

“The News on the Economy: It’s Not What It Should Be”

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It’s common for well-educated people to complain about the public’s ignorance of basic economic issues. People grossly overestimate the share of the budget going to areas like foreign aid and welfare. They have little idea how the United States compares to other countries by basic measures of well-being like income, life expectancy, or leisure time. And they believe strange ideas about trade and jobs.

While there are real grounds for complaint — most of the public is largely ignorant of basic economic facts — the highly educated complainers might spend more time focusing on their peers in the media and less time on the masses. Most people don’t have time to read through economics textbooks and journal articles or to bury themselves in government data.

Reporters, or at least those working for elite news outlets like The New York Times, The Washington Post, or National Public Radio, should have the time and background to do exactly this. It is their responsibility to present news about the economy in ways that inform their audience and call attention to the most important developments that are likely to affect their lives at present or in the foreseeable future. Insofar as the public is ill-informed on economics, much of the blame lies with the reporters and editors who decide the topics that will be covered and how they will be covered.

I will discuss four areas in which I will argue reporting has largely failed the public.

1. **Putting numbers in context.** Economics invariably involves references to large numbers that are way beyond comprehension. Referring to sums in the millions, billions, or trillions is really not providing information. If reporters are actually interested in educating their audience, these numbers have to be expressed in a way that is meaningful to most of the people who see or hear them.

2. **The sources used in pieces.** There is a tendency to rely on the usual suspects for news stories: the same group of experts who all say the same thing. This has the effect of both wrongly conveying a consensus among economists that may not exist and depriving the public of important viewpoints.
3. **Assuming sources are credible.** This is largely a complaint about politicians or spokespeople for interest groups. These people have reasons to assert things, whether or not they believe them to be true. Reporters should stick to reporting what people say or do, not telling us what they believe.
4. **The choice of issues covered.** The stock market's daily performance is featured in every newspaper and television news show. As a practical matter, the stock market really is not that important for most people. Only about half of the population has any stock at all (including through mutual funds in retirement accounts) and only a quarter has any substantial holdings. This is a topic, like budget deficits, that occupies far more news space than its importance to people's lives would justify.

In listing these areas, I should point out that there is a wide range among reporters. Some do a very good job at presenting news in a way that is informative, while others call it in, doing the same thing month after month and year after year. My comments should be understood as criticisms of common practices. They are certainly not intended as an indictment of every person involved in reporting on economic issues, many of whom I know to be hardworking and committed.

Numbers in Context

There is perhaps no area of economic reporting that I find more frustrating than the failure of reporters to put numbers in a context that is understandable to their audience. I say this because it is not really an arguable point. When a news story tells readers that, "the federal government will spend \$180 billion on transportation over the next six years," it might just as well have said "the federal government will spend a REALLY BIG NUMBER on transportation over the next six years."

The audience for the elite news outlets is highly educated, but as a practical matter very few readers of The New York Times or listeners to National Public Radio have any idea how much money \$180

billion is to the federal government over the next six years. They spend their days working and their time off is with their families or dealing with other responsibilities. They are not reading documents from the Congressional Budget Office or Office of Management and Budget. On the other hand, if these outlets reported that it would be 0.8 percent of total spending or \$100 per-person, per-year, it would be providing meaningful information on the size of the transportation budget.

This issue of putting numbers in context comes up in a wide variety of ways but is especially important in people's views of anti-poverty programs both domestically and internationally. If people hear that we are spending \$20 billion a year on Temporary Assistance to Needy Families (TANF) or foreign aid (roughly what we are actually spending), they are likely to think we are spending a great deal of money in these areas. After all, almost no one will ever see \$20 billion in their lifetime. In fact, very few people will even see \$20 million in their lifetime. When people hear these numbers, they tend to think of them as huge sums, which of course they are.

