)$ is strictly less than 1:

$$\theta(r-2) < 2(1-\theta) \Leftrightarrow \theta r < 2,$$

Which always holds given the assumption that $\theta r < 1$.

Equilibrium When Government Values Mobilization and Advertising Revenue

Previously, we analyzed the special case of the model where the government values only “investment” by audiences. This case illustrates the tradeoff between raising bias to increase investment by those who watch and read the news and lowering bias to increase the proportion of audiences who watch and read the news and thus receive the government’s message. In addition to these concerns, however, governments may be motivated to a greater or lesser degree to increase advertising revenue for media under their control.

How does a concern for advertising revenue modify the results above? To answer this question, we examine the general case of the model, where the government chooses media bias $\beta(L)$ to maximize utility as in Equation 1. Using Equations 3 and 4, we may write this problem as

$$\max_{\beta(L)} \frac{\psi}{m} [\theta + (1-\theta)\beta(L)]^2 \cdot \left[\theta \left(\hat{H} \right)^{r-1} \right] + \frac{\gamma}{m} [\theta + (1-\theta)\beta(L)] \cdot \left[\theta \left(\hat{H} \right)^{r-1} \right],$$

whereas before we assume preliminarily that $\theta \left(\hat{H} \right)^{r-1} > 1$. This is a concave problem, the solution to which we provide in the following proposition, where for future reference we use the subscript G to denote direct government control.

Proposition 1. *Under direct government control of the media (i.e., state ownership), the equilibrium level of bias is*

$$\beta_G^*(L) = \max \left[0, \frac{\psi\theta(r-2) - \gamma}{2\psi(1-\theta)} \right]. \quad (6)$$

For $\beta_G^*(L) > 0$, media bias is greater when the government has a particular interest in mobilizing publics to “invest” (i.e., when ψ is large), as during Tibetan protest when state-owned media are used to increase support for government’s one-China policy. More subtly, Equation 6 suggests that the impact on $\beta_G^*(L)$ of a marginal increase in ψ is greater when the government values advertising revenue more to begin with (i.e., when ψ is low).^v As discuss below, this may explain the particularly noticeable increase in bias on Government Owned media in the run-up to the 2008 Free Tibet Movement worldwide by Tibetan refugees.

In addition, Equation 6 shows that media bias is less, the greater is γ , i.e., the larger is the advertising market.^w This result supports the argument that the media may be less biased when the advertising market is large. As we discuss above, however, this argument is typically made in the context of private ownership of the media, a case that we examine below. The model shows that the

same relationship may hold when the media are state-owned, so long as the government values advertising revenue from media that it owns. Intuitively, the equilibrium level of bias depends on the degree to which the government internalizes the negative effect of bias on viewership and readership. That effect is greater when the advertising market is large, so long as the government places some value on advertising revenue.

Indirect Government Control of Tibetan refugee news on the Press

In the previous section, we assume that the government has direct control over the news outlet. Even if the owner of the outlet is private, however, the government may be able to indirectly control news content, providing various inducements to encourage the private owner to bias coverage away from the commercial optimal editorial policy. Lawson⁵⁹ reports, for example, that at the height of its control, Mexico's Institutional Revolutionary Party provided various benefits to private media in return for favorable coverage, including tax privileges, subsidized newsprint, and cash payments to journalists. As a consequence, "a plethora of pro-government newspapers could operate without serious regard to circulation, commercial advertising, or other normal requisites of financial viability". Similarly, McMillan and Zoido document the regular provision of cash payments and directed government advertising to the media by Peruvian secret-police chief Vladimiro Montesinos Torres. Notably, no such payments were necessary to the one state-owned television channel, as "Montesinos had control over its content"⁶⁰.

Conceptually, the relationship between government and private owner is analogous to a lobbying problem, though here the government plays the role of lobby and private owner the role of policy maker. As is standard in the political-economy literature, we model the lobbying process as a menu auction a la Grossman and Helpman, where the lobby (here, government) provides a "contribution schedule" that promises a particular contribution (subsidy) for every policy (bias) that the policy maker (private owner) could choose.

Formally, assume that the government has preferences over audience investment and contributions represented by the utility function

$$U_G = \psi \int_0^m \omega_i(\mu_i) E \left[\pi_i \left(\hat{S}(S) \right) \right] d\mu_i - C, (7)$$

where the first term is proportional to expected investment and C is a contribution, defined below, from the government to the private owner. In this context, the parameter ψ measures the degree to which the government values investment (mobilization) relative to subsidies. Implicitly, let assume that subsidies and advertising revenue are denominated in the same units, so that ψ has the same meaning in Equations 1 and 7. Note that the government does not directly value advertising revenue

received by the private owner.

The private owner, in contrast, has preferences over advertising revenue and contributions represented by the utility function

$$U_p = \gamma \int_0^m \omega_i(\mu_i) d\mu_i + C, \quad (8)$$

where the first term is advertising revenue and C is the subsidy from the government to the private owner. Analogous to the government's preferences, the private owner does not directly value audience investment.

At the beginning of the game, the government names a contribution schedule $C(\beta(S))$ that promises a particular subsidy $C \geq 0$ for all $\beta(S) \in [0, 1] \times [0, 1]$ i.e., for any one-China editorial policy that could be chosen by the private owner. As in Grossman and Helpman, we assume that this promise is binding. This can easily be motivated either on reputational grounds or because lobbying is a spot-market transaction with few dynamic considerations, similar to the exchange of money for goods in a retail environment. The private owner then chooses $\beta(S)$ to maximize Expression 8. The remainder of the game is identical to that in previous section. Thus, the timing of events is:

1. The government names a contribution schedule $C(\beta(S))$.
2. The private owner chooses a one-China editorial policy $\beta(S) \in [0, 1] \times [0, 1]$, which is observed by the government and all audiences, and the government pays $C(\beta(S))$.
3. Each audience decides whether to watch the news, $\omega_i \in \{0, 1\}$.
4. The situation of the world (even country) $S \in \{L, H\}$ is realized, with the message $\hat{S} \in \{\hat{H}, \hat{L}\}$ determined probabilistically according to $\beta(S)$. Only audiences who watch and read the news receive the message \hat{S} .
5. Each audience decides whether to invest in the project, $\pi_i \in \{0, 1\}$.

Given that subsidies enter linearly into both the governments and private owner's utility functions (i.e., because utility is freely transferable between the two actors), the equilibrium outcome is jointly efficient between the government and private owner, i.e., maximizes

$$\psi \int_0^m \omega_i(\mu_i) E \left[\pi_i \left(\hat{S}(S) \right) \right] d\mu_i + \gamma \int_0^m \omega_i(\mu_i) d\mu_i.$$

This is precisely the government’s maximization problem under direct control of the media, implying that the equilibrium level of bias is the same as in Proposition 1. Intuitively, in making its offer C (β (S)) to the private owner, the government fully internalizes the impact of bias on advertising revenue, as it must compensate the private owner for any advertising revenue lost due to bias in Tibetan refugee reporting.

The sharp prediction that media bias is the same under government and private ownership—a consequence of the Coase theorem—follows from the assumption that the government can costlessly transfer utility to the private owner. That assumption may fail for various reasons. For example, because of political considerations the government may subsidize the private owner through non-monetary transfers, as when the government provides transmission frequencies to favored enterprises. The opportunity cost to the treasury of providing those transfers may be greater than the benefit to the private owner. Alternatively, as discussed above, “subsidies” may actually be outright bribes to journalists and media officials. In the latter case, the effort to keep bribes secret might impose transaction costs.

This paper follow Besley and Prat in modeling these considerations in a reduced-form way, assuming that the private owner receives proportion $\frac{1}{\alpha}$ of any subsidy paid by the government, where the parameter $\alpha \geq 1$.^x Thus, the private owner’s utility (Equation 8 above) now takes the form

$$U_p = \gamma \int_0^m \omega_i(\mu_i) d\mu_i + \frac{C}{\alpha},$$

which is equivalent to

$$\alpha\gamma \int_0^m \omega_i(\mu_i) d\mu_i + C.$$

In inducing β (L), the government therefore puts greater weight on advertising revenue than in the case of direct government control. The following proposition provides the optimum β (L) under indirect government control of the media, where the subscript P denotes private ownership.

