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## **The Role of Business Elite Networks and Media Capture in the Success or Failure of Redistributive Political Projects**

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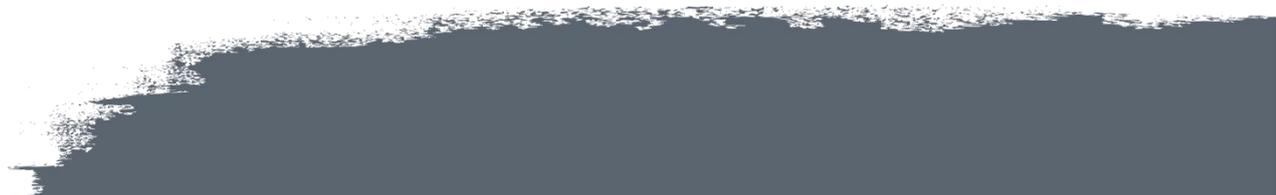
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## Abstract

Business elites establish ties with other powerful actors such as media companies to obtain privileged information and influence worldviews. The resulting business elite network reveals the organization of business elites and media outlets, and is also a way of analyzing the capabilities (and weaknesses) of business elites to block emerging redistributive political initiatives. When political parties with a redistributive agenda have real chances to win elections, business elites react. Out of the various strategies that business elites undertake to influence politics and society, media capture has been one of the most assumed but also most unexplored. Media capture refers to a situation when elites exert direct actions to suppress or to disseminate (un)favorable information, which constraints media autonomy. Drawing on two Latin American countries, Costa Rica and El Salvador, the present study 1) uncovers and analyzes business elite networks among media companies and large corporations through interlocking directorates, and 2) shows how business elites implemented media capture when status quo was threatened by redistributive political projects. Findings show that where media companies were embedded in cohesive business networks, media capture was coordinated and blocked redistributive political projects. This research contributes to emerging debates on business elites and redistributive policies, and the political role of business elite networks.

## Keywords

Business elites; elite networks; media capture; Latin America; interlocking directorates; redistributive projects

## Bio

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## Introduction

How do business elites react to the threat of redistributive political projects? In the last decade, various political parties around the world have threatened the privileged position of business elites with redistributive agendas that implied progressive tax reforms, nationalization of utility companies, or redistribution of land ownership. When these parties had real chances of governing, business elites reacted often to hamper them. Out of the various mechanisms that business elites have to block the election of political parties with redistributive political projects – threat of capital flight, partisan linkages, contributions to political campaigns, – media capture has been one of the most assumed but less empirically explored.

Media capture occurs when power elites direct actions to exert control and influence over media to suppress or to disseminate information (Besley and Prat 2006; Corneo 2006). Media capture aims to persuade voters to choose political parties in line with preferences of business elites (Nordin 2014). Media has a prominent role for the popular perception about tax systems, pensions, and efficiency of public policies, and in consequence over income redistribution. Petrova (2008) showed that higher inequality is associated with lower media freedom. Business elites have the means to buy, lobby, bribe or threaten media owners, editors and journalists in their zeal to block redistributive initiatives. This fact helps to explain the lack of in-depth public debates in media about the rise of inequality and income concentration, especially in Latin America, the region with the highest levels of inequality. For example, the 2015 Latinobarometro survey revealed that only 0.6 percent of the more than 20,000 respondents indicated inequality as the most important national problem, and just 3.6 percent poverty.<sup>1</sup> Largest media outlets might be in part responsible of that since inequality has been out of the main public debates. During 2015, the largest Costa Rican newspaper (La Nación) published 535 articles mentioning inequality, but 2763 mentioning crime, and 2678 about corruption.

Media capture acquires significant importance in electoral campaigns, when population assess political projects, and state control is at stake. The information provided by mass media and made available to voters enables them to punish or reward politicians (Besley and Prat 2006; Strömberg 2015). It has been shown that, when media is captured, the voting decisions of individuals was affected by the information they received (Besley and Prat 2006; Enikolopov et al. 2011). This is particularly relevant in Latin America where information about politics come mostly from the largest media.<sup>2</sup> For example, 67% of voters in Costa Rica mentioned that the main source of information about political agendas and projects came from TV (CIEP 2018). Moreover, literature on elites demonstrated how elections were crucial in business elites' strategies, especially when rent-seeking strategies derive from the control business exert over the state (Cárdenas and Robles-Rivera 2017). Thus, studying media capture during elections gains central importance because it is the time when business elites' influence over the state may be jeopardized, and their reactions are most visible (Durand 2016).

