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(I am grateful for the excellent research assistance of Mona Ahmad.)

In a recent review of books about the Whitewater and Monica Lewinsky allegations, the writer Joan Didion concluded that the Washington political press had become insiders who were now part of the nation's "permanent professional political class." The members of the press claimed that they "did not think ideologically," but Didion shows how they essentially formed a single "narrative" that was antagonistic towards the president, sympathetic towards the special prosecutor, and failed to convey the questionable motives of their news sources. "I had relied on the elves for information at critical junctures--even while they concealed from me their role in bringing the Lewinsky allegations to the Jones lawyers and later to Ken Starr," wrote the journalist who broke the story. However one feels about President Clinton's transgressions, the inability of prosecutor Kenneth Starr to come up with even a single criminal charge makes the press's one-sidedness hard to justify. "What we now know occurred during the last year was, in other words, a covert effort to advance a particular agenda by bringing down a president," says Didion. But we didn't know this by reading the day-to-day reporting of the political media ("Uncovering Washington," The *New York Review of Books*, June 24, 1999).

I begin this paper with an example from the world of politics because bias is easier to detect there. But, in many respects, there are similar damaging tendencies in the financial press. The members of the mainstream financial media have developed their own ideological "narratives" about important issues, which are sympathetic to some causes and antagonistic to others, and rarely question or make clear the vested interests of their news sources. Like the Washington press corps, they have increasingly become insiders. Rather than challenge their sources, as they once regularly did, they increasingly seem to accept them and adopt their values. In the coverage of economics, the financial press too readily believes that their sources are objective because they are "expert."

The one-sidedness of the financial media has been, in my view, an integral part of the formation of public opinion as well as the development of public policy in international economics. The absence of pluralistic voices in the financial press has been increasingly damaging. The purpose of this paper is to demonstrate how narrowly the media's reporting on globalization and the development of free markets has been, and how this narrow reporting has contributed to the failure of international economic policies. (A subsidiary purpose is to offer recommendations and encourage further discussion about how a more diverse set of views concerning economic policies can be communicated to the media.)

Recent events in international economics and finance provide two general examples of the one-dimensional nature of the financial press that are extremely useful for our purposes. *The first is the failure of economic reform, and specifically "shock therapy," in Russia. The second is the liberalization of the capital markets in developing nations in the 1980s and 1990s, which, in the view of this paper, led to the Asian financial crisis of 1997 and 1998.* In both cases, the conventional wisdom of the mainstream economics profession as portrayed, and moreover

espoused, in the financial press was proven wrong or simplistic. As crises broke, the financial media reversed almost completely the tenor of their coverage in both cases.

Such a public discourse, led by the financial media, has been forbidding to any alternative discussion of international financial regulations, controls, and a more effective international financial architecture. Only crisis has shaken the faith of the financial media in the dominant points of view in recent years, which have generally been an unmitigated enthusiasm towards reduced international regulation and increased freedom for participants in markets. Few economists oppose these values in principle, and one needn't be an extremist to propose that the speed of change be slowed, the potential for fraud be reduced, the sweep of deregulation be informed by a sense of human frailty, and the fever of speculative excess be occasionally dampened. One needn't be an extremist to be determined that the plight of workers not be ignored when adopting financial policies as well, nor that the table of regulations not be tilted too far in the direction of the developed nations against the less developed. But the press rarely reported even the most moderate versions of these views.

Our methodology was to do a comprehensive search of all articles published on these subjects since 1990 in the major U.S. financial media, including the financial pages of major general interest publications. We used such keywords and phrases as "shock therapy," "gradualism," "reform" and "capital controls" to make these searches. Thus, we believe we probably read most relevant articles over these years on the subject, although we cannot say definitively that we canvassed all such articles. The publications we included were The *Wall Street Journal, The New York Times, Business Week, Fortune, Time Magazine,* and *Newsweek* We also searched less exhaustively *The Washington Post, The Economist,* and a handful of other newspapers, including *The Los Angeles Times, The Manchester Guardian* and *the Detroit*

Free Press. (I would like at this point again to thank Mona Ahmad for her diligent effort in unearthing a voluminous quantity of articles. This required not merely long hours but considerable judgment on her part.)

Both of these international issues have provided us ideal laboratories from which to generalize. Economic reform in Russia was a constant theme in the nation's press since Gorbachev's early economic reforms and the famed but ill-fated 500-day plan. All issues concerning the fall of the Iron Curtain attracted considerable attention in those years. As for the globalization of international markets, it gained increasing attention over these years from two points of view. During a period in which average American wages fell, there was a great deal of concern about how foreign competition might displace American jobs or place downward pressure on wages in general. The second area was financial. Cross-border financial flows grew dramatically, and the media paid *increasing* attention to them. Globalization also interested personal finance editors as equity investing around the world gained attention.

A comprehensive reading of these articles yields several conclusions.

-- As we have noted, the financial media essentially accepted basic ideological tenets of the mainstream opinion of the period about the advantages of rapid and unmitigated market liberalization. The assumptions underlying this view were almost never challenged. In fact, it was rarely recognized that there were assumptions that could be questioned.

-- There were few truly sophisticated analyses of economic issues from any point of view in the Americans press. One may disagree with *The Economist's* point of view on many matters, but it writes in a depth that is usually absent from the equivalent U.S. publications.

-- The success of the U.S. stock market increasingly influenced financial reporting in two ways. It reinforced the general acceptance of free-market ideas, thus enhancing skepticism

of any proposals that suggested a slowing of deregulation or privatization, and it placed increasing emphasis on the personal investment perspective (as opposed to, say, the worker perspective). If globalized markets were good for investors, than they were increasingly considered good in general.

-- For similar reasons, there was increasing approbation accorded business in general over this period, even as profits increased significantly as a proportion of national income. “There is much more glorification of business than suspicion today than there once was,” says David Wessel, economics reporter for the *Wall Street Journal*. “This reflects society as a whole. Remember, at least until recently, Bill Gates was the true American hero.”

-- Once, the financial press thought one of its key roles was to serve as a watchdog for its readers--an outsider protecting the public interest. Increasingly, it sees itself as one of the participants in the economy, with the same views and even the same values as their sources.

In terms of our two specific case studies--Russian reform and the liberalization of the capital account--I believe the prevailing “narrative” of the financial press had a crucial part in the adoption of government policies and the widespread support of over-simplified attitudes. Let me draw two major conclusions, which we will amplify later in the paper.

