

The Role of the Media in the Formulation of Economic Policy

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Abstract

This article examines and comments on the reporting of economic news in the Australian media, the influence on that reporting of media judgments about newsworthiness, the relationship between economic reporting and the financial markets, and governments' use of the media in the economic policy process. Finally, it focuses on the role of economic commentators in the quality press, their relations with the bureaucracy, their part in the rise of economic rationalism and the nature of their influence on the formulation of economic policy. It concludes that when the commentators as a group take up causes and pursue them over sustained periods, they help to create a climate of elite opinion which emboldens governments to undertake politically difficult policy reforms.

1. Introduction

Dr Andy Stoeckel tells a story of visiting the editor of *The Economist* and asking him why he had taken the backward step of abandoning his career in Treasury to become a journalist. The editor explained that, as an econocrat, he had always had trouble getting his minister to take much interest in the policy memorandums he wrote. But his minister was always asking his opinion of articles the minister had read in the newspapers that morning. He'd decided he would have more influence if he became a newspaper economist.

That is an anecdote to warm the heart of every economics editor. An honest portrayal of the media's role in the formulation of economic policy, however, requires me to range much more widely and to reach a conclusion much less flattering to journalistic egos. We should start by looking at the media's role in general, before progressing to the particular instance of their role in economic policy formation.

2. The Media's Role

In referring to the media I'm limiting myself to the news media, but remembering that there are many mediums for news: not just the alleged quality press, but also the tabloid press, news magazines, business magazines, radio, television and wire services.

In the media's view of their own role, they are concerned primarily with the reporting of news: the recording of facts about events and the recording of opinions expressed by people with some form of authority. Only secondarily

* This article is based on a public lecture delivered at the University of Melbourne in August 1994 as part of the economics department's journalist-in-residence program.

do they express their own opinions about the news, and then usually in a way that is clearly delineated from the news, such as an unsigned editorial, a labelled 'comment' or a host's contribution to a talk-back radio session. So the media see themselves as essentially neutral purveyors of information, the carriers of messages between one part of the community and another.

In reality, the media's role is not as neutral or objective as they like to pretend. It is true, however, that the media's power is not exercised solely by themselves and in their own interests. It is available to be used by others, and many institutions, interest groups, businesses and individuals regularly avail themselves of the opportunity.

Chief among those who seek to use the media for their own purposes are, of course, governments. Government ministers and their departments employ a small army of press secretaries and public relations officers to 'manage'—or, to be blunt, manipulate—their relations with the media. Governments use the media to convey messages to the electorate, and interest groups within the electorate. They also use the media for information coming in the opposite direction. It follows that the media are used also by members of the public and, more particularly, interest groups to convey messages to governments. Messages from the public are conveyed by means of talk-back radio, letters to the editor, vox pop reporting and opinion polling.

Media workers are perfectly aware that they are 'used' in this way by governments and powerful sectional interests and are, within limits, quite unconcerned. They see themselves as message carriers. The catch, however, is that all interest groups don't have equal access to the media's broadcasting service; among individuals, the inequality is even greater. To have your message accepted for broadcast, it must be judged 'newsworthy'.

3. Newsworthiness and Media Biases

The obvious weakness in the media's perception of their role as neutral carriers of messages is that, unlike most messengers, they choose

which messages they will carry. It is impossible for the media to tell us all that is happening in the world, nor would we want to be told. So a process of selection is inevitable. But the media not only select the information they will pass on, they also decide the length of the message and the prominence it will be given.

All these decisions are based on the perceived 'newsworthiness' of the information in question. Judgments about newsworthiness are highly subjective and not easily reduced to a list of immutable principles. I think the key to understanding the principles of news selection, however, is to remember—as so many academic analysts of the media seem to forget—that, with the exception of the ABC and SBS, the news media are profit-making institutions. Either directly (as in the case of the press) or indirectly (as in the case of the free-to-air electronic media) they are selling their news. So the news they select is the news they believe their customers will most want to buy. These commercial considerations introduce a host of biases to the selection of news.

