SOUTH AFRICA'S FINANCIAL PRESS AND THE POLITICAL PROCESS

ROBERT BRAND TAKES AN HISTORICAL APPROACH TO SHOW THAT THE FINANCIAL PRESS HAS ALWAYS REFLECTED AND INTERPRETED NOT MASS OPINION BUT THE VALUES AND VIEWS OF A NARROW ELITE, INCLUDING BUSINESSMEN, ECONOMISTS AND POLITICAL AGENTS. IN THIS WAY, THE FINANCIAL MEDIA PLAY A CRUCIAL ROLE IN SPREADING ECONOMIC IDEAS AND IDEOLOGIES, SETTING THE PARAMETERS OF DEBATE

What is the role of the financial media in society? Are they simply providers of information for the business and investment sectors, or do they also have a broader political role? Answering these questions requires a historical approach.

Journalism, scholar James Carey has argued, was "invented" in the 19th century in response to "a particularly modern hunger for experience – for the new rather than the old, the surprising and original rather than the unexpected and unpredictable, the novel and original rather than the reproduction of the past" (2007: 6). Most in need of this information was the emerging class of merchants, bankers and traders, whose fortunes were tied to conditions in the markets and political developments. The earliest newspapers were therefore purveyors of business intelligence; or, it could be argued, business newspapers.

This was certainly true of the earliest South African newspapers. The *Cape Town Gazette and African Advertiser*, established in 1800 and printed on a government-owned press under strict control, published the kind of information the port city's merchants and agricultural producers needed to make business decisions. The first non-government newspaper, the *South African Commercial Advertiser*, edited by Thomas Pringle and John Fairbairn, initially also concentrated on "topics… particularly such as are interesting to the commercial and agricultural parts of the community".

The South African press subsequently became more focused on general and political news aimed at mass audiences. Nevertheless, the ties between South Africa's English-language press and mining capital remained. In the late 19th and early 20th century, Bozzoli (1981) argues, newspapers aligned with mining capital, such as the *South African Mining Journal*, not only reflected the views and ideas of the audience, but created and articulated the ideology underpinning the development of mining capital. The major 20th century newspapers such as the *Rand Daily Mail* and the *Star* carried business sections that focused mainly on covering the burgeoning and sophisticated mining industry. The business and finance pages of the country's largest Sunday newspaper, the *Sunday Times*, retained the title *Mining Page* as late as 1966.

The *Financial Mail*, South Africa's first free-standing financial newspaper, was launched by South African Associated Newspapers in 1959, to be followed in the ensuing decade by a spate of new titles including *Business Times*, the *Financial Gazette* and *Finance Week*. *Business Times*, the brainchild of Stephen Mulholland, who became its first editor, rapidly became the *Sunday Times*'s most profitable section and, with the *Financial Times*, came to define business and financial journalism in South Africa.

The two newspapers ran a mix of "current affairs", company and industry news with a focus, at least initially, on the mining industry, and economic news. Both avowedly steered clear of political news, except insofar as this, in their view, affected the economy or business.

Since 1980, there has been almost explosive growth in the volume of financial news available to consumers in South Africa, as in other parts of the world.

In South Africa, this expansion has seen the establishment of new print media titles – including a business daily, *Business Day*, launched in 1985 by Times Media Ltd – radio and television broadcasts and online media.

In addition, mass circulation newspapers have strengthened their business coverage, and economics and financial news has become increasingly central to the news agenda.

Business journalism has also developed as a distinct genre, with its own narrative conventions, unwritten rules and practices.

Just as the privately owned news media are relied on to communicate information between government, politicians and the public, so the financial media are relied upon to disseminate information between corporations, market participants and policy makers.

The financial media are a vital cog in the market mechanism; the price system and market economy cannot function without an information network. As the early newspapers were about selling information to businessmen, the development of the financial press was a vital stage in the construction of the communications network that underlies the price system.

