

(Mis)Representing Economy: Western Media Production and the Impoverishment of South Asia

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Much has been written over the past thirty-odd years dealing with the relationships between knowledge and power. From Michel Foucault's ruminations on the order of things to Edward Said's work on Orientalism, the notion that words and thought—language—can have political and physical repercussions has become a virtual truism in contemporary academia.¹ Yet, for all the clout that these theories and interpretations carry in the academy, little of this translates into popular perceptions and representations, particularly those promulgated in and by the American media. Said takes note of this in the 1997 edition of *Covering Islam* where he points out that “exaggerated stereotyping and belligerent hostility [towards Muslims]” has actually worsened since the release of the first edition of his book in 1981.² Although his comments are made with specific reference to Islam, they can generally be carried over to the peoples and areas that have been, and continue to be, *Orientalized*, notably the peoples and cultures of South Asia.

While American portrayals of this region cannot be characterized as “belligerently hostile,” Said's observation about exaggerated stereotyping certainly hits the mark. Nowhere is this more obvious than in discussions about South Asian economies where stories seem either to fall back on reductive tropes of poverty, reinforcing the conception that South Asia is, was, and *must always be* poor, or to recast the region altogether as a land of market desirability deserving of a lustful Western gaze. It is this supposition that serves as the point of departure for this study.

We argue in the course of this essay that South Asia is captured and produced in Western media narratives in a manner that perpetuates stylized mythologies related to poverty and open markets that are heavily reliant upon problematic assumptions and readings of economic theory. Generally, South Asia is clownishly transmitted as a place of enduring destitution and deprivation, which is neither to say that poverty does not exist in South Asia nor to negate the significance(s) of such economic inequality, but rather to suggest that Western discussion of this poverty is inaccurate. As a countervailing but linked trend in the last decade, coinciding with its liberalization policies, India (specifically) is simultaneously imagined as an exotic, kinky fetish of investment opportunities and a bonanza for potential profit. We believe in both cases that such stories about South Asian economies are misleading, based on a weak foundation, but that they nevertheless create a worldview that detrimentally affects, in fact physically impoverishes, the subcontinent. The intervention of this work, then, is to establish a connection between Western media misrepresentations and resulting economic costs, particularly for South Asia and generally for all “developing” countries.

We should admit at the outset that the framework within

which we are approaching this topic assumes a globalized, capitalist narrative. This is to say that our critique of media misrepresentation is premised by and large upon the rules set forth by capitalist economic theory. By doing so, we hope to show that the system is intrinsically biased in favor of capital-rich, “developed” countries and that, as such, capitalism as a philosophy and as a *modus operandi* is a flawed scheme that can never bring about economic parity and justice for all countries and peoples of the world.

Misleading Media

There is a vast body of literature that supports our presiding contention that the Western media emphasizes and exaggerates the poverty of South Asia. Exemplifying this work is a 1994 study by Wes Cecil (et al.) of representations of India in the United States media. Based on analyses of local newspapers, popular music, *Time* magazine, *The New York Times*, *National Geographic*, *The Economist*, surveys of first-year college students, and U.S. Congressional hearings, the authors of this work conclude: “Representations of India in the United States are organized around three prevailing themes: India as over-populated and impoverished, India as exotic and primitive, and India as a land of turmoil.” The authors note that they found no difference in the reception of media imagery among categories of audiences separated by hierarchical socio-economic factors, proving incorrect their assumption that elite audiences would have access to more “extensive and intensive” information packages that would provide privileged knowledge dislocating falsities propagated in public consumption sources.³ This is an important point to which we shall return later.

Cecil's overall findings are corroborated by a number of other analyses⁴ and effectively proven empirically and statistically by a 1995 Pew Research Study, which found that South Asia has been hardly discussed or covered in the print and broadcast Western media, with the region altogether registering only two percent of all “foreign” news stories. Of what was published or presented, “conflict was the dominant topic.... [And] foreign events and disasters usually must be *more* dramatic and violent to compete successfully against national news [italics ours].”⁵ What little attention South Asia does receive, therefore, is sensational and negative. Indeed, numerous studies confirm that “coverage of the South, especially the developing world, is even more likely to be sensational in nature than coverage of Northern and Western events” in order to entertain the attention of the media's easily-distracted, self-absorbed audience.⁶ The Pew Study, citing Edward Diamond, takes note of this “useful formula for predicting news interest: ‘10,000 deaths in Nepal equals 100 deaths in Wales equals 10 deaths in West Virginia equals 1 death next door.’”⁷ Karen Elliott House, the president of Dow Jones International (of which *The Wall Street Journal* is a sub-

sidary), provides some explanation for this tendency: "I'm big on comparisons. I think most people want to know are we better or worse than Poland [or South Asia] and why."⁸ Given the points from the Pew study and House's preferences, then, the production of South Asian poverty and problems vis-à-vis American prosperity and stability reinforces existing power and economic hierarchies because the U.S. misleadingly comes across as far better off than the "developing world," which is sensationally impoverished and conflict-ridden. In other words, "news is no longer a tool for viewers and readers to reach important opinions about, it's a manipulative kind of operation."⁹

Malcolm Browne, a former foreign correspondent for the Associated Press, ABC, and *The New York Times* admits, "We do mislead. We have to use symbolism. Symbolism is a useful psychological tool, but it can be terribly misused. It can be misleading. It can lead to great cruelty and injustice, but all of those things are components of entertainment." Juan Tamaro, a former foreign editor of *The Miami Herald*, explains the rationale for sensationalism thus:

We're heading into a period in which foreign reporting which used to inform and educate, is now being asked to entertain. How can we change our product to attract and keep readers? And the answer is, give them entertaining stuff. Let's not bog them down with all this heavy crap, let's entertain them. We're not giving our readers news anymore. We're giving them something to chew on. It's light. It's fluffy. It's crap.¹⁰

And the sensational includes not only the dramatic, as in descriptions of deadly diseases, gruesome famines, and violent conflicts, but also the exaggerated mundane, a point that, given the context of the Cecil and Pew studies, we may now illustrate using the issue of currency convertibility in a series of representative selections from major U.S. newspapers.

The following story appeared in the 29 September 1994 issue of *The New York Times*:

At a few minutes past midnight, just into the start of his shift as one of Bombay's small army of night rat catchers, the 22-year-old Mr. Jhadav picked up his first quarry and dropped it into a plastic bag. Well before dawn, with his allotted quota of 25 dead rodents bulging in the bag, he set off for his rendezvous with a pest control officer, who checked the catch and paid Mr. Jhadav his nightly wage of 85 rupees, about \$2.75.¹¹

While this may seem to some like a straight-forward and honest representation of standards of living, it is, in fact, quite the opposite, and, leaving aside the blatant Orientalist imagery of primitiveness, the error lies in a gross misunderstanding of theory related to currency exchange and its relationship to purchasing power. Local salaries and incomes cannot simply be translated into foreign currencies at given exchange rates because the purchasing power of the currency might be very different in the two countries in question. For "developing" countries, which tend to be countries that are relatively well endowed with large labor supplies, services tend to be cheaper than in "developed" countries. Because these services are not traded across international borders, there is not an international market-clearing price for these services. The same consideration would be important for goods (as opposed to services) that are not internationally traded. In addition, for both

goods and services, significant discrepancies can arise between different regions of the same country, which is to say that multiple markets usually exist within the larger national economy.¹²

To give an example, a man's haircut at an average barber-shop in the United States might cost ten dollars (which literally translates to approximately Rs. 460 in India), but a similar haircut in a simple barbershop in urban India will only cost about Rs. 25 (and, in fact, much less in a smaller town or rural setting). We do not mean to be facetious here. Because labor is cheaper in developing countries, services tend to be cheaper, so the purchasing power of the local incomes has to be suitably augmented to account for this downward bias in raw translations made with day-to-day (spot) exchange rates.