Business elites in Costa Rica and El Salvador felt threatened by leftist parties with redistributive political projects who were leading the polls in the 2014 presidential elections. Costa Rican and Salvadorian business elites have extensively penetrated political systems but faced the possibility of losing the privileged access to the state in 2014 presidential elections. In Costa Rica, a leftist party, *Frente Amplio* (FA), had for the first time in history real chances to win a presidential election. In El Salvador, business elites were excluded in the outgoing left

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<sup>1</sup> The most selected problems were crime and public safety (21.8 percent) and unemployment (15.8 percent). Survey conducted in eighteen Latin American countries (Latinobarómetro 2015).

<sup>2</sup> Becerra et al. 2009; Rockwell and Janus 2003; Sandoval García 2008.

government of *Frente Farabundo Martí para la Liberación Nacional* (FMLN) with the possibility of being ruled out for five years more. During FMLN government (2009-2014), several redistributive policies were implemented and the GINI index significantly decreased from 45.9 to 41.8 (World Bank 2016).

In both countries, business elites deployed strategies of media capture during electoral campaigns. But, whereas in Costa Rica, the redistributive project of the leftist party was blocked thanks to the aggressive media campaign against the leftist candidate and his redistributive project, in El Salvador it was not, and the leftist party won elections. Media capture was coordinated and successful for business elites in Costa Rica and disputed and unsuccessful for business elites in El Salvador.

Previous studies pointed to concentration of media ownership to explain different media capture outcomes.<sup>3</sup> They argued that the media is more likely to be captured when there are few media owners that control TV, radio and press. However, this literature underestimated the proliferation of new media outlets as salient players, and concentrated excessively on who owns media companies, but not on the interlocking networks where media companies are embedded. When media companies are tied to other business firms, media can be restricted to providing checks against business abuses of power. Therefore, understanding media capture means not just making sense of who owns media, it also means considering how media companies are interconnected to the largest corporations and embedded in business elite networks.

Business elite networks, also known as corporate networks, are the set of largest corporations and the ties among them. Business elite networks are uncovered here by examining the presence or absence of interlocking directorates. When directors sit simultaneously on several boards, this creates interlocks between the corporations to which directors belong. If corporations are highly interconnected through board members, a cohesive business elite network is configured. If corporations are poorly connected to each other, a fragmented or non-cohesive elite network arises. Business elites may connect with each other by other means – joint investments, family ties, membership to associations and exclusive clubs, – but board interlocks involve top businesspeople directly, and the board of directors is the position that provides formal opportunities to rule companies.

Research on business elite networks has broadly demonstrated that internal connections matter for business elites. Through these networks, business elites exchange information (Haunschild 1993), reduce transaction cost (Cárdenas 2016), enhance sense of belonging to exclusive circles (Ariño 2016), minimize conflicts and unify power elites.<sup>4</sup> Moreover, studies have showed that embeddedness in business networks affect corporate political behaviour, for example support of business leaders to transnational policies (Jäger 2013), corporate positions about commercial policies (Dreiling and Darves 2011), and business donations to political campaigns (Mizruchi 1992; Murray 2014).

Building on that, we argue that when media corporations are embedded in cohesive networks of interlocking directorates, business elites have more access to the media, and have more opportunities to articulate interests, and coordinate actions of media capture. This is so because business elite networks are a platform for building consensus, and generating shared beliefs about politics (Cárdenas 2018). When business elites are tied to media outlets, they have more

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<sup>3</sup> Besley and Prat 2006; Corneo 2006; Prat 2014; Schiffrin 2017; Strömbäck and Kaid 2009.

<sup>4</sup> Mills 1956; Domhoff 2009; Useem 1984.

chances to produce and repeatedly send common messages that garner privileged representation of specific business interest, which at the end may help them to block redistributive political projects. On the contrary, when media companies are embedded in fragmented business elite networks, business elites' access to the media is constrained. Besides, fragmentation of business elites reduces the chances of a particular group to coordinate media capture in a single direction, and can increase the disputes among business groups to capture the media.

Drawing on two Latin American countries, Costa Rica and El Salvador, the present study 1) uncovers and analyzes business elite networks through board interlocks between media companies and large corporations, and 2) shows how business elites implemented media capture when status quo was threatened by redistributive political projects. To do so, we apply a network analysis of interlocking directorates among media companies and the largest business corporations to uncover business elite networks, and in-depth interviews with business elites to identify media capture strategies implemented. Findings show that where media companies were embedded in cohesive business elite networks, media capture was coordinated and blocked successfully redistributive political projects.

## The Cases: Why Costa Rica and El Salvador

Central America offers a fascinating setting to study the ways in which business elites seek to capture the media to exercise influence on society. The lack of state capacity and weak institutions are the result of a system that has perpetuated an elite-dominated social-political system that has concentrated money, political power, and resources in the hands of few people (Sanchez-Ancochea & Puig 2013). These inequalities have been secured in part by a media system that has echoed and legitimizes elites' privileges, while constraining opposing voices in the public arena (Hughes 2006; Rockwell & Janus, 2003).