But relative to the federal budget they are not especially large. \$20 billion dollars is less than one-half of one percent of federal spending. While that comparison doesn't mean that the sum is trivial or that we shouldn't be concerned if it is wasted, it does mean that we will not see a qualitative change to the budget picture or our tax obligations if these lines of spending were drastically cut back or even eliminated altogether.

Polls have consistently shown that the public hugely overestimates the amount of money going to TANF and other anti-poverty programs and foreign aid. The typical person believes that close to 30 percent of the budget goes to each area. This leads to the bizarre situation in which many people would like to see spending in areas like foreign aid drastically reduced, while at the same time suggesting that we spend ten times as much as a share of the budget as we now do.

I recognize that some of the views on foreign aid, TANF, and other spending on low-income people are driven by racism. Many people want to believe that all their tax dollars are going to dark-skinned people who don't deserve them. These people won't let the facts interfere with their beliefs. However, there are others who don't hold these views but still hugely overestimate the share of the budget going to these areas.

As a practical matter, it is actually surprising that these programs enjoy the support they do, given the enormous ignorance of their importance to the federal budget. After all, if we really were spending 30 percent of the federal budget on anti-poverty programs and we still had 13 percent of

the population, including more than 20 percent of our children, living in poverty, it would be reasonable to ask whether this money was being well spent.

This is an area where I have never gotten an argument from reporters. No one has ever tried to claim that their readers or listeners had any clue what it meant when they reported some huge spending some over some multiple number of years. (Often the number of years is not even given.) What is the point of writing or saying a number if it has no meaning to the audience? I have often referred to this as a fraternity ritual. A reporter writes down some huge number that has no meaning to almost anyone, but they have done their job.

I thought I had a major victory on this topic a few years back when Margaret Sullivan, who was then the public editor at The New York Times, wrote a very nice column essentially laying out the argument I have just given.¹ She even enlisted the enthusiastic support of David Leonhardt, who was the Washington editor for the paper at the time. Leonhardt even stole my line about just writing a “Really Big Number.” (He’s more than welcome to it if it is the basis for actions.) This was huge given the importance of the Times in setting journalistic standards.

If the Times insisted that numbers had to be put in context, it was likely that most other major news outlets would as well. We would constantly hear stories telling us that Republicans think the 0.6 percent of the budget devoted to TANF was too much, or that the 0.01 percent of the budget going to the Corporation for Public Broadcasting was wasteful spending that added to the deficit.

Unfortunately, my celebration was short-lived. Nothing at the paper changed. We can still count on getting our budget numbers in millions, billions, and trillions; numbers that are meaningless to all but a few budget wonks. No one can or will defend this practice, but for some reason, they will not change it.

Sources in News Stories: Who’s Talking?

Reporters have a tendency to turn to the same sources or experts again and again on important economic issues. These tend to be a small group of well-established economists, current and past government officials, and representatives of key interest groups. This has the effect of narrowing the

¹ See <https://publiceditor.blogs.nytimes.com/2013/10/18/the-times-is-working-on-ways-to-make-numbers-based-stories-clearer-for-readers/>.

debate as many alternative perspectives are rarely heard. It's probably also worth noting that the usual suspects tend to be mostly white males.

This can have a big impact on public debates. For example, in the 1990s almost everyone used as a source in articles on Social Security accepted that the program faced a major crisis requiring immediate attention. This was not true, as it is two decades later and no one has missed a check. The Social Security in crisis perspective was advanced in major news outlets like the *The New York Times*, *The Washington Post*, and National Public Radio because no one presenting an alternative view was allowed into the debate.

There was a similar story in the last decade with the housing bubble. There were almost no voices in major news outlets that raised the possibility that the housing market was in a bubble. This was in spite of the fact that it was possible to recognize a divergence between sale prices and the fundamentals of the housing market as early as 2002.² Even as prices got further out of line and loan quality quite obviously deteriorated (the National Association of Realtors reported that almost half of first-time buyers put down zero or less in 2005), voices warning about the bubble were virtually absent from reporting. In fact, *The Washington Post's* main source on the housing market during the bubble years was David Lereah, the chief economist with the National Association of Realtors.

