Financial Journalism through Financial Crises:
The Reporting of Three Boom and Bust Periods

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This thesis is presented for the degree of Doctor of Philosophy

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Declaration

I declare that this thesis is my own account of my research and contains as its main content work that has not previously been submitted for a degree at any tertiary education institution.

SOPHIE KNOWLES

....................................
Preface

Sections of this thesis have been previously published in the following sources but appear in this dissertation in a revised format:

Journal articles


Conferences


Abstract

This thesis describes a longitudinal study of mainstream financial reporting in the United States (US), the United Kingdom (UK), and Australia during three financial crises from the 1980s to the present. It responds to criticisms generated in the wake of the Global Financial Crisis (GFC) that financial journalism did not play enough of a watchdog role in forewarning the public of the troubles ahead. In the aftermath of the GFC it seemed there was a need to examine the coverage in the light of these criticisms, as well as investigate the modus operandi of the journalists themselves. This is not the first time finance journalism has attracted criticism and, given calls for more thorough, comprehensive, and empirical research into this genre, it seemed appropriate to undertake an investigation of the reportage in the context of the cultural and institutional developments of the past 30 years.

The longitudinal content analysis covers the recession of the early 1990s, the 2000 dot com boom, and the 2007-2008 GFC. A total data set of 1,205 articles was collected from bi-monthly sampling for a period of two years before each financial collapse (to capture the incubation period of the crises), to a little over a year afterwards (to capture the aftermath). The data was subjected to both quantitative and qualitative analysis to reveal the amount, type, and style of reportage. A longitudinal content analysis of this scale has not been seen since Barkin’s (1982) longitudinal content analysis of financial coverage in US mainstream newspapers. The study is also transnational, comparing content from the New York Times, the Guardian, and the Sydney Morning Herald. This allowed for a comparison of the reporting values in three mainstream agenda-setting publications from liberal democracies whose media industries have developed along similar lines. Interviews with financial, business, and economic journalists and editors in the US, the UK, and Australia provide an insight into how finance journalists themselves view their role, and how they deal with the cultural and institutional pressures to which they are subjected.

The thesis, therefore, has a dual focus: first, to analyse patterns of reportage across three financial crises; and second, to examine the role of individual financial journalists within a larger industry that has grown exponentially since the 1980s. It finds that declining standards in reportage, and increasing pressures and challenges within the mainstream newspaper industry have contributed to a shift in reportage,
which now is directed at big business and investors, as opposed to the general non-shareholding public. The insights from the practitioners form the basis for suggestions as to what is necessary to improve the standard of financial journalism to ensure it fulfils its watchdog role of holding business and government to account, promoting democratic debate, and engendering trust in the public. The thesis concludes that for this to be achieved editors will need actively to encourage independent investigation and analysis, journalists will need better training, and the content will need to be geared to a broader target audience.
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## Abbreviations

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<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
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<tr>
<td>AFR</td>
<td><em>Australian Financial Review</em></td>
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<td>ASIC</td>
<td>Australian Securities and Investments Commission</td>
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<tr>
<td>BS</td>
<td><em>Business Spectator</em></td>
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<tr>
<td>CDO</td>
<td>Collateralised Debt Obligation</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CNBC</td>
<td>Consumer News and Business Channel</td>
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<td>CPI</td>
<td>Consumer Price Index</td>
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<td>EDI</td>
<td>Electronic Data Interchange</td>
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<td>EMH</td>
<td>Efficient Market Hypothesis</td>
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<tr>
<td>FDIC</td>
<td>Federal Deposit Insurance Corporation</td>
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<tr>
<td>FOI</td>
<td>Freedom of Information</td>
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<td>FT</td>
<td><em>Financial Times</em></td>
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<td>GDN</td>
<td><em>Guardian</em></td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GFC</td>
<td>Global Financial Crisis</td>
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<td>IPO</td>
<td>Initial Public Offering</td>
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<td>NYT</td>
<td><em>New York Times</em></td>
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<tr>
<td>NYU</td>
<td>New York University</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>PR</td>
<td>Public Relations</td>
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<td>SMH</td>
<td><em>Sydney Morning Herald</em></td>
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<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>US</td>
<td>United States</td>
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<tr>
<td>VAN</td>
<td>Value-Added Network</td>
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<td>WSJ</td>
<td><em>Wall Street Journal</em></td>
</tr>
</tbody>
</table>
Contents

Abstract .......................................................................................................................... iii
Acknowledgments .......................................................................................................... v
Abbreviations ............................................................................................................... vi

1. Introduction ................................................................................................................. 1

2. The Inexorable Rise of the Financial Press .............................................................. 5
   Introduction .................................................................................................................. 5
   The Rise of Financial Journalism: The Seventeenth Century to the Present .......... 5
   The Fourth Estate Tradition and the Financial Press ............................................. 9
   The Relevance of the Fourth Estate in the Twenty First Century ....................... 19
   Conclusion ............................................................................................................... 24

3. Quality Criteria and Ethical Standards in Financial Journalism ......................... 26
   Introduction ................................................................................................................ 26
   What the General Public Want and Need from Financial Journalism ............... 26
   Impediments to the Watchdog Role of Financial Journalism ......................... 29
       Political and Ideological Pressures ..................................................................... 29
       Financialisation and the Financial Media .......................................................... 29
       Lack of Corporate Transparency ...................................................................... 33
   Sources and ‘Voices’ that Shape Financial News .............................................. 35
   Reporting for the Ordinary Public ........................................................................ 37
   The Power of Public Relations ............................................................................. 40
   Groupthink and the Financial Markets .............................................................. 42
   Criteria to Establish ‘Quality’ Financial Journalism .......................................... 46
   Journalistic Challenges in the Practice of Quality Financial Journalism .......... 47
       The Modern Media Environment .................................................................... 47
       How the Financial Journalists see their Role .................................................. 49
       The Issue of Training ....................................................................................... 52
   Editorial Codes and the Pathway to Public Trust .............................................. 55
4. **Methodology: Assessing the Financial Press** .......................... 60

   Introduction ............................................................................. 60
   Content Analysis as a Method .............................................. 63
      Scope .................................................................................. 70
      Transnational ....................................................................... 71
      Longitudinal .......................................................................... 72
   Three-Year Periods: The Lead-up to the “Minsky Moment” ........ 72
   Compilation of a Data Set .................................................... 74
   Quantitative Analysis .............................................................. 76
      Coding Tone .......................................................................... 78
      Economic Timeline .............................................................. 81
      Coding the Quoted Sources ................................................ 83
   Qualitative Analysis ............................................................... 85
      Framing Analysis .................................................................. 86
      Coding Main Topics ............................................................ 87
      Coding Narratives ............................................................... 88
      Analysing the Discourse ....................................................... 89
   Methodology for Practitioner Interviews .............................. 91
   Conclusion ............................................................................... 100
9. Discussion

Introduction

Trends Across Three Decades

Minimal Warning and Scepticism before a Downturn

A Narrowing Selection of Sources to Frame Events

The Rise of Public Relations

Content Geared for the Insiders and not the General Public

Minimal Everyday Advice for the General Public

Professional Challenges to Practice

Commercial/Time Pressures

Institutional and Ideological Pressures

Financial Training Pressures

Looking Ahead: Suggestions for Improving Practice

Conclusion

10. Conclusion

Suggestions for Further Study
Appendices

Appendix A: Examples of Neutral, Optimistic, and Sceptical Tone ...........380
Appendix B: Examples of Articles that Contain Key Words .................386
Appendix C: Examples of Articles Selected According to Topic ............393
Appendix D: The Questions asked During Interviews with Practitioners ......419
List of Figures

Figure 1. 1990 Recession: US annual GDP growth rate from 1988 to 1992 .......... 116
Figure 2. 1990 Recession: US inflation rate from 1988 to 1992 ..................... 116
Figure 3. 1990 Recession: US unemployment rate from 1988 to 1992 .......... 117
Figure 4. 1990 Recession: UK annual GDP growth rate from 1988 to 1992 ...... 118
Figure 5. 1990 Recession: UK inflation rate from 1988 to 1992 ..................... 118
Figure 6. 1990 Recession: UK unemployment rate from 1988 to 1992 .......... 119
Figure 7. 1990 Recession: Australia’s annual GDP growth rate from .......... 120
           1988 to 1992
Figure 8. 1990 Recession: Australia’s inflation rate from 1988 to 1992 .......... 120
Figure 9. 1990 Recession: Australia’s unemployment rate from 1988 to 1992 .... 121
Figure 10. 1990 Recession: Distribution of articles from the publications ........ 123
Figure 11. 1990 Recession: Number of articles pre- and post-Minsky moment ... 123
Figure 12. 1990 Recession: Tone Trend, November 1988 to January 1992 ......... 125
Figure 13. 1990 Recession: Number and type of directly quoted sources .......... 127
           as a percentage of publication’s total quoted sources
Figure 14. 1990 Recession: Sources quoted after the Minsky moment .......... 128
           November 1990 to March 1991
Figure 15. 1990 Recession: Distribution of articles on interest rates .......... 131
Figure 16. 1990 Recession: Distribution of articles on the topic of recession .... 138
Figure 17. 1990 Recession: Distribution of articles on ‘ordinary’ topics .......... 143
Figure 18. 1990 Recession: Distribution of articles on the blame game topic .... 151
Figure 19. 1990 Recession: Distribution of articles on deregulation .......... 156
Figure 20. Dot Com Boom: US annual GDP growth rate from 1998 to 2001 ...... 176
Figure 21. Dot Com Boom: US inflation rate from 1998 to 2001

Figure 22. Dot Com Boom: US unemployment rate from 1998 to 2001

Figure 23. Dot Com Boom: UK annual GDP growth from 1998 to 2001

Figure 24. Dot Com Boom: UK inflation rate from 1998 to 2001

Figure 25. Dot Com Boom: UK unemployment rate from 1998 to 2001

Figure 26. Dot Com Boom: Australia’s annual GDP growth rate from 1998 to 2001

Figure 27. Dot Com Boom: Australia’s inflation rate from 1998 to 2001

Figure 28. Dot Com Boom: Australia’s unemployment rate from 1998 to 2001

Figure 29. Dot Com Boom: Distribution of articles from the publications

Figure 30. Dot Com Boom: Number of articles pre- and post-Minsky moment

Figure 31. Dot Com Boom: Tone Trend, March 1998 to May 2001

Figure 32. Dot Com Boom: Number and type of directly quoted sources, as a percentage of publication’s total quoted sources

Figure 33. Dot Com Boom: Sources quoted after the Minsky moment, March 2000 to July 2000

Figure 34. Dot Com Boom: Distribution of articles on the bursting of the Dot Com Bubble

Figure 35: Dot Com Boom: Distribution of articles that refer to the ‘new economy’

Figure 36: Dot Com Boom: Distribution of articles on the ‘old versus new’ topic

Figure 37. Dot Com Boom: Distribution of articles that provide a warning relevant for the Dot Com Bubble

Figure 38. Dot Com Boom: Distribution of articles on ‘ordinary’ topics

Figure 39. GFC: US annual GDP growth rate from 2005 to 2008
Figure 40: GFC: US inflation rate from 2005 to 2008 ........................................239
Figure 41: GFC: US unemployment rate from 2005 to 2008 ...............................240
Figure 42: GFC: UK annual GDP growth rate from 2005 to 2008 .........................241
Figure 43: GFC: UK inflation rate from 2005 to 2008 ........................................241
Figure 44: GFC: UK unemployment rate from 2005 to 2008 ...............................242
Figure 45: GFC: Australia’s annual GDP growth rate from 2005 to 2008 ...............242
Figure 46: GFC: Australia’s inflation rate from 2005 to 2008 ...............................243
Figure 47: GFC: Australia’s unemployment rate from 2005 to 2008 ......................243
Figure 48: GFC: Distribution of articles from the publications ...............................245
Figure 49: GFC: Number of articles pre- and post-Minsky moment .....................246
Figure 50: GFC: Tone Trend, August 2005 to October 2008 .................................247
Figure 51: GFC: Number and type of directly quoted sources, as a percentage of publication’s total quoted sources
Figure 52: GFC: Sources quoted after the Minsky moment, August 2007 to December 2007
Figure 53: GFC: Distribution of articles that provide clear explanations .................252
Figure 54: GFC: Distribution of articles that refer to a ‘crisis’ ..................................260
Figure 55: GFC: Distribution of articles that assign blame ..................................269
Figure 56: GFC: Distribution of articles that discuss a bailout ..............................279
Figure 57: GFC: Distribution of articles on ‘ordinary’ topics ..................................286
Figure 58: Number of articles pre- and post-Minsky moment: 1990; Recession; Dot Com Boom; and GFC
List of Tables

Table 1. Key words used for the 1990 Recession .................................................. 75
Table 2. Key words used for the Dot Com Boom ....................................................... 75
Table 3. Key words used for the GFC ....................................................................... 75
Table 4. List of Directly Quoted Sources .................................................................. 85
Table 5. Practitioners Interviewed for the Study ....................................................... 99
Table 6. Main Topics of the 1990 Recession .............................................................. 130
Table 7. Main Topics of the Dot Com Boom ............................................................... 189
Table 8. Main Topics of the GFC .............................................................................. 251
Chapter One

Introduction

This study was prompted by the events of the Global Financial Crisis (GFC), which catapulted the financial industry, governments of the developed world, and the financial media into the spotlight. As the financial and economic systems began to unravel savings and jobs began to disappear and millions of dollars dropped out of the financial markets. The financial media, caught up in the maelstrom, was blamed for not spotting the GFC, for getting too close to the sources it used for information, and for not criticising the financial industry that should have been kept in check. Moreover, it was blamed for not reporting in the public interest at a time when this was most needed.

Inspired by the studies that reignited the debate on financial journalism—Tambini (2008) and Starkman (2009a, 2009b)—this study sought to expand on the concerns they raised and to extend beyond their limits. For these reasons the study is transnational and longitudinal—focusing on the mainstream financial reporting of the New York Times (NYT), the Guardian (GDN), and the Sydney Morning Herald (SMH) during three boom and bust periods across three decades. In the fragmented media environment that exists today, it was thought that these three publications of record from three arguably similar socio-cultural systems would provide a snapshot of what is available to the public in three major democracies. The content is analysed to establish the amount, type, and nature of reportage. Prominent financial journalists from the three countries in this study are interviewed to capture their thoughts and views of their industry, the changes over time, and the impact on their practice.

Therefore, this study has a dual focus, examining not only the reportage but also the journalists’ own practice. It is an empirical project addressing two overarching research questions:

1. Have there been any changes in the way financial news has been reported over the past three decades? This covers two sub-questions:
• What conclusions can be drawn from the coverage itself in relation to the quality of the reportage?

• How far does mainstream finance journalism go in fulfilling a watchdog role for the general public? This relates to the extent to which articles are geared towards the business insiders, as the literature largely suggests, or conversely address the information needs of the ‘ordinary’ public.

2. What impact have changes in the media industries had on the practice of financial journalism?

The study captures data longitudinally across three decades, focusing on reportage of the 1990 recession, the dot com boom of 2000, and the GFC of 2007-2008. A study of this scope was necessary to explore the evolution of the financial journalism industry, which over time has arguably grown to be a genre in its own right.

The origins of financial journalism are explored in Chapter Two, which briefly tracks the historical development of financial journalism in the United States (US), United Kingdom (UK), and Australia. It compares and contrasts the forms of financial journalism as they developed in each country. After consideration of some of these main forms and functions, the development of journalism and democracy is discussed alongside the growth of the concept of the Fourth Estate. The main principles that guide Fourth Estate reporting and their applicability and relevance to financial journalism lay the foundations for the main themes of the thesis to be expanded on.

From these foundations, the following Chapter explores the question of what constitutes quality in financial news and begins to build from the literature a set of measures that are applied to the content analysis in each of the three case studies. This Chapter picks up from the main themes that were introduced previously: the idea that financial journalism can and should serve democracy by applying some ideals that form the basis of the Fourth Estate reporting tradition. These measures also inform the questions to be used in the interviews with practising financial journalists. After a review of the editorial codes from each publication being
analysed, the set of quality criteria that will be applied to the content analysis in each of the three case studies is confirmed.

The way the criteria act as measures for content analysis, and how content analysis will be conducted generally, is addressed in the next chapter. Chapter Four describes the methodology and how the research design aims to reach its main aims and answer the research questions: first on changes to quality over the past three decades; and second on whether conclusions can be drawn on the impact on journalistic practice of any changes that have taken place in the media industries during the period of study. It draws on previous studies of the financial press in order to derive a methodology that extends and expands on the work already done. The Chapter describes the rationale for the selection of the samples, the nature of the quantitative and qualitative analysis, and the purposive interview methodology that will be used to provide a snapshot of current industry practice.

The methodology is applied in Chapters Five, Six, and Seven. Each case study (the 1990 recession, the dot com boom of 2000, and the GFC of 2007) is dealt with systematically, each consisting of an overview of the political economy, the relationship that existed between media and business, and the previous studies that have already researched financial journalism during the same period. From this overview, the data collected for this study is discussed with analysis of the results and a discussion of the quality measures that were derived during Chapter Two and Three. From case study to case study the development of some key trends in the quality of content becomes clearer and they can be compared step by step as they are dealt with in a chronological fashion.

The overall results from content analysis are discussed with practitioners in Chapter Eight. Hence, the Chapter focuses on the second research aim and seeks to explore the impact of changes in the media industries on financial journalists. The main changes to the quality and practice of financial journalism, identified in Chapter Three, are also explored. Here the interviews with journalists are presented and analysed to reveal their views on the nature and quality of finance journalism, the changes over time, and the pressures they experience which may impact negatively on the job they wish to do. The most salient quotes, examples, and illustrations provided by practitioners, are presented.
The significance of the main conclusions from the literature, content analysis, and interviews are brought together for the first time in Chapter Nine. This makes it possible to track variations in the nature, type, and quality of finance reporting across three decades. Given that the study is transnational and longitudinal, the publications can be compared and contrasted to identify similarities and differences in their patterns of reportage to be able to answer question one. The second question relates to changes within media industries and their impact upon the practice of financial journalism. While the sample is small it provides some indications of the pressures impacting on financial journalists that illustrate the merit of more extensive studies in future. The study as a whole demonstrates the breadth and effectiveness of the mixed methods research design and its comprehensive nature allows for some suggestions to be made for the improvement of quality standards in the future.

Chapter Ten, by way of conclusion, summarises the significance of the study. In particular, the study provides some empirical evidence that financial journalism standards, in relation to the Fourth Estate style of reporting that is discussed in earlier chapters, have declined in the mainstream papers being analysed. Moreover, there is indication that the general audience that mainstream papers serve is less of a priority for the industry and this has serious ramifications for the breadth and quality of financial news that the general public wants and needs. This Chapter delineates the main pressures that have been identified from the literature and interviews and builds on the suggestions for the maintenance and improvements on financial journalism in the future. Limitations on the study (range of publications and interviews, for instance) and areas that should be built on are noted. The thesis draws to a close by pointing ahead to the opportunities for future research in this area – of which, as the study highlights, there are many.
Chapter Two

The Inexorable Rise of the Financial Press

Given the scale and complexity of business and finance in the modern world, the existence of a press equipped to analyse and hold it to public accountability is a necessary component of democracy in a market society (Parsons 1989, 228).

Introduction

This Chapter describes, briefly, the origins of financial journalism and some of its main forms and functions from the 1600s to the present. Attention is paid mainly to its development in the three countries being studied: the US, the UK, and Australia. The Chapter then assesses some of the main challenges to the quality and practice of financial journalism as it developed, with regards to Fourth Estate reporting values – challenges that will be built upon and discussed further in the Chapters that follow.

The Rise of Financial Journalism: The Seventeenth Century to the Present

Financial journalism developed in the seventeenth century Europe, pre-dating the political press, mainly as a conduit for commercial information. Despite these humble origins, this form of financial information predated the advent of the political press and grew in popularity at a fast pace (Parsons 1989, 12). The earliest known financial publications in London were the Collection of the Improvement of Husbandry and Trade (1692), and the Course of Exchange and Lloyd’s List (1734) (ibid., 13). This pattern was being reflected across the Atlantic in the US and by the end of the 1700s, some of the first daily newspapers were available, which – as in Europe – contained information of commercial value and targeted the merchant class. They included the “Pennsylvania Evening Post and Daily Advertiser (1783), Pennsylvania Packet and Daily Advertiser (1784), the New York Morning Post (1785) and the New York Daily Advertiser (1785)” (ibid., 16). This early
manifestation of financial journalism as dry data was quite different in character to the dynamism and variety of specialist financial publications, news channels, and blogs that can be found today.

From the 1700s and up until around 1820 financial journalism was developing in London and New York and other financial centres at a fast pace. Moreover, the character of financial journalism was changing. Financial journalism was responding to increased activities in commerce, trade, and investment, developing a style of writing that Parsons (ibid., 22) calls “Wall Street” or “City writing”. This style moved from simply reporting data to offering advice for the investing public and investigating corrupt business practices. This style appeared in New York in its earliest stages. For example, in the US, Herald—edited by Gordon Bennett (credited by Parsons as the original “muckraking” financial journalist) and the Times—edited by Henry Raymonds—moved away from dry data, and started to write independently, holding business to account (ibid., 37). Parsons (ibid., 24) praises this early form of financial journalism—pursued by the editors—for “setting new standards” in reportage on the political economy. He aligns them with the style of writing and deliberation that was espoused at Economist in the UK, launched by Walter Bagehot in 1843.

In the UK, by the nineteenth century, the popular press had arrived and—taking its cue from the US’s new “breezy style”—financial journalism developed beyond information reserved for the specialist reader and engaged with a wide and general audience. It was more critical of business practices and offered advice to its readers, prompting the comment that “Even the Times did not dare to be dull quite so often as the turn of the century approached” (Porter 1998, 49). This new style of financial reporting was not just breaking free from literary constraints, it was also responding to a growing investing public, which added to its popularity at the time. It represented all classes of society who were looking to the press for advice that they could trust (ibid., 51). This movement developed during the nineteenth century and prompted Charles Duguid – editor of the Westmister Gazette and then the Times – to tell the Institute of Bankers in 1913 that “Finance had become democratic and the newspapers reflected the remarkable development” (Roberts 2014, forthcoming).
Around 1880, a decisive shift occurred when the combined impact of the improvements in information transmission via the telegraph, the repeal of stamp duty on the press, and the growing demand for daily information saw the emergence and proliferation of the financial dailies preoccupied with stock market speculation. Indeed, in the UK the number of financial titles grew from just 19 in 1874 to 109 by 1914, according to the *British and Irish Press Guide* (Roberts 2014 forthcoming). Also, both the *Financial Times* in the UK and the *Wall Street Journal* in the US were founded in the late 1880s. Then, at the turn of the century, in the US, Charlie Dow and Eddie Jones expanded a financial newsletter that soon became the *Wall Street Journal*, competing with newspapers like the *New York Commercial Bulletin, Daily Financial News*, and the *New York Daily Indicator* (Parsons 1989, 37).

Meanwhile, a similar developmental trajectory was occurring in Australia, albeit at somewhat of a lag. It was not until the 1830s that the first newspapers were published and by 1848 Australia had eleven operating dailies, increasing to forty-eight by 1886 (Smith 1979, 130-131). The year 1878 saw the arrival of Henry Collins, the Australasian general manager of Reuters, and the subsequent establishment of a regular communication network between Australia and London. Reuters had subsidised cable in Europe, India, China, and the US, and now it was Australia’s turn. From Australia Henry Collins orchestrated a deal with Reuters’ headquarters in London and the main Australian newspaper groups that had formed the Australian Press Association, including the *Argus* (which included the *Sydney Morning Herald*) and the *Age* groups (Putnis 1997). The deal lasted from 1889 to Collin’s retirement in 1909, when a Senate Select Committee criticised the deal as a “complete monopoly” on the news that Australia received from the outside world (ibid., 25). Thus, by the end of the 19th century, a communication network had been firmly established between the US, the UK, and Australia, underscoring their similar socio-cultural and economic values.

The process of popularising financial news into the twentieth century is explained further by a boom in the global economy and a desire from the public to understand the political economy. In the UK, the economist Maynard Keynes wrote in new weeklies like the *Nation* and newspapers like the *Sunday Times* in the early 1900s. In the US, Galbraith, Samuelson, and Friedman used the press to disseminate their ideas and shape public opinion. This leads Parsons (1989, 55) to call financial journalism
at this time “a mode of discovery and a medium of persuasion and dissemination.” These economists were responding to and communicating with a public that wanted to understand economic development, and placed political economy in the centre stage of public and political discourse.

In the US, some of the first major business magazines were being established: *Business Week* in 1929 and *Fortune* in 1930 (Roush 2006, 73-89). And after World War Two financial journalism continued to increase in popularity and started to infiltrate the mainstream media with its celebration of mass consumerism (Yarrow 2006, 58). Therefore, by now there was broader coverage of the national economy, including commentary from top economists. In the post-war boom years financial journalism continued to increase in popularity as the public and the press shared a belief in the solid strength of the American economy (ibid., 61).

In Australia, as in the US and the UK, by the mid-twentieth century finance news, along with news in general, was becoming more prolific. In the 1950s to 1960s, several new publications appeared which set new editorial standards that valued independence and prioritised the investigation of power. A new finance newspaper, the *Australian Financial Review*, was established in 1951 as a weekly (Schultz 1998, 174). As the popularity of the financial press grew, it became a daily in 1963.

Financial news, especially specialist reportage in print and broadcast outlets, continued to proliferate from the 1980s. In the US, the number of business magazines doubled from 358 in 1988 to 694 in 1999; and the number of people watching the Consumer News and Business Channel quadrupled from 1988 to 1999 from 88,000 to 339,000 (Henriques 2000b, 21). In the UK, magazines like *Family Wealth* and *Investors Digest* arrived from 1987 (Parsons 1989, 210-215). Australia also saw newly established specialist magazines, such as *Australian Business* and *Business Review Weekly* (Kitchener 1999, 239).

Overall, it is undeniable that, as numbers suggest, that the financial press grew at a fast pace from the end of the nineteenth century. The growing dissemination of financial journalism reflected the growth in commerce and the financial markets. It took its cue first from a merchant class and then, eventually, from a growing audience and a larger investing public who wanted to find out more about investments and understand the developments in political economy more generally.
Moreover, as the next section will show, by the nineteenth century the financial press was also tasked with safeguarding the respectability of the journalistic profession and the genre of financial news – as it responded to commercial competition, corporate misdeeds, financial crises, and financial journalists who did not act ethically and tarnished the reputation of others.

**The Fourth Estate Tradition and the Financial Press**

In addition to considering the impact capitalism and commercialism had on its volume and range, the growth of the financial press needs also to be understood against the backdrop of the development of the Fourth Estate tradition and the evolution of democracy. The idea that democracy and journalism are consummate bedfellows developed in its earliest stages—like financial journalism—from seventeenth century Europe. Like the press generally, the specialist financial press, and the City columns within mainstream publications at this early stage, were bound to the development of the concept of democracy and the idea that journalists occupied roles within a Fourth Estate, which would uphold and enhance the main principles of public interest and democracy.

The idea of a Fourth Estate, a press that served the public over and above the state, was a term first used Edmund Burke in relation to the other states in 17th century France: the “Clergy, Aristocracy, and Commoners” (Hampton 2010, 3). From its establishment one of the main functions of the Fourth Estate is to educate and enlighten its readership to promote democratic debate to reach a common good (ibid., 4). This idea is encapsulated well by McNair (2003, 32), who states that the liberal and Enlightenment principles, when applied to the media, offered the following:

> The sole guarantee of the victory of reason and truth in the public sphere was the free competition of ideas and opinions between diverse viewpoints; and that only by the flourishing and encouragement of such intellectual diversity could the truth emerge.

Therefore, in addition to providing informative and independent coverage intended to educate and enlighten, the Fourth Estate was also adversarial and critical in its
endeavours to scrutinise the powerful. Its emergence four hundred years ago is discussed as coinciding with the establishment of democratic political journalism that is “adversarial, critical and independent of the state … against the backdrop of the English Civil War” (McNair 2009, 237). This is commonly referred to as the watchdog function of the press. Moreover, the powerful who are to be held to account should include anyone in a position of power, be it “in government, business or other influential spheres of society” (ibid., 239).

In the US, the role of a Fourth Estate was enhanced and protected by the first amendment of the Constitution introduced in 1791, which enshrined the concept of freedom of speech. In the UK, Boyce (1978) discusses the ‘myth’ of a Fourth Estate that evolved in the mid-to-late 19th century out of a press that wanted to establish itself as a monitor of Parliament and a mouthpiece for the broad population. Its golden years were between 1880 and 1918, when it was “at the height of its glory and prestige”; and “the classic statement of the Fourth Estate theory” is ascribed to Henry Reeve who, while editing the Edinburgh Review in 1855, wrote that the Fourth Estate had grown to be an “an estate of the realm” (ibid., 27).

In Australia, as early as colonial times the press was “unlicensed, distributed post-free and uncensored – and had been for more than two decades” (Schultz 1998, 26). Watchdog-style journalism prevailed despite the fact that the independence of Australian journalism was “restrained by laws of libel” (ibid.). Some of the earliest examples of Fourth Estate journalism in Australia are the criticisms of the Governor Arthur of Tasmania in the Hobart Town Gazette (1816-1836), and the establishment of the Australian (1824-1848) without official approval “in the interests of self-government against autocracy” (Green, cited in ibid., 31).

While the Fourth Estate role of the press was, therefore, well established by the nineteenth century, during this period the news industry also had to contend with licensing and tax issues, and the increasing commercialisation of the industry. By the 1830s, the news industry was commercialised in the US – 20 years earlier than the UK (Hampton 2010, 6). The principles of the Fourth Estate proved difficult to uphold in an increasingly commercial and monopolised news environment. Mainstream newspapers had to compete for readers, as markets were opened. As the nineteenth century progressed, the US and the UK saw the fall of a radical press as
news became more conservative and liberal, and the press in Australia—although unlicensed since its establishment—was encumbered by political and economic constraints (Schultz 1998, 3).

Financial journalism had to work out its own position between Fourth Estate ideals of the enhancement and protection of democracy, increasing commercialisation, more open financial markets, and the subsequent increase in demand for financial news from a widening audience. Hence, towards the end of the nineteenth century, in the UK, trust between financial journalism and its general readership began to break down. As financial journalism developed, so did its symbiotic relationship with its sources of information and company promoters at this early stage. Venal reporting practices were widespread and independence of journalists from their City sources was questionable (Porter 1998; Roberts 2014 forthcoming; Taylor 2012, 2014 forthcoming). There is evidence that these early financial journalists would often write biased stories, take bribes from company promoters, and write uncritically about their sources. Moreover, as financial booms and busts were becoming more frequent, the role journalists played in the stoking of the booms was becoming apparent. Nye (2014 forthcoming) provides the example of the relationship that existed between journalists in London and promoters of South African gold mining shares and West Australian gold shares; journalists were easily persuaded to spruik articles about these stocks, which contributed to several booms as early as the nineteenth century.

Conversely, as it was working out some of the main ethical dilemmas that it faced as a profession, it was also trying to work them out with new editorial standards and codes that were subsequently established. For instance, in response to the decline in trust between financial journalism and the public, in 1897, Charles Duguid, editor of the *Westminster Gazette* at the time, developed a gentlemanly ‘code of honour’ (Porter 1998, 53). The code included reporting with accuracy and independently of commercial interests. This reflects Duguid’s recognition of the importance of fostering trust between the financial press and its readers and the particular responsibility that was bestowed on reporters reporting for the general public about their (sometimes limited) financial matters. This concern was echoed by Henry Hess, owner-editor of the *African Critic*, in 1899, as he highlighted “they [the readers of
the financial press] were absolutely inexpert, and had to depend on the advice given” (ibid., 54).

Therefore, it can be argued that the mid-late-nineteenth and the early twentieth century showcased both the best and worst of the financial press in the UK. This was also the case in the US and Australia. In the years leading up to the Great Crash of 1929 publications in the US such as Poor’s Weekly Business and Investment Letter and the Commercial Financial Chronicle, took a sceptical stance towards the stock market boom, and were noted for their critical and impartial reporting. However, others demonstrated more venal journalism practices—exemplified by the financial editor of the New York Times who accepted money for hyping stocks in the run-up to the Great Crash (Parsons 1989, 49).

Conversely, at the same time, the so-called “muckraking” journalists were investigating the miscreants of business in the US (Roush 2006, 64). Roush argues that this is a focus that academia has “virtually ignored.” Enumerating several muckrakers and their accomplishments in exposing poor business practices, he cites Ida Tarbell’s reporting on the Standard Oil Co. in McClure’s Magazine in 1903. He also cites Upton Sinclair’s reporting on meat packing plants three years later that also prompted stricter regulation. The muckraking work of these journalists prompted the Roosevelt administration to impose more antitrust regulation and oversight of the food and meat packing industry. This style of reporting came from a desire to expose laminable business practices and educate the public on the role that big businesses now played in their everyday lives (ibid., 41). However, the movement lost momentum and Roush (ibid., 42-51) gives several reasons why: firstly, as in the UK,—it was tarnished by its link with socialist politics; secondly, business started to place too much pressure on the journalists—it was also the time that the public relations (PR) industry started to work with big businesses like General Motors; thirdly, libel lawsuits from big businesses were having a chilling effect on journalists.

In Australia, the late nineteenth and early twentieth centuries also produced some examples of muckraking journalism that held business to account. For instance, the newspaper Truth “fought for cleaner capitalism and in favour of greater protection for the weak and oppressed-slum dwellers, exploited workers, women and children
… it struck home to many thousands of lower-class readers…” (Cannon, cited in Schultz 1998, 39). In comparison, by the First World War and during the Great Depression, the reporting of business and economics was more subservient to the government and ‘economic orthodoxy’ and catered less for ordinary citizens. A Melbourne journalist explains how the human impact of the Depression of the 1930s was covered, but journalists did not “help the people understand why it was all happening to them or whether the government was wrong” (ibid., 40).

More recently, during the twentieth century in the US, the UK, and Australia, the press has tried to reclaim its authority as a Fourth Estate and in particular the watchdog role it should play for the public (Boyce 1978, 39). The renewed enthusiasm for Fourth Estate reporting principles and watchdog investigations that emerged from the mid-1900s grew out of a feeling, encapsulated in the Hutchins Commission’s recommendations of 1947, that the press might better serve the public if it took a less partisan approach to news reporting. According to the theory of social responsibility, for the press it was the duty of the media to critique the free-market and address its “failures to meet social needs and responsibilities” (Lacy and Fico 1991b, 364). According to Schultz (1998, 41), the social responsibility theory was “an essential precondition for the rise of watchdog journalism in late twentieth century.”