What is striking is that this is a problem that has been recognized in the technical literature in economics for decades. Economists have constructed parity-adjusted exchange rates by creating international prices for non-traded goods and services and then adjusting incomes of the various countries on the basis of whether they were over- or underestimated. Most exponents of this process of construction acknowledge that they still make a number of assumptions in creating these new prices, and the resulting figures, though much better than the spot conversions, still have a degree of error in them.¹³ Nevertheless, these figures remain more accurate than simple exchange-rate conversions, and, more importantly, they allow incomes per capita of developing countries to go up substantially. For South Asian countries in general, we find a quadrupling of income under the adjustment, so that World Bank regional estimates of \$450-odd per capita per annum income becomes \$2000-odd.

Our journalistic example above does not care to use this more representative measure. More importantly, this carelessness is part of a larger pattern. For example, we see in this story from the 1 December 1980 issue of *The New York Times*: Once the people gained the titles to their homes, their first concerted action was to approach this farmer to say they would not work in his fields unless he doubled their pay to 24 cents a day and gave them more than the single round loaf of bread they had received as their meal. Reluctantly he offered 18 cents and two loaves a day, which the townspeople, only forging unity then, accepted. Now, six years later, those who work in his fields receive 48 cents a day plus full meals, and they are asking for 5 rupees (almost 65 cents), which, they explained, is what some of them who own land pay their workers.¹⁴

In the 22 November 1985 issue of the same newspaper: "As it is, they have had to turn to hard labor. In blazing maroon and yellow saries [sic], women work languidly in the sun, carrying gravel and rock to upgrade the roads. They earn less than a dollar a day."¹⁵ In the 31 March 2002 *New York Times*,

After five years, a teacher here [Pakistan] is paid about \$80 a month, said Mr. Qurashi, who earns \$350 a month as principal. He has a parents council, both to advise him and to encourage families to donate 50 rupees a month—less than 10 cents—to the school.¹⁶

Such reporting is not limited to *The New York Times*. In the 14 October 1997 issue of *USA Today*, "A paycheck of \$125 a month can bring middle-class status," while in the 14 August 2000 issue of *The Wall Street Journal*, we find: "While she owns

a homesite in Handidhua, she has no money for a house and survives on her husband's coal-company pension of less than \$14 dollars a month." Although three of the last four examples do not explicitly mention conversion rates, they do assume spot exchange rates.

Taken together with our first example, our random sampling buttressed by the broader empirical superstructure of Cecil and Pew, we easily establish a trend spanning at least twenty years. This reporting trend is especially significant given that all of our sample stories are drawn from the three most broadly circulated newspapers in the United States.¹⁷ The privileged position of these texts is particularly pronounced in the cases of *The New York Times* and *The Wall Street Journal*, which are widely recognized as notably prestigious and authoritative mass-consumption sources. Additionally, in the case of such elite media, circulation information does not take into account syndication or reproduction of columns or news stories in other newspapers and non-print media that adds to the massive dissemination of such stories. Dow Jones, the parent company of *The Wall Street Journal*, illustrates this point on its website by noting first:

In 1999, *The Wall Street Journal Sunday* was launched in 10 leading U.S. metropolitan newspapers, representing a total circulation of more than four million. In 2000, additional metropolitan and community newspapers were added, bringing the total newspapers to 35.... Now, in 2002, Sunday Journal's circulation is more than 9.4 million and the branded Journal pages appear in 54 newspapers across the U.S.

This proud admission is then followed by another, boasting of Dow's hold over broadcasting:

Dow Jones also produces news and information for television through a global television alliance with NBC, the leading U.S. television network. CNBC, a service of NBC and Dow Jones, offers...unparalleled business news programming.... Dow Jones also provides news content to CNBC in the U.S., which is similarly branded during the business day. Worldwide, the new CNBC reaches more than 170 million homes.¹⁸

Dow Jones' Orwellian reach, of course, is only part of a broader picture: a handful of corporate conglomerates control virtually every newspaper, radio station, and television station in the United States with an audience of any significance.¹⁹ The result of this is that stories from the prestigious outlets at the top of these chains percolate through all levels and branches of the media, reminding us of Cecil's conclusions that misrepresentation (of South Asia) permeates—saturates—the Western public medium.

But even if popular reporting were to make the necessary adjustments at least in terms of currency convertibility, and it usually does not, it would still not present a "true" picture of South Asian economics because these economies have large informal sectors. For most of these countries, estimates of their informal economies range from fifty percent of the formal sector to one hundred percent. So, any income figures that are quoted in the popular press not only have to be adjusted for purchasing power parity, but also for revised understandings of the size of the economies in question. And, even with such double adjustments, given the guesswork involved in estimating the size of the informal sector, figures would

still contain a large margin of error. This remaining error notwithstanding, if the above adjustments were made, per capita annual income in India, adjusted for purchasing power parity, and including the size of the informal economy, would come to approximately \$3000. The difference between \$3,000 and \$30,000, a per capita annual income of a western country, is still significant (ten times), but much less than the difference between \$500, a preadjustment per capita figure for India, and \$30,000 (sixty times). Thus, the construction of South Asia's poverty is magnified and disproportionalized by the Western media vis-à-vis Western "development" and "prosperity."²⁰ We contend that this skew carries with it a large and negative cost for the people and economies of the subcontinental region, a claim we shall address in the coming sections.

It is true, of course, that usage of spot exchange rates is common practice in stories about both developing and developed countries in the Western media. However, given that informal (nonreported) sectors form a much smaller percentage of developed economies, the differential between spot and purchasing power exchange rates is minimized; the impact of media misrepresentation upon developed countries is therefore far less dramatic and relevant than it is upon developing ones.

We should again point out that we are not arguing that poverty does not exist in South Asia, and we acknowledge that a large number of people are suffering from relative and even absolute deprivation. South Asia, with one-fifth of humanity, has one of the largest concentrations of the poor on the globe, and sizable numbers of rural and urban populations live below even the conservatively estimated poverty lines. Indeed, according to the Human Poverty Index (HPI),²¹ developed by the United Nations Development Program (UNDP), in 1997 thirty-eight percent of the population in South Asia was poor.²² Media misrepresentation, however, makes matters worse.

Still, while all of the above observations clearly fit the pattern established by Cecil and Pew, it takes only the most casual of glances through Western media sources to realize that a counter-trend has emerged over the last ten years or so, one that lauds India (in comparison with other South Asian countries) for its industrial and technical achievements, and that encourages investors to direct capital to this richly deserv-ing nation. For example, a 12 May 2001 story in *The New York Times* exclaimed:

India will allow 100 percent foreign investment in several industrial sectors like pharmaceuticals, hotels and tourism, airports and rapid transit systems. A ministerial panel eased the curbs at a meeting on Wednesday. The parliamentary affairs minister, Pramod Mahajan, said foreign investors would no longer be required to sell a 26 percent stake to an Indian partner or the public. India also raised foreign investment limits from 20 to 49 percent in banking, and from 49 to 74 percent in Internet service providers, paging and bandwidth. The country also opened its military sector to private investors, an area that previously was classified off-limits even to domestic interests.²³

A series of similar pronouncements may be found in a variety of other stories. The *Chicago Sun Times* reported:

McDonald's Corp., the world's largest fast-food chain, said it will double its investment in India to \$171 million in three years as demand from the world's second-most-populous country surges. McDonald's plans to add 53 restaurants in the country to bring the total to 80 by 2003. The company has invested \$96 million since it began its operations in India in 1996. "The response we have received from our customers in India has been amazing...."²⁴

From *The New York Times*: "The Indian government widened the scope of industries that can accept foreign investment without a special license, *as part of a broader effort to stimulate economic growth* [italics ours]."²⁵ And from *The Wall Street Journal*: "Some US multinational companies *have declared India a better investment risk* than China and a comparable market opportunity, given recent turmoil in US-China relations [italics ours]."²⁶

Although these reports clearly construct an alternate idiom of India to the one discussed earlier, the ease with which one might summon such stories does not mean that they balance out poverty-coverage and result in even-handed journalism. As Radhika Parameswaran has correctly pointed out in examining the August 1999 Millennium issue of *National Geographic* (which claimed to celebrate the "global culture" deriving from globalization, symbolizing the theme with a cover photo of two women from India, one older clad in a sari, the other younger in a vampy black "cat suit"): the Western media's "interpretation of global culture is suffused with representations of femininity, masculinity, and race that subtly echo the Othering discourses of Euroamerican colonial discourses."²⁷ In other words, positivist reporting on India generally belies the continuing perpetuation of essentialized Orientalist tropes embedded in the assumptive fabric of economic news items. Cecil and Pew clearly establish that minimalist, negative sensationalism as a rule guided Western media coverage of South Asia, at least until 1995. While space for celebratory economic tales may have opened over the past decade, and widened since 1996, Parameswaran makes clear that many of these kinds of stories still carry with them a range of other(-ing) distortions, thus maintaining the course and heading charted out by Cecil and Pew. And, of course, exaggerated poverty stories continue to emerge post-1995 as well, witnessed by the final *New York Times* example we cite for currency conversion errors, published on 31 March 2002.