The essence of newsworthiness is the perceived interest to the audience. (I say perceived because journalists and their editors are able only to guess at what their audience will find interesting. In this guessing game they are influenced heavily by the guesses being made by their competitors.) This means that news selection is amoral: the search is for what people are interested in, not what they should be interested in. Importance is one measure of what is interesting and the media are forever yielding to the temptation to raise the interest-value of events artificially by exaggerating their importance. However, what is important may not be very interesting and vice versa. In such cases the interesting will almost always crowd out the important.

Aided by Tiffen (1989), we can list some views that are widely held by journalists and editors and which influence the selection of news: people are more interested in other people than in concepts; they relate more to the concrete than the abstract; they are more interested in what people do than in what they say. It follows that governments invariably get more media attention than oppositions. Bad

news is more interesting than good news. Conflict is more newsworthy than co-operation; costs get more attention than benefits; the media tend to highlight problems rather than solutions.

In their concern to interest their audience, the media tend to pander to what they perceive to be their audience's prejudices. One consequence of this is a lack of logical consistency, especially in movements between the general and the particular. In general, government spending is likely to be portrayed as wasteful and excessive, but decisions to cut particular items of spending—say, to close schools or hospitals—are usually portrayed unfavourably.

If you find this (partial) catalogue of the biases inherent in the media's selection of news shocking and deplorable, I offer one comment in mitigation: the media's failings mirror the failings of their audience, which are the failings of human nature. And this is no accident; it reflects the media's primary motivation, which is commercial.

4. The Media's Coverage of Economics

This general discussion of the media's role and the biases that affect their performance of that role bears directly on the media's coverage of economics. That coverage is dominated by the reporting of economic events, rather than expressions of pure economic opinion. Those events include the release of economic statistics, movements in prices on financial markets, government policy announcements, the publication of government reports and speeches by politicians and econocrats. Economic reporting is carried by all sections of the media: newspapers, wire services, radio and television, though less so by the (mainly weekly) news magazines and business magazines. Outside the four or five organs of the quality press, the reporting is done mainly by journalists without economic training, much of it by Canberra gallery journalists as an adjunct to their political reporting.

There is little doubt that the quantity of economic reporting has increased considerably over the past decade or so. A deputy governor of the Reserve Bank has remarked that:

There is no country in the world that is as obsessed with economic issues as Australia. In other countries, the front pages of their newspapers are full of stories about civil wars, riots, racial tension, constitution crises, etc. Ours are filled with balance of payments statistics, unemployment statistics, Budgets, etc. This is not an original observation—I have heard it again and again from overseas visitors.

[Macfarlane 1994, p. 1]

There seems little reason to doubt that the increased quantity of economic reporting reflects increased demand for information about the economy on the part of the media's audience, though this is difficult to measure because all media outlets present economic news as part of a package of other news. It's hard to believe that the media could go on foisting significantly more economic news on their audience than it wishes to receive, though it's not hard to believe that this news could be presented in ways that the audience found more useful. However, it is possible that the increased supply of economic news by the media has added to demand. The media can't impose an agenda on an audience that is uninterested and unsympathetic. But they can, and often do, reinforce and heighten an interest that is pre-existent.

As to the quality of all this reporting, the kindest judgment is that it is very mixed. It is subject to many of the biases I have outlined: exaggeration of importance, over-emphasis on the hip-pocket implications (real or imagined), greater prominence for bad news and reflection of the audience's prejudices and misperceptions. As an example of the latter, falls in the exchange rate are invariably portrayed as a bad thing. As an example of the over-emphasis on the hip-pocket—and consequent trivialising of economic news—I remember that the media reaction to the Campbell Committee's report on financial deregulation focused almost exclusively on the shocking suggestion that the Government remove the ceiling on home-loan interest rates.