--In general, the press was almost uniformly in favor of shock therapy for Russia. At worst, the press was neutral. The financial press rarely reported on alternative policies for economic reform in Russia, and then only passingly. *They typically precisely equated economic reform with democratic reform.*

-- In the articles we surveyed, *there was not one warning about the potential risks of a rapid liberalization of capital accounts around the world* (until after the Asian crisis), despite

the long history of financial market bubbles and their consequences. This is perhaps our most stunning single conclusion.

The Recent Evolution of the Financial Media

Coverage of business news by the financial media--both newspapers and television--expanded dramatically beginning in the early 1970s. Rarely these days does a newscast on radio or television go by without an update of the Dow Jones industrials average. This was not true even in the 1970s. These updates now often also include the day's gains or losses for the benchmark Treasury bond. When I was a regular television reporter as recently as the early 1990s, the long Treasury bond was considered too technical to mention. Now , even on general news broadcasts we hear about housing starts and auto sales, monthly personal income and savings rates, corporate profits and wages. The only economic data that were regularly included in general news broadcasts a decade ago were the unemployment rate, inflation, and occasionally the price of gold. Major corporate mergers are now included among the day's top stories in general newscasts and often receive front-page treatment by the newspapers. Before Paul Volcker's tenure, it is doubtful many people knew who the Federal Reserve chairman was. Today, Alan Greenspan is as visible in the news as any politician or diplomat save the president. Robert Rubin, the Treasury Secretary, is almost as well known.

Many of us forget that the *New York Times* did not have a separate financial section (Business Day) until 1978. The business staff of the *Times* has risen by roughly 30 to 40 percent over these years. In the early 1980s, the Associated Press had only four reporters on its business staff; today it has 22. Personal finance magazines have especially proliferated. When I was a columnist for *Money* magazine in the mid-1970s, it was a struggling and even dubious

enterprise. Now, with two million subscribers (and an estimated eight million readers), it is one of Time Warner's most successful publications.

Television dedicated to finance has become a commonplace. In 1985, FNN, "Business Times" on ESPN, and a handful of other programs at most reached a couple hundred thousand people a day. Now, at 6:30 P.M., CNBC, CNN and CNN FN, Public Broadcasting's "Nightly Business Report," and Bloomberg's syndicated news services may well reach two million or so viewers, excluding those who watch in their offices. Over the week, a popular program such as "Nightly Business Report" claims 3.25 million unduplicated viewers. The growth of the Bloomberg financial news services, which includes a news wire, a twenty-four-hour business news service, and other news outlets, may be most representative of these changes. Started in 1990 with one employee, it now has nearly 700 reporters and editors, many of them assigned to regular beats such as the markets and banking.

This more intense interest in business news started with the OPEC oil price hikes of 1973, the ensuing recession which was to be the worst of the post World War II period (until 1982), and the rise of inflation. Before this, business coverage was for the most part restricted to financial publications, and was rare on TV or the radio. Rising interest rates later in the 1970s, along with their deregulation, forced savers to search through new money market funds and certificates of deposit to get the best rate possible. Even ordinary savers could no longer be passive in a time of high inflation and interest rates.

In 1982, the nation had the worst recession of the post-World War II period and unemployment rates reached 10 percent, adding still further to the intensifying interest in business. Wages discounted for inflation continued to fall even as the economy recovered later in the decade, and incomes grew more unequal. Average weekly wages, for example, fell from

about $270 in 1980 to $260 in 1990. Tight monetary policy and the Reagan tax cuts led to a soaring federal budget deficit, which became a major political issue.

In general, then, the past twenty-five years of slow-growing GDP and productivity (until only recently) and high inflation took their toll on Americans through historically high unemployment rates, falling average wages, and negligible gains in family income. According to the Census Bureau, median family income in 1999 stands only slightly higher than its 1989 level, which in turn was only a few thousand dollars higher than it was in 1980. One of the most dramatic consequences of slow real economic growth is that both spouses must now work to make ends meet.

The dramatic rise in both the stock market and the bond market, and the proliferation of investment vehicles also increased interest in financial news. Some 40 percent of America's personal financial assets are now equities compared to only 20 percent or so in 1990. In aggregate, stocks are of greater value than homes.

Americans must now manage their own retirement funds, through IRAs and other tax-deferred vehicles, or through "defined contribution" plans offered by their employers who no longer guarantee retirement benefits. One of the more extreme manifestations of the public interest in investment is that an increasing number of people now trade intra-day over the Internet.

In sum, business is now front-page news. In the past twenty-five years, business issues such as the federal deficit were always among the top ten issues for Americans. In the 1990s, concerns over globalization also grew. Most telling, I think, a Wall Street Journal survey asked a random selection of Americans just what characterized America best. First were free markets. Democracy was only third.

Not only did the media expand its coverage in these years. It began to hire reporters with an economic education, including those with master's degrees and Ph.D.'s, and new pride was taken in the sophistication of the coverage. There were obvious benefits to a more technically trained reporting staff. But there were sometimes disadvantages because empirical reporting-- which is to say, "go out and get the facts"-- was often neglected in favor of the prevailing mainstream ideological view. These better-educated reporters often wanted to maintain their membership in good standing with the mainstream economics departments. Nevertheless, the financial press is often subject to what I would call "expert bullying." In a recent small meeting organized by Harvard's Shorenstein Center, for example, both Treasury Secretary Rubin and FDIC's Franklin Raines couched their criticism of the press as an inability to *understand* the issues. This is an easy and effective way for sources to be censorious. The press has increasingly accepted such criticism as true. In my view, the financial press should report many sides of an issue, not make choices about who is "correct" in a debate that may be more ambiguous and value-laden than typical reporters are able to assess.

1. ECONOMIC REFORM IN RUSSIA AND EASTERN EUROPE

After the fall of the Iron Curtain

The fall of the iron curtain raised a momentous question. How does a nation the size of Russia's make the transition from socialism to a market economy? Shock therapy, primarily ushered into the public discourse by Harvard's Jeffrey Sachs, quickly filled a seeming vacuum. Sachs was an effective spokesman for the point of view and claimed success in South America and also in Poland. The general program consisted of rapid and even immediate decontrol of

prices, opening of trade, stabilizing of macroeconomic fiscal and monetary policies, and privatizing of state-run businesses and collective agricultural institutions.

Ask academic observers what the press reaction to this radical policy was in the 1990s and they are largely unanimous in believing that press attitude towards shock therapy was uniformly positive. "As long as Washington was speaking with one voice," says Dani Rodrik of Harvard, "the press reflected it. There was a sense of inevitability that it was the next step." Says political scientist Susan Woodward of Brookings: "There was one theme, and you didn't really hear anything else." Columbia's Padma Desai was in favor of a more gradualist approach. "There were instant experts everywhere," she says. "Gradualism became such a pejorative word that you didn't have a chance. If I sent in some piece, I didn't have a chance of being published."