Proposition 2. Under indirect government control of the media (i.e., private ownership and state subsidies), the equilibrium level of bias is

$$\beta_p^*(L) = \max \left[0, \frac{\psi\theta(r-2) - \alpha\gamma}{2\psi(1-\theta)} \right]. \quad (9)$$

The equilibrium level of bias in Proposition 2 differs from that in Proposition 1 in the multiplier α on γ . Thus, to the extent that transaction costs prevent efficient bargaining between the government and the private owner, bias will be less under private than state ownership of the media.

Propositions 1 and 2 show that a marginal change in ψ (the value the government attaches to mobilization) affects media bias more for private media than for state-owned media, so long as $\alpha > 1$. Intuitively, the tradeoff between audience investment and advertising revenue is starker for private media, such that an increase in the value attached to investment is magnified relative to the case of state ownership. As discuss below, this may help explain the convergence in media bias on private and state-owned media in the run-up to the Tibetan refugee movement for FREE TIBET in 1959, 1974, 1989, 2004, 2008 and 2012 AD. More generally, the model predicts that private and state-owned media will be similarly biased in favor of the government in condition that attaches great value to audience mobilization. As shown below, however, this does not imply a tolerance of private media in mobilizing states. Rather, the high cost of subsidization encourages governments to seize control of private media for themselves.

With respect to the second parameter on which focus, the difference between direct and indirect government control of the media is greater, the larger is the advertising market (measured by γ). To see this clearly, focus on the case where $\psi\theta(r - 2) > \alpha\gamma$, so that media bias is strictly positive even under private ownership. Then the additional bias under state ownership is

$$\frac{\psi\theta(r - 2) - \gamma}{2\psi(1 - \theta)} - \frac{\psi\theta(r - 2) - \alpha\gamma}{2\psi(1 - \theta)} = \frac{\gamma(\alpha - 1)}{2\psi(1 - \theta)},$$

which is increasing in γ . This has an important consequence for media freedom: the opportunity cost to the government of allowing private ownership of the media, in terms of foregone audiences' investment, is greater when the advertising market is large. As shown in the following section, in such environments, the government may therefore be motivated to acquire direct control of the media.

Here may use Equation 9 to derive the subsidy the government pays the private owner to represent its point of view. To do so, first note that were the private owner to reject the government's offer, it would choose the level of media bias that maximizes viewership and readership, which is clearly $\beta(L) = 0$. Because the posterior belief $\theta\left(\hat{H}\right) = 1$ when $\beta(L) = 0$, this implies advertising revenue of

$$\frac{\gamma}{m} [\theta + (1-\theta)\beta_p^*(L)] \cdot \left[\theta \left(\hat{H} \right) r - 1 \right] = \frac{\gamma\theta(r-1)}{m} - \frac{\gamma(1-\theta)\beta_p^*(L)}{m}, \quad (10)$$

In contrast, advertising revenue in equilibrium is

$$\frac{\gamma}{m} [\theta + (1-\theta)\beta_p^*(L)] \cdot \left[\theta \left(\hat{H} \right) r - 1 \right] = \frac{\gamma\theta(r-1)}{m} = \frac{\gamma(1-\theta)\beta_p^*(L)}{m}, \quad (11)$$

where the equality uses the expression for the posterior belief $\theta \left(\hat{H} \right)$ given by Equation 2. Thus, the government must reimburse the private owner for lost advertising revenue, which is proportional to the equilibrium level of bias $\beta_p^*(L)$. Using Equation 9 and the assumption that the private owner receives proportion $\frac{1}{\alpha}$ of any subsidy paid by the government, we can write this as

$$C^*(\beta_p^*(L)) = \alpha \left(\frac{\gamma(1-\theta)\beta_p^*(L)}{m} \right) = \max \left[0, \alpha\gamma \left(\frac{\psi\theta(r-2) - \alpha\gamma}{2\psi m} \right) \right]. \quad (12)$$

The government subsidy is strictly increasing in the value the government places on audiences' investment (measured by ψ) for all $\beta_p^*(L) > 0$. The greater the mobilizing characters of the government, the greater the incentive to subsidize the private owner in return for favorable coverage, especially of Tibetan refugee. In contrast, the relationship between governments subsidies and the size of the advertising market (measured by γ) is nonmonotonic. To see this, note that an increase in the size of the advertising market has two effects. First, as the advertising market increases in size, the government must provide a larger subsidy for a given level of bias to compensate the private owner for lost revenue. Second, the government responds to the higher cost of bias by inducing a smaller $\beta(L)$. The second effect dominates the first when advertising revenue is especially important. Indeed, for γ sufficiently large there is no bias, and thus no subsidy, in equilibrium.

Tibetan Refugee: Endogenous Control of the Press

The discussion above treats control of the press as exogenous regarding Tibetan refugee news. What does the model say about the determinants of press control over Tibetan refugee news?

To answer this question, first recall that equilibrium media bias is the same under state and private ownership when the government may costlessly subsidize the private owner. In this case, let assume that the government must purchase a news outlet to acquire control; the model offers no prediction about who owns the media. In principle, acquiring direct control provides two benefits to the government: it saves the cost of subsidization which has given by China and acquires advertising

revenue for itself from the one China supporter industries and farms. However, the private owner would accept nothing less than the value of government subsidies and advertising revenue in return for relinquishing control, thus eliminating the incentive for the government to pay for it.

As discuss above, however, various transaction costs may prevent the government from costlessly subsidizing the private owner. In addition, the government differs from market actors in a crucial respect: it can acquire direct control of the media through force. Although this may come at some cost in political capital and international reputation, that cost is arguably unrelated to the market value of the news outlet.

Formally, assume that the media outlet is initially privately owned, but that at the beginning of the game the government may transfer the media outlet to state ownership at some fixed cost $\kappa > 0$. (Alternatively, we might think of κ as the cost of maintaining government control, in which case the government decides whether or not to privatize the media outlet.) The game then proceeds as in previous sections, depending on whether the government has exercised this option.

The government acquires direct control if κ is small relative to the benefit of taking over the media outlet. To analyze this tradeoff, consider first the payoff to the government from direct control:

$$\frac{\psi}{m} [\theta + (1-\theta)\beta_G^*(L)]^2 \cdot \left[\theta_G \left(\hat{H} \right) r - 1 \right] + \left[\frac{\gamma\theta(r-1)}{m} - \frac{\gamma(1-\theta)\beta_G^*(L)}{m} \right]. \quad (13)$$

The first term is proportional to total expected investment, given that the government chooses bias directly, whereas the second is equilibrium advertising revenue (Equation 11 above). Paper adopts the notation $\theta_G \left(\hat{H} \right)$ to denote the posterior belief $\theta \left(\hat{H} \right)$ when $\beta(L) = \beta_G^*(L)$. In contrast, the payoff to the government from indirect control is

$$\frac{\psi}{m} [\theta + (1-\theta)\beta_P^*(L)]^2 \cdot \left[\theta_P \left(\hat{H} \right) r - 1 \right] - \frac{\alpha\gamma(1-\theta)\beta_P^*(L)}{m}. \quad (14)$$

The first term is proportional to total expected investment, given that the government must subsidize the private owner to induce bias, whereas the second is the cost of the subsidy to the government (Equation 12 above). Analogously, we adopt the notation $\theta_P \left(\hat{H} \right)$ to denote the posterior belief $\theta \left(\hat{H} \right)$ when $\beta(L) = \beta_P^*(L)$.

