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 were 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 Schechter 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.

Schechter made a film in 2007, In Debt We Trust, warning of the severity of the collapse if nothing was done, and published Pander, 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.

Schechter 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 fallen apart, and did not warn the public. We all kind of believed that we 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 he 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 Starshman, 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-urgent 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.”

“How is this 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 talk up the markets, for the latter you 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
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 watchdog 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

May 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.

June 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.

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 become “economically inactive”.

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