In our comprehensive reading of the major periodical and newspaper publications about economic reform in Russia since 1990, there are several observations that I think are especially telling.

--We found only a handful of positive references to "gradualism" over the entire period in all the publications combined. Ironically, the press expressed most skepticism about shock therapy in the early years. Even so, the criticism was generally mild and short-lived, and we found no article in the press that called for abandonment of shock therapy; criticism was more in the form of pointing out the obstacles it faced. There were periodic reports on how ordinary people suffered in Russia and elsewhere.

--We found only one reference to China's successful economic reforms as a possible guide to reform measures in Russia.

-- If serious attention was paid at all to reform proposals other than shock therapy, it was usually to dramatic conservative proposals (partly because of the dogged influence of the *Wall Street Journal's* op-ed page, of which there is no alternative equivalent), such as ending all aid to Russia completely or tying the currency to a package of commodities, rather than to gradualism or a more practical sequencing of reforms such as in China.

-- We found literally no credible attention paid to the possibility of postponing *privatization.* The word itself contained strong ideological implications and few dared criticize the process.

To understand fully the nature of the media coverage, and how it forestalled other constructive approaches to reform in Russia, we will analyze a sample of pertinent articles more closely. The evident lack of pluralism has been damaging to economic policies, and also suggests a dangerously narrow set of views in a democracy that prides itself on open debate and depends more crucially than other democracies (which have alternative institutions to protect weaker interests) on a vital free press.

The Early Reaction to Economic Reform

The Western press generally greeted the possibility of reform in Russia and Eastern Europe with extraordinary enthusiasm. Rarely will the press embrace what they repeatedly called "radical" change so readily in any other area. Two editorials from *The New York Times* in November 1991 characterize the general reaction, and probably broadly influenced it as well. The *Times* is seldom as bold when it comes to policy changes in the U.S.

"The Russian President, Boris Yeltsin, has announced a program of genuinely radical reform, just about everything outsiders could have hoped for--yet nobody in the West seems to

notice," wrote the *Times* editorialists (November 12, 1991). "The plan would rein in subsidies to inefficient businesses, tighten control over the money supply, decontrol most prices and rapidly privatize state-owned enterprises." The *Times* professed asserted that such shock therapy should not be diluted; gradualism was a mistake. "Though not even shock therapy guarantees success," the *Times* insisted, "slow reform would almost certainly produce failure."

Any supporting analysis of so provocative a proposition, as opposed to a handful of quote from economists, cannot be found in any *New York Times* article that I have read. In general, the press in these years took as an article of faith that shock therapy was the only alternative to Russia's former command economy. In large part, I believe, this was attributable to the articulate and passionate espousal of Jeffrey Sachs. His credibility was no doubt aided, in the minds of the press, by his association with Harvard. In the many articles I have read from this period, Sachs was almost the only economist cited in support of this point of view.

In fact, Sachs was also part of a group organized by the Harvard Kennedy School that included Stanley Fischer of the World Bank and Graham Allison of the Kennedy School. The program offered by the group was more tempered than the undiluted Sachs view, though the shock therapy program implemented in Poland was still the basic model. These other men were cited relatively rarely in the press.

Perhaps the clearest indication of the one-sidedness of the reporting about the early shock therapy proposals was the following early assertion by one *New York Times* reporter (emphasis mine): "Despite the obstacles and prospect of public resistance, *a striking measure of consensus* is emerging among officials and economists in Eastern Europe about the strategies necessary to move these societies from their current economic stagnation to a more prosperous future. More than two dozen East European officials and economists interviewed were virtually

in agreement on which basic steps were needed. All Eastern European nations should follow the steps being taken by Poland, they said ... ("Slow Pace For Reform in Eastern Bloc," dateline Warsaw, Jan. 29, 1990). By contrast, Dani Rodrik thinks that if one scratched hard enough, most economists probably believed in a far more gradualist approach.

Coincidentally, I also reported from Warsaw only a few months earlier than did the above-cited reporter. I found significant differences of opinion among the leading economists and business people of Poland over the course of economic reform, many of whom were opposed to the harsher forms of shock therapy. But there was a strong impetus in the Western press to insist that a consensus had formed. Reporters seemed to believe that shock therapy ran more or less unopposed in an election among economists.

Returning to the *Times* editorials, the newspaper was clearly bent on influencing President Bush to supply aid to Russia in 1991. An editorial only two weeks after the one cited above stated the following (November 26, 1991): "The situation cries out for intervention. And according to Jeffrey Sachs, an economics professor at Harvard who advises the Russian government, it won't take much sacrifice by the West. He outlines a Western aid package costing $15 billion a year, about $3 billion of it from the U.S."

Thus, the *Times* favored conditionality, on which all future U.S. aid was predicated. The U.S. would give money--and private investors would invest--as long as "radical reform" was undertaken and maintained. In such an environment, there was little room for talk of more gradual reform or the sequencing of pieces of the plan. "In the Sachs plan," wrote the *Times,* "aid would be targeted and conditioned on market reforms."

The *Times* was also especially articulate about the heroic sacrifice ordinary Russians had to make in order to right their economy. I think John Maynard Keynes once warned against

advice that required sacrifice on the part of the common people first. "The initial stages of shock therapy can be brutal, as Poland has discovered," the *Times* wrote, "when prices and unemployment soar... The West will doubt Mr. Yeltsin's resolve until the plan is carried out. But... to preserve jobs and check inflation, Mr. Yeltsin refused to index wages to prices. That insures that workers' living standards will plummet--hardly the goal of a politician pandering to the masses."

It must be conceded that *The New York Times* was well aware of the pain of economic reform in Eastern Europe and frequently reported it in the early years of reform. "Integration into the Western economy will take years, and getting there will almost certainly involve real pain," wrote one *Times* reporter (Jan. 7, 1990). Later in n 1990, the *Times* reported that, "the huge drop in output resulting from Poland's shock therapy caused officials elsewhere to think twice about tough economic reforms (Dec. 30, 1990)" The *Times* article even quoted some outside economists as claiming the Polish experiment was failing: "'Poland's program is unsuccessful," Mr. Klacek, the Czechoslovak economist said."

There were similar warnings from other publications. To take one of many examples, *Time* magazine warned about how difficult it was for the Polish people under shock therapy: "Rising prices and tight curbs on wages have sliced the purchasing power of some families as much as 40%." ("Living With Shock Therapy," June 11, 1990).

