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Free markets fail the media in China and Russia.

 [100415_TBM_putinART.jpg](#) [1]

Back in the pre-Glasnost, pre-Perestroika Soviet era, there was a Russian joke that went like this:

A Russian and an American are arguing about the relative freedom of their countries.

“My country is so free,” the American says, “that I can walk up and down in front of the White House with a sign that says 'Reagan Sucks.'”

“Eh, so what?” says the Russian. “I can wave that 'Reagan Sucks' sign in front of the Kremlin!”

That joke has come to mind for me over recent weeks. In the same week that Russian tycoon Alexander Lebedev [stepped in to save](#) [2] the money-losing British newspaper *The Independent*, [Google](#) [3] (GOOG) finalized its plans to leave the censored China search-market and [relocate its Chinese operations](#) [4] to Hong Kong, which is not subject to the restrictions of the mainland. Just a few days later, Moscow's subway was bombed by Chechen separatists in an attack that Russia's television networks [reported on only sporadically](#) [5] and carefully.

Each of these in their way shed light on the relationship among business, democratic media standards, and autocratic regimes. One of the great hopes of the last decade has been that economic liberalization in China and Russia would pave the way for media liberalization. In this we have been repeatedly disappointed.

In some areas, clearly, commercial liberalization has been accompanied by—and, to some extent, even led to—more general social liberalization. In China, the emergence of a commercial news industry has led to new pressures on the government, revealed, for instance, by the spat between the *Beijing Times* newspaper and a provincial governor over the [paper's questions](#) [6] about the shady death of a government official. Russia's Lebedev is also part owner of *Novaya Gazeta*, a newspaper known for its courageous reporting on the Chechen war (including the crusading work of [murdered reporter Anna Politkovskaya](#) [7]).

As commercial media organizations have started to pose more of a threat to the autocratic regimes, however, the limits of the new commercial freedoms have become starkly evident. In the case of Google, the company's stance against censorship (motivated in part by co-founder [Sergei Brin's experience](#) [8] as a Russian *emigré*) has put it

at an obvious disadvantage to the more cooperative local competitor, Baidu.

In Russia the limits of commercial freedom are clearer still. There is the well-known case of [Mikhail Khodorkovsky, imprisoned on tax charges](#) [9] in what is almost certainly retaliation by the Putin/Medvedev regime for his efforts to support a genuine opposition. Alexander Lebedev himself closed down one of his Russian media holdings, the *Moscow Korrespondent* newspaper, after the paper reported [an alleged affair](#) [10] between the Russian prime minister and a young gymnast.

The business winners in autocratic states have been those who have been most willing to reach accommodation with the government. In Russia, the powers in government have made clear that oligarchs who dabble in democratic media beyond what Putin is willing to permit, such as effectively exiled billionaire [Boris Berezovsky](#) [11], put all their commercial ventures at risk. In China this seems to be the case as well. The natural winner in Google's imbroglio with the Chinese government is the Chinese search engine Baidu.

It's worth noting that Baidu founder and [chief executive Robin Li](#) [12] has a masters' degree from an American university and once worked for Dow Jones & Company. That, too, points to some of the disappointments of globalization. One of the reasons the United States has been eager for decades to educate the brightest stars of countries like China is the belief that the exposure of the elite in government to American universities will be a democratizing force. This has, to some extent, been true, but a stint at an American university turns out not to be an inoculation against authoritarianism.

Believers in free markets expected that the commercial pressures on an independent media would push it in the direction of competing to report genuine news. While this has been true in the case of some outlets, such as the Russian business newspaper *Kommersant*, authoritarian states have put a priority on limiting the independence of the press. Russia's biggest media outlets, for instance, are now [in the hands](#) [13] of Gazprom, the partly state-owned and solidly Kremlin-allied energy company.

Ironically, it may well be the governments of China and Russia, not democratic opponents, that have been the biggest beneficiaries of commercial liberalization. The ability of open markets to raise incomes has allowed the governments of those countries to take credit for increases in living standards.

China, in particular, HAS given officials inside the regime a greater certainty that they are doing something right. Several months ago, I pressed a senior Chinese policymaker (whom I agreed not to quote by name) on whether the Chinese populace was seeking a greater say in government.

Peeved at the line of questioning, he dismissed it with a characteristically American and idiomatic line: “*We deliver the goods.*” It was aptly put, conveying in one stroke the double meaning that China's government works effectively, and, specifically, that it works to deliver the consumer benefits—literally, “the goods”—that citizens want.

In this almost paradoxical, but certainly unfortunate and disappointing, way, greater market freedom and commercial enterprise have created the opposite of what we would have hoped. One of the key factors in the demise of the Communist regime in Russia was its inability to “deliver the goods” over a period of decades of economic deterioration. The lesson of this has been absorbed by the current governments of China and Russia. Rather than being an antidote to autocratic government, economic liberalization has more and more become a tool that validates and buttresses restrictions on political freedoms.

So it is that we get back to that old Communist-era joke. The attraction of the West to residents of authoritarian states has always been the freedom to say what they can't in their own countries. This is just as much the case for the very wealthy as for the ordinary citizens.

Roman Abramovich, one of Russia's richest tycoons, has largely decamped to London, where he is best known as the [owner of the Chelsea FC soccer team](#) [14], even as the television network he still partly owns in Russia, Channel One, carefully steers clear of conflict with the government. Now his fellow tycoon Alexander Lebedev can play at media tycoonery in London. He may now even be able to get away with saying (through his newspaper) that Vladimir Putin sucks—just as long as he does it abroad.

Inside China and Russia, on the other hand, the status quo has become very clear: The authorities will maintain and support commercial freedom—just as long as those who benefit from those freedoms return the favor by supporting the authorities.

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