

PRINT MEDIA AND FOREIGN DIRECT INVESTMENTS: CREATING PUBLIC OPINION IN SLOVENIA

Assistant Professor PhD **Zoran VAUPOT**

Faculty of Business Studies, Catholic Institute, Ljubljana, Slovenia

zoran.vaupot@kat-inst.si

Assistant Professor PhD **Milena FORNAZARIČ**

Faculty of Business Studies, Catholic Institute, Ljubljana, Slovenia

milena.fornazaric@gmail.com

Abstract:

The share of FDI in comparison to GDP shows that Slovenia is receiving less FDI than all the Visegrád countries. We argue that the most important roots of this phenomenon are to be found in the year 1992, the first normal year after 1991 when Slovenia gained its independence. In 1992 the political discussions concerning which methods of privatization to choose were at their most fervent and the media were playing an important role in creating public opinion concerning participation of potential foreign investors in the privatization process. The media landscape in Slovenia has been, for the last three decades, a typical transitional one, with a strong role of public TV, a growing share of commercial TV, the declining role of print, underdeveloped internet and local radio. Being a tiny media market with a highly competitive environment, profit-making media companies are struggling with small ad budgets, especially those from state-owned companies, which have been for decades the largest local advertisers. The owners of private and state-owned media have been therefore highly connected to the political elite since the independence of Slovenia. We first try to explain the lesser importance of FDI in Slovenia with existing research concerning the role of institutions, especially public opinion as an important informal institution. In the second part, we present the analysis of selected press articles for the year 1992. We offer conclusions concerning public opinion in Slovenia in 1992 and its influence on existing and potential foreign investors in subsequent years.

Key words: FDI, print media, informal institutions, public opinion, Slovenia, Visegrád countries

JEL classification: E70, F21, O43, O52, P33

1. INTRODUCTION

Since the beginning of the 1990s, Slovenia has received less inward FDI (IFDI) than the Visegrád countries (V4) as illustrated in (figure no. 1), in which we compare trends in the last decade. All Visegrád countries presented are suitable for comparison with Slovenia because of their similar historical roots, level of economic development, size and geographical position.

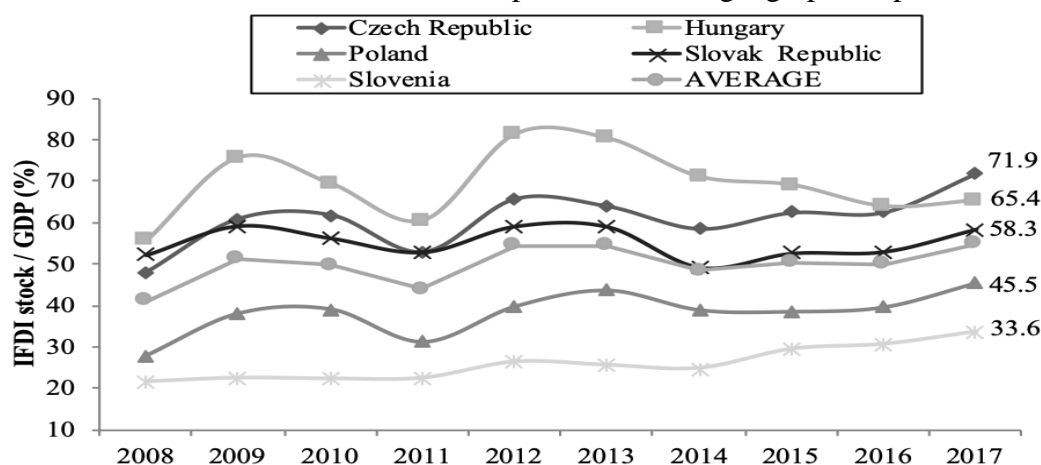


Figure 1. IFDI stock in comparison with GDP

Source: OECD, FDI stocks (indicator)

We can try to explain this fact with the help of research concerning FDI determinants. It was initially mostly focused on the location aspect of the OLI paradigm (Dunning, 1979), which refers to the natural and created resources of a country. In the last 20 years another group of FDI determinants has appeared significantly in research. As stated by Horobet and Belascu (2015), existing research about FDI determinants focuses on numerous factors based on institutional theory, such as: the level of corruption, political instability, institutional quality, and financial and fiscal incentives. Using selected formal institutions and their measurements (rule of law, government effectiveness, political stability) we were not able to find noticeable differences between Slovenia and V4 countries that would explain the different levels of inward FDI in these countries (Vaupot, 2016). This leads towards an attempt to use the so-called informal institutions as an explanatory variable in our research.