The political and social contexts in Costa Rica and El Salvador are similar, but not so similar as to render comparison pointless (Casas-Zamora, 2005). Costa Rica is a country that has experienced a spell of more than seventy years of uninterrupted democratic rule. On the other, El Salvador is a young democracy with the highest levels of violence in Latin America (Wade, 2016). Instead of that, Costa Rica and El Salvador share several economic and political similarities. Family business groups dominate economies, the population size of super-rich is similar, and the income share held by the highest 10% is more than a third of total income. In both countries, business elites have concentrated political influence that has resulted in an extended process of undermining institutions (Bull, 2014). In terms of the political system, the presidential regime operates and the political arena is disputed mainly by three political parties, where one political party is closely related through private contributions and revolving doors to business elites (PLN in Costa Rica and ARENA in El Salvador) (Cárdenas & Robles-Rivera, 2017).

Concerning the media, Costa Rica and El Salvador have highly concentrated media markets. Based on Becerra et al. (2009) previous work, we built a Four-Firm Concentration Ratio (CR4) to measure market concentration for 2017. There have not been significant changes in Costa Rica and El Salvador since 2009 (Table 1). In most industries, the four main companies exercise a dominant control. TV is still dominated by few companies – two in Costa Rica (Teletica and Repretel) and one in El Salvador (TCS), – and press and telecommunications are the markets with highest levels of concentration.

Table 1. Media Concentration in Costa Rica and El Salvador:  
Four Firm Concentration Ratio (CR4), 2009-2017

	2009*		2017	
	Costa Rica	El Salvador	Costa Rica	El Salvador
TV	0.8	0.8	0.87	0.95
Radio	0.14	-	0.47	-
Press	0.98	0.92	1	0.85
Telecommunications	1	1	1	1
Average	0.81	0.96	0.83	0.93

Source: own elaboration. \* Data from from Becerra, Mastrini, & D'Alessandro (2009). Costa Rican data on TV and Radio was taken from Jiménez-Alvarado (2017). Data of press comes from IPSOS MediaCT (2016). Telecommunications data from SUTEL (2017). In the case of El Salvador, data from TV and Telecommunications comes from (SIGET 2016) and data from the press (Starcom Mediavest Group 2015).

## Methods and Data

This research employs a mixed method approach with the primary goal of building upon and complementing each method. Social network analysis was employed to measure and visualize to what extent media companies were embedded in business elite networks. This methodology is well-suited to analyze large numbers of relationships and to map the distribution and structuring of power (Scott 2012). Network analysis uses indicators based on graph theory to measure the degree of cohesion of the entire network, detect internal communities and identify central actors (De Nooy et al. 2011).

Network data collection and processing was performed in several stages. First, the largest media companies were identified. Due to the absence of a media authority in both countries, media companies were selected based on previous works.<sup>5</sup> The list included the largest 48 media companies, 25 in Costa Rica and 23 in El Salvador. Second, the largest corporations in each country were included in the list: 114 firms in Costa Rica, and 117 in El Salvador. From that lists, media companies and companies without public data were removed. In the case of Costa Rica, corporations were selected based on the ranking of EKA 2012, a well-known Central American Business magazine, which organizes the ranking based on company's revenues. In the Salvadorian case, the ranking of *the Industrial Association of El Salvador* (ASI) based on revenues was used. Finally, financial companies were added to this list. These companies would not necessarily show up in the ASI ranking, because given the nature of their business, they have more assets than revenues (Cárdenas 2014). The third stage involved listing the members of the boards of directors of each large media and corporation. Information was collected from *Centro Nacional de Registro* in El Salvador and *Registro de la Propiedad* in Costa Rica during June-July 2015. Finally, those directors who belonged to several boards were identified, and the data were processed using UCINET network analysis software (Borgatti et al. 2002). Networks were visualized using the Net-Draw application, where nodes represent media companies and large corporations, and ties denote directors who sit on several boards.