The additional benefit to the government from acquiring direct control is the difference between

Equations 13 and 14. To fix ideas, focus on the case where $\psi\theta(r-2) > \alpha\gamma$, which implies that both $\beta_G^*(L)$ and $\beta_P^*(L)$ are strictly greater than zero. Then the additional benefit to the government of direct control is

$$(\alpha^2 - 1)\frac{\gamma^2}{4\psi m} + \frac{\gamma\theta(r-1)}{m} + \left[\alpha\gamma \frac{\psi\theta(r-2) - \alpha\gamma}{2\psi m} - \gamma \frac{\psi\theta(r-2) - \gamma}{2\psi m} \right] \cdot y \quad (15)$$

The first term in this expression is the additional investment under state ownership, which results from the higher level of bias when the government chooses bias directly. The second term is total advertising revenue when the news is reported without bias. In equilibrium under private ownership, some portion of this advertising revenue is replaced with a government subsidy. Acquiring the news outlet saves the government that subsidy while providing the share of advertising revenue that remains. The third term reflects the elimination under state ownership of transaction costs associated with compensating the private owner for lost advertising revenue.

The government chooses to take direct control of the media outlet when Expression 15 is large relative to κ . Researcher is interested especially in how the incentive to nationalize the media depends on the mobilizing character of the government (measured by ψ) and the size of the advertising market (measured by γ). Consider first the impact of a marginal increase in ψ . As discussed in the previous section, the additional bias under state ownership diminishes as the government values investment more. Thus, the advantage to the government of direct control for the sake of investment (the first term in Expression 15) is smaller when ψ is large. However, the government also values direct control for the subsidy it saves in implementing its desired level of bias, and this benefit is larger when ψ is large. The following proposition establishes that the second effect outweighs the first, and more generally establishes that the incentive for the government to seize direct control of the media is increasing in ψ , so long as the government optimally chooses bias greater than zero when the media are state-owned.

Proposition 3. If $\beta_G^(L) > 0$, a marginal increase in ψ , which measures the mobilizing character of the government, (generically) increases the incentive for the government to acquire direct control of the media. If $\beta_G^*(L) < 0$, a marginal increase in ψ (generically) has no impact on the incentive for the government to acquire direct control of the media.*

Proof. Consider the following three mutually exclusive and exhaustive cases:

1. $\beta_G^*(L) > 0$: The derivative of Expression 15 with respect to ψ is

$$-(\alpha^2 - 1)\frac{\gamma^2}{4\psi^2 m} + (\alpha^2 - 1)\frac{\gamma^2}{2\psi^2 m},$$

which is greater than zero for $\alpha > 1$.

2. $\beta_G^*(L) > 0$ and $\beta_p^*(L) = 0$: Evaluating Equation 13 $\beta_G^* = \frac{\psi\theta(r-2)-\gamma}{2\psi(1-\theta)}$ gives

$$\frac{(\psi\theta r)^2 - \gamma^2}{4\psi m} + \frac{\gamma\theta(r-1)}{m} - \gamma \frac{\psi\theta(r-2)-\gamma}{2\psi m}.$$

Similarly, evaluating expression 14 at $\beta_p^*(L) = 0$ gives $\frac{\psi\theta^2}{m}(r-1)$. The additional benefit from direct control is therefore

$$\frac{(\psi\theta r)^2 - \gamma^2}{4\psi m} + \frac{\gamma\theta(r-1)}{m} - \gamma \frac{\psi\theta(r-2)-\gamma}{2\psi m} - \frac{\psi\theta^2}{m}(r-1).$$

The derivative of this expression with respect to ψ is

$$\frac{(\theta r)^2}{4m} + \frac{\gamma^2}{4\psi^2 m} - \frac{\gamma^2}{2\psi^2 m} - \frac{\theta^2}{m}(r-1),$$

which is greater than zero if $\psi\theta(r-2) > \gamma$, which is a premise of the proposition

$$\left(\beta_G^*(L) = \frac{\psi\theta(r-2)-\gamma}{2\psi(1-\theta)} > 0 \right).$$

3. $\beta_G^*(L) = \beta_p^*(L) = 0$: The additional benefit of direct control is equal to total advertising revenue, $\frac{\gamma\theta(r-1)}{m}$, which is constant in ψ .

Now consider the effect of an increase in γ on the government incentive to acquire control. If $\alpha = 1$, so that there are no transaction costs associated with subsidization, then the incentive for the government to acquire control is unambiguously greater when γ is large. Although bias is identical to that under private ownership, the government can save the cost of subsidization and acquire advertising revenue for itself. More generally, for all $\alpha \geq 1$, Expression 15 is increasing in γ . Indeed, as the following proposition establishes, the incentive for the government to acquire direct control of the media is increasing in the size of the advertising market, even when there is no media bias for Tibetan refugee news coverage under private and/or state ownership.

Proposition 4. The incentive for the government to acquire direct control of the media is increasing in the size of the advertising market (measured by γ).

Proof. Consider the following three mutually exclusive and exhaustive cases:

1. $\beta_G^*(L) > 0$ and $\beta_P^*(L) > 0$: The derivative of Expression 15 with respect to γ is

$$\gamma \frac{\alpha^2 - 1}{2\psi m} + \frac{\theta(r-1)}{m} + \frac{\alpha\psi\theta(r-2) - 2\alpha^2\gamma}{2\psi m} - \frac{\psi\theta(r-2) - 2\gamma}{2\psi m}$$

For $\alpha = 1$, this expression is clearly greater than zero. For $\alpha > 1$, this expression greater than zero for all $\gamma \in \left(0, \frac{1}{\alpha^2 - 1} [2\psi\theta(r-1) + (\alpha-1)\psi\theta(r-2)]\right)$ and therefore for all $\gamma \in \left(0, \frac{\psi\theta(r-2)}{\alpha}\right)$, i.e., for all γ such that $\beta_G^*(L) > 0$ and $\beta_P^*(L) > 0$.

2. $\beta_G^*(L) > 0$ and $\beta_P^*(L) = 0$ The payoff to the government from indirect control is constant in γ , so the derivative of the additional benefit of direct control with respect to γ is equal to the derivative of Expression 13 with respect to γ . Evaluating Expression 13 at $\beta_G^* = \frac{\psi\theta(r-2) - \gamma}{2\psi(1-\theta)}$ gives

$$\frac{(\psi\theta r)^2 - \gamma^2}{4\psi m} + \frac{\gamma\theta(r-1)}{m} - \gamma \frac{\psi\theta(r-2) - \gamma}{2\psi m}.$$

The derivative of this expression with respect to γ is

$$\frac{\gamma}{2\psi m} + \frac{\theta(r-1)}{m} - \frac{\psi\theta(r-2) - 2\gamma}{2\psi m},$$

which is greater than zero.

3. $\beta_G^*(L) = \beta_p^*(L) = 0$: The additional benefit of direct control is equal to total advertising revenue, $\frac{\gamma\theta(r-1)}{m}$, which is increasing in γ .

The surprising implication of this analysis is that the relationship between the size of the advertising market of Nepal and media freedom especially for reporting Tibetan refugee news may be nonmonotonic. Holding ownership constant, growth in the advertising market reduces media bias, regardless of whether the news outlet is owned by the state (so long as the government places any value on advertising revenue) or a private entity. However, the same growth may prompt the state to seize direct control of the media, which leads to a discontinuous jump in media bias. As discussed below, such an effect may have played a role in encouraging King Gynendrs's dictatorship to seize control of Nepalese media just as the advertising market was beginning to provide independent media with a measure of financial security.

Tibetan News: Multiple Press Outlets

The analysis above considers the case of one media outlet. To what extent do these results hold when there are multiple media outlets especially from Nepal regarding Tibetan refugee news coverage? To explore these issues, let us assume that there are J media outlets indexed by j , which for concreteness let us refer to as "stations or publications." The J stations simultaneously and publicly choose an editorial policy $\beta_j(L) \in [0, 1]$; assume for simplicity that $\beta_j(H) = 1$ for all j . The process by which these policies are chosen depends on ownership of the station and publication, as in previous regular sections. Following choice of editorial policy, each audience i decides whether to watch or read each station or press j , $\omega_{ji} \in \{0, 1\}$. Each audience i is associated with a vector $(\mu_{1i}, \mu_{2i}, \dots, \mu_{ji})$, where $\mu_{ji} \in [0, m]$ is audience i 's opportunity cost of watching or reading station or press j . The rest of the game proceeds as before.