In South Africa, the financial press has throughout its history been sponsored and subsidised by the markets and corporations it covers. Financial news organisations draw their advertising from the corporate world. One factor that has contributed more than any other to the financial viability of the financial press was a stock exchange regulation compelling listed companies to publish any company report or notice in a newspaper. The majority of print advertising in the financial press is drawn from this source.

Moreover, until the mid-1990s the financial press was owned, via subsidiaries, by Anglo American Corporation, the country's largest mining conglomerate, and this connection was evident both in the management and editorial policy of the newspapers.

Newspaper companies shared directors with mining groups, and their content reflected the interests of the industry. An editor of the *Cape Argus*, HL Smit, commented: "It has been the policy of the daily press… that *ipso facto* whatever is best for the gold mines is best for South Africa as a whole, and that end is kept ever foremost in mind" (cited in Hachten and Giffard 1984: 41).

Scrutiny of Anglo American's executive committee minutes provides an insight into this relationship. The proposal for an "investment journal", which would later become the *Financial Mail*, was first submitted to Anglo American, which supported it in principle but rejected it after consideration because of potential conflicts of interest.

When the board of the *Rand Daily Mail* took up the idea, the decision was recorded in the executive committee minutes of Anglo American on 17 October 1957, a sign that the company continued to take a close interest in the proposed financial journal even though it had declined to be a parent. On December 10, the executive committee recorded that the *Rand Daily Mail* had proposed to publish the first issue of the new journal in March 1958, and instructed a board member to "report on the extent to which we should supplement or divert advertising".

For the next four years, Anglo American diverted advertising to the new journal on what the company itself

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August 2007

Japan also begin to intervene.

17 August
The Fed cuts the rate at which it lends to banks by half of a percentage point to 5.75%, warning the credit crunch could be a risk to economic growth.

September 2007

4 September
The rate at which banks lend to each other rises to its highest level since December 1998. The so-called Libor rate is 6.7975%, way above the Bank of England's 5.75% base rate; banks either worry whether other banks will survive, or urgently need the money themselves.

13 September
The BBC reveals Northern Rock has asked for and been granted emergency financial support from the Bank of England, in the latter's role as lender of last resort. Northern

Rock relied heavily on the markets, rather than savers' deposits, to fund its mortgage lending. The onset of the credit crunch has dried up its funding. A day later depositors withdraw £1bn in what is the biggest run on a British bank for more than a century. They continue to take out their money until the government steps in to guarantee their savings.

18 September
The US Federal Reserve cuts its main interest rate by half a percentage point to 4.75%.

October 2007

1 October
Swiss bank UBS is the world's first top-flight bank to announce losses – $3.4bn – from sub-prime related investments. The chairman and chief executive step down. Later, banking giant Citigroup unveils a sub-prime related loss of $3.1bn. A fortnight on, Citigroup is forced to write down a further $5.9bn. Within six months, its stated losses amount to $40bn.

30 October
Merrill Lynch's chief resigns after the investment bank unveils a $7.9bn exposure to bad debt.

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described as "a subsidy basis", ensuring its survival until it reached profitability.

The relationship did not end there. The content of *Financial Mail* was discussed at executive committee meetings on a regular basis, and the minutes provide evidence of editorial interference by Anglo American.

In one instance, the minutes note "yet another attack on the mining industry" in the pages of the *Financial Mail*. A committee member was delegated to "speak to [*Financial Mail* editor George] Palmer about attacks on the mining industry in the *Financial Mail*". Two days later, the minutes record: "MWR [board member MW Rush] spoke to Palmer about the article in the *Financial Mail* … Palmer conceded that the article was inaccurate and apologised."

With its dependence on advertising from Anglo American, which at that stage controlled a quarter of the market capitalisation of the stock exchange, the *Financial Mail* could hardly be expected not to reflect the interests of the mining industry.

The *Financial Mail* in its early years steered clear of politics, except when it considered that a political issue would affect business. "It is the *Financial Mail's* aim to give impartial and objective comment on South Africa's business life," the journal noted in an editorial comment in its edition of March 20 1959, its second. "It has no political affiliation, but it has a public duty – to interpret and record policies which impinge on industry and commerce."