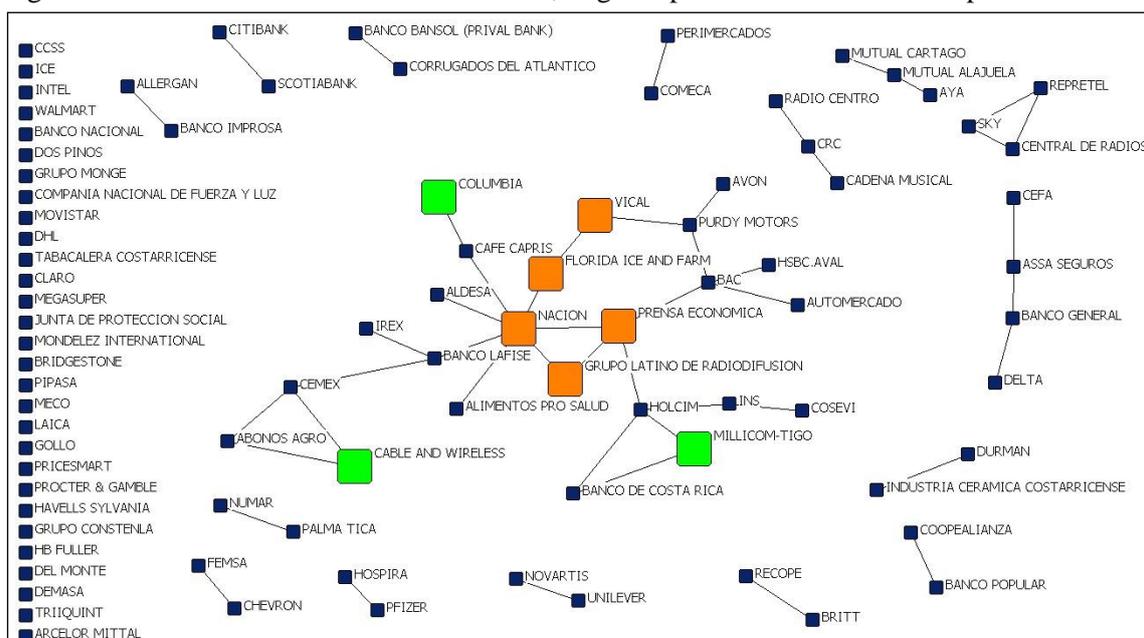
<sup>5</sup> Becerra et al. 2009; Pérez and Carballo, 2013; Rockwell and Janus 2003; Segovia 2005.

In-depth interviews with elites were conducted to provide new empirical evidence on how elites seek to capture media. Interviewing elites is fundamental not just because it provides new information, but also because it sheds light on for whom and by whom this information is produced (Mosley 2013). Sixty-four interviews were conducted with 62 interviewees in Costa Rica and El Salvador. The elites interviewed were among the top wealthiest people in both countries according to previous studies of elites (Bull et al. 2014; Segovia 2005) and Forbes rankings (FORBES 2017). Interviews with these informants provided first-hand, invaluable information about the actors involved in the different stages of media capture and in the choices and actions elites made. Informants included elites that led business associations, media owners that were pressured by elites, and journalists that experienced censorship and to some extent workplace harassment. The politicians interviewed included former vice-presidents, ambassadors, former ministers, judges of the electoral court, and congressmen. Media owners and journalists came from among the top outlets, and the academics were prominent experts of media in Latin America. Another valuable contribution of this research is that much of the information collected in these interviews corresponds to information or events that might not have been shared with the public so far.

## Embeddedness of media companies in business elite networks

Figures 1 and 2 displays board interlocks of media companies and the largest corporations in each country. Nodes represent firms (media companies and top corporations), and ties indicate directors who sit in multiple boards. Two firms are connected when a director belongs simultaneously to both ones. Media companies in Costa Rica and El Salvador were differently embedded in business elite networks.

Figure 1: Business elite network in Costa Rica, large corporations and media companies