In the US, this was exemplified by the Hutchins Commission in the 1940s, the publication of the Pentagon Papers in the 1960s, and the Watergate scandal in the 1970s. In the UK, Harold Evans, at the time editor of the Sunday Times, wrote in 1974 “the cleverest secret agents of the police state are inferior to the plodding reporter of the democracy” (cited in ibid., 39). Boyce (ibid., 40) also touches on three Royal Commissions in the UK, from the Second World War to the 1970s, which had started to challenge the free-market system and promoted the ideal of the Fourth Estate as an independent press activity that should be encouraged by government.

Australia’s golden age of watchdog journalism arrived in the 1980s (Schultz 1998, 43), and is described by Schultz (ibid., 13) as “a transformative decade in Australian

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1 The Hutchins Commission on Freedom of the Press was launched in 1942 with the brief of inquiring into the role of the press in a democracy, as the New Deal reforms prompted by the Great Depression called for industry to be more accountable and socially responsible. Its final report, presented in 1947, established the parameters for what became known as the social responsibility model of journalism.
journalism.” During the 1980s, journalists produced investigative and watchdog journalism that “tested the Fourth Estate ideals” (ibid.). Through Schultz’ work, examining the attitudes of journalists in Australia during this period, she found strong commitment to watchdog journalism in the 1980s, as practitioners lobbied for greater autonomy and independence in their working practices.

In fact, it is possible to draw a line between financial journalism that existed before the 1980s and those that emerged after. Although it is a crude delineation, in many ways the 1980s could be described as a formative decade for financial journalism (and journalism more generally). This is mostly due to the number of changes to the financial and media industries that took place during this decade, and, more generally, the shift towards the ideology that soon became dominant and relevant for both the financial and media industries – neoliberalism.

Neoliberalism was arguably put in to motion and flourished during the 1980s, when declining economic conditions led to the widespread acceptance of Milton Friedman’s free-market theories in the US, the UK, and Australia. Free-market theory was espoused and championed notably by US President Ronald Reagan and UK Prime Minister Margaret Thatcher (Parsons 1989, 197). Thus, the process of financial deregulation began in the 1980s and created an environment in which entrepreneurs, multinational companies, and the financial markets thrived.

In the UK Peston describes the 1990s as the end of “financial paternalism” and something the financial media needs to respond to. The general public, he stresses, is now faced with a deregulated economy and a financial system that requires them to secure their own financial futures:

There was a time when jobs were for life and a decent income in retirement was guaranteed by a benign employer, with the welfare state rescuing the unlucky or feckless few. Those were the days. Whether its pensions, or buying a house or acquiring new skills so that we can remain in gainful employment, the onus has been put much more on individuals to make decisions that will determine whether they’ll be prosperous or paupers (Peston 2009, 18).
The main effects of neoliberalism for the public are also described well by Couldry (2010, 2) who calls neoliberalism a discourse which places the financial markets as a central concern for politics and, subsequently, cancels out the “voice” of the public (a theme which will be continued in the following Chapter):

[neoliberalism as a discourse] has come to dominate the contemporary world (formally, practically, culturally and imaginatively). That discourse operates with a view of economic life that does not value voice and imposes that view of economic life onto politics, via a reductive view of politics as the implementing of market functioning.

Moreover, free market theory, and neoliberal ideology generally, were adopted by the media in the US, UK, and Australia. Parsons (ibid., 172) argues that while the free-market position was espoused by institutions like the London School of Economics and London Business School, “the most vital territory occupied by the forces of economic liberalism was not academia but the financial press.” Friedman, Parsons argues, spoke to the masses through popular forms of communication. In Australia, the financial press also played an active role in the promotion of free-market economics. O’Ryan and Shoesmith say the following about the media in Australia during this period:

The media played a crucial role in legitimising the ascendency of free market forces over the regulatory mechanisms of the state, providing virtually unqualified support for entrepreneurial activity (cited in Kitchener 1999, 238).

Therefore, throughout the 1980s, the literature indicates a decisive shift in the nature of financial journalism and the economic and cultural values that it disseminated. With reference to the US and the UK, Parsons (1989, 209) observes not just a bias in favour of unbridled entrepreneurial activity, but also a growing influence of advertiser interests. Newspapers were consciously targeting high earners to attract advertising sponsorship. This also contributed to a change in news values in the US and the UK that favoured tips and investment advice over sober analysis. Kitchener (1999) argues that the same thing happened in Australia. News values generally were shifted to accommodate advertising interests, and this commercial pressure is particularly significant in financial journalism because “a lot of business stories are
about the very companies that provide the lion’s share of advertising revenue for the media” (ibid., 234). (The implications of neoliberalism on the quality and practice of financial journalism will be discussed further in the next Chapter.)

In addition to ideological pressures, other pressures and challenges to the practice of financial journalism have grown incrementally as the financial and media industries have had to transform since the 1980s. Henriques (2000b, 19)—a financial reporter at the New York Times—believes many publications in the 1980s and 1990s suffered from the proliferation of financial news and publications that were increasing their size, or what she describes as “the expansion-team syndrome”. She says the personal finance magazines and local newspapers were most affected, as most financial journalists learned their trade with them and then moved on. The audience being targeted was also changing from “readers” in the 1980s, to “consumers” in the 1990s, and “investors” by the year 2000 (ibid., 29). This is echoed by Solomon (2002, 3), who notes that even “the “general circulation” press had become transfixed by the investor.” In contrast to investors, the general audience and “their very human needs come across as clunky impediments to economic progress”.

In addition to the growth of news outlets and a shift to investors as an audience, newsgathering techniques were under pressure from technological advancement: where finding a story once meant searching archives and “fat envelopes of fragile clippings”, in the 1990s this newsgathering technique changed, as “everybody’s old stories are a click away” (Henriques 2000b, 19). Therefore, time pressures had become worse than ever, while—due to globalisation and technological advances—the stories were gaining complexity.

These increasing pressures on the practice of financial journalism, experienced by Henriques during the 1980s and 1990s, continued with some momentum throughout the 2000s. At the turn of the twenty first century the dot com boom and Enron exposed the dangers of a decline in the quality of financial news for the general reader. Doyle (2006) argued that the financial press did not equip the general public with the kind of knowledge their specialist counterparts at the FT did before Enron and the dot com boom story imploded. A similar view was expressed by economics editor Jeffrey Madrick (2002, 3), who argues financial reporters during the 1990s “reported well on neither the Enron story nor the economic stories impacting the
American people in the 1990s.” There was, he says, “little sense that they served a public watchdog during this time”.

More recently, research by Tambini (2008, 2010) has identified some of the key challenges for the practice and integrity of financial journalism in the modern era. His study was based on interviews with journalists and their lawyers in the UK and the US, and therefore the challenges are applicable to the US, the UK, and Australia (Tambini 2010, 165-168). They confirm some of the issues that were noted by Henriques some ten years earlier:

- New communications technology that has increased the need for speedier reporting;
- The increased complexity of stories based on complicated financial products;
- A lack of financial training to cope with time and complexity pressures;
- A growth in business and financial PR that skew stories, and prevent source access;
- A lack of resources in a competitive industry with dwindling profits; and
- A lack of support from defamation law.

Certainly, financial journalism has grown in size, and, with journalists under constant pressure to produce more, pressures on their reporting environments are worth further exploration. In addition to pressures on the practice, there is also significant concern about the public interest and quality standards being produced. Journalism standards have been increasingly under pressure since the 1980s, as the news industry has become increasingly commercialised under new technology-driven business models; and time pressures on journalists have increased with the advent of the 24/7 multi-platform news operations.

Moreover, increasing pressures on the practice of journalism and a decline in quality has arguably had a very real impact on the trust levels between the media industries and their audiences. For instance, despite strict editorial codes that aim for neutral and impartial reporting to ensure public trust, surveys have revealed that public trust in journalism is quite low and has been falling since the turn of the century (Mills 2005, 118; O’Leary and Tryhorn 2012). The 2011 *News of the World* phone hacking
scandal prompted the Leveson and Finkelstein\(^2\) inquiries into media regulation in the UK and Australia respectively, and their findings confirmed the public’s diminishing trust in journalism.

In the US a Pew Research Center (2011) study containing longitudinal data shows that trust in news organizations has been on the decline since the polls started in 1985. Between 2007 and 2011 the level of trust amongst the public dropped dramatically, revealing trust in news is at an all-time low: those that believe news is influenced by the powerful grew from 69% to 80%; of those who think news is biased and favours one side grew from 66% to 77% and those who think stories are inaccurate grew from 53% to 66%. In the UK a 2012 Gallup poll of 600 adults—aged 15 or older—from the UK shows British trust in the media has declined to an all-time low. Of those polled two thirds do not have confidence in the quality and integrity of their media. Gallup has tracked this measure of trust since 2005—asking the question do you believe in the quality and integrity of the media?—and it is the first time there has been such mistrust of the media (Morales 2012). (For a comprehensive overview of the decline in trust in the media in the UK, across Europe, and the US and a discussion of its relation to financial news, see Schifferes 2014 forthcoming.)

A recent *European Journal of Communication* issue responded to the crisis in trust in the media. The editors of the issue enumerate why trust has declined so rapidly in the UK (Golding, Sousa and Van Zoonen 2012, 2-5): Illegal phone-hacking at the *News of the World*; Andy Coulson appointed as head of communications in 2010 by new Prime Minister David Cameron—despite Coulson’s role as editor when the phone-hacking allegations began; The subsequent Leveson inquiry into media and police misconduct that began in 2011; The MPs’ expenses scandal that began in 2009; Recession and public expenditure cuts that had an impact on peoples’ living standards; At the same time directors of FTSE 100 companies saw their earnings rise from 55% in the year to June 2010 and another 49% in the following twelve months.

\(^2\) In 2011, it was revealed that journalists working at the UK-based and News Ltd.-owned *News of the World* were “hacking” into the private phone calls of victims of crimes and celebrities. It brought Rupert Murdoch’s media empire News International, and newspapers more generally, into disrepute. Moreover, it prompted the Leveson inquiry in the UK and the Finkelstein inquiry in Australia: both government inquiries involved extensive public consultation and both met with criticism from the media industry that feared increasing regulation (see Brook 2012; Potter 2013).
Finally, riots in the UK and the ‘Occupy’ movement that occurred in 1000 cities around the world in 2011 is evidence of “an unprecedented level of reduce trust in political and economic institutions as perceived and experienced by many” (ibid., 5).

In the same journal issue on media and trust Coleman (2012) argues that trust between the general public and the media is the bedrock of citizenship, which relies on a space of common knowledge and shared agreement. Therefore, if the news media cannot be trusted then the idea of a public—“a collective entity possessing shared concerns—starts to fall apart” (Coleman 2012, 36). This suggests that rebuilding trust in the media will be important, not just for the survival of the media industries, but for the continuation of a meeting place for well-informed citizens. The various media, political, and economic crises that have occurred recently suggest that some of the main principles that guide Fourth Estate style reporting might be difficult to (re)attain.

The Relevance of the Fourth Estate in the Twenty First Century

So, what could the financial media do to cultivate trust from the public in their reporting values and standards? It can be argued that a return to some traditional Fourth Estate ideals would be a step in the right direction and there is indication in the academic literature that this would be possible. For instance, there is a growing academic debate surrounding the normative values and journalistic paradigm that should instruct journalists in their everyday routines and an emerging consensus emerging about what constitutes quality news standards.

The debate and discussion on values and quality are arguably part of the same concern that the establishment of a set of global news ethics and values and quality standards are of the utmost importance as news consumers, outlets, and journalistic practices are brought closer together by globalization and technology. This idea of a set of global ethics, values, and standards, is only underscored by recent scandals like those at the News of the World and the global economic crisis. Therefore, there is plenty of evidence of the need for support of journalism that revises old Fourth Estate traditions and generates new ones that are ethically sound and sustainable for the long-term trust and respect of media industries.
There are a few clear ideas that have emerged which could instruct journalism on how to fit within normative democratic values. First, there is a compilation of a number of case studies that apply one version of news quality across various mediums and socio-cultural contexts which could be instructive. Anderson (2013, 29) provides the chapter that explains this version of quality and argues the importance of quality news for democracy. The main concern of the chapter—and indeed the book—is to assess the extent to which journalism works within an information provider role, to promote participatory democracy in a Fourth Estate capacity where possible:

Fundamental to the underlying rationale for the choice of this informational benchmark as the primary focus is the argument that the specific understandings of it set down within the chapter can be seen to be core requirements for the functioning of democracy to the fullest extent that it would appear is possible in a considerably less than perfect world (ibid., 9).

It argues for story boxes (he describes boxes as a better metaphor than frames) that encapsulate nuances and alternative versions of events in such a way that it is accessible to news consumers. Interestingly, it is argued that coverage of the Global Financial Crisis was simplified and did not offer different views to enhance democracies:

Coverage, for example, of the plight of the U.S. or UK economies that uses story boxes limited to a consideration of the issues within the Anglo-Saxon version of free market economies, that is, that which has limited the ability of the U.S. and British economies to reduce their exposure to the financial services sector via boosting domestically manufactured exports, runs up against a brick wall (ibid., 15).

The study also calls for the production of some basic standards— which are termed ‘the five C’s and one A’—they are: comprehensibility, context, causality, comparativeness, comprehensiveness and accuracy (21) to ensure quality prevails. It also calls for news producers who adapt to new technologies to reach audiences;
politicians need to raise credibility of themselves and institutions; educators need to engage young politically and economically illiterate people; and, last, the rate of technological development and the way it affects “news and means and levels of news and current affairs access” needs to be controlled (ibid., 29).

In addition to the establishment of a set of universal standards, another way to ensure quality would be to revise editorial codes and enshrine the values of accountability within them. Indeed, in 1998, Schultz argued that press accountability was the key to maintaining the Fourth Estate ideal and hence public trust. This, she says, could be achieved through editorial codes, ethical means of newsgathering, and the provision of more “diverse and challenging information” (Schultz 1998, 9). A similar call for greater accountability, ethical newsgathering, and revised editorial codes has been made more recently by the Carnegie UK Trust as a result of research carried out in response to the UK Leveson Inquiry (Jenkins 2012; O’Leary and Tryhorn 2012).

Hoping to address the issue of diminishing trust through revised journalistic standards and practices, the research (funded by the Trust and UK think-tank Demos) conducted a comprehensive survey of academics, journalists, and members of the public, one of relatively few studies to actually seek the public’s view on what they consider the “public interest” (O’Leary and Tryhorn 2012, 33).

It will also be important to identify and define what is and is not in the public interest. According to Carnegie report results, the public feel “public interest” itself needs to be defined. They want to know more about the main point—the ‘what’—of a story and its significance rather than who is involved in a story, which can lead to unethical news practices that encroach on peoples’ private lives. They also believe newspapers must be more accountable and transparent about how they have gathered a story and where it has come from. Finally, they believe the public must be involved in press regulation and the decision-making process in determining what is in the “public interest” (ibid.). The fact that public trust of the press is waning points to the urgent need for journalism to reassess its values in contemporary society.

Furthermore, it will be important to provide an inclusive version of journalism, which incorporates the “voice” of the public, to borrow the words used by Couldry (2010). This idea speaks to the social responsibility theory that emerged around the time of the Hutchins Commission in the 1940s; that journalistic fairness and balance
are at the heart of journalism’s goal to serve society. Fairness and balance are achieved by representing “all voices” in the public debate (Lacy and Fico 1991b, 364). Lacy and Fico (ibid.), citing an American Society of Newspapers Editors study from 1985, argue that fairness and balance are essential to journalistic credibility with the public. The focus on the wide spectrum of society also avoids the threat of capture of the media by political elites eager to exert their influence on governments and “institutions such as business” (Brown, Bybee, Wearden and Straughan 1987, 46). In their study of source diversity in the US mainstream press, Brown and others (ibid., 45) explain that source diversity, from a “classic democratic perspective” is important as it “implies representativeness.” To assess the diversity of sources used by newspapers in the US, they coded all sources cited by 856 front-page stories from local and national newspapers. Of the coded sources, 31 per cent are affiliated with the US government. Moreover, they discovered a dominance of “executive” sources (ibid., 49). Such dominance from official elite institutions might mean “the press is simply not doing its job of including and identifying a variety of sources and viewpoints” (ibid., 53).

This version of journalism is also espoused by Cushion (2012, 44), who argues for journalism that appeals to a large section of society because “if news only appeals to a select few, its democratic value is limited to an elite sphere as opposed to a far wider constituency of citizens.” According to Cushion, regardless of the nation, outlet, medium, or ethical codes that influence individual journalists and create news values, all media should be bound by the same democratic credo. Democratic news is defined as providing “information, analysis and context on issues that identify audiences as citizens rather than consumers” (ibid., 59). Also, journalistic treatment of the topics, with “balance, impartiality, objectivity and news diversity” is most likely to encourage “democratic intercourse” (ibid., 60). Therefore, democratic news values should transcend national borders and news mediums. Like Brown and others (1987), Cushion (2012, 44) also rejects the pluralist perspective that considers audience reach or numbers of news outlets as measures of quality, as this ignores the calibre of the content that is actually provided by the news outlet.

Moreover, journalism in a modern environment, which reaches and often combines several different cultural, political, and social contexts, may need to devise a paradigm that is flexible but draws from the normative values of the Fourth Estate
As Wright argues, it should be somewhere between Couldry’s (2012, 189) Aristotelian’ approach to the idea that practitioners should, as individuals, work towards the same goals and the prospect that “we can live well together”; and what Wright (2014) argues as being more utilitarian – a set of standards that can be agreed upon between transnational news organisations, which takes into consideration the everyday practices and routines that journalists work with.

The link between journalism and democracy was recently critiqued in a special issue of *Journalism*, where it was argued that journalism can in fact be ‘de-coupled’ from democracy (Josephi 2013). This is not to say that the authors of the various journal articles believe that democracy no longer needs journalism and vice versa, but they contend that journalism should be able to uphold the values that are necessary for democratic debate even if they operate outside a functioning democracy.

Josephi (2013) uses the Arabic news service Al Jazeera, based in the emirate of Qatar, as an example to illustrate how fair and balanced watchdog reporting can take place outside of a democratic political system. In the same issue, Nerone (2013, 456) notes that perhaps a new journalism paradigm is needed that addresses the requirements of new mediums and more demanding audiences. It must be a flexible journalism paradigm that works within Fourth Estate ideals, without assuming the “hegemonic western model” of journalism. Therefore, he cautions against throwing the baby out with the bathwater:

[…]. It remains to be seen what of this powerful [normative] tradition will be recuperated in the new news environment. Journalisms are never invented out of the whole cloth; they are always patchworks of older traditions. Much of the tradition of hegemonic journalism, including its professions of populism and its deference to the intelligence of the people, can be useful. It is hard to imagine a journalism of any value that does not include some version of these elements […] In systems in which journalists look for the ideological resources to support a vigorous critique of concentrations of power and abuses of authority, the norms of western journalism can be inspirational, but not if treated with too much reverence (Nerone 2013, 456).

Therefore, there is a large amount of contemporary debate and discussion surrounding the relationship between journalism and democracy, and the
applicability of a watchdog function of the media to a digitally connected world. There is growing consensus amongst academics and, arguably, amongst the public, that the media needs to reorientate itself within a more ethical and balanced version of itself with regards to quality and inclusiveness of voices and values. The extent to which financial journalism has deviated from some of these normative democratic values, and how it could realign itself with them, is the subject of the next Chapter.

Conclusion

This brief historical overview of the growth of financial media in the US, the UK, and Australia reveals the development of similar socio-cultural and media systems in all three countries. Financial reporting grew from its rather dull roots in sixteenth century Europe to extend its range and its audience reach by the mid-eighteenth century. The 1900s ushered in a brief period of socialist-style financial reporting that aimed to counter corporate malfeasance. It also expanded into different mediums and reflected the belief in a strong economy and financial markets in which each individual potentially had a personal stake.

This discussion also shows how the ideal of watchdog journalism, far from being stuffy and out of date, is still relevant, while needing reinvention in the modern age of global digitised media. This has been confirmed as recently as August 2013 in a poll by the Pew Research Center (2013), in the US, which found 68 per cent of the public believes in and supports the watchdog role that the press are playing for them, up 10 per cent from 2011. This shows the extent to which watchdog journalism embodies a vital and timeless news value, which journalists should uphold regardless of what company they work for, what medium they work in, or where they are located.

However, in all three countries by the 1980s commercial, advertising, and media industry-related pressures began to impact on independent reportage. These developments brought to the fore a plethora of ethical challenges and these will be considered in the next Chapter. We move on now to examine the main characteristics of watchdog journalism and its news values of public interest, fairness and balance,
appeal to the general public, and the diversity of sources in the context of financial journalism.
Chapter Three

Quality Criteria and Ethical Standards in Financial Journalism

Introduction

This Chapter will discuss the limits of the Fourth Estate ideals when applied to the mainstream financial press. It then discusses the ethical challenges and industry pressures that developed as financial journalism grew as a genre unto itself. In conclusion, a set of criteria defining quality financial journalism is listed.

What the General Public Want and Need from Financial Journalism

There is currently a strong demand for business and finance news. In 2013, Reuters Institute Digital surveyed 11,000 people across Europe, Japan and the US to understand news consumption in a modern environment (Newman and Levy 2013). It reveals between 36 and 46 per cent of those polled consume news on the economy, while between 15 and 27 per cent consume news on finance. It is also interesting to note that some of the highest demand for economics news comes from the UK and the US at 53 per cent and 52 per cent respectively. Furthermore, knowledge about finance and the economy is even more vital now that it is the driver of politics, rather than the other way around. Recent studies on public levels of knowledge about economic and finance information indicate a gap that the public themselves want to be filled.

However, recent studies have highlighted the public’s insufficient knowledge when reading topics on finance and the economy in the news. The Pew Research Center (2009) in the US reveals that the public had a low understanding of economic topics when trying to understand the GFC. Moreover, those with low incomes, those who are not employed, and those who are young, are less likely to know economic figures like unemployment or financial figures like the Dow Jones (ibid., 3). Of everyone surveyed, only one out of four respondents claim to understand economic policy well (ibid., 6).
A similar study, *The Financial Capability of the UK*, conducted by the Money Advice Service—an independent task force employed by the UK government—revealed that the majority of the public find it difficult to read bank balances. Of the 5,000 adults polled only 16 per cent could identify the balance on a bank statement (Money Advice Service 2013, 3). BBC financial journalist Robert Peston (2009), citing a BBC poll, also highlights some inadequacies in the public’s understanding of financial matters. Like the US survey, the poll reveals only one quarter of the public polled understood interest rates and inflation, and only 11 per cent understood the term Gross Domestic Product (GDP) (ibid., 18).

Parsons (1989, 217) points out the public needs to be informed and knowledgeable about political economy, while BBC economics editor Robert Peston (2009, 18) wonders if the public are knowledgeable enough to make “life-determining decisions” that relate to matters like housing and pensions. He says that in financial journalism “there is more-then-ever a requirement … to empower people to participate fully in democracy”. Doyle (2006, 434), writing about UK, highlights the importance of public understanding about the economy and business because it is central to an understanding of political debates. Therefore, like Peston, she also bestows on financial journalism an imperative to provide “sound public grasp” to ensure both “civic empowerment” and “democracy” (ibid., 435).

Doyle (ibid., 433) blames differences between specialist and mainstream publications—and specifically the “in-depth analysis” which is “confined to specialist media”—for the failure in “facilitating a sound public grasp over the significance of financial and economic news.” In other words, financial journalists in the mainstream media, like their specialist counterparts, need to provide more in-depth reports on financial issues for the general public in a way they can understand.

In Australia, the government started a taskforce in 2004, known as the Consumer and Financial Literacy Taskforce, which also recognised the importance of financial literacy for the general public:

As an indication of the importance of financial literacy to a person’s well-being, the Taskforce has modelled the effects of ‘bad’ decision making over the course of a person’s life and discovered that a person on
a salary of $36,000 per annum stands to lose $790,000 in lost wealth over the course of their life.\textsuperscript{3}

It made certain recommendations such as industry, government, and community collaborations, and education programs that would provide the public with the financial knowledge and training they need. The initiative continues to some degree and is now the responsibility of the Australian Securities and Investment Commission on its Money Smart website.\textsuperscript{4} The site offers consumer advice on investing and managing money. However, a 2011 survey of 3,502 Australians on Financial Literacy recently found that lower socio-economic groups, females, and youths are more likely to struggle with financial literacy. In contrast, males of over 45 years old and those with investments of over AUD $100,000, are less likely to struggle (ANZ 2011, 111).

Furthermore, the public themselves desire more information on topics that relate to them as non-shareholders. A poll of 2,000 people in London, commissioned by City University London, revealed they want more information on topics like personal finance, government spending, and jobs. Moreover, they would like them written in a way that addresses them as non-elite, non-shareholders with minimal jargon (Schifferes 2012).

Therefore, the literature indicates the high level of public interest in being informed about business and financial matters, the low levels of public knowledge, and the sort of reportage the public would like to fill this gap. The literature has already revealed a news industry that is plagued by trust issues in a post-Finkelstein and post-Leveson news environment. What challenges do finance journalists face in trying to meet this demand?

\textsuperscript{3} See: http://cfltaskforce.treasury.gov.au/content/home.asp
Impediments to the Watchdog Role of Financial Journalism

Political and Ideological Pressures

The development and success of capitalism relied, and still does to some extent, on the existence of “economic communications”: “The growth of economic communications was and is a precondition of capitalist development and the spread of capitalism as a concept or ideology” (Parsons 1989, 1). According to Parsons, this occurred from its birth in the sixteenth century to the publishing of the Financial Times out of China in 1987. Therefore, the concept of a financial press that supports and in effect cheers business and capitalism from the sidelines is not a new one. This is also argued by a coterie of academics, such as Tiffen (1989), Schultz and Matolcsy (1993), Craig (2001), Greenfield and Williams (2002), and Kitchener (2005, 44).

Thus, the development of the financial press and capitalism are seen as inextricably intertwined. It is for this reason that the pressures of capitalist ideology—and within it the closely aligned concepts of neo-liberalism, entrepreneurialism, a free-market, globalisation and deregulation, which all serve its cause—are seen to pose a serious ethical challenge to financial journalism. The main issue that arises is that the financial media are too embedded within the capitalist system to be able to think independently and critically about the values and practices that shape the business environment. As a result they become a constitutive part of the capitalist process rather than taking on a watchdog role with reporting that is fair and balanced, appropriately objective, and intent on representing reality to the public-at-large.

Financialisation and the Financial Media

The acceptance of a neo-liberal ideology that favours minimal government intervention in economic and financial affairs, and the overall acceptance of a free financial market, is also known as a process described as “financialisation.” It is defined by Pigeon (2011, 256), drawing on Boyer (2000), as a “situation where all the elements of final demand bear the consequences of the dominance of finance.”

The “financialisation” trend that supports neo-liberal policy gained momentum from the 1980s in the US, the UK, and Australia. As governments espoused neo-liberalism and economic liberalisation, the media was normalising the trend through supportive
coverage. Leading proponents of the neo-liberal attitude, such as Frederick Hayek, Milton Freedman, and Alan Greenspan, were publicised and legitimised by the media (Chakravarty and Schiller 2010a, 677).

According to Frank (2000), a consensus grew that accepted this process and journalists believed that instead of questioning market forces, they should stop criticising altogether. Frank (ibid., 313) notes that in the US the reportage around market forces, deregulation, and privatisation was steeped in “language of “inevitability.”” He says financial journalists have accepted business as king, and therefore business sources as the preferred voices representing the status quo. This has resulted in a certain elitist attitude within the media that tends to ignore alternative voices and favours expert opinion over the people. In addition, he sees this as part of a larger, more worrying trend, which is that journalists cannot address questions of institutional power (ibid., 315). This attitude has grown as a result of the monopolisation of the media by large corporate forces.

Davis (2011, 241) also argues that the mainstream financial press in the US and the UK is linked to the process of financialisation, as it has “supported a series of high-level policy and investment decisions that, over time, have aided the growth of financialisation and its dangerous creations” (he focuses mainly on the publications Financial Times, the Wall Street Journal, the International Herald Tribune, the Economist, Time, and Newsweek, and broadcast financial reporting from the BBC, and News Corp among others). The “dangerous creations” are those synthetic financial products like collateralised debt obligations (CDO), which packaged and disseminated the US subprime mortgages around the globe and contributed to the GFC. Furthermore, the process of financialisation has effectively “sucked the resources of States and ordinary individuals into financial markets” (ibid., 242). Consequently, financial institutions have become more powerful and pervasive in the public life.

Davis (ibid., 246) argues that mainstream media as well as “more exclusive forms of communication” have played a constitutive and supportive role in the process of financialisation. He lists four main discourses the financial press used to support financialisation:
• The idea that the finance centres in the City of London and Wall Street were engines of growth and huge success stories, encouraging a “sense of financial democracy” (ibid., 248);
• The Efficient Market Hypothesis (EMH) theory that supports the premise of free-market principles and minimal government regulation;
• Connected to the EMH theory, the idea that privatisation, deregulation and low taxes are “positive for markets” and in contrast state intervention in the form of public spending is not (ibid.); and
• The primacy of international investors and financial institutions over and above “governments and democratic processes” (ibid., 249).

In Australia, a similar process ensued, as financialisation dominated government policy and financial reporting. Bryan (2001) studied reportage from the Age and the Australian Financial Review during the Asian Financial Crisis in 1997. Australia was represented as protected because unlike Asia, “Australia, blessed with free market policies, was in the clear” (ibid., 20). Bryan (ibid., 14) argues that the reportage aimed to set Australia apart from Asia, presenting the latter as an outside threat “akin to invasion.”

Greenfield and Williams (2007) focus on broadcast material from Australia to examine how financialisation was reported in the 1980s and 1990s. In the 1980s, reportage was a mix of praise and criticism. Journalists, such as Robert Gottliebson, reported on the benefits of finance for the “ordinary person” while Max Walsh is a “voice of reason” as he praised elements of deregulation but called for “humane” and constrained limits (ibid., 421-422). By 1997, however, Charles Woolley, on the Channel 9 Sunday program, reporting on the 1997 Asian financial crisis, is concerned above all else with the extent and speed of the markets correction and the effects on interest rates, rather than ‘ordinary’ citizens (ibid., 423-424).

Supporting Greenfield and William’s 2007 study, Mickler (2012) demonstrates ongoing support for financialisation and free-market values in Australia. Focusing on the reporting of the GFC in Australia and Canada, he reveals a series of writings from conservative columnists and exponents of market deregulation that tried to
transfer blame from “finance and investment groups” to “liberal values” within the public, such as excessive borrowing (ibid., 5).

Organisational pressures reinforce these ideological pressures. Hamilton (2009) describes cultural biases within media institutions that encourage optimistic pro-business reportage and discourage speculation that something may be wrong with business or the economy. Likewise, Peter Wilby (2009), former editor of the New Statesman, argues that business and economics writers are more vulnerable than other journalists because neo-liberalism was the prevailing ideology favoured by commercially driven newspaper proprietors. He believes as a consequence that advice offered by a business journalist who makes a prediction about the economy or share prices should be taken with “the same cellars of salt as you would take the football writers’ predictions of who will win Saturday’s top-of-the-table match” (ibid., 86).

The role that the financial press played in the financialisation narrative and ultimately in the GFC is a topic taken up by media scholars who also consider the everyday realities of the practice of financial journalism. For instance, Chakravartty and Schiller (2010a, 677) argue that the ideology was normalised to such a degree that it became a language of its own, what they refer to as the business journalists’ “neoliberal newspeak.” In this way, the financial media were not only complicit in their espousal of the neoliberal attitude that allowed privatisation and financial markets to grow exponentially, but they also played an important role in the dissemination and acceptance of neo-liberal logic.

According to Preston and Silke (2012, 1), neo-liberalism is now an “assumption” and accepted as the norm within the media and within financial journalism, which is actively seeking to influence economics and finance based on neo-liberal principles. Preston and Silke (ibid.) share Chakravartty and Schiller’s (2010a) view that ideology is embedded in everyday routine journalistic practices, such as the favouring of certain narratives over others, and through the use of sources that are biased “in favour of officialdom or corporate business.” The authors support their position through a content analysis of the Irish Times three weeks before the 2007 general election. They found a predominant market-oriented frame; a bias in the use
of sources from banking, mortgage and real estate; and an uncritical approach to reporting (ibid., 12).

**Lack of Corporate Transparency**

The capacity to fulfil the ideal watchdog role in financial journalism is impeded by the limited company information accessible to financial journalists. Financial journalists often have to rely on the good grace of their sources, which might lead to a dangerous co-dependency. Tiffen (1989, 44) speaks of a sycophancy which can lead to “envy”: “It is a make-believe world, hob-nobbing with the rich as observers, which sometimes leads to envy, especially if you realise that (some are) not bright and you could do better.” Indeed, this is a challenge that financial journalism has faced for some time.

In the US, Welles (1973, 40-41) describes the “far more pervasive influence of business” that prevailed from the 1960s. He explains that access to increasing business power is difficult because it is “shrouded from view” (ibid., 41). Indeed, he goes so far as to compare business with the CIA in terms of levels of secrecy. This, he argues, is a worry for all of society, as “they determine to a substantial degree the entire economic structure of society, the quality of our environment, the values that guide our lives” (ibid.). This stymies investigations into business and, with the exception of the *New York Times*, he argues that the rest of financial news is a “bleak wasteland” (ibid.).

Tambini (2010), who interviewed practitioners in the UK, talks about the problems defamation law poses for financial journalists. Defamation laws and a lack of publicly available information augment the problems faced by financial journalists who are tasked with taking on big companies when media companies are struggling financially. The Freedom of Information (FOI) laws also are often less than helpful as while they have “had an impact on access to data held by public authorities”, financial journalists also need “access to that held by private bodies” (ibid., 170). In order to fulfil the watchdog role that Tambini considers crucial to keep big companies in check, he suggests that journalists might “respond by seeking regulatory support to enable them to fulfil their role, for example by reducing defamation risk” (ibid., 172).
In his comprehensive study of journalism in Australia, Tiffen (1989) describes financial journalism as a beat that is particularly dependent upon its sources both for access and for information. Access to business was particularly restricted until the 1970s when “there was little penetrating reporting of business or publicity about companies’ strategies and internal workings” (ibid., 41). Veteran Australian business journalist, Robert Gottliebsen, has described the hurdles he faced when reporting on one of Australia’s biggest resource companies, BHP: “I was the first journalist to interview Ian McLennan, chairman of BHP. There was enormous preparation. The editor checked the questions from Sydney … The first interview with BHP was like a summit. BHP was a shut shop” (cited in ibid., 41).

Kitchener (2005) supports Tiffen’s argument that financial journalists have difficulty accessing company information. However, her more recent interviews with journalists within Australia revealed that Internet searches have made it easier for financial journalists to access company information on the public record and thence facilitate their watchdog role: “Journalists can now also access more quickly and easily a range of other public documents particularly useful for business investigations, such as bankruptcy registers, property documents and legal documents” (ibid., 45). Conversely, like Tambini (2010) in the UK, she notes the increasing legal constraints placed upon access to business information by companies with big profits and therefore big legal teams. Indeed, the journalists she interviewed “claim that business journalists are particularly vulnerable to legal action because of the deep pockets of business” (ibid., 50). Subsequently, they have to work with lawyers to “find ways of getting the story told” (ibid., 51).

