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Improving the Quality of Economic Journalism

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Article at a glance

- Reliable, accessible, independent economic and business news is a vital catalyst for investors, entrepreneurs, and policymakers looking to expand economic opportunity for individuals.
- In many countries, economic journalism remains weak due to the various internal and external challenges that journalists and news outlets face.
- Improving the quality of economic journalism requires strategies that go beyond economics education and focus on the practical application of economic and business concepts.

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Why Focus on Economic Journalism?

Reliable economic and business journalism is something individuals and businesses take largely for granted in developed economies. Leading publications have widespread coverage of financial markets, corporate news and key economic indicators that are of crucial importance for the livelihoods, employment opportunities, and investments of ordinary people.

It wasn't always that way. As business reporter Chris Welles wrote:

For years, business economics and finance journalism was a bleak wasteland — ‘the most disgracefully neglected sector of American journalism,’ according to former NBC-television correspondent and former dean of the Columbia Graduate School of Journalism School Elie Abel. If you did a lousy job covering city hall, couldn't hack it writing obituaries, weren't too swift taking classified ads over the telephone, then they sent you to the business section. Maybe they even made you business editor.¹

Media outlets of all kinds in developed economies have since responded to globalization and the explosion of information available for consumers, investors, policymakers, and business managers by investing in higher quality economic and business reporting. As they continue to do so, they benefit greatly from the institutional environment around them.

Greater access to information, democratic governance, and transparency allow for a smoother transmission of economic information from the media to the public. Journalists have access to both reliable government statistics and independent sources of data that they can analyze and present to the reader. Legislation such as the Freedom of Information Act in the United States makes it possible for journalists to request government information and documents mandated for

disclosure. What is more, the rule of law found in most developed economies also provides the physical and legal protections necessary for sensitive investigative reporting into major business deals or cases of corruption.

In developing and transitioning economies, facing a tremendous growth of private sector activity and economic development as well as an explosion of information, economic and business journalists operate in a murkier institutional environment where providing reliable and useful information to the general public is more challenging. Limited sources of independent information can often lead to a press corps dependent on personal relationships with decision-makers — a dynamic that can easily lead to conflicts of interest and corruption. Recent press scandals in India underline the extent to which journalists can be viewed by the public as an extension of the powerful civil servants they are supposed to cover objectively.²

Inadequate training and specialization of journalists in developing economies also contributes to coverage that either fails to explain complex economic indicators or relegates important business news to back story status. Misperceptions about the private sector in those countries often mean that editors and journalists do not give the necessary credence to economic issues, despite their widespread implications. As a result, poor and insufficient coverage makes it harder for the public to understand economic news that directly affects their lives and to hold elected officials accountable for economic policies.

The on-going global financial turmoil offers an opportunity for journalists to engage the general public amidst a heightened interest in economic news and indicators. As an intermediary between government and citizens, the media have a responsibility to present information in a clear, cogent and decipherable manner so that people can make informed decisions in areas such as spending, investing and retirement.

The advent of mobile and Internet-based information and communications technologies including social media also boosts the premium for higher quality economic and business reporting. The precipitous drop in the costs of accessing and broadcasting information sets the stage for media outlets to distinguish themselves as effective listeners and curators of economic information and perspectives. More than ever, journalists can go beyond large public institutions or corporations to find relevant stories and ask pertinent questions.

Order from Chaos

The preeminent importance of knowledge, information and statistics to the functioning of a market economy requires that the media report news in such a way to facilitate genuine dialogue among the public, businesses, and public officials. The most successful economic or business journalists are those who can put a human face on complicated economic issues. They manage to explain to a wider audience how a given issue affects not just large corporations or government officials but also ordinary households and small and medium-sized enterprises — the engines of economic growth and job creation.

Readers and listeners can also relate more easily to important economic information if they encounter their peers providing it or responding to it in the media. Information such as macroeconomic statistics or economic policies in need of reform may seem complex and remote, but good journalists know how to tie those often technical subjects to the daily lives and decisions of all citizens.

Presenting informed dialogue on key economic issues in print or in newscasts goes beyond immediate value to ordinary people as economic decision-makers; it is also a pillar of democratic governance. A more sophisticated understanding of economic issues through quality journalistic coverage provides a framework for public officials to bring the private sector's needs and challenges into policymaking considerations. Common

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government priorities such as job-creation and sustainable growth can only be realized if decision-makers understand what makes a market economy work.