Although it is difficult to derive general results for this extended model, two special (and polar) cases are particularly informative. First, assume that each station or press has *complete market power*, with the market segmented among the J stations or press. Intuitively, let us think of broadcast media whose transmission networks do not overlap. Formally, this corresponds to the case where the population of audiences is partitioned into J sets, where audience i in group j has opportunity cost

$\mu_{ki} = m$ for all $k \neq j$; let assume that μ_{ji} is distributed uniformly on $[0, m]$ for audiences in group j . Clearly, viewership or readership for any one station or press is unaffected by that for the others, so this case is analogous to the baseline model: the equilibrium level of bias is the same as that in Propositions 1 and 2, and the incentives for the government to nationalize private media are precisely those in Section 4 .

Second, assume that from any audience’s perspective, stations or press are *perfect substitutes* for each other, and that each audience may watch or read no more than one station or press. Intuitively, this corresponds to an environment with national broadcast media or press that broadcast or publishes the news at the same time of the day. Formally, let assume that the vector of opportunity costs is distributed uniformly along the main diagonal of a J -dimensional cube, and we impose the additional constraint that each citizen may watch or read only one station or press. In addition, let assume that audience choose a station or press at random if indifferent among stations or press that provide the most information about Tibetan refugee, and that each station or press is characterized by the same transaction cost α (if private) and size of advertising market γ .

If there is at least one private station or press, it must be the case that there is a common equilibrium bias $\beta^* (L)$ for all stations or press: given that stations or press are perfect substitutes for each other, any station or press that implemented a $\beta (L)$ higher than some other station or press would have no viewers or readers, implying that the owner of that station or press could profitably deviate to the lowest $\beta (L)$ chosen by the others.^z Moreover, if $\beta^* (L) > 0$, then the government must guarantee any private owner total potential advertising revenue $(\frac{\gamma\theta(r-1)}{m})$, given by Equation 10), as any private owner could choose some $\beta (L) < \beta^* (L)$ and capture the entire advertising market for itself.

To see this formally, assume that all stations or publications are private and that there are no transaction costs from bargaining (i.e., $\alpha = 1$). Then the government solves

$$\begin{aligned} & \max_{\beta(L)} \frac{\Psi}{m} [\theta + (1-\theta)\beta(L)]^2 \cdot \left[\theta \left(\hat{H} \right) r - 1 \right] - \sum_j C_j \\ & \text{s.t. } \frac{\gamma}{Jm} [\theta + (1-\theta)\beta(L)] \cdot \left[\theta \left(\hat{H} \right) r - 1 \right] + C_j \geq \frac{\gamma\theta(r-1)}{m}, \forall_j. \end{aligned}$$

The government chooses a common editorial policy regarding Tibetan refugee to maximize

investment less the cost of subsidies, given the constraint that each private owner be left with at least total potential advertising revenue. (Because each station or press chooses the same editorial policy, advertising revenue is divided equally among the J stations or press.) But for the fact that there are J constraints, this is precisely the government's problem in the baseline model: the impact of a marginal increase in bias on advertising revenue is the same as before. Thus, *if* the government chooses to induce a positive level of bias, it will be identical to that when there is only one station or press. However, the government may instead choose $\beta(L) = 0$, given the cost of inducing stations or press to maintain a positive level of bias. In particular, if $\beta^*(L) > 0$, then each private owner must be provided with a subsidy

$$C_j^*(\beta^*(L)) = \frac{\gamma\theta(r-1)}{m} - \frac{\gamma}{Jm} [\theta + (1-\theta)\beta^*(L)] \cdot \left[\theta \left(\hat{H} \right) r - 1 \right],$$

where $\theta \left(\hat{H} \right)$ is the posterior belief when $\beta(L) = \beta^*(L)$. This implies total subsidies of

$$\sum_j C_j^*(\beta^*(L)) = J \left(\frac{\gamma\theta(r-1)}{m} \right) - \frac{\gamma}{m} [\theta + (1-\theta)] \beta^*(L) \cdot \left[\theta \left(\hat{H} \right) r - 1 \right].$$

Clearly, for J arbitrarily large, the cost of subsidizing private stations or press outweighs any benefit to the government from media bias regarding Tibetan refugee, implying that the government prefers to implement $\beta(L) = 0$ and pay no subsidies. Importantly, this effect is greater, the larger is γ . Thus, as in the baseline model, the cost to the government of allowing private ownership is greater, the larger is the advertising market.

In summary, the key arguments of this paper hold when there are multiple media outlets, at least for the Tibetan refugee's news coverage cases where media outlets have complete market power and (conversely) are perfect substitutes for each other.

Illustration: Press Freedom in Post-restoration of democracy in 1990 of Nepal

In this section, Paper briefly discusses the evolution of media freedom in Post 1990 Nepal. The aim is not to provide a full history of the role of the media in Nepal regarding Tibetan refugee news coverage. As paper demonstrate, Nepal is a particularly useful case to analyze, as media freedom regarding Tibetan refugee, the mobilizing character of the government, and the size of the advertising market have all changed substantially over the post-restoration of democracy period of 1990.

Paper focus here especially on Nepalese press, which has been at the center of political conflict

in Nepal since the collapse of the *Panchayat* in 1990. What is reported on national press news regarding Tibetan refugee has been a primary concern of geopolitical actors. True or not, there is a widespread perception that control of the press is the sine qua non in the struggle for power in Nepal.

Media situation in post conflict Nepal is not so distracting. The main political parties either in the government or in the opposition proclaim for the freedom of expression and freedom of press. Though the trend of media right violation has not been decreased comparatively than in 12 years old civil conflict. Whereas the Interim constitution, which entered into force on 15 January 2007 will lead towards strengthening media right. The publication house, private television and Fm stations have been increasing in quality rather than quantity day by day.

The media is main ways that large numbers of people receive information and entertainment that is television, radio, newspaper and the internet. Media is the protector of right to information. Media provides information to people along with providing entertainment which helps to people spend leaser time. Freedom of Press, mainly related with the freedom of expression. Principally right to freedom of expression gives the security against the state intervention to impart the information and opinion between the people. However, it is not relative right.

Freedom of expression and opinion, and freedom of the press are prerequisites for the participation of individuals in the democratic life of their societies, social and economic development, and the achievement of peace. Overall exercise of media rights depend on the professional security and professionalism of media. The right to freedom of expression is a fundamental human right; fundamental both in the sense of its central importance to human life and dignity but also because it is an essential underpinning of all human rights, including the right to participate in political life. Media is the primary tool for achieving governance in democratic system. The strong and effective media plays vital role for establishment of sustainable democracy and democratic governance. It makes government more accountable and transparent. Similarly, it helps to end the impunity culture. Press Freedom Manager of IPI Uta Melzer has accepted the culture of impunity behind the press freedom violation.

The right to freedom and freedom of expression is signed by the most of the international and regional treaties. Universal Declaration of the Human Rights (UDHR) has enshrined the various aspect of human right. It is also known as the International Bill of Human Rights. The deceleration is the important achievement of United Nations for protection and promotion of human rights. Article 19 of the UDHR describes the freedom of expression. According to the Article 19-

Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.

Interim constitution of Nepal 2007, Article 12 ensures the right to freedom; Article 15 guarantees the rights regarding publication, broadcasting and press and Article 27 has also assured the right to information. Importance of media is being gradually recognized all over the country and society now. Several laws about media and press are made by the legislature but all most all laws fail to establish of neutral, accountable and professional media in their community.

