WHEN A WATCHDOG DOESN'T BARK

HERE'S A PITHY QUESTION: DO FINANCIAL JOURNALISTS HAVE NAVELS?

By Anton Harber

In the wake of a global financial crunch, and questions about the role of financial reporters, it would help to know that they do indeed have these bits of anatomy. For one thing, it would prove natural birth, and therefore confirm that even financial journalists are human. For another, it would mean there might still be opportunity for contemplation of said navels.

In short, self-examination is in order.

There are certainly those who believe that the failings of the global financial systems was accompanied, even facilitated, by the failings of those tasked with reporting and analysing this sector for our mainstream media. Where was the watchdog? They are asking.

Veteran US media critic Danny Shechter charges that the media were complicit in the dubious Wall Street practices, and the failure of regulators, which led to the crisis. This, he argues, was because of vested interests. "The newspaper industry became, in some communities, the marketing arm of the real-estate industry. In some cities you actually had newspapers getting a piece of the action of sales through the ads they generated – they were actually part of the corruption. So of course there was little real scrutiny of what was actually happening in the neighbourhoods where mortgage fraud was pervasive," he wrote in the *British Journalism Review*.

Shechter made a film in 2007, *In Debt We Trust*, warning of the severity of the collapse if nothing was done, and published *Plunder*, a book which rips apart the greed of the financial industry, just days before Lehman Brothers collapsed. So he is someone worth listening to.

He is right that the financial sector is particularly vulnerable to the pressure of advertising and the onslaught of teams of professional public relations people trying to spin a line.

Shechter quotes Will Hutton, former editor of the *Observer* and now head of The Work Foundation: "General journalists, as well as business journalists, are really guilty in this. They have indulged madness in the last five years – we should have been better at whistleblowing than we were. Journalists for the most part missed the build-up to the crisis and did not warn the public. We all kind of believed that we had fallen upon some kind of alchemy, that capitalism had changed, and I think everyone got carried away. We lost our senses, all of us journalists."

Others have accused the financial media of being too close to Wall Street and the City in London, of being embedded in the business community. Reporters usually treat the big names of business with deference, and seldom know enough to ask tough questions or probe what is being claimed. "Buy, buy, buy," was the message right up until the markets crashed.

Journalists, they are suggesting, suffered from a form of Stockholm Syndrome.

Howard Kurtz, media reporter for the *Washington Post*, talked of the "cheerleading" which often characterises financial reporting, and said "most news organisations fell short in reporting the lax federal regulations that everyone – even the Bush administration – now admits was at the root of the problem".

As is often the case nowadays, it was Jon Stewart of Comedy Central's *Daily Show*, who delivered the most cutting critique. He strung together snippets of business channel CNBC's reports to show how wrong their advice had been. It included a CNBC person telling viewers not to sell their Bear Sterns shares, how good Lehman Brothers management was, and how Meryl Lynch had plenty of capital, in all cases just weeks before they had to be bailed out, sold or closed.

"If I listened to what they said, I could have a million dollars if I had started with $100million," Stewart said.

Financial Times editor Lionel Barber, delivering a Poynter Fellowship Lecture, conceded that we should have done better: "In the final resort, there can be little debate that the financial media could have done a better job, just as it could have done a better job ahead of the dotcom crash in the early part of this decade. Then, as now, many in the profession have taken the solemn vow: never again."

Of course, one cannot miss the irony of saying "never again", again.

Barber admits that it can be hard to be a pessimist in a bull market. But "it is also fair to say there was an alarming suspension of critical faculties among financial and business journalists during the credit bubble".

Interestingly, there have been conflicting views in two of the leading professional journals in the US, the *American Journalism Review* and the *Columbia Journalism Review*.

In the AJR, Chris Roush, a former business journalist and now Distinguished Scholar in Business Journalism at the University of North Carolina, challenged the general view that there had been a failure of journalism: "The business media have done yeoman's work during the past decade-plus to expose wrongdoing in corporate America. In fact, a review of the top business publications in the country shows that they blanketed the major issues, from subprime loans to adjustable-rate mortgages to credit derivatives, that caused so much economic pain."