Relying on the usual suspects was an especially bad problem when it came to reporting on the Federal Reserve Board or Fed. The Fed's role in the economy is immensely important and little understood. Through its control of interest rates, the Fed can speed up or slow down the rate of economic growth. Since the Great Recession, the Fed has played an important role in boosting growth as it pushed the short-term rate directly under its control to zero. It also has tried to directly lower long-term rates through its policy of "quantitative easing," which is a policy of buying up longer-term assets.

But the Fed is not always in the business of boosting growth. In the mid- and late-1990s it was concerned that the economy was growing too rapidly. The idea was that more rapid growth leads to more jobs, which in turn reduces the unemployment rate. The conventional view in the economics profession at the time was that the unemployment rate could not get much below 6.0 percent without triggering inflation.

² See <http://cepr.net/publications/reports/the-run-up-in-home-prices-is-it-real-or-is-it-another-bubble>.

As the unemployment rate began to fall towards this 6.0 percent number in the winter of 1994, the Fed began to raise interest rates with the explicit purpose of slowing the rate of job creation. Over a bit more than a year, through a series of smaller rate hikes, the Fed raised the short-term rate directly under its control from 3.0 percent to 6.0 percent.

As this was happening, voices questioning the wisdom of these rate hikes were almost completely absent from the news. Reporting relied almost exclusively on the economists and top executives from banks, as though people from the financial industry were the only ones that cared about jobs and wages. (The level of unemployment is very important for wage growth since less-educated workers only have enough bargaining power to secure pay increases in a tight labor market with low unemployment.)

Interestingly, the conventional wisdom of the day turned out to be very much wrong. Not only did the unemployment rate fall below 6.0 percent without any noticeable uptick in the inflation rate, it fell below 5.0 percent, and eventually settled at 4.0 percent for a year-round average in 2000. As a result of this drop in the unemployment rate, millions more people had jobs than would have otherwise been the case. Disproportionately, the beneficiaries were African Americans, Hispanics, and people from other disadvantaged groups. The years from 1996 to the recession in 2001 were the only periods of sustained real wage growth for those at the middle and bottom of the wage ladder since the early 1970s.

The fact that this period of strong noninflationary growth was a rebuke to the mainstream of the economics profession, and a confirmation of the arguments put forward by critics, would have been missed by most of those following the news. Rather than highlighting the fact that the orthodoxy had been shown wrong, the reporting touted the genius of Federal Reserve Chair Alan Greenspan, who did have the good sense to resist the orthodoxy on the relationship between inflation and unemployment. Greenspan resisted the urging of other members of the Fed, and many private sector economists, in allowing the unemployment rate to continue to fall, rather than raising rates to keep it near the 6.0 percent target. The mode of reporting on Greenspan as the lone genius reached its apex in Washington Post editor Bob Woodward's Greenspan biography "Maestro." Those outside the mainstream, who had argued all along for allowing the unemployment rate to fall, were all but invisible.

There was a very similar story in reporting on trade issues. The major news outlets would routinely cover trade deals like North American Free Trade Agreement (NAFTA) or the admission of China

to the WTO as unambiguously positive developments. In addition to the politicians debating these policies, the experts cited were almost exclusively economists who supported these policies. Often the proponents made patently absurd statements. For example, the claims that NAFTA would lead to large gains for US workers were implausible on their face. There was no economic model that justified assertions that the agreement could lead to anything more than the most minimal gains in employment and wages.

On the rare occasions where critics were allowed to present their views, they were almost always people with little expertise who were allowed to express their fears, which were usually written up in a way to convince readers that they were ill-founded. During the NAFTA debate, The New York Times ran a piece highlighting the fact that most economists supported NAFTA. It did present the views of my then boss, Jeff Faux, who was president of Economic Policy Institute at the time. His identification included the line that Faux is “non-economist.” (My colleagues and I began to refer to Jeff as a “non-plumber” and “non-barber,” since these are equally accurate descriptions.)