5. The Media and the Financial Markets

Much of the increase in economic reporting seems to be linked with the deregulation of

financial markets. A symbiotic but in some respects unhealthy relationship seems to have developed between the media and the markets. Both institutions have a focus on daily occurrences—that is, they are intensely myopic. Both institutions have a vested interest in the volatility of economic indicators and financial prices—because it gives the media news to sell and increases the markets' opportunities to make profits (or losses) through trading. And both are concentrated in the same city, Sydney—increasing the opportunity for social interaction. The two institutions feed off each other. News editors seem to have acquired an exaggerated impression of the wider economic significance of relatively small and often transitory movements in financial prices. These movements are described in colourful language: exchange rates and interest rates perpetually plunge, dive, leap and soar. The markets' tendency to react to economic indicators adds frisson—newsworthiness—to those events; any indicator that is closely watched by the markets will be widely reported by the media.

The media can't merely report movements in market prices, they have to develop the story by offering an explanation of why prices moved in the direction they did. Usually, this is done by junior financial reporters who patch together a consensus view drawn from phone calls to a handful of market participants. Then the media take the story further by drawing out the possible hip-pocket implications for households and speculating about a government policy response.

The media's exaggerated view of the wider economic significance of movements in market prices has given the markets an exaggerated view of their own importance. As well, the media's focus on the markets has increased the markets' ability to influence policy.

The media are an important channel by which movements in market prices impact on the real economy via confidence effects. It may be that these confidence effects are as significant as the actual movements in prices.

The media are also an important mechanism by which market participants communicate with each other. Take the sharp rise in long-term bond yields that began in February 1994.

In that episode, market participants may not have begun with a unified view that yields were rising because of market fears about rising inflation, but by the time the media had finished telling *all* participants about the inflation fears of *some* participants, *all* participants were in no doubt about why yields were rising.

This means, too, that the media play an important part in establishing the conventional wisdom—the ex-post rationalisation—as to why sustained movements in market prices have occurred.

6. A Critique of Economic Reporting

It can be argued that we suffer from too much economic reporting, that we are taking the economy's temperature too often. The prominence given to monthly and quarterly economic indicators has outstripped the ability of the public (and even of some reporters) to make sense of the information they are being bombarded with. Many seasonally adjusted indicators are quite volatile from month to month; a surprising number move in a saw-tooth pattern. The public is being told that the economy is overheating one week and losing steam the next. This is the 'thrills and spills' approach to economic reporting. It adds significantly to the 'noise' in which policy-makers and policy advisers work, exposing them to almost continuous pressure and temptation to adjust policy settings.

This is not to imply that we would be better off if indicators were published less frequently. Though the public might receive fewer conflicting messages about the state of the economy, so would those better equipped to interpret such messages, including the managers of the economy. That would be too high a price to pay. The ideal solution would be for the media to pay more heed to the injunction of economists—and, indeed, the Statistician—not to make too much of 'one month's figure'. They could do so simply by focusing their reporting on the Statistician's trend estimates. But I fear this is a pious hope. The media have a vested interest in volatility and, because they are daily, will always emphasise the incremental information simply because it arrived today.

A related criticism of economic reporting is that the media's preoccupation with day-to-day movements in financial prices and month-to-month movements in macro-economic indicators is crowding out reporting and analysis of the forests of economic reports being published by government committees, parliamentary committees, departments, research bureaus, private think-tanks and university research centres. In other words, short-term macro-economics is crowding out micro-economics. The public, and even professional economists, have neither the time nor the money to buy and read government reports. They rely on the press to provide them with summaries and analysis of reports, and alert them to the existence of reports of particular interest that they may wish to get hold of. A report that isn't read makes a negligible contribution to the economic debate. But many reports go virtually unreported and most go under-reported. In this respect the quantity of the media's economic coverage doesn't make up for its low quality.

The media's traditional perception of themselves as engaged in the objective reporting of facts, with no intrusion of journalists' opinion, is nowhere more inaccurate than in economic reporting, particularly in the quality press. Economic reporting is highly interpretive; opinion is not always restricted to separately labelled 'comments', but often is mixed in with the facts in news stories. When Dr Chris Caton returned to Australia after working for many years in the United States, he was struck by the impression that, whereas in America the media reported the game, in Australia they tended to join in the game.