The literature shows how restricted access to company information impacts on the practice of financial journalism in the US, the UK, and Australia. Not only does this limit the range and scope of stories, and prevent watchdog-style investigations in the public interest, but it also creates tensions between journalists and the sources they depend on for information. Additionally, decreasing resources limit the type and amount of industry support that is available for financial journalists. Finally, government regulation is not always supportive of journalistic activities in the private corporate realm.
In summary, as a genre financial journalism has always been closely aligned with the development of capitalism. It has been infected by it as an ideology and its reporting standards have been defined by it. In particular, the literature points to its support of the narrative of financialisation, and of minimal government regulation to buoy financial markets. It also suggests that ultimately this sort of uncritical reporting serves no-one’s interest—neither those of the elite investors nor those of the general non-shareholding public. So how have these attitudes impacted on the practice of journalism in areas such as the selection of sources and voices, and the diversity of views?

**Sources and ‘Voices’ that Shape Financial News**

According to the social responsibility theory that was articulated by the Hutchins Commission in the US, in 1947, financial journalism would be fair and balanced by taking “all voices” into account, including those from inside and outside of the business world (Lacy and Fico 1991b). In doing so, it would fulfil its responsibility to society. In addition, the traditional Fourth Estate role also requires the representation of those who cannot represent themselves. Thus, by giving ‘voice’ to other points of view than those that are simply ‘conventional’ another, arguably truer, picture of events will emerge. In fact, this is a change that Carswell (1938a, 191) called for in 1938, as soon as he noticed that the financial press was catering to speculators, brokers, and bankers instead of aiming to reach “the majority.” Carswell (ibid.) also argues the following quite plainly and explicitly:

> Business affects everybody; everybody talks about it. It would be possible to present business news in such a manner that everybody would read it, understand it and enjoy it.

The Columbia Journalism School also supports the idea of financial journalism that is geared towards ‘ordinary’ people. They began an annual collection of ‘best business writing’ in 2012. Based on the principle of social responsibility, they argue that “The debate can’t be left to experts and cognoscenti (clearly) and must be opened to as wide a swath of society as possible, even people who don’t normally think of business news as their bag” (Starkman, Hamilton, Chittum and Salmon 2012, xiii). This, they say, is part of a continuing debate about business journalism and its intended audience.
Giles and Sussman (2011, 180), in their analysis of the GFC, offer the related argument that it is a “willingness” to talk to “experts with counterintuitive points of view” that will offer “cautionary perspectives.” Therefore, by looking outside a coterie of financial ‘voices’ to a wider spectrum of society the financial press will not only be fairer but it will also be fulfilling a watchdog role. Moreover, a focus on the same sources for information and a narrowing version of reality can actually be damaging for the economy and society, as past events such as the dot com boom have illustrated.

Giles and Sussman (ibid.) use the example of Bethany McLean’s reporting on Enron (in Fortune on March 2001) as an example of a journalist that seeks other ‘voices’ and challenges the status quo to produce a ground-breaking business story. According to the authors, the question she asked yielded no clear answers, as it was simply, “how exactly does Enron make its money?” (ibid., 179). Instead of listening to the questions Mclean posed, the financial press chose to ignore the issues she raised. It was not until Enron collapsed that the press looked retrospectively to where they went wrong. Therefore, in addition to giving voice to “cautionary perspectives”, Giles and Sussman (ibid.) recommend “a skeptical frame of mind, rigorous questioning of what the analysts are saying, and the recognition that critical information is hard to get.”

The dot com boom is an excellent example of a period when finance journalists, consulting a narrow range of sources, presented a narrow version of reality to the public. For instance, it is a time that Richard Lambert, editor at the Financial Times, recalls when “journalists often came close to taking dictation from analysts” (Page 2002, 54). Shefrin (2002, xvii) also notes that whilst analysts were issuing buy recommendations for technology shares during the dot com boom, “within their firm they were describing these same stocks as “crap” in email messages.” Additionally, corporate executives are involved, as they play “an earnings game and a recommendation game” with analysts (ibid., 269). So the sources financial journalists seek and rely on to support the status quo and provide much needed information are often tightly aligned with the values and motivations of the institutions that they represent. Therefore, commitment to business sources, as well as analysts and investors, does not only present a distorted representation of reality,
but it also means that financial journalists risk bias and capture by their sources and their points of view.

Lewis (2010, 162) argues that the GFC provided the UK press with an opportune moment to question the status quo, which he calls “the neoliberal orthodoxy”: “We had the conditions in place for a radical, popular challenge, not just to the neoliberal orthodoxy but also to consumer capitalism as a model for human progress.” Neoliberalism was criticised after the GFC, but only for short time; the status quo remained largely unchallenged along with the sources used to explain the events (ibid., 163). He says it results in a “narrow worldview, what is good for business (or, more specifically, the people who run businesses) is good for everyone” (ibid., 164).

**Reporting for the Ordinary Public**

By covering the world of business from the perspective of elites and in the context of the free-market status quo the financial press have arguably missed out the views of what Schiffrin and Fagan (2013, 152) call the “common man.” Everyday practices that exclude the ‘voices’ of everyday citizens misrepresent society and do not provide the public with a forum for democratic debate. This is one of the key characteristics of watchdog journalism that ultimately serves the public, as described in Chapter Three.

Academics and practitioners have pointed to a preoccupation with business sources above the more “ordinary voices” for decades (Bull 1998; Goodman 2011; Kitchener 1999; Kollmeyer 2004; Loeb 1966; Overholser 2001; Parsons 1989; Putnis 1997; Quirt 1993; Roush 2006; Schiffrin and Fagan 2013; Starkman et al. 2012; Welles 1973). Indeed, calls for financial journalism in newspapers to direct their coverage to average readers came as early as 1938, when Carswell (1938a, 191) called for the presentation of “business news in such a manner that everybody would read it calling for reporting and language that would appeal to a wider audience.” Furthermore, he argued there was a market for it:

> The fact is that business news could possess the most general human interest of any presented to men readers. Business affects everybody; everybody talks about it. It would be possible to present business news in such a manner that everybody would read it (ibid.).
Three decades later in 1966 Gerald Loeb (1966, 38), now a renowned financier, was complaining that “Nothing means anything in financial news unless the average reader of the newspaper understands it.”

In the US, Kollmeyer (2004, 432) identifies an extreme bias in favour of business sources over the more general public, which limits discussion on the interests of ordinary workers. Through a content analysis of 201 articles from the *Los Angeles Times*, he demonstrates that reports on the economy “privilege the interests of corporations and investors over the interests of the general workforce” (ibid.). It is argued that between 1997 and 1998, corporations and investors were enjoying robust profits but workers were suffering from stagnant wages and reduced full-time employment opportunities. However, less than eight per cent of the articles in his dataset used union leaders or workers as sources.

Therefore, because of the sources that were consulted for information and quotes, the problems affecting workers were not included in the frame of reporting. Also, when the articles discussed the general workforce, they “were relatively short … and rarely discussed policy alternatives to the status quo” (ibid.). Unfortunately, the study was limited to articles appearing outside of the business section in order to harness those stories that had “the greatest chance of affecting public opinion” (ibid., 439). However, his results are pertinent, as they suggest that the general beats in newspaper coverage are also skewed towards the corporate interests.

A similar picture is painted by Schiffrin and Fagan (2013) who analyse reportage of the 2009 US economic stimulus package. They included 718 articles from 16 specialist and non-specialist publications. They conclude with the following:

US press coverage of the stimulus, by and large, confirms the existing critiques of business journalism. It mostly focused on day-by-day news events and the details of the proposed package, relied largely on mainstream sources and in many cases reflected a pro-business mindset (ibid., 166).

The pro-business mind-set includes mainly government and business sources that showed signs of bias. As a consequence, contrary to the argument that the media plays a role in “civil engagement on economic policy” and “promoting corporate governance” (ibid., 151), the financial press does not play a decisive role in shaping
economic policy or agenda-setting. The authors recommend more scepticism about the sources’ biased forecasts, more consultation with economists as sources of information, and more agenda setting that discusses the long-term implications of economic restructuring (ibid., 168).

Doyle (2006), in the UK, also argues that the mainstream financial press needs to communicate with the public through sources that they will understand and learn from. She separates the news audience of elite publications, such as the Financial Times, from the more mainstream press, which she argues, “are usually intended to be accessible and appealing for non-specialist audiences- stories are expected to capture and sustain the attention of a broad, lay readership” (ibid., 436). Therefore, one would expect that the kinds of sources used in the business sections of the mainstream financial press would be different from those used by the elite publications that cater to a highly specific investment community.

However, practitioners have attested to the fact that they tend to favour business sources above the ordinary public. Business journalist Jane Quinn (1998, 48), writing during the period of the dot com boom, argues that business journalists “tend to dine with the predators, innocently, without even thinking about it. They’re the forcefield. They’re the story, not average folk.” Quinn (ibid.) even suggests that when business journalists start to embrace the predator’s point of view the kind of reporting that eventuates—such as the top ten mutual funds to buy and “stock-touting pieces”—is “investment pornography- soft core, not hard core, but pornography all the same.” More specifically, she points to the fact that business journalists choose to join in rather than simply observing, and choose to worship business sources as secular gods. By covering events through the prism of business and investment Quinn (ibid., 49) also underlines what the business press ignores—the people who need them: “Reporters are supposed to be tribunes of the people—not the rich people, who don’t need tribunes.”

The importance of covering news from the perspectives of ordinary people is something former New York Times journalist Peter Goodman (2011) also addresses in his assessment of coverage from the financial press. He argues that the press must not forget that “wages and incomes for working people are the crucial indicators of economic health” when a new investment fad occurs (ibid., 121). He argues that a
“quiet crisis” has been playing out in the US for two decades and has affected “millions of ordinary Americans” (ibid., 94). He describes ordinary people suffering from diminishing job opportunities, declining wages, with higher housing, healthcare, and education payments. It is a section of society, he says, that has been neglected, and one that he wanted to focus on in his reportage for the New York Times as the 2008 financial crisis played out, to make sure he did not miss a “major component of the story” (ibid., 95). To achieve a frame of reality he argues for the avoidance of partisan views and avoidance of focus on regular sources to the detriment of other points of views.

In summary, although financial journalism should ideally play a watchdog role for the public and include all members of society in the debate, the literature suggests that the opposite is the case. These criticisms were placed under the spotlight after the GFC in 2008, but academics like Carswell (1938a) in the 1930s and cases like the dot com boom prove this has been the case for some time.

The Power of Public Relations

In addition to its development within certain institutional and ideological constraints, financial journalism has also developed alongside a PR industry with the principle aim of protecting the image of their business clients. As Roush (2006) notes, the power of the PR machine has been growing, since the late 19th century, in tandem with big business. This growth has accelerated during the past few decades, and it is now the source for a lot of media content. Since the 2000s, PR has played a major role in producing financial news, as Davis (2000b, 2006), Grunberg and Pallas (2013), and Lewis and others (2008) have demonstrated. Therefore, PR not only challenges the watchdog nature of financial journalism, but it also mediates and influences the nature of the reportage.

The development of the PR industry has followed a similar trajectory in the US, the UK, and Australia. As early as 1963, Bart (1963, 32) describes the situation in the US where “A close-knit camaraderie has developed between the financial press and financial public-relations men—a camaraderie that works to the disadvantage of the ordinary newspaper reader.” He describes a situation where financial journalists and PR practitioners who work side-by-side do so to the detriment of the general public.
and “cheat the proverbial widows and orphans out of their savings” (ibid.). Similarly, Loeb (1966) describes a reliance on PR because of time restrictions. He also argues that “the press release tends to put the most optimistic slant on a situation” (ibid., 37).

In the UK, PR is overtaking financial journalism in terms of resources and personnel (Evans 2010, 31). According to John Mair (2009b, 57), PR companies grew alongside the financial products that culminated in the GFC: “Alongside the massive expansion in easy mortgages, credit derivatives, credit swaps, private equity companies in the big and seemingly endless boom before the crash, one industry benefited more than most: financial public relations.” This occurred between the years 1987 and 2007—the “golden years” (ibid., 58).

The growth of the industry has been matched by the expansion of its influence on financial journalists to report in favour of public relation companies’ or their clients’ interests. According to Tambini (2010, 167), British companies spent GBP £37 million on financial PR in 1986, rising to GBP £250 million only a decade later. The profits gained from PR are being invested in the shaping financial coverage (ibid.).

Furthermore, Davis (2000b, 39) argues that the influence of PR within financial reportage is gaining traction because of a “rapid decline in editorial resources and a growing media dependency on sources.” Davis (2000a, 282) notes elsewhere that corporate PR target elite audiences, which inevitably leads to the exclusion of “non-elites.” Davis (ibid., 283) argues that this process of corporate framing by PR companies has coincided with a “strong political shift towards free-market policy-making which clearly benefited the cause of corporate capital over labour” (see also, Miller and Mooney 2010).

Lewis and others (2008, 2) looked at the extent to which PR has infiltrated the day-to-day news practices and quality of reportage within quality mainstream newspapers and broadcast news in the UK. They argue that PR, in the new media environment, has the capacity to infiltrate the day-to-day practice of journalism since journalists are experiencing increasing pressures to produce more with less time. Independence is at the heart of journalistic autonomy and quality reporting, but the study finds that news content from quality broadsheet newspapers like the Guardian and the Times, and broadcast news from stations such as ITV and BBC is, more often than not,
taken straight from PR. They included signs of content produced by news agencies into their study and found that if PR and news agencies are combined, then “60 per cent of press stories rely wholly or mainly on pre-packaged information” (ibid., 14).

In Australia, PR is also becoming an influential industry, controlling access to sources with journalists constantly hitting the brick walls of PR companies protecting their clients’ images. In 1994, Zawawi (1994) analysed several broadsheets in Australia and found that over half of the news comes directly from PR, while in finance reporting the result is higher, with around 90 per cent coming from PR. Her results confirm both Schultz’s (1990) note that PR practitioners in Sydney “brag” about originating 50 per cent of news coverage and Tiffen’s (1989) estimates that 90 per cent of the business press’ content comes from PR (cited in Zawawi 1994, 67). A later study by Kitchener (2005, 52), involving interviews with practitioners in Australia, revealed that PR is more of an impediment to their reportage than legal constraints.

Therefore, the PR industry has developed alongside financial journalism, but has arguably surpassed it in resources. Consequently, it has the power to shape and dictate a lot of financial reportage, a trend that several studies have now proved empirically. This means that it has become a silent partner in financial journalism, thereby threatening some of the core ideals of the Fourth Estate to produce independent reportage for all of society that holds power to account.

**Groupthink and the Financial Markets**

The mounting commercial and time pressures that have limited the opportunity for independent investigation and analysis, affected the quality of financial reportage, and impacted the extent to which financial journalists can access and challenge the financial world, have also exacerbated the tendency for financial journalists to hunt in packs, to emulate one another in attempting to stay in the game, and to avoid straying from the established orthodoxy. Furthermore, groupthink is exaggerated when an economic bubble is present, as the human psyche tends to get swept up in the general excitement and euphoria (Akerlof and Shiller 2009; Davis 2006; Kindleberger 2011; Schuster 2006; Shiller 2005; Wilby 2009). In this environment, the financial press are far likelier to accept than to question.
The kind of reportage that is infected by groupthink is neither appropriately informative nor enlightening, nor fair and balanced. Furthermore, there is evidence that financial reportage affects price movements in the financial markets, creating distortions that can impact on the real economy and therefore society-at-large (Akerlof and Shiller 2009; Davis 2006; Kleinnijenhuis, Schultz, Oegema and van Atteveldt 2013; Schuster 2006).

The risks of standing out as an outlier are illustrated by the case of Gillian Tett, assistant editor of the Financial Times. She was one of the few to question the realities of the credit and derivatives markets that prompted the GFC, but was heavily scrutinised at the World Economic Forum at Davos, in 2008 (Barton 2008). Tett had begun looking at credit and derivatives five years before the recession hit in 2008, while everyone in the City was focusing on equities, and mergers and acquisitions. When Tett began to talk about what she called, “a revolution happening”, and predicted the problems at the Northern Rock bank, her article was waved around on a podium at the Davos economic forum as an example of scaremongering. Tett paid attention to areas of finance that business journalists at the Financial Times ignored, such as credit derivatives (ibid.).

Wilby (2009) notes that any journalist that questioned any of the money making activity before the 2008 recession was treated with the same disdain as a journalist that questioned the fact that Saddam Hussein had weapons of mass destruction. In addition to Tett, Wilby mentions Patrick Hosking at the Times as another journalist that predicted problems ahead. However, both Hosking and Tett were treated like “agents of leftist conspirators, intent on undermining capitalism” (ibid., 83). He argues that the GFC affected “people’s livelihoods, homes, pensions and lifetime savings”; therefore, “if ever there was a case for journalistic whistleblowing, this was it” (ibid.).

On the contrary, financial journalists were talking up the stock market well into 2008:

Even as the FTSE dipped below 6,000 – it would end the year at 4,343 – The Times’ personal finance editor wrote that “few serious economists are predicting a UK or worldwide recession (Wilby 2009, 83).
Such optimistic overtones in reporting on a mass scale leads Wilby (ibid.) to argue that “They (journalists) may have deepened the crisis somewhat but, to a far greater extent, they helped to inflate the boom by encouraging readers to pile into what looked like an ever-rising stock market.” Therefore, financial journalists are more likely to report in packs than they are to report independently and along different lines. Thus, if the stock market is booming and the economy is growing then there is also likely to be a bias towards optimistic reportage.

Schechter (2009, 19) maintains that “cautious optimism” was the only type of criticism considered acceptable during the dot com boom. He recalls his own business reporter experience witnessing the seductive display of wealth at the 2000 annual World Economic Forum in the “snowy peaks in Davos, Switzerland” (ibid., 19). He explains that the hype of that year was “about the promise of globalisation, and a capitalist system that could do no wrong” (ibid.). Furthermore, “many media outlets lacked the independence and critical judgment needed to investigate the financialisation of the economic system and warn of serious excesses and, sometimes, criminal conduct” (ibid., 20). Schechter (ibid.) says that his own warnings about debt and credit problems in a film entitled, In Debt We Trust: America before the Bubble Bursts (2007), provided him with the labels of “doom and gloomer” and an “alarmist.”

In addition to the criticism they might attract for challenging orthodoxy, the journalists also could find themselves chastised for potentially impacting on the finance markets. Schuster (2006) argues that the impact of the media on stock prices is minimal until the media begins to report in packs. He argues that the media can inflate prices “but that naïve investors are usually the ones that buy them (ibid., 51-52). However, media does not have information that is not already reflected in the stock price and so the price soon reverses. Schuster (ibid., 52) cites the 1987 stock market crash and the “New Economy” dot com bubble as examples of “collective panic or euphoria.” Also, the media selects information that it decides to focus on, which increases attention on the event and then legitimises it in the public sphere: he calls this process a “feedback loop” (ibid., 69).

In 2007, the BBC’s Robert Peston found himself at the centre of a controversy when he was accused of causing the run on the Northern Rock bank (UK Treasury Select
Committee 2009). The run began after Peston broke the news that Northern Rock was seeking emergency financial aid from the Bank of England. A conference was soon called with eminent business journalists and the UK Treasury Select Committee who wanted to see whether there should be restrictions on reporting in a downturn. *Financial Times* editor, Lionel Barber, also present at the Committee meeting, congratulated Peston on his Northern Rock scoop. He said there had been rumours for months about problems at the bank but his newspaper did not report them because it was “not in the business of trying to drive Northern Rock out of business” (ibid.).

To establish the extent to which Robert Peston could have triggered a financial panic, Kleinnijenhuis and others (2013) recently conducted a study that revealed the long-term impact of financial news on the financial market. They were sceptical that individual journalists, such as Peston, “who lack financial expertise compared to their news sources”, working with the “tardy BCC” against new automated High Frequency Trading Algorithms, could cause such a panic, arguing that this was contrary to the EMH (ibid., 272). The study tracked, from 2007-2009, the mention of three Dutch banks, ING, AEGON, and Fortis, in the *New York Times*, the *Financial Times*, and The *International Herald* alongside the words ‘credit crisis’, ‘financial crisis’ and ‘credit crunch’. It also tracks the values of the three banks on the Amsterdam Exchange Market (AEX) and the Dow Jones Industrial Index, as well as levels of consumer confidence. They reveal that reports were “fear oriented” as early as July 2007 and news was soon framed in terms of a “crisis” (ibid., 285). They find a correlation between increased negative articles that frame financial events in terms of a “crisis” and drops in stock market values of the banks AEGON and Fortis. The authors recommend greater transparency with regard to the interdependent relationships behind the market veil and the introduction of new policies on market regulation to support this.

The literature, therefore, suggests that there are limits on the extent to which financial journalists can question the status quo. Pressure comes from both inside and outside the financial news industry. There is institutional pressure to self-censor

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5 Kleinnijenhuis and others (2013, 272) explain that High Frequency Trading algorithms “had in 2007 replaced more than half of human equity trading.” The EMH is defined as “new information” that “gives immediately rise to a new equilibrium” (ibid., 271).
material and industry pressure to avoid upsetting the status quo. This, as the GFC illustrates, is not beneficial and can actually add to distortions in the market. Moreover, empirical studies have shown that financial reportage can influence the markets, in both positive and negative directions. This would underscore the need for neutral, fair, and balanced reportage that is in the interests of everyone involved—not just investors in the markets, but the economy and the public at large.

**Criteria to Establish ‘Quality’ Financial Journalism**

According to the literature reviewed in this Chapter, the public is served best by financial journalism that serves a broad readership, not just business and investors’ interests. Importantly, it should fulfil a watchdog role to ensure the citizenry are appropriately informed in accordance with the democratic values of society. These values should be maintained by any media establishment reporting on business, economics, and finance, be they specialist or mainstream. On the basis of this review, it has been possible to distil a set of criteria against which standards of financial reportage will be assessed in the content analysis over the past three decades. Based on the core values of objectivity, fairness, and impartiality, they are as follows:

- A variety of interpretations on an issue to promote discussion of alternative views;
- A variety of ‘voices’ quoted directly to represent all sections of society;
- Everyday advice relating to finance and government spending for all sections of society, not just investors;
- Explanations that are unpacked with minimal jargon; and
- Sufficient scepticism and warnings that serve to signal impending or potential crisis in the financial or economic systems.

In the next section we move on to an examination of financial journalism from the perspective of the practitioners.
Journalistic Challenges in the Practice of Quality Financial Journalism

All this would be of no more than academic interest were it not for the fact that the media is the single most powerful influence in democratic society. No other institution, including government or the judiciary, carries the same power to shape lives and thought (Beecher 2005, 68).

This study comprises two parts: first, a content analysis of what is reported, and second, a qualitative survey of journalists focusing on the professional and ethical challenges they face in their practice. Therefore, it is important to consider how the journalists view the environment in which they now have to operate.

The Modern Media Environment

Evidence from financial journalists in the literature indicates the increasing challenges they confront to produce quality financial journalism. The pressures they face also make it difficult for them to adhere to the ideals that were articulated in the previous Chapter. The rise of specialist publications, the Internet and social media, and the globalised media environment have put the mainstream financial media under increasing strain, presenting them with new competition, and challenging their traditional business model. Readers have deserted the traditional news media in favour of Internet news sites and the blogosphere, leading to a leaching away of advertisers from newspapers (Chakravarty and Schiller 2010a). Quality has been the biggest casualty, and now financial reporting, like reporting generally, increasingly resorts to entertainment and sensationalism to maintain commercial competitiveness.

As a result, Clark, Thrift and Tickell (2004, 304) note the following:

Over the last two decades of the twentieth century, the reporting of finance underwent a revolution. Moving from sober reporting to daily entertainment meant moving into a world dominated by video clips, the rush and clash of symbols, and the need to entertain minute after minute, day after day.

A recent Australian study found an “increase in crime investigations, the absence of corporate investigations (which can put advertisers offside), and increasing tabloidization of broadsheets” (Carson 2013, 297).
Commercial pressures have also impacted on the amount of watchdog-type investigations undertaken by a financial press that can no longer afford either the time or resources. Starkman (2009b) describes the hapless newspaper scene in the US when he left the *Wall Street Journal* in 2004:

> The newsroom had gone through at least three rounds of layoffs, all white-knuckle, morale-crushing affairs. Benefits were cut to the point that the once-gung-ho staff took to picketing around a giant inflatable rat.

These changes placed more pressures on journalists to increase their productivity and any investigations were “undertaken at the reporter's own risk: If a lead didn't pan out—no matter why—it hit your productivity numbers, putting your career in peril” (ibid.). He underlines the main result, which is the diminished “appetite for confrontation and muckraking” (ibid.).

Tambini’s (2010, 169) interviews with practitioners in the UK reveal decreasing resources and consequent time constraints that affect the quality of financial journalism. He also found that investigative stories were increasingly difficult to fund. In particular, Tambini (ibid.) highlights “accuracy” and “standards of verification and sourcing”, and argues that “very few outlets” are willing to commit to “two named sources for each story.” On the other hand, some of the journalists maintained that they would engage in “higher verification standards if the story was likely to have an immediate market impact” (ibid., 170).

Similarly, interviews with investigative journalists in Australia revealed that commercial pressures hinder their efforts to “undertake serious business investigations” (Kitchener 2005, 41). Kitchener interviewed journalists who conduct investigations most closely aligned with the concept of watchdog journalism. Therefore, they would be more likely to hold power to account and provide warnings of impending “market failure” or “corporate collapses” (ibid., 43). Yet, Kitchener (ibid., 46) describes a situation where “deskbound” journalists are coping with “stretched” resources “juggling daily news environments in addition to investigative work.” The Internet, in this case, is actually seen as offering them a much-needed portal to the world outside the newsroom.

A more recent comprehensive Australian study shows that investigations in the public interest in Australian broadsheets have increased (quantitatively) decade-by-
decade since the 1950s (Carson 2013). Carson’s interviews with practitioners reveal that news investigations still need the financial resources, credibility, and clout that traditional newspapers provide, underscoring the continued importance of established mainstream publications and the continuing value of investigative stories in the public interest.

However, her results also indicate that investigative journalism, particularly targeting the corporate sector, started to decline in the 1980s at the same time as newspaper revenues began to fall. Also, since the 1980s, there has been a decline in reporting that places ordinary Australian citizens at the centre of the news agenda. Her interviews with practitioners in Australia also reveal that, owing to limited time and commercial pressures, follow-ups on investigative stories do not occur unless the story can be completed within a definite time period.

So while the UK, the US, and Australia may have seen a revival of watchdog journalism in the 1960s, 1970s, and 1980s, and although numbers of investigations in broadsheets may have, in quantitative terms, been on the increase since the 1950s, the increasingly commercial nature of news has impacted on the practice of financial journalism and affected news quality. Overall, it has reduced the impact of stories in a fragmented media market, limited opportunity for investigation into abuses of power aimed at the ordinary citizen, and required journalists to pander to the corporate sector, which provides an important source of income.

**How the Financial Journalists see their Role**

If financial journalists were to conform to the traditional Fourth Estate ideal, they would report independently, hold business and government to account, and report to the benefit of all of society. Chapter Two provided some examples of early financial journalism that did indeed provide independent reportage that held business to account, showing that there is a legacy of Fourth Estate journalism in the genre. However, one of the principal criticisms levelled at financial journalists after the GFC was that they lacked foresight and scepticism in the years before August 2007, failing to fulfil a watchdog role that might have ensured the public was appropriately forewarned of the troubles ahead (Caplen 2009; Hamilton 2009; Starkman 2009a; Usher 2013). Academics and practitioners had been calling for a financial press to
fulfil this role for decades (Carswell 1938a; Griggs 1963; Henriques 2000b; Lewin 2002).

In fact, the evidence shows that the views of practitioners have changed over the past three decades. Far from viewing their role as watchdogs they have seen themselves as aligned less with the general public and more with the interests of the financial markets themselves. This is well documented by Kitchener (2005), Doyle (2006), Tambini (2010), and Usher (2013) who identify a shift in perception of roles through interviews with practitioners in the US, the UK, and Australia.

Usher (2013) recently interviewed practitioners in the US about their role in the GFC. Speaking to journalists from the New York Times, TheStreet (an online site for investors) and Marketplace (a public radio station), she discovered minimal media accountability and a noncommittal attitude to watchdog journalism. Usher identifies four types of watchdog journalism:

- A transmission view, where journalists “are charged solely with serving as information providers” (ibid., 193);
- A guide for moral discussion, whereby journalists offer their viewpoints and make judgments, but they are in keeping with the cultural norms and therefore the publics’ established views (Ettema and Glasser, cited in ibid., 194);
- Watchdog journalism as a method that is embedded in everyday practices, in the way sources are questioned and the way news values are chosen; and
- Results-based watchdog journalism, which “prompts decision-makers or the public to change course” (ibid.).

Usher (ibid., 196) reveals that New York Times journalists adhere to the transmission role and reject the results-based approach. In contrast, the Marketplace and TheStreet serve different audiences to the New York Times and elicit different responses to watchdog journalism. The public radio station Marketplace does not consider a watchdog role as important, as its coverage is light-hearted and aimed at an audience uninterested in finance. Journalists at TheStreet, which reports directly to and for investors, were “uninterested in serving as watchdogs for their readers” (ibid., 202).
The *New York Times* journalists noted that the warnings they provided about the subprime housing bubble that preceded the GFC went unheeded by the public. Usher (ibid., 197), therefore, asks whether it is enough just to warn, and whether during times of crisis journalists should adopt a more active voice “to prompt people to take action”, which goes beyond offering information to offering guidance. Furthermore, Usher (ibid., 203) argues for an elaboration of this results-based approach, to include an embedded approach that encompasses the practice itself, whereby journalists reflect on their roles while they are practising.

Doyle (2006) draws similar conclusions in her study of financial journalism practice in the UK, in the wake of the Enron collapse in 2001. Her comment that the Enron collapse “came as a surprise to financial journalists and the world at large” applies just as well to the situation that the public found itself in when the GFC erupted in 2007-2008 (ibid., 433). She says this and similar corporate scandals have led people to reconsider the watchdog role of financial journalists. Doyle (ibid., 434) notes the importance of public understanding of the economy and business because they are so much a part of modern political debate. While specialist publications may have offered in-depth analysis, she blames mainstream media for failing to “facilitate a sound public grasp over the significance of financial and economic news” (ibid., 433). In other words, mainstream financial journalists, no less than their specialist counterparts, need to provide more in-depth reporting on financial issues for the general public to understand.

In a later UK study, Tambini (2010, 159) finds in his interviews with practitioners that there is no consensus among financial and business journalists about their “watchdog” role in relation to corporate behaviour. Instead, they see their role as “supplying investors with market relevant information” (ibid., 160). He argues that, on the contrary, financial journalists are naturally endowed with a watchdog role based on the fact that they are privileged with the kinds of special rights and allowances (such as special protection where sources are concerned) that place them in a position to perform a social role on the publics’ behalf. Furthermore, it is not just the public but also the regulators themselves, often under-funded and under-resourced, which “recognised the public interest functions that journalists can play” (ibid.). However, several of the journalists interviewed by Tambini, whom he refers
to as “ethical minimalists”, rejected the notion that they had such “ethical” or “social” responsibilities (ibid.).

Kitchener’s (2005) study in Australia revealed similar “ethical minimalist” attitudes. She interviewed ten journalists who covered business, although not always as a specialist beat but as part of their general news reporting. Therefore, her results may not apply to specialist financial journalists. She discovered that the interviewees were not “anti-business”: “Rather, they see themselves as playing a role in ensuring Australia’s free market economy works more efficiently and transparently and exposing instances of market failure” (ibid., 44). Therefore, like Tambini’s UK sample, the role they see themselves fulfilling is simply that of reporting on the free financial markets.

**The Issue of Training**

Both academics and practising journalists agree that commercial, ideological, and institutional pressures compromise the practice of financial journalism. This is leading to reportage that is often narrowly based, uncritical, and pro-business. The impact of decreasing resources, the influence of PR, and a natural human tendency towards groupthink are all exacerbating this trend. In short, the literature provides compelling evidence that quality news standards are falling and so are the reporting values that are essential to an informed democracy. Financial journalism arguably requires reporters with a high level of knowledge so that they can think independently, question those in power, and report without fear or favour. This requires high-level skills, which many believe many reporters lack.

Several studies have revealed that the lack of education and training for finance journalists is an enduring issue. Barkin (1982), Matolcsy and Schultz (1994), Ludwig (2002), Doyle (2006), Giles and Sussman (2011) in their investigations collectively note the need for the enhanced training of financial journalists in the US, the UK, and Australia. The world economy and the world financial markets are increasingly complex and interrelated: the GFC has illustrated the complexity of financial products and the precarious links they created between the financial markets and the real economy. To report in this environment, financial journalists need to be more knowledgeable than ever.
In the US, academic studies have highlighted the need for improved training standards for financial journalists in the mainstream media (Barkin 1982; Ludwig 2002). It is a gap that, since the GFC, academia has attempted to fill. For instance, in 2009, the Nieman Foundation responded to the US Securities and Exchange Commission endorsement of the importance of the press by setting up a business watchdog project online, along with a fellowship in business journalism. The online project was intended to explain the causes and complexities of the 2008 financial crisis to journalists, in order to provide them with ideas for stories. The initiatives underscore the important role that the Nieman Foundation believes the financial press play, as “without having such in-depth understanding, journalists struggle to provide the transparency citizens need to safeguard their interests and the country’s” (Giles 2009, 3). The Reynolds Centre in the US has also sought to counter the skills gap in financial journalism by providing free training for financial journalists since 2003.6

Meanwhile, universities have been introducing financial reporting majors into their degrees, and some, like Columbia University and the City University London, have introduced Masters-level courses. Roush (2006, 233) argues that despite this recent trend of increased training, it is still not enough:

There are still thousands of reporters and editors handling stories about business or industry who do not have a proper understanding of the issues or of how companies work, despite the efforts of educational institutions and industry organizations.

In the UK, Doyle (2006, 441) draws a distinction between financial journalists in the mainstream press and those who work for specialist publications like the *Financial Times*: “surprisingly little commitment to training is available to support journalists working on the business sections of many mainstream newspapers in the UK.”. In contrast, Doyle says, specialist publications, such as the *Financial Times*, are well versed in numeracy and financial analysis. On the other hand, it has been noted since the GFC that even journalists at the *Financial Times* are not entirely knowledgeable in certain areas of finance. Gillian Tett has been credited with spotting the GFC and

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6 See: http://www.businessjournalism.org/
reporting on areas, which were essential to understanding the underlying causes of the crisis. However, as Schifferes (2011, 152) notes:

Even Martin Wolf, the chief economics commentator for the Financial Times, has recently admitted that other journalists on the FT did not fully understand the implications of Gillian Tett’s analysis for the wider economy.