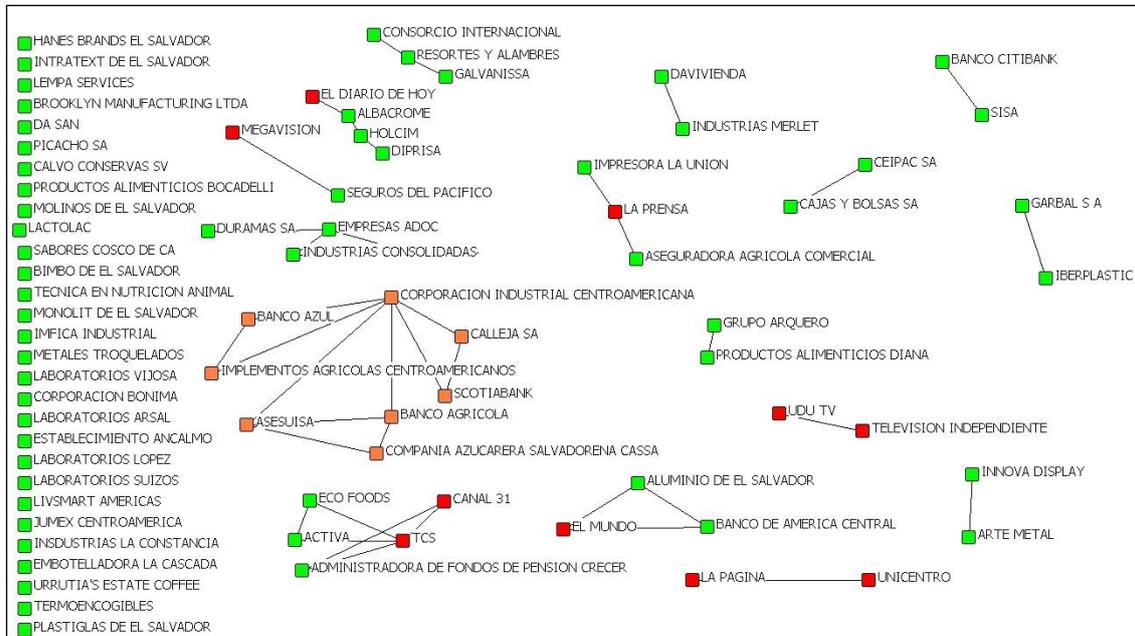
Source: own elaboration. Green nodes are media companies (outlets), blue nodes are large corporations, and ties indicate sharing directors. Orange nodes are the main component.

In Costa Rica, some media companies were connected to each other by sharing directors (Cadena Musical, CRC and Radio Centro), and several others media firms were interlocked to large corporations. The whole business elite network in Costa Rica is not completely cohesive,

but several of the largest corporations form a large component (a community of corporations all connected to each other, directly or indirectly). Several of the largest media outlets (nodes coloured in orange) belong to this large component: Columbia (radio), Millicom (telecom), Cable and Wireless (telecom) and Grupo Nación, the largest media group. This main component connects the largest Costa Rican firms, such as Florida Ice and Farm, with investments in Central America and the United States, and firms owned by Jiménez Family (Prensa Económica, Grupo Latino de Radio Difusión, La Nación, Florida Ice and Farm and Vical) This component integrates firms from retail, investment funds, finance, auto distribution, manufacturer, and telecom sectors. To sum up, Costa Rican media companies are embedded in more cohesive business elite networks, and thus, top businesspeople had more access to media board of directors.

In El Salvador, media companies (red nodes Figure 2) are highly disconnected to each other and barely connected to large corporations (green nodes). The few large corporations interlocked to media companies were not connected to other large corporations, and focused on specific sectors. For example, El Mundo (press-1967), tied to Aluminio de El Salvador and Banco de América Central, is part of a diversified business group named Grupo Borja with local and regional investments in energy, retail, telecommunications, real estate and agro-industry. Megavisión (TV, 1992) is tied to an insurance company, Seguros del Pacífico. TCS (TV, 1956) is connected to pension funds (Administradora de Fondos de Pensiones Crecer). La Prensa Gráfica (press, 1914) is tied to its own editorial company (Impresora La Unión) and to an insurance company (Aseguradora Agrícola Comercial). However, none media company is connected to the main component (orange nodes). The whole business elite network in El Salvador is highly fragmented, which reduced the opportunities of business elites to articulate collective actions. Besides, Salvadorian media companies were autonomous and disconnected of large corporations and business elites.

Figure 2: Business elite network in El Salvador, large corporations and media companies



Source: own elaboration. Green nodes are large corporations, red nodes are media companies (outlets), and ties indicate sharing directors. Orange nodes are the main component.

## Uncovering Media Capture

The presidential elections of 2014 turned into a battlefield of money, lobbying, and censorship within the Costa Rican and Salvadoran media. Business elites in Costa Rica perceived, during the first months of the electoral campaign, the media to be too much on the hand of the leftist party *Frente Amplio* (FA). In El Salvador, business elites were furious with the media for, what they saw as supporting the rival leftist party, *Frente Farabundo Martí para la Liberación Nacional* (FMLN) instead of the right-wing political party *Alianza Republicana Nacionalista* (ARENA). Both in Costa Rica and El Salvador, business elites felt threatened by political leftist parties with redistributive projects who were leading the polls. An electoral victory of the leftist party *Frente Amplio* in Costa Rica and a second consecutive win of the leftist FMLN in El Salvador would have constrained considerably business elites' influence over the government, which was one of business elites' primary competitive advantages. With less than four months before the elections, elites in both countries felt they were in a tight spot