The idea that economically "pro-India" stories contain subtexts of hierarchy and power is borne out in the italicized lines in the newspaper quotations above. The former implies an existent stagnation, while the latter does not suggest that there is *no* risk or extremely low risk, but that there is a lower risk when compared with another fairly high-risk developing country. In addition, these and similar analyses of the Indian market represent the mirror image of the currency convertibility issue, inasmuch as they continue to evade mention or understanding of the informal sector. The "resounding silence on global labor practices [then] becomes a tremendously productive strategy that perpetuates the neocolonial ideology of American corporations as magnanimous global citizens, which empower developing countries to "catch up" with developed nations [see "*as part of a broader effort to stimulate economic growth*" above].... It [thus] becomes easier for multinationals to suppress the contradictions between their images as

philanthropic institutions and their less than equitable labor practices overseas when respected magazines like the *Geographic* [or any other authoritative Western media source] assist in maintaining the benevolent veneer of global capitalism."²⁸

This notwithstanding, the fact remains that there are two somewhat competing tendencies in the Western media's construction of South Asia. The dominant theme is one of decrepit states of unimaginable poverty, coupled with never-ending images of war, famine, and disease. The second is one of a coiffured, Beaujolais-drinking, polished competitor in international markets. Both sets of representations exist only in the vacuum of decontextualized space and elide the complex dynamics of class, caste, gender, religion, and ethnicity that comprise the plurality of South Asian realities. This cumulative misconstruction and melodramatic coverage, we believe, carries direct negative economic consequences for the subcontinental region. Before we explain how we come to this conclusion, let us first lay out capitalism's premises for international economic growth and development.

The Growth Theories

The growth theories of the 1950-70 period, almost without exception, pointed out the very important role that capital accumulation was supposed to play in the growth efforts of developing countries. Rostow's growth theory talked about the stages of growth and noted that "take-off" was only going to be possible once the engine of growth had started working through investment, capital accumulation and industrial growth.²⁹ The same held for the Solow model,³⁰ for the Harrod-Domar model, and even for two-sector (agriculture and industry) models like Harris-Todaro. For all of them, whether they subscribed to "balanced growth" or "big-push," import substitution or export orientation, "trickle-down" or "distributive" growth, capital accumulation remained the central driving factor of growth.³¹

All of these models acknowledge that for poor countries it might not be easy to raise the capital needed for the growth effort immediately. These countries had to raise their savings rate and "sacrifice" present-day consumption for investment so that, through growth, they could enjoy higher future consumption. But theorists as well as policy-makers also realized that despite efforts to raise savings rates, domestic resources would still not be enough to make the growth effort sustainable and credible. To facilitate the higher rates of growth, the poorer countries needed to attract foreign capital.

The initial optimism of the development experts of the 1950s and 1960s allowed them to say that the developed countries could either grant this capital requirement (or a portion of it), or the developing countries could raise these funds in the form of borrowed money. The international markets were neither developed nor large enough at that time to allow direct foreign investment or portfolio investment (investment in local equity markets) to be instrumental in narrowing the foreign exchange gap. Because the growth effort was expected to result in higher returns in the future, the theory was that poorer countries could easily pay off any debt they might accumulate.³²

Since the early 1970s, growth theories have focused on the role of other variables, including: the role of human resources through education, health, learning, and skill acquisition; the role of technological changes and research and de-

velopment (R&D); and the interactions between these parameters.³³ Additional work has been done on harder-to-quantify variables, including: freedom of expression, corruption, democracy, openness, regulation, political and economic stability, wars, ethnic issues, and public policies.³⁴

Although these other factors were found to have significance, these studies maintained that physical capital and physical capital formation were necessary for growth. Indeed, even the “East Asia Miracle” study of the World Bank (1993),³⁵ which fully explored the role of Solow residual³⁶ (that is, it worked under the assumption that technological change and R&D were more important than capital accumulation in explaining growth), found that capital was still not only an important factor in growth, but in most cases it was *the single most important factor*. The most recent literature concurs.³⁷ In other words, there is agreement across the theories that capital is crucial to growth.

Capital Mobility and Market Equilibrium

Over the last four decades the trend in capital flows has become quite clear. Because grants and subsidized loans have decreased in percentage terms, direct capital flows, usually in the form of direct foreign investments or portfolio investments, have become significant.

Developing countries still get significant amounts of capital from developed countries and their respective aid agencies in the form of tied aid or “soft loans,” and there are a significant number of multilateral agencies like the World Bank, the International Monetary Fund (IMF), the regional development banks, as well as the concept-specific international organizations or trusts that also provide funding to developing countries for specific projects and areas. But this funding has become harder to secure because of increased competition, and it attaches more “conditions” regarding performance and use.

The liberalization of capital markets the world over and the availability of liquid funds post-1970 have made direct access to capital markets much more important for developing countries. As we can see in the following equation, the return on capital (r) is a function (f) of the total availability of capital stock (K).

$$r = f(K)$$

Capital will flow in the direction of higher return. All developing countries face significant capital scarcities, and capital availability constraint tends to be one of the more important impediments on growth in these countries.³⁸ Given this, one would expect the return on capital in capital-scarce countries to be higher than in capital-rich countries.³⁹ This is indeed the case: the rate of return on capital in developing countries *is* higher. In this case, if the market for capital is relatively free, and we have pointed out earlier in this section that it has moved in this direction significantly in the last thirty years, we would expect to see more capital flowing into developing countries. And the flows should continue, theoretically speaking, until the rates of return on capital are equalized across all markets.⁴⁰ Some variations around the equilibrium condition should be expected given the dynamic nature of markets, but by and large, there should be movement towards equilibrium at all times, and markets should be in this “equilibrium neighborhood” as long as they are not being shocked significantly.

But we do not see this flow and equalization happening in capital markets. The simple reason for this is that rate of return on capital is not only a function of capital availability, but also of risk perceptions. In other words, the investor is interested in the net return, which takes into account the investor’s risk in entering a particular market. For a given level of risk, more capital will flow to markets that give a higher return. If risks are different across markets and perceived as such, for a given amount of capital, the market with higher risk perceptions will have to compensate investors with a higher rate of return to attract them to these markets.⁴¹ Thus, the relationship between rate of return (r) and capital stock (K) is altered to take into account the given level of risk (Ω).

$$r = f(K \setminus \Omega)$$

This explains why we do not see equilibrium in capital markets. Developing countries do not get high flows of capital, even though capital markets are relatively free, because the risk of investing in these markets is perceived to be high, and therefore, the rate of return, taking into account the risk factor, might not be higher than that available in developed countries.

Risk Perceptions

For different types of investment in developing countries, different “risks” become more important. For direct foreign investment, political risks related to international or civil war, stability of government and policy regimes, threats of nationalization and takeover, transaction cost, enforceability of property rights and contract law, and predictability of policies become very important. If one or any combination of the above-mentioned factors is missing or changing, risk perceptions alter accordingly.⁴² Portfolio investors are usually more concerned about such macro and general factors. Direct foreign investors might also be concerned about the particular risk facing the industry they are entering and the relevant sector.