For a journalist, enabling a meaningful economic policy dialogue in the media requires basic understanding of what the traditional and non-traditional sources of economic information are, who the users of economic information are, and — above all — what economic relationships exist between sources and users of information. A deeper economic understanding of these relationships helps reporters and editors formulate better and more compelling questions as facilitators of vital public discussion.

Economic journalism provides a crucial resource for extricating meaningful order from the disorderly chaos of often technical economic information that the public is bombarded with every day. The implications of proposed changes to banking rules, a new tax law, or public procurement corruption scandals are more frequently than not hard to grasp for the general public. Yet, people need to understand those implications both as economic agents and citizens. That is why increasing the quality and breadth of economic reporting brings tremendous benefits for the economy and has the potential to make policymakers more responsive. Identifying the leading challenges economic journalists face and designing effective programs to increase their capacity should be a priority worldwide.

Covering Corporate Governance

Corporate governance stories tend to only garner the public's attention when there is a crisis. From Enron to more recent accounting scandals related to the housing crisis, cases of corporate malfeasance seem to disappear after they have blown over. But corporate governance needs a more constant and deeper journalistic focus. From board room composition to oversight to government interference, questions of governance matter to daily operations of businesses as well as to the broader regulatory and institutional environment of doing business. Corporate governance is a key issue for successful privatization, job-creation, greater efficiency of state-owned enterprises, and fighting corruption. Unfortunately, its coverage usually becomes marred in technical jargon that both turns readers away and, in some cases, erects barriers to comprehension for the journalists themselves.

The challenge to journalists, then, is to decipher balance sheets and analyze governance structures to tease out what is sound from what is problematic. This entails a move beyond the technical language of corporate governance to an expressed goal of understanding what is behind that language in order to shine light on how governance affects both the interests of shareholders and the economy as a whole.

The following are steps journalists can take to improve coverage of corporate governance and write stories that are more accessible and relevant to the interests of readers:

- 1) Learn how to read a financial statement
- 2) Devise a list of common questions on governance to ask companies; the list should include questions targeting specific variables within a company that affect governance and strategy
- 3) Draw links among governance structures and outcomes to write stories that sell: for example, look at board composition to link the quality and degree of board oversight with the management and profits of a particular company.

Challenges to the Quality of Coverage

While the institutional environment discussed earlier certainly poses its own set of challenges to economic and business reporting in many countries, other shortcomings and obstacles begin at the micro level with the reporters, editors, and newspapers themselves.

Since economic and business issues usually only make up a small percentage of a newspaper's coverage, the investment and resources devoted to cultivating journalists with a strong foundation in economics and business are frequently lacking. In smaller papers, editors shift journalists around

every day to cover stories for different sections of the paper. This lack of consistent focus — or news beat — discourages specialization and diminishes the importance of background and training.

A lack of specialization means that journalists who do cover economic and business issues are often ill-prepared and neglect important questions and story angles. In countries transitioning to a market economy, this often results in an overreliance on misperceptions or biases in coverage of the private sector. It also commonly results in coverage that fails to adequately scrutinize sensitive and complex privatization processes.

Education systems also do little to prepare journalists to cover economic and business issues. There are not enough resources or textbooks on the topic and in many parts of the world schools rely too heavily on rote memorization rather than deeper understanding and analysis. If students are not taught to think critically about economics, business, politics, and governance, how will they learn to ask relevant questions when they are interviewing officials and businesses or researching a story?

Internal newsroom dynamics can also pose a big problem to quality economic reporting. Newspapers routinely face myriad outside pressures from government officials, influential companies, and other powerful figures. Those pressures are often coupled with direct or indirect threats against journalists and their papers that may result in selective coverage and misleading or outright false reporting. In more extreme cases, journalists are wrongfully imprisoned or even assassinated and newspapers are forced to close because they are denied key advertising contracts or hit with lawsuits and costly fines.

Conflicts of interest are another area where papers struggle to balance the principle of fair coverage with the revenue-generating imperatives of advertising. Even when there is healthy autonomy between marketing departments and editors, the awareness that negative reporting on products made by advertisers can jeopardize important revenues sources often leads to self-censorship.

The political or financial vulnerability of a paper affects integrity levels when editors must decide whether or not to yield to outside pressures to kill or soften stories. How do you report on sensitive questions like inflation when the government is trying to tinker with official figures and suppress independent calculations, as is the case currently in Argentina?³ How can you freely report on distorted market competition in Morocco when doing so would call into question the influence of sensitive royal holdings on the country's finance and investment decisions?⁴ In this respect, priorities of getting a story right and protecting the newspaper's

brand integrity need to be weighed against the real consequences of ruffling the feathers of senior officials or major advertisers.