But neither the *Times* nor *Time* nor any other publication we read sought out alternatives to shock therapy in recognition of the pain it would cause, or the political dangers that it would engender. Quite the contrary, they typically insisted even more strenuously that shock therapy was necessary, no doubt subscribing to the theory that pain is a necessary purgative if there is to be any gain. "Ironically, these somber facts may be indicative of success

more than failure," continued *Time* magazine, after a recitative on the suffering of the Poles. In another article some 18 months later, *Time* continued: "The secret of success for such radical reform is the courage to stick with it until the program works ("More Pain than Gain," Jan. 13, 1992)."

Under the weight of such pain, shock therapy as it was originally proposed was not maintained in Poland, a fact that was rarely reported in the American press. Rising inflation and unemployment necessarily resulted in a slower approach to economic reform in Poland. Furthermore, some contend that by not privatizing state-owned industries right away, in contrast to the plan for Russia, , the Polish government was able to assure itself a source of hard currency in these years. In Russia, of course, privately owned businesses often refused to pay taxes and sent capital overseas. We found no article in which the slowing of the reform approach in Poland was reported. In the end, it took Poland five or six years to restore production to former levels. You would not know this by generally reading the American press. The framers of shock therapy in Poland had originally promised the economy would turn around in only six months.

The widespread calls for rapid reform in Russia were no doubt linked to Cold War fears. But they were also stimulated by the increasingly poor performance of the Soviet economy under Mikhail Gorbachev. It was a simple reflex to ascribe this to the stop-and-go attitudes of Gorbachev towards change (he did not carry through the 500-day plan, among other proposals). It is not as if gradualist approaches were not raised as possibilities in Russia. The attitude seemed to develop in America that anything but rapid-fire, simultaneous reforms across all fronts was tantamount to a betrayal of free-market principles. One of Mikhail Gorbachev's early reformers, for example, Leonid I. Abalkin, proposed that market reforms be extended over five or six years. But the Soviet economy of the time was doing poorly. *The Times* published a guest

column by Ed Hewett of Brookings (Mar. 25, 1990), one of the few "experts" called upon other than Sachs, who urged that rapid Polish-style reform be implemented.

This attitude grew in ideological power. Article after article in the following years more or less equated rapid economic reform in Russia with democratic reform. If one opposed such reform, one was characterized as anti-democratic. Ironically, Gorbachev may have felt just the opposite. I do not presume any expertise on the true motives of the Russian leaders, but he and others seemingly feared that the economic pain of shock therapy could undermine democracy and bring back dictatorship. Their go-slow attitude was, in their minds, an attempt to save democracy.

The economic basis of shock therapy was itself rarely treated in the press. This paper is not the place to criticize theories of economic development, but the light analysis in the press may well have reflected the new and seemingly almost instant analyses emanating from academia. On the other hand, we certainly found no article in the financial press of the 1990s that seriously challenged the skimpy analysis that supported the shock-therapy approach, or how little it was based on empirical research, former case studies, or any serious growth models. In fact, there was no single article we found in the American press that clearly presented an analytical case about why rapid economic reform was necessary.

By contrast, several early articles in *Fortune* suggested showed how an ideological attitudes underlay support for rapid and painful economic reform. For example, proponents of rapid economic reform were usually referred to as "courageous" in the press. The *Times* editorials cited above did this. So did other *Times* articles. Consider this 1991 headline (Oct. 23, 1991): "Moscow's Brave Entrepreneurs." Just as Yeltsin was taking over fully from

Gorbachev, a *Fortune* reporter wrote (emphasis mine), "Can Yeltsin exhibit the same *courage* in pushing economic reform as he did in climbing atop a tank last summer to face down the coup plotters ("Russia Starts All Over Again," Jan. 13, 1992)?" Theoretically, of course, it could take as much courage, or even more, to go slow in light of the pressure from the West, and the financial press, to link monetary aid to reform.

The same *Fortune* article took Sachs's extraordinary optimism at face value. He is the only economist cited the in this piece, as was frequently the case in other publications. "He (Sachs) thinks the Yeltsin plan will have a fast payoff in one area," wrote *Fortune*. "After a few months of sharply rising prices, he expects prices to stabilize and stores to fill up with goods, ending the long waiting lines." Sachs warned that industry would remain in recession, but *Fortune* quoted him as saying further, that "private businesses could develop rapidly, 'if the reforms go through in as radical a way as they should.'"

In the first year of Russian reform, matters went badly. Production fell and inflation soared. Crime rates rose. Yeltsin dismissed his free-market reformer, Yegor Gaidar. Dismissals of free marketers were greeted with almost unanimous derision in the American press. Another *Fortune* article ("Russia 1993: Europe's Time Bomb," Jan. 25, 1993) revealed how rapid economic reform became equated with the future of democracy, and how the dominant "narrative" among the press became ideological. Most important, consider *Fortune's* use of value-laden adjectives: "Barely 12 months after launching a dramatic bid to create a dynamic, market-oriented democracy," wrote *Fortune*, "Yeltsin seems to be backing down.... The blatant compromise bought Yeltsin some time, but it also threatened to bury his fragile reforms under a morass of half measures that would intensify the economic crisis and could ultimately cost Yeltsin his job." Note how democracy and markets were explicitly linked: a "market-oriented

democracy." Note also how words like 'dynamic' were used to convey positive connotations about reforms and words like 'half measures' negative connotations.

I will quote further from this article to illustrate the ideological point of view (emphasis mine). "Then Yeltsin appointed as Prime Minister Victor Chernomyrdin, 54, a *hardworking but unimaginative* petroleum minister. With *his barrel chest and gray complexion*, Chernomyrdin seemed the archetypal Soviet era command-system manager.," wrote *Fortune*. How do we know he was unimaginative? I assume because he wanted to go more slowly on reforms. In fact, Chernomyrdin professed to want a market economy. Perhaps he was talking through the side of his mouth, and he remained a controversial figure in ensuing years, of course, but *Fortune* would certainly have none of it. They quoted him as follows: "'I am for a market,' he said, adding *grimly*, in an apparent reference to the free traders now flooding Russia's streets, 'but not for a bazaar.'"

