

M₁ and the Fourth Estate

(The treatment of economic news by the broadcast media)

Remarks by

BRUCE K. MacLAURY
President
Federal Reserve Bank of Minneapolis

at the

International Conference of the Radio
and Television News Directors Association

Fairmont Hotel

Dallas, Texas

September 19, 1975

M₁ and the Fourth Estate

(The treatment of economic news by the broadcast media)

I. Introduction

A. Disclaimer - not a regular consumer of output of electronic media; few qualifications as commenter on broadcasters.

1. Role - A policy-maker with professional interest in economic outlook, and the interpretation of economic data. As such, more familiar with being criticized, than criticizing.
2. As such, also impressed with

- 1) difficulty of understanding economic phenomena, even for professionals
- 2) difficulty in communicating even what we do understand
 - a) Rode in from airport with a doctor.
One course in economics. Doesn't know whether Fed determines economic future, or simply reacts to developments.

B. -- Interested you selected this subject for Conference agenda. --

Economics -- field of study used to be known as Political economy. Probably more appropriate.

1. Though effort in recent years to turn it into a "pure science" (i.e. conduct experiments and construct models without value judgments), very difficult to keep one's biases out of either theories/models, or interpretations of "facts" -- hence, political economy.
2. Whole controversy between Keynesians and Monetarists, for example, has strong political implications and overtones.
 - a. Names like Milton Friedman, Walter Heller, John Galbraith conjure up a political, as much as an economic view of the world.

3. The implication for broadcasters is clear enough: it's very hard if not impossible to get an interpretation of some economic development -- an OPEC oil increase, a rise in the prime interest rate, the risks of government deficits -- that won't sound biased to half your listeners.

- a. Not unique to economic views.

C. Political Economy was known as the dismal science.

1. Some would say that's because the subject is inherently dull.

- a. My wife has started to read Samuelson three times, only to find something else more interesting than guns vs. butter.

- b. Ironically, Samuelson told us he decided to study economics in the late 30's because he saw it as the most likely route to social reform -- hardly dull.

2. Actually, it was called "dismal" not because it was dull, but because it involved the study of "economizing", of scarcity, of human wants and the limitations on their satisfaction.

- a. Another irony is that we've come full circle from the days of Malthus who saw population controlled by famine and catastrophe -- indeed a dismal theory -- through the Affluent Society, and right back to the Club of Rome's Limits to Growth, and Heilbronn's Inquiry into the Human Prospect -- which, if you hadn't heard, is very bleak.

3. Far from being dull, economic developments touch our own pocket books daily (that may be painful, but not dull), underlie the rivalry between socialist planned societies and democratic private enterprise, and for example represent the guts of the special session just concluded at the UN debating "the new economic order".

- a. One doesn't have to be an economic determinist to believe that some understanding of economic processes is basic to an understanding of the world in which we live.

Specifically, what makes the pie grow, and how does it get divided up.

II. What are the impediments to broadcast coverage of economic news.
Most are pretty obvious.

- 1) Lack of economic education on part of listeners
(my doctor acquaintance).
- 2) Lack of economic education of news staff.
- 3) Tendency to think all economic news is summed up
in the stock market report.
- 4) Lack of agreement by "experts" on interpretation of
economic events or information.
- 5) Intended slant by those issuing press releases
(e.g. results of labor negotiations).
- 6) Extreme pressure of time -- both to prepare and to
explain.
- 7) Difficulty of relating abstract statistics to concerns
of man in the street. (e.g. GNP or even unemployment)
- 8) Possible conflicts with advertisers -- e.g. impact of
energy crisis on auto sales last winter.

III. What might you do to improve your economic news coverage?

- 1) What about deciding which economic data series are important
to your listeners and stick to them (GNP, unemployment,
CPI, food prices, leading indicators). Don't bother to
dump latest numbers on the public, just because they're
on the wire services. (Noise pollution, communications
overload.)
 - a) Report fewer series and try harder to interpret them.
Possibly a once-a-week business news roundup.
- 2) What about trying to put latest numbers in context, in
two dimensions:
 - a) Previous changes in some series --

e.g. if GNP rose 1-1/2% to 2% in second quarter, what was
it in the first quarter (-11.4%, sharpest on record) and
in 1974 (-2%); and how fast does it have to grow to absorb
growing labor force (c. 4% i.e. 2% labor force growth and
2% productivity).

- b) Related changes in other sectors --
 - e.g. savings flows to S & L's, building permits, housing starts, appliance sales.
- c) Business Conditions Digest -- Dept. of Commerce.
- 3) What about retaining one of the economic forecasting services -- Wharton, Data Resources, Chase Econometrics -- to make a prediction once a quarter.
 - a) Be sure to insist they do a post mortem on what went wrong with their last forecast!
- 4) What about highlighting surveys of consumer buying intentions. e.g. Michigan, Sindlinger, Commerce??
 - a) Not because accurate, but has human interest.
 - b) Risk of poor-mouthing.
- 5) What about having an occasional "audit" of your economic news coverage by outside "experts" -- both special features and daily menu.
 - a) Our audit of research department.
- 6) Wherever broadcast journalism is taught, what about a link with the business school or economic department for a minor in business journalism. (Darryl Francis)
- 7) What about background discussions of certain basic economic documents or issues in public policy area.
 - a) Annual Report of Council of Economic Advisers.
Textbook in itself -- counterviews: JEC hearings.
Special chapters -- e.g. women in work force.
 - b) Federal budget -- Budget in brief --
Setting National Priorities -- the '76 budget.
 - c) Publications of
Brookings Institution -- e.g. tax reform.
American Enterprise Institute -- Washington,
not Great Barrington, Vt.
Committee on Economic Development.
Joint Economic Committee

- 8) Any commentary on monetary policy, or financial scene?
 - a) Bank letters -- e.g. Morgan Guaranty, First National City
 - b) Salomon Brothers -- Comments on Credit, Annual projection
 - c) Not the Fed?? Shy, but now quarterly hearings.