After holding a series of seminars with practitioners, academics, and members of the public, the Carnegie Trust in the UK stated that journalists, working in a ‘digital age’, need to deal with complex economic subjects and, importantly, that these subjects must be communicated ethically, to a wide audience, and place public interest as a core motivation (Jenkins 2012). It also noted the continuing significance of newspapers in society despite the growth of online and broadcast news. It called for “A renewed emphasis in journalism education and training on professional ethics…including a clear commitment to understanding and upholding the public interest” (ibid., 3).

Furthermore, a joint initiative between universities in the UK and the US, known as the Carnegie-Knight initiative, focuses on journalistic independence and urges reporters to “challenge the dominant narrative of the moment.” They conducted a survey which identified three main “needs in the industry” (ibid., 33):

- A need for “analytical thinkers with a strong ethical sense, as well as journalism skills”;
- A need for specialised expertise: “insights into medicine, economics, and complex topics, and firsthand knowledge of societies, languages, religions, and cultures”; and
- “A need for the best writers, the most curious reporters.”

Studies of the Australian press have revealed a similar need for more training of financial journalists. In their 1994 study of 105 Australian journalists, Matolcsy and Schultz (1994) found that financial journalists have inappropriate educational backgrounds and do not keep up with professional and academic developments. They found that nearly 60 per cent of the journalists had tertiary educations, but only a
third had relevant financial qualifications (ibid., 341), and only a third “received on-the-job training” (ibid., 342).

Collectively, then, academic studies in the US, the UK, and Australia, demonstrate that training for financial journalists has not kept up with the world as it becomes financialised, as well as digitalised. They also suggest that the pressures that have been described in this Chapter need to be countered by adequate training standards so that journalists are free to provide accurate and independent information, to hold power to account, and to report in the public interest. The studies also suggest there is a need for action to ensure that the media industry is pulled into line ethically and editorially so that it serves the public interest in an increasingly complex and commercial world.

**Editorial Codes and the Pathway to Public Trust**

Hardly anyone ever reads codes of journalism ethics, but it would be a mistake to underestimate their importance. Not many people read the U.S. Constitution or the Magna Carta either, and yet those documents continue to exercise a profound impact on our culture (Igers 1999, 35).

Earlier in this Chapter a set of quality criteria was established from the literature review for use in the content analysis to assess the merit of financial reporting. To see what quality standards might apply in the realm of practice this Chapter now examines the standards each of the publications in this study—the *New York Times*, the *Guardian*, and the *Sydney Morning Herald*—set out for themselves in their respective editorial codes. A cursory glance reveals differences in detail in the approach by each publication. The *New York Times* ethical code has 139 principles. The *Guardian* has 48 and also proclaims its adherence to the Press Complaints Commission (PCC) Code of Ethics, which it reprints on its web page in full after its own. The *Sydney Morning Herald* offers 43 principles that incorporate the Australian Journalists Association’s Code of Ethics.

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Although the *New York Times* provides its journalists with 139 codes to adhere to, they all serve to reinforce the core principles of journalistic integrity and impartiality untainted by corporate interests or any interests that might hinder neutrality in reporting. Furthermore, the company wishes to play a role that fulfils public trust. For instance, according to the first code of ethics, The New York Times Company has a “core purpose” to “enhance society” through the creation, collection and distribution of high-quality news, information and entertainment (*New York Times* 2006). While sports, entertainment, the arts, and travel journalism are considered specialised departments, financial reporting is not defined in the code as a specialised area. The assumption is that all 139 principles apply to this area as well.

The *Guardian* upholds similar values of impartiality and public trust as *The New York Times* and its ethical codes are quite similar in their construction. Indeed, it states the following:

> The most important currency of the *Guardian* is trust. This is as true today as when CP Scott marked the centenary of the founding of the paper with his famous essay on journalism in 1921. The purpose of this code is, above all, to protect and foster the bond of trust between the paper and its readers, and therefore to protect the integrity of the paper and of the editorial content it carries (*Guardian* 2003, 2).

The *Sydney Morning Herald* (2006, sec. 1) also places the public as central to its interests:

> In interpreting and applying the code, the interests that shall always be paramount are those of the public. Community values evolve, and the code will be reviewed from time to time to ensure it reflects what our readers expect of us.

The codes, a conflation of Fairfax’s corporate values statement and the Australian Journalists Association’s code, uphold the same principles it has espoused since its first editorial in 1831, “principles of candour, honesty and honour” (ibid.).

Therefore, a review of the purpose of each publication’s editorial codes reveals a strong commitment to reporting independently and in the public interest. This aligns with the academic literature that calls for mainstream financial journalism that educates and informs all sections of society.
Editorial Codes: Separation from Private Interests

Although economic realities will always shape the agenda of proprietors, editorial codes at the New York Times, the Guardian, and the Sydney Morning Herald make it quite clear that no outside interests, including advertising interests, should ever cloud news judgment, induce bias, or detract from the core role of providing independent, accurate, and trustworthy information that serves the public interest. The New York Times (2006), in code number 80, separates corporate advertising interests from those of the impartial New York Times reporter. It is also clear that journalists should not engage in outside activities, whether social, political, or corporate, that might hinder the neutral unbiased reporting of events.

The Guardian is also clear on the separation from advertisers. It states that no outside interests should ever conflict with reporting or compromise “editorial integrity” or “transparency that our readers would expect” (Guardian 2003, 5). Furthermore, outside influences are applied quite broadly “to all active outside interests” (ibid.). Like the New York Times, this extends to involvement with any organisations, companies or political parties that could conflict with “the integrity of our journalism.”

The Sydney Morning Herald (2006, sec. 3) is also clear that no outside interest or belief should counter commitment to “accuracy, fairness or independence.” The terms ‘accuracy’, ‘fairness’ and ‘independence’ are used again to reinforce and justify the separation of news reporting from any commercial interests, including those related to advertisement.

Therefore, each publication shows, again, commitment to independent reportage that benefits society. They are quite clear that information should be objective and separate from corporate interests, for the sake of the public. This suggests that journalists should again place the public interest as central to their news values and avoid pursuing the interests of advertisers and big business.
Editorial Codes: Use of Sources

The *New York Times* (2006, sec. A), code number 24, deals explicitly with source use, and argues that journalists should avoid partiality or favouritism:

> Cultivating sources is an essential skill, often practiced most effectively in informal settings outside of normal business hours. Yet staff members, especially those assigned to beats, must be aware that personal relationships with news sources can erode into favouritism, in fact or appearance.

Furthermore, code number 25 continues the discussion on source use and argues for unbiased detachment from sources.

In a similar vein, the *Guardian* (2003, 2) highlights the importance of fairness and provides a forum for all voices: “The voice of opponents no less than of friends has a right to be heard … It is well be to be frank; it is even better to be fair.”

The *Sydney Morning Herald* (2006, sec. 10) also states that journalists “will seek to avoid being compromised by a source and to use multiple sources wherever possible.” Also, “where a source seeks anonymity, the journalist shall first consider the source’s motives and seek alternative attributable sources” (ibid.).

Therefore, each publication calls for impartial and balanced approaches to the selection and use of sources for information, to avoid bias and favouritism. Again, this aligns with the quality values discussed in the previous Chapter relating to financial journalism that represents ‘all voices’ in the debate, including the ‘common man.’ In addition to avoiding bias, each publication includes fairness, neutrality, objectivity, and the separation of corporate interests as central to its news values—all of which are aimed to engender public trust in their reporting.

Conclusion

This Chapter has focused on the practice of journalism to explore the state of the industry from a practitioner perspective. It examined the challenges journalists themselves have described and then looked at the standards the industry sets for itself in the editorial codes of each publication in this study. This shows that the ethical standards closely align with the quality criteria to be applied to the content analysis:
• A variety of interpretations on an issue to promote discussion of alternative views;
• A variety of ‘voices’ quoted directly to represent all sections of society;
• Everyday advice relating to finance and government spending for all sections of society, not just investors;
• Explanations that are unpacked with minimal jargon; and
• Sufficient scepticism and warnings that serve to signal impending or potential crisis in the financial or economic systems.

As a result, these same standards can be used to formulate the questions to be used in the interviews with current practitioners to get their current assessment of the industry. The next Chapter discusses the mixed-methods approach that will be used in the study.
Chapter Four

Methodology: Assessing the Financial Press

The irony about this argument is of course that there’s a record out there to be checked; the record is of course what was published and aired over the seven years that preceded the crisis, the crash. The trouble is, the record is huge (Starkman, cited in Correy 2009).

Introduction

This Chapter discusses the study’s main aims, methodologies to achieve the aims, and demonstrates how the research design is both appropriate and effective.

This study of mainstream financial media was prompted by the events of the GFC, which began to unfold on August 9, 2007, when the investment bank BNP Paribas suspended trading of three investment funds and announced that they could no longer value assets associated with the US subprime housing market (Soros 2009, xii). The increasing complexity of the global financial system and the esoteric nature of the financial products closely associated with the GFC eventually caused a meltdown on a scale comparable with the Great Depression of the 1930s.

Financial journalism received criticism and blame for the part it played, and failed to play, in the GFC. An unsuspecting public wondered why financial journalists had not acted as soothsayers and provided an element of forewarning. They were blamed for not being sufficiently independent from or sceptical of their sources and the financial institutions that they were reporting on. The title of the 2009 book, Playing Footsie with the FTSE? The Great Crash of 2008 and the Crisis in Journalism (Mair and Keeble 2009), encapsulates the sense of a too-cosy relationship between the financial press and the financial world. While some luminaries had sounded alarm bells, such as economist Nouriel Roubini and Financial Times journalist Gillian Tett, they were ignored, swept away as irrelevant voices in the market euphoria, or else labelled doomsayers—Nouriel Roubini was regularly referred to by the media as Dr. Doom.
However, as was shown in the previous Chapter, this was only the latest of a series of financial crises where media coverage has attracted similar criticism. The literature indicates that the financial press are failing in their democratic role of watchdog and is serving the financial community at the expense of the wider public. This suggested a trend worth tracking through a longitudinal study of mainstream financial reporting during three critical financial events across three decades.

While a content analysis might reveal the amount, nature, and style of reportage across three decades, it seemed appropriate to add another dimension by focusing on the journalists themselves. Following his own research with practitioners, which gave rise to the 2008 publication, *What is Financial Journalism For? Ethics and Responsibility in a Time of Crisis and Change*, Damian Tambini argued for more research into the impact on practices and standards of the modern media environment:

> We need more research on this, we need to bring together working financial and business journalists to have an exchange of ideas on whether the previous regulatory and ethical structure and also professional practices can be continued into this new different world (Tambini, cited in Correy 2009).

This study aimed to take up this challenge by including the views of practising financial journalists. There have been major changes within the media industries over the past three decades. If such a study were to involve both a content analysis and interviews with the journalists themselves it would provide evidence of the nature of the reportage to establish whether the criticisms levelled at financial journalism are justified. It would also be able to show whether the faults are attributable to external factors or to internal factors within the media industry over the past three decades.

This study, therefore, has a dual focus: first, to analyse patterns of reportage across three financial crises; and second, to examine the role of individual financial journalists within a larger industry that has grown exponentially since the 1980s.

The study differs from other studies that have focused on the GFC. First, it is longitudinal, to analyse patterns of mainstream financial reportage across three financial crises. Second, it is transnational in scope, covering the *New York Times* (US), the *Guardian* (UK), and the *Sydney Morning Herald* (Australia). Third, it
examines, not just the content, but also the practice of financial journalism as the industry has undergone exponential growth since the 1980s. In doing so, it was hoped to reveal whether the strengths and weakness of the reporting of the GFC were evidence of longer-term trends. The practitioner interviews were intended to confirm these trends and to provide industry-relevant suggestions on ways to improve both the content and practice of financial journalism in mainstream newspapers.

There were two principal research questions:

1. Have there been any changes in the way financial news has been reported over the past three decades? This covers two sub-questions:
   - What conclusions can be drawn from the coverage itself in relation to the quality of the reportage?
   - How far does mainstream finance journalism go in fulfilling a watchdog role for the general public? This relates to the extent to which articles are geared towards the business insiders, as the literature largely suggests, or conversely address the information needs of the ‘ordinary’ public.

2. What impact have changes in the media industries had on the practice of finance journalism?

Various empirical studies were consulted for ideas and methods that could be employed in achieving the research aims. The studies summarised below are the ones that most influenced the final methodology employed. Some of them are part of a cohort that researched the proliferation of financial news, its characteristics, and standards in the 1970s and 1980s. Some focused on the reportage of the 2007-2008 financial crisis. After the methodology eventually adopted for content analysis is described, the methodology for the industry interviews is discussed.
Content Analysis as a Method

Content analysis was the most obvious choice for analysing financial news in this study, as it is the main way a researcher can gather and analyse both qualitative and quantitative communication data (Holsti 1969, 2). Berelson defines content analysis as “a research technique for the objective, systematic, and quantitative description of the manifest content of communication” (1952, 18). This definition of content analysis is arguably based on scientific principles – principles that Nuendorf (2002, 10) argues are essential for a mode of enquiry to be called a content analysis. Furthermore, the analysis must consist of the following: it must be objective; have an a priori research design; be reliable; be valid; be able to make generalised conclusions; and tests a hypothesis.

Espousing scientific and quantitative principles is one way to approach content analysis, but there are other ways that are less scientific and more qualitative in nature: “Content analysis describes a family of analytic approaches ranging from impressionistic, intuitive, interpretive analyses to systematic, strict textual analyses” (Rosengren 1981, cited in Hsieh and Shannon 2005, 1277). Nuendorf (2002, 15) who endorses the quantitative approach in her 2002 book, nonetheless states the following about the merits of qualitative analysis of texts:

The empiricism of a careful and detailed critical analysis is one of its prime strengths and may produce such a lucid interpretation of the text as to provide us with a completely new encounter with the text…It may illuminate the intentions of the source of the text, or it may allow us to view the text through the eyes of others who may experience the text.

It is clear that there is no one way to approach content analysis and various approaches are available that have the potential for very different research designs and, subsequently, very different outcomes. They nevertheless have some defining features in common.

All approaches to qualitative content analysis require a similar analytical process of seven classic steps. As Hsieh and Shannon (2002, 1285) point out, they are as follows: “formulating the research questions to be answered, selecting the sample to be analysed, defining the categories to be applied, outlining the coding process and
the coder training, implementing the coding process, determining trustworthiness, and analysing the results of the coding process.”

In terms of the formulating categories and the coding process, Hsieh and Shannon (2002, 1279) describe what they call a “conventional [qualitative] content analysis”, which is generally used with a study design whose aim is to describe a phenomenon. In this type of analysis the researcher does not create categories before coding, but “instead allow[s] the categories and names for categories to flow from the data” (ibid.). Towards the end of the coding process, they explain, to prepare for reporting the findings, exemplars for each code and category are identified from the data. This would establish a level of validity for the study – something that will be discussed later. But they do suggest, quite rightly, that “At most, the result of a conventional content analysis is concept development or model building” (Lindkvist, 1981). This suggests that qualitative research will at best contribute to the understanding of a concept or theory rather than providing definitive answers one way or another.

Moreover, unlike quantitative analysis, qualitative analysis is less likely to yield data and results that need statistical analysis. There are, as such, other quantitative avenues that can be taken that will lend some quantitative weight to the qualitative analysis and these are mostly in terms of ranking and frequencies: “Because the study design and analysis are unlikely to result in coded data that can be compared meaningfully using statistical tests of difference, the use of rank order comparisons of frequency of codes can be used” (Curtis, Wenrich, Carline, Shannon, Ambrozy, and Ramsey 2001, cited in Hsieh and Shannon 2002, 1282).

Differences between Qualitative and Quantitative Content Analysis

The differences between qualitative and quantitative methods and their comparable veracity have been debated for decades. As Denzin and Lincoln (2008, 2) describe, in the 1960s “Quantitative scholars relegated qualitative research to a subordinate status in the scientific arena”. It has been argued that the quantitative approach is more objective and scientific and therefore more reliable as it takes human error and
subjectivity out of the results from analysis. Patton describes this as a “debate rooted in philosophical differences about the nature of reality”; one side of the debate believes reality can be reflected objectively by scientific measures while the other sees society as a human construction of reality that cannot ever be reflected accurately (Patton 1999, 1206).

Quantitative research, being more scientific in its approach and based on the measurement of variables, is presumed to be objective and free of values. Specifically, relationships between variables can be tested and statistical techniques used to explore the significance of the relationship. Also, the research design should be designed to be easy to repeat and conclusions can usually be generalised to a larger population: “Researchers examine causal models in the context of randomized controlled experiments, which allow for replication and generalization of their results” (Denzin and Lincoln 2008, 11).

In comparison to quantitative analysis, qualitative analysis can be described as “soft science, journalism, ethnography, bricolage, quilt making or montage” (ibid., 2). This generally qualitative approach to content analysis is also known as a constructivist approach and is defined by Weerakkody (2009, 10) as deriving from the belief that “there is no objective reality or truth ‘out there’”, instead, “reality is socially constructed.” Therefore, constructivism probes data to find “answers through exploration and assessment of what they already know” (ibid.).

Therefore, content analysis can be quantitative or qualitative in nature and, as is the case in this study, researchers often incorporate both methods in their research designs. As Patton (1999, 1189) argues:

In recent years the debate [about the veracity and credibility of each approach] has softened. A consensus has gradually emerged that the important challenge is to match appropriately the methods to empirical questions and issues, and not to universally advocate any single methodological approach for all problems.

Moreover, it can be argued that each method is useful in a content analysis and one may often shed light on the phenomenon being explored where the other does not.
Indeed, Holsti (1962, 11) argues that qualitative and quantitative methods complement one another, each filling in gaps left by the other. A mixed methods approach, combining qualitative and quantitative approaches, was therefore decided upon to provide the richest analysis for this study.

Gibson and Brown (2009, 5) cite Wolcott’s useful analogy for the use of both qualitative and quantitative approaches. A swing has, as its hinge, the description of content analysis that “draws attention to some of the different features of data work – of ordering or rendering data in particular ways”. Then, on either side of the swing hinge are the arms of analysis (quantitative analysis) and interpretation (qualitative analysis), with one usually higher than the other.

Using Wolcott’s analogy, this study has content analysis as its central point, with some descriptive quantitative analysis at one end and, at the other end, interpretation – qualitative analysis of the nature and subject of articles and their language – at the highest (or heaviest) point. Overall, then, this study is pre-eminently qualitative and employs some basic descriptive quantitative methods – including the identification of the tone of articles and the counting of the frequency of sources being quoted – which will be explained later in the Chapter. In addition to frequency counts there are tabulations of results and line graphs to visualize data and trends.

*Establishing Inter and Intra coder Reliability*

The fact that the approach of this study is primarily qualitative and constructivist (an approach which can be viewed as biased or subjective), the issues that surround validity and steps taken to avoid bias, need to be discussed. Essential to both qualitative and quantitative content analysis is the establishment of validity and trustworthiness of the research design and, therefore, the results it produces. As Hsieh and Shannon (2002, 1286) argue, “The development of a good coding scheme is central to trustworthiness in research using content analysis”. Thus, only when validity is established can results be trusted. Validity can be established in several ways and the most obvious and reliable way is through intercoder reliability – which requires two or more coders to establish categories and code the data.
Not only does this introduce a level of consistency within the research design, but it also provides the reader with greater confidence in the unbiased nature of the conclusions. Statistical software packages like PRAM and SPSS can establish the level of multi coder reliability and a number of indices are available – Scott’s pi, or Cohen’s kappa, for instance – which produce reliability coefficients. There is no consensus on which index is the most appropriate for communications research. Likewise, there is no consensus on the most appropriate coefficient level (although 0.7 is the lowest that seems reasonable) (Lombard, Snyder-Dutch and Bracken 2002). For financial and logistical reasons the researcher was the sole coder in this study. While this is an obvious limitation future iterations of the research will be larger in scope and will employ multiple coders. Meanwhile what is relevant to this study is the question of intracoder reliability.

Intracoder reliability “refers to the consistent manner by which the researcher codes” (Van den Hoonnaard 2008, 446). This is another way to establish validity by ensuring a single coder is consistent in his or her approach to the data. This should also be established at several stages during coding when there are two or more coders involved. As Gibson and Brown (2009, 59) argue, the idea of establishing validity can seem antithetical to a qualitative approach, which stresses the socially constructed nature of reality: “This analytical aim can fit uneasily with the idea of the constructed nature of accounts to which much qualitative work is committed”. However, establishing validity, credibility, and trustworthiness in general, is important for a study to be taken seriously.

It was therefore essential for the the coding process to be completely transparent – in relation to its time frame, limitations, the collection of data – to establish some credibility for the results. Before the analysis took place, from March 2010 to March 2011, literature was consulted to assess what studies had analysed financial news before and what questions still needed to be asked. Many months were spent in generating the most appropriate key words that should be used to collect a data set and several pilot tests took place during this period to see which words yielded the best results in the electronic database Factiva. Once they were chosen—they are discussed later in the Chapter—and the data had been collected, the articles were analysed by the author twice. This occurred during a one year period, from March
2011 to March 2012. The first time initial categories were identified and on the second, they were either confirmed or two or more categories were consolidated into one. From the point that the categories were confirmed, the articles were read twice more by the same researcher to delve deeper into the language and check the correct sources and tones were coded—measures which are also discussed later. This additional analysis of language was done between March 2012 and March 2013.

In addition to ensuring consistency in the analytical method and raising the credibility of a study by being transparent about the data collection and coding process, the triangulation of methods is another way to ensure validity and trustworthiness. As Denzin and Lincoln note, “Triangulation is not a tool or a strategy of validation, but an alternative to validation” (2008, 7). Triangulation, and its benefits for the validation of research, is explained further by the same authors as follows:

The combination of multiple methodological practices, empirical materials, perspectives, and observers in a single study is best understood, then, as a strategy that adds rigor, breadth, complexity, richness, and depth to any inquiry (ibid.).

In this study, two forms of analysis were applied to the news content, which was assessed both quantitatively and qualitatively. Interviews with a range of practitioners were undertaken as a way of triangulating the data of news content with another method and data set.

In addition to intercoder reliability, transparency, and triangulation, the link between conceptualisation and measures also provide some validity and trustworthiness to the study (Neuendorf 2002, 50). Neuendorf (2002, 50-51) describes the steps involved in content analysis as starting with theory (from which a hypothesis or research question is generated), then moving to conceptualisation (the discussion of variables), and then to operationalization (measures which match variables). Although the last stages on sampling, training coders, and establishing intercoder reliability cannot be applied to this study, it is at least possible to discuss the first three steps in the content analysis process. The study discussed theory and conceptualised the variables (financial news in the US, UK, and Australia) in Chapters Two and Three. In Chapter Three, after a review of the literature on quality
financial press for a general public, the measures that would be used to define quality were discussed. Therefore, there is a link between conceptualisation of the variables and the measures that are used, a link which should add validity and trustworthiness to the results. The selected criteria that will be used as measures embody the values all three publications set for themselves in their respective editorial codes. There is agreement that the following criteria should apply to finance journalism in particular:

- A variety of interpretations on an issue to promote discussion of alternative views;
- A variety of ‘voices’ quoted directly to represent all sections of society;
- Everyday advice relating to finance and government spending for all sections of society, not just investors;
- Explanations that are unpacked with minimal jargon; and
- Sufficient scepticism and warnings that serve to signal impending or potential crisis in the financial or economic systems.

In summary, this study will use quantitative and qualitative approaches to content analysis. It has been noted that qualitative analysis will prevail in this study and that some descriptive quantitative analysis will be used—the approach to this analysis will be considered in the rest of the Chapter. It has also been noted that, due to the focus on qualitative analysis and a lack of intercoder reliability it will be difficult to generalise from results. The results should be seen as a contribution to theory and worthy of testing through a future more extensive study that passes the intercoder reliability test. To compensate for the use of a single coder, steps have been taken to ensure the transparency of the coding process. Moreover, triangulation of content with interview data will add diversity to the data set and richness to the conclusions that are drawn from it.

To analyse the financial reportage of three mainstream newspapers, the study encompasses business, finance, and economic news. In this it follows John Quirt (1993, 3), who also used the terms business and finance interchangeably, on the basis
that while “this may be intellectually indecent”, it is “in keeping with another journalistic tradition, or principle, the time-honoured one of responsible oversimplification.” The comparative content analysis concerned itself with mainstream rather than specialist reportage, to determine what was reported, how it was reported, and whether the reportage met the information needs of the target audience, the general public. The next section will demonstrate how this is achieved.

Scope

Studies that measure the GFC range from studies on the main frames and narratives used to represent the crisis, to investigations into the modus operandi of the financial journalists themselves (Mair and Keeble 2009; Pew Research Center 2008; Roush 2009; Schifferes and Coulter 2012; Starkman 2009a; Tambini 2010). The studies indicate there is still a need for more thorough, comprehensive, and empirical research into financial journalism. This has recently been noted by Schiffrin and Fagan (2013, 153) who acknowledge that, “Despite the wide anecdotal criticism there is not much academic research on business/economic journalism.”

They also suggest a need to place the reporting of the GFC in an historical context that takes developments inside and outside of the media industry into consideration. There has been no longitudinal study of financial journalism since Steve Barkin’s (1982) analysis of content from 1930-1970. Since that time, not only have there been three significant economic crises, but also the media industry itself has undergone unparalleled change both structurally and technologically. A longitudinal study from the 1990s to the 2010s would be able to track standards and patterns of reportage to see whether and how financial journalism has changed over three decades.

On this basis, the current study focused on the reporting by three reputable mainstream publications—the New York Times, the Guardian, and the Sydney Morning Herald—during three boom and bust periods in the early 1990s (the 1990 recession), 2000 (the dot com boom), and 2007-2008 (the GFC), in an attempt to put the reporting of the GFC into context. It is a composite version of the studies that have gone before it, and aims to facilitate better understanding of the practice of mainstream financial journalism and its industry pressures.
Transnational

It was also decided that the study, unlike most before it, would adopt a transnational perspective. Through analysis of content from three English-speaking Western democracies in the economically developed world, it was hoped that the study would provide a broad and thorough analysis of mainstream financial news that reaches a large readership that traverses the globe. It can be assumed that specialist publications devoted solely to finance and businesses cater to a business audience. Therefore, the study was keen to investigate the extent to which mainstream financial journalism catered to a broader audience, fulfilling more of the traditional watchdog function expected of journalism in a democracy.\(^8\)

Therefore, the *Sydney Morning Herald*, the *Guardian*, and the *New York Times* were chosen to represent Australia, the UK, and the US respectively. Chapter Two demonstrated the similarities between the media industries in all three countries. The publications chosen for analysis are established quality mainstream dailies that arguably have a pronounced influence on setting media agenda. It might be argued that these publications cannot represent a whole country and its financial news content. It might also be argued that the newspaper industry is in decline and, therefore, has less of an impact than it used to. However, the time and logistical constraints of this PhD study imposed inevitable and unavoidable limitations on its scope. The study chose three reputable newspapers from each country, which reach a large audience base. Also, their digital versions are currently doing very well (with the *Guardian* receiving a Pulitzer prize for its coverage of US National Security Agency leaks by whistle-blower Edward Snowden for instance) and it should be noted that a lot of the content used online is used in the hard copy versions. Another important factor with bearing on their selection was that they had electronic versions of their newspapers as far back as 1988 available on Factiva, where others (the *Australian* for example) do not.

Also, each publication has an editorial code that places public trust, credibility, and balance as central to its coverage. It was, therefore, anticipated that these

\(^8\) The *Sydney Morning Herald*, traditionally a broadsheet, turned tabloid in March 2013. However, it retained its reporting standards and values (see the article, *Crikey*, by Knott, which assesses the successes and failures of the first ‘compact’ edition: [http://www.crikey.com.au/2013/03/04/the-verdict-is-in-as-fairfax-goes-compact-smh/?wpmp_switcher=mobile](http://www.crikey.com.au/2013/03/04/the-verdict-is-in-as-fairfax-goes-compact-smh/?wpmp_switcher=mobile)).
publications would be most likely to offer coverage geared towards the ‘ordinary’ public—employing minimal jargon, focusing on topics that would interest a non-share holding public (Schifferes 2012), displaying independence from business interests, and relying less on business sources’ versions of events.

**Longitudinal**

As mentioned previously, there has been no recent longitudinal study on financial journalism since Steve Barkin’s (1982) analysis of content from 1930-1970s. Since that time, not only have there been three significant economic crises, but the media industry itself has undergone unparalleled change both structurally and technologically. A longitudinal study from the 1990s to the 2010s would be able to track standards and patterns of reportage to see whether and how financial journalism has changed over three decades.

**Three-Year Periods: The Lead-up to the “Minsky Moment”**

One of the main aims of the study was to establish whether there was sufficient scepticism and warning before a moment of ‘crisis’ became evident to both financial journalists and the public. Roubini and Mihm (2010, 91) describe this financial moment as the point when there is sudden aversion to risk and “sudden desire to dismantle the pyramids of leverage.” This, they explain, was once known as “discredit” or “revulsion”, but it is now better known as the “Minsky moment”, which is named after Hyman Minsky, the post-Keynesian economist who believed in a balance of government regulation and the impact of financial markets on the real economy, and is known for his Financial Instability Theory (Minsky 1992). It was decided for the purpose of this study that a period of two years prior to the Minsky moment would be sufficient to assess the attitude of the media to the growing economic threat. Also, it would reveal the amount and type of reportage available to the public before the point of crisis. Data was also captured for the year of coverage, after the Minsky moment, in order to analyse the patterns and standards of reportage in its wake.
The 1990 Recession

In the case of the 1990 recession, November 1990 was chosen as the Minsky moment because it was the month that the recession was officially called in the US, and shortly after in Australia and the UK. There was no one single cause of the 1990 recession, so this was the most obvious indication and signalling of economic problems.

The Dot Com Boom

In the case of the dot com boom, March 2000 was decided upon as the Minsky moment, as it was the month that the NASDAQ, the market comprising all of the new Internet companies, peaked before starting its rapid decline from its phenomenal high. While the recession was not formally announced until the following year, from March 2000 the financial markets started a year-long nosedive, as new media companies that were listed on them fell one-by-one.

The GFC

The economist and historian Roubini and Mihm (2010) identify the spring of 2007 as the Minsky moment for the GFC. However, for this study, which is focused on media reaction, August 2007 is identified as the Minsky moment, as it was the moment that first attracted both intense and negative media attention relating to the GFC (Kleinnijenhuis et al. 2013; Pew Research Center 2008). It was in this month that the French bank BNP Paribas halted trading and signalled its problems deriving from its links with the US subprime market. Two Bear Stearns hedge funds had also failed by August 2007 (Soros 2009, xx). Therefore, while the recession had not been called officially, from this date the risk to the financial and economic systems was certainly evident.

Compilation of a Data Set

Using Factiva, 1,205 articles in total were collected that were written by financial, business, and economics journalists, based on key words that pertained to the particular case study: 384 were collected for the 1990 recession; 275 for the dot com boom.
boom and bust; and 546 for the 2007-2008 GFC. This method is adapted from Starkman (2009b) who teamed words that were pertinent for the financial crisis, such as ‘securitisation’ with key financial institutions, such as Bear Stearns. The idea of tracking the development of a large company, such as Enron or Nokia, in the financial media was tempting. However, this study is longitudinal and concerned with tracking patterns of reportage rather than individual companies. Also, a company or financial institution that was perhaps influential in the 1980s is not necessarily so in the 2000s. Therefore, to maintain consistency generic key words were chosen rather than specific company or institution names. The 1990 recession, the dot com boom and bust, and the GFC had different characteristics and causes, and therefore, required different key words.

During the Factiva search, each article was scrutinised to ascertain whether the key word was directly relevant to the story content. If the word was completely out of context the article was disregarded. During the piloting of the methodology, it was discovered that the coupling of words tended to yield a greater number of relevant articles than single words. Given the amount of data generated for each key word, a final list of six key words per case study was compiled based on the ones that produced the largest number of relevant results.

The following key words were chosen to create a data set for the case studies. See Appendix B, for examples of articles that were placed under the topics (more are available on request):
### Table 1. Key words used for the 1990 Recession

<table>
<thead>
<tr>
<th>Case Study I: 1990 Recession</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Boom</td>
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<tr>
<td>Credit Boom</td>
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<tr>
<td>Loose Monetary Policy</td>
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<tr>
<td>Housing Boom</td>
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<tr>
<td>Personal Debt Increase</td>
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<tr>
<td>Speculative Boom</td>
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</tbody>
</table>

### Table 2. Key words used for the Dot Com Boom

<table>
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<tr>
<th>Case Study II: The Dot Com Boom</th>
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</thead>
<tbody>
<tr>
<td>Dot Com Boom</td>
</tr>
<tr>
<td>Dot Com Bubble</td>
</tr>
<tr>
<td>Internet Bubble</td>
</tr>
<tr>
<td>New Economy</td>
</tr>
<tr>
<td>Entrepreneur and Dot Com</td>
</tr>
<tr>
<td>Venture Capital and New IPO</td>
</tr>
</tbody>
</table>

### Table 3. Key words used for the GFC

<table>
<thead>
<tr>
<th>Case Study III: The GFC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Bubble</td>
</tr>
<tr>
<td>Collateralised Debt Obligations</td>
</tr>
<tr>
<td>Mortgage-backed Securities</td>
</tr>
<tr>
<td>Risky Derivatives</td>
</tr>
<tr>
<td>Securitisation</td>
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<tr>
<td>Subprime Bubble</td>
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</tbody>
</table>
Quantitative Analysis

Barkin (1982) produced one of the first longitudinal content analyses on financial journalism, covering a lengthy period from 1931-1979. He states that prior to his study, “little research has involved the content of business news or examined how well the coverage reflects economic realities” (ibid., 436). Before then, the following applied:

Most studies of business news performance have been argumentatively qualitative, grounded in readership studies, or based, as Hynd’s [1980] is, on the responses of editors to questionnaires (ibid.).

Thus, Barkin embarked on a content analysis with the intention of finding out how the substance of financial news had changed and whether stock market coverage dominated. He collected a ten-day sample from the business section of three large US daily newspapers, including the *New York Times*, in alternate years. The articles were coded and placed in one of five news categories: on individual firms; on the national economy; on the international economy; for the consumer; and for the professional business community (ibid., 437).

Barkin found a decline in national economy coverage for all three publications; increases in coverage of international business; and also that consumer news was persistently underreported. Barkin (ibid., 438) attributes a decline in coverage of national economic news to less interest in the stock market. Growing interest in the international economy is attributed to an increase in international trade and the rise of Organization of the Petroleum Exporting Countries (OPEC)\(^9\) (ibid., 439). Barkin (ibid.) argues that if “diversity of subject matter” is an “index of improvement” then “business coverage has improved.”