The theme of the vast majority of reporting was that these trade deals were unambiguously good for the country and the world. The people who raised questions about these pacts were either ill-informed or serving narrow interest groups, like unionized autoworkers, that stood to lose from the planned openings to trade.

In the years since the Great Recession, reporting on trade has been somewhat more balanced, with economists raising critical arguments much more likely to be included in news stories. Part of this change stems from recent research showing very clear and large negative effects from trade for millions of workers in the industrial Midwest. But it is important to note that these negative effects should not have been a surprise, they are in fact predictions of standard trade theory. Openings to trade produce winners and losers, and in the case of the pattern of trade pursued by the United States over the last four decades, the number of losers has been large. Most economists now recognize trade as a major factor in the upward redistribution of income in the last four decades.

Reporting on the Fed has also improved greatly in the quarter century I have been in Washington. It is now common for news articles discussing interest rate hikes to feature comments from economists working with the group Fed Up, a coalition of labor unions and community activists that was organized to push for full employment policies. Most reporters at the major news outlets now recognize that there are sharp differences in views among economists about the extent the Fed can

lower the unemployment rate and that getting to lower levels of unemployment makes a remarkable difference in the lives of tens of millions of people.

Credible Sources: You Can't Always Believe What People Say

One of the most frustrating mistakes in economics reporting is the practice of telling readers what politicians or other public figures believe or feel. The practice is frustrating because it is so easily avoidable: just report what people say or do; don't try to tell readers about their innermost thoughts.

The issue here is simple and obvious. Politicians often have covert motives that are different from their stated motives. In such cases, their stated motives will almost certainly be more appealing to the public than their true motives.

To take a simple case that has been in the news recently, most of the Republicans who voted for the recent tax cut claimed that they were doing it for the good of the economy. They made frequent statements about how lower tax rates will lead to more growth, more jobs, and higher wages. It's possible that some, perhaps most, of the Republicans who voted for the tax cut believed something like this.

However, an alternative possibility is that they simply wanted to hand more money to rich contributors. These contributors would then reward them with campaign contributions in their reelection campaigns or lucrative jobs in the private sector in the event they weren't reelected.

While it would be inappropriate for a reporter to assert in a news article that a Republican member of Congress supported the tax cut just to please rich contributors, it is equally inappropriate for them to assert that they were motivated by their perspective on the factors that lead to economic growth. The reality is that a reporter is not going to know the true motives of politicians. Furthermore, politicians are almost by definition, people who make a career of concealing their true motives. Unless a reporter is very close to a politician (in which case they probably should not be reporting on him or her), they are unlikely to know their actual motives.

While all of this should really be Journalism 101, it is amazing how frequently stories in places like The New York Times, The Washington Post, or National Public Radio tell us what a particular politician "believes" or "considers" important. For some reason, they refuse to just report what people say or do.

This is an especially big problem in budget reporting. During the Obama presidency, Republican members of Congress were constantly complaining about the spending levels proposed by Obama in a wide range of areas. Reporters routinely told us that they were motivated by their concerns over budget deficits or a desire to have a balanced budget. Somehow the concern for a balanced budget disappeared in most of these deficit hawks after Trump got in the White House and wanted to give a large tax cut to the richest people in the country.

All of these Congress members may have had a change of heart and decided that deficits really aren't that important. But in any case, the speculation of politicians' motives should be left to readers and listeners; reporters don't have any special expertise in this area. The reporters' expertise is in their knowledge of a particular policy area and in their direct access to the people in the news. This should be the basis for their reporting.