This kind of black-and-white reporting of economic reform characterized the press at the time--and, disturbingly, ever since. Reformers were knights in shining armor with "impeccable credentials," non-reformers had "gray complexions" and spoke *grimly*. *Fortune* thus provided among the most graphic examples of ideological reporting. *The Wall Street Journal*, whose reporting I generally admire, was somewhat more circumspect but nevertheless continually betrayed a point of view. Writing about the same events (Dec. 16, 1992), the Journal reported, "Mr. Chernomyrdin isn't opposed to economic reform... he lacks Mr. Gaidar's vision of a market economy that reassured foreign supporters and kept harsh reforms moving forward." The *Journal* found some sources who actually praised Chernomyrdin, unlike *Fortune*, but note that only its white knights--unmitigated reformers-- have the "vision-thing." (Ironically, the often

and maybe justifiably reviled Chernomyrdin was recently appointed head of Gazpom to widespread praise because he may pay the legal taxes to the government unlike his predecessors.)

In this same article, the *Journal* again quoted Jeffrey Sachs, who said Gaidar's loss was "potentially catastrophic." At least the *Journal* also found an economist other than Sachs to quote, though he was Anders Aslund, long famous for his criticism of Sweden's welfare state. Aslund was an adviser to the Russian reformers and, predictably enough, he worried that shock therapy would be slowed down. The general theme of the *Journal* article was just that. The article expressed fears that some prices would be re-fixed, that the currency may no longer be convertible, and most of all that privatization would be delayed. The *Journal* assumed that all such steps were more or less anathema. It found no Western economist who might agree that in some respects a slowing of reform would make sense. This characterized virtually all the articles we read.

Later Coverage of Economic Reform

The seeming failure of economic reform in 1992 and 1993 led to generalized criticism of economic reform in the U.S. press. The decontrol of prices resulted in soaring inflation, which hurt most Russians. By 1992, output in many industries fell sharply and unemployment was generally high by former standards. "To hear some businessmen, economists and factory managers tell it, everything has gone wrong with reform," reported the *Wall Street Journal* (Apr. 1, 1992). By 1993, Jeffrey Sachs felt obliged to defend himself vigorously. He published a reply to critics in the *Wall Street Journal* at the end of 1993 (Dec. 30, 1993), which largely attributed Russian economic problems to the country's domestic politics and the thwarting of liberal programs by conservatives and former "apparatchiks."

As noted, however, the tenor of criticism in the American press was highly general. The theme was usually the following,. The economic reforms proposed by Sachs and others and supported by Washington were not flawed; rather, the problems in Russia were nearly insurmountable and, indeed, there were enemies of reform in Russia who simply blocked the purer shock therapy programs that may have worked had they not been diluted. The Administration no doubt stimulated this view by persistently lobbying in favor of reform candidates in Russia and implicitly tying promises of aid to their appointment. They promoted a good guy-bad guy portrayal of Russian politicians that was typically reflected in press accounts. As a writer in the *Manchester Guardian* noted several years later, "At times it seemed western governments believed as long as there was someone under forty in charge of one of the main economic ministries who talked the market talk and walked the market walk (to the IMF for another handout), then reform must be on track ("Catching Up with the West Finally Takes its Painful Toll," Aug. 18, 1998)."

Perhaps the greatest irony of the press coverage in the mid-1990s was that the press consistently cited privatization as evidence of economic progress in Russia and other East European nations. In the case of Russia, of course, early privatization allowed oligarchs to take over the nation's major businesses and divert their profits into their own pockets and out of the country altogether. This stood in sharp in contrast to the ability of China, which has delayed major privatization, to retain capital. *The Economist* was an early forceful advocate of immediate privatization. "Building an environment in which market forces can do their job should start with a massive transfer of assets from the state to private ownership," wrote the magazine in 1990 ("And Now for the Hard Part," Apr. 28, 1990). A few years later, the *Wall Street Journal* reported that, "Privatization, the transfer of state assets to private hands, is

generally viewed as one of the few success stories of President Boris Yeltsin's government (July 1, 1993)." Jeffrey Sachs and Anders Aslund were strong supporters of early privatization. In his 1993 defense, Sachs wrote, "The reformers have done extraordinarily well. More than 80,000 enterprises have been privatized, setting the basis for a new middle class and entrepreneurial class, as well as setting in motion real restructuring of many enterprises."

This is not a brief against privatization. One can make a plausible case, however, that privatization should have been delayed until other reforms were well underway so that the economy could have been stabilized without running down state revenues. We found no article advocating such a position in the American press. (Again, we cannot be certain that our search was 100 percent exhaustive, but surely any such article was rare.) There were a handful of op-ed pieces or letters to the editor casting doubt on privatization, including two in the *New York Times* by Columbia's Padma Desai. Moreover, there were occasional claims in some op-ed pieces (in the *Wall Street Journal*) that Russia was actually doing very well and that privatization and other reforms were indeed working.

In sum, then, no serious alternative ideas to shock therapy-type reforms were discussed except on a literal handful of occasions--and then only briefly. There were several calls for a reduction in Russian tax rates to encourage businesses to pay. But as noted, after 1992, we found no article that took gradualism seriously (except in the one passing case cited below). There was no discussion of a sequencing of particular reforms, which in academia is now getting a wider hearing. The most interesting article, perhaps, was published by the *Wall Street Journal* in the fall of 1994 about a meeting of the Mont Pelerin Society. Gary Becker was quoted as saying that "chaos (in Russia) was not all that bad." The brief, 745-word article went on about Becker's thoughts: "He suggests that Russia's infamous corruption and organized crime may

even be providing the valuable service of easing market development by getting around state rules that often hamper what should be routine activities--such as importing goods ("Free-Market Group is Divided on How to Bring Capitalism to Ex-Soviet Bloc," Sept. 30, 1994).

On the other hand, Ronald Coase was quoted as saying that "you can only move gradually." This was one of the few remarks in favor of gradualism to appear in the financial press in a decade of reporting on the issue. "He (Coase) cites the example of China's economy building up small enterprises based on the cultural unit of the family. 'To imbibe the principles of a market society takes a long time,' says Mr. Coase, 'because knowledge travels with great difficulty.'" This is the only article we found that reported on such ideas.

The About Face

Only after the financial crises of 1997 and 1998 did the financial press turn harshly critical of shock therapy and economic reform. An article in *Newsweek* towards the end of the year reflected a new tone--indeed, a new "narrative"-- that was virtually impossible to have read even a year earlier. "Harvard economist Jeffrey Sachs and (Anatoly) Chubais advocated 'shock therapy' for Russia...the elimination of most price controls and speedy privatization of state companies. But the recipe didn't work very well. The freezing of prices initially led to hyperinflation, wiping out savings of average Russians. And privatization resulted mostly in what Russians called the 'great grab'--bankers, managers and outright criminal gangs taking control of the country's most important assets for prices well under market value." Now, allegations of corruption against Chernomyrdin and Chubais among others also surfaced.