Feldman and Aronoff (1980) looked at the amount and type of coverage in a decade already covered by Barkin, from 1968-1978. The length of the article was also coded as an indication of the depth of the article. They analysed five US metropolitan dailies, including the *New York Times*, and found that the *New York Times* was the newspaper that increased its coverage most markedly across the decade. Each article

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\(^9\) OPEC is an intergovernmental organisation of petroleum exporting countries founded in 1960. It aims to promote fair pricing and regulation of crude oil. For a complete outline and history of the organisation’s development, see: [http://www.opec.org/opec_web/en/about_us/24.htm](http://www.opec.org/opec_web/en/about_us/24.htm).
was placed under one of six main categories: economy; government regulation; international trade and business; energy; stock market; and environment. They found that a lot of articles focused on energy topics, while business stories migrated outside of the business section into general news, and those retained for the business section contained more in-depth analysis of economic topics.

Both of these longitudinal studies concluded that economic and business content was increasing and diversifying in the US up until 1980, with more coverage devoted to international topics. However, the results are mainly quantitative in nature. All attempts to identify and explain the trends are therefore quite conjectural. While these studies were pioneering in their scope, they were limited to quantitative methods that define quality according to size and breadth of articles.

In what is one of the earliest content analyses on financial journalism, Griggs (1963) provides both a rationale for watchdog-style financial journalism and a method for analysing tone. His study focuses specifically on coverage of the economy during the 1957 recession, working from the premise that economic coverage in metropolitan daily newspapers has a distinct responsibility to provide accurate information and indicate long-term significant developments. He says this responsibility is acknowledged by the way mainstream dailies have created discrete sections devoted to the economy, business and finance, with the aim of keeping the public fully informed (ibid., 559). He says the 1957 recession was “an economic phenomenon which clearly had significance to lay newspaper readers” (ibid., 560).

Covering only the three months leading up to the recession, Griggs recorded the space and content dedicated to financial news as the recession came closer, the amount included in the front pages of the newspaper, and the extent to which coverage was optimistic or pessimistic. He found that more than half of the content remained in the business section, and coverage did not increase over time, concluding that the financial press could have done more to inform its lay readership. Coverage did, however, become more neutral as time went on, with equal amounts of optimistic and pessimistic coverage in two of the months analysed.

Starkman (2009b), like Griggs, defines quality financial journalism in terms of a watchdog role for the public, providing sceptical coverage and forewarning of troubles ahead. His study on the GFC was the most instructive in informing the
design of this one. It covers a long period from January 1, 2000, to June 30, 2007, which provided ample time for the financial press to provide warnings. Arguing that the capture of financial journalists by their sources (or, as termed by Starkman, “Stockholm Syndrome”) infects the financial press, he aimed to discover through content analysis whether or not the financial press had in fact missed the story (ibid., 24). He searched top business press outlets on Factiva using “appropriate” words, including “predatory lending” and “collateralized debt obligations”, and then teamed the words with the names of some financial institutions, including Bear Stearns and Countrywide (ibid., 26). Also, media outlets were asked to volunteer the best examples of their work.

Starkman (ibid., 4) discovered that of the 730 articles collated the most warnings appeared from 2000-2003, and they were the types of stories that “confront directly powerful institutions about basic practices.” He notes that it was not until 2006, and then markedly in 2007, that the press “scrambled” as “corruption of the financial system became apparent” (ibid., 5). However, between 2003-2007, as Starkman describes (ibid., 13), there was a period when financial reportage read like an “earnings horserace” (ibid., 13).

This study is larger in scope than the studies that have been discussed, covering three separate financial crises across three decades. It also builds upon the concerns revealed in each of those that have gone before it. Like the earlier studies from the US, it will track the amount and type of articles produced by mainstream financial reporting. Like Griggs and Starkman, it is concerned with the amount, type, and nature of the articles before the crisis manifests. Unlike the earlier studies, this study will cast a wider net, including a transnational comparison. It is hoped, therefore, that it will present new, updated data on international trends in finance reporting during an era when not just the finance industry but the media industry underwent a complete transformation in terms of scope and reach.

**Coding Tone**

Concern over whether the financial press are overly optimistic or conversely overly pessimistic has been a constant preoccupation for researchers, many of whom have therefore analysed content on the basis of ‘tone’. This relates to the extent to which
coverage is optimistic, neutral, or sceptical. Mainly, this method has been used to establish whether the financial media were too optimistic in their coverage prior to a recession and too pessimistic during the unfolding of events. Therefore, as discussed above, it was Griggs (1963) who developed a method for analysing tone. Focusing on the 1957 recession, he finds that the tone of mainstream US reportage on finance became more neutral in the month before the recession.

Adopting Griggs’ (1963) approach, Bow (1980) analysed coverage of the 1929 stock market crash from the Financial Markets section of the *New York Times*, focusing on the crucial months of October and November. He adopted the neutral value to indicate a balanced mixture of both favourable and unfavourable economic news (ibid., 448). Optimistic news “provided a favorable prediction or picture of the future” (ibid.). More than half of the articles analysed were neutral, and the ratio of optimistic to pessimistic articles was balanced.

The applicability of the method of assessing tone for the broadcast medium was recently tested in the UK. Schifferes and Coulter (2012) used it to assess the quality of coverage from the BBC during the GFC. However, in this study the main concern lies in the reportage after the crisis has manifested, to measure whether the press were “scaremongering” (ibid., 12). Mainly, they aimed to answer whether or not coverage “was as negative as has been suggested” (ibid.), by the UK Treasury Select Committee (2009) for instance. The content analysis covered a three-month period from September to December 2008. The study also explores audience traffic and usage, as well as some of the main actors quoted by the BBC. The content analysis indicated that there were “dramatic swings in sentiment over the course of the study period” (Schifferes and Coulter 2012, 12).

Several studies have also tracked the amount and type of economic coverage, and then tested it against variables, such as consumer sentiment and official economic statistics (Blood and Phillips 1995; Wu, Stevenson, Chen and Guner 2002). The studies, more often than not, tested for relationships between variables and considered a media effects role for economic reportage. For instance, Blood and Phillips (1995, 2) assessed whether media coverage of the economy was, as had been alleged, “unfairly negative” during the 1992 US presidential elections. To do this, they tested for relationships between four variables: recession-related headlines from
the *New York Times*; public perception of the economy; the actual state of the economy; and presidential popularity. They conclude that the growing number of recession headlines had more of a “depressing effect upon consumer sentiment” than official statistics (ibid., 17). This lends weight to the argument in favour of the powerful effects of economic news.

Goidel and Langley (1995) align the ‘tone’ of news articles alongside the economic reality represented in official statistics. They explore whether economic news coverage reflects the true economic situation, and whether it exerts an independent influence. To answer their questions, they cover over a decade of coverage—limited to front-page news content only—from 1981-1992. Using regression analysis, they reveal that the tone of news coverage does indeed correlate with real economic conditions. Conversely, positive articles are not as reflective of actual economic conditions as the neutral and negative articles. Also, there was a disproportionate focus on bad economic news (ibid., 320). The Index of Consumer Sentiment and the Index of Consumer Expectations were used to ascertain the likely economic evaluations made by the public. Echoing Blood and Phillips (1995), Goidel and Langley (1995, 321) identify a causal link between negative news items and a more depressed consumer sentiment.

More recently, the Pew Research Center (2008) conducted a study that tracked the main narratives that framed the coverage of the GFC in the US. The narratives were worked out as a percentage of the total amount of news stories that had been collected (online, in broadcast, and in newspapers), and then they were plotted on a line graph with key economic indicators, such as the GDP\(^{10}\) and the Consumer Price Index (CPI). The data suggests that the narratives on the economy lagged behind the key economic indicators. For instance, when the GDP slowed at the end of 2007, there was little media coverage prior to the release of official data. Therefore, the study concludes that the media have an overreliance on government data, which is sometimes delayed (ibid., 17). Furthermore, coverage did not increase until 2008 when economists predicted a slowdown, indicating reliance on official sources of information too. Like the studies of Blood and Phillips (1995), and Goidel and

\(^{10}\) The Gross Domestic Product (GDP) is “the total market value of all goods and services produced in the country in a given time period” (Pew Research Center 2008, 6).
Langley (1995), it shows there is a correlation between more negative economic coverage and a drop in public confidence.

This method of recording the tone of articles has not been tested on Australian financial media, although it has been argued that the Australian financial press was overly optimistic in the 1980s in their coverage of business personalities, such as Alan Bond (Kitchener 1999; O’Ryan and Shoesmith 1987; Toohey 1993). The study will compare the tone of content from three developed economies that have similar socio-cultural and political systems. It also fills a gap by measuring the tone of Australian reportage for the first time.

For this study, coverage will be assessed on a three-point scale. Every three months of news coverage will then be averaged and plotted on a timeline. This will indicate the tone of articles before and after the Minsky moment. This study will also use economic data, in order to compare the tone of reportage against the real economic situation that society was facing. This will provide evidence about the extent to which the financial press are too optimistic during boom times, caught up in market euphoria. The results will show the extent to which the financial press have provided an unrealistic representation of reality to the public since the recession of 1990.

In this study, an article was categorised as optimistic if it talked-up the success and/or future of the economy, finance, or business subject it refers to. An article was categorised as sceptical if it contained a critical, cynical, and/or sceptical stance towards the economy, finance, or business subject it refers to. An article was categorised as neutral if it offered a balanced view (see Appendix A, for examples).

All the data was coded manually by this author between March 2011 and March 2013. It was repeatedly cross-checked and the same standards were maintained throughout, for each case study and for each publication. In this it utilised the same approach adopted by Schifferes and Coulter (2012, 248) to analyse content produced by the BBC, which mitigates the need for an “internal consistency” test.

**Economic Timeline**

The extent to which the financial press present a true version of the economy has been another source of criticism. Therefore, following Goidel and Langley (1995), and Kollmeyer (2002), this study aligns the tone of coverage with the economic

81
statistics of the period. This was done to help ascertain how far the financial press deviates from reality, in terms of being unrealistically optimistic or negative in their reportage.

Three sets of economic data were selected to give a simple but overall understanding of the economic situation in each country during each case study. The key economic indicators analysed were the GDP, and unemployment and inflation rate for each country. The principle source used to gather economic data is Trading Economics, which is a database that collates information from credible sources, like the Australian Bureau of Statistics and the UK office for National Statistics, and then plots it in graphs.\textsuperscript{11}

First, the GDP of a country indicates the level of the country’s wealth by totalling the value of goods and services during a given period. Trading Economics (2013) defines GDP as follows:

\begin{quote}
The annual growth rate in Gross Domestic Product measures the increase in value of the goods and services produced by an economy over the period of a year. Therefore, unlike the commonly used quarterly GDP growth rate the annual GDP growth rate takes into account a full year of economic activity, thus avoiding the need to make any type of seasonal adjustment.
\end{quote}

Second, inflation will factor in the extent to which the prices of good are rising or falling. Trading Economics (ibid.) tracks inflations through the CPI index, which “measures changes in the price level of consumer goods and services purchased by households. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and services and averaging them.”

Third, unemployment rates will also be analysed to indicate the level at which people were employed. The unemployment rate is defined as follows: “The unemployment rate can be defined as the number of people actively looking for a job divided by the labour force” (ibid.).

\textsuperscript{11} See: \url{www.tradingeconomics.com}
Coding the Quoted Sources

It was argued in Chapter Two, and subsequently reflected in Chapter Three in the designation of the criteria for quality, that the highest quality financial journalism represents reality fairly, and achieves diversity by including all voices and views. However, the review of previous studies also revealed that the financial press relies heavily on business sources for quotes, and therefore, tends to reflect their versions of reality (Doyle 2006; Frank 2000; Goodman 2011; Kollmeyer 2004; Lewis 2010; Matolcsy and Schultz 1994; Quinn 1998; Schiffrin and Fagan 2013; Stiglitz 2011).

Such a preponderance of information and quotes from the same type of sources is bound to limit the depth, variety, and scope of coverage that is offered to the public. Furthermore, the sources that are used for information and quotes have the opportunity to shape the way reportage is framed. For instance, the work of Schiffrin and Fagan (2013) in the US, Manning (2013) in the UK, and Thompson (2013) in New Zealand, recently linked the sources that are quoted by the financial press with biased and pro-business discourse. Therefore, it is important that this aspect of reportage be included in the longitudinal study.

The methods used in previous studies range from the coding of cited sources, to speaking with the sources of information. Collectively, the studies suggest that coding the amount and types of sources that are used by the financial press are essential to measure the standards, quality, and fairness of the reportage.

On the other hand, there are certain limitations that affect financial journalists’ newsgathering capabilities. The ability to include a variety of sources and different viewpoints is a difficult task when commercial time pressures are tightening. Also, there may be institutional pressure from within their news organisation to use a certain type of source (Lewis 2010). Furthermore, financial journalists are unfortunately even more limited by the fact that official channels of information that provide news employ increasingly powerful PR machines. Indeed, this is a phenomenon that has been developing since Dreier (1982) argued that large corporations have greater power to shape the news than the powerless.

To address the criticism that financial journalism is dependent on sources from business and PR, which was discussed in Chapter Three, this study recorded the first two sources quoted as a gauge of whether or not there is a preoccupation with
business interests and their version of events. This methodology is based on earlier studies conducted by Lidberg and McHoul (2003, 106), and the rationale is that the more important a source is, the earlier it will tend to be mentioned in the article. This provides both an insight into the journalists’ newsgathering norms and an indication of the diversity of voices. The assumption is that the more business sources are used, the more likely it is that the public will receive a partial and distorted representation of reality skewed towards the interests of business. This would be contrary to the quality criteria identified in Chapters Three and Four that require the representation of a variety of ‘voices’.

The recording of sources would also be able to establish the extent to which PR spokespeople are quoted, and conversely the extent to which non-elite sources and workers are left out (Kollmeyer 2004). It has already been established in Chapter Three that the PR industry is growing exponentially and imposing its own agenda on the media industry (Davis 2000b). While it is difficult to draw conclusions on the level of influence from this data alone, as Zawawi (1994) notes, this would be a study on its own, it is possible at least to record how many PR sources are quoted directly, be they spokespeople or news releases.

Furthermore, the sources that are quoted in the six months after the Minsky moment will be recorded and analysed separately. This will test the argument put forward by Lewis (2010) in relation to the GFC that the crisis presented a moment of clarity that lifted the Emperor’s new clothes, and saw the journalists break free from their traditional newsgathering practices and orthodox sources used for information. Therefore, it can empirically test whether the financial media sought other ‘voices’ to interpret events as the GFC unfolded. It will also test whether this was the case during the 1990 recession and the dot com boom. The immediate months after a crisis is revealed to the public by the media are arguably a crucial time when events and issues must be explained carefully and tactfully. This study will track whom the press consulted for explanations and interpretations in these formative months that arguably shaped the public’s understanding of the crises.

Dimitrova and Stromback (2009, 75) note that few studies have compared sourcing patterns across countries and across more than one event. Therefore, this study seeks to fill this gap in order to understand the sourcing patterns that have characterised
mainstream financial news for the past three decades. In doing so, it is hoped it will be clear who has been given a ‘voice’ across three separate financial crises, and whether democracy has been sufficiently served by a diverse range of ‘voices’ and views. It is also hoped that the recording of PR spokespersons will track the extent to which PR has been allowed to dominate coverage. Recording the sourcing patterns in three countries will also highlight similarities and differences in their news practices and socio-cultural value systems.

After an initial pilot study, the following 17 source categories were identified and used for each case study (see Table 4 below).

**Table 4. List of Directly Quoted Sources**

<table>
<thead>
<tr>
<th>Directly Quoted Sources</th>
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</thead>
<tbody>
<tr>
<td>Business source</td>
</tr>
<tr>
<td>Analyst</td>
</tr>
<tr>
<td>Individual investor/Trader</td>
</tr>
<tr>
<td>Institutional investor/Trader</td>
</tr>
<tr>
<td>Business economist</td>
</tr>
<tr>
<td>Public relations</td>
</tr>
<tr>
<td>Business research</td>
</tr>
<tr>
<td>Politician</td>
</tr>
<tr>
<td>Banker</td>
</tr>
<tr>
<td>Central bank</td>
</tr>
<tr>
<td>Government-funded body</td>
</tr>
<tr>
<td>Business lobby group</td>
</tr>
<tr>
<td>Academic economist</td>
</tr>
<tr>
<td>Academic</td>
</tr>
<tr>
<td>Non-government organisation</td>
</tr>
<tr>
<td>Member of the public</td>
</tr>
<tr>
<td>Editor/journalist</td>
</tr>
</tbody>
</table>
Qualitative Analysis

So far we have been focusing on quantitative content analysis. This section will focus on qualitative methods to examine how stories are told.

Framing Analysis

There is still no one way to approach framing analysis, as there are not straightforward guidelines (Chong and Druckman 2007, 106). Scheufele (1999), and Chong and Druckman (2007) provide detailed literature reviews that highlight the debate that still exists around this area of research. Entman (2007, 166) considers the potential effects that framing has on democracy, seeing it as contributing to content bias, which he defines as “consistent patterns in the framing of mediated communication that promote the influence of one side in conflicts over the use of government power.” This has far-reaching implications for democracy, because “those officials favored by the slant become more powerful” and “those who lose the framing contest become weaker” (ibid., 170).

Therefore, literature on framing suggests that when powerful elites are able to influence the framing of content for their own purposes it limits the views and interpretations available to the public. According to the Fourth Estate theory, the press would provide representation and education for all sections of society and play a watchdog role to hold power to account. Therefore, the omission of certain versions of events and the dominance of powerful sections of society would be counter to the Fourth Estate ideal.

In summary, it is through the tracking of the framing of reportage that this study will be able to build a comprehensive picture of the financial news standards and values that have been available to the public for the past three decades. This study aims to explore whether the financial press are ideologically neo-liberal and pro-business in its reporting practices, and thus, whether business interests are served over and above the ‘ordinary’ public. To do this the articles had to be read on several occasions (four times overall between March 2011 and March 2013) to identify the most salient topic – or topics, as they sometimes overlapped in the same article. The main ways in which the topics were discussed – the narratives used – and the language used to describe events, was identified and then coded within the main topic (the category)
using NVivo. Based on the rationale provided by Entman (2007), if the publications being analysed present topics, narratives, and discourses that are imbalanced and leave out ‘ordinary’ citizens this would limit democratic debate.

**Coding Main Topics**

According to Entman (1993), the first step in framing theory is to identify an event or issue. Second, the researcher must isolate an attitude to an event or issue that he/she wants to explore. Third, the researcher must compile an initial list of frames that becomes the coding schemes. The fourth step is to collect sources for analysis. Additionally, Chong and Druckman (2007, 108) argue that coding manually can pick up nuances that a computer might miss out when following “exact terminology” and “allows greater flexibility to discover new frames.” Chong and Druckman (ibid., 111) also determine a frame’s importance for individuals mainly by strength and repetition.

Using the rationale provided by Chong and Druckman (2007), the main topics were identified manually to pick up on nuances. The articles were coded twice between March 2011 and March 2012 to identify the main categories. As was described earlier in the Chapter, it was important to do this on two occasions, to ensure intracoder reliability and, therefore, some measure of validity. It was decided that each of the case studies, the 1990 recession, the dot com boom, and the GFC, would be the main events, or nominal valuables, under analysis. Some of the topics overlapped and were coded a few times in different categories. This way all of the main topics discussed by the publications were included, and the main areas of concern and overlapping debate became obvious. The most salient topics were the most referred to by each publication; this was also determined quantitatively by NVivo. This relates to Chong and Druckman’s (2007) theory that strength and repetition will have a greater effect on the public.

Content specifically for ‘ordinary’ people was defined according to the preferences that emerged from a poll of the London public conducted by City University—discussed in the first part of Chapter Three—which revealed that the public wants financial journalism for non-shareholders with minimal jargon on topics such as government spending, jobs, and personal finance (Schifferes 2012).
Coding Narratives

Several studies on the mainstream financial press in the US, the UK, and Australia have analysed the main topics and narratives that feature in financial coverage (Preston and Silke 2012; Rae and Drury 1993). However, the Pew Research Center’s (2008) comprehensive study on the US media coverage of the GFC, from January 2007 to June 2008, was the most instructive for this study. It tracked some of the main narratives that were employed by online, broadcast, and print media as a percentage of the news they collected—5,000 stories from 48 outlets. Through analysis of the stories, they tracked a shift in the narrative from the focus on housing and mortgages in 2007, to news about recession at the beginning of 2008. The economy is treated as the overarching story and subthemes are recorded, such as housing and mortgage problems, jobs, and gas prices. The study illustrates how manual analysis and coding is an effective way to identify some of the main preoccupations of the press.

Furthermore, by coding narratives the Pew Research Center (2008) also manages to reveal similarities in storylines and approach indicative of a certain level of groupthink. The line graphs that represent their data show how the various media outlets follow the same stories, often moving in tandem with similar trajectories for the narratives. Interestingly, it also found that newspapers covered the economy more than any other medium and that the public was interested in more economic coverage than the media offered. This has big implications for the future because, “The media that have covered the economy more extensively are the ones at the moment that are most in decline either in audience or in their revenue base” (ibid., 14).

Therefore, in addition to the identification of the main topics, it was also important to analyse the way the main topics were framed and the narratives that they built. Like the identification of the main topics, again the coder had to be rigorous and ensure on two occasions that the narrative being explained was being described and accurately represented. Identifying some of the main narratives would reveal, for example, whether or not financial journalists normalised neo-liberal free-market values and promoted pro-market values. It would also reveal the extent to which the stories
catered to the interests of democracy, providing a diverse range of interpretations on issues, which is a requirement of the criteria used to measure the quality of the content. This study will not only track some of the main narratives covered by the financial press, it will also be able to compare the narratives and subthemes across three publications, and identify any national narratives that emerge. In doing so, it will also be able get an indication of the level of transnational groupthink.

**Analysing the Discourse**

Discourse analysis is another qualitative way to analyse the content and identify the way narratives are shaped and language is used by the financial press. Discourse analysis seems to be more prevalent as a research method in the UK and Australia, than in the US, which is more concerned with quantitative data. Indeed, a qualitative analysis on the main issues and rhetoric used by the *New York Times* would be useful, especially given its prominence in setting the media agenda (Goidel and Langley 1995, 317; Wu et al. 2002, 24).

Two content analyses were relevant in selecting the methodology for the analysing of discourse in this study, and both are from Australia, Greenfield and Williams (2002), and Mickler (2012). Greenfield and Williams (2002, 3) deal with financial journalism in the context of what they refer to as its “rhetorical framework”, encompassing:

> Its techniques, arguments, audiences, occasions and outcomes in terms of the relations of power and knowledge within which it engages its audiences and contributes to their governance, that is, to the structuring of the possible field of their decision and action.

In this way, it embraces the larger spheres of influence that can affect news discourse, including “identification of media ownership” (ibid.). They argue that this approach goes beyond previous studies of the historical development of the Australian financial press, and the pressures and challenges that affect financial coverage (Schultz 1993), its sourcing patterns (Tiffen 1989), or the narratives that have informed it (O’Ryan and Shoesmith 1987). Instead, they build on studies, such as Gittins (1995), Craig (2001), and Schiller (2000) that also consider the impact financial journalism has on stock market fluctuations. Greenfield and Williams
(2002) focus specifically on the financial coverage in the aftermath of the terrorist attacks on the World Trade Centre on September 11, 2001. They track instances of rhetoric that support the financialisation argument, focusing on the investment opportunities that can be found in the crisis. The authors conclude that the way financial journalism is framed is influenced by financial and political elites that have pushed neo-liberal free-market values and encouraged the process of financialisation (discussed in Chapter Three). They present little in the way of empirical evidence, with only a few articles and journalists referred to, and no distinction between mediums or between specialist and mainstream publications.

Mickler (2012) builds on this approach more thoroughly and deconstructs the writings of conservative opinion-makers in Australian and Canadian mainstream newspapers. He illustrates the rhetoric they use to justify the legitimacy of capitalism and neo-liberalism. He shows how the commentators present the causes for the GFC as exogenous to the ‘market’ and they mainly blame a ‘culture’ of liberal attitudes. Moreover, he tracks a rhetorical discourse that places free-market ideology and capitalism in a “titanic moral struggle” with socialism and “liberal social reforms” (ibid., 15). Mickler analyses the discourse to pick apart the latent meanings behind the text. For instance, referring to Foster from Canada’s The National Post, he provides evidence that the author hails capitalism for creating global wealth, yet also manages to vindicate its role in the GFC (ibid., 16). In addition, Mickler (ibid., 18) argues that Foster tries to “preserve the innocence and sanctity of the ideal of the market.”

This study will draw on both the cited studies by examining the discourse of financial news within the broader political economy context, which appears to have so much influence on the news values that predominate in financial journalism. It will be able to identify nuances and patterns of meanings behind the content and reveal any change in journalists’ approaches to issues and ideology over the past 30 years.

Within each main topic (or category) that is identified, the coder read each article on two occasions between March 2012 and March 2013 to decide what the journalist’s view is – if there is one – and the journalist’s use of language. It will be important to explain and demonstrate the discourse that is identified during analysis by providing
By offering a systematic analysis of the discourse across three financial crises, it will fill the gap in longitudinal analysis identified by Benson and Hallin (2007, 28). The identification of underlining ideology and interests will complement the analysis of main topics, narratives, and language choices to explore the extent to which financial journalists have the capacity to unpick stories, minimise jargon, and tell the story to an ‘ordinary’ audience. It will also assist in establishing the extent to which financial journalists question their sources’ versions of events, criticise deregulation, and provide full accounts and explanations. Finally, it will also help to assess whether the publications followed similar lines or established a particular national discourse.

Overall, in its approach to content analysis, the study adopts the viewpoint of Griggs (1963) and Starkman (2009a), that the business sections of mainstream newspapers should provide forewarning to the public. Like Griggs (1963) and Starkman (2009a), it tracks the type and amount of ‘warnings’, and the ‘tone’ of reportage. Tracking the tone of coverage, as employed by Griggs (1963), Bow (1980), and Schifferes and Coulter (2012), it addresses key concerns that the financial media are too optimistic, and then too negative in downturns. The main sources of information will be coded, to measure the diversity of views and opinions that shape coverage. It also explores, through analysis of the narratives and discourse, whether the financial press provides a diverse range of views and interpretations of events. It will also track whether mainstream financial reportage has been framed for business at the expense of the wider public (Greenfield and Williams 2002; Mickler 2012; Preston and Silke 2012). Each of these approaches to content analysis will address the other main aim of the study—to see whether the financial press plays a Fourth Estate role for the public through education, enlightenment, and through holding power to account.

**Methodology for Practitioner Interviews**

As stated at the start of this Chapter, this study has a dual focus: first, to analyse patterns of reportage across three financial crises; and second, to examine the role of individual financial journalists within a larger industry that has grown exponentially
since the 1980s. To achieve the second aim it was essential to speak with practitioners who could discuss standards and patterns of reportage, comment on changes over time, and put them into the context of patterns of change within the media industries themselves.

According to Hansen et al (1998, 94), the “classic studies of news production” combine content analysis “of the ‘product’: the news” with interviews with professionals. Also, Ewart (2004, 100) explains the importance of interviews with practitioners:

> Because the media is a key cultural institution (Carey, 1997), it is important to discover how journalists construct or imagine themselves and, by extension, their practice and the world around them.

Thus, in addition to content analysis, it was deemed necessary to speak with practitioners with experience in reporting finance, business, and economics to ascertain the extent to which changes within the media industries have impacted on the practice of financial journalism. Furthermore, because the study is longitudinal, there is the capacity to engage with practitioners about trends that have developed over three decades and build on their knowledge base for recommendations for the future practice of financial journalism.

Some important surveys and interviews with financial journalists have taken place since the 1960s. Most of the surveys and interviews have been prompted by the concern that finance journalism is failing the public by no longer fulfilling the role of independent watchdog. They shed light on some of the pressures that have been increasing in the industry over the past few decades.

Hubbard (1976) produced one of the earliest surveys in the US in 1965, and again in 1975. Both were surveys of business and financial editors in the Editor & Publisher International Yearbook. A comparison of the results of both of the surveys found that popular interest in financial news increased in the decade from 1965-1975; large newspapers had increased the numbers of investigative stories, but smaller-to-medium sized newspapers were tightening the budgets of their financial news desks; and staffing levels remained constant, or declined in some cases, despite the surge in demand for financial news (ibid., 488). Therefore, by the 1960s, a survey with practitioners had already identified key ethical challenges and pressures, which
would continue to plague the industry over ensuing decades. According to the survey, the following challenges were identified:

- Extra demand on the financial journalist’s day-to-day practices, as financial desks suffered from increased demand for output while coping with fewer staff;
- Increased time pressures reducing the time available for face-to-face interviews (ibid., 491);
- Increased pressure from the “front of the office” to tailor reportage to suit advertisers, leading to puff pieces and the suppression of bad news (ibid., 492); and
- A lack of education and training.

Hynds (1980, 297), in another US-based survey, examined financial journalism in 186 newspapers. Of this group, over 75 per cent had a daily page or section devoted to business coverage, but this was a recent development of the past five to ten years. Less than one third of the publications had full-time staff assigned to the financial beat, preferring to use outside syndicated services, and only 40 per cent have a business editor. He also found that 76 per cent use wire services and 70 per cent use PR for coverage. His interviews with journalists identified some more optimistic but perhaps unrealistic trends that the practitioners flagged for the future, including more business coverage, more coverage geared to the average reader, and less reliance on PR services. The study also revealed that journalists overlook historical evidence for emerging economic trends, and tend to report in such a way as to heighten anxiety about the economy when it is unnecessary.

In the UK, Doyle (2006) and Tambini (2010) conducted two sets of important interviews. Doyle (2006, 434) conducted interviews with journalists and also observed news meetings, noting that “relatively little discussion has taken place within academic literature about issues and features that are specific or particular to this area of journalism.” Her results reveal links between day-to-day work practices and increased ethical challenges and pressures. While the specialist media may have the capacity to produce in-depth material, in contrast mainstream papers are dealing
with restrictive working environments. As a result of the quality gap between specialist and mainstream coverage of business, corporate malfeasance goes undetected and the duty to encourage a “sound public grasp” of “the significance of financial and economic news” is neglected (ibid., 433). Importantly, Doyle suggests that ideology within mainstream publications needs further research.

Similar to those noted by Hynds (1980), Doyle (2006) identifies the following challenges:

- The rise of corporate ‘spin’, which the interviewees identify as an area that is “endemic to the field” of financial journalism (ibid., 443). Journalists agreed critical distance from sources is necessary;
- She also says “little commitment to training is available to support journalists working on the business sections of many mainstream newspapers in the UK”, which means they often need to learn necessary skills on the job (ibid., 441);
- Time constraints that can consequently mean that financial journalists rely more on information from sources, and especially analysts who are not always “disinterested” (ibid.);
- A lack of editorial resources and willingness to support investigations that have uncertain outcomes. This means that Enron-type scandals are likely to happen again;
- Mainstream newspapers provide limited economic news, which focuses more on personal finance and political angles to capture a lay readership (ibid., 443); and
- She identifies a pro-market ideology, but sees it as part of the daily commercial and practical realities that financial journalists face.

Furthermore, her comment that “the approach of journalists elsewhere and in the mainstream of news reporting is an interesting question that deserves attention in future research” provides endorsement for the approach proposed for this transnational longitudinal study of mainstream financial press (ibid., 446).
Tambini’s (2010) interviews with financial journalists, editors, and their lawyers, in the UK and the US, was prompted by the fact that the banking industry was largely ignored by the financial media before the GFC. Like Doyle’s (2006) study, Tambini (2010, 158) analysed the working practices of financial journalists, but with a specific aim to “understand the framework of law, regulation, self-regulation and professional incentives.” Tambini concurs with the view that the financial media are endowed with a watchdog role, which brings with it certain legal privileges. The following challenges that might prevent financial journalists from performing a watchdog role were identified through the interviews:

- More time pressures means more professional pressures on the capacity to obtain editorial oversight, contact more sources, and implement appropriate verification standards (ibid., 165);
- A more complex financial system with complex financial products means specialist knowledge is needed, especially to retain independence from sources (ibid., 166);
- Business and financial PR has increased and is now better resourced than the financial journalism industry, which further impacts on quality (ibid., 167);
- Commercial pressures means less willingness to fund potentially risky investigative pieces (ibid., 169); and
- Defamation law and FOI laws in the UK have a chilling effect on financial journalists (ibid., 170).

In Australia, some interesting research has also been done on news practice, although few studies have been devoted specifically to financial news coverage. Tiffin (1989), Matolcsy and Schultz (1990), Henningham (1997), and Kitchener (2005) all interviewed practising journalists. Matolcsy and Schultz’s (1994) study was of particular value to this study, with its focus on understanding inaccuracies in reporting, and the internal and external ethical and intellectual pressures that might explain this. The study built on research conducted by Schultz (1990), which had aimed to “quantify the extent of reported inaccuracies” within 13 Australian newspapers, and then identify their level of “open systems of accountability”, as well
as their “attitudes and policies” towards the reported errors (Matolcsy and Schultz 1994, 335).

To understand the inaccuracies found in 1990, Matolcsy and Schultz sent questionnaires to 320 financial journalists, of which 105 replied. They included 128 questions and addressed “four key propositions” that could explain reporting errors: first, that financial journalists receive poor training; second, that they do not keep up with professional and academic developments; third, that they are under pressure from media owners, editors, and colleagues to report issues in a certain way; and fourth, that they are influenced by external sources, such as those from business and politicians to report on things their way (ibid., 341-342). They found that nearly 60 per cent of the journalists had tertiary educations, but only a third had relevant financial qualifications (ibid., 341). Only a third “received on-the-job training” (ibid., 342). There was a strong commitment to their company’s commercial considerations, but their editor was more likely to influence their coverage than their proprietor. Last, they found that indeed business journalists are susceptible “to ‘capture’ by their sources” (ibid., 343). Reporting choices, they discovered, were mainly shaped by business contacts, industry researchers, and competitors. Furthermore, another “external-intellectual” influence appeared in the form of the “Treasury view”, which, when coupled with their own personal and political leanings, could possible lead to subjective errors (ibid., 345).

Kitchener (2005, 41) also conducted interviews with ten practitioners of investigative financial journalism, in order to explore some of the challenges that prevent journalists from “serious business investigations”, especially in the age of the Internet. Like Doyle (2006), Kitchener (2005, 49) notes that “to date there has been little research into Australian business journalists.” Kitchener (ibid., 43) sets her research apart from Matolcsy and Schultz (1994), arguing that they do not consider “newsgathering techniques in any depth.” However, she conducts semi-structured interviews that focus on newsgathering and investigation of business in particular. She also researches the journalists’ “perceptions of major impediments to their journalistic practice” (ibid.), an area of concern that Matolcsy and Schultz deal with in great detail. She tracks the growing challenge from corporate PR, which she argues acts as a neutraliser to “any advantages that information technology affords journalists” (ibid., 53).
Therefore, the literature reveals a range of ethical challenges that develop from the 1960s and continue with rising momentum into the 2000s. From the studies already done it was possible to distil a composite list of ethical issues and challenges to the practice of financial journalism that can be examined comprehensively over time. They include:

- Editorial pressures to report positively and uncritically;
- Pressures to consult certain types of sources for information;
- Rising PR influence;
- Commercial interests;
- Increasing time pressures; and
- A lack of training for financial journalists to cope in a digital and complex financial environment.