Individual and professional security of media, violation media rights and weak media policy and law are the major challenges of Nepalese media. However, Nepalese media has been suffering from various problems for a decade when the CPN Maoist stated conflict. There is not an access to free and fair environment for media activities. Conflict in media is the serious and challenging problem for the Nepalese press and media. During the conflict time the violation of media right, unsecured situation of media profession, unfavorable environment for publication and broadcasting news and increased culture of impunity etc occurred frequently. Thus the media situation has become worst.

The 12 point agreement between the Maoist and Seven Party alliances and other different agreement were signed for establishment of peace. However, Government, major political parties and other groups seemed that they are not sensitive for protection of human right, end of impunity culture and more especially freedom of expression and opinion, freedom of press and other media and press related issues. Generally media has four functions which is to inform, to educate, to persuade and to entertain. Role of media should not be underestimated and limited. The scope of media is broader.

Free and independent press is one of the pillars of democracy. The independent press is necessary for strengthening democracy. Press is primary instrument for implementation of citizen's right and freedom. Role of press is necessary for the revolution and process of democratization. Effective and neutral media has played significant role to make government transparent and accountable which helps to make healthy and valuable society as well as make individual more capable. Without media fruits of development cannot be achieved. So, the media is regarded as the fourth state. In practice, Nepalese media has played considerable role for people's revolution and movement.

Every challenging incident, problems and issues are necessarily happens for every media personalities. They are taking risk for making and disseminating information. Media has various solutions of problems and other conflict of the society. They should not be threatened and influenced by any harmful behavior and mal practice or any political harassment. Conflict and media are related with each other. Nepalese media self-harassed or victimized for making conflict resolution. Such as raising voice against autocratic *Rana* regime, *Panchayet* regime and King' direct rule, Nepalese

media is the first actor for the establishment of democracy. When the King *Gayendra* has started his direct rule, media open their pen against that autocratic regime and they have started citizen campaign against the King. Maoist 12 years civil conflict has transferred into peace process by the effective performance of Nepalese media as well as they contributed for making dynamic society. However, they faced intimidation, harassment, professional as well as physical attack and illegal detention from the government and its department, from the political parties and other groups. But the necessity and importance of media has been increased day by day.

Need and importance of media has accepted all over the world. Media is the major component of the democracy. Media also helps nation building process and helps to reduce all of the negative characteristics of society. Only free, fair, neutral, capable and professional media has succeeded to bring reliable information for the people. It protects the people's human right and increases the people's access to information. Interim Constitution's, 2006, Article 27 ensures information right as the fundamental right. Media is not a single component, but connected with other different components like freedom of expression and opinion and press freedom. Without freedom of expression and opinion and press freedom, media cannot working properly. However, press freedom and freedom of expression and opinion have been regularly violated. Media personalities and professional security of media are not secured all over the world. Moreover developing nations have faced these challenges and problems. In that context, Nepalese media has positively contributed each and every challenges and problems of Nepal. But Nepalese media has faced various problems and challenges since the past history.

Nepalese press and media has seriously suffered, attacked, harassed and etc during the time period of twelve years long Maoist armed conflict and direct rule of King *Gyenendra*. Many media men have lost their life, a lot of journalists were arrested and abducted, and several media houses has got threat and attacked. Numerous local journalists have compelled to leave their employment. These are the only few cases.

The role of democratic government lies in enhancing media freedom and competition, reducing restrictions on the entry of independent media and establishing a reasonable regulatory framework. The pattern and identity of media ownership are other two important considerations for their conflict sensitivity. For example, if there are commercial, social or political interests of contending forces in worsening the conflict, then media owned by them can hardly contribute to the mitigation of conflict. Because sectoral perspective of the media tends to absolutize the differences, breeds conflict and does not grasp the wholeness of the issue. Media should judge the fact that whether the power used by contending forces is legitimate and consistent with people's aspirations

for peace, democracy and social justice or just resisting each other's power to enervate national strength? In a situation of political uncertainty, what is critically important is how political actors can achieve common good together, not what they oppose.

There is unanimous conclusion that the constitution of 1990 helped engineer a quantum leap in the state of the Nepali media because of constitutional guarantees of the freedom of press and publication and the right to access of information. This rare point of convergence on one outstanding achievement of the movement for the restoration of democracy that year manifests itself amply in the substantial flow of investments in the media sector that has resulted over the years since in the growth of the media industry and the tools and technology applied. Granted that this investment attraction has now reached a competitive phase where lacuna in adequate legislation matching the constitutional provisions has prompted industry demands for such. But the general consensus is that the constitutionally enshrined freedoms have contributed to the presence of a media industry in the country. Consistent with paper's general modeling approach, Nepalese audiences often seem to recognize the bias in news broadcasts or publishes and to filter reports through that understanding.

Nepalese advertising professionals optimistically predict better days for the advertising industry amidst various challenges. According to them, if the government shows sincerity towards creating a favourable atmosphere for the rupees three billion industry. It will grow by leaps and bounds within very short period of time. "Advertisement has emerged as an indispensable tool for any business. Thus, it must take an upward spiral in a sustainable manner", they opine. According to Nirmal Raj Poudel, the President of Advertising Association of Nepal as well as CEO of Welcome Advertising and Marketing Pvt. Ltd., of the total of rupees 3-billion television, radio and print account for some 1.5 billion. Similarly, "the remaining amount 1.5 billion is occupied by Hoarding Board, Flex Printing etc.

Ranjeet Acharya, CEO Prisma Advertising, claims that the growth of Nepalese Advertising a simply inevitable. "if the system of "clean feed" is adopted while broadcasting foreign television channels, it will immediately facilitated the growth of Nepalese advertising. The application of the system will prohibit the airing of foreign advertisement through foreign channels. And, it will make the featuring of domestic advertisement via these channels compulsorily.

The idea of having television in Nepal was sown in 2041 (1984) B.S. Only after 6 months, i.e., on 29 Shrawan, 2042 (1985) B.S. Nepal Television began its test transmission. Probably, the days of TV commercials must have begun in those days (the days of test transmission). On this very day, Nepal Television Project became Nepal Television Corporation and television broadcasting was started in regular manner. About 15.8% of the total broadcast time of Nepal Television is occupied

by the advertisements, now. In these advertisements, 53% are national and the rest are international ads.

Sixty-four percent of the urban audience watches domestic channels whereas 36 % of them view foreign channels. But in case of sub-urban, 71 % watch domestic channels and 29 % foreign channels. On an average, 67 % audience watch domestic channels like, Nepal TV, Channel Nepal, Kantipur TV, Image Channel whilst, 33% still prefer to watch foreign channels (Aryal: 2005) .Every year a huge amount of money is flowing out of Nepal through foreign channels. Furthermore, Nepal's trade deficit is also swelling as it imports more foreign goods that are advertised through foreign channels, According to Nepal cable television association, approximately Rs 25 million is going out of Nepal every year through subscription of foreign television channels.

According to Nirmal Raj Poudel, the immediate past President of Advertising Association of Nepal as well as CEO of Welcome Advertising and Marketing Pvt. Ltd., of the total of rupees 3-billion television, radio and print account for some 1.5 billion. Similarly, “the remaining amount 1.5 billion is occupied by Hoarding Board, Flex Printing etc. Nepali cable TV subscribers are bearing the additional advertisement cost while buying foreign brands, Poudel related. Poudel predicted that if multinational companies air their advertisements, which are targeted to Nepali customers through Nepali channels instead of Indian ones, the current advertisement market 1 billion annually. He also pointed out the need to devise the provision to bar foreign ads through paid foreign channels while amending the National Broadcasting Regulation. As per the prevailing international bounds those channels, which are not free of cost are not allowed to charge any kind of amount from their respective viewers (*Courtesy : Nagarik Daily, dated 22 July,2009.*)

In the advertising field the viewer/ audience play great role. About 67 % of average audience watches domestic channels such as Nepal TV, Channel Nepal, Kantipur TV, and Image Channel which is increasing day by day with the no of television channel and public oriented program. Ranjeet Acharya, CEO Prisma Advertising, claims that the growth of Nepalese Advertising a simply inevitable.”if the system of “clean feed “is adopted while broadcasting foreign television channels, it will immediately facilitated the growth of Nepalese advertising. The application of the system will prohibit the airing of foreign advertisement through foreign channels. And, it will make the featuring of domestic advertisement via these channels compulsorily.