2. INFORMAL INSTITUTIONS AND FDI

In his often-cited research from 1991, North writes about institutions and their historical role in the performance of economies. He defines institutions as the “humanly devised constraints that structure political, economic, and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)” (North, as cited in Mondolo, 2018). Several years later, he defines informal institutions as “informal rules (that) are unwritten norms of repeated human interactions. They embody moral codes and norms, which can be very diverse across cultures” (North, 2005).

Pejovich understands informal institutions as “traditions, customs, moral values, religious beliefs, and all other norms of behavior that have passed the test of time ... Informal institutions are the part of a community’s heritage that we call culture” (Pejovich, 1999).

When trying to present their definition of informal institutions, Helmke and Levitsky (2003) first refer to aspects of traditional culture, personal networks, clientelism, corruption, clan and mafia organizations, civil society and a wide variety of legislative, judicial and bureaucratic norms. They are aware that a better definition is needed, and that informal institutions must be distinguished from other, non-institutional, informal patterns and behavior. So, they first define formal institutions as “rules that are openly codified, in the sense that they are established and communicated through channels that are widely accepted as official” (Helmke and Levitsky, 2003). By contrast, they define informal institutions as “socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels” (Helmke and Levitsky, 2003).

Informal institutions may be considered as a part of national culture but, according to Helmke and Levitsky (2003), there is an important difference: culture is defined by shared values and not by shared expectations as informal institutions. Although informal institutions are not formally codified, their “non-utilization minimizes the chances of gaining access to goods and services” (Lauth, 2004).

In his paper, Seyoum (2011) concludes that informal institutions affect IFDI in two ways. With direct and indirect influence through formal institutions by shaping, elaborating and extending formal rules (Seyoum, 2011). Mondolo (2018) argues that three types of informal institution are widely acknowledged and emerge from the literature that analyses their influence on FDI: trust, social networks and corruption. She concludes that “social networks and factors typically facilitating or in favor of FDI – such as trust and a positive attitude to liberalism – have a significant and positive impact on inward FDI, and this especially holds when the host country is a developing economy” (Mondolo, 2018).

Roth (2009) summarizes three different conceptions of trust: thick (generated by family networks), interpersonal (based on interactions among people in modern societies who do not know each other) and institutional (related to confidence in people from formal institutions). More trust is positively correlated to growth, because of easier cooperation and lower transaction costs in the economy (Seyoum, 2011).

In conclusion, we summarize Feldman (1988). He claims that most people do not structure their beliefs ideologically. So, the research concerning public opinion and mass belief systems should be considered with limitations because “another large body of literature suggests that specific attitudes and beliefs are in part a reflection of people’s core beliefs and values” (Feldman, 1988).

3. INFLUENCING TRUST AND PUBLIC OPINION

THE ROLE OF THE MASS MEDIA

Media are extremely important in shaping public opinion and influencing trust and distrust in different public issues. As an important part of our lives, very influential in terms of personal attitudes and values, they help to create local and global brands, and political and economic elites, and affect the lives of many generations. In a society where profit guides almost everything and everyone, the media are also hunting for profit and they find themselves caught between advertisers, public agencies, the audience and the political elite. With the rise of the internet as a new technology, as well as a new business model, the traditional model of communication changed, and users are having more control over communication, independence and influence (Fornazarič, 2006).

In their work, *Manufacturing Consent: The Political Economy of the Mass Media* (Herman and Chomsky, 1988), the authors elaborate a ‘propaganda model’. It presents a framework for understanding how the mainstream media from the USA work. The model consists of five elements, filters of the news, which support the decision-making process concerning the publication of specific news:

- The first filter consists of size, ownership, and the profit orientation of the mass media. The authors point out the important fact that there is a link between the management boards of the corporate community and banks. Since media require franchises for their work also the relationship with the government is of great importance.
- The second filter is advertising (the advertising license to do business). Media firms are, first of all, large profit-oriented businesses. The media financially depend on advertising. And the advertisers want a financially strong audience. Based on our own business experience – as a director at Media Pool Buying Agency and the President of the Slovenian Association of Communication Agencies at the Slovenian Chamber of Advertising – we can confirm that some companies have instructions to advertise only in the media that in reality meet political standards.
- The third filter is called sourcing mass media news. The media needs sources of the news which should be cheap and regularly provided.
- The fourth filter is defined as ‘flak’, that means negative feedback. It can be in different forms including public petitions, letters of readers, lawsuits...
- The fifth filter is called ‘ideology’, e.g. anti-communism or an ‘invisible hand’ of the almighty market in the USA.