This study will make a few departures from others that have gone before it. First, it will draw its conclusions from practicing financial journalists in three different countries for comparative purposes. Second, it will discuss with practitioners the conclusions from a content analysis that spans three decades. Therefore, any conclusions and suggestions that are made will be based on long-term patterns of reportage and pressures. Third, the practitioners will be asked to reflect on the impact of ideological and industry pressures that were tracked in Chapter Three and are enumerated above. Therefore, it is hoped that practitioners will provide some industry-relevant conclusions and suggestions for improvement going into the future.

However, it is important to be transparent about the collection of data to provide a degree of trustworthiness. Although the study would have like to get as broad a range of opinion as possible, it was only possible within the time and logistical constraints of this project to interview four practitioners in each of the countries under analysis, the US, the UK, and Australia. While this is not an extensive enough sample to answer the second research question about industry practice categorically the data does provide some interesting insights that illuminate some of the results from...
content analysis. At the very least, they indicate what areas and issues in the industry might warrant future research.

The practitioners were selected using a purposive sampling strategy. This was because the subjects needed to have a connection with the publications involved in order to provide an insider perspective on the content, and they also had to have had careers long enough to have witnessed changing practices over three decades. During the selection process some potential candidates were difficult to reach and some did not have the time to participate. Also, at least three of them – Starkman, Roush, and Schifferes – are notable experts as academics now and might be viewed as academics who have already thought deeply about some of the issues being discussed. While this method does not produce results that can be generalised to a population (Patton 1999, 1197), this method is useful to provide an alternative perspective on issues raised through the content analyses. The project was approved by the Murdoch University Human Research Ethics Committee. The interviews ranged in length from thirty minutes to one hour thirty minutes. They were, therefore, quite in-depth. The practitioners were encouraged not only to discuss the main conclusions from content analysis with me, but also to provide their own examples and experiences too. Past studies and their findings, in addition to some of the literature discussed in Chapters Two and Three, were also discussed where relevant. The full list of questions used during the interviews is available in Appendix D (see page 421). Each interview took place over the phone, using audio equipment within a radio studio on Murdoch University campus. Each interview was transcribed, within two days by this researcher and sent to the interviewee along with an ethics approval form for signature. Full versions of the transcripts are available for each interview if requested.

The present and former financial and economic journalists and editors who were interviewed are listed in Table 5 below.
Table 5. Practitioners Interviewed for the Study

<table>
<thead>
<tr>
<th>Name</th>
<th>Country</th>
<th>Affiliation</th>
<th>Previous Affiliations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter S. Goodman</td>
<td>US</td>
<td>Executive business editor, <em>Huffington Post</em></td>
<td>Economics correspondent at the <em>Washington Post</em> and <em>New York Times</em></td>
</tr>
<tr>
<td>Chris Roush</td>
<td>US</td>
<td>Founder of the Carolina Business News Initiative</td>
<td>Editor-in-Chief, SNL Financial LC, business writer at Bloomberg News</td>
</tr>
<tr>
<td>Dean Starkman</td>
<td>US</td>
<td>Editor at the Audit, Columbia Journalism School</td>
<td>Former financial reporter at the <em>Wall Street Journal</em></td>
</tr>
<tr>
<td>Greg David</td>
<td>US</td>
<td>Lecturer at the Central University of New York school of Journalism</td>
<td>Editor at <em>Crain’s</em>, a specialist business publication in New York</td>
</tr>
<tr>
<td>Steve Schifferes</td>
<td>UK</td>
<td>Marjorie Deane Professor of Financial Journalism at City University, London</td>
<td>Economics editor at the BBC</td>
</tr>
<tr>
<td>Andrew Palmer</td>
<td>UK</td>
<td>Finance editor at the <em>Economist</em></td>
<td>Research at the Economist’s sister company, the Economist Intelligence Unit</td>
</tr>
<tr>
<td>Ian King</td>
<td>UK</td>
<td>Finance editor at the <em>Times</em></td>
<td>Finance reporter at the <em>Guardian</em> and the <em>Sun</em></td>
</tr>
<tr>
<td>Ross Gittins</td>
<td>Australia</td>
<td>Economics editor at the <em>Sydney Morning Herald</em></td>
<td></td>
</tr>
<tr>
<td>Alan Kohler</td>
<td>Australia</td>
<td>Chief executive of <em>Business Spectator</em> and host of <em>Inside Business, ABC</em></td>
<td>Editor at the <em>Australian Financial Review</em> and the <em>Age</em></td>
</tr>
<tr>
<td>Colleen Ryan</td>
<td>Australia</td>
<td>Now retired</td>
<td>Editor at the <em>Australian Financial Review</em>, business reporter, <em>Sydney Morning Herald</em></td>
</tr>
<tr>
<td>Paul Cleary</td>
<td>Australia</td>
<td>Senior reporter on economics and politics, the <em>Australian</em></td>
<td>Reporter at the <em>Sydney Morning Herald</em> and <em>Australian Financial Review</em></td>
</tr>
</tbody>
</table>
Conclusion

Overall, the study is designed to provide information relating to the key areas of concern: the nature and style of financial reporting over three decades, and if and how mainstream financial journalism has changed; the extent to which the information provided by mainstream financial journalism keeps the general public appropriately informed and warns before periods of economic crisis; and the level of independence of the financial press from business. It would benefit from intercoder reliability, and more interviews to establish validity, but the author aims to be as transparent as possible to establish, at the least, a level of intracoder reliability. The study design also provides enough scope for the main ethical challenges to be examined, with the content analysis supplemented by interviews with journalists in the three countries of study to get an insight into the realities of their everyday practice.

The exercise was limited in scope by the practicalities of what could be accommodated within a three-year period of study. It could usefully be expanded in future to incorporate more mainstream publications, as well as a comparison with specialist financial publications. A comparison with broadcast and online content would also be useful. Given the limitations the chosen publications represent a sample of quality influential finance journalism from three countries and are well suited to testing the extent to which they fulfil the brief of communicating with the ‘ordinary’ public, countering the interests of business, identifying malfeasance, and sounding alarm bells when necessary.

The following three Chapters present the results from the three case studies.
Chapter Five

Case Study I: The Recession we “had to have”:
November 1988-January 1992

Nothing less than the highest ideals, the most scrupulous anxiety to do right, the most accurate knowledge of the problems it has to meet, and a sincere sense of moral responsibility will save journalism from a subservience to business interests… (Pulitzer 1904, 655).

Introduction

This Chapter presents the results of the content analysis component of this research project. It comprises the first of three case studies focusing on the character and quality of financial reporting of the 1990 global recession, the dot com boom of 2000, and the GFC of 2008 respectively. The socio-cultural and political economies of the US, the UK, and Australia, in the years leading to the 1990 recession, are considered as part of the context that influenced financial journalism standards and practices. Content is then analysed quantitatively and qualitatively to measure the standards of reportage available to the public.

The 1990 Recession: An Overview

It is through the lens of over-consumption and inflating asset prices that one can understand former Australian Prime Minister Paul Keating’s statement, which the 1990 economic downturn was “the recession we had to have” (Doogue 2006). However, the 1990 recession was not confined to Australia. It was widespread and felt simultaneously across most developed economies. In 1990, the unemployment rate in all Organisation for Economic Co-operation and Development (OECD) countries was at a ten-year high. The countries hit hardest were Australia, the UK, the US, New Zealand, Canada, and Finland (OECD 1991, 1).
In addition to a recession, the developed world economies of the OECD had something else in common, the recent floating of their exchange rates and the deregulation of the financial industry. This process was a part of the neo-liberal movement that favoured deregulation of industry, championed during the 1980s by influential politicians, such as US President Ronald Reagan and UK Prime Minister Margaret Thatcher. As a result, governments ceded control of some key industries with flow-on effects to ordinary households. This was just the beginning—the global deregulation of the telecommunication industry during the 1990s and then the banking industry, through the repeal of the Glass-Steagall Act in the US in 1999, would continue this process. Moreover, the financial press, while simultaneously developing its own identity as it grew as an industry, evolved in lockstep with the prevailing ideology of the time. Parsons (1989) and Matolcsy and Schultz (1994) document the extent to which the financial press toed the line of neo-liberal orthodoxy in the US, the UK, and Australia.

The 1990 Recession: The Politics

The Reagan era is over, but the ideology that animated it continues to hover, like a Cheshire cat’s smile, above the landscape of American public policy (Silk 1989, 1).

It is difficult to ignore the decade of politics before the 1990 recession. This is not only because stalwarts of neo-liberalism like Reagan and Thatcher enacted some pivotal economic and business-related policy changes, but also because the neo-liberal undercurrent that characterised them would soon become a movement and a prevailing orthodoxy for the next three decades. Indeed, such an ideology, which supported deregulation of industry and privatisation, was needed to support the growing momentum of globalisation.

Financial deregulation was growing rapidly in all OECD countries in the 1980s. Moreover, there was a “wave of liberalization” and “increased reliance on the market”, which was exacerbating economic volatility (Hviding 1995, 30). Some of the common reforms occurring across the OECD countries included “the removal of most controls on credit, bank charges and interest rates, liberalization of market-access, and the abolition of restrictions on the movement of foreign exchange”
Also, this liberalisation process happened quickly and effectively by the 1980s in the US, the UK, Australia, and New Zealand (ibid.).

All the changes that took place make it difficult to define the 1990 recession as an economic event, as there is still no one obvious cause for any of the countries that were affected (Hall 1993, 275). Instead, Hall attributes the recession to contractions in all areas of investment across the globe. The list of possible causes he compiles illustrates the wide and varied factors that can be taken into consideration when assessing the 1990 global recession (ibid., 278):

1. There was a price shock, and stabilisation policy depressed real output to limit inflation from shock.
2. Monetary policy switched to a lower target for nominal growth.
3. Government purchases of goods and services declined.
4. Tax rates increased.
5. There was a negative shock to aggregate technology.
6. Regulatory changes reduced the intermediation provided by banks.
7. Changes in the world economy had a negative effect on US output.
8. There was a spontaneous decline in consumption.

The next section will look in more detail at the situation in each of the three countries in the present study: the US, the UK, and Australia.

The United States

In the US, a consumption shock has been blamed as the main cause of the recession there. Blanchard (1993) tracks the consumer confidence index and he explains that, unlike other recessions, the decline in consumer confidence seemed to precede official data indicating actual economic decline. This could indicate that consumers were anticipating a recession or negative factors in the economy, perhaps in part arising from the consequences of the invasion of Kuwait by Iraq in August, 1990. These fears were justified, as the average net worth for families in the 1990s dropped by US $181 billion (Davidson 1992, 11).
By way of contrast, the 1980s, dominated by Reagan’s administration, were defined by the burgeoning neo-liberal philosophy he promoted that favoured low interest rates to fight inflation instead of dealing with rising unemployment. This neo-liberal philosophy was then inherited by George H.W. Bush who occupied the Presidency into the early 1990s. It is important to note that the neo-liberal philosophy grew in popularity at a time when stagflation was dragging down the economy in the 1970s. It was then that “market rhetoric began to build” and socialism waned (Silk 1989, 1).

In its place, a new vision started to materialise “helped along by wealthy lions of the right…They put their money into conservative think tanks and foundations and chairs of free enterprise, giving platforms to those willing to make the case for a purer, less fettered capitalism” (Silk 1989, 1). Indeed, Silk (ibid., 2) blames the new deregulatory stance and ‘unfettered capitalism’ for the savings and loan crisis that contributed to the economy mired in recession, in 1990: 12 “The savings and loan catastrophe came about because thrift institutions were given incentives to play around irresponsibly with federally insured money.” He explains that the Savings and Loan Insurance Corporation approached the government for more funding to supervise the newly “liberated” industry, but they were told, “the market would take care of everything” (ibid.).

Indeed, throughout 1991, Davidson (1992, 8) argues it was the “do-nothing neoliberals” that supplied the rationale for President George H.W. Bush’s unwillingness to combat the recession. More importantly, he argues that the media employed this rationale too and presented it as “conventional wisdom” (ibid.). Referring to the upcoming 1992 US Presidential elections, Davidson discusses what he calls the “usual gang” of experts used by the media and Congress to explain the economic situation. He separates the “gang” into five categories (ibid.). Four espouse neo-liberalism and just one provides support for Keynesianism, which at this time

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12 The savings and loan crisis affected most savings and loan institutions in the US from 1985 onwards. The institutions were liberalised during the early 1980s, and in particular in 1980, by the Carter administration, and in 1982, by the Reagan administrations, giving the institutions powers to act as banks—accepting and using depositor money—with minimal regulation. They proved to be fraudulent both in their accounting practices and the unethical way they attracted investors. The Federal Deposit Insurance Corporation provide a comprehensive bibliography of books and articles relating to the nature and consequences of the savings and loan crisis (see: http://www.fdic.gov/bank/Historical/s&l/).
had been pushed out of favour by “deficit phobia”, even though it is the only approach Davidson considers as a way out of recession (ibid.).

Therefore, by the early 1990s, politicians in the US favoured a hands-off approach to directing the economy. This was manifested in deregulation of industry, notably the financial industry, and a preoccupation with letting the market solve any market fluctuations, with the view that the economy would regulate itself. This new status quo was supported by financial journalism, which used experts that favoured this approach to managing (or in this case not managing) the economy.

The United Kingdom

Former UK Prime Minister Margaret Thatcher is now associated with “the greatest period of deregulation in modern British history” (Bolick 1995, 527). Arguably the UK counterpart to Reagan across the Atlantic, she embraced and encouraged the neo-liberal economic approach that was taking off in the US. Soon after her inauguration in 1979, she promulgated a budget, which cut public spending by three per cent and reduced regulation. She also ended price, wage, dividend, and currency controls (ibid., 535). She oversaw the overhaul and restructure of the British economy, pushing individual entrepreneurship and empowerment through privatisation and deregulation. By 1991, 50 per cent of the industrial sector had been privatised and 20 per cent of the population were shareholders (ibid., 545).

Thatcher adopted an approach (not dissimilar to Reagan’s) that promoted low inflation instead of low unemployment and developed a “rhetoric championing individual responsibility and freedom; and ‘popular capitalism’” (Rae and Drury 1993, 333). This embodied a philosophy that the public understood. The ‘populist message’, Bolick (1995, 534) argues, was primarily a message about patriotism, and one that imbued the Conservative party with a cause that appealed even to the “working-class voters.” The lifting of morale and the sense of individual purpose that Thatcher inspired is perhaps best evoked in her speech at her first party conference as opposition leader, in 1975:

Let me give you my vision: a man’s right to work as he will, to spend what he earns, to own property, to have the state as servant and not as master: these are the British inheritance. They are the essence of a free
country, and on that freedom all our other freedoms depend (cited in ibid., 533).

The concept of ‘popular capitalism’ was defined by privatisation and the role the public played in buying shares (ibid., 540): “Shares were marketed aggressively not to major investors but to “Sid,” the prototypical average British share-purchaser featured in television promotions…” (ibid., 541). Thatcher contrasted the public’s benefit from this system with the lack of opportunity offered in a stagnating economy and less prosperous times, which Thatcher equated with ‘dark’ Marxism, as her election pitch made clear:

This is a historic election. For the choice facing the nation is between two totally different ways of life. And what a prize we have to fight for: no less than the chance to banish from our land the dark, divisive clouds of Marxist socialism (cited in ibid., 539).

Thatcher’s policy changes and the populist ideology that set them in motion soon became the bedrock of British politics for the next two decades. Bolick (ibid.) argues that Thatcher’s legacy left an indelible impression on Tony Blair’s incoming Labour party, in 1997:

…Socialism seems permanently vanquished, a new generation of Conservatives plans further advances against the welfare state, and even the opposition Labour Party now concedes basic premises about the virtues of markets and individualism.

Subsequently, the Labour party changed its charter by deleting a commitment to “common ownership of the means of production” in favour of equality of opportunity within “the enterprise of the market and the rigor of competition” (Barbash, cited in ibid., 546). The concepts of deregulation of industry, public share-ownership, and Thatcher’s overall message were popularised in the media, through television programs like Freedom to Choose—which pushed Milton Friedman’s free-market philosophies—and by the mainstream press (Bolick 1995, 541; Parsons 1989, 209).
Australia

As the 1980s saw the spread of deregulation in the US and the UK, so deregulation was also taking off in Australia (Fitzgibbons 2006, 371). The financial sector had recently been deregulated and, according to Toohey (1993, 33), this constituted a major reason for the speculative boom of the 1980s. This contrasts with the Australia’s “heavily regulated” financial system that was in place from the Second World War right up until the late 1970s (Fitzgibbons 2006, 371). Up until the 1980s, industries in Australia had been heavily regulated, especially the banking industry, which was regulated by the central bank—the Commonwealth Bank and then the Reserve Bank in 1959. Fitzgibbons (ibid., 372) states that such regulatory powers were in keeping with Keynesian theory, which advocated regulatory responsibilities of government.

However, during the 1970s, economic liberalism that favoured minimal regulation, or economic rationalism as it is known in Australia, overtook Keynesianism in popularity. Unlike the US, where banks strongly supported internationalisation beyond local markets, the banking industry in Australia was initially more ambivalent and insular in its attitude towards deregulation of industry (ibid., 376). It was during the 1980s, and “when the push for deregulation was well underway” that Australian banks finally became interested in foreign expansion (Henningham 1997, 46). Indeed, the 1980s saw the floating of the dollar, which occurred in 1983 under the Hawke Labour government, and the deregulation of labour markets.

Furthermore, in the 1980s, the press was espousing the ‘rationalist’ theory of market prevalence. Toohey (1994, 214) quotes veteran political journalist Paul Kelly who says, “…the Canberra press gallery in the 1980s, was essentially what I would describe as ‘economic rationalist’.” Paul Keating, Treasurer in the 1980s and then Prime Minister from 1991-1996, pushed this line of thinking, and did not hesitate to use the press to this end: “To Keating, communication meant treating journalists as mere ciphers for his view” (ibid., 221). Indeed, financial journalist Alan Kohler describes a financial press in this period that was not astute enough to recognise how it was being manipulated:

When economic clothes are used to disguise ideology from either the right or left of politics and get it through the back door, because
Australian journalists do not understand economics from dogma, then that needs to be exposed. The media has not exposed this enough (cited in Schultz 1993, 7).

The 1990 Recession: Financial Media and Business

Before the advent of Internet, social media, the 24-hour newsroom, and the blogosphere in the 1990s, financial news was still quite self-contained as one journalistic round trying to carve its own niche in the media industry. As noted in Chapter Two, it did rise in prominence throughout the 1970s and 1980s, and it was seen less and less as journalism’s “ugly stepchild” (Lewin 2002, 19). The public affinity for financial news began in the 1970s, as shown in Hubbard’s (1975, 488) survey of all the newspaper business and financial editors in the US “editor and publisher international yearbook.” The survey results indicate that the new interest in the business news section came from a growing desire in the general public to understand how business and the economy were affecting their day-to-day-lives. Quoting a business editor from the survey, Hubbard (ibid., 489) explains that “Laymen realize that governmental policy decisions on the economy have a direct impact on them.” For instance, “They want to know why Joe was laid off from the local widget plant, and why the natural gas company is increasing its rates by yet another 25%” (ibid.). There is a clear consensus from the survey that the public increased the demand for business journalism and, more specifically, the kinds of explanations it can offer to better understand their everyday lives.

Therefore, in the 1970s, a clearly democratic role was bestowed on the financial press. Hubbard’s 1975 survey revealed that the public needed the financial press to translate for them what was actually happening in business and the economy. As one business editor in the survey explained, “The experts, political and economic, do not know the answers. Hence more people are looking for their own explanations and relying more on their newspaper to help them understand” (ibid.). The survey demonstrated that the financial press was not only needed to act as a purveyor of business and economic information, but it was needed to decode and decipher highly important information demanded from the public. Indeed, Schultz and Matolcsy (1993, 31) argued that, “As the public would appear to have difficulty in comprehending these issues, and their significance, journalists covering these areas...
have a particular responsibility to explain the rhetoric and the jargon.” It is interesting to note that the following year Brian Toohey (1994, xiii) was writing about the “inroads that economic jargon had achieved in Australian public life.”

However, the results from Hubbard’s (1975) US survey also reveal the kinds of ethical problems that were already, in this early stage of financial journalism’s development, starting to confront editors and journalists on the financial news desk. Hubbard (ibid., 492) cites some of the following constraints: lack of time, lack of editorial identity, lack of front office support, reporter’s competence as suspect, and commercial pressure from advertisers. Increased spending on advertisements also had a direct effect on the topic chosen by financial journalists and the way the subject was presented. Parsons (1989, 210), citing a presenter on Wall Street Week, Louis Rukeyser, suggests that financial journalism, as a result of advertising interests, covers its subjects either superficially or “in an occasional mood of crusading.” Rukeyser laments that as a consequence of superficial coverage the public is not being served properly, nor “are most newspapers doing the job they should be doing in helping the average citizen better understand the way in which the economic system really works” (ibid.).

Likewise, Dreier (1982, 118) argues that while the press had held business to account through investigation in the 1960s and 1970s, by the 1980s business had started to mobilise to fight against a negative image of business in society, and specifically in the press. It employed a “five-pronged campaign” to influence society and produce discourse in its favour: it cultivated courses at major universities to provide education for the financial press, which it thought was lacking; it started to found think-tanks that would act on its behalf as “sources” and “experts”; it started awards for favourable coverage, such as the Loeb award in the US; it fostered meetings between business and media executives; and it produced advertising campaigns (ibid., 124-129). In addition, strengthening Hubbard’s survey results, Dreier underscores the challenges that were increasingly limiting journalists’ autonomy.
from business. It was suffering from lack of time, limited staff and source access, and ideology that assumed “responsible capitalism” was the only way (ibid., 114). Therefore, in the US it is clear that things were changing in the early 1980s, as the financial press increasingly identified with business interests and reflected the prevailing economic orthodoxies. A survey of business editors and journalists in the US found that half of the financial journalists surveyed (at 186 newspapers) wished to “foster the development of the free enterprise system” (Barkin 1982, 299). Likewise, as it was previously noted in Chapter Two, during the 1980s, the financial press used information and quotes from sources that supported deregulation of industry and a thriving stock market. Academics were disregarded in favour of “tipsters” who provided tips on the stock market (Parsons 1989, 8). This contrasts with the previous two or three decades “in the 1960s and 1970s when leading economic gurus were in demand” (ibid., 207). Parsons (ibid., 213) prophesises, notably during the 1980s, that the move away from scholars indicates that the financial press will become “participants and ‘puffers’” instead of “observers”, as well as “extensions of PR companies” instead of “independent commentators.”

There was a similar shift in approach to financial journalism in the UK, in the 1980s, alongside the emergence of ‘popular capitalism’ that came with privatisation of big companies, like British Telecom. This included coverage on television: “This growth of business coverage on British television in the wake of Mrs Thatcher’s ‘privatisation’ programme is … a measure of significant cultural change in attitudes towards money and profits…” (ibid., 209). Parsons (ibid.) sees this as part of a shift towards more “popular financial journalism”, which started with the personal finance column from the mid-1960s.

In Australia also, the financial news media “emerged as particularly significant in the 1980s as economic issues took centre stage in government” (Henningham 1997, 45). This can be seen in contrast to the “relative neglect of finance” before 1980 (ibid.). As in the US and the UK, there was pressure to adhere to economic orthodoxy, and specifically neo-liberal government policies that included deregulation. For instance,

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13 Dreier (1982, 116) explains that having a limited assumption about the world is a symptom that is mostly suffered by mainstream media, as smaller publications like Mother Jones and The Nation look at issues that the mainstream media tend to ignore until the story has been broken. The unspoken worldview is “responsible capitalism” (Gans, cited in ibid.).
the Treasury’s stance has been cited as one reason why financial journalists approved the floating of the Australian dollar and the deregulation of the financial and labour markets (Henningham 1997; Matolcsy and Schultz 1994).

Kitchener (1999, 229-230) tracks the Australian media’s coverage of entrepreneurs, such as Christopher Skase, head of Quintex, which collapsed in 1991, and Alan Bond who did business with Chile’s dictator Augusto Pinochet, and the uncritical nature of this reportage throughout the 1980s. She also argues deregulation in Australia, in the 1980s, was responsible for its newfound connection to the global economy, increased levels of business coverage, and growing public interest (ibid., 231).

**How the Reporting of the 1990 Recession has been Measured Before**

Previous studies on media coverage of the 1990 recession use methodologies like audience research techniques, framing, and rhetorical analysis. They have revealed a press that provided minimal forewarning of impending problems to the public and coverage that was too negative given the economic reality. There have been no studies of the sources used to frame the 1990 recession, but a study on the 1987 market crash that preceded the recession reveals coverage framed by elite sources of information that limited debate on the likely causes of the crash.

According to Fintzen and Steckler (1999), in the US, the 1990 recession was difficult to predict because of deficiencies in the data at the time and the fact that it had different characteristics to previous recessions. However, they also argue that the recession could have been forecast if reports had looked at more varied data and had not included the forecasters’ own biased assumptions. They analysed reports published in *Business Week*, the *Wall Street Journal*, and other more official economic forecast reports from the end of 1989 to the end of 1990. They calculated the mean GNP predictions from every survey and found that a recession was not predicted (ibid., 310). In August, 1990, after the Iraq invasion of Kuwait and a consequent rise in oil prices, forecasters started to predict a faster slowdown in economic growth, and by September a short recession in 1990 was finally predicted. Fintzen and Steckler (ibid., 317) describe a situation that was not fully grasped by those telling the story, including the financial press.
Looking at the evidence retrospectively the official economic data shows that a peak and drop in economic growth occurred in May, 1990, providing a clear forewarning of a downturn. However, data available at the time did not provide this clear picture and the situation did not become clear until November, with the release of September figures. In addition, the GNP figures were wrong. Whereas data available to us now indicates that real GNP was in decline by the third quarter of 1990, data at the time, published by the Department of Commerce, indicated that it had grown by 1.8 per cent: “In other words, the early data showed an economy that had appeared to be much stronger than it actually was” (ibid., 315). Despite this, Fintzen and Steckler maintain that the recession was predictable, but to do so the data must be diverse and varied. They argue that some forecasters focus more attention on their own assumptions than on the data they observe.

Wu and others (2002) study of the 1990 recession, again in the US, underscores the importance of media coverage of the economy during an economic downturn. They examined content from the New York Times from January 1987 to January 1991, and then from January 1991 to 1996, which encompassed an upturn, downturn, and recovery period in economic growth. Peoples’ perceptions were measured by the US Consumer Research Centre of the Conference Board. The state of the economy in the US was measured through the Economic Index (ibid., 25). Their study found a correlation between the attitudes of the press, the public, and the movements in the economy during this period. The public pay increased attention to the media during a downturn in the economy, and the media closely reflect the public perception in a downturn (ibid., 30).

Another US study of the 1990 recession, by Goidel and Langley (1995), argues that the tone of the coverage was more negative than was warranted by the actual economic situation. They compared the tone of articles from the New York Times (arguing that it is an agenda-setting publication) with economic factors in a regression equation, including the level of inflation, level of unemployment, change in inflation over 12 months, change in unemployment over 12 months, and GDP percentage change from the preceding quarter. The analysis reveals that the tone of the coverage of the economy in the years 1982, 1991, and 1992, which are affected by a recession, are different to coverage of the economy in years unaffected by recessionary characteristics. In the years preceding the recessionary years of 1982,
1991, and 1992, the media did not act like “police patrol” but instead acted as a “fire alarm” when the recession began (ibid., 325).

In addition to studies on content, frequency, or tone of the 1990 recession, a study of the 1987 stock market crash, only a few years before the recession, established the kinds of sources used to frame that financial event. In their analysis of 167 stories selected from CBS Evening News, Newsweek, the Wall Street Journal, and the New York Times, Lasorsa and Reese (1990, 60) found that the print media used Wall Street sources the most, but that all three outlets “favor high prestige sources.” The authors make the important point that, “Audience members, however, cannot judge sources they do not hear” (ibid.).

They also focus on another feature of financial reportage, namely the fact that media tend to follow the same story, a phenomenon the authors call “media convergence” (ibid., 62). The fact that media tend to copy one another has a highly negative influence when the same sources are used and, thus, the impact of their viewpoint is intensified. Interestingly, only eight per cent of the 1,022 sources cited, and none of the business lobby groups, even mentioned a cause of the stock market crash. The business sources focused more than any other group on the effects of the crash and higher interest rates. Therefore, the sources used to understand and define the 1987 crash were mostly from business and preoccupied with the version of events that served their own interests, rather than the public’s interests.

Rae and Drury (1993), in their UK-based study, examined the rhetoric used in the UK media to describe and define the recession unfolding at the end of 1990. They found that the economy in 1990, as part of a continuing trend identified by Emmison, was presented as an independent agent, and reified through metaphorical analogies, or anthropomorphism (ibid., 352). They looked specifically at the last quarter of 1990 to examine the rhetoric about whether a recession had arrived and how the media discussed it. While a recession had officially been declared in the US and Australia, by this stage it was not official in the UK because there had not yet been two consecutive months of negative growth, the technical marker of a recession. Therefore, there was still scope for debate about its existence. The authors collected 62 articles from the Guardian and 73 from the Financial Times. However, the authors do concede that they primarily focused on the Guardian, as it stands a little
to the left-of-centre in its ideology and so would present more criticism of the government (ibid., 333).

According to the study, the *Guardian* first started to anticipate a recession mid-way through October, 1990. A statement that a recession had arrived appeared on October 24. Rae and Drury (ibid., 344) note that the language used for the economy distinguishes between ‘it’ and ‘us’, and caused the authors to state that, “We will therefore refer to the main discourse inhabiting this text as people versus economy.” In addition to the economy being seen as an independent agent through such active verbs as “hitting” and “biting”, it was also presented as being under the command and influence of the government through words like “haul” and “steer” (ibid., 351). Once the presence of a recession had been established, the news media started to change its focus to questioning whether the economy and/or Britain were in recession, and postulating as to its impact and severity (ibid., 352).

There are few studies on Australian media during the 1990 recession, but those that discuss financial reporting in the 1980s point to pro-business coverage (Kitchen 1999; Toohey 1993).

In summary, previous studies on the reportage of the 1990 recession conclude it was too negative given the economic circumstances, that the negative reportage influenced the public’s perceptions, that information was likely to be framed by elite sources, and that the economy was presented as separate from society and under the command of government. There are no comparative studies; each focuses on one country and one period. This study takes things further by comparing reportage in the US, the UK, and Australia, by comparing the number, tone, and type of articles, and by identifying the main sources of information that shaped the 1990 recession.
Content Analysis Timeframe: November 1988-January 1992

There was so much going on, so many deals, so many infinitely complex deals, all with very tight deadlines. People just didn’t have the time to understand what was going on. When you started asking ‘emperor without clothes’-type questions you were treated with disbelief (Ryan, Light and McGeough 1990).

The following section analyses mainstream financial reportage from the US, the UK, and Australia, initially using quantitative and then qualitative methods, making it possible to measure and compare the amount, type, and nature of the coverage in each of the countries.

Overall, the articles will be measured against the specific set of criteria that were established after a review of the literature and the editorial codes of the publications being analysed:

- A variety of interpretations on an issue to promote discussion of alternative views;
- A variety of ‘voices’ quoted directly to represent all sections of society;
- Everyday advice relating to finance and government spending for all sections of society, not just investors;
- Explanations that are unpacked with minimal jargon; and
- Sufficient scepticism and warnings that serve to signal impending or potential crisis in the financial or economic systems.

The Economic Context: What the Economic Data Tell Us

This section analyses the economic situation in the US, the UK, and Australia. Following the Pew Research Center (2008) and Kollmeyer (2004), it uses some fundamental economic indicators—the GDP, and inflation and unemployment rates—to build an overall picture of the economic health in the countries before and during the 1990 recession. In doing so, it indicates the situation that the public actually faced and allows us to set a benchmark against which to assess the number and type of articles delivered by the mainstream financial press.
The United States

Figure 1 shows that according to GDP trends, the US economy started to slow down during the course of 1990. The year started with the GDP up by 2.7 per cent, which then fell to 0.6 per cent by the last quarter. At the start of 1991, growth slipped into negative territory and official recession.

Figure 1. 1990 Recession: US annual GDP growth rate from 1988 to 1992

Figure 2 shows the US inflation rate during this period, which remains roughly between 4 per cent and 6 per cent through 1989 and 1990. It rises during 1990 to over 6 per cent. It then reduces dramatically at the beginning of 1991 and continues to decrease to 3 per cent by 1992.

Figure 2. 1990 Recession: US inflation rate from 1988 to 1992
Figure 3 shows the employment figures for this period. The unemployment rate remained steady at between 5 and 5.5 per cent through 1989. In mid-1990, it rises sharply and reaches 7 per cent by 1992.

**Figure 3. 1990 Recession: US unemployment rate from 1988 to 1992**

In the US, therefore, the data reveals that the economy was showing clear signs of inflation, and rising levels of unemployment. While it might not have reached official recession status until the end of 1990-early 1991, the slowing GDP and increasing unemployment through 1990 should have been a cause for concern. Therefore, it can be expected that reportage will reflect negative economic data, producing sceptical articles with some warnings and explanations about the downturn, throughout 1990.
The United Kingdom

Figure 4 shows that the UK economy, like that of the US, started to slow through 1990. However, it did not start to fall until mid-June 1990, descending from 2.8 per cent to just 0.4 per cent by the end of the year. From the end of 1990 and through to 1992, the economy is in negative growth.

Figure 4. 1990 Recession: UK annual GDP growth rate from 1988 to 1992

![United Kingdom GDP Annual Growth Rate](source)

Figure 5 shows an inflation rate in the UK that starts from a low of 5 per cent at the start of 1989 and then climbs continuously through 1989 and 1990. By mid-1990, it is close to 7 per cent, and then remains between 7 per cent and 8 per cent in 1991 and 1992.

Figure 5. 1990 Recession: UK inflation rate from 1988 to 1992

![United Kingdom Inflation Rate](source)
Figure 6 shows the unemployment rate in the UK is higher than the US to begin with, as it stays around 7 per cent through 1989 and for the start of 1990. Mirroring the US again, it rises steeply from mid-1990 to close to 8 per cent by the end of the year, and it continues to climb to well over 9 per cent by the end of 1991.

**Figure 6. 1990 Recession: UK unemployment rate from 1988 to 1992**

In summary, during the period under study, the UK economy experiences negative growth at the end of 1990 and through 1991. It has an unemployment rate that is already at 7 per cent in 1989 and increases steadily from July 1990 until it is close to 10 per cent by 1992. Also, inflation appears to be a constant problem through 1990, 1991, and 1992. Indeed, while the inflation rate in the US dropped in 1992 to 3 per cent, the UK inflation rate remained high at 8 per cent. Therefore, it can be expected that articles from the *Guardian* will be sceptical at least from mid-1990, and provide some warnings and explanations, especially with regards to persisting unemployment.
Australia

Figure 7 shows that the economy in Australia slowed continuously from the end of 1989 until it went into negative growth at the start of 1991. It remains in negative growth through to 1992.