In addition, poverty itself is a contributing factor of risk perceptions for both portfolio and direct foreign investors. This is reflected in the fact that established indicators of country risk ratings take economic performance into account.⁴³ Furthermore, a comparison between country risk ratings and GNP per capita reveals significant overlap between the two hierarchies.⁴⁴ Poverty in terms of low income, as measured by the Poverty of Opportunity Index (POPI), indicates low purchasing power and low savings. The former lowers the attractiveness of the local market, and the latter lowers estimates of growth potential.

Both portfolio and direct foreign investors are very sensitive to changes in risk perception, although by the very nature of the investment being made, portfolio investors have more liquid investments and thus tend to be more responsive to changes in risk perception in the short run. Direct investors, on the other hand, tend to be more concerned about trends, and if risk is generally high, irrespective of the movements in it, they will reduce direct foreign investment accordingly.⁴⁵

In the present-day international set up, where capital is relatively free to flow across national borders, it is this risk-adjusted return that will determine the extent to which capital is going to flow to individual countries. Economist Paolo Mauro⁴⁶ has shown that there is a relationship between a country’s risk rating and growth: high risk reduced growth.⁴⁷

Economists Frederick Jaspersen, Anthony Aylward, and David Knox show that there is a similar negative relationship between the risk rating and the ratio of private investment to GDP.⁴⁸ The authors of these and other papers in the area do not, however, discuss how perceptions of risk are formed and how such perceptions lead to problems for developing countries.

There is a good deal of research⁴⁹ that shows that our perceptions of risk, especially about situations that we do not encounter every day, are formed by not only our past experiences, but also to a large extent, by all the second-hand and general information that we come across in our daily routine. Research⁵⁰ also shows that humans do make systematic mistakes not only in evaluating the worth of this information, but also in processing information as well. Information that is more immediate can be given more weight; information relating to very improbable events can also be given more weight, and sometimes equivalent situations, described differently, can lead people to make different judgments. In this context, we aim to show how the Western media influences our actions and affects our perceptions of risk. In doing so, we believe we can clearly link Western media misrepresentations of South Asia with a negative impact on both capital flow to, and economic growth in, the region.

The Media and Effects Modeling

Edward Herman and Noam Chomsky have argued convincingly that the Western media informs our "worldview." Indeed, "the mass media of the United States are effective and powerful ideological institutions that carry out a system-supportive propaganda function by reliance on market forces, internalized assumptions, and self-censorship, and without significant overt coercion."⁵¹ As Susan Moeller observes in her highly regarded book on media representation: "We, the consumers of the American media, are also tied to the end of a too-short cord. Our cord is the media itself. What we know about the world is circumscribed by what the media are able to tell us—and choose to tell us—about the world."⁵² Chomsky goes further:

Now the elite media are sort of the agenda-setting media. That means *The New York Times*, *The Washington Post*, the major television channels, and so on. They set the general framework. Local media more or less adapt to their structure.... And they do this in all sorts of ways: by selection of topics, by distribution of concerns, by emphasis and framing of issues, by filtering of information, by bounding of debate within certain limits. They determine, they select, they shape, they control, they restrict—in order to serve the interests of dominant, elite groups in society.... *The New York Times* is certainly the most important newspaper in the United States, and one could argue the most important newspaper in the world. *The New York Times* plays an enormous role in shaping the perception of the current world on the part of the politically active, educated classes. Also *The New York Times* has a special role, and I believe its editors probably feel that they bear a heavy burden, in the sense that *The New York Times* creates history.... That is, history is what appears in *The New York Times* archives; the place where people will go to find out what happened is *The New York Times*. Therefore, it's extremely important if history is going to be shaped in an appropriate way, that certain things appear, certain

things not appear, certain questions be asked, other questions be ignored, and that issues be framed in a particular fashion. Now in whose interests is history being shaped? Well, I think that's not very difficult to answer.⁵³

According to Chomsky, therefore, Western media representations not only contribute towards worldview, but they, notably *The New York Times*, also define a reality that favors and *benefits* both ideologically and materially the wealthy, the West, and the powerful.

This, however, raises the contentious issue of audience participation: how do the recipients of the media barrage receive, process, and interact with what they see, hear, and read in print and broadcast space? Some have argued that the media, especially in its splendidorous, multivariiegated form, that of the luminescent 500-channel satellite/cable, cyberspace-connected information superhighway, has only "limited effects" and that "active audiences" choose and select the material they wish to confront or think about. The media, in other words, is the anti-indoctrinator. It does not, indeed cannot, construct singular "worldviews," and instead refracts the very plurality of its audience members, creating a multihued spectrum reflecting the true vision of the world.⁵⁴

But we know with respect to the construction of South Asia in the Western media, as we saw in the discussion of the "Misleading Media" Section, especially of Cecil, that basically all audiences in the United States have received the same information package from virtually every form of media, and they have perceived that information in a similar way. Parameswaran in her analysis of *National Geographic* at the millennium makes clear that this trend continued beyond 1995.

Herbert Schiller goes a bit further and directly confronts and deconstructs the "limited effects" models, arguing that they are fundamentally flawed. He concludes:

It is not a matter of people being dupes, informational or cultural. It is that human beings are not equipped to deal with a pervasive disinformation system—administered from the commandposts of the social order—that assaults the senses through all cultural forms and channels.⁵⁵

The media in this view is, as Chomsky argues, an agenda-setting institution. Maxwell McCombs spells out this process:

In setting the public agenda, the news media influence the salience or prominence of that small number of issues that come to command the public attention.... Because agenda setting is an inadvertent outcome of reporting the news, this is a role that cannot be abdicated or sidestepped.⁵⁶

The media, unable to avoid its agenda-setting function, establishes its power to strongly affect perceptions and determine outlooks and worldviews.⁵⁷

Media Effects and Risk

Linking this with our earlier discussions on investment theory, psychologists Paul Slovic and Ellen Peters have shown statistically through empirical data that worldview is a significant variable in explaining people's perception of various risks.⁵⁸ "A worldview, then, is assumed to act as a cognitive filter, emotional filter, or both on information influencing how we perceive and act towards risky situations.... An individual high on the fatalist/hierarchist measure is more likely to support nuclear power, whereas an individual high on the

egalitarian measure is likely to oppose it.”⁵⁹ The terms “fatalist/hierarchist” and “egalitarian” reference types of worldviews that a priori signify the amount of risk one associates with a particular situation or issue, nuclear power in the Peters and Slovic study. These authors go on to point out that worldviews affect people’s attitudes and (re)actions in all spheres, inclusive of the political, economic, and social realms.⁶⁰

Research also indicates that sensationalized media reporting increases the level of the risk perceived.⁶¹ While case-studies of risk perceptions related to South Asia do not (yet) exist, economist Paul Collier, in analyzing Africa, emphasizes:

The cheapest information is that carried in the general international media. For obvious reasons, these sources are biased towards sensationalized news, and sensational news is usually bad. There is no conspiracy against Africa in the world’s media, but since the media tend to cherry-pick disasters, reliance on this as a source of information will tend to produce an overly negative view because it is not sufficiently compensated by more detailed knowledge. This shows up in the country risk ratings.⁶²

The implications carry over to South Asia and indeed to all developing regions. This is because established country risk ratings, such as those produced by *Institutional Investor*, *Euro-money*, and the *Economist Intelligence Unit*, are widely used by international fund managers to determine levels of foreign investment.⁶³

Investment manager Joe Demby’s observations, again on Africa but with broader implications and clear resonance with our specific analysis of media coverage on South Asia, reinforce Collier’s conclusions:

Typically, Africa conjures up images of war, famine, colossal corruption and aid projects which have gone wrong on a grand scale. The apparent absence of a body of successful investment initiatives leads to the pre-conception that investment in Africa, both direct and portfolio, poses massive risks. Risk evaluation of African investments has tended to suffer from an approach reliant on the biases of anecdotes. Stereotypes of subservient incompetence and rampant and unbridled corruption coupled with images of poverty and starvation all combine to reinforce the subconscious perception that Africa is a place where business may only occur at great risk...to the investor.⁶⁴

Finally, psychologists Richard Nisbett and Lee Ross have shown that information that is both immediately accessible and repetitive carries the greatest weight, a concept they call salience.⁶⁵ In an example provided in their work, a person decides to buy, on the grounds of economy and longevity, one of the Swedish cars: Saab or Volvo. He goes to *Consumer Reports* and finds that Volvo has the better safety record. So he decides to bargain for a Volvo (on the basis of economy, longevity, and safety). The night before the deal is struck he goes to a party, and during the conversation mentions what he is about to do. One party-goer tells him about his brother who bought a Volvo and then had to spend two years getting faulty fuel injection, clutch, and transmission systems fixed and ultimately had to sell the car as junk. Though the new information is just an addition of one to the sample, Nisbett and Ross

argue that most people will overvalue this information in their decision—that is, in this example, their estimation of the Volvo will disproportionately decrease. Nisbett and Ross go on to provide experimental evidence for this effect.