I think the Australian approach can be defended—up to a point. The Australian press is more advanced than the US press in the belief that economic news is too complicated for it to be reported adequately by generalist reporters. Facts have to be selected and they ought to be selected by journalists with some understanding of the subject. Once a breed of qualified, specialist economic journalists has been assembled, it is appropriate for them to give their non-economists readers some guidance as to what the facts mean. Problems arise when unqualified or inexperienced journalists are per-

mitted to perform this larger role, when their work isn't adequately supervised, and when journalists stray from providing explanation and background to expressing 'pure' opinion of approval or disapproval.

I might add that the print media's increasing use of specialist economic journalists to provide analysis and opinion represents an attempt to differentiate their product from that of the electronic media and to exploit their medium's comparative advantage. Newspapers are no longer first with much of the economic news. Official economic statistics, for instance, are released at 11.30 am. So by the time readers pick up their newspapers the following morning, they are already well aware of the main facts of the CPI, the unemployment figures or whatever. The press has to give its readers something more than the main facts: more details, more explanation of what the facts mean and more discussion of the wider ramifications.

7. Governments' Use of the Media in the Economic Policy Process

In considering the media's role in the formulation of economic policy, we should start with the use that policy-makers and policy advisers make of the media. First, they use the media to 'sell' their economic policies; to generate public and interest-group understanding of, and approval of, their present and proposed policies. It's essentially a process of explanation: explaining the objectives and mechanisms of policies; explaining the need for unpopular measures. This can be democracy at its best—encouraging an informed 'economic debate'—or it can be more manipulative, conditioning expectations and softening up the electorate for unpalatable news. In the run up to a Budget, for instance, it's usual to leak details of most of the unpopular measures, but keep the popular measures for unveiling on the night, thus increasing the likelihood that the media's initial reaction to the Budget will be favourable.

Second, ministers and their departments sometimes use the media to help fight their battles in Cabinet by persuading economic commentators to take up the cause. This tactic can be counterproductive if Cabinet decides it's

being got at. Many leaks of Expenditure Review Committee decisions to cut spending programs represent attempts by the particular department to overturn the decision by mobilising the affected interest groups. Here you see an example of a common transaction between journalists and people within government. The leakers' motive is highly self-interested and their behaviour is clandestine. The journalists are well aware of this but don't care because, by co-operating, they are 'imparting information to others' and 'uncovering and publicising problems'. What's more, they know the story is highly newsworthy and will attract the envy of their colleagues!

Third, policy-makers use the media for feedback from the electorate and interest groups. Kite-flying is just one form of feedback. The media reaction to an Industry Commission report will have an influence on whether its recommendations are accepted.

8. The Role of Economic Commentators

Now let's turn to the role of the print media's economic commentators—a very small group of economics editors and other professional columnists who can be numbered on two hands. (Though Australian editors prefer to employ their own commentators, the two national dailies have in recent years added the contributions of a few outside economic columnists, mainly former politicians and academics. Their motive is to increase and widen the range of views, but not necessarily to provide contrary views to those of their professional columnists.)

A survey of about 100 business, financial and economic journalists conducted in 1991 by the Australian Centre for Independent Journalism at the University of Technology, Sydney (ACIJ 1993) asked them how they rated various aspects of their work. More than 90 per cent rated 'imparting information to others' as either essential or very important. 'Uncovering and publicising problems' scored 80 per cent and 'being among the first to know what's going on' scored 55 per cent. But motivations such as 'influencing public policy decisions', 'influencing the public', 'influencing business

decisions' and 'expressing yourself' each scored only about 20 per cent. And 'championing particular values and ideas' scored only 15 per cent.

I don't doubt that these results are a reasonably accurate reflection of the motivations of business and economic reporters—and, indeed, journalists in general. They see themselves as informers, not reformers. But our select band of economic commentators are not reporters, they are columnists. And most economic commentators undoubtedly do see influencing public policy decisions, influencing the public and championing particular values and ideas as important aspects of their job. They are the group of journalists most prone to campaigning on issues—certainly more prone than political commentators. They feel free to take sides on policy issues because they do stick to issues and don't expect to be seen as merely political partisans.

