

## Chapter 13

# Economic Journalism



*Public debate on economic issues helps focus attention on the real problems and possible solutions*

PUT IN ITS SIMPLEST TERMS, ECONOMICS is the study of what affects peoples' livelihoods.

Elections are won and lost on economics. Remember the legendary phrase from Bill Clinton's 1992 presidential campaign, "It's the economy, stupid". Often a country's national, local and international well-being and stability hinges on how it fares in the global market place.

Countries of under-development, disturbance, disaster or conflict need good, clear stories on economic issues because public understanding and debate helps focus on the real problems and possible solutions. Critically, at a time when legal and regulatory frameworks may be weak, the spotlight of the media can be essential in combatting corruption.

This requires journalists to make a special effort to understand economic policies and economic performance to be able to explain them clearly to others. Just as it is essential to learn about conflict if you are going to be covering a war, a reporter cannot write properly about economics without having a basic grounding in the subject.

### What Is Needed?

Economic journalism actually needs the same skills as any other reporting - plus three special ones:

1. Knowing how to work with numbers
2. Knowing how to work with economic concepts
3. Contacts in the business and financial world

Like all good reporters who go on to specialise in a subject, you need to be ready to do a lot of background reading and not to be afraid to ask questions about what you do not understand. Specialists, whether they be central bankers or development economists, appreciate being asked to explain difficult questions, provided it is apparent that the questioner has made an effort to get up to speed in the subject.

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### Working with Numbers

This section does not attempt to teach you how to compute the Consumer Price Index or report on the velocity of M3 money supply. Rather, it tries to set out some general guidelines on how to work with economic numbers.

Often, one good number can be the heart of an entire story. For example, “Research reveals only 7 per cent of money given by donor countries to support education here has ended up in the country.” “Or, “House prices have increased over 50 per cent in the capital in the past year, a new survey shows.”

But “per cent” means little in real terms without actual numbers. In the above example, “7 per cent” of what - a million or 100 million? It makes a big difference! It is essential to give the context to allow readers to understand the significance of percentage rises or falls.

Keep it simple. Be precise if it is important but remember that figures can be rounded in a general article to prevent readers becoming bogged down in too much detail. Show the source of the information clearly and early to reinforce credibility and make it simple to understand.

For example, “wheat imports totalled nearly 180,000 tonnes last year, official figures show” not “wheat imports totalled 177,823 tonnes last year”. Again, it is important to put this figure in context. What were imports the year before, more or less? What was the government’s target for imports? Were there crop failures which meant more had to be imported than expected? Or were crops so good that imports could be cut back, saving the country foreign exchange? These are all questions that take the economic story one step further than the simple figures.

Know your systems of measurement and stick to the same units of measurement throughout a story. This may mean converting numbers and quantities from one measurement system into another. For example, you may need US dollars and local currency equivalents. Do not confuse with too many conversions, only those necessary for clarity.

“Even a simple imported painkiller like Paracetamol can cost as much as 180 lira (three US dollars), while the average worker might earn only 1,500 lira (25 dollars) a month.”

Compare like with like. If you are writing a story about inflation, try to relate all current prices to the same point in the past, for

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example, one month or one year ago (which gives you a “year-on-year” increase or what is usually considered the rate of inflation).

Always give a source for numbers, especially where they may be open to doubt. For example, “the government says it has already taken on more than 5,000 workers.” If 5,000 workers are laid off at a plant, what does that mean in terms of the total workforce?

A good rule about using economic statistics is that if you have doubts about the figures, or do not understand what they really mean, do not use them.

Explaining what we do not know can often help the audience as much as what we do know. For example: “Nobody knows exactly how much opium the country will produce this year. The UN estimates between 40,000 and 60,000 tonnes.”

One “hard” actual number can be worth ten projected numbers. Companies, NGOs and governments are always producing numbers in forecasts and projections - for jobs, profits and donations in the future - all of which may be exaggerated or over-ambitious. Often this is part of their promotion, their spin or even outright propaganda. So be careful to differentiate between forecasts and official published statistics.

### Working with Economic Concepts

In political journalism, it can be difficult to find the objective truth: there are many shades of grey between black and white. In economics, on the other hand, you can usually be right or wrong as far as the numbers go. (Of course, the interpretation of what those numbers mean can be subject to as much spin as politics and often ends up being politics!)