The cumulative work of Herman, Chomsky, Collier, and Nisbett (and their colleagues), then, points to the fact that media stories, cheap, accessible, and repetitive information in general and as a normative, *disproportionately* affect our perceptions. We have already established that poverty contributes towards perceptions and rankings of country risk, and that, as one of two competing trends, stories in the Western media about South Asia sensationalize poverty. Thus, we argue—supported by the conclusions of Slovic, Peters, Collier, Demby, McCombs and others—that such economic misrepresentations construct a negative worldview about the sub-continent that disproportionately increases the level of risk perceived.

Economic Costs and the “Exaggerated Poverty” Media Trend

This brings us back to the issue of equilibrium. Capital flows to developing countries as long as the rates of return, given the level of risk, are higher there than in developed countries. As we saw earlier, “perceptions of risk” are shaped by a number of factors including various political, economic, and policy-related circumstances. To this list, we argue, we must now add negativist media misrepresentation (as opposed to positivist “pro-investment” reporting). The underreporting of income due to purchasing power parity and informal sector exclusion, the tendency to sensationalize news about poverty, and the effect of salience on the viewers mean that recipients of this information package are going to have elevated perceptions of risk about the reported countries, in this case those of South Asia. The increase in risk perception, then, is something that current understandings of equilibrium, represented by our equation $\{r = f(K \setminus \Omega)\}$, do not accommodate.

At first glance, this seems like an easily correctable error; to compensate for the misrepresentation, we simply subtract the unacknowledged factor of misperception (β) from the existing risk (Ω) and therefore $r = f(K \setminus [\Omega - \beta])$. The flaw in the logic here is that media misrepresentation is treated as only a *contributing factor* of risk perception (Ω). But the misperception generated by the media subsequently affects (and in some cases effects) *all the other* contributing factors of risk. As an example, abstracting from the work of Herman, Chomsky, Collier, and Demby, predictions about the stability of given governments and the nature of their policy regimes (accepted contributing factors of risk) are themselves predicated upon understandings of the general conditions in the given country. These understandings are in part generated from the worldview created by media reporting. In the case of South Asia, therefore, the sensationalized reporting of never-ending poverty *strengthens* the conclusion that the local governments and their policy initiatives are largely failing their people.

As mentioned earlier, the work of Mauro, Jaspersen, Aylward, and Knox has established that higher levels of perceived risk actively reduce the ratio of private investment to GDP as well as overall GDP growth rates. Thus, the disproportionately increased levels of perceived risk effected by negative media cause both diminished capital investment and

reduced economic growth. We note here that both portfolio and direct foreign investment in South Asia, particularly India, have increased dramatically in the last ten years (as compared to the preceding forty) due to changes in regional economic policies. This, however, does not detract from our argument, which is that increased levels of risk produced by negativist media misrepresentation maintain a downward correlatory on the total amount of capital flow into the region that, in turn, reduces growth. We might term these disjunctures “missing capital” and correspondingly “missing growth.” These carry substantial cost.

Specifically, loans by commercial banks are contracted at a higher rate. Companies making foreign direct investment (FDI) ask for higher returns as well as increased levels of protection and “guarantees” before entering the market. Portfolio investment also looks for elevated returns or shies away from these markets. The same effect also colors the perception of negotiators dealing with South Asia on behalf of multilateral agencies, development agencies, nongovernmental organizations (NGOs) and even government organizations like the United States Agency for International Development (USAID).

Moreover, the elevated risk perception makes South Asia more susceptible to sudden adverse capital movements and “runs” on its individual currencies. The IMF/World Bank and other multilateral agencies have insisted that developing countries borrowing from them should open up their capital accounts and allow currency convertibility as well as relatively free determination of exchange rates. Most developing countries, including those of the subcontinent, have been on such “structural adjustment” packages with these institutions. If the fundamentals of a country’s economy are weak, as is the case with most developing countries, they are going to be prone to large outflows of capital. And these runs have the potential to ruin the currency markets as well as the foreign reserve of a country. This holds for all smaller and weaker developing countries, but it is also true of the larger and more robust developing countries in East Asia. The recent crisis and the “contagion effect” that resulted makes that amply clear. Developing countries with a few billion dollars in foreign currency reserves cannot afford to have even minor tentative speculative bubbles against their currencies.

An analysis by the United States’ National Public Radio (NPR) of the economic impact on Pakistan of the tragic events of 11 September 2001 provides a clear case-in-point of our overall argument.⁶⁶ Pakistan primarily exports textiles, and the United States is its largest consumer. Following September 11, a U.S. industry trade group noted, “US importers... [became] jittery because of the images of Pakistan they... [saw] on TV,” and as a result, the “cost of doing business in Pakistan” rose. Daniel Gazzatua, import manager for Perry Ellis International candidly stated: “A regular peaceful street, that’s not news. You know, the news is the demonstration. The news is burning a flag in the street. So that’s what we’re getting and then that’s shaping our perceptions of an unstable, dangerous climate [in South Asia].” As a result, “shipping companies have tacked on a 10 percent war risk surcharge... [and] insurers have hiked their rates by 20 percent....” NPR made clear that American perceptions of the risk of doing business in Pakistan were exaggerated because the country had “had no trouble making any produc-

tion... [and had] had no trouble shipping any goods out of Pakistan, both by ocean and by air.” Nevertheless, the level of risk perceived rose and subsequently negatively affected the economic situation in Pakistan, causing “many workers” to be laid off. “And if they’re not going to work, they’re going to [be] begging on the streets. They’re not going to be able to eat.”⁶⁷ In short, negative media misrepresentation increased the level of risk perceived, in turn lowering capital flow into the region and thereby increasing poverty.

It is perhaps tempting to dismiss this example as unique, dependent upon anomalous circumstances. But the 1995 Pew Study makes clear that in fact sensational reporting about South Asia is the norm, and Gazzatua’s observation illustrates the powerful influence the media generally wields over market overseers in the United States. This story is therefore not exceptional, but rather emblematic of an endemic problem.

Returning to our equation then, subtracting β from Ω does not compensate for media misrepresentation because Ω in its totality incorporates the effects of this misrepresentation. Moreover, these effects cannot be quantified. That is, we do not know the extent to which media production increases various factors of risk perception. Indeed, we cannot even fully compensate for informal sector economies, let alone sensationalism and salience.

Because of the margin of error inherent in analysis of the informal sector, the Western media cannot fully adjust their accounts of South Asian economies. While purchasing power parity figures are better than spot exchange rates, they still fail to account for informal economies, which in turn can never be accurately or effectively measured. Given the additional factor of Western domestic demands for infotainment, reporting about South Asian economies in the Western media will *always* contain a level of misrepresentation. The perpetual nature of this misrepresentation means, in this case, that the subcontinent will bear a cost indefinitely.

Economic Costs and the “Invest-in-India” Media Trend

While we have established the link between sensationalized stories of South Asian poverty and the further impoverishment of that region, we have not yet accounted for the contrarian positivist stories on India (specifically), the sole goal of which is to *encourage* investment into that country. How can such work contribute towards poverty when, if all our arguments are taken as true, it is using its overwhelmingly influential voice to direct capital *into* the region (and providing an explanation for the rise in portfolio and direct foreign investment over the last ten years)?