Although as we noted, Russia bolted from economic crisis to crisis throughout the 1990s, it took the 1998 default for the press finally to do an about-face on shock therapy. Even the

former good guys--the reformers with" impeccable credentials"--were now at last susceptible to criticism. "Washington's most significant blunder was a failure to recognize that Yeltsin's reformers were introducing a system that only worsened endemic corruption, crime, and cynicism.," *Newsweek* went on. Another *Newsweek* article reported that, "Yeltsin's Russia is a certified economic basket case, unable to meet its most basic financial obligations (whether to international bondholders in London or ambulance drivers in Vladivostok ("An Early Russian Winter," Aug. 24, 1998))." The *Manchester Guardian* had a field day: "Russia has no legacy of free-market capitalism and attempts to short-circuit the transition process ignore the fact that it has taken two centuries for the West to develop its modern economic infrastructure (ibid)."

We could cite similar examples in much of the press coverage. The fact that it took a crisis for the press to criticize shock therapy directly, and how quickly they did once the crisis ensued, is a sure sign of how dominant a "narrative" the pure market solutions had been. It was reinforced not merely by Washington but by Wall Street and business interests. "Experts" were consistently chosen from both areas. Michael McFall, a foreign policy specialist who spent time in Russia and is now with the Carnegie Peace Endowment, says he was always surprised at how the press would quote investment bankers who had a vested interest in bolstering the Russian reformist regime.

Again, this is not a brief against most of the tenets of Russian economic reform. But it is a brief for a variety of points of view, for the recognition of the true interests of news sources, and for the courage to go against the dominant "narrative" of the time, even if it means losing friends in Washington and Wall Street, and maybe among readers. Alternative views were simply not aired. As noted, there was little serious and in-depth discussion of more gradual adoption of some reforms, the order and sequencing of reforms, the absence of required institutions and

industries, or intelligent ways to provide a social net for the Russian people. Despite China's success at transforming its economy slowly, for all intents and purposes, there was no discussion of China as a model--no doubt for ideological reasons. Thus, the American press repeatedly mistook economic reform for democratic reform. But slower economic reforms were indeed compatible with democratization, and may have even helped make it more durable.

One important point still not recognized in the press is how both the Administration and the Russian reformers were urged to make reforms because it would raise the confidence of the investment community, whether or not those reforms were required. Washington was often perturbed when Yeltsin dismissed a well-known Russian reformer more by its immediate effect on the financial markets and the willingness of banks to lend money than for what it might mean for the future of the Russian economy itself. The IMF had a similar influence over Russian reform, largely subscribing to rapid economic reform and not nearly as divorced from political matters as it insisted it was. As the Oxford political scientist Ngaire Woods points out, the IMF made a large loan to support Yeltsin's presidential campaign in 1996 when he was most threatened by the Communist Zyuganov.

2. THE LIBERALIZATION OF CAPITAL ACCOUNTS

The Absence of Reporting

The Asian financial crisis marked a turning point in financial reporting about deregulated global financial markets. Moreover, what became known as the Washington consensus was at last open to criticism. Consider the following lengthy excerpt from a *New York Times* article.

"...some economists also say that if those (Asian) countries had weak foundations, it is partly because Washington helped supply the blueprints. They argue that the Clinton Administration pushed too hard for financial liberalization and freer capital flows, allowing

foreign money to stream into these countries and local money to move out. In many cases, foreign countries were happy to open up in this way because they thought it was the best road to economic development, but a wealth of evidence has shown that overhasty liberalization can lead to banking chaos and financial crises.

Even some former Administration officials acknowledge that they went too far. Mickey Kantor, the former trade representative and commerce Secretary, now says that the United States was insufficiently aware of the kind of chaos that financial liberalization could provoke. 'It would be a legitimate criticism to say that we should have been more nuanced, more foresighted that this could happen,' he said.

Speaking of the risks of financial liberalization as the best thing for other countries, it is also clear that it pushed for free capital flows in part because this was what its supporters in the banking industry wanted. 'Our financial services industry wanted into these markets,' said Laura D'Andrea Tyson, the former chairwoman of President Clinton's Council of Economic Advisers and later head of the National Economic Council. "How U.S. Wooed Asia to Let Cash Flow In," February 16, 1999)."

This is excellent reporting--as good as it gets, in my view. But it would have been far more useful had it been published before the Asian financial crisis, not in the winter of 1999, nearly two years after the crisis had begun. In fact, we found no article in the press we surveyed that questioned the liberalization of capital flows into developing nations until late in 1977, after the Thai baht had plummeted. Further, there was no article in a mainstream U.S. publication in the 1990s in which the implementation of capital controls drew favorable coverage until the Asian crisis was well underway.

This is a rather stunning finding. It partly reflects a simple lack of sophistication on the part of American financial journalism. These were complex, technical matters for which there is little tradition of reporting even in the best of America's financial publications. In Europe in general, capital controls and the movement of currencies were of more general interest. Of the publications we surveyed (we did not survey *The Financial Times),* only *The Economist,* ironically enough, published articles on capital controls before 1998 that were even mildly open to their adoption. The *Economist's* interest had partly to do with crisis in the European pegged

rated system at the time, which short-term capital flows helped undermine. *The Economist* reported on the possible resurrection of capital controls in 1992 in a piece entitled "The Way We Were (Oct. 3, 1992)." But the *Economist* did not abandon the matter. In an article in early 1995, the magazine surprisingly wrote in partial favor of Chile's controls: "For all these reasons, it would be wrong to conclude that capital controls are a sensible long-term policy, although some restrictions may be appropriate for countries in the early stages of economic reform, or as a temporary measure when large amounts of foreign capital flood in unexpectedly. Many developing countries would indeed do well to copy the Chilean model (Capital Punishment, Feb. 4, 1995)."

A lack of tradition cannot completely explain such the lapse on the part of the American press to address such issues. The Tobin tax had been under wide discussion in the late 1970s and in the 1980s, for example. Moreover, there were some prominent academic experts who were discussing the issues rather volubly, including Barry Eichengreen of the University of California at Berkeley. Robert Wade of Brown was also an articulate voice in the field from a mainstream university, though he is a political scientist. In retrospect, it is clear that such mainstream figures as Joseph Stiglitz and Jagdish Bhagwati had their doubts as well.