### Coordinated media capture in Costa Rica

From December 2013 on, Costa Rican media were covered with headlines against the party and its leader and presidential candidate, José María Villalta: “Frente Amplio expressed sympathy with Hugo Chávez’s revolution” (La Nación, 13.01.2014); “José María Villalta assures he is not communist” (CRHoy, 15.01.2014); “José María Villalta defines himself about communism, Venezuela and the future of the country” (Repretel, 5.12.2013). It was the first time a political party with a redistributive political project was leading the polls. On 1 December 2013, a poll published by Costa Rica’s most important newspaper, La Nación, showed that *Frente Amplio* (FA) was ahead by 22 percent of total voting intention, followed by the officialist party, the Partido Liberación Nacional (PLN) at 19 percent, and the right-wing party, Movimiento Libertario (ML) at 14 percent. As noted by an interviewee (director of a top corporation), news on a Monday morning set business elites’ alarm,

*When business leaders and I found out in La Nación<sup>6</sup> that the FA was ahead 31 percent, and PLN 33 percent, PUSC around 3 or 4 percent, and PAC was under the margin of error, that’s when you say: “wow, these guys are real”. And if the FA wins: empaque y vámonos. It is not the socialist party, it is the communist party! (Interview Businessman 1, 2015)*

In the last four decades, business elites in Costa Rica rarely faced political turmoil. The political context in Costa Rica has allowed business elites to quietly manage relations with political parties and governments. Since the mid-1980s, most of the political agenda has turned into a pro-business agenda.<sup>7</sup> During at least thirty years business elites chose to economically support political parties indistinctly as an insurance policy (Casas-Zamora 2005). However, 2014 presidential elections produced a new framework for business elites, one that could result in the electoral winning of a project that threatens status quo.

Taking that context into account Costa Rican business elites met at the beginning of December 2013, two months before elections to define a route of action. The first task was to collect money and information. The group later called *Alianza Costa Rica* included large investors from tourism, health, real estate, commerce, retail, pharmacy, and agribusiness. The group was independent of political parties or institutionalized business associations. According to two interviewed elite members, they collected money that counted around half million dollars. The

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<sup>6</sup> The real poll numbers are the ones indicated at the beginning of this section.

<sup>7</sup> Bull et al. 2014; Sánchez-Ancochea 2005; Sojo 1991.

money that business elites gave to *Alianza Costa Rica* was directed to finance the operations of the group. For instance, they recruited people to gather information in Costa Rica, Nicaragua, Venezuela and Cuba on personal and political bios, discourses, political meetings, policy proposals, and op-eds that could demonstrate links between the leftist political party *Frente Amplio* and, what they called, the “Castro-Chavista project”.

Costa Rican business elites also formed a “lobbyist force” seeking to change the positive framing media had about *Frente Amplio*. The lobbyist force included lawyers, marketing, political experts and polling firms. The leading group included the expertise of businessmen who in the last decades were recruited for different government positions and also led important business groups in the country. Costa Rican business elites set in motion three core actions: firstly, gathering information, and a campaign to capture media. In doing so, lobbyist force was first entailed to find out “elements of truth” about the communist and populist ideas of *Frente Amplio* (Interview Businessman 1, 2015). Secondly, they sought to define a short and simple message to be communicated (the risks of communist/populist threat) and thirdly, they put pressure for a change in media coverage according to the information they have provided to media.

With time running out quickly, a very small group of elite members took their materials and information and went directly to lobbying media. A group of three to four big businessmen was in charge to visit and meet with editors in chief, and political commentators “to reach the largest number of people” (Interview Businessman 2, 2017). In these meetings, business elites pressured for tougher grip of media owners over the content produced. For business elites, their mission was to inform media and people about the real meanings of what they considered a radical left party, so the people can decide if they want to live under that regime with its consequences and benefits (Interview Businessman 2, 2015). The frame proposed by business elites was one in which *Frente Amplio* should be presented as a populist threat to Costa Rican democracy, free press, private business, and employment. In addition to those strategies, business elites exercised direct pressure over media owners to censor or restrict media content that could be beneficial for the electoral aspirations of *Frente Amplio*. Also, due to the fact that *Alianza Costa Rica* was a group of the largest media private advertisers, business elites used this economic leverage to pressure media. According to interviewees, in a short period of time business elites organized meetings with every single media outlet. This reflected their capacity to coordinate and access media owners. The easy access of these business elites was given thanks to their long-lasting board interlocks with media owners. In each meeting, business elites organized strategically a group of spokespeople based on their advertising quota. The meetings were used to show media which interests were under threat, and whose side media should pick. They advised media owners that they would act collectively to any threat to their interests, including pulling their money out of media.

