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Inquiry won't stop a changing world

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*The planned media inquiry is likely to highlight just how little legislators can do in the face of immediate problems, writes **John Daley**.*

Why do we assume that whenever the world changes, government should intervene? The Gillard government's recently announced media inquiry is the latest example. The web is reducing newspaper advertising revenues that historically paid for journalists. The inquiry is asked to investigate how quality journalism can now be supported.

Digital media carries an even more insidious disease. Online newspapers can now track in real time which stories people want to read. Quality journalism on public policy is usually way down the list.

This is not news to tabloid editors. And the numbers are now published in real time for all to see. On Friday, across the *Age* and *Sydney Morning Herald* sites, the top stories were about the movement of an AFL coach, a financial fraud in the UK and the sentencing of a murderer in the US. Across the Murdoch sites the stories were much the same, with the addition of a story about the death of a dwarf porn star. The only exception was *The Australian* where stories about the Prime Minister's proposals to reform the Labor Party and a detailed analysis of the carbon pricing legislation pushed their way to the top of the list.

Faced with this evidence, it is inevitable that newspaper editors looking to maximise profits will dedicate more resources to what most people want to read. The outcome is not good for our public life. But only a Communist-style control of online could constrain people to read the important news.

More likely, government can do little to help. The world has changed. We all benefit from the explosion of information provided by the web; but one cost is less and lower-quality print journalism. Few people want to return to a world without the web.

Most people dislike disruptive change. Inevitably they call on governments to help. It is hard for governments to say there is little they can do constructively. And so they are readily bounced into "announceables" that at least have the appearance of action. At best these are wasteful; but sometimes they can make the situation worse.

Take, for example, the restructuring of the Australian steel industry. Globally the industry is challenged. Locally the situation is worse because of movements in the dollar. Our major steel makers are reducing capacity and laying off workers. An understandable reaction would be for governments to try to keep these jobs alive. But the reality is the cost of this would ultimately hurt the wellbeing of Australians overall. Worse, the affected workers and communities would be tempted to pour their energies into delaying the inevitable rather than taking steps to creating a more viable future.

The story is similar as many of our inland regions grow more slowly than the rest of Australia. Governments can try to reverse the economic trends. But most of the time they are just pushing economic water uphill, as a Grattan Institute report, *Investing in Regions*, showed earlier this year. The best results happen when communities take their own initiatives to identify new and viable industries. These initiatives are readily sapped if the communities are tempted instead to focus on farming government largesse.

People would like to believe that governments can always solve their immediate problem. The global financial crisis may have exacerbated this trend. Governments claim – and there is some evidence to show – that budgetary spending through the crisis softened the blow, reduced unemployment growth and reduced the loss of output when facilities were abandoned and then rebuilt. But gathering

economic stress in Europe and the US is laying bare that every government action has a cost. Stimulus must be repaid, and in the meantime, governments have less room to manoeuvre.

On media, hopefully the new review will at least consider the possibility that the best response may be to do very little at all. There is no question that the internet is changing newspapers and journalism. But “cures” such as subsidies to newspapers, restrictions on digital business models, or increasing copyright protection for news, are all likely to be worse than the disease. Of course, the government could dedicate public money to pay for quality journalists – but it already does, by funding the ABC and SBS.

Governments today are responsible for far more than their predecessors. Their provision of school education, health and social welfare has transformed our society. Few want to abandon these reforms. But we should not conclude from their success that government can cure every change in our society.

Changes always involve trade-offs. The net provides enormous benefits, but one of its costs is to reduce the financial returns from quality journalism. Our politicians would serve us better if they devoted their energies to explaining these trade-offs, and that sometimes the best response by government to economic change is to do nothing at all.

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