In the fall of 1995, in fact, *The Economist* ran a long piece citing Eichengreen's (et.al.) work. "The authors concluded that the scope for self-fulfilling attacks on currencies has increased as capital flows have become more mobile," the magazine wrote. It further noted that the authors, "would require banks to make compulsory non-interest-bearing deposits with the central banks in some proportion to all their domestic-currency lending to non-residents. ("Not-so-divine Intervention," Oct. 7, 1995)."

Over these same years, fears of globalization were addressed only in the most general ways in the financial press. Non-financial issues usually attracted the most attention. There were reports of sweatshop labor, for example. The debate over Nafta raised concerns over undiluted free trade and its effects on jobs. Similarly, the risks of the international flow of capital stimulated stories about job losses. But the dangers of speculative excess due to unregulated capital flows were, in our reading, never raised. As for the need for more regulation of these capital flows, this too was rarely raised. When it was, the argument was quite general. *The New York Times* occasionally reported on the lost power of governments as multinational companies and global trading superseded domestic authorities. But the conventional wisdom of the time about capital controls was that they were utterly impracticable. In 1992, after the European currency crisis, *The New York Times* at least raised the fears when it wrote, "A generation ago, in the late 1960s, countries with currencies under attack by speculators could and did resort to capital controls, making it harder to move money into or out of the country in question. Now, such actions by major industrial countries are almost unthinkable, and are seldom even mentioned. 'Governments have lost power to control capital, and they probably have lost it forever,' said David C. Roche, a global strategist for Morgan Stanley ("Why Currencies Move Faster Than Policies", Sept. 23, 1992)."

The *Times* cited a number of investment bankers who made the same comments about the lost domestic power of governments. The newspaper essentially took for granted that given the volume of cross-border transactions, controls were no longer possible, as did most publications. The Tobin tax, though discussed, was generally seen as a dinosaur of earlier years. But of course such an attitude reflected the views, and indeed the profit-making objectives, of Wall Street and other financial participants. It also well reflected the view of the

Clinton Administration and the Federal Reserve. In these sophisticated and technical fields, the financial press in America was more dependent on its principal sources--Wall Street and Washington--than in most other areas. Increasingly abandoning its watchdog posture, and increasingly becoming an insider, the financial press was especially vulnerable in these areas. Timothy Metz, a reporter for the Wall Street Journal for twenty-three years, also says pithy stories are no longer the first priority. “Entertainment value is so important these days,” says Metz. “Now breezy feature stories are on the front page. More serious stories are in the back.”

In general, then, the financial press was fully in the camp of the liberalization of capital controls. The stage had been set in the early 1990s. The ideology had veered sharply towards the thinking of an economist like John Rutledge, who wrote in *Forbes* in 1992 that, “the responsibility of the new president will be to create more attractive conditions for capital. Trying to reverse the trends with protectionism and capital controls is not the answer. With today’s technology, capital controls would be entirely ineffective. (“The Right Kind of Industrial Policy?”, Jul. 6, 1992).”

The Clinton Administration, under the guidance of Robert Rubin, had essentially adopted this line, and the financial press generally accepted it. Again, this is not a brief for the reversal of capital flows. But amelioration deserved consideration. Berkeley’s Eichengreen believed fully in the opening up for capital markets around the world and in the importance of foreign capital in developing nations. But he also believes in the occasional adoption of controls.

The financial press did not understand how aggressive the Administration was in liberalizing capital accounts. I believe it generally assumed that such liberalization was simply inevitable. Certainly no one on Wall Street demurred, and few prominent academics other than those mentioned considered the problem urgent. They probably would not have gotten a hearing,

anyway. (One unexplored theme that keeps arising as we researched this paper is that economists, too, increasingly seemed to tailor their views according to what the market would bear.)

A former Treasury official told me that a few colleagues in the department would raise questions about the unbridled opening of markets, but many believed vigilance in this area was the province of the Federal Reserve. After all, it was the Fed who was chartered with responsibility for strength and sobriety of financial institutions. But Alan Greenspan, of course, had no predisposition to consider controls. As late as 1998 in the midst of the financial crisis, Greenspan published the following in the *Cato Journal*: "It should be recognized that if it is technology that has imparted the current stress to markets, technology can be used to contain it. Enhancements to financial institutions' internal risk-management systems arguably constitute the most effective countermeasure to the increased potential instability of the global financial system. Improving the efficiency of the world's payment systems is clearly another."

Greenspan goes on: "The resort to capital controls to deal with financial market disturbances of the sort a number of emerging economies have experienced would be a step backwards from the trend to toward financial market liberalization, and in the end would not be effective. The maintenance of financial stability in an environment of global capital markets, therefore, calls for greater attention by governments to the soundness of public policy ("The Globalization of Finance," Winter 1998)."

How the Asian Financial Turned the Press

As with shock therapy, a crisis was required to change the "narrative" about capital liberalization that the press had so uniformly adopted in the 1990s. But so ingrained was the

Washington-Wall Street point of view that even after so many developing economies were brought to the brink by the chain of events that began in Thailand in 1997, many prominent publications retained the view. Consider the *Newsweek* columnist Robert Samuelson, one of the more thoughtful conservative commentators in the nation: "Countries became overdependent on foreign capital, which, having entered in huge amounts, is trying to leave the same way... What initially triggered the reversal was the recognition that much foreign money had been squandered through 'crony capitalism' or misguided industrial policies ("Global Capitalism R.I.P.?" Sept. 14, 1998)." According to Samuelson, then, the causal direction did not flow from unwise speculators but from unwise borrowers. Crony capitalism didn't exist on Wall Street but only in the treasuries of developing nations. It was tampering with the market--cronyism and industrial policy--not the speculative market itself that was to blame.

But no where was evidence of the embeddedness of this "narrative" so obvious than in a cover story *Time* magazine did on Robert Rubin, Lawrence Summers and Alan Greenspan entitled The Three Marketeers (Feb. 15, 1999.) In *Time's* breathless style (his intellect "never fails to dazzle"), the piece lionized the three as saviors of the financial system. While some publications correctly asked who lost Russia, *Time* loudly proclaimed that these three saved the world economy. The attitude about who caused the crisis was similar to the quieter Samuelson's of Newsweek. "...those economies had trundled billions of dollars into useless real estate and industrial development." No American or Japanese bankers were cited to share even part of the blame here.

Perhaps such simplifications are understandable. These are not simple issues. But T*ime* went much further. "Rubin, Greenspan and Summers have outgrown ideology," the magazine insisted. "Their faith is in the markets and in their own ability to analyze them." The

conversion of some of the financial press is nowhere clearer. Beginning with Daniel Bells' *End of Ideology*, which saw ideology only as Marxist, and Fukuyama's *End of History,* which saw free-market theory as purely pragmatic, much of the American press failed to see that there could be ideological underpinnings in free-market reforms.

