

Reporting Dismal Times (guest blog)

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What has an economist to say to a journalist about these troubled economic times? Polis Intern Ria Sen reports on a Polis seminar with a group of Swedish financial journalists and LSE economist, Tim Leunig.

As early as the eighteenth century Malthus' gloomy prediction of a global famine prompted Thomas Carlyle to call economics a "dismal science". The Eurozone crisis coupled with the recession has been casting a shadow over the world. In the Age of Austerity, who should the citizen turn to for the truth, journalist or academic?

Dr. Tim Leunig is a media-friendly researcher who has no doubt about the vital skills for good journalism: scepticism, originality, coherence and clarity. In addition one needs to develop and cultivate trustworthy sources. Leunig said that a major problem is that journalists sometime have an incomplete mathematical literacy that results in the misuse and misrepresentation of statistics.

Dr. Leunig's discussion of the global financial meltdown helped in contextualising current economic affairs, essential for informed reportage. With Britain's European trading partners currently in the throes of a messy currency crisis, things don't seem to bode well. His message veered between gloomy and apocalyptic.

Germany, being a dominant actor, will determine the future of the Euro. In terms of fire-fighting measures, he estimates that a 20-25% wage cut will be necessary in Germany – though no government would want to pursue that as a policy.

Leunig is of the opinion that Britain did well to stay out of the Euro, as shown by the fact that the Pound has fared well during this recessionary period. For Leunig, the question is "when" the Eurozone will split, not "if" it will.

The recession in the UK has been the longest dry spell so far. The United States, however, seems to be on a faster road to recovery. But things seem quite dismal on a global scale. The recession can be compared to a trampoline motion, with sharp peaks and troughs. While the developed world is presently struggling with the new reality of plummeting ratings, Dr. Leunig pointed out that credit agencies have become unfortunate scapegoats.

And what lies in store for commodities? According to Dr. Leunig, with the foreseeable diminishing demand for manufactures, these will have less value in the future. In terms of global markets, energy has been growing in importance. As resources become scarcer, the United States is even considering exporting natural gas.

The only certainty in economics is, paradoxically, uncertainty.

This report by Polis intern Ria Sen

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