A Rising Stock Market: Good News, Just Like High Corn Prices

Reporters routinely cover the stock market like it is the home team in a baseball game. Higher stock prices are treated as a positive development to be celebrated, while lower stock prices are to be mourned. One thing that is certain, every daily news show will give us at least a brief summary of the stock market's movements, as though this is news that we really need to have.

The fondness for high stock prices and the assessment of the market's importance for the economy reflects either some serious ignorance about the economy or an extraordinary affection for the rich. Stock prices are supposed to reflect the value of future profits. The expectation of higher future profits should mean higher stock prices, while lower prices would be associated with lower expected profits.

The expectation of higher profits can be due to developments that most of us would consider good. Perhaps stronger than expected productivity growth is leading people to believe that the economy will grow more in the future. This would likely mean higher profits, but it would also mean higher wages. In that case, a rise in the stock market might be genuinely seen as good news for the economy.

But suppose profits are expected to be higher because wages are expected to be lower. If Congress weakens protections for workers, such as minimum wages, or makes it more difficult for workers to unionize, a rise in the stock market would be bad news for workers.

It would be the same story if the laws were changed so that corporations were less likely to have to pay to clean up their pollution. The rise in the stock market would then be associated with more polluted air or water.

Or, to take the recent rise in the market, the expectation of a lower corporate tax burden means higher after-tax profits. Someone else will have to make up the lost revenue, or there can be a cut in government services, but in any case, the gains to shareholders are coming at the expense of others.

In this way, a higher stock market should be viewed as similar to higher corn prices. It is great news if you're a corn farmer or own lots of stock, but it is not great news for everyone. It's true that more people own stock than are involved in corn farming, but even with the spread of 401(k)s, only about half the population has any stock at all and only around a quarter owns a substantial amount (around \$30,000) of stock. This means that, in most cases, a rise in the stock market, if it is actually driven by the expectation of higher profits (as opposed to random fluctuations), is not likely to be good news for most people.

The stock market is not the only economic issue drawing outsized attention from the media. The budget deficit draws far more attention than it warrants based on any realistic assessment of its importance to the economy, while the trade deficit gets much less. New projections of the deficit from the Congressional Budget Office or Office of Management and Budget are often front page news. This is even in cases where there is little difference than prior projections.

It is also important to note that even seemingly large changes in the deficit have relatively little meaning for the economy. Suppose the annual deficit were projected to be \$100 billion higher (0.5 percent of GDP), raising the cumulative projected deficit over the next decade by more than \$1 trillion. The economic consequence of this increase is likely to be very small.

It presumably would mean somewhat more inflationary pressure on the economy and higher interest rates, and perhaps the Fed might try to counteract the stimulative effect of a larger deficit with higher interest rates. However, we would probably not see a rise in long-term interest rates of more 20 or 30 basis points. The long-term interest rate on government bonds and mortgages rises and falls by this amount all the time and draws very little attention. If we looked into the future and saw that the interest rate on 30-year mortgages in 2023 was going to be 4.5 percent rather than 4.2 percent, would anyone see this as grounds for panic?

Reporting on deficits probably hit the peak of absurdity in the 2000 presidential campaign. At that time, Al Gore was touting his “lockbox” where he wanted to keep the Social Security surplus. By contrast, George W. Bush was promising a big tax cut, while insisting that he would save the Social Security surplus. The tax cut was supposed to come from revenues that were in excess of the Social Security surplus.

At one point, the Gore people produced an analysis that showed the Bush tax cuts would be dipping into the Social Security surplus for two or three years of their 10-year budget horizon. This fact was big news, even though the economic consequences of this sort of shortfall would be virtually zero.³

While the budget deficit always gets large amounts of attention, the trade deficit gets virtually none. The Commerce Department issues monthly reports on the size of trade deficit, which breaks trade down in great detail, showing surpluses and deficits by product type and country. These releases are often relegated to short pieces, often from wire services, buried somewhere in the business pages. They frequently are not covered at all, even in *The New York Times* or *The Washington Post*. This is true even when the data suggest a sharp rise or fall in the deficit.