With respect to policy, economic commentators see themselves as having two main roles: to try to explain government economic policy and to try to change government economic policy. Some individuals give more weight to explaining, some to changing. To a commentator, explaining comes under our earlier heading of 'imparting information to others'. When commentators seek to explain the economic policy of the government of the day they are acting on the other side of the policy-makers' and, more usually, the policy advisers' efforts to use the media to 'sell' government policy. When commentators seek to change economic policy they often do so with the tacit encouragement of policy advisers, who believe their political masters need to be encouraged in good works.

As economists, economic commentators are not original thinkers doing original research; if they were, they'd be in universities. They write on a wide and ever-changing range of economic policy issues, whereas most economists—academic and practicing—are highly specialised. They work by following economic developments closely and keeping in constant consultation with other economists, who provide them with information, explanation and intellectual stimulus. Because they write

mainly about the state of the macro economy and about policy issues, their chief contacts are with the bureaucratic policy advisers in the Treasury, the Reserve Bank, the Industry Commission and other government departments and agencies. These 'contacts' provide a more detailed, sophisticated and frank exposition of the reasoning behind policy decisions, and of the pros and cons of policy options, than is provided publicly by their political masters. The advent of a small army of ex-econocrats employed in the financial markets has, however, made the press commentators less reliant on bureaucratic contacts for macro-economic issues. In my experience, commentators would like to make more use of academic contacts, but generally find that they aren't familiar with the latest developments (which are the commentators' focus) or aren't sufficiently 'applied' (and it's surprising how often they seem to be overseas when you need them!). All this may help explain why it's uncommon to find commentators running a line consistently critical of the Treasury or the Reserve Bank—though it's not uncommon to find them consistently critical of the government of the day. It should also be remembered that there are well-established policy divides within the bureaucracy—such as Treasury versus the Department of Industrial Relations on wage-fixing, and the Industry Commission versus the Department of Industry on industry policy.

Despite their close contacts with the bureaucracy, economic commentators are free agents. They make their own decisions about the extent to which they will rely on government sources for column ideas, they choose the particular econocrats to whom they talk, and they decide which government policies they will help to sell and which they will oppose. Indeed, they like to see themselves as fearless critics of government policies and performance. As a class they have a pathological fear of being seen as apologists for the government of the day. When they view the Labor Government's many reforms of the past decade they would like to believe not that they helped it achieve those reforms, but rather that they obliged and persuaded it to make them. The truth, no doubt, is in the middle.

9. The Economic Commentators and Economic Rationalism

It would be a mistake to think of economic rationalism as a phenomenon that sprang from nowhere soon after the election of the Hawke Government. What occurred in the 1980s was a coming to the fore of views that had long been part of the Treasury Line and which had long been shared by the older economic commentators—as witness, their long-standing crusade against protection and their criticism of the Arbitration Commission, wage indexation and the arbitration system. Equally, it would be wrong to see the rise of economic rationalism as a purely Australian phenomenon (though just as wrong to see it as a local cover-version of Reaganomics or Thatcherism). Economic rationalism—a term that was in currency among econocrats long before it was picked up by Michael Pusey—is the local manifestation of the world-wide revival of economic liberalism, with academic antecedence in new classical economics and public-choice theory. Here, as elsewhere, it was fostered by a decline of faith in the effectiveness and sufficiency of traditional demand management. As for the reform that got the ball rolling in Australia, financial deregulation, we were neither the first nor the last country to make such changes and to make them in response to global developments that left us little choice.

Even so, it can fairly be said that economic rationalism and its policy expression, micro-economic reform, were 'sold' by the econocrats to a Hawke Cabinet composed of ministers who were younger, better educated, more economically literate and more disposed towards policy reform as such than any Cabinet that had gone before. With a few notable exceptions, the economic commentators needed little persuading to join in the selling job. They sold it—and still sell it—to their readers and to the Government's caravan. Why were they such willing recruits to the cause? Partly because of their close links with the bureaucrats. Also because, though all economists are susceptible to intellectual fashion, economic journalists are, by the nature of their jobs, more susceptible than most. The news media are

about the latest; economic journalists have to be up with the latest. Someone who swims perpetually against a popular tide is easily seen—by readers and editors—as just not up with it. There is, however, a more fundamental explanation: the economic commentators and the econocrats went to the same university. They had the same schooling in neoclassical economics; they shared the econocrats' world view.