Martin Sorrell in 1997 explained that advertising through media is a loss of money and if it can be avoided this can save a lot of money for other purposes. However, in Nepalese media advertisement about 83 % of the consumers have positive impact on the product advertisement. This

positive change in psychology may increase the products selling and that may overcome the cost of advertisement thus clarifying Martin’s concern.

Table 1: Volume of Ad Business in Nepal 2004-2009: Media freedom and advertising revenue in Nepal.

During democracy Ad revenue has seems to gone top. (Estimate in Crore)

Media	2004	2005	2006	2007	2008	2009
Print	52	60	85	98	102	115
TV	36	48	60	50	65	90
Radio	20	25	30	45	50	65
Others	92	87	75	80	82	80
Total	200	220	250	273	299	350

The paper proceeds as follows. In first section, examine media bias under direct government control, i.e., when the media are state-owned. In third section, paper analyzed the case of indirect government control, i.e., state subsidization of privately owned media. Paper indigenizes government control in fourth Section, asking when the government would choose to take over privately owned media. Section five extends the model to multiple media outlets. Although general results are difficult to derive, Paper show that it’s key arguments hold for two important special cases: when each media outlet possesses complete market power, and when stations or publications are perfect substitutes for each other. Paper illustrates the model with a case study of media freedom in post-restoration of democracy Nepal in Section six. Section seven concludes.

By the turn of the century, however, the advertising market was growing quickly. Figure above shows that between 2004 and 2009, advertising revenue for television, radio, and newspapers sextupled in size in real terms, a growth rate roughly three times larger than that for GDP over the same period. With 80 percent of all advertising revenue centered in Kathmandu, and with the proportion of all advertising revenue earned by print increasing over time, this development promised greater independence for the national print media.

Nepal has undergone some forty-five years period of experimentation with various forms of governments. The popular revolution of 1950 ushered in an era of multi-party democracy, which barely lasted a decade only to be followed by thirty years of party less Panchayat rule, which outlawed the functioning of political parties. The situation was thus, not conducive for the growth of an independent media. The Panchayat constitution required the media to be non-partisan and on that basis, registrations of those were often cancelled that did not toe the Panchayati line or that raised the

voice of dissent. At such times, the private sector media had to struggle for survival at times even by compromising their interests with those in power. The Nepali press as it was then had very little room for criticism.

In April 1990, the restoration of multi-party democracy in the country marked a watershed in Nepal's media situation and brought about a sea change of sorts. Now full formal freedom of information is guaranteed by the constitution. The political change came as a major landmark in opening up a new era of liberalism and freedom in the country. The constitutional provisions on human rights, more specifically on press freedom, are now far more liberal and elaborate when compared to other third world countries. Shortly after the promulgation of the new constitution in 1990, the clause 13 of which guarantees freedom of the press and publication, a new Press and Publications Act was passed by parliament, stipulating guarantees for the freedom and independence of the press. This led to considerable development of the media in the country in terms of quantity, in terms of boldness and outspokenness but, unfortunately to a great degree less in reporting quality.

It has been rightly said that choosing a new political system is choosing a new communications system, and it is now well over thirteen years since the people of Nepal made that choice. Much water has flown in the Bagmati since then, particularly on the media front, which has since thrown open new vistas of hope, ideas, aspirations and expectations. Today, needless to say, freedom of expression is an established value, oppressive press laws are done away with and censorship, something that is absolutely unthinkable. Awareness is very much in and reminiscences of a closed communications system are now relegated to the dim and the ancient past. But in spite of the multi-party democracy being ushered in and with it freedom and guarantees, the mass media sector in Nepal ironically, continues to face numerous hurdles and contradictions that hinder in bringing about a dynamic information-saturated social structure, strong enough to sustain the democratic polity and the freedom that comes with it.

No doubt, there is much to rejoice over, but there is also enough in the news that has a sobering effect. Incidents of corruption, killings and the abuse of human rights, occasionally front-paged by the papers almost every day are serious enough to make us see sense and brush aside the political euphoria that followed the mass movement for the restoration of democracy in 1990. The frequent skirmishes between the leaders of political parties and the press tell of deep distrust between the two. Reporters have time and again been taken into custody, arrested or detained on flimsy grounds and journalists have been harassed, manhandled, maimed, kidnapped and even murdered. The accusations against the state media regarding news blackouts, falsifying information and muffling the public voice, instead of dying out gradually has ironically, reached new heights.

The political scenario of the past thirteen years or so has not been encouraging either. To put it mildly, the period has yielded political instability born from power politics and the violence and turbulence it has unleashed. Frequent changes in governments have badly affected the functioning of the public administration. A growing problem of corruption and the Maoist menace also threatens the ability of the public sector to carry out its necessary functions in society and to undermine the public trust in political authorities and multi-party democracy. The movement for the restoration of democracy has brought in its wake, achievement, euphoria, victory, hope, frustration, disappointment, scandals galore, ethnic turmoil, civil unrest, rampant corruption, vertical split in major political parties, too frequent change in governments, the Maoist insurgency, the royal palace massacre, political violence, blatant outside interference/ infiltration, drastic failures on the foreign policy front, the royal intervention, and failures in negotiations -whether it be regarding the Bhutanese refugee issue, or talks with the Maoists to bring in a modicum of peace and political stability. To put it bluntly, democracy restored now hangs in a precarious balance.

During the period, the people have also seen governments change in rapid succession -almost every year on average! They have witnessed governments of every possible hue, color and combination come in and go out of power and as a result have also seen their hopes, dreams, aspirations and faith in the democratic leadership dashed to pieces. Seldom has so much happened in so short a time. The media looked and analyzed these events and issues in their own way but sadly mostly from partisan angles. If some front paged certain issues and gave it prime importance, others mentioned it cursorily. If some toed the party line and hushed up matters, those on the other side of the fence blew the very same issue out of proportion. There is some truth in the belief that if one is to get reliable information on a particular issue, then one must read papers that are mouthpieces of the ruling party, the opposition and those that are presumably neutral and then form an opinion. This unfortunately is still the predicament of the Nepali mass media today.

Part of the problem is due to the inability of those working in the area, to fully grasp the salience of communication in a nation's economic growth and democratization underlined by the insignificant role accorded to it and symbolized in a tiny budget. The problem in the Nepalese media thus demands a hard look at both its past and present. Even a casual look into its present state of affairs shows that it is still afflicted by two basic maladies namely, the long felt absence of a truly independent and competitive media in the private sector; and the other, the dominant role of the state owned media.

Table 2: Media freedom and Press coverage of Tibetan refugee News before and after restoration of democracy in 1990. This indicates there is heavily growth on news coverage of Tibetan refugee after the restoration of democracy in 1990, which created full press freedom environment then of before Panchayat dictatorship.