So it is important to realise that terms like inflation or Gross Domestic Product have precise, not vague, meanings. They are often based on indices which have clearly defined components and are calculated in a precise way.

You therefore need to master the basic concepts of economics and the individual terms so that you don't make mistakes when you use them. Here are two examples designed to highlight the importance of understanding the concept behind the bare figures.

Consider each of the following statements and decide whether they are likely to be true or false:

- Inflation is falling because the central bank is printing more money

(Wrong: printing more money is likely to cause higher inflation)

- Wages have fallen and so more people are employed

(This can be correct, because if labour is cheaper, then more people may get work)

- The real story is sometimes hidden in numbers

Sometimes a better or “harder” news story is lurking behind the headline numbers – or at least behind the way in which the numbers are presented by governments or companies trying to influence public opinion. The journalist’s skill is in learning how to spot the hidden story in these figures.

Look at the example below and write a one paragraph news story (effectively your lead paragraph) from the information:

*The Ministry of Finance in Mithalistan has just announced that it expects*

*to collect 25 million US dollars in taxes from tobacco this year. The ministry says there are five million smokers in Mithalistan and on average each one smokes 20 cigarettes a day. The tax on a single packet of 20 cigarettes is 2,000 riyals (worth five US cents - there are 40,000 riyals to the dollar). The ministry says it is very pleased revenues from tobacco have risen by 25 per cent from last year's 20 million dollars.*

It is often only by understanding the underlying concepts that you can fight through the figures to arrive at the real story.

## Contacts

Like any type of reporting, economic reporting depends crucially on whom you know - your contacts book.

In an industrial country, it is important to make contact with official bodies (the Finance Ministry, central bank, statistics office etc), industry (the top companies listed on a stock exchange) and economists who can help you understand economic news and can comment authoritatively and independently on it.

In a developing country, the mix of contacts is likely to be somewhat different. The Finance Ministry and central bank

will remain important for basic information. But you will also need to tap into development agencies working in the country - the World Bank, its private sector financing arm, the International Finance Corporation and a host of other NGOs or charitable organisation which may be responsible for running projects funded by western governments. An organisation like the World Bank will often have staff on the ground in a country but equally it will be important to make contacts with those responsible for overseeing policy back in the head office, in this case most probably in Washington, D.C. The UN Development Programme produces an important annual human development report.

Trade, finance and agriculture also tend to assume higher importance in a developing country. If a country depends on exports of, say, wheat for foreign exchange, you need to forge strong contacts with the relevant officials in the ministry of agriculture. Sometimes you will need to be able to talk to the minister for an official comment; at other times it will be good to go deeper into the ministry to someone who could give you early indications of crop forecasts (something a minister might not want to do).

### Development Issues

Development is a very important part of many countries' economies. Whole textbooks and university courses have been devoted to the study of development economics and topics such as "sustainable development".

In the early stages, especially when a country is in turmoil following war or a natural disaster, development may involve three stages:

1. Urgent humanitarian assistance
2. Reconstruction
3. Development

### Humanitarian Assistance

In a country at war, emergency aid is often the only kind of economy there is apart from trading in drugs, sex and weapons. International organisations fly in food and temporary shelter for tens of thousands of people made homeless by the fighting. There is no time or peace to think of anything else.

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This is where contacts come in. Make sure you get to know the heads of the main relief organisations working in a country. Equally, it will be worthwhile trying to forge links back to key staff in their headquarters when it comes to issues of policy.

When writing about relief efforts on the ground, try to concentrate on some of the main issues and basic questions. This is all part of the aid story:

- How much relief is coming in each day and where?
- Is it the right kind of relief? Is it what the government has requested, or is it something else. If so, is there a dispute with the government?
- Is the relief getting through to the people who need it, or is it being wasted or siphoned off because of corruption? How often has relief been funnelled through to troops fighting a civil war?
- What about security? Are the aid workers safe on the ground or is the operation jeopardised by fighting? Are aid workers being targeted? Are they debating whether to pull out of the country?

## Reconstruction

Reconstruction is the stage a country reaches after a conflict is over. Key infrastructure such as roads, power, sewage, water, irrigation and agriculture need to be rebuilt.

Sometimes this will be funded by the “IFIs” or international financial institutions such as the World Bank. In other cases, international aid consortiums may be convened.