He lists reporting, analysis and warnings by leading opinion-makers, such as the *New York Times*, the *Wall Street Journal*, the *Washington Post* and *Fortune* magazine.

The problem, he says, was not that they did not cover this stuff but that no-one was paying any attention.

He quotes Andrew Leckey, director of the Donald W Reynolds National Centre for Business Journalism at Arizona State University, comparing the situation to an unwanted Christmas present wrapped in shiny paper and a bow: nobody wants to open it up to see what's inside. The reading public wants to read only what it wants to believe.

Washington Post executive editor Marcus Brauchli concurred: "The notion that the business press wasn't paying attention is wrong, and the assertion that we were asleep at the switch is wrong. We were attentive. We were aggressive. We were aware. We wrote abundantly. But it is very hard to get the public's attention for stories warning of complex financial risks in the middle of a roaring, populist bull market."

But in the rival *Columbia Journalism Review*, Dean Starchman, a Fellow at Columbia, describes this approach as inadequate. Of course, he says, *some* media did *some* things. You can always pick out the plums in the reporting, he says.

He led a research project which looked in detail at business coverage since 2000 and asked if they provided fair warning of looming dangers. His answer: a flat *No*. "The record shows that the press published its hardest-hitting investigations of lenders and Wall Street between 2000-2003 then lapsed into useful-but-not-sufficient consumer- and investor-oriented stories during the critical years of 2004-2006. Missing are investigative stories that confront directly powerful institutions about basic business practices while those institutions were still powerful."

"This is not a detail," he says. "This is the watchdog that didn't bark."

We need to understand, he writes, that the interests of major financial media may not coincide with public interest. "The business press exists within the Wall Street and corporate subculture and understandably must adopt its idioms and customs, the better to translate them for the rest of us. Still, it relies on those institutions for its stories.

"Burning a bridge is hard. It is far easier for news bureaucracies to accept ever-narrowing frames of discourse, frames forcefully pushed by industry, even if those frames marginalize and eventually exclude the business press' own great investigative traditions."

Crucially, there is a big difference between reporting from an investor's perspective and from a citizen's. For the former, you want to talk up the markets, for the latter you want more realism; for the former, you might want to tell them were the herd is headed, for the latter, you might want to warn of the dangers of a herd mentality; for the former, you might want to advocate light-touch regulation, for the latter a firmer oversight of their activities.

This is a point taken further in a useful analysis provided by Damian Tambini of the Polis Institute at LSE titled "What

March 2009

2 March
Insurance giant AIG reports the largest quarterly loss in US corporate history of $61.7bn (£43bn) in the final three months of 2008. The firm is also to receive an extra $30bn from the US government as part of a revamped rescue package.

14 March
Finance ministers from the G20 group of rich and emerging nations have pledged to make a "sustained effort" to pull the world economy out of recession. The main summit takes place in London in April.

18 March
The US Federal Reserve says it will buy almost $1.2 trillion (£843bn) worth of debt to help boost lending and promote economic recovery.

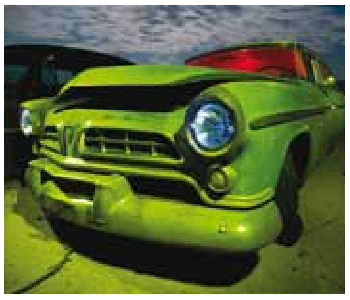
April 2009

2 April
Leaders of the world's largest economies reach an agreement at the G20 summit in London to tackle the global financial crisis with measures worth $1.1 trillion (£681bn).

22 April
The UK reveals its most pessimistic Budget forecast yet. Chancellor Alistair Darling says the UK economy will shrink by 3.5% in 2009 and predicts a £175bn budget deficit amounting to more than 10% of GDP.

May 2009

1 May
One of the "big three" US carmakers, Chrysler, enters bankruptcy protection after pressure from the US government. The majority of its assets are to be sold to Fiat.