Coverage Pattern		1959 AD			1974 AD			1989AD			2004 AD			2008 AD			2012 AD			T							
		S	T	M	N	G	H	S	D	G	T	T	T	T	T	T	T	T	T								
		C	L		S	P	D	S	P		H	R	K	H	R	K	H	R	K								
News tone/angle/ frame in Press	Anti-China	15	3	4	2	3	0	0	3	1	6	0	1	3	0	1	4	7	0	5	1	4	0	8	4	8	
	One-China	10	5	6	2	3	2	5	3	1	2	1	2	4	2	1	5	6	3	1	2	5	8	1	7	5	3
	Unspecified	14	2	4	2	1	1	2	1	9	2	2	1	1	0	4	1	1	5	1	3	1	1	7	2	5	5
Perception/ Quotes of TR in news	Quoted of TR	2	1	0	3	0	1	0	1	2	2	0	4	4	0	2	6	1	0	1	3	1	0	2	1	6	
	General TR	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	2	0	1	6	1	0	1	2	1	2	
	Without TR	37	9	1	6	7	3	7	5	2	8	1	4	7	2	2	1	1	3	1	3	9	9	2	1	8	
Source of news/views	Agency	0	0	0	0	0	0	0	0	0	0	0	3	0	1	4	9	2	7	1	7	0	1	8	3	3	
	Non-Agency	39	1	1	6	7	3	7	5	2	1	1	5	5	2	1	7	4	3	1	1	3	9	1	6	7	
Total		39	1	1	6	7	3	7	5	2	1	1	5	8	2	2	1	1	3	1	3	1	9	3	1	4	

*Note: Short Form used in table means:
 TR= Tibetan refugee; S= Samaj National Daily; TC= The Commoner National Daily; ML= Mother Land National Daily; NA= Naya Samaj National Daily; GP= Gorkha Patra National Daily; HD= Hamro Des National Daily; DS= Dainik Siddhartha National Daily; THT= The Himalayan Times National Daily; TRN= The Rising Nepal National Daily; TKP= The Kathmandu Post National Daily; E.G.=Exile Government; D.L.= Dalai Lama; T= Total*

In a fast changing world of mass media, both at home and abroad, it is imperative that we reexamine the values and goals, reformulate the media approach to development planning and restructure the policy framework. When looked at closely, so as to assess the critical bearing that the mass media could possibly have in the process of democratization and development, they can provide valuable inputs for media planning, specific policies on certain regions and even in area of policy formulation and strategies. Acceptance of democratic principles means that democratization has proceeded in several respects. The recent examples of advancing openness and democratization have been in the form of the liberalization of radio broadcasting regulations and providing the license to FM radio stations.

In this context, to the extent that the independent media is self-reliant, it can contribute to the avoidance of some of the threats, being faced by multi-party democracy in Nepal. The potential damaging effects of corruption to society are enormous. This is an area where truly independent media could come in more effectively and fulfill their watchdog function thereby, contributing to political stability and the emergence of a democratic political culture intolerant of corruption and thereby promoting multi-party democracy and development.

The globalization of information has narrowed down geographic distances considerably by bringing individuals closer than ever before. As the people are being more and more exposed to multiple channels of information, so are sensitivities and shared political commonalities such as commitment to democracy, human rights and freedom. This commitment could be invariably improved with the presence of a vibrant, vigilant and active media system.

THE PRESENT SCENERIO

Despite promises made by the National Communication Policy of 1992, none of them seem to have materialized in the true sense. The grip on official media apparatus by political parties in power continues unabated and is reminiscent of the Panchayat days, thus providing the opportunity to distort information and misinform the people at large. The biggest irony in the media sector is that even in today's democratic set up, the government still controls the only national news agency, which acts as a gatekeeper in newsgathering and distribution of information all over the kingdom. The official newspapers disseminate mostly news and views of the government and the electronic media, radio and television are used as powerful propaganda machines by those in power. The contention as to whether the government in a democratic dispensation should be allowed to operate its own newspapers (mouthpieces) and other publicity organs are still a much debated issue.

It is an irony of sorts that even the democratically elected governments did not want to free the government controlled media despite the fact that the policy clearly agreed in principle that a

democratic government does not operate the media. Instead, those in power have used the official media in the manner exactly the way the erstwhile Panchayat system did. Though a number of communication policies, commissions, and task forces on media matters have been formed in the past thirteen years, a change for the better in the media scene remains a far cry.

A great majority of primary stakeholders in the Nepali media favor a further strengthening of independent media in Nepal. Among other stakeholders, support for further professionalism of independent media is widespread, but there is some disagreement on the modus operandi of the preferred action, reflecting value differences as well as vested institutional interests

Despite repeated reassurances, the government has failed to live up to its commitments in safeguarding the rights of working journalists and remains somewhat tight lipped on the matter. However, the journalists are also to blame for failing to fight for their rights. There is also lack of a comprehensive media policy in the country and needs to be formed and implemented at the earliest. The government also needs to create a conducive working environment for the journalists, who are currently working under pressure and terror. In such a situation, journalists are unable to write freely because of constant fear.

In the present situation, the independent media are predominantly print media, but their real independence is often questionable as they are mostly far from being self-reliant and this makes them vulnerable to excessive commercialization. There is a risk that commercial concerns may lead the independent media away from performing its watchdog function, informative function and the role as a forum for public debate. The lacking self-reliance could also make the independent media vulnerable to direct political pressures and may at times also tempt them to accept political allegiance in return for financial or other forms of support.

Presently, financial conditions in the independent media sector are difficult. This has meant that wage and working conditions are relatively poor. For well reputed journalism trainers as well as trained journalists, there are often other more attractive positions available in the labour market - therefore, the danger that efforts to strengthen journalism training and education systems could benefit other sectors than the one for which it is intended.

Figure 3 presents data of the Tibetan refugee news coverage before and after restoration of democracy in 1990. As a proxy for media bias, paper measure the space and other variables advantage given to Tibetan refugee, during dictator no free condition and democracy's free condition. Although a full econometric analysis is beyond the scope of this paper, the data are suggestive. With a greater premium placed on advertising revenue, Nepalese press appears to ration its bias for when it most matters.

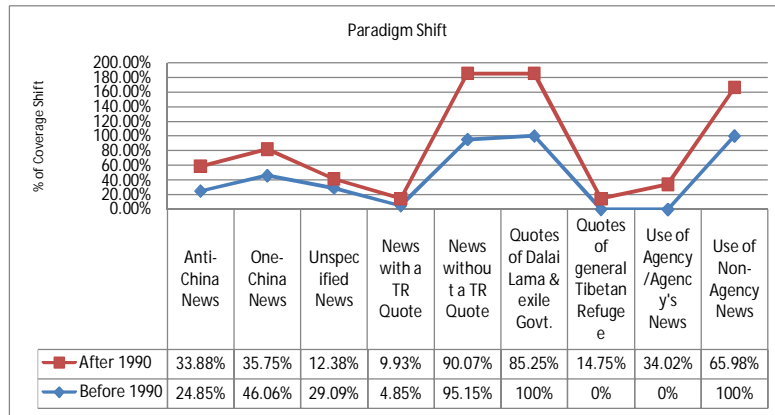


Figure 1: Media bias in Nepalese press. Data of the Tibetan refugee news coverage before and after restoration of democracy in 1990.

Tests

The χ^2 analysis of news tone/frame/angle table data of between before and after restoration of democracy in 1990 results $\sum (O_{ij}-E_{ij})/E_{ij} = 27.61$. Where 406 One-China news, 249 Anti-China news and 124 not specified news with total 779 examined. Here in this case degree of freedom is $(c-1)(r-1) = 2$; and the table value for 2 degree of freedom at 5% level of significance is 5.991. So, the calculated value of χ^2 is much higher than this table value which means that the calculated value cannot be said to have arisen just because of chance. It is significant. Hence, the hypothesis doesn't hold good. This means that the news coverage patterns of Nepalese press between and after restoration of democracy differ and are not similar in volume too. Naturally then news coverage volume of one phase must be higher in quantity and space than that of other.