The answer again lies in the informal sector. Jan Breman has argued that since independence, industrial labor in India has been seen as the vanguard of all forms of labor. The industrialized sector was more organized as early as the 1940s, was unionized, and had a coherent set of ideas to represent their thoughts and presence. Industrial labor has, therefore, had representatives in all negotiations and policymaking fora. Industrialization has also been seen as the only way to development, regardless of whether the directives have come at the behest of Nehruvian socialist principles or more recent liberalization policies.

But industrial labor is based in the organized or formal sector of India and is a very small percentage of the total work force, a fact that is broadly true all over South Asia.

Most subcontinental labor works in rural agriculture, an area based by and large in the informal sector. Additionally, even a major portion of urban labor works in this informal space, with a number of small and medium enterprises that are beyond the pale of government regulation and documentation.

According to Breman, this means that most labor legislation in South Asia has never really applied to the majority of the workers. Moreover, even within the formal sector, casual/daily labor and contract work remain gray areas within the law, or are altogether missing.

The increasing penetration of capitalism and markets over the course of the last decade, most importantly in agriculture, has disrupted the traditional "bonds" and agreements between labor and other classes, while capitalism has not replaced these relationships with any alternatives for rural labor. Liberalization and privatization have led to a "pauperization" of agricultural workers and forced many to migrate to the cities, where they have in turn joined casual and contractual labor pools in the urban informal sector, where they remain unprotected by legal safeguards and disinvested from their sustainable means of production. "Global inequality is [thereby] structured in such a way that the misery of at least a third of humanity threatens to turn into permanent exclusion."⁶⁸ In other words, economic betterment depends not only on capital flowing into the region, but also on *where* that capital is channeled.

Laudatory Western news stories of Indian economic viability are implicated in this entire process in that they are designed myopically to direct capital *only* to the industrialized, formal sector. Cheerleading, again by the logic of this study, will reduce perceptions of risk (only slightly because the skew continues to favor blanket, unnuanced penury) and increase capital flow, but it will also set the agenda, as we saw earlier, in this case ensuring that the concept of "informed investment" will be linked solely with sectors that contribute towards unabashed international consumerism and the protection of the global market.⁶⁹ And this, according to Breman, not only ignores those in the informal sector, but also directly and actively impoverishes them.

All of this is perhaps most clearly seen in the events surrounding Enron Corporation's power investments in India. On 7 August 1995, *The Los Angeles Times* sardonically warned its readers to "never underestimate India's ability to shoot itself in the foot." Why? Because

...after spending the last four years wooing foreign investment, India sent a message last week that it may turn back the clock. The government of the state of Maharashtra said it was scrapping a \$2.8-billion deal with a consortium led by...Enron Corp. to build a badly needed power plant 100 miles south of Bombay.... The new state government said Enron was charging too much for the power it would supply and got too favorable terms from the previous government.... One of the tragic legacies of colonialism was the suspicion of foreign firms and institutions.... The Maharashtra government's ill-advised action may lure voters temporarily...but it has hurt its own citizens.⁷⁰

The market-intoxicated fantasies that produced this wet dream of a story are obvious. India and everyone else must prostitute themselves to their American multinational pimp(s) without criticism, doubt, or challenge of any kind. Such ques-

tioning "threatens improving economic relations with the United States."⁷¹

What Enron was doing in India was, of course, far worse than the Maharashtra government feared, which turned out to be the tip of a Titanic-busting iceberg. Enron's dealings in India were a sordid swirl of political corruption, American government intervention, Hindu nationalism, regional mind games, and hardcore greed. What was the end result (before Enron's recent fall)? The power plant was built. In May 2000, the Maharashtra Electricity Regulatory Committee concluded that it would be more cost-effective to pay Enron "mandatory fixed charges for the maintenance and administration of the plant...than to actually buy any of its exorbitant power." These mandatory charges came to 10 billion rupees a year for forty years! And those whose conditions have worsened the most as a result of this heist, which Arundhati Roy has masterfully exposed, have been the urban and rural poor, the workers of the informal sector.⁷² The Western media not only missed this part of the story, but plainly, in the context of Chomsky and McCombs, they also played an active role in its tragic creation.

Conclusions

This paper has shown that the Western media improperly depict the economics of South Asia by emphasizing and sensationalizing the poverty of the region as well as, in the case of postreform India, focusing like a laser on the benefits of liberalization. Media (mis)representations, contrary to popularly promulgated perceptions, are neither "abstract" nor purely, innocently "objective." Rather, they determine how the world is perceived and understood.

Capitalist economics is founded upon twin pillars of faith: one in the concept of growth and the other in the power of free markets. Both of these conceptions rely upon, indeed depend upon, the availability and free flow of capital. Economic theory, however, acknowledges that capital does not flow freely throughout the world, which it ascribes to the existence of factors of risk in the political, social, and economic realms with differentials across countries and regions. Evidence indicates that perceptions of risk are affected by, and in some cases effected by, worldviews.

We have established that the media generally creates particular worldviews and that the elite media bear the added burden and responsibility of overwhelmingly informing, through their privileged positions of prestige, the opinions of all other outlets of public expression. The concept of salience suggests that additionally, media presentations will take on a disproportionate significance in the shaping of people's ideas, such that information presented in elite media will outweigh contraindicative evidence presented in other sources.

The link between media representations and worldviews thereby connects the former with perceptions of risk as well. Sensationalized reporting of poverty in South Asia actually increases the levels of risk perceived. The inaccurate portrayals of the economic atmosphere in the region has a corresponding negative impact upon the risk perceptions associated with relevant countries, and this in turn reduces the flow of capital into the subcontinent. In other words, Western media images of South Asian poverty actually reinforce and contribute to the region's continued impoverishment.

Portrayals of market nirvana, on the other hand, set the

agenda for the direction of what capital does flow into India (specifically), admittedly growing the formal business sectors, but with an insidious cost on the vast majority in the informal realm. Agricultural laborers in particular are forced out of sustainable living conditions and pauperized, indentured to a more mobile system over which they have even less control.

We contend that the biases of the Western media are difficult, if not impossible to eradicate, and they, therefore, create and sustain a very uneven playing field for the participants in global capitalism. Although South Asia has served as the focus of this study, we believe that the cases-in-point and data signify wider repercussions, for they point to a systematic fiction within the capitalist narrative: that open and free markets will help grow the economies of all regions, eventually equalizing levels of development. Our work indicates that India and South Asia, indeed all developing countries, have borne, bear, and will continue to bear heavy costs for "globalizing" their economies,⁷³ for the hierarchy of rich and poor countries and peoples has only become more entrenched.

NOTES

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¹ See Michel Foucault, *The Order of Things: An Archaeology of the Human Sciences*, Alan Sheridan, trans. (New York: Pantheon, 1970); and Edward Said, *Orientalism* (New York: Pantheon Books, 1978).

² Edward Said, *Covering Islam: How the Media and the Experts Determine How We See the Rest of the World* (New York: Vintage Books, 1997), xi.

³ Wes Cecil, Pranav Jani, and Stacy Takacs, "India Is(n't): (Mis)Representations of India in the United States Media," *Samar* (Summer 1994): 4.

⁴ Radhika Parameswaran, "Coverage of 'Bride Burning' in the *Dallas Observer*: A Cultural Analysis of the 'Other,'" *Frontiers* 16, no. 2/3 (1996): 69-100. More generally, see Peter Dahlgren and Sumitra Chakrapani, "The Third World on TV News: Western Ways of Seeing the 'Other,'" in William Adams, ed., *Television Coverage of International Affairs* (Norwood, NJ: Ablex, 1982).

⁵ Times Mirror Center for the People and the Press, *News Release*: "A Content Analysis: International News Coverage Fits Public's Ameri-Centric Mood" (March-June 1995): 6-8. We would like to thank Nilanthi Samaranyake of The Pew Research Center for providing us with this study. See also Susan D. Moeller, *Compassion Fatigue: How the Media Sell Disease, Famine, War and Death* (New York: Routledge, 1999), 18.