The propaganda model was later criticized, so let’s discuss briefly some of the main criticisms, also listed by Herman (2003):

- Conspiracy theory: as Herman explains, several pages of introduction have been devoted in order to openly reject this theory.
- Absence of inclusion of media professionalism and neutral position: Daniel Hallin (1994) claims that media professionalism is very important to explain how media work and that Herman and Chomsky (1988) did not take this fact into account. Herman (2003) answers that the above-mentioned concepts are not clear enough and only appear with less competition and the more the media is dependent on advertising.
- The “propaganda model is too mechanical and functionalist, and ignores the existence of space, contestation, and interaction” (Herman, 2003).

- As Herman (2003) claims, these critics come from the leftist media analysts (P. Schlesinger, J. Curran, P. Golding, J. Eldridge). According to them, the weighted importance of individual filters and external influences are not considered. Herman (2003) claims that the model itself is a broad analytical tool that needs to be modified based on specific situations.

Regardless of all its critics, the model is still important for understanding the media in relation to the political elite and the audience. Several filters (ownership and advertising) have even gained in their importance. The bigger role of corporate power in comparison to public broadcasting, coupled with ownership changes, bigger competition for advertisers and weaker boundaries between editorial and advertising departments, all resulted in even more influence on the bottom-line considerations.

Due to its small size, a very competitive Slovenian market in terms of several media vehicles, has never been and still isn't very attractive for global advertisers. This increased the vulnerability of local media, especially press, who lost readers because of new media consumption habits, advertisers and their influence. Taking into consideration the historic development of the role of the media in Slovenia, we propose the hypothesis that local print media in 1992 influenced informal institutional 'trust' by creating distrust concerning the possible role of foreign investors in the privatization process.

The created distrust influenced public opinion, which later influenced politics to adopt privatization legislation that was hostile toward potential foreign investors in the privatization process and caused additional costs and risks for existing and potential foreign investors in the Slovenian private sector. The overall result was, and still is, less inward FDI in Slovenia. The causality links are presented in the (figure no. 2).

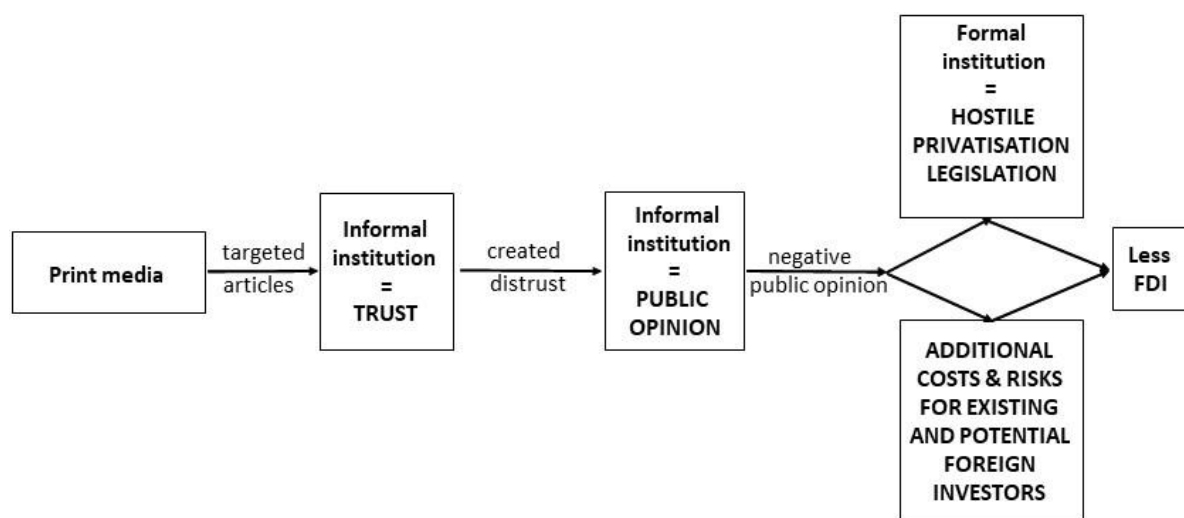


Figure 2. Print media influence on institutions in Slovenia in 1992

Source: Own elaboration

Before taking a closer look at the situation in Slovenia, we would like to present the overall situation in the region of countries included in the comparison. We were not able to locate any international research that undertakes a direct cross-cultural comparison concerning the general attitudes toward foreign investors in Slovenia and Visegrád countries. So, we use indicators of each society's attitudes to liberalism to capture positive or negative public opinion effects on IFDI share, as developed by Kunčič and Jaklič (2014). They proxy public opinion with a summary index based on attitudes towards liberalization issues from the World Values Survey (WVS) and the European Values Study (EVS), as presented in the (table no. 1).