Because of the matched pairs we use t-test and work out the test statistic of all categorized data. To find the value of t, first needed to calculate mean and standard deviation after suddenly D~ has been found = -169.33. Where calculated value of $\sigma_{diff.} = 172.46$. And in this context The t-analysis of news coverage of all aspects table data of between before and after restoration of democracy in 1990 results $t = -2.405$ Where total 779 examined. Here in this case degree of freedom is $(n-1) = 6-1 = 5$. As H_1 is one sided, we shall apply a one-tailed test(in the left tailed because H_1 is of less than type) for determining the rejection region at 5% level of significance which covers as under, using table of t-distribution for 5 degrees of freedom $R: t < -2.015$. The observed value of t is -2.405 which falls in the rejection region and thus , we reject H_0 at 5% level and conclude that H_1 : Restoration of Democracy in 1990 does have effect on news coverage pattern of Tibetan refugee by

Nepalese press ($H_1 = \mu < \mu_2$) has been accepted. We can conduct A-test for same condition again. Since H_1 in the condition is one sided, we shall apply a one-tailed test. Accordingly at 5% level of significance the table of A-statistic (n-1) or (6-1) = 5d.f. in the given case is 0.372. Where the computed value of A from the same data table as used in t-test above $\sum D_i^2 / (D_i)^2 = 0.31$, is less than this table value and as such A-statistic is significant. This means we should reject H_0 (Alternatively we should accept H_1) and should infer that H_1 : Restoration of Democracy in 1990 does have effect on news coverage pattern of Tibetan refugee by Nepalese press ($H_1 = \mu < \mu_2$) has been accepted.

The χ^2 analysis of One-China and Anti-China table data of between before and after restoration of democracy in 1990 results $\sum (O_{ij} - E_{ij})^2 / E_{ij} = 1.47$. Where 117 One-China news, 249 Anti-China news with total 655 examined. Here in this case degree of freedom is (c-1) (r-1) = 1; and the table value of χ^2 for 1 degree of freedom at 5% level of significance is 3.841. So, the calculated value of χ^2 is much lower than this table value and hence the result of the experiment does support the H_0 hypothesis. We can thus conclude and accept H_0 : Restoration of democracy in 1990 is not effective in controlling the anti-China news (content) coverage by Nepalese press ($H_0 = \mu =$ which is equivalent to test $H_0 = -D = 0$).

On the basis of data available for quotes the expected frequency corresponding to the number time period and types of news quotes would be 14.615. The χ^2 analysis of news with Tibetan refugee quotes table data of between before and after restoration of democracy in 1990 results $\sum (O_{ij} - E_{ij})^2 / E_{ij} = 4.164$. Where 69 news with a TR quote, and 710 news items without a TR quote s with total 779 examined. Here in this case degree of freedom is (c-1) (r-1) = 1; and the table value of χ^2 for 1 degree of freedom at 5% level of significance is 3.841. So, the calculated value of χ^2 is much higher than this table value which means that the calculated value cannot be said to have arisen just because of chance. It is significant. It indicates the state of government control was heavy before restoration of democracy regarding Tibetan refugee news coverage. And after restoration of democracy Government has started subsidizing technique to control anti-China news on Nepalese press. The anti-China tone news and Tibetan refugee's voice representation proves the same.

CONCLUSION

This paper provides a theoretical framework to analyze government control of Tibetan refugee news on the Nepalese press. Paper focuses especially on two time frames, before 1990 and after 1990 where the government uses the media to mobilize audiences to take actions that may not be in their individual best interest. The model emphasizes a fundamental constraint facing Nepalese government that hopes to control anti-China media content: bias in Tibetan refugee reporting reduces the

informational content of the news, thus decreasing viewership or readership among those who value that refugee information. The extent of media bias and incentive for the government to seize direct control of the media depend on the degree to which the government internalizes this effect from foreign policy point of view. And as we know it is One-China.

Paper emphasizes two variables that influence the operation of this constraint. First, governments that place a greater value on social mobilization induce a higher level of media bias. The distinction between political condition/ situation and private media is small under such governments, but governments may nationalize private media to save the cost of inducing bias regarding Tibetan refugee coverage. Second, both state and private media exhibit less bias when the advertising market is large. However, the impact on private media is greater, implying that the government may seize control of private media in response to a growing advertising market. Because state media are generally more biased than private media when they cover Tibetan refugee, the relationship between media freedom and the size of the advertising market is thus potentially nonmonotonic here in respect to one china foreign policy.

The case study of media freedom in Nepal illustrates these results. Under both Pre-restoration of democracy in 1990 and post-restoration of democracy in 1990, media bias fluctuated in response to the mobilizing needs of the government, with the magnitude of the fluctuation depending on the ownership and commercialization of the media outlet. After 1990, government control has been facilitated by the seizure of previously private media. The theoretical framework suggests two complementary explanations for this latter development: a greater emphasis on use of the media to support one China policy, and a dramatic increase in the size of the advertising market. In each case, the cost to the post-democracy in 1990 of allowing private media was greater than before.

The state of government control was heavy before restoration of democracy regarding Tibetan refugee news coverage. And after restoration of democracy Government has started subsidizing technique to control anti-China news on Nepalese press. The anti-China tone news and Tibetan refugee's voice representation proves the same. Future work might use this framework to explore other elements of government control of the media regarding minorities, especially like Tibetan refugee who contains weight in geopolitics.

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ENDNOTES

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Burgess (2002); Adserà, Boix, and Payne (2003); Brunetti and Weder (2003); Reinikka and Svensson (2005); Besley and Prat (2006); Prat and Strömberg (2006); and Treisman (2007).

o. Obviously, causality cannot be inferred from the simple bivariate relationship depicted in Figure 2.

p. This argument has parallels in Wintrobe's (1990) suggestion that repression will be greater under "totalitarian" than "tinpot" dictatorships. The distinction between mobilizing and non-mobilizing dictatorships has its roots in Friedrich and Brzezinski (1965). Przeworski et al. (2000) define mobilizing dictatorships as those with at least one political party. In the case study below we discuss the shift toward a more mobilizing government in Russia as the United Russia party and related organizations developed under Vladimir Putin.

q. Petrova (2008b) provides evidence based on the statistical analysis of data from the nineteenth century U.S. Historical accounts include Baldasty (1992) and Starr (2004). For theoretical analysis, see Besley and Prat (2006) and Petrova (2008a).

r. The latter paper builds on the insight that rational individuals may have a preference for biased information; see Calvert (1985).

s. For those who do not watch and read the news, the posterior belief is equal to the prior belief.

t. Although mathematically superfluous in this setting, the use of two parameters aids interpretation. In Sections 3–5, both parameters are necessary.

u. This assumes that messages have the "natural" meaning. Otherwise, the equilibria that we describe could be relabeled such that the message \hat{H} is associated with the condition L, and vice versa.

v. To see this, note that for $\beta_G^(L) > 0$, $\frac{\partial \beta_G^*(L)}{\partial \psi} = \frac{\gamma}{2\psi^2(1-\theta)}$, so that $\frac{\partial^2 \beta_G^*(L)}{\partial \psi^2} = -\frac{\gamma}{\psi^3(1-\theta)} < 0$.*

w. Note that because equilibrium bias is less when the government values advertising revenue, $\hat{\theta}(\hat{H})$ is larger than in the special case examined in the previous section. Thus, the preliminary assumption $\hat{\theta}(\hat{H})_{r>1}$ must hold here, given that it does there.

x. Shleifer and Vishny (1994) also assume that subsidization is inefficient in their canonical model of bargaining between a politician and a firm.

y. To see this, note that total investment under state ownership is $\frac{(\psi\theta)^2 - \gamma^2}{4\psi m}$, whereas total investment under private ownership is $\frac{(\psi\theta)^2 - (\alpha\gamma)^2}{4\psi m}$; that advertising revenue under state ownership is $\frac{\gamma\theta(r-1)}{m} - \gamma \frac{\psi\theta(r-2) - \gamma}{2\psi m}$; and that the subsidy under private ownership is $\frac{\alpha\gamma \psi\theta(r-2) - \alpha\gamma}{2\psi m}$.

z. In principle, the government could induce a private station or press to choose an editorial policy that resulted in no viewers by reimbursing it for lost advertising revenue. However, it would have no incentive to do so, as it could save the cost of that subsidy and leave investment unaffected by allowing the station to match the lowest level of bias chosen by the other stations or press. Note that if all stations or press are state-owned, then it need not be the case that stations or press choose the same β (L) in equilibrium. Even though stations that choose a higher β (L) have zero viewership or readership, these viewers or readers watch or read some other state-owned station or press, and by assumption the government is indifferent to the allocation of viewers/ readers across state-owned stations/press.