Strategies for Improving the Quality of Economic Journalism

What can be done to overcome all of these challenges to economic and business journalism worldwide? The initial impulse that most people have is to increase training for journalists. Training sessions can be beneficial and improve the tools journalists have available for covering tough issues. However CIPE's experience working with economic journalists around the world has been that training sessions alone are not enough to fill the gap.

One of the greatest obstacles to successful training programming is the high rate of turnover in newspapers. Younger journalists right out of school tend to jump from one opportunity to another and many economic and business journalists are often pulled away by tempting, lucrative jobs in the private sector. How can one gauge the efficacy of training if journalists do not stay and develop in their current positions?

Another dynamic that is frequently left out when considering journalist trainings is that of the editor/reporter relationship. Training reporters assumes that they are the ones who decide which stories to cover, what angle to take, and which leads to pursue. Oftentimes, however, it is the editor or newspaper owners that make these decisions. Engaging editors from the outset creates the buy-in necessary to create greater space and opportunities available to reporters.

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Rather than being limited to one-off, multi-day training sessions focused on classroom-style education, efforts at improving the capacity of journalists should look for other ways to engage with complex economic and business issues. Sitting a group of journalists down in front of an economics professor is not effective. What is needed is the practical application of concepts, not theory.

An alternative approach could entail regular meetings with bankers, executives, civil society activists, industry analysts, economic think tanks, consumer advocates, stock brokers, and corporate lawyers where journalists discuss industry news, technical trends, and ethics and are given a writing assignment afterwards to test what they have learned. That was the approach CIPE partner the Kyrgyz Stock Exchange Press Club took, training Kyrgyz journalists in cooperation with local experts and practitioners. After identifying a need for greater understanding of market institutions, the Press Club organized such training meetings with visible results as the journalists put their new knowledge to practical use in reporting on topics such as budget expenses and cooperatives' funding.⁵

Training programs should also focus on breaking down concepts such as corruption in order to look at the broader picture, drawing links between acts of corruption and their larger economic consequences. Likewise, training sessions on business statistics should have a greater focus on examining and breaking down key indicators (e.g. the World Bank's Doing Business numbers) in order to look at how data is collected and aggregated. Journalists should be looking for what other stories the data can tell the reader. Learning how to analyze survey sample methodology could be very effective towards this goal.

Improving the quality of economic and business coverage should also engage the business community. Journalists without a steady grasp of certain industries or markets are likely to fall prey to the biases of particular executives they interview. Reaching out to chambers of commerce and business associations can offer more impartial information

since they aggregate the interests of their members and can present a more balanced picture of the business community or a particular sector.

The Business Case for Better Economic and Business Coverage

Apart from the positive effects of better economic and business coverage on economic and democratic development, is there a case to be made that such coverage can also boost sales, subscriptions, or advertising revenues for media outlets?

Certainly there is much outside the media's control when it comes to building a demand for higher quality economic and business reporting. Investors and business managers or owners in a country where the economy remains tightly controlled by a small oligarchy may not rely at all on the media as a source of vital information, relying instead on their close personal networks. On the other hand, in many developing and transitioning economies large state-owned enterprises are pending or undergoing privatization and, assuming such processes are transparent, investors and corporate managers in those countries and abroad may seek out high quality, independent information about potential investment opportunities.

What is more, a burgeoning middle class in many of these countries may be the most important and yet untapped audience for economic and business journalists, as it was for economic and business journalists in developed economies. In the mid-twentieth century as the United States' middle class grew, the media saw that information about durable consumer goods such as refrigerators, laundry machines and dryers, and cars would be especially valuable to their growing readership who were increasingly able to afford those products and eager to know more about available choices. Financial and investment reporting grew immensely in the late twentieth century as many of these same families considered options for funding retirement or higher education for their children through investments.

Building an audience for and extracting business value from economic and business reporting remains a daunting challenge for media outlets everywhere. Yet, media in developing and transitioning economies have a lot to gain from improving the quality of economic journalism in their countries. Analysis-based economic and business coverage may even become a central value generator, especially for print media, as readers more frequently use the Internet and social media to follow the news but also look to trusted journalists to better understand the nature, significance, and economic ramifications of current events.

Endnotes

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