In the cover story cited above, *Time* almost offers us a caricature. "The pragmatism (f Rubin, Summers and Greenspan) is a faith that recalls nothing so much as the objectivist philosophy of the novelist and social critic Ayn Rand, which (sic) Greenspan had studied intently," wrote *Time.* I know of few philosophers who would call followers of Ayn Rand ideology-free, other than perhaps followers of Ayn Rand.

Most of the financial press, however, followed another course after the ramifications of the financial crisis became clear. They at last became critical of unbridled liberalization of markets and the role of the IMF. But even in these cases, the press did not lead but follow the urgent writings of a few prominent mainstream economists. One exception was a *New York Times* story towards the end of 1997 (Dec. 29, 1998). The reporter Louis Uchitelle followed up with an inside-page story from the World Economic Forum in Davos on the same subject in February, 1998 (Feb. 2, 1998). But it was the pronouncements of prominent economists that turned most of the press towards a more critical attitude. In a front-business page profile later that spring on Joseph Stiglitz, chief economist of the World Bank and the former Clinton Administration economist, spoke in favor of the occasional use of capital controls, which put him at odds with the U.S. Treasury's viewpoint (May 31, 1998).

Outright criticism of the IMF was led, ironically, by Jeffrey Sachs, who wrote several op-ed pieces for various publications. It was followed by an article in Fortune in August by Paul Krugman of MIT, which proclaimed the value of exchange controls. When Malaysia finally

invoked exchange controls, the issue at last became front-page material. A story in the *Times' News of the Week in Review* on September 12th was headlined, "The Invisible Hand's New Strong Arm." The reporter, David Sanger, went on to write, "Suddenly, many believe that the best way to practice capitalism is to make sure that once the capital pours in it can't pour out all at once." Sanger then quoted Morgan Stanley's Asian operations chief as saying, "It's only a bit of an overstatement to say that the free-market-IMF-Bob Rubin-and-Larry Summers model is in shambles."

This was an extraordinary about-face in the thinking of market participants, and one in which the press at last joined. In ensuing weeks, many stories, including a fine four-part series about the limitations of markets by the *Wall Street Journal*, at last made the front pages. As one reporter for a major newspaper noted, "This crisis really has people scared here that the markets aren't working." But if so, the financial media should ask themselves why they weren't better prepared? If economists like Stiglitz, Sachs and Krugman (and also Bhagwati) hadn't come forward, the financial press's reaction to events may have changed far less.

The most impressive piece of journalism was the four-part series by the *New York Times*, from which we cited the earlier excerpt. The reporter, Nicholas D. Kristof, along with David Sanger, closely documented how the Administration was determined to liberalize markets. "Referring to Mr. Rubin, Mr. Kantor and the late Commerce Secretary Ron Brown, Mr. Garten (Jeffery Garten, a former Commerce official and now dean of Yale School of Management) said, 'there wasn't a fiber in those three bodies--or in mine--that didn't want to press as a matter of policy for more open markets wherever you could make it happen... In retrospect we overshot and in retrospect there was a certain degree of arrogance.'" The reporters cite a particular

example where the Administration pressed Korea to liberalize markets faster in order to become a member of the OECD.

As refreshing as this reporting is, it also reminds us of the deeper concern that is the theme of this paper. This reporting would probably never have made the light of day if there had been no severe crisis. Furthermore, despite the persistent and intelligent toiling of non-mainstream economists about these issues, and even a few mainstream economists, the press only turned its attention to the matters when a few especially prominent economists publicly criticized the prevailing views. The job of journalism is to ferret out other points of view, but in my view, the financial press has largely lost the initiative in many areas of importance.

Conclusion and Suggestions

The financial press had an enormous part in the policies developed in America concerning economic reform in the former Soviet Union and the liberalization of international financial markets. The power of the financial press has not been lost on business. Public relations is now a vast and growing industry in America, which is far larger and most sophisticated than it was only twenty years ago. “The degree of promotion is more powerful than I’ve ever seen it,” says an editor of *Business Week,* Chris Welles. “Even the academics now have consulting arrangements with business.”

I have not addressed the dominance of much of the academic community by what is conveniently called mainstream economics. The most influential academic departments in the nation increasingly speak with only one voice. Moreover, it is arguable that voice also bends to desires of its audience. Barry Eichengreen argues that those who favored gradualism in Russia

never presented a cohesive case. But it could well be that, if this is so, it is because there was no obvious outlet for such a case--no demand for the product.

In such an environment, I believe new institutions are needed to convey alternative points of view. When Milton Friedman faced what he believed was a similar bias in the press in the 1960s--this time in favor of a moderate Keynesianism--he used his own university effectively to forge a national counter-argument. By the 1970s, economic events, principally inflation, became an ideal environment in which to expand his influence. The conservative establishment in America has made extraordinary progress in creating institutions--think tanks, academic departments, journals and other media--to disseminate their point of view.

Although there are indeed liberal publications and a handful of alternative academic departments, they are less effective at getting their views across. I believe there should be a more concerted effort to diversify academic institutions and to criticize on a consistent and specific basis the financial media's coverage of events. The Century Foundation, for example, has accomplished this admirably concerning the Social Security debate. Should the U.S. enter a recession, or the stock market collapse, the environment would be more conducive to alternative views, just as it has been since the financial crises in Asia. Friedman and his acolytes, as noted, benefited from inflation and slow growth. But it would be a mistake to believe that the financial press's recent receptivity to capital controls or slower economic reforms in Russia will be long lasting. There are already signs that old biases are rising again-- a recent article on Nigeria in the *New York Times,* which excoriated the leadership for not making early market reforms, is a good example. The influence of the markets will remain powerful.

In my view, the highest priority should be something entirely different than partisan economics, however. I would propose a Center for Economic Dialogue that regularly presents

all responsible points of view on major issues of public interest-- including with equal emphasis serious alternative views to the prevailing conventional wisdom about liberalizing markets. It would be both a debating forum and a publications institution that in equal part is targeted to the economics profession and to the financial press.

At the very least, the influence of the financial press must be recognized by those who seek to affect national and international economic policy. The tendency by the press towards single "narratives" should no longer surprise. If the tendencies of the financial press are understood, those with alternative ideas can make themselves heard, but not without effort and determination. It will not happen automatically, and surely not simply based on the strength of one's argument.