

Remarks by Greg Ip to ASDEQ

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“Reporting on the economy: Canadian and U.S. perspectives”

I would like today to offer some thoughts on how economics journalism has evolved in my 15 years in the profession. I will also discuss how it differs in the United States vs. Canada.

From 1990 to 1996, I covered business and economics in Canada, with a special emphasis on covering the Bank of Canada. At the end of 1996, I moved to the United States. I covered Wall Street at first, and now I'm in Washington once again writing about economics and monetary policy.

I should offer a caveat: my knowledge of Canadian reporting is mostly based on when I worked here, up until 1996, in English Canada. Things may have changed since. When I was in Canada, many reporters would write about economic topics from time to time, for example if Canada was in a recession or during an election. But very few would do so full time. There was only a tiny number of economics reporters, perhaps a dozen in English Canada.

There were also very few economists that were useful for journalists to talk to. There were perhaps three dozen individuals who followed current economic conditions, most at banks or investment dealers in Toronto with a few in Montreal and Ottawa. There were none west of Toronto. And the number was always shrinking, because of economic reductions or consolidations. Canadian academic economists did not study the Canadian current economic outlook, and few studied contemporary policy questions. So a reporter who wanted to write about contemporary economic issues had very few economists to interview.

Canadian media coverage about the Canadian economy was mostly basic reports on Statistics Canada releases and sometimes an important event such an election or a crisis in the Canadian dollar.

It is very different in the United States. There are many more journalists covering the U.S. economy. At the Wall Street Journal, we have half a dozen reporters covering fiscal policy, monetary policy, international trade, international finance, housing, economic developments and economic theory. That's just in the U.S. We also have reporters covering the global economy around the world. The New York Times, the Washington Post, the Financial Times and USA Today all have several reporters covering contemporary economic issues. Business wire services and magazines have

hundreds more. It a large and competitive field. One of my former competitors who covered monetary policy in the U.S. had been an economist at the Bank of England.

The U.S. also has many more economists to interview. There are hundreds at Wall Street firms, banks, fund managers, and consulting firms studying current economic conditions. There are thousands more at think-tanks and universities studying contemporary economic issues. So, economic issues are covered more often and with more depth in the U.S. One example is that both The Wall Street Journal and New York Times are currently running multi-part series dealing with economic mobility.

Why is economics covered so much more thoroughly in the U.S.? In part, it's because the U.S. is 10 times larger than Canada and usually has 10 times as much of everything. But also, Americans are much more interested in business and thus have a much larger appetite for business and economic news. Moreover, business and economic news is more consequential. It moves the market more.

This largely reflects the fact that Americans are more pro-market and pro-business. For example, the Pew Research Center for the People and the Press finds 72% of Americans agree people are better off in free markets. The figure for Canada is 61%, and in most other countries it is even lower.

There are many more important publicly traded companies based in the U.S. than Canada. Indeed, many of Canada's biggest companies are based in the United States, and so the most important decisions affecting Canada's economy are made in the United States. This is also true of economic policy. When I worked in Canada, the biggest week-to-week influence on Canadian interest rates and the Canadian dollar was the Federal Reserve. Back in 1991, when the Fed was slashing interest rates due to a recession and the Bank of Canada was following, I wrote: "Hey Canadians, want lower interest rates? Better hope more Americans lose their jobs."

Reporters can get much more, and much better, information on business and the economy in the United States. Americans love data. No matter how obscure the question, someone somewhere has studied and produced data on it.

Americans mistrust government and so they also mistrust government data, even though U.S. government statistics are quite good.

The mistrust of information has deepened along with the partisan atmosphere in the United States. The deep political divisions that now affect every level of policy in the U.S. also affects perceptions of the economy.

Polls consistently find that Republicans believe the economy to be in better shape than Democrats do. Many Republicans believe the media

deliberately slants the news or chooses statistics that make the economy look worse in order to undermine President Bush. Some Democrats believe the opposite. As you probably know, for the last few years the BLS' household survey has shown larger aggregate job growth than its payroll survey. Most knowledgeable economists, including those at the Federal Reserve and the BLS itself, believe the payroll survey is superior at measuring job growth. But last year, its accuracy became a partisan issue. The Administration and conservative think tanks wrote many reports questioning the payroll survey's accuracy.

At the same time the U.S. public has become more divided, it has become more skeptical of the media. According to Gallup, the public ranks newspapers 13th in credibility out of 15 institutions, below Congress, and ahead only of big business and health maintenance organizations. What's behind this loss of trust? To be sure, some recent scandals have contributed: the disclosures that reporters at the New York Times and USA Today faked and plagiarized parts of their articles, or that CBS News relied on forged documents for a documentary questioning Bush's National Guard service.

But I think that's only a minor part. I believe the growing mistrust results from increased partisanship and new technology. Americans increasingly believe only news that fits their preconceptions. Another Pew

poll found that across a variety of news outlets, Republicans trust the media less than Democrats, with the exception of Fox news, which Democrats trust less than Republicans.

Obviously people have always had their preconceptions. But thanks to the Internet, cable television and satellite radio, people are increasingly able to read or watch only the news that fits these preconceptions. For example, many political web-logs, or “blogs,” now attract as many readers as some mainstream media web sites. But these blogs do not follow mainstream journalism practices. They do not generally seek to be objective. They do not request comment from the people they write about. They may not disclose conflicts of interest. They may not run corrections when they get facts wrong. They may not honor “off the record”.

Business journalism does not inflame passions like political journalism does. But that is changing. Last July, I wrote an article asking why the budget deficit failed to get any attention from politicians. A reader wrote : “You need to watch more Fox News and learn how to be fair and balanced, Oh I forgot that is something a lefty would never want to be.” Then, in an article in February, I suggested it was unfair to compare Bush’s jobs record to Herbert Hoover’s because productivity growth was far

stronger under Bush. A reader wrote: “I have to wonder if you're just angling for a job at Fox News.”

As these alternative media attract a larger share of news consumers from the traditional national media, they will attract a larger share of subscription and advertising revenue. That will affect the livelihood of everyone in the mainstream media. Business reporting is particularly vulnerable because it is time sensitive, and much of it is based on public information. Years ago, the first place you read a corporate earnings report or an economic news release was in the next morning's Wall Street Journal. Now you can get it from the company or from the government within minutes of its release, for free. Look at where people on the Internet get their business news. The busiest web site for business news is Yahoo! Finance.

How do reporters respond to these challenges? First, amidst a more partisan atmosphere, we've found it more important than ever to ensure the accuracy and fairness of what we write. We must carefully consider our own preconceptions to ensure that we are not letting biases affect our reporting. Second, we must know our subject so well that we can explain exactly why we wrote what we did. When I write an article now, I am conscious that someone out there may be scanning each sentence for the smallest clue that I am biased or incompetent.

With the proliferation of alternative news sources on the Internet, people crave information that they can trust. The web sites of mainstream media, such as the Wall Street Journal online, have already earned that trust through their print edition.

But even if we do these things right, I am not sure they will guarantee our prosperity. When the Federal Reserve changes interest rates, I try to provide Wall Street Journal readers with valuable analysis and insight. But some people do not want to pay for that. And now, they can read the Fed's announcement themselves for free on its website at 2:15 p.m. the day of its meeting. And they do not have to worry about any bias I might have introduced, consciously or unconsciously.

The rise of the Internet and the increased partisanship in today's environment suggest the role for mass media such as the Journal will be very different in the future than it has been in the past.