Figure 7. 1990 Recession: Australia’s annual GDP growth rate from 1988 to 1992

Figure 8 shows inflation in Australia during this period, and indicates that the inflation rate started higher than the US and the UK, at a peak of 8.6 per cent at the start of 1990. Unlike the UK, it started to decrease steadily through the rest of 1990 and 1991, to a low of 1.5 per cent at the start of 1992.

Figure 8. 1990 Recession: Australia’s inflation rate from 1988 to 1992
Figure 9 shows the unemployment rate in Australia, which is higher than either the US or the UK. It remains close to 7 per cent through 1989 to mid-June. From mid-1990, it climbs steadily and reaches 9.5 per cent by mid-1991 where it remains through 1992.

**Figure 9. 1990 Recession: Australia’s unemployment rate from 1988 to 1992**

Therefore, Australia slips into negative growth by 1990 and has a persistently high unemployment rate that reaches 9.5 per cent in 1991. The inflation rate, on the other hand, decreases through the period. This suggests that Australia must have been suffering from the effects of a recession and a stubbornly elevated unemployment rate at least from the start of 1990. These indicators should have rung alarm bells for financial journalists reporting on Australia.

**Summary**

According to the economic data from the US, the UK, and Australia all three countries slipped into recession at the end of 1990. Unemployment was also high in each country. Inflation dropped in the US and Australia, but remained high in the UK. The UK was the most affected of the three countries, with negative growth, high unemployment, and high inflation.

Therefore, according to the economic trend lines, the public could have expected that from at least mid-1990 onwards reportage would reflect negative economic conditions. However, the data shows early warning signs as early as the end of 1989, so that arguably there should have been some alert as to an impending downturn by
early 1990. The level of unemployment was an obvious issue in each country, which also should have been reflected in the coverage.

Capturing the Data

The following key words were used to capture a data set from the electronic database Factiva:

- Asset Boom;
- Credit Boom;
- Loose Monetary Policy;
- Housing Boom;
- Personal Debt Increase; and
- Speculative Boom.

As was discussed in Chapter Four, the timeframe was determined around the so-called Minsky moment—the moment that the crisis was revealed to the public, and economic and financial events turned sour. Based on the assumption that the press should play a watchdog role in forewarning the public about an impending financial and economic downturn, this method, unique to this study, would allow enough time to examine coverage during the incubation period of the crisis. The timeframe also extended to a little over a year after the Minsky moment to measure the tone and types of articles that shaped the coverage of the events in the aftermath. In this study, the Minsky moment was November 1990, when the recession was officially declared and the data-capture period was from November 1988 to January 1992.

The search produced a data set of 384 articles, comprising 149 articles from the New York Times, 76 from the Guardian, and 159 from the Sydney Morning Herald (see Figure 10 below).
Positioned along the study timeline there were 226 articles in the two years preceding the Minsky moment, representing 60 per cent of the total data set. There were 158 articles in the year afterwards, or 40 per cent of the total data set. Figure 11 shows the distribution pre- and post-Minsky moment.

**Figure 10. 1990 Recession: Distribution of articles from the publications**

**Figure 11. 1990 Recession: Number of articles pre- and post-Minsky moment**
Based on the key words specific to the economic boom and bust of 1990, a large proportion of the coverage appeared before the moment of crisis. This amount of coverage arguably presented the public with information they needed to anticipate a downturn in the economy.

Quantitative Analysis: Tone and Quoted Sources

The Tone of the Reportage

In addition to the number of articles, the articles were assessed according to tone as sceptical, neutral, or optimistic. This method, developed by Griggs (1963), has been adopted by several studies since then (Bow 1980; Kollmeyer 2004; Schifferes and Coulter 2012). Articles were coded against a scale of 0 to 3, from most sceptical to most optimistic. The researcher did the coding. Using one coder arguably maintains internal consistency, a rationale used recently in a study on the BBC coverage of the GFC (Schifferes and Coulter 2012, 248). The definition of sceptical, neutral, and optimistic is provided in Chapter Four, and an example of each is provided in Appendix A.
To plot the trend across the entire timeline, totals were averaged for each quarter or three-monthly period (see Figure 12 below).

**Figure 12. 1990 Recession: Tone Trend, November 1988 to January 1992**

![Figure 12. 1990 Recession: Tone Trend, November 1988 to January 1992](image)

Key: 1=Sceptical 2=Neutral 3=Optimistic

*Note the *Guardian* did not produce any articles relevant to the key words until the end of 1989.

The tone trend indicates that all three publications remain below the neutral mark of two, indicating a uniformly neutral tone in their coverage. They follow the flow of economic events by edging more towards scepticism during the course of 1990, at around the time economic growth started to fall and unemployment started to grow. However, they all become more optimistic from early 1991 and into 1992.

The *Guardian* is the most sceptical of the publications, as it remains below 1.5 for the entire period. This aligns with the economic data, which showed that the UK had the worst economic figures and the crisis was felt most acutely there.
The Sources that Shaped the 1990 Recession

Chapters Three and Four developed the argument that the mainstream financial press should seek to represent society fairly, hold power to account, and promote a democratic society. It can strive to do so by speaking with and quoting a diversity of sources, an idea that arguably developed with the notion of the press as a Fourth Estate in the 19th century. More recently, the Columbia Journalism School has argued that financial journalism should be for all of society and not directing itself to a narrow section (Starkman et al. 2012). The sources used were a relevant marker of quality for this study and the method adopted was to record the first two directly quoted sources from each article. This would indicate the type of sources and level of diversity represented in the mainstream financial press. It would also reveal the extent to which PR professionals shape coverage by recording the type of spokesperson used and material derived from press releases (when it was made obvious).

It was also decided to measure separately the sources recorded in the six months directly after the Minsky moment. It was hoped that this would reveal whether the same sources continued to be used for information and quotes, or whether alternative sources were sought in the aftermath of a crisis, as Lewis (2010) found in relation to the GFC. Figure 13 shows the directly quoted sources used across the timeline by each of the three publications, calculated as a percentage of each publication’s total of sources quoted.
Figure 13 reveals that each publication uses varied source types for direct quotes. The *Sydney Morning Herald* quotes from the most diverse range of source types. This fulfils the first of this study’s quality criteria, relating to diversity of voices. The majority of quotes from the *New York Times*, 25 per cent of its data set, come from ‘business research’—referring here to research material relating to business or economic developments. Business economists and PR are also high on the list, with close to 11 and 9.5 per cent respectively. Academics and academic economists comprise only 5 per cent of the quotes from the *New York Times*. Conversely, members of the public and non-government organisations are low on the list. Only 2 per cent of direct quotes are from members of the public and another 2 per cent are from non-government organisations.

In the *Guardian* the most quoted sources—close to 28 per cent of total sources quoted—are from government bodies. Close to 14 per cent are from PR and 11 per cent are from politicians. Only 1.5 per cent are from academic economists, and there are none from other academics or members of the public.
Sources in the *Sydney Morning Herald* are quite evenly spread. Close to 14 per cent are from government bodies, 12 per cent are from central government, and another 12 per cent are from PR. Close to 6 per cent are academics, 2 per cent are academic economists, 2 per cent are non-government organisations, and 2.5 per cent are members of the public.

Figure 14 shows the sources quoted after the Minsky moment:

**Figure 14. 1990 Recession: Sources quoted after the Minsky moment, November 1990 to March 1991**

The graph shows that during the six months after the Minsky moment—November 1990-March 1991 in this case study—the types of sources quoted shift to the more elite. Although the publications adhere to a similar pattern overall, the pattern becomes more extreme and non-elite sources, such as members of the public, disappear altogether. Only 2 per cent of the quotes from the *New York Times* are attributed to non-government organisations and 2 per cent from academia. The *New York Times* stands out in this period with its reliance on media sources.
Conclusions from the Quantitative Analysis

The quantitative analysis has revealed that there was a lot of coverage before the Minsky moment—60 per cent of the total—on topics related to the key words. The coverage was broadly neutral, with the Guardian the most sceptical in tone when compared with the other publications. Given the negative economic indicators that multiplied during this period, especially in the UK, it could be argued that the publications could have been more sceptical in their tone than they were. While the publications used a variety of source types for information and quotes, in particular the Sydney Morning Herald, there is a preponderance of quotes from elite sources in business and government, and a comparative paucity of quotes from academia and non-government sources, including the general public. PR already have a presence in the coverage of each publication. The months after the Minsky moment reveal that each publication favours quotes from official source types, and the New York Times quotes directly from other media outlets. Also, the coverage in each publication turned a little more towards scepticism just after the Minsky moment. This suggests that the mainstream financial press adopts different reporting values in the aftermath of a financial and economic crisis. The qualitative analysis will reveal whether the coverage would have provided warning and prompted democratic discussion.

Qualitative Analysis: News Framing and Discourse

The quantitative methods employed in the section above allowed for the amount and tone of articles to be analysed, as well as the main sources that were used for information and quotes. However, as was explained in Chapter Four, adding a qualitative analysis would allow this study to be more comprehensive than its predecessors. Analysis of the discourse—of how stories were told—would help to identify some of the main preoccupations and narratives that shaped the coverage of the 1990 recession. It would also assist in answering the first research question in relation to the extent to which a watchdog role was played by the financial press.

The quality criteria were established based on the literature and the editorial codes from the publications being analysed (as discussed in Chapter Three). The diversity of ‘voices’ and levels of scepticism could be ascertained through quantitative measures, but qualitative measures would reveal whether there were different
interpretations of events, whether explanations and advice were offered for the general public, and whether there were adequate warnings of looming financial or economic downturns, which could inform and spark democratic debate.

**Main Topics of the 1990 Recession**

Following the method used by the Pew Research Center in 2008, the main topics were identified and Table 6 presents these topics as a percentage of the total data set. See Appendix C, for an example of the articles that were placed under the topic of ‘interest rates’ (more are available on request).

**Table 6. Main Topics of the 1990 Recession**

<table>
<thead>
<tr>
<th>Main topics</th>
<th>% total data set</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interest rates</td>
<td>30</td>
</tr>
<tr>
<td>2. Recession</td>
<td>23</td>
</tr>
<tr>
<td>3. ‘Ordinary’ topics</td>
<td>17</td>
</tr>
<tr>
<td>4. Blame game</td>
<td>15</td>
</tr>
<tr>
<td>5. Deregulation</td>
<td>15</td>
</tr>
</tbody>
</table>

In the following analysis, each topic will be dealt with in turn. The distribution of the articles from each publication will be provided along a timeline that illustrates the trend of the topic coverage for each publication. This will reveal when and where there was the most preoccupation with the topic, and how far the publications coincide in terms of media groupthink. Each topic is then assessed against the quality criteria.

1. **INTEREST RATES**

The topic of ‘interest rates’ occurred in 143 articles, 30 per cent of the total data set. The distribution amongst the three publications was as follows:

*New York Times* (38) 25.5 per cent of publication’s data set.

*Guardian* (39) 51 per cent of publication’s data set.
Sydney Morning Herald (66) 41.5 per cent of publication’s data set.

Figure 15 plots the coverage against the study timeline. It illustrates that the New York Times had a consistent preoccupation with interest rates. The Guardian and the Sydney Morning Herald coverage on the topic peaked at the beginning of 1991—the worst stage in the recession, as the economic data showed.

**Figure 15. 1990 Recession: Distribution of articles on interest rates**

New York Times

The New York Times treats the topic of interest rates in different ways, with some journalists underscoring the danger of rises, some explicitly blaming the government for abusing interest rate rises, and some providing balanced explanations about why interest rates have to go up, as well as the pressures that prompt these movements.

It published three articles in November 1988 that indicate a slowing economy caused by higher interest rates, and the associated risk of a recession. For instance, on November 13, 1988, economics journalist Uchitelle argues that “Nearly every recession since World War II has been caused by the Fed pushing up interest rates.” He claims that “higher rates might cause consumption to drop much more.”
Furthermore, he cites Nobel laureate in economics Paul A. Samuelson as saying “I know exactly what is going to cause the next recession – when there is one – and it is going to say on its bottom, ‘Made in Washington’.”

On November 29, 1988, Bartlett provides a balanced view on interest rate rise, this time deflecting attention from the US Federal Reserve to commercial banks. He explains without jargon the dynamics that encourage rate rises, as well as the effects on the ‘ordinary’ audience, as well as investors. For instance, he notes that “A rise in the prime rate, which banks use as a base for their loans to small and medium-size businesses and to consumers, can act as a brake on the economy because it increases the cost of many other kinds of borrowings.” Furthermore, “In the next few months consumers will begin to feel the impact of the increase on their adjustable-rate home-equity, personal and mortgage loans.”

On July 2, 1989, Brenner reports on the damaging effects of higher interest rates on business. “Prudential Home” is described as lucky and “a classic success story of 1980s marketing … And while older companies have been devastated by rapid interest-rate changes, Prudential Home is thriving….“ Furthermore, “Some big names have bowed out recently….” They had been “clobbered” by interest rate rises in 1987, which “killed one of the industry’s biggest booms.” Lending further support to the financial industry Brenner argues that mortgage “lenders had barely geared up when the boom collapsed, precipitating layoffs and accelerating industry consolidation.”

The following year there is brief optimism, mainly because the US Federal Reserve lowered interest rates a few times from January, and the economy has seen small signs of improvement in home construction. However, by July 1990, there are concerns about the social impact of low economic growth on US businesses and workers. For example, on July 2, 1990, Uchitelle describes the social impact of a widening gap between rich and poor that is a direct result of keeping rates high. Since 1989, he contends that, “what economists call real interest rates – the difference between interest rates on borrowed money and the inflation rate – have remained high.” These rates, he continues, “have been much higher on average over the past decade than in any decade since the 1920s.”
Then a few days later on September 18, 1990, Nasar describes the social costs of poor economic growth that interest rates are not improving:

Lower interest rates are supposed to revive the recovery, but many people wonder whether they will. The Federal Reserve Board’s tonic, they fret, cannot fill up empty office towers, clean up bank loan portfolios or alter the need for America’s service sector to tax costs and jobs.

On July 2, 1991, Uchitelle explains the relationship between interest rates and inflation rates, spelling out its impact for ordinary households:

SINCE the spring of 1989, the American economy has grown either weakly or not at all. And all through this period, what economists call real interest rates – the difference between interest rates on borrowed money and the inflation rate – have remained high. High real rates are usually seen as a threat to economic activity and an obstacle to a strong recovery after recession.

…A home buyer who takes a $100,000 mortgage at a cost of 9 percent annually, for example, is hurt if his $100,000 income rises by only 3 percent in the first year of the mortgage. The salary increase is the home buyer’s personal rate of inflation in determining the mortgage’s real cost…

Many Americans are in this fix, which helps to explain why home sales are not booming. Similarly, real rates are high on most auto loans and on credit-card debt.

A preoccupation with low interest rates for all of society continues into 1991. The Federal Reserve tries to spur consumers, as part of what Robert D. Hershey Jr. describes sarcastically as “The only resort.” He writes on May 6, 1991:

An obviously concerned Federal Reserve moved last Tuesday to spur the economy by making another round of cuts in interest rates.

The Only Resort

Right now, the consumer sector “is the only place that you could get a significant demand gain that could pull the economy out of decline,” said Richard D. Rippe, chief economist at Dean Witter Reynolds.
In the UK, the Guardian uses the subject of interest rates to take a swipe at the Conservative government’s economic policy. The main overall message is that the Conservative government under Margaret Thatcher stoked a consumer boom in the 1980s as rates were left too low for too long. They were then hiked too high and for too long in 1989 and 1990. Lower rates are called for to help business, but the issue is mainly framed as a sign of incompetence in political economic management and a problem that has affected all areas of society.

One of the earliest articles on rate rises appears on November 29, 1989. Huhne reports specifically from the market’s view that the government was engineering a lower pound as it kept rates low: “From the market’s point of view, it is hardly surprising that an increasing number of players should begin to suspect that a lower pound is now what the Government wants.”

From 1990, the Conservative government’s actions are specifically pitted against Keynesian values. On March 7, 1990, economics editor Hutton argues the following:

Keynes would have spent the last decade warning of the blind alley where policy was leading; and he would have had a further warning still. Unless a firm grip was taken over the British financial system, the government and nation could be staring into an economic abyss. A short sharp interest rate shock was one thing; a prolonged period of high rates quite another.

Then in September it is argued that high interest rates are bad for business. On September 21, 1990, Cowe reports that “Derek Hunt, the man who led the buy-out of MFI from Asda-MFI three years ago” expected to be “leading a publicly quoted company by now.” However, “MFI is fighting for life in a market as flat as its flat-pack furniture, and with rising interest costs eating up whatever profit it manages to make.” On September 26, 1990, Cowe reports again along similar lines that Tarmac has contributed to Conservative funds but “all it gets for its money is sky-high interest rates which kill the basic business of housebuilding, and unfulfilled promises of big road works which drive down margins for blacktop.”

The following year on September 6, 1991, economics journalist Elliott frames the problem as a specifically political one of the government’s making. He explains that
high interest rates had “affected homeowners” because “people who had overextended themselves to buy when rates were low found the new monthly payments too much.” Furthermore, rate cuts in 1991 were “too late to help the thousands of homeowners who have discovered the darker side of a ‘property-owning democracy.’”

*Sydney Morning Herald*

The *Sydney Morning Herald* was vehemently vocal in its disapproval of government rate rises in the late 1980s, and specifically scathing of Paul Keating (then treasurer in the Hawke Labour government).

One of the earliest articles appears on November 10, 1988, by Burton and Maley. There is a brief explanation about the use of rediscount rates. They describe this jargon term as “a penalty rate for selling back Government securities”, calling it the “latest loan-raising tender.” The following day, November 11, 1988, Burton exclaims that the government had “finally come clean” and had admitted that “it had been tightening monetary policy by lifting interest rates in recent months.”

On November 12, 1988, Maley indicated that perhaps the government was inflicting suffering on home buyers unnecessarily: “Given the strong presence of investors in the real estate market, some observers are wondering if the Government may be making home buyers suffer unnecessarily in raising interest rates in order to cool down the property market.” Indeed, on November 21, 1988, Gittins calls the rate rises “knee-jerk” responses that moved against the grain of the financial markets: “This was a “discrete” tightening – a word we now understand to mean pushing interest rates in the opposite direction to the market, or moving ahead of the market.”

As early as March 2, 1989, the *Sydney Morning Herald* also considers the impact high interests can have on the public, and specifically on the housing market. For instance, economics editor Gittins argues that “In late April, Mr Keating began forcing up commercial interest rates and by July the tightening had reached mortgage rates … Each increase in interest rates has made buying a house that much harder to afford. And Mr Keating did it.”
Similarly, on July 24, 1989, Cleary reports the contention of a real estate company that “as many as half-a-million people were in danger of losing their homes because of increasing mortgage rates.” He also cites the chairman of the First National group, Michael Forsyth, as saying, “Interest rates are choking families and there’s nowhere for most of them to turn for relief.” A few days later on July 27, 1989, the 1980s boom, according to Gittins, was precipitated by Keating and then mismanaged. Indeed, there was sustained pressure by the Sydney Morning Herald on the government to reduce rates.

By 1990, rates had eased a little in Australia and articles began to appear that credited lower interest rates for improvement in business. However, by May 15, 1991, a recession prompts Gittins to blame Keating directly for engineering the recession through his “miscalculation” that kept rates “too high for too long.” He also argues that Keating made the comment that it was “the recession we had to have” because “he’d prefer to be thought of as heartless and dishonest, than incompetent.”

**Quality Measures: Interest Rates Topic**

The level of official interest rates was the most popular topic of concern during the 1990 recession in each publication. This is not surprising given that before 1988 interest rates were historically low, pre-empting a boom, and then rose quite significantly in each of the countries in this study. Also, the setting of official interest rates has big implications for business as well as the micro and macro economy. However, the discourse about interest rates extends beyond normal concerns regarding their efficacy as an economic lever, and was used by financial journalists to criticise the political economy that was directing the newly deregulated financial industry. Interest rates rises or falls, as set by government, were presented as both the cause and the cure of economic and business woes.

Coverage of the interest rates topic first appears in 1988 characterised by comparatively high levels of scepticism. The New York Times and the Sydney Morning Herald begin to explain and define the topic as early as 1988, a year earlier than the Guardian. The New York Times is already discussing a recession and the Sydney Morning Herald is discussing pain in the mortgage market. The Guardian
and the *Sydney Morning Herald* are particularly sceptical in their reportage, while the *New York Times* switches more freely from scepticism to optimism. Overall then, there would have been sufficient scepticism and warning available in mainstream financial reportage.

The debate was framed politically, and it is certainly a lively one, but while the debate is particularly scathing of political management of the economy, there is little discussion of policy or management alternatives to promote democratic discussion. While more explanations were needed on the how/why/where and how of interest rate rises for a non-investing and ordinary public, the language is generally easy to understand in each of the publications. Each publication does also provide views that consider the social impact of the rise of interest rates. In particular, economics writer Uchitelle at the *New York Times*, economics editor Hutton and economics writer Elliott at the *Guardian*, and economics writers Cleary and Gittins at the *Sydney Morning Herald* express this view. The *Sydney Morning Herald* provides the most explanations and they are unpacked with minimal jargon. However, unemployment was not mentioned by any of the publications as frequently as it might have been, given the economic evidence that the unemployment rate was stubbornly high.

In summary, there is comparatively little discussion about day-to-day finances, how interest rate rises or falls might impact the ordinary public, and advice on how to make the most of the situation. Issues of public interest such as jobs and personal finance are not dealt with consistently or systematically. Also, the articles were not necessarily geared for an ordinary public, who could have been more included in the debate. Each of the publications is vocal about the interest rate’s impact on the ordinary public, particularly in relation to the cost of housing. However, the coverage is too little and too late, with the general public generally a side issue compared to the tribulations of the economy and business. Therefore, it can be argued that the mainstream financial press provided some scepticism and offered debate on the efficacy of interest rate mechanisms. However, the debate was largely framed for business and investors and so failed to include the general public by neglecting its traditional watchdog duties to inform, educate, and hold power to account.
2. RECESSION

The topic of a ‘recession’ occurred in 109 articles, 23 per cent of the total data set.

The distribution amongst the three publications was as follows:

*New York Times* (42) 28 per cent of publication’s data set.

*Guardian* (30) 39 per cent of publication’s data set.

*Sydney Morning Herald* (37) 23 per cent of publication’s data set.

Figure 16 plots the coverage against the study timeline. It illustrates the increasing preoccupation with the topic of a recession. The economic data showed that each country was experiencing negative growth and growing unemployment at the end of 1990. The likelihood of a recession is debated vigorously from the start of the content analysis in November 1988 through to August 1990: 40 out of the 109 articles appear before the recession is officially called in the US, in November 1990. By September 1990, each of the publications has accepted its inevitability as well as the level of its severity.

**Figure 16. 1990 Recession: Distribution of articles on the topic of recession**
Out of the total dataset the earliest discussion of a recession by the *New York Times* is on November 13, 1988. Interestingly, Yardeni argues, incorrectly as is proved by subsequent events, that recessions, as they were commonly known, will never again reach a global scale because “capitalist economies are more diversified”: “Third, recessions should be less frequent and less severe than in the past. The capitalist economies are more diversified and thus more resilient to shocks than ever before.”

On the same day, in 1988, and in the same publication, economics writer Uchitelle presents a totally contradictory view, explicitly warning that, “the American economy is slowing down”, which could “turn into a recession.”

In mid-1990, on July 16, Uchitelle provides another warning that the American economy is close to a recession. He also explains the mixed economic signals, which may account for the fact that the government has not officially called one:

> The national economy has become so sluggish that 16 states … are in a recession or close to one, an analysis of employment data shows … But the economic statistics collected by the Federal Government do not confirm that a national recession exists.

The *New York Times* also includes an argument in favour of lower interest rates to avoid a recession. On January 30, 1990, Norris argues for lower rates to aid business to “survive a recession”: “A lightened debt burden would give American companies a more sturdy financial foundation, making them better able to compete with foreign companies and more likely to survive a recession.”

By November 2, 1990, Rosen discusses “the recession”, as it has been officially recognised in the US by this stage: a personal finance planner “Mr. Barbee said: “I think one has to be terribly conservative. The recession is here. Economists in Washington may war over words, but it is here”.”

**Guardian**

By way of contrast, in the UK, the first mention of an impending recession in the *Guardian* is written by economics editor Hutton and prompted by the UK Chancellor John Major’s speech about the budget on March 22, 1990. The *Guardian* questions
the official line that there is no recession: “He chose to downplay the chance of recession, according it the status of a risk when it is plain from his forecasts and budget judgment that he must regard it as a near certainty.”

By July 1, 1991, Cowe reports on “The depth of the recession” which “is emphasised in a survey from business information specialists Dun and Bradstreet. It shows that more than 900 British businesses have been going bust every week….”

On July 8, 1991, Hutton is also sceptical, expressing the fear that recovery has been stalled and the larger policy picture must be re-evaluated:

It’s all quiet on the recession front, despite mounting fears that recovery may have to be put back until next year. This recession, already painful, is beginning to get frightening … Yet at the top of the policy-making establishment there is a stoic insouciance … If it accepts the framework of policy, what alternative is there?

*Sydney Morning Herald*

By May 31, 1989, the *Sydney Morning Herald* starts to weigh in with its predictions of a slowing economy. According to Burton and Edwards, “Australia’s economy, in line with those of the major economies, will slow over the next two years without sliding into recession, according to new economic forecasts released last night by the authoritative OECD.” On July 17, 1989, economics editor Gittins argues along similar lines that severe monetary policy and decreased business confidence will prompt the recession. The warning of a recession and a “hard landing” is reported by Cleary on July 31, 1989.

These warnings are an interesting contrast to an article by Gittins that appeared eight months later on March 24, 1990, reporting a “soft landing” and optimism about lower interest rates:

Don’t be taken in by all the talk of recession. The best guess is still that we’re headed for a reasonably soft landing … And keep this equation clear in your mind: the gloomier you are about recession, the more optimistic you have to be about interest rates. Recession and high interest rates cannot co-exist for long.
By 1990, the tone of the coverage changes as evidence of a recession becomes stronger. The first mention, in the Sydney Morning Herald, of the onset of “the recession” is on May 4, 1990. However, by July 24, 1991, there is already optimism about recovery, as Gittins reports:

When I wrote that, like all previous recessions, this recession would end, and that the recovery should be evident by Christmas, I thought I was taking my life in my hands. Now, such a prediction is passé. It seems almost everyone’s convinced the recovery has begun or is about to begin.

Quality Measures: Recession Topic

The New York Times, mainly through the economics journalist Uchitelle, provides the earliest warnings about a recession as early as 1988. In particular, Uchitelle highlights some figures that indicate a recession in all states, contradicting the official figures being released. The Guardian also provides warnings that are contrary to the official line that there is no recession. It also maintains its scepticism, and suggests complacency in government, as it insists on the severity of the recession. The Sydney Morning Herald provides clear warnings by July 1989 from economics writers Cleary and Gittins. Quite soon afterwards it is more optimistic in its assessment, and by 1991 it already predicts recovery.

Also, before the recession is officially called in late 1990, various sources were consulted that provided the view that recession was on its way. Each publication used research from various bodies, which helped with their reporting. Uchitelle, in 1988, consulted data other than the official data released by government, and predicted a recession. The Guardian questioned the official line that there was no recession, given in a government speech in early 1990. The Sydney Morning Herald consulted research released by the OECD in early 1989. Therefore, each publication was sceptical and probing in its reporting.

Like the interest rate topic, the language is easy to understand, with minimal jargon. However, there are few attempts at explaining what were in fact complex causes of the recession. Instead, the topic evolves in three stages: first, debate on whether there will be a recession; second, debate on its severity and chances of revival; and third, in the case of the New York Times and the Sydney Morning Herald, building a case
for revival and lower interest rates, and in the case of the Guardian, highlighting the social cost of the recession caused by political incompetence.

What are clearly missing from the reportage are thorough explanations on the causes and nature of the recession and everyday advice that could have helped the financial situations of many members of the public. The Guardian does stand out as it frames the debate in terms of lax policy-making and considers factors such as poll tax, which affect the public directly. However, despite early warnings and scepticism, the reportage could have played more of a watchdog role for the general public, especially as the economic crisis deepened.

3. ‘ORDINARY’ TOPICS

The topic of the ‘ordinary’ public occurred in 80 articles, 17 per cent of the total data set. Articles were included in this section on the basis that they addressed an issue regarding jobs, personal finances, or government spending without jargon and geared towards ‘ordinary’ people—for instance not just business people or investors but the more ‘ordinary’ non-shareholding public too.

The distribution amongst the three publications was as follows:

*New York Times* (30) 20 per cent of publication’s data set.

*Guardian* (17) 22 per cent of publication’s data set.

*Sydney Morning Herald* (33) 21 per cent of publication’s data set.

Figure 17 plots the coverage against the study timeline. It suggests that each publication provided articles on this topic throughout the period under study. In numerical terms, the articles are spread quite evenly across the full three years surveyed: 23 in 1989, 16 in 1990, and 31 in 1991. However, the fact that the largest amount, 31, appears in 1991, indicates that there was a greater concern with communicating with the ‘ordinary’ public in the aftermath of the recession than there was in the year preceding it when there were 16 articles, nearly half those in 1991.
There are five articles in 1989 that address an ‘ordinary’ audience. However, there are nine in 1990 and 11 in 1991, an increase in concern that is reflected in the discourse. Jobs data is used as an economic indicator that suggests the economy is slowing through 1990. However, as a recession becomes more imminent from mid-1990, there is concern of a widening gap between rich and poor, as well as concern for all sections of society that are being affected, from students to average workers.

The earliest article from the New York Times that addresses an ‘ordinary’ public is on November 13, 1988, and again from economics journalist Uchitelle. It uses signs of the public saving cash, rather than spending in real estate, as boding the slowing of the general economy. Citing an economist from Salomon Brothers, Uchitelle reports:

Because of the uncertainty about the future, Americans are showing a great preference for the safety of cash … In effect, they have concluded that ‘‘there is more danger of a recession than a boom,’’ said Richard B. Berner.
On November 29, 1988, Bartlett refers to “employment figures for November, which are seen as an important measure of the strength of the economy.” However, the main point of contention rests on whether or not the Federal Reserve will “respond by raising the discount rate by half a percentage point. Another rise in the prime rate could then follow soon afterward.”

By May 12, 1989, economics writer Silk asks the question, “Why are the rich getting richer and the poor getting poorer in the United States – even as the long expansion in national income continues?” He cites “A study by Sheldon Danziger, Peter Gottschalk and Eugene Smolensky, published in the May 1989 proceedings of the American Economic Association” that indicates that “since 1973 the ranks of those they define as “the rich” – families with incomes exceeding nine times the poverty line – have more than doubled, from 3.1 percent in 1973 to 6.9 percent in 1987.” Furthermore, he cites an academic, Timothy M. Smeeding of Vanderbilt University, who argues lack of government spending is a contributor to the divide.

A few months later on July 4, 1990, Altman focuses on students who are suffering from a lack of tuition subsidies that is also contributing to an “earnings gap.” On November 18, 1990, Ortner continues this debate, arguing that “Rather than concern itself with cutting the deficit, Congress should have reinstated the Investment Tax Credit.” A tax credit would be more beneficial for the public and investment than a cut in the capital gains tax. In contrast, Ortner describes a cut in the capital gains tax as “a tax break for the rich.” Kilborn reports along similar lines on November 20, 1990, extending the debate to ordinary working youths who are suffering in a dilapidated jobs market:

…young people without skills, and in many cases even with them, cannot count on good wages and steady work. Many are stuck in dead-end jobs and find that employers can play them like yo-yos, recruiting them in good times like the 80s, firing them in lean times like now.

On November 17, 1991, Uchitelle reports on the situation on an individual level: “Michael Storm, who earns $18.01 an hour making transmission housings at Caterpillar Inc.” He goes on to break down income figures for average workers and the implications on society-at-large:
Millions of Americans are in the same position. The optimism of ever-rising prosperity they had come to expect since the 1940s, whether they were janitors, sales clerks, factory workers or managers, has faded. Median household income in 1990, adjusted for inflation, was $29,943, or $1,000 less than it was in 1973, the Census Bureau reports.

Guardian

There is only one article in 1989 and three in 1990, while there are 12 in 1991, suggesting more preoccupation with jobs, government spending, and personal finance during a year of an economic downturn. The Guardian reports to an ‘ordinary’ public on an individual level, but mostly discussing economic indicators to build a larger socio-cultural picture and to criticise government policy. In particular, a picture is built of a public that is overly reliant on credit, and economic policy that is prioritising balancing a budget over public spending and alleviating societal issues.

For instance, one of the earliest articles on the ‘ordinary’ public by the Guardian appears on November 18, 1989 (not by-lined), and laments the extent to which the public is effectively “hooked on credit.” Moreover, the debate has a political wedge, as Thatcher and the Conservative government’s liberalism, namely in the form of the deregulation of banks, is described as creating and presiding over such a nation.

The following year on May 10, 1990, Hughes continues this debate, arguing that credit is being used too casually and those on low incomes are most at risk. Therefore, the article reports directly to an ‘ordinary’ audience and provides an element of admonition. This article also contains indications of socio-cultural changes in response to the availability of credit that was spurred by liberal policies.

On May 29, 1990, Cook continues the concern with a struggling public, as the article highlights the following:

Britain has a shortage of specialist debt advisers to help the growing number of people in difficulties since the recent boom in personal credit, according to a report published today by the National Consumer Council and the Community Information Project.
Cook reports that the West Midlands are credited as the “best served by specialist debt workers”, which is attributed to “the sympathetic attitude of local authorities who have funded specialist jobs and schemes.”

The following year the debate about unemployment and deficient economic policy continues, laying foundations for an argument for more public spending. For instance, by March 21, 1991, economics editor Hutton argues:

The old Thatcherite Manichaeism of public borrowing bad, private borrowing good ideological formulae whose relationship with the real economy became more and more contrived has been dropped in favour of pragmatism and policy formulae that might work.

Hutton explains a more favourable policy approach has been adopted as a response to the lessons of the past. For instance, the Chancellor, Mr Lawson, once upon a time, “would have said simply that a surge in private borrowing meant that interest rates were too low and should be raised.” However, “the last few years have made policy-makers much more wary about such facile aphorisms.”

*Sydney Morning Herald*

There are three articles in 1988, 17 in 1989, three in 1990, and eight in 1991. The *Sydney Morning Herald* reports directly to an ‘ordinary’ audience and, more often than not, it distinguishes between benefits that are received by investors and those received by other members of the public, such as home-owners, pensioners, and youths. Most of the articles refer to housing, the impact of a housing boom, the impact of deregulation, and economic policy. A large number refer to personal financial matters that affect the day-to-day finances of the ‘ordinary’ public. Indeed, there are also some stark warnings about investing in a housing boom and a prescient warning of an impending consumption boom in early 1989. Furthermore, there is an underlining premium placed on home ownership. Toward the end of 1991, investment in housing is cited as a main reason that Australian consumers fared better than their US and UK counterparts.