⁶ Moeller, *Compassion Fatigue*, 24. See also 327, n. 57.

⁷ Times Mirror Center for the People and the Press, *News Release*, 26, n. 20.

⁸ Quoted in Moeller, *Compassion Fatigue*, 15.

⁹ Malcolm Browne, quoted in Moeller, *Compassion Fatigue*, 16.

¹⁰ The quotations from this paragraph are cited in Moeller, *Compassion Fatigue*, 13-14 and 24.

¹¹ John F. Burns "With Old Skills and New, India Battles the Plague," *New York Times*, 29 September 1994, sec. A, p. 3, col. 1.

¹² There is a vast literature on the effects of incomplete and missing markets. For an in-depth study of some of the effects, see Joseph Stiglitz, *Whither Socialism* (Cambridge: MIT Press, 1994). The book also gives extensive references to particular instances of market imperfections.

¹³ For an introductory discussion of the issue, see Debraj Ray, *Development Economics* (Princeton: Princeton University Press, 1998), 7-42.

¹⁴ Michael Kaufman, "A Village in India Prospers Because of Reformer's Zeal," *New York Times*, 1 December 1980, sec. A, p. 14, col. 5.

¹⁵ Steven R. Weisman, "For Some of India's Poorest, the Gift of Self-Help," *New York Times*, 22 November 1985, sec. A, p. 2, col. 3.

¹⁶ Raymond Bonner, "Pakistani Schools: Meager for Hungry Minds," *New York Times*, 31 March 2002, sec. 1, p. 3, col. 1. The stories immediately following this quotation are taken from Carol Morello, "For the Trendy in

India, Greeting Cards Say it All," *USA Today*, 14 October 1997; and Michael Phillips, "Hippocratic Oath: Can World Bank Lend Money to Third World without Hurting Poor: An Indian Coal Project Shows the Risks in Resettling Illiterate Peasant Farmers," *The Wall Street Journal*, 14 August 2000.

¹⁷ E&P Research, *Top Newspapers by ABC Circulation Audit* (30 September 1999), <www.mediaminfo.com/ephome/research/researchhtm/usdaily.htm>.

¹⁸ Dow Jones, *About Dow Jones* (12 April 2002), <http://www.dowjones.com/corp/index_aboutdow.htm>. Moreover, such reporting can be found in any number of American papers. For example, take this story related to Pakistan by Kate Stanley, "Haunted by Fathomless Want," *Minneapolis Star Tribune*, 21 February 1999, News sec., p. 23A: "[Bangle-seller Muhammad Riaz] and his family sell shimmery glass bracelets in the foothills of the Himalayas, amid a jumble of hill-town shops 60 miles north of Islamabad. If you stop to admire, he'll offer you a good price: 12 bangles for 10 rupees, about 20 cents." Such economic misrepresentation is prevalent throughout the Western media.

¹⁹ Susan Welch et al, *Understanding American Government*, (Belmont, CA: Wadsworth, 1999), 204-209. See especially Figure 1 on 206-207. For more on the corporate takeover of the media, see Herbert Schiller, *Culture, Inc.: The Corporate Takeover of Public Expression* (New York: Oxford University Press, 1991). See also Erik Barnouw et al, *Conglomerates and the Media* (New York: The New Press, 1997).

²⁰ In *Development Economics*, Ray also gives references to literature dealing with particular aspects of these issues.

²¹ HPI uses indicators for measuring basic dimensions of deprivation: a shorter life span, illiteracy, lack of access to safe water, health and nutrition. If one adds the income component too, the percentages remain roughly the same for all of the South Asian countries.

²² Mahbub ul Haq Human Development Centre, *Human Development in South Asia 1999: The Crisis of Governance* (Karachi: Oxford University Press, 1999), 12. The figures are from chapter 1, table 1.1. The percentages for the individual countries are: Bangladesh (forty-seven percent), India (thirty-six percent), Pakistan (forty-six percent), and Sri Lanka (twenty-one percent).

²³ Saritha Rai, "World Business Briefing Asia: India: Foreign Investments Approved," *New York Times*, 12 May 2001, sec. C, p. 2, col. 3.

²⁴ Mrinalini Datta, "McDonald's to Double its Investment in India," *Chicago Sun-Times*, 8 May 2001, Financial sec., 48.

²⁵ P.J. Anthony, "World Business Briefings: Asia: India Relaxes Investment Barriers," *New York Times*, 2 February 2000, sec. C, p. 4, col. 4.

²⁶ Eduardo Lachiga, "Some Firms Favor India over China for Investments," *Wall Street Journal*, 17 June 1999, sec. A, p. 23, col. 4.

²⁷ Radhika Parameswaran, "Local Culture in Global Media: Excavating Colonial and Material Discourses in the *National Geographic*," unpublished article manuscript forthcoming in *Communication Theory*, abstract, p. 2.

²⁸ Parameswaran, "Local Culture," 29.

²⁹ See Walt Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto* (Cambridge: Cambridge University Press, 1961).

³⁰ Before one hits diminishing returns to capital.

³¹ For an introduction to the models see Ray, *Development Economics*, chapters 3 and 4 on growth, 47-125.

³² As an example of such thinking see Mahbub ul Haq, *The Strategy of Economic Planning: A Case Study of Pakistan* (Karachi: Oxford University Press, 1963).

³³ A lot of the research under the rubric of endogenous growth theory has been done in this area. For a reference, see Robert Barro and Xavier Sala-i-Martin, *Economic Growth* (New York: McGraw Hill, 1995).

³⁴ See, for example, Robert Barro, "Economic Growth in a Cross Section of Countries," *Quarterly Journal of Economics* 106, no. 2, (1991): 407-443. Barro has continued to extend this work in subsequent research and has been joined by a number of other growth experts. In some ways the plethora of variables found to be significant in one regression or the other suggest a tendency to "over-explain" growth.

³⁵ World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (New York: Oxford University Press for the World Bank, 1993).

³⁶ The Solow residual can be interpreted as the contribution of technology as well as other factors about which we still do not know.

³⁷ Susan Collins and Barry Bosworth, "Economic Growth in East Asia: Accumulation versus Assimilation," *Brookings Paper on Economic Activity* 2, (1996): 135-203; and Jose De Gregorio and Jong-Wha Lee, "Economic Growth in Latin America: Sources and Prospects," Global Research Project of the World Bank, First Draft, 1999.

³⁸ We have discussed this point above in relation to growth theories and the empirical evidence reported in the literature.

³⁹ Any good that is in short supply will command a higher price for a given level of demand.

⁴⁰ This is simple supply and demand. If demand is higher in some markets than others, suppliers are expected, as long as they care for returns, to divert supplies to excess demand markets. The movement should continue until returns are equalized.

⁴¹ The direct relationship between rate of return needed to compensate lenders or investors and the risk faced does not hold for the entire risk spectrum. At some level the risk faced might be so high that no level of return might be able to induce investors to bear that perceived risk. Some smaller developing countries might be facing this situation. For the relation between risk and return see Joseph Stiglitz and Andrew Weiss, "Credit Rationing in Markets with Imperfect Information," *American Economic Review* 71, no. 3 (1981): 393-410.

⁴² For some relevant references on this research, see Ortwin Renn and Bernd Rohrmann (eds.), *Cross-Cultural Risk Perception: A Survey of Empirical Studies* (Netherlands: Kluwer Academic Publishers, 2000).

⁴³ See, for example, the country risk ratings in *Euronomy*, September 2000, 216-224. We thank Charlotte Poore of TRowe Price for providing us with this information.

⁴⁴ Compare, for example, the country risk ratings from *Euronomy*, September 2000, 216-224; and GNP per capita figures from the World Bank *World Development Indicators Database*, 2 August 2000, at <www.devdata.worldbank.org/data-query/>.

⁴⁵ In other words both the mean and the variance of the level of risk are important.

⁴⁶ Paolo Mauro, "Corruption and Growth," *Quarterly Journal of Economics* 110 (1995): 681-712.