At the time most of the policy changes were implemented the economy was growing strongly. Doubtless there were dissenting views, particularly among academics, but they were muted. The media did little to seek them out but, to my knowledge, neither did they decline to publish the contributions of experts anxious to have their dissent recorded. Editors are not averse to controversy. The great reaction against economic rationalism came in retrospect, after the recession of the early 1990s was under way and when it was easy to claim that economic rationalism had not only failed, but actually had caused the recession. As part of the post-mortem, Schultz (1992) asked: 'Where are the Alternative Views?'. That is a question to be asked of the possessors of alternative views, and of editors responsible for presenting a range of views, not just of the economic commentators. For the most part, the commentators' views were not alternative.

What I would concede is that the commentators participated in the 'over-selling' of the benefits of the early micro-economic reforms—in particular, financial deregulation. They failed to foresee the extent of the transition problems and adjustment costs that would arise. But they were not alone in this, and the Reserve Bank has made similar admissions (Macfarlane 1991). It may be that any fears that arose in the commentators' minds were suppressed in the interests of 'making the sale'; it's more likely that they simply lacked the perception to foresee the shoals that lay ahead.

10. The Influence of the Economic Commentators

I have focused so far on the role of the small group of economic commentators employed by the quality press. But the other class of media

worker most active in the expression of economic opinion is a very different group: the radio talk-back hosts. It's been observed that whereas the views of the newspaper commentators tend to be very orthodox, restrained and intellectually respectable, the views expressed by the talk-show hosts are often ill-informed, strident and populist. Why should this be so? Much of the explanation lies in the two media's differing 'target markets'. The quality press (and its advertisers) aims for the upper socio-economic groups, including business and professional people and the growing minority of the population with university educations. It is at the cerebral end of the media spectrum and it acts accordingly. In contrast, commercial radio (and its advertisers) aims for a mass market of ordinary Australians, people with few intellectual pretensions. Newspaper commentators aim to inform their readers; talk-back hosts aim to provoke a lively exchange of listeners' views by giving them something to be indignant about. The broadcasters seem to have discovered that the opinions which attract the most calls (and listeners) involve intolerant populism; 'the government' is an easy mark. Talk-show hosts cover economic issues among a host of others; few if any would have economic training; many are not actually journalists—that is, they have no background in factual reporting. In contrast, newspaper economic commentators specialise in economics and have economics degrees. Their ease of access to senior econocrats, and the frankness with which econocrats speak to them, is partly a function of their contacts' judgment as to the journalists' depth of understanding of economics. This is a powerful factor in keeping their commentary intellectually respectable.

How influential are the talk-show hosts on economic issues? I believe that, as a group and in concert with their callers, they are quite influential, though in a strictly negative way. If, after a policy has been announced or foreshadowed, the callers run loud and long in their opposition, not infrequently the policy will be abandoned or modified.

How influential are the print media economic commentators? More than they would admit, but less than you may imagine. Readers'

minds are not blank pages on which journalists write. Newspapers offer a smorgasbord of stories from which readers pick according to their tastes. Readers tend to read more for reinforcement than enlightenment; they keep reading the things they agree with and stop reading things that make them feel uncomfortable. They tend to remember things that fit with their pre-existing belief structure and tend to forget things that don't fit. They absorb what they read through the filters of their own values, prejudices and experience, and frequently take away a meaning quite different from the one the author intended to convey.

Commentators' ability to influence public opinion is further reduced by the fact that they often are selling propositions that are counter-intuitive: protection doesn't save jobs, technology doesn't destroy jobs, minimum wages don't protect the poor, and so forth. So the commentators' influence is probably greater on 'elite opinion' than on popular opinion. By elite opinion I mean the opinions of people active in business and trade union interest groups, members of political parties, backbenchers, ministers and shadow ministers, their staffers and bureaucrats.

There is, however, a second channel through which the newspaper commentators exercise influence. Their columns are read by other journalists in all the media, including political journalists, journalists reporting economic news and the talk-show hosts. So they have some influence over the rest of the media's understanding of what it all means and which issues are more important than others. But you would have to say that it's a limited influence. For instance, the commentators have not succeeded in persuading their colleagues that the size and timing of asset sales are of little macro-economic consequence.