### Disputed media capture in El Salvador

At the end of November 2013, in an extensive TV interview, President Mauricio Funes (from the left-wing FMNL party) leaked documents that revealed that former president of El Salvador and right-wing party ARENA’s chief of campaign, Francisco Flores, had diverted a Taiwanese donation of 15 million dollars to his personal bank accounts. The 15 million dollars were supposed to relieve the impacts of 2001 Salvadorian earthquake. The scandal was pressed in the

TV show with the largest audience in El Salvador “*Debate con Nacho*”<sup>8</sup>. However, this corruption scandal was not the only one prompted by Funes in media before 2014 presidential elections. In fact, long before November 2013, Funes had sought to capture the media to hurt the electoral support of ARENA.

The attempts to capture media by a leftist president was unprecedented in a country where media have been particularly criticized for being highly concentrated, defending business interests, censoring criticism, reproducing traditional elites’ discourse and for favouring an electoral authoritarianism.<sup>9</sup> Historically, Salvadoran business elites have benefited from their personal, economic and ideological ties with media owners to produce consent about their political and economic project.<sup>10</sup> Nevertheless, some of these pacts and arrangements changed when FMNL took government and Mauricio Funes was elected president of El Salvador in 2009. A new group of actors, defined here as counter-elites, including national business and political elites and oil corporations linked to Venezuelan government, took advantage of their privileged positions in Salvadorian society and tried to promote a redistributive project that would change the relations of power that benefited traditional business elites. In this path to promote a new redistributive project, counter-elites knew that they would require control over the media.

Nonetheless, counter-elites were not alone in their pursuit to capture media. While counter-elites tried to push their redistributive initiatives, powerful business elites were trying to block counter-elites redistributive project. Business elites, organized in a group popular known as G20, tried to restore the oligarchy’s dominant position they held during twenty years through electoral politics and a firm grip over the media.<sup>11</sup> In these regards, business elites attempted to gain influence producing information, censoring information and publicizing a frame about the possible threat FMLN represented to the country regarding politic and economic ties with Cuba, Venezuela and FARC-EP from Colombia.

In sum, two groups were competing to capture media in El Salvador: powerful business elites and counter-elites. On one side, business elites were organized in the G20, an informal association among Salvadorian tycoons. On other side, counter-elites included President Mauricio Funes and his advisors -the group “Amigos de Mauricio”<sup>12</sup>, the left-wing party FMLN, ALBA Petróleos, the army<sup>13</sup>, the “turcos”,<sup>14</sup> and former president of El Salvador Antonio Saca and his party GANA.

In the disputes for capturing media, elites and counter-elites battled to secure their access to media and to influence what was reported. In one hand, business elites took advantage of their lobbying influence and capacity to produce information and knowledge. For instance, business elites used business associations and think tanks under their control to tailor negative stories and

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<sup>8</sup> Debate con Nacho is a TV show hosted by Narciso Castillo. According to an investigation carried out by the public prosecutor in El Salvador, Castillo would have received money during Antonio Saca and Mauricio Funes administrations in an exchange of positive media coverage. See Lemus & Martínez, 2018.

<sup>9</sup> Becerra et al. 2009; Guzmán 2009; Pérez and Carballo 2013; Rockwell and Janus 2003; Wolf 2009.

<sup>10</sup> Pérez and Carballo 2013; Rockwell and Janus 2003; Wolf 2009.

<sup>11</sup> Rockwell and Janus 2003; Segovia 2002; Wolf 2009

<sup>12</sup> This group included businessmen, right-wing politicians, academicians, and army generals. The list included Miguel Menéndez, Gerardo and Francisco Cáceres, Luis Lagos, Franzi “Hato” Hasbún, Luis Menéndez, and General David Munguía Payés.

<sup>13</sup> Even though peace agreements modified and restricted the role of the military in politics, the current crisis of gangs’ violence has turned Salvadoran army again in a key political actor. The alliance between Funes and General and Defense Minister David Mungía Payés was crucial in these regards. To see further impacts of political elites and army alliances in El Salvador: Martínez-Vallejo 2017.

<sup>14</sup> “Turcos” are pejoratively called the descendants of Palestinians that arrived in El Salvador in the 20<sup>th</sup> century.

information about FMLN. Business associations and think tanks organized multiple conferences, published hundreds of critical documents, and issued reports about FMLN's government performance and on the negative economic perspectives of El Salvador under a second FMLN's government. Likewise, representatives of these organizations actively participated in media debates and interviews defending the idea of an urgent political change, as well as, the implications of the crisis in Venezuela for El Salvador. Also, FUSADES, an elite-related think tank, was a common source that provided media with different reports that question the transparency and the corruption of Funes administration, as well as the use of public funds to promote FMLN campaign. In the other side, counter-elites sought to modify what was reported regarding public control over TV and radio frequencies and contracts. For instance, what counter-elites found possible in order to capture media was to modify the control of old frequencies and blackmail media owners with government contracts. Through phone calls President Funes threatened to cancel media owners' contracts if they did not change or modify the negative coverage about the government.