Aid programmes will often have many different strands, ranging from construction projects and basic de-mining, to health and education programmes. Often, there is a programme to foster an independent media, reflecting the powerful view that this is an important condition for democracy.

Another key element of reconstruction is formation of key institutions of state. In some cases, this will include setting up assemblies, law courts and sometimes even a new constitution. After the fall of the Berlin Wall, western-style free market economics were introduced into the former Soviet bloc nations. But some early attempts failed to deliver on high expectations because the basic institutional framework had not been put in

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place to support the free market economic model - eg, a bankruptcy law. Failure to put such legal frameworks in place has often allowed corruption to flourish in a new, free-for-all environment.

### Development

Development is the stage beyond reconstruction, when a country can really begin to produce economic growth.

In the development stage, business begins to flourish and health and education services advance. The banking system is more developed, credit becomes more readily available, and matching resources to needs becomes easier. At this stage of a country's development, institutions such as the World Bank begin to take more of a back seat in an economy and the role of private finance and foreign investment grows. Financial markets are more developed and institutions to support them - such as a stock exchange - become more established.

At the same time, a nation's legal framework is becoming clearer and the currency is usually more stable. All of this helps provide confidence to investors and supports inward investment.

When writing about this stage of development, it is important to know whether foreign investors will be able to repatriate their earnings (such as profits from a joint venture or dividends from a stock investment) and whether a currency will remain stable. There is little point, from a foreign investment point of view, if huge profits can be earned in a country but the currency is "soft" and cannot be translated into a so-called hard currency such as the dollar, yen or euro.

Currency developments become increasingly important at this stage of development. A weak currency means a country will find that imports to build up its industry or agriculture are expensive. Equally, a lack of foreign confidence in economic management may lead to a run on hard currency reserves or pressure to devalue.

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### Corruption

Over the past decade, much research has been done into the ways in which the media can fight corruption, and the conclusion is clear: Media promotes transparency, and transparency combats corruption.

The World Bank is perhaps the foremost expert on the issue of corruption in developing countries, and it has assisted more than 50 countries with in-depth anti-corruption programmes and governance reforms.

But the bank soon discovered that it is critical to look at what it calls the "voice" through which citizens provide feed-back to governments: the media, NGOs and civil society groups.

In a report on the subject, the Bank concluded, "The role of the media is critical in promoting good governance and controlling corruption. It not only raises public awareness about corruption, its causes, consequences and possible remedies but also investigates and reports incidences of corruption. The effectiveness of the media, in turn, depends on access to information and freedom of expression, as well as a professional and ethical cadre of investigative journalists."

Others have come to similar conclusions. When the independent group Transparency International matched its Index on Corruption with the Press Freedom World Wide Index, it found an absolute correlation: the stronger and more independent the media in a country, the less corruption there will be.

Media can provide tangible benefits - an exposé on an influence-peddling minister that results in his sacking - and more general, intangible ones, including a vigorous public debate and heightened sense of accountability among politicians.

Journalists covering corruption begin with the core principles of in-depth, fact-based reporting, but the scale of difficulty and the risks are higher. Double-sourcing, coaxing out sensitive information and note-taking from interviews, and especially paying careful attention to libel laws are all absolutely essential. Indeed, long after war stops, many journalists have been personally targeted by local profiteers at risk of exposure by an active media. Even in stable Western countries, journalists investigating corruption have been killed.

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### ADDITIONAL READING & REFERENCES

Glossary of terms:

**[moneycentral.msn.com/investor/Glossary/glossary.asp](http://moneycentral.msn.com/investor/Glossary/glossary.asp)**

Reuters Financial Glossary, published by Reuters

*The Financial Times Guide to Using the Financial Pages*, published by  
Financial Times Prentice Hall

IMF, World Economic Outlook:

**[www.imf.org/external/pubs/ft/weo/2000/01/index.htm](http://www.imf.org/external/pubs/ft/weo/2000/01/index.htm)**

OECD home page: **[www.oecd.org/home](http://www.oecd.org/home)**

World Bank: **[www.worldbank.org](http://www.worldbank.org)**

UN Development Programme: **[www.undp.org](http://www.undp.org)**

Transparency International: **[www.transparency.org](http://www.transparency.org)**