Table 1. Share of liberal public opinion

Slovenia (1992)	Poland (1990)	Hungary (1991)	Slovak Republic (1991)	Czech Republic (1991)
0.32	0.22	0.25	0.30	0.52

Source: WVS, EVS and calculations by Aljaž Kunčič. Adapted by the authors.

The results show a somehow surprising situation. As a republic of the former Yugoslavia until 1991, and the country considered the least communist country in Eastern Europe, in a political but also economic sense, we would expect that the liberal orientation of the Slovenian population would be significantly higher than in the other V4 countries, which suffered from harder versions of communist ideology. But, surprisingly, this was not the case and the overall liberal public opinion in Slovenia was very similar to the countries of the V4 group and much less than the liberal public opinion in the Czech Republic.

PRIVATIZATION LEGISLATION

It was in 1992, the first year after gaining independence, that the topic of how to create a legal framework for the privatization of the state-owned companies arose as one of the main social topics in Slovenia.

Basically, there were two main groups of interest intending to take part in this process. In the first group there were mostly members and supporters of previous communist regime elites, e.g. politicians and managers of the state-owned companies and publicly represented by the concept called the 'Korze-Mencinger-Simoneti code'. The second group consisted of the defenders of more open possibilities for potential foreign investors, MNCs and investment funds that would take part in the privatization process of Slovenia. This second concept was publicly represented by the so-called 'Sachs-Peterle-Umek code'. During 1990, 1991 and especially 1992, intense communication activity in the local mass media was in progress with a clear goal: to influence the adoption of privatization legislation that would support the strategic goals of each group.

Finally, in November 1992, after two years of negotiations, the privatization law (named the Law on the Transformation of Social Ownership) was adopted. Although there was a compromise between the two interest groups, clearly the orientation toward foreign investors was hostile as indirect sales methods (voucher privatization and internal purchases by managers and/or employees) had been selected. In later decades it became obvious that this choice negatively influenced real change in Slovenian society, since the old political and economic elite were not replaced with a new democratic elite.

In order to prove the above presented hypothesis, and to highlight the role of print media in Slovenia in 1992 concerning the creation of negative public opinion towards foreign investors, we present the analysis of articles published in the daily newspaper Večer.

4. CREATING PUBLIC OPINION: THE CASE OF JOURNAL VEČER

According to Mediana IBO (2004), gross advertising expenditure by media share was quite stable in the 1990s (without radio, cinema or the internet) with a large share of this being on TV (more than 50%), and in newspapers and magazines (16–19%) and dailies (13–16%). This latter share was divided among the three main daily newspapers, Delo (40% of ad spend), Dnevnik (30% of ad spend) and Večer (30% of ad spend). One should bear in mind that the Slovenian media market is a tiny one (only 2 million population) and that Večer was, during the 1990s, and still is the main print media in the Eastern part of the country. Using the propaganda model, we present Večer's situation at the beginning of the 1990s in the (table no. 2).

Table 2. Večer's situation at the beginning of the 1990s using the propaganda model

Model's filter	Večer's situation
Ownership	Večer was owned by the SZDL (stands for: Socialist Union of the Working Class), part of the leading political structure. Obviously, the interests and values of the newspaper and the political elite were the same.
Advertising	'Own' means 'control'. Media ownership is connected to advertisers, advertisers depend on large audiences. There is a link between the third element of the model and media ownership, i.e. sourcing mass media news. The big media want reliable sources (government), media companies depend on ties with governments (which spread power and influence through media). We can link directly the position of Večer in all elements to these filters.
Mass media news	The media needs sources of news. When media are practically owned by a ruling political party, it is understandable that the way the news is produced is aligned to the interests of a leading political stream.
Negative feedback	This refers to negative responses to a media statement, by letters (of readers, individuals, groups, etc.), lawsuits, phone calls and so on. We can assume, due to the ownership of Večer, that all these responses were controlled by editors and in line with the mainstream policy of the organization. Advertising is still the primary source of income for many media, they depend on ads and they allow the largest advertisers to interfere with the content. This is true not only for corporations, but also for governments, which are in some cases the largest national advertisers (political marketing). So, the fear of negative feedback as one important element of the model is typical for corporations and governments, who would like to control mainstream media, as Večer was at that time.
Ideology	Pluralism is often linked with diversity in the media. As stated by Doyle (2002), the pluralism includes diversity of ownership and diversity of output. "Control over key access points to the media, especially when combined with the strategy of vertical integration, can give individual media players extremely high levels of influence over rivals and over what sorts of content and services are supplied to the public" (Doyle, 2002). Due to the position of Večer in the market, they were at that time the leading media source in the eastern part of Slovenia.