⁴⁷ Paul Collier and Catherine Pattillo, eds., *Risk and Investment in Africa* (London: Macmillan Press, 2000) also give a number of good chapters on the subject, though they are not addressing the issue we are.

⁴⁸ Frederick Jaspersen, Anthony Aylward and David Knox, "Risk and Private Investment: Africa Compared with Other Developing Areas," chapter 3 in Paul Collier and Catherine Pattillo, eds., *Risk and Investment in Africa* (London: Macmillan Press, 2000), 71-95.

⁴⁹ For some relevant references on this research, see Ortwin Renn and Bernd Rohrmann, eds., *Cross-Cultural Risk Perception: A Survey of Empirical Studies*. Specifically see chapter 1 by the editors, 11-53.

⁵⁰ Daniel Kahneman, Paul Slovic, and Amos Tversky, eds., *Judgement Under Uncertainty: Heuristics and Biases* (Cambridge: Cambridge University Press, 1982) is a good place to start for this literature.

⁵¹ Edward Herman and Noam Chomsky, *Manufacturing Consent: The Political Economy of the Mass Media* (New York: Pantheon, 1988), 306. See also, Said, *Covering Islam*.

⁵² Moeller, *Compassion Fatigue*, 17.

⁵³ Peter Wintonick and Mark Achbar, *Manufacturing Consent: Noam Chomsky and the Media* (New York: Black Rose Books, 1994), 54-56. For evidence that supports these claims, see Herman and Chomsky, *Manufacturing Consent*.

⁵⁴ See Ithiel de Sola Pool, *The Technologies of Freedom* (Cambridge: Harvard University Press, 1983); Ien Ang, *Watching Dallas* (New York: Methuen, 1985). See also Schiller, *Culture Inc.*, 146-154.

⁵⁵ Schiller, *Culture Inc.*, 156.

⁵⁶ McCombs, "Building Consensus: The News Media's Agenda-Setting Roles," *Political Communication* 14, no. 4 (1997): 433.

⁵⁷ See Maxwell McCombs, "Building Consensus: The News Media's Agenda-Setting Roles," 433-443; Shanto Iyengar and Adam Simon, "News Coverage of the Gulf Crisis and Public Opinion," *Communication Research* 20, no. 3 (1993): 365; and Franklin Gilliam and Shanto Iyengar, "Prime Suspects: The Influence of Local Television News on the Viewing Public," *American Journal of Political Science* 44, no. 3 (2000): 560

⁵⁸ Ellen Peters and Paul Slovic, "The Role of Affect and Worldviews as Orienting Dispositions in the Perception and Acceptance of Nuclear Power," *Journal of Applied Social Psychology* 26, no. 16 (1996): 1427-1453.

⁵⁹ Peters and Slovic, "Affect and Worldviews," 1446.

⁶⁰ Paul Slovic and Ellen Peters, "The Importance of Worldviews in Risk Perception," *Risk Decision and Policy* 3, no. 2 (1998): 165-170.

⁶¹ Collier and Pattillo, *Risk and Investment*. See chapter 1 by the editors. Also see chapter 2: "Rating Africa: The Economic and Political Content of Risk Indicators" by Nadeem ul Haque, Nelson Mark, and Donald Mathieson, 33-70. "[E]conomic fundamentals, however, do not fully explain the credit ratings for African countries. We have found that Africa's credit ratings are lower than is warranted by the fundamentals, as shown by the inclusion of regional dummy variables in the model." Haque et al, p. 63. Though Paul Collier, in "The Role of the State in Economic Development: Cross-regional

Experiences," *Journal of African Economies* 7, no. 2 (1998): 38-76, only goes on to cite research that shows this negative dummy for Africa, we are arguing that in principle this should be present for most developing countries that are depicted in such a manner, that is that the dummy could arise anytime in such economies given the volatile nature of capital flows.

⁶² Collier, "Role of the State," 63.

⁶³ See, for example, Joe Demby, "Risk and Portfolio Investment in Africa: A Practitioner's Approach," in Collier and Pattillo, eds., *Investment and Risk*, 157-158. Demby presents the perspective "of a practitioner in managing African equity portfolios." See p. 151.

⁶⁴ Demby, "Risk and Portfolio Investment," 152.

⁶⁵ Richard Nisbett and Lee Ross, *Human Inference: Strategies and Shortcomings of Social Judgement* (Englewood Cliffs: Prentice-Hall, 1980). George Akerlof "Procrastination and Obedience," *American Economic Association Papers and Proceedings* 81, no.2 (1991): 1-19, bases an entire theory of "time inconsistent behavior" (the problem of akrasia) on the salience effect.

⁶⁶ Kathleen Schalch, National Public Radio, "Analysis: Controversy over Bush Administration's Proposal to Cut Tariffs on Pakistan's Exports to the United States," (9 November 2001), *Morning Edition*, Segment 7, hosted by Bob Edwards. The authors thank NPR for providing us with a transcript of their broadcast.

⁶⁷ Schalch, "Analysis." Charles Antoby, president of a garment trading company that provides goods to such mega-retailers as Wal-Mart and Target, speaking about the 6000 Pakistani workers who made the products he imported.

⁶⁸ Jan Breman, "Us and Them in the New World Order," *Economic and Political Weekly*, (24 November 2001), <www.epw.org.in/showIndex.php>. See also Jan Breman, "An Informalized Labour System: End of Labour Market Dualism," *Economic and Political Weekly*, (29 December 2001), <www.epw.org.in/showIndex.php>. Jan Breman, *Of Peasants, Migrants and Paupers: Rural Labour Circulation and Capitalist Production in West India* (New Delhi: Oxford University Press, 1985); Jan Breman, "A Study of Industrial Labour in India," (Amsterdam: Working Papers of Asian Labour, CLARA Pre-publication Working Paper Series, International Institute of Social History), 1998; and Jan Breman, *Footloose Labour: Working in India's Informal Economy* (New York: Cambridge University Press, 1996).

⁶⁹ We are reminded here of journalist P. Sainath's observation, following Edward Abbey, that "Growth for growth's sake is the ideology of the cancer cell." P. Sainath, "How They Cover or do not Cover Poverty: State of Social Reporting in India," *Outlook*, 19 October, 1998.

⁷⁰ "India Slams the Door; Termination of Deal with U.S. Firm could Negate Four Years of Wooing Foreign Investment," *Los Angeles Times*, 7 August 1995, Metro sec., part B, p. 4.

⁷¹ "India Slams the Door," *Los Angeles Times*, 7 August 1995.

⁷² Arundhati Roy, *Power Politics: The Reincarnation of Rumpelstiltskin* (Kottayam, Kerala: DC Books, 2001), especially 25-31.

⁷³ See P. Sainath, *Everybody Loves a Good Drought. Stories from India's Poorest Districts* (New Delhi: Penguin, 1996), for additional specific examples of some of the negative repercussions of globalization and liberalization. Interestingly, Sainath points out that the Indian media generally avoids talking about poverty in the country. "None So Blind as Those Who Will Not See," *The Unesco Courier*, June 2001, 44-46. See also "How They Cover or Do Not Cover Poverty" and, more generally, Rachel Dwyer, *All You Want in Money, All You Need is Love* (New York: Cassell, 2000). The observation remains true that ultimately the media serves the interests of the elite classes. In India, the elite assume that in order to attract foreign capital, the poor and issues of poverty must be swept under the rug, a point that concurs with Sainath's assessment in "None So Blind..." There is, of course, direct collusion between the Indian media and the Western press, in that there has been a corporate takeover with international reach of the Indian media as well, and while this in one sense might blur the categories of Western and Indian/South Asian, in the context of global capital and resulting power relations it ultimately remains another manifestation of historic Orientalism. The Indian media, regardless of what they report, cannot totally counterbalance the sensationalized production of South Asian poverty in the Western media. Issues of access and prestige (and influence on the movement of capital) preclude the Indian media from carrying the same weight as their Western counterparts, thereby maintaining the overall hegemony of the sensationally distorted Western lens.