Given the *Financial Mail's* self-conception as a "non-political" journal – which was shared by other financial publications of the time – as well as the fact that the financial media have never catered for mass audiences, the question arises whether the financial press could play a role in the political process?

Political communication is often described as a flow of information between political agents, the news media and the public. The process operates vertically, from politicians to the public and back. This bi-directional model of political communication, which is rooted in what Nimmo and Swanson (1990) have called the "voter persuasion paradigm", is based on the assumption that the media exercise power only via public opinion: information flows from political agents to the public, which responds, thereby influencing policy-makers and policy.

Obviously, this model only holds true in the context of mass media; media which cater for niche audiences, such as the financial media, cannot exercise this effect on public opinion.

This model, however, is flawed because it fails to take into account that political actors also get their information from the media and use the media as a forum to debate and discuss policies. The media therefore influence elite opinion as much as they influence public opinion. Schudson (2002) goes as far as to assert that the news media "have always been a more important forum for communication among elites … than with the general population" (263).

In South Africa, particularly in the period 1990 – 1996, when the African National Congress developed its economic policy, the financial press played at least a contributory role in influencing the opinions of policy-making elites.

The adoption of the fiscally responsible Growth, Employment and Redistribution strategy – a dramatic departure from the more statist Redistribution and Development Policy that preceded it – was a turning point in South Africa's economic history, and came about without the support of the ANC's labour and communist allies. By providing a forum for debate among elites about the future shape of the economy, the financial press helped influence policy without necessarily having an effect on broader public opinion.

The financial press throughout its history has reflected and interpreted not mass opinion but the values and views of a narrow elite, including businessmen, economists and political agents. In this way, the financial media have played – and still play – play a crucial role in spreading economic ideas and ideologies and setting the parameters of debate about economic issues.

The ideas of Milton Friedman, and before him John Maynard Keynes, for example, gained currency and legitimacy through their use of the news media rather than debate within academic journals (Parsons 1990). The financial media therefore play an important role in legitimating economic ideas and opinions that are adopted by policy-makers.

In particular, Parsons argues, the financial news media in the 20th century played a key role in propagating the values, myths and discourses of the "free market". They "purvey[ed] and reinforce[d] the values and ideas, language and culture, which underpin the existence of the market economy" and are "a crucial mediator between the price system and the political system".

Through this process of legitimising a particular economic system and culture the financial press in South Africa helped cement consensus among political elites (but not the broader public) about the shape of the economy, and provided the context and justification for the excesses that lead to the financial crisis and the current global recession.

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December 2007

6 December
US President George W Bush outlines plans to help more than a million homeowners facing foreclosure. The Bank of England cuts interest rates by a quarter of one percentage point to 5.5%.

13 December
The US Federal Reserve co-ordinates an unprecedented action by five leading central banks around the world to offer billions of dollars in loans to banks. The Bank of England calls it an attempt to "forestall any prospective sharp tightening of credit conditions". The move succeeds in temporarily lowering the rate at which banks lend to each other.

17 December
The central banks continue to make more funding available. There is a $20bn auction from the US Federal Reserve and, the following day, $500bn from the European Central Bank to help commercial banks over the Christmas period.

January 2008

21 January
Global stock markets, including London's FTSE 100 index, suffer their biggest falls since 11 September 2001.

22 January
The US Fed cuts rates by three quarters of a percentage point to 3.5% – its biggest cut in 25 years – to try and prevent the economy from slumping into recession. It is the first emergency cut in rates since 2001. Stock markets around the world recover the previous day's heavy losses.

7 February
US Federal Reserve boss Ben Bernanke adds his voice to concerns about monoline insurers, saying he is closely monitoring developments "given the adverse effects that problems of financial guarantors can have on financial markets and the economy". The Bank of England cuts interest rates by a quarter of 1% to 5.25%.

17 February
After considering a number of private sector rescue proposals, including one from Richard Branson's Virgin Group, the government announces that struggling Northern Rock is to be nationalised.