Source: Own elaboration

In the empirical part of our research we included in the analysis articles published in Večer during the whole of 1992. The keywords used for the research were 'foreign investments' and 'foreign investors'. Of the 39 articles in total, we first selected those 15 articles where the value orientation of their authors could be identified based on certain keywords. In other words, we excluded 24 articles where only factual or statistical data concerning foreign investors or foreign investments were communicated.

Some examples of identified statements with positive value orientation: 'Slovenia – ideal for investments', 'workers will not lose their jobs', 'very successful contract', 'enabling further development', 'this money cannot be borrowed from any bank', 'better social security for employees', 'strong modernization of production facilities', 'production capacity growth', 'strategic geographical position', 'capital inflows and not sale', 'realization of a strategic plan', 'readiness to compete on Western markets', 'providing European quality of products and services', 'ecologically impeccable', 'modern and well-organized company', 'long-term supply of customers', 'contributions for enforcement of our young country in international environment', etc.

Some examples of identified statements with negative value orientation: 'fear of sale of Slovenian resources', 'easy prey for foreign capital and capital hyenas', 'we are against sale', 'good companies should remain in domestic proprietorship', 'filed charges against foreigners', 'warnings against uncritical acceptance of foreign investments are justified', 'in order to preserve the Slovene nation, it is necessary to determine how we will manage foreign investments', 'I would jealously protect Slovene language and Slovene land', etc.

In order to avoid or minimize the importance of possible remarks, linked to personal bias, the analysis of an overall value statement of every article, based on the previously presented identified statements, was first made by both authors of the present research independently.

The results of the first evaluation round were identical for 12 articles (80%). In the second round a joint analysis of the remaining three articles (20%) resulted in a fast consensus and then all 15 articles were categorized as presented in the (table no. 3).

Table 3. Distribution of communicated value statements in published articles concerning foreign investments/foreign investors

Generally positive	Balanced	Generally negative
3 (20%)	6 (40%)	6 (40%)

Source: Večer, 1992. Evaluated by the authors.

Although the sample of articles is relatively small, we should not forget that it is not how many articles are written about certain topics that is important but the size of the audience that reads these articles. It appears clear that most of the communicated value statements about foreign investments/investors in these articles were neither balanced nor positive. How to explain this fact?

In the year 1992 the real GDP in Slovenia was at its lowest since 1980. The loss of former Yugoslav markets after independence in 1991 left its impact and Slovenian companies were trying hard to replace this loss and growing unemployment with exports to the Western economies. Within Slovenia, the Štajerska region (the area covered mostly by Večer) was one of the regions that suffered most.

One would expect that foreign investment would be welcomed in order to overcome this difficult economic situation and that a state-owned newspaper (which Večer was) would support or at least not harm the arrival of foreign investors to the country.

Apparently, this didn't happen, and we do not want to speculate about the reasons for such editorial politics, which were certainly not in the real national interest at that time.

5. CONCLUSION

Slovenia is receiving less FDI than all the Visegrád countries and we tried to explain this phenomenon based on the role of the media and their negative influence on informal institutions of trust and public opinion. We do not argue that this was the only, nor the principal reason, for the negative public opinion concerning foreign investors in Slovenia at the beginning of the 1990s. However, we do think that the role of the media in Slovenia was certainly not active in order to create a positive public opinion, which would have encouraged politicians to adopt more foreigner-friendly privatization legislation and create an overall positive economic environment to attract foreign investors. Since the newspaper Večer was state-owned at that time, as were all dominant media, we have no reason to doubt that the general editorial politics of print (and not only print) media, at least those under direct or indirect political influence, had similar, mostly negative or at least not positive, editorial politics toward foreign investors.

The derived conclusion – that the present situation where Slovenia is receiving less FDI than the V4 countries is not the consequence of incorrect macroeconomic politics from its independence but rather the result of desired political goals supported by the mass media – will probably never be confirmed.

Regarding the macroeconomic implications of these results, we can conclude that, also because of the previously presented active role of the mass media and their indirect influence on formal and informal institutions, Slovenia did not receive higher inflows of FDI. If the volume of FDI compared to GDP had reached the average level of the Visegrád countries, today an additional €10 billion would have been invested in the national economy. What influence that fact would have had on the debt capital in Slovenian companies is hard to estimate but the companies would certainly be better prepared for the previous but also predictable future crisis. Nevertheless, we hope to add some explanation and raise more questions concerning this phenomenon with the present research, whose logical continuation could be the comparison of the previous period with the media editorial politics in the current time.

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