Unlike the budget deficit, the trade deficit likely has direct economic consequences. When it rises, it often means that people are losing their jobs, either because exports are falling or imports are replacing domestically produced goods. (Rapid growth can also be a cause of a rising trade deficit. A bigger economy means we are buying more of everything, including imports.) The jobs lost due to trade are usually relatively high-paying jobs in manufacturing since manufactured goods still account for the overwhelming majority of US and world trade. The loss of these jobs has the effect of putting downward pressure on the pay of non-college educated workers that make up a large segment of the manufacturing sector’s workforce.

The general lack of attention to trade deficits reflects a general tendency to ignore income distribution. The 1980s were the decade which saw the largest upward redistribution of income. Yet there was very little attention to this shift, even though its consequences for the economy and for national politics have been enormous. Thankfully there has been a huge change in this area, with all the major news outlets now regularly reporting new data on the distribution of income and wealth and also documenting changes in major industries and communities that are associated with the rise in inequality.

3 Of course, the issue of surpluses was quickly made moot by the crash of the stock market and resulting recession in 2001. This led to the return of budget deficits.

Nonetheless, the list of economic concerns still has a serious upper class bias. Even proponents of trade deals like the Trans-Pacific Partnership (TPP) can't seriously claim that they will have major consequences for the economy. Since existing trade barriers are already low in almost all cases, we just don't have much to gain by making the barriers still lower. Nonetheless, the prospects for these deals get enormous media coverage and setbacks, like Trump's decision to pull out of the TPP, are treated as near-calamities.

The Situation Going Forward: It's Getting Better

After giving a rather negative account of the state of economic reporting, I will step back and say that things are moving in the right direction. There are far more economic perspectives in major news outlets today than when I first came to Washington more than a quarter-century ago.

This is likely a generational shift. Some reporters were stuck in their ways for decades and were not going to change the way they covered the news. For instance, The Washington Post's lead economic reporter — John Berry — was so close to Alan Greenspan, that even the business press openly ridiculed their ties. There was no way that he was going to accept the idea that it is a reporter's job to critically evaluate what top officials say, and not be their conduit to the public. As Berry and others of his generation have retired, it has made room for some more open-minded reporters.

However, the development of the Internet has probably been even more important than the generational shift. The Internet has had a major impact on reporting for two reasons. First, government documents that were difficult to obtain, or at least obtain quickly if you were outside Washington, can now be obtained in seconds over the web. Anyone who wants to can have immediate access to the latest unemployment data from the Bureau of Labor Statistics, the Federal Reserve Board's minutes, or budget projections from the Congressional Budget Office.

Prior to the development of the web, it would require some serious effort to even get these documents within a couple of days of their release. More typically, if someone relied on a good library, it could be a week or longer before the material was accessible. With the web, everyone now has the same access to this information as the reporters at the New York Times and the Wall Street Journal.

This brings up the second advantage created by the web: people can talk back to the media. If a reporter completely misses the story on the latest unemployment numbers, it is likely that they will

be nailed for it by some enterprising blogger, who can quickly have her message amplified by Twitter, Facebook, and other social media platforms. This gives reporters incentive to be on their toes and do their homework. That means reading and talking to people who were not part of the conversation two decades ago.

My optimism about the Internet should not be taken as an all-clear. The items I mentioned in this discussion are very serious problems in economic reporting. I could list many more. The concerns of the wealthy continue to have a hugely disproportionate weight in determining both the topics and direction of reporting. There is no doubt that a reporter would pay a much bigger price for getting something important wrong that reflected unfavorably on Jamie Dimon and Bill Gates than on single mothers in the inner city or unemployed miners in Appalachia.

But the Internet is an incredibly important tool to fight back against problems in economic reporting, which was not the case a quarter-century ago. Effective use of various web-based platforms will be the key to making economic reporting better in the future than it is now.