4 May
EU economies will shrink by 4% in 2009, the European Commission has forecast in its bleakest forecast to date. It also says unemployment will rise to 10.9%.

8 May
Ten of the biggest US banks have failed their stress tests and need fresh capital, the US Treasury has said. It says they need to raise an additional $74.6bn, with the Bank of America the most exposed.

is financial journalism for?" He highlighted how journalists saw different roles for themselves, some seeing their job as providing information for investors, while others refer to a wider public interest remit, including holding of corporations to account.

"These self-definitions of role are crucial," he says. "If journalists see themselves mainly or merely as serving the market or investors, they may be less effective in their watch-dog role."

The problem precedes the recent crisis, he says. "Financial journalism faces a number of challenges currently; including pressure of speed due to the 24-hour news cycle; increasing complexity; PR strategies; sustainability; and the challenges of globalisation. Journalists have begun to respond, but the profession lacks a clear sense of purpose.

"In this context financial journalists and other stakeholders should urgently seek to reassess their roles and responsibilities," he argues.

A lot of these problem go further than business and financial reporting – they are endemic to all journalism: reporters too dependant on and too close to their sources, too caught up in the thrill of running stories, not wanting to run against a positive tide, and not knowing enough or being brave enough to ask the tough questions.

But we have to be realistic about what we can expect. We cannot expect journalists always to be prescient, or at least to be more so than the many economists and other experts who failed to foresee where we were headed. To blame journalists is to blame the messenger, and there are much deeper causes at play here.

And we have to acknowledge that, amidst the mass of poor reporting, there were some excellent examples of knowledgeable, spunky financial reporters who tackled bad policies and practices and who showed real insight, fearlessness and independence.

There was just not enough of those, and the rest of us did not pay enough attention to them. They were swamped by the bull-market enthusiasm and drowned out by the cheerleaders.

The message which comes screaming through all of this is the importance of those journalists who are willing to swim against the tide, those who will be pessimists in a sea of optimism, who are prepared to ask the tough questions and who will deliver the hard answers. That takes courage, bravery, knowledge and skill.

And, of course, it helps to have a navel.

References

Barber, Lionel. 2009. "Did financial journalists miss the crisis?" Poynter Fellowship Lecture, 21 April. http://poynter.org/forum/view_post.asp?id=13910

Shechter, D. 2009. "Credit crisis: how did we miss it?" *British Journalism Review* 20(19).

Starkman, D: 2009. "Power problem." *Columbia Journalism Review* May/June.

Roush, C. 2008: "Unheeded warnings." *American Journalism Review* December/January 2009.

Tambini, D. 2008. "What is financial journalism for? Ethics and responsibility in a time of crisis and change." *Polis: Journalism and Society*. www.polismedia.org

May 2009

May 26

Statistics South Africa reveals that South Africa's economy contracted by 6.4%, confirming that South Africa has joined many other countries in being in recession, the first for South Africa since 1992.

June 2009

1 June

The world's largest carmaker, GM, enters bankruptcy protection after bondholders agree to a deal that means they lose 90% of their money. The US government loans the company an additional $50bn.

9 June

UK unemployment rate rises to 7.1% with 2.22 million people out of work in the first three months of 2009, the ONS says.

10 June

Global oil consumption fell for

the first time since 1993 in 2008, according to BP's global energy outlook, in another sign of the depth of the recession. Ten of the largest US banks say they will be able to repay the US Treasury the money they were lent under the TARP bail-out in October. The banks would have faced restrictions on executive pay.

11 June

Japan's economy contracted at an annualised rate of 14.2% in the first three months of 2009, a record rate of decline.

July 2009

July 29

Statistics South Africa reports the South African economy shed 267,000 jobs in the second quarter, bringing cumulative job losses in the first half to almost half a million. The official jobless rate rose only slightly to 23.6%, but the labour market itself has shrunk to 17,5-million from 17,8-million in the first quarter, as more people became "economically inactive".