Though it's no doubt true that some commentators have more influence than others, I believe it's mainly the preponderance of commentators' opinion that has influence. When most of them are pushing in the same direction and for a sustained period, that eventually will have an effect on elite opinion and, through that, on economic policy. It's a process of wearing away the stone, of helping to create a

conventional wisdom to which the policy-makers respond.

It follows from this that economic commentators are probably more influential in matters of micro-economic policy than macro-economic policy. You may think that commentators, in concert with the financial markets, exercise significant influence over the size of the deficits governments budget for. But a former deputy secretary in the Prime Minister's Department (Sims 1994) has observed that politicians are well aware of the ease with which they can influence the yearly debate on the size of the deficit. 'Deficit discussion rarely seems based on objective assessment, but instead on whether or not the Government jumps its own deficit hurdles', he wrote. Commentators, as a class, seem to be more influential in the micro-economic area, where they pick up ideas, popularise them and press governments to act. Most governments want to perform great acts of reform, but they want also to survive. The commentators' role is to help create a climate of elite opinion which convinces governments that they can make the necessary policy changes without endangering their survival.

The most striking example of this process is the commentators' role in tariff reform. Over a period of 20 years or more, elite opinion—but not, let it be noted, popular opinion—swung away from support for protection, to the point where the Hawke Government was emboldened to announce its virtual phasing out. The Government did so with bipartisan support and surprisingly little criticism. Bob Hawke's announcement of the second stage of the phase-down, in March 1991 during the depths of the recession, was greeted by the media—the economic commentators—as an act of historic significance and great statesmanship. Why the sea-change in elite opinion on protection? You'd have to give a lot of the credit to the Industries Assistance Commission, which campaigned tirelessly for tariff reform over many years. But you would also have to give a lot of credit to the economic commentators, who—led by Alan Wood—also campaigned tirelessly over many years. To put it bluntly: the IAC made the bullets and the commentators fired them.

This, I think, tells you a lot about the economic commentators' role in the formulation of economic policy. You can see them playing a similar role in the moulding of elite opinion in favour of decentralised wage-fixing and the deregulation of the labour market—although it is significant that, in this instance, fewer of the bullets they are firing have been fashioned by the bureaucracy.

11. Conclusions

It is clear that the media play a significant role in the formulation of economic policy, but the role they play is far from clear. They provide the forum in which the economic debate is conducted, and conducted on at least two levels: elite opinion and popular opinion. The media carry messages in both directions between the rulers and the ruled, but they don't do so in a neutral way. They select the messages they carry and the degree of prominence given to them on the basis of their perceived newsworthiness, a process which imparts significant biases to the communication process.

Media coverage of economic matters is predominantly concerned with the reporting and interpretation of news about short-term movements in the macro economy. The media exaggerate the significance of the inevitable volatility in financial prices and economic indicators. This increases the 'noise' in which the macro-economic policy-makers work, adding to the difficulties of their task and possibly encouraging them to adjust policy settings more often than they otherwise would. The media's coverage of the debate about micro-economic policy issues is much more cursory.

Policy-makers and advisers make considerable use of the media to 'sell' policy changes to the electorate in general, but also to the opinion-making elite. Economic commentators are one of the main vehicles through which policy-makers and advisers seek to influence

elite opinion. But, though they are open to manipulation, economic commentators are not passive agents in this process. They choose the issues on which they will campaign. Their influence on economic policy formulation is probably more indirect (that is, via their influence on the general climate of elite opinion) than direct (in the sense that they suggest specific policy ideas which are new to the policy advisers, or that policy-makers read newspaper articles and act on them). Individual commentators probably don't have all that much influence, but when the commentators as a group take up causes and pursue them over sustained periods, they can shift the conventional wisdom and create a climate in which governments respond to pressure for policy reforms, secure in the belief that they are not moving ahead of elite opinion.

*First version received December 1994;
final version accepted September 1995 (Eds).*

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