Moreover, considering business elites firm grip over media, they sought to restrict the information that may have hurt the electoral support of ARENA. For example, as recalled by a top ARENA's politician "...I can tell you that at some point they did us a favour (*media*), they did not press anything that could affect us" (Interview Politician 6, 2017). For business elites and media owners interviewed, the corruption charges against the politicians of ARENA were unfair and politically driven to hurt ARENA's electoral support. On the counter-elites' side, they founded new media companies, especially online, in which they defined news agenda.

Money was another strategic tool used by elites and counter elites. For instance, counter-elites made advertising pacts with media owners to reduce opposition. For instance, journalist reports suggested that Funes used to pay monthly publicity of around US\$20.000 to online media La Página, the most read Salvadorian news website to get positive coverage (Diario1 2017). In addition to government's spending in advertising, counter-elites received a lot of financial support from the largest private advertiser: ALBA Petróleos. According to the Media Fact Book of El Salvador, ALBA Petróleos was the most prominent advertiser with an annual investment of circa US\$3 million (Starcom Mediavest Group 2015). Journalists reports showed that ALBA Petróleos invested approximately US\$ 5.3 million during 2013, and the majority of this money was served to pay advertising and publicity to promote its social programs and FMLN candidates (El Mundo 2014). On the business elites' side, G20 collected circa US\$ 28 million according to a top ARENA's politician (Interview Politician 6, 2017). This was the largest amount of money in ARENA's history, in which at least a third was dedicated to media as recalled by an ARENA's politician. Due to the economic muscle of business elites and their interlocked ties with some media owners, media offered exclusive discounts to ARENA. For example, three for one, so if ARENA paid one ad, they received three ads instead of one. Given the lack of control on these in "kind" donations, these millionaire discounts provided ARENA with some competitive advantage and allowed them to save and reallocate resources. But this time, elites were facing a problem, as accounted by some interviewees. Although they had plenty of funds, their economic muscle was feebler in comparison with the counter-elites.

While historically media capture was in hands of business elites, the emergence of counter-elites turned media capture in an arena of dispute. The control over government and economic resources provided from abroad increased counter-elites chances to capture media. Counter elites used contracts and money to pact with media owners to reduce negative information and to disseminate a frame with the main goal of hurting electoral aspirations of ARENA. They were also keen in founding new media.

## Discussion and conclusions

The results of this study suggest that networking among business elites is a source that precedes media capture, as it organizes access to the media through collective mobilization of resources and coordinated action planning. In addition to the mechanisms mentioned in the literature to understand the media capture – media concentration, media ownership,<sup>15</sup> – analyses of business elite networks become necessary to uncover the underlying structure by which media and large corporations are interconnected. The concept of media capture must be understood as being relational, and therefore the network analysis approach helps to map the opportunities and constraints of business elites, and thus to find out when business elite networking results in censorship, lobbying and bribes.

In Costa Rica, despite the sectorial differences among business elites, they agreed on the risks of a common threat, “*los comunistas*”. Interlocks among large business groups allowed business elites to organize and mobilize more easily resources through an informal association – Alianza Costa Rica. Board networks facilitated business elites to require fewer resources (money, actions and time) when capturing media. Business elites were able in a very short period of time to collect money, gather information, lobbying and pressure media owners to frame the leftist party and its candidate as a “populist/communist” threat to Costa Rican democracy and freedom.

In El Salvador, media capture was disputed between traditional business elites and counter-elites. The traditional largest business groups were unable to quickly organize for lobbying media owners, and for collecting large amounts of economic resources to bribe and buy media outlets. The disputed media capture occurred where business elites were fragmented and media companies disconnected from large corporations. This situation suggests a more plural media, a more competitive political election, and more opportunities for redistributive initiatives. In conclusion, business elite networks can be an antecedent variable to redistributive policies due their effect in media capture.

This study incorporated business elites and elite networks in the discussion of redistribution. The specific role of business elite networks in macro issues such as poverty and inequality has been under-studied empirically. Therefore, this paper opens a number of theoretical and empirical avenues of research. At the theoretical level, future studies should widen theories of regulatory or state capture by incorporating insights from network analysis. Network cohesion can be an inherent element of regulatory capture. Also, it emerges the question when business elites support redistributive initiatives and how business elites organize to undertake that. Empirically, this study should motivate studies to explore whether other types of elite networks, such as the interaction of economic and political elites, have an effect on redistributive policies, especially when there is so much debate about the revolving doors between politics and business.

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<sup>15</sup> Besley and Prat 2006; Corneo 2006; Prat 2014; Schiffrin 2017; Strömbäck and Kaid 2009.

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