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### **The Role of the Media in the General Election**

Each general election is a crossroads in a country's history. What voters decide can alter its direction for better or worse.

A successful democracy needs informed voters. Our media are a vital institution for informing voters and providing them with good analysis.

Overseas visitors often observe that New Zealand media are weak on economic commentary. This is perhaps unfair. Local media organisations typically don't have the resources or access to expertise that many overseas counterparts do.

Nevertheless, it is true that examples of poorly informed economic commentary abound.

Shortly after the 2007 budget, *New Zealand Herald* political journalist John Armstrong praised the expanded KiwiSaver scheme, saying that it would boost economic growth. I pointed out that the budget itself suggested it would have no material effect, and asked him why he took a different view. I got no reply.

More recently, Mr Armstrong wrote: "Why is National kneecapping a savings scheme [KiwiSaver] which is showing remarkable success in remedying New Zealand's appalling savings record?"

Evidence? First, the record is not appalling. Respected economists Drs John Gibson, Grant Scobie and Trinh Le's consistent criticisms of the 'low savings' mantra have never been professionally answered.

Second, enrolments in KiwiSaver are no measure of success in lifting savings. The latest New Zealand Institute of Economic Research *Quarterly Predictions* suggest that the household savings rate will *fall* over the next 5 years. KiwiSaver looks to be a hugely expensive way of shuffling savings around, as many predicted.

Unsubstantiated claims risk turning journalists into political propagandists. Political journalists can't all be expected to understand economics, but editors should check their work.

The *Independent's* Nick Smith has made similar erroneous claims about saving, and came up with a real howler when writing recently about the expenditure cuts in the 1991 budget.

"The country was already in recession", he wrote, "but the cuts exacerbated the downturn, triggering one of the most savage economic contractions of the post-war era."

In fact the data show precisely the opposite effect: strong growth in real GDP and employment commenced shortly after the 1991 budget. There is still much defunct Keynesian analysis in New Zealand media commentary. In the face of looming recessions, many governments elsewhere are reining in their spending.

Going into the election, the government is asking to be judged on its economic record in the light of its own goals. Shouldn't the media be critically assessing this record?

For example, the government's "top priority" objective on coming into office was to lift per capita incomes into the top half of the OECD range. Instead we have dropped two places since 1999.

Recently, the government reaffirmed this goal, yet Treasury's latest 10-year growth projections have been lowered from 3% to 2.5% a year.

Why are the media not holding the government to account for its failure to make any progress on its "top priority" goal, and to recognise the need to change its policies?

For its part, the National Party prefers to talk about closing the income gap with Australia. Recent IMF forecasts have real GDP per capita in Australia growing faster in Australia than New Zealand in each of the years 2006-2013. Over that 8-year period the per capita income gap is expected to widen by a further 6 percentage points.

Many economists would agree that National's overall policies are more growth-oriented than Labour's. But the questions for media to ask are whether they are superior to Australian policies, and whether claims that they would be sufficient to close the gap are credible. My answer would be no.

Again, many journalists have endorsed (or unthinkingly reported) finance minister Michael Cullen's claims of "prudent fiscal management." Do these withstand scrutiny when the fiscal outlook is now for years of budget deficits and core Crown spending is forecast to blow out from under 30% of GDP in the two years to June 2005 to nearly 35% in the two years to 2011?

Total government spending in New Zealand on the OECD basis (including local government) is now well over 40% of GDP. The Business Roundtable has long pointed out that no OECD country has sustained high per capita GDP growth with spending at that level. No political promises of faster growth are credible unless they recognise that a necessary (although not sufficient) condition for meeting them is to reduce the government spending share of the economy.

Voters deserve better. There are many academic and other professional economists in New Zealand who can help journalists in their work. An obvious go-to list is those who have been awarded the New Zealand Institute of Economic Research's annual prize for contributions to public policy. Another source is past and present presidents of the New Zealand Association of Economists. (This would screen out many less informed economic commentators.)

It would be pleasing to be able to report to overseas visitors a jump in the quality of economic journalism going into this year's election. The Business Roundtable is producing a file of factual background data to help journalists with their work.

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