Three articles in November 1988 report to an ‘ordinary’ public about housing affordability, and warn about the pitfalls of buying during a housing boom that Sydney was experiencing. They contain no jargon and proffer sage advice. For
instance, on November 2, 1988, Freeman reports that “High mortgage rates and soaring house prices have combined to deal a harsh blow to first home buyers in Sydney, in the process squeezing many low income families out of the market.” He goes on to contend that buying had only been possible “by boosting the family income by working harder and by banks offering innovations, such as low start loans, and being prepared to relax their lending criteria.” He also explains that buying is difficult because rises in house prices have surpassed wages.

Freeman reports again on November 18, 1988, and discusses the premium placed on house ownership as an investment. He also rates Australia favourably against the US and Britain:

Australia is not the only country where people treat their houses as investments. This is also very much the situation in the United States and, to a lesser extent, Britain. While the level of home ownership is not as great in the US as in Australia, those able to buy a well-located house often treat it as an investment as much as a way to improve their lifestyle.

However, he provides a stark warning that the Sydney housing market is in a boom and, as the US has also indicated, the housing market can be precarious.

The following day on November 19, 1988, economics writer Cleary highlights the social impact of the unaffordable housing boom—couples have to choose between a family and a mortgage. He cites the mortgage relief that is available from the New South Wales Department of Housing: “The department has increased the amount that can be paid to help meet repayments from $5,300 to $7,500, and has also increased the income eligibility limit from $36,000 to $44,000.”

The following year on March 1, 1989, Camm reports along similar lines, providing a first-hand account of his experiences in the housing market as well as other financial advice: “Mine was a common type of mortgage debt – $45,000 borrowed six years ago against a house in Eastwood then worth $93,000, with payments running over 15 years.” He goes on to advise that, “One of the impulses you must overcome when you sell up and ship out is that of considering yourself rich. You are not. You are, in the jargon of the financial world, simply rationalising your assets.” he also advises that instead of trusting an agent, “Always get a second, third, fourth, fifth, sixth opinion, then use your own commonsense [sic] and judgment.”
In the same month, on March 14, 1989, Cleary reports on Australia’s dream of home ownership, which is “the envy of foreigners”, and the Prime Minister Bob Hawke’s comments that home ownership would become easier, promising lower interest rates. He cites Hawke again as further support for the homeownership dream: “But Mr Hawke believed that all was not lost. The great Australian dream of home ownership, something which had attracted the envy of foreigners, was still attainable.”

A few months later, on July 1, 1989, economics writer Dixon argues that home-buyers are hit harder than investors by “tight monetary policy and high interest rates.” Dixon explains that the “Hardest hit recently have been post-1986 savings bank and all building society customers subject to deregulated interest rates.” Moreover, one week later on July 8, 1989, the same author extends the plight to the retired, pensioners, and young people who are being affected by inflation, while “recipients of capital gains” are the only beneficiaries. Dixon then argues explicitly that, “Treasury has been content to allow pensioners and other, similar investors be over-taxed while wealthy people with growth investments receive the full benefits of the capital gains tax provisions.”

On November 20, 1989, Ryan and Haupt highlight changes in the banking industry in the 1980s that created a cultural shift as Australians saved less, spending on credit:

"Today, a bank is a boutique decorated in tasteful pastels where a young sales staff supply credit cards, foreign-exchange loans, overdrafts, lines of credit, personal loans, low-start mortgages, debt-consolidation loans and all the other accessories to equip Australians for life in the Great Debt Era. Savings?"

The *Sydney Morning Herald* starts to discuss the impact of the recession for individuals that had been imminent in the US by 1990. For instance, on March 15, 1990, Walsh reports on the effects of policy on “working mothers.” The article provides analysis of policies that factor in the concerns of “working mothers” in the labour and liberal parties. Walsh adds that, “the Hawke Government has presided over an asset boom that is now collapsing, bringing down a number of corporations. Property prices will also fall, with implications for individuals heavily in debt.”

At the end of 1991, on November 11, Gittins highlights evidence, which includes job data that the economy is recovering. Two months later on January 18, 1992, Ellis
continues this same optimism, highlighting the fact that unlike the US or the UK, the Australian public did not “share in the borrowing boom.” The article attributes the relative success of the Australian public to their “borrowings against owner-occupied houses”, which “stayed near 10 per cent of the total value of those houses through the ‘80s.” Comparatively, in the US and the UK, “the amount borrowed against owner-occupied houses as a proportion of the value of those houses surged during the 1980s.”

**Quality Measures: ‘Ordinary’ Topics**

This is a topic that sparked some varied interpretations. In each publication, sections of society are addressed that are not in the other topics, such as working mothers, pensioners, and youths in education. It is revealed, and this is an emerging trend, that some of the earliest most prescient articles are those that draw on business and academic research and are usually written by economics writers. Given the overall dataset (see Table 6 above), 17 per cent is a healthy proportion and it does highlight the concern of the financial press with the general public as an audience. However, compared with almost double the number of articles concerned with interest rates and a recession, it cannot be argued that the financial press prioritised public interest issues in their coverage of the 1990 recession.

Furthermore, the public is not being addressed as an audience but rather is treated as a player and influencer of business and the economy. The use of the collective noun shows the public as a force that can anticipate business and economic upturns or downturns, as well as one that can change the tide of events negatively or positively. The public is, therefore, represented in terms of: ‘consumers’, ‘home owners’, ‘the unemployed’, ‘first home buyers’, ‘residents’, ‘borrowers’, ‘customers’, ‘smart home seekers’, ‘American families’, ‘middle-high income earners’, ‘the middle-class and low-income households’, ‘private borrowers’, ‘the labour market’, ‘net borrowers’, ‘voters’, ‘household savings’, ‘male workers’, ‘buyers’, ‘taxpayers’, ‘workforce’. Thus, a large majority of the articles that were collected under the heading of ‘general public’ were still quite skewed towards the business and investor audience.

The *New York Times* provides a range of views on government spending, jobs, and personal finance. For instance, some important societal issues like a widening gap
between the rich and poor are raised, and average individual incomes are discussed – both interpretations are provided by economics writers. The *Guardian* provides one dominant interpretation, which is that there has been a cultural shift that permits easy lending and the public is addicted to credit as a consequence. It is seen a serious political faux pas as interest rates have been too low for too long. The *Sydney Morning Herald* provides interpretations for house owners, ordinary workers, and mothers. In fact, its coverage of topics that address ‘ordinary’ concerns—jobs, government spending, and personal finance—arguably produces some of the more diverse interpretations from this publication so far.

In summary, with each publication, there is more concern with ‘ordinary’ topics and a non-shareholding audience as the economic situation worsens at the end of 1990. The *New York Times*, through key economics writers, such as Silk and Uchitelle, probe widening wealth gaps and average individual incomes. There is a sense that the *Guardian* is representing the lower-to-middle end of the socio-economic groups in a fight against government neo-liberal attitudes that represented business over the people. The *Sydney Morning Herald* really highlights the social good that can be achieved in their framing of ‘ordinary’ topics. They produce stark warnings, sage advice, and pressure on policy to factor in a non-investing public. Therefore, the articles in this topic arrived late on the timeline, but they would have been useful for the general public and, in this sense, the financial press played an effective watchdog role.

### 4. BLAME GAME

The topic of the ‘blame game’ occurred in 72 articles, 15 per cent of the total data set. Articles are included that blame something or someone for causing and/or prolonging the 1990 recession.

The distribution amongst the three publications was as follows:

*New York Times* (18) 12 per cent of publication’s data set.

*Guardian* (26) 34 per cent of publication’s data set.

*Sydney Morning Herald* (28) 18 per cent of publication’s data set.
Figure 18 plots the coverage against the study timeline. It indicates that the blame game topic was an increasingly popular topic for each of the publications. Individuals and certain factors started to receive blame through 1990 and occurrences of this topic peaked from the end of 1990 onwards—identified by economic data in the section above as the period that each of the US, the UK, and Australia felt the full impact of a global recession.

**Figure 18. 1990 Recession: Distribution of articles on the blame game topic**

*New York Times*

One of the earliest journalists to point a finger of blame is Wallace on November 13 1988. He blames the “takeover boom” on “the Republicans’ laissez-faire attitude”, which also allowed pension funds and non-profit assets to be used in corporate takeovers: “After all, it was the Republicans’ laissez-faire attitude of the last eight years that made the takeover boom possible.”

On March 12 1989 Wayne extends the blame to the deregulation of savings and loans institutions for providing “highly speculative loans” and therefore contributing
to a real estate boom: “ Newly deregulated savings institutions outpaced their brethren elsewhere in the nation by piggybacking onto the real estate boom with highly speculative loans.”

From 1991, after the recession has officially been called, the New York Times provides more diverse reasons for the recession and focuses less on deregulation of industry. Two main culprits were the consumer-base, which decided not to spend, creating decreased consumer confidence, and a “bad press.”

For instance, Hershey reports on May 6 1991 that “The main problem seems to be that the consumer, like the nation President Bush described at his inauguration, may well have more will than wallet.” This is echoed by Faison Jr who wrote on November 16: “The main obstacle to greater home sales, several builders agreed, is the lack of consumer confidence. Mr. Stenger said it seemed to be uncertainty about their jobs that caused buyers to waver before signing on the dotted line.”

The argument that taxes need to be increased or revised also features in some of the reports in the New York Times, like this one on November 17 1991:

This hardly proves that Americans are undertaxed [sic]; much obviously depends on democratically perceived need for government services. But Mr. Cooper points out that it does put the burden of proof on those who argue that high taxes are at the core of America’s lagging economic performance. (Passell 1991)

However, economics journalist Silk expresses a different view on November 29 ascribing poor consumer confidence to lower real wages and an uneven tax regime:

Rejecting pop psychology, Prof. Rudiger Dornbusch of the Massachusetts Institute of Technology offers an economic explanation of the gloom: “The economic situation of the middle class and of lower-income households has been deteriorating.” Median real wages of male workers are now below the 1970 level, he said, adding, “No progress in 20 years!”

Guardian

The Guardian places the majority of its blame on Thatcher’s conservative government for ushering in an era of financial deregulation that prompted excesses in lending and macro-economic mismanagement. The following article from January 2
1990 (not by-lined) blames the “credit boom” on loosening controls on lending and warns about the continuing process of deregulation: “Early in Mrs Thatcher's first term of office a runaway credit boom - after the removal of the so-called "corset" controls on lending - undermined the Mark 1 Conservative monetary policy and seriously embarrassed the government.”

Lisa Buckingham, financial reporter at the *Guardian*, extended the same criticism of deregulation to the US on September 20 1990: “But the seeds of the disaster now threatening all but the most heavyweight US banking institutions were planted long ago and have flourished largely untackled [sic] by the regulatory authorities…”

The *Guardian’s* economics editor Will Hutton put the same criticism forward on many occasions and lay the blame mainly on Margaret Thatcher’s shoulders. For instance, on November 22 1990 he says:

> It was her refusal to put her revolution at risk that placed an effective veto on tax increases, thus exacerbating the consumer boom when it should have been reined back; her insistence on deregulation that fermented the gigantic growth of credit-financed spending…

Hutton argued along similar lines six months later on May 13 1991, stating that Thatcher engendered the “credit boom” through deregulation of industry and that there “was always a cancer at the heart” of free-market philosophy:

> The Conservatives' problems have a common root, and it lies in the Thatcherite devotion to markets. It was the market philosophy that provided the policy weapons to slay trade unions and nationalisation, and the same philosophy gave us a deregulated banking system and credit boom that passed as an economic miracle.

*Sydney Morning Herald*

In Australia as early as May 29 1989 economics editor Gittins refers to a spending boom that was created by loosening monetary policy: “Press the econocrats on this and they'll admit that the root cause of the spending blowout was excessive easing of monetary policy, beginning in early 1987.”

On July 3 1989 Walsh argues that financial deregulation has been used “to throw a national party. The rush to borrow abroad and expand credit to unsustainable levels
was led by our own banking sector.” He also places a significant amount of the blame on Treasurer Keating, who he says, “may be called on to pay the ultimate price for a politician -loss of office. He certainly will be if he clings to the present model of deregulation as some icon of his economic courage.”

On July 27 1989, Gittins argues along similar lines that dropping the economic “reins” could be blamed for poor balance of payments and increased account deficit: “We ended the financial year with a current account deficit of $17.7 billion, compared with the $9.5 billion Mr Keating predicted. Fundamentally, the two failures have a common cause. Last year, Mr Keating dropped the reins and the economy bolted.”

This view is repeated again and again, but the following article from the *Sydney Morning Herald* on November 20 1989 provides a full account of the position of the banking industry, which was placed under increased pressure to deregulate and globalise:

Many elements came together in Australia in the mid-80s to put pressure on the banks -pressure to grow, to lend and to make money. The entry of foreign banks, the abolition of interest rate controls, the entry on to their share registers of new, aggressive shareholders of the likes of John Spalvins and the introduction of dividend imputation in our tax system – all these things dramatically increased the pace and scale of banking in Australia, to a degree that would make the industry unrecognizable to a bank manager of the 60s (Ryan and Haupt 1989).

On July 10 1991 it blames greed from within the business sector as well as double income households without children (Cleary 1991). It continues to blame greed in July 1990, arguing that the “decade of greed” was buoyed by easily accessible credit and abused by bankers, entrepreneurs, and regulators. (Light, McGeough and Ryan 1990, July 28)

**Quality Measures: Blame Game topic**

This topic highlights the high level of criticism that each publication heaped on its respective government. Moreover, each is highly critical of economic policy and management. While the *New York Times* refers to Republican attitudes and Reagan policies, the *Guardian* and the *Sydney Morning Herald* stand out as especially
critical. This is illustrated further by their focus on the topic of deregulation and certain individuals, where the New York Times broadens its discussion to other areas of blame and causes for concern. Also, articles start to appear from early 1998. This was two years before the world economies began to fall towards recession. Therefore, there would have been debate and discussion and sufficient scepticism for the public to weigh up the situation before the economy slowed down.

It also indicates that the public was offered a good amount of discussion on a topic that was arguably starting to impact their everyday lives. The issues are explained clearly, in terms appropriate for a lay audience. Therefore, the public would also have been informed about political economic mismanagement. The New York Times unpacks information for individuals in a few instances. For example on November 29, Leonard Silk, an economics writer, directly quoting an academic, discusses the decreasing median wage. The blame game is aimed at criticising government economic management and, in this case, Ronald Reagan, Margaret Thatcher, and Australian Treasurer Paul Keating.

That said the focus on deregulation as a main object of blame is missing full explanations and alternatives that the public could act upon. Furthermore, there is minimal everyday advice for ordinary non-shareholding citizens. Therefore, when reporting the 1990 recession, the blame game as a topic served the general public through scepticism, warnings, and debate. However, it could have played more of a watchdog role in its explanations and everyday advice for a general audience.

5. DEREGULATION

The topic of ‘deregulation’ occurred in 70 articles or 15 per cent of the total data set. The majority of the articles from the publications reviewed here are particularly scathing of the new policies and debate the rationale, as well as the management of new economic direction. To some extent this topic is an extension of the ‘blame game’ topic, which framed the deregulation of the banking industry as the main culprit for causing the recession.

The distribution amongst the three publications was as follows:

New York Times (11) 7 per cent of publication’s data set.
Guardian (30) 39 per cent of publication’s data set.

Sydney Morning Herald (29) 18 per cent of publication’s data set.

Figure 19 plots the coverage against the study timeline. Deregulation was a popular topic for the financial press to discuss, a fact that is illustrated below. Coverage on the topic is constant in each publication throughout the period.

Figure 19. 1990 Recession: Distribution of articles on deregulation

New York Times

One of the earliest articles from the *New York Times* appears on November 13, 1988, by Yardeni and is particularly optimistic about global efforts to deregulate economies. Specifically, it reports on a new “empirically based framework” that tracks “trends that have largely been ignored by pessimists and economists who rely on traditional models of the economy.” The new framework suggests that, “First, economic growth disciplined by global competition is not inflationary and should be sustainable.” Moreover, “More and more national political leaders (including the
Communists) are deregulating their economies to permit more entrepreneurs to trade more freely in more competitive markets.”

However, it does take a more critical stance against deregulation, a stance that continues through much of 1989, 1990, and 1991. For instance, on May 7, 1989, the criticism of savings institutions extended to the commercial banks that had formed as a consequence of deregulation, as Bartlett reports:

Traditionally, Wall Street firms acted as middlemen, matching investors with companies … But the profits from that business were so gargantuan that others quickly joined the fray … Deregulation, the emergence of commercial banks as competitors and changes in the tax laws all delivered the final blow.

Towards the end of November 5, 1990, WuDunn, curiously in contrast to the dominant framing of deregulation as a main contributor to excessive risk and a trigger of the recession, reports optimistically on deregulation in Australia. He describes it as:

A nation famed for its entrepreneurial titans, larger-than-life empire builders like Rupert Murdoch and Alan Bond, and the Government is now turning to its entrepreneurs for help in bailing out faltering state companies and banks.

The article describes the Australian Labour government that has ‘finally budged’ on the issue of ownership and announced the privatisation of “significant portions of the nation's utilities and industry.” Furthermore, the selling of “shares in the telecommunications and airlines industries” is described as “injecting greater competition and efficiency into them.”

Guardian

Rather than simply criticising the way that deregulation has been implemented or abused, the Guardian regards it as part of a corrupt ideology. It is a topic that the Guardian discusses in nearly half the articles in the data set.

One of the earliest articles from the Guardian (not by-lined) appears on November 18, 1989. It is particularly scathing of the merits of deregulation and Thatcher’s government’s role in promoting it as part of its neo-liberal ideology. This article sets
the tone for the rest of the articles on deregulation from the *Guardian*. The journalist argues, “While Mrs Thatcher was allegedly chopping up her credit card in disgust at her credit limit being raised without her consent, her Government was permitting deregulation to run rife.”

On January 2, 1990 (not by-lined), the term “deregulation” is described as a “jargon” term that encourages credit consumption:

Deregulation is jargon for the end of artificial government restrictions on credit, which twice this decade have led to a great burst of competition by financial institutions, which thrust money on to anybody remotely creditworthy.

On March 7, 1990, economics editor Hutton argues that deregulation is an “elegant philosophy” that is not practical because capitalism “needs rules”:

For laissez-faire, in its assertion that free markets tend to be self-regulating, denies the need for rules at all; but capitalism, as Keynes asserted, needs rules very badly. Yes, it’s a better system than collectivist planning; but, no it cannot be relied upon to give of its best if left to its own devices.

The following year on November 11, 1991, the same narrative is pursued by Hutton again as he argues deregulation caused “the biggest borrowing and lending spree this century”:

Nigel Lawson has said he underestimated its effects, John Major openly admits the Government made a mistake over it, and Norman Lamont must regret it as bitterly as anyone. The “it” is financial deregulation – the 1980s bonfire of financial disciplines that led to the biggest borrowing and lending spree this century.

*Sydney Morning Herald*

The topic of deregulation in 1988 is discussed as a complicated factor shielding the government from increasing interest rates. By 1989 and 1990, it is debated fully, and its role in the credit boom and particularly its impact on the housing market are discussed, mainly in terms that highlight the inadequacy of the Hawke-Keating Labour government. The principle of deregulation is not criticised, so much as the way it has been abused by business and banks that took advantage of unregulated rates and credit. There is some discussion of its merits, and by the end of 1991 there
is discussion by economics writers Gittins and Mitchell about the inevitability of deregulation based on the decisions of other developed economies and not so favourable economic conditions prior to deregulation.

One of the earliest articles on deregulation from the *Sydney Morning Herald* is by Burton on November 11, 1988. Burton describes “the bad old days when Governments set exchange and interest rates.” These were times, he argues, when “it was acceptable for politicians to lie about anticipated rate changes.” He argues that government are using deregulation as a veil to disguise their tightening of monetary policy. For instance, he argues, “thanks to deregulation the Government's conscience is not bothered by this type of white lie. Instead, as rates rise, the Government can luxuriate in the myth that the market sets the rates.”

On November 19, 1988, Gittins argues along similar lines, that financial deregulation has confused the setting of interest rates:

> In the monetarist era, the answer to the first question was simple. You judged the stance of monetary policy by looking at the rate of growth of the money supply … But if that stable relationship ever existed, financial deregulation means it’s long gone.

Gittins does not explain the reasons why deregulation has complicated the issue, but he does suggest that “a growing number of economists have come to the view that a good way to judge the stance of monetary policy is to look at the shape of the yield curve.” He goes on to explain a corresponding graph of a yield curve of Treasury notes and bonds—explained clearly, but full of jargon.

The following year, on July 1, 1989, Dixon does explain why and how financial deregulation has taken control from the government and the Reserve bank, and makes the setting of interest rates more complicated. Moreover, he describes a change in policy that has allowed credit risks in to the markets. He describes a time “Before financial deregulation”, which he adds sarcastically is, “claimed by the Treasurer, Mr Keating, to be a major achievement”, when “tight money policies operated by reducing the supply of credit – to both investors and home-buyers.”

On July 10, 1989, Walsh is particularly scathing as he describes the deregulation espoused by Keating, and the risks it is posing not just to Australia, but to other
developed economies too: “Australia basically has the same deregulated exchange and financial markets as the US, Canada, and the UK. All these deregulated economies have experienced wild gyrations in credit growth and interest rates through the 1980s.” These countries are placed in contrast to Japan, which is doing comparatively better due to its regulated economy: “At the other end of the liberalisation scale is Japan – the country which now boasts the highest per capita income in the world, the lowest rate of inflation and the lowest interest rates.”

However, on May 21, 1990, Gittins also points to the newly deregulated banking industry that produced a better alternative to a regulated economy and should not receive blame for incompetent economic policy:

While the banks learn by trial and painful error to deal with deregulation, and while there will be innocent victims, it is worth recalling the economically stifling alternative. It is also worth recalling that while competition between the banks contributed to the credit boom, the boom and bust in asset prices are also the results of economic policy.

The argument against deregulation is taken even further on July 30, 1990, by Ryan, Light and McGeough, who chide top “white-collar” business men for their role in stoking the boom and regulation that failed to keep them in check:

Christopher Skase finds tennis more therapeutic. He spends some of his time at the Sheraton Mirage on the Gold Coast – one of this country’s most lavish resorts. Alan Bond and the other shareholders of Bond Corporation have seen their wealth dissipated, but Bondy still manages to keep up the good life to which he has become accustomed.

By November 16, 1991, Gittins describes the situation in Australia as mismanaged but inevitable. He explains that Prime Minister Hawke, economic policy, and specifically that of deregulation, have been influenced by “Economic rationalists – mainly economists – [who] are people who work from a presumption that the free play of market forces usually produces the best results in terms of maximising the community's material well-being.” However, he explains how the situation before deregulation was “a class system for home buyers: the well-off got cheaper loans from banks; the less-well-off got dearer loans from building societies, or second mortgages from finance companies.” Therefore, he asks his reader to “Try to
remember it when next you’re told about those crazy economic rationalists who’ve caused all our present problems.”

The same stance is pursued by economics writer Mitchell in the same month on November 28, 1991, “Sure, financial deregulation hasn’t exactly been an unqualified success. But has anyone got a better idea?”

**Quality Measures: Deregulation topic**

Both the *New York Times* and *Sydney Morning Herald* weigh in with discussion, in 1988. Both are sceptical of deregulation and its enactment by the government. The *Guardian* weighs in by late 1989. The *New York Times* is often contradictory, but is mainly critical; the *Guardian* reveals its left-wing tendencies as it attacks deregulation as an ideology and not based on its merits; and the *Sydney Morning Herald* sees it as a useful veil for government. That said, the *Sydney Morning Herald* does provide the most explanations and considers the inevitability of deregulation based on global movements in that direction. An exposé of white-collar crime lays the blame on deregulation, and it also discusses its inevitability. Like the *Guardian*, it also reports critically about the government’s role in managing deregulation and focuses on Keating’s role as a Treasurer in particular.

Conversely, deregulation would have had huge implications for every financial concern of ordinary members of the public, but they are arguably left out of the equation. Explanations are often complicated and filled with jargon—an issue the *Guardian* itself picks up on as it reports on January 2, 1990 (not by-lined), that deregulation is a “jargon” term. Each publication—the *New York Times* and the *Sydney Morning Herald* in particular—needs to unpack their explanations and the jargon terms that are used when defining deregulation.

Therefore, the topic of deregulation was highly contested at the time and the financial press can be said to have fulfilled a watchdog role in terms of its scepticism and criticism of government policy. However, given the fact that deregulation represented such a huge shift in political economic management, it failed to provide satisfactory explanations to make it fully understandable for an ordinary non-shareholding readership.
Conclusion

The purpose of the content analysis in this study was to assess the quality of the reportage and to conclude from this the extent to which mainstream finance journalism fulfils a watchdog role for the general public. Having presented the evidence what judgement can we make regarding the mainstream financial reportage of the 1990 recession in the US, the UK, and Australia?

During the 1990 recession case study, there are a variety of interpretations presented in the publications on issues, which promote discussion of alternative views. In particular, the topic of deregulation of the financial industry elicits a variety of responses. Each publication also presents its own unique take on events. For instance, the New York Times tends to provide a range of views and interpretations. The Guardian stands out as politically and economically left-wing, framing events to depict Conservative ideology as corrupt and a danger for society. The Sydney Morning Herald is also scathing of the government in power, but more so because of its management of the economy than its politics.

A variety of ‘voices’ representing all sections of society are quoted directly and the data reveals that the New York Times favours business research, the Guardian favours government bodies, and the Sydney Morning Herald spread its quotes between government bodies, the central bank—the Reserve Bank—and PR. Contrastingly, none of the publications quoted much from non-government organisations, academia, or members of the public. The pattern of reportage shows how the ‘variety’ contracts to the few most popular sources in the months immediately after the Minsky moment.

In addition to various interpretations and a multitude of ‘voices’, there was room for discussion and debate as 60 per cent of the data set appears in the two years before November 1990—the Minsky moment. While there are few warnings to signal an impending or potential crisis in the financial or economic systems, the economic data suggests in this case crystal ball-gazing would have been difficult. Adverse economic effects were not felt in the US, the UK, and Australian economies until mid-1990 and even then previous studies reveal that the economic downturn was blamed on several different factors that would have been difficult to predict (Fintzen and Steckler 1999).
Another trend that is identified is that economics editors and writers tend to be more sceptical, as well as more prescient, mostly through consultation with non-biased sources like academics and members of the public. Overall, reporting remains uniformly neutral on the three-point scale. Of the publications the *Guardian* is the most sceptical of the publications. This scepticism is confirmed in the discourse analysis that revealed disdain for the pervading neo-liberal ideology favoured by the government.

With regards to information geared towards the general public, there is some everyday advice relating to finance and government spending, directed at all sections of society, not just investors. However, during a period of significant economic and financial change, one might have expected more advice to be directed to members of the public on managing their everyday finances. The majority of the coverage features clear explanations about interest rates and deregulation, but contains a large amount of jargon that could have been unpacked further. A preoccupation with topics that relate to the ‘ordinary’ public, such as jobs and personal finance, are noted when the economy starts to move downwards.

On this evidence it appears that the financial press played a watchdog role according to the key quality criteria. Quantitative analysis reveals that the 1990 recession was reported in a fairly neutral way and included a number of ‘voices’. There were a large number of articles before the Minsky moment, providing room for democratic discussion and debate. Also, even though the general public was not always included in the debate as much as it could have been, there are some illuminating articles that lobby on behalf of the general public, criticise power, provide stark warnings, and ultimately address a large section of society as opposed to a specialist business audience.
Chapter Six

Case Study II: The “Irrationally Exuberant” Dot Com Boom:
March 1998-May 2001

The men and women who scrambled to explain the economic turmoil of the 1970s – the gas lines and the shuttered factories and the apparent erosion of American competence – were not writing for consumers or investors. They were writing for citizens, for people who cared deeply about how this nation turned out … I don’t know about you but I’d rather be writing for those people again (Henriques 2000b, 21).

Introduction

This Chapter presents the findings in the second of the three cases studies and focuses on the period of the dot com boom and bust, which occurred around the turn of the 20th century. It begins with a review of the political economic situation in the US, the UK, and Australia, and the relationship that existed between business and the media to put into context the reporting conditions that might have influenced financial reporting standards and practices. It then discusses previous research into this period to show where and how this study will add to what has gone before.

The Dot Com Boom: An Overview

The late 1990s and early 2000s were characterised by, and are indeed now infamous for, a fascination with Internet stocks and new Internet companies. In the late 1990s, globalisation was growing fast and advances in technology, specifically the Internet, saw online companies spring up in large numbers and command huge market valuations. The Internet was a recent phenomenon and the public was taking part in the speculation, specifically on the NASDAQ that hosted Internet stocks. In the two-year period, from early 1998 to February 2000, the Internet sector earned over 1,000 per cent returns on its public equity. However, when the mania was over, by the end of 2000, these returns had all but disappeared (Ofek and Richardson 2003, 1113).
Globalisation was intensifying and, in a neo-liberal political and economic climate, deregulation was the common mantra. In 1996, Alan Greenspan, chairman of the US Federal Reserve, gave his landmark speech warning about the threat of “irrational exuberance” on an overheated stock market (The Federal Reserve Board 1996). Despite this warning and the constant threat of inflation in 1996, during the late 1990s Greenspan and his Federal Open Market Committee (FOMC) did nothing to stop the growth of the stock market until the very end (Schiller 2000, 40). This is illustrated by the official interest rate, which increased for the last time in 1995 and remained at this level until August 1999 (ibid.).

As well as warning of “irrational exuberance” during his December 1996 speech, Alan Greenspan demonstrated the prevailing view of central bankers:

> We as central bankers need not be concerned if a collapsing financial asset bubble does not threaten to impair the real economy, its production, jobs, and price stability. Indeed, the sharp stock market break of 1987 had few negative consequences for the economy. But we should not underestimate or become complacent about the complexity of the interactions of asset markets and the economy (The Federal Reserve Board 1996).

This highlighted an indifference towards the relationship between real economic fundamentals and the stock market at the time. It is also typical of the prevailing view that financial markets are self-correcting, an ideology better known as market-fundamentalism. Market-fundamentalism and neo-liberalism came to dominate political policy in the US, the UK, and Australia in the late 1990s.

**The Dot Com Boom: The Politics**

Akram-Lodhi (2006) argues that neo-liberalism developed into something more than a free-market ideology because it was shaped by policy. He therefore distinguishes neo-liberalism from what he calls neo-conservatism, which evolved from the late 1990s. The difference between neo-liberalism and neo-conservatism is that neo-conservatives prioritise the capitalist system as a whole, while neo-liberals favour individual supremacy (ibid., 159). More importantly, privatisation of growth is

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14 Soros (2010, 38-39) defines market-fundamentalism as, “The prevailing misconception … that financial markets are self-correcting and should be left to their own devices.”
emphasised as the means used by neo-conservatives to build and sustain their capitalist vision, even though such interventionist measures might be seen as contrary to the idea of free-markets and neo-liberal leanings (ibid., 159). Therefore, it is fair to describe the US, the UK, and Australia as neo-conservative by the late 1990s as their respective leaders (President Clinton, Prime Minister Blair, and Prime Minister Howard) all aimed to open their economies and push the new free-market globalised capitalist ideology.

Globalisation, based on the principle of a world without financial borders, meant companies could merge and interact without any national obstructions to the flow of capital. It represented classic neo-liberalist thinking, which favoured little or no regulation, as well as privatisation. The principles of neo-liberalism, neo-conservatism, globalisation, and the ‘new economy’ defined this epoch, dominated by a conviction that a world connected by money and markets heralded a new age—a rich and advanced modern age.

*The United States*

The American version of neo-liberalism promoted the idea that a new economic and business cycle was underway, one that benefitted from positive growth and low inflation with few downturns. It became popular around the time that the US economy was indeed at its strongest and had been in positive growth for more than nine years. Privatisation and deregulation were its hallmarks and, in the late 1990s, the deregulation of the telecommunications industry was particularly important to new Internet-related industries. The telecommunications Act of 1996, signed by President Bill Clinton, opened and overhauled telecommunications law for the first time in 60 years (Federal Communications Commission 1996).

Politicians and senior figures in government were the chief proponents of neo-liberalism and the new economy. Soros (2010, 42) writes specifically about Alan Greenspan, the then Chairman of the Federal Reserve in the US, as its main advocate. Soros (ibid.) notes that Greenspan recognised the bubble that was looming in 1996 when he gave his “irrational exuberance” speech and argues that he “could have asked the Securities and Exchange Commission to put a freeze on new share
issues since the Internet boom was fuelled by equity leveraging. He did not because that would have violated his market fundamentalist beliefs.”

On the other hand, Soros (ibid.) explains that the dot com boom and bust was just one in a series of boom and bust cycles since 1987 that were precipitated by politicians’ beliefs in market-fundamentalism. Furthermore, the criticism one could level at Greenspan could also be levelled at the US ‘authorities’ in general. Rather than intervening and curbing bad lending practices, the US authorities “merged away or otherwise took care of the failing financial institutions, and applied monetary and fiscal stimuli to protect the economy” (ibid., 39). Therefore, he argues, they were supporting the financial institutions and the “trend of ever increasing credit and leverage”, while simultaneously supporting “the prevailing misconception that markets can be safely left to their own devices” (ibid.).

The United Kingdom

A similar movement to deregulate the telecommunications industry was pushed in the UK. It began in 1991 with the government white paper *Competition and Choice: Telecommunications Policy for the 1990s*, and in 2001, a paper by the Department of Trade argues that deregulation of the sector encouraged progressive and sustained competition (OECD 2002, 9). The paper sees the UK as leading the way in encouraging the growth and expansion of the telecommunications market:

In 1980, customers in the UK were reliant on one state-owned monopoly meeting their entire telecommunications needs. Today, they have a choice at every level of UK telecommunications, from handsets and other customer premises equipment to broadband services accessed through Internet Protocol networks. Liberalisation and competition have been the keys to dramatic reductions in prices and the much greater choice now available to consumers as other countries have followed the UK’s lead and opened up their markets (ibid.).

While policy-makers retained “the blunt instrument of interest rates” as a means to control credit, through deregulation they had otherwise ceded control to the financial industry (Elliott and Atkinson 2009, 124). In the UK, deregulation and the embracing of the new economy were closely associated with New Labour. Prime Minister Tony Blair and his Chancellor of the Exchequer, Gordon Brown, were more than eager to bring Britain into the 21st century and, moreover, wanted to make sure that it was
not left behind in Europe’s shadow. They wanted the UK to be fully engaged with what they saw as a technological revolution, and even leading it. In February 2000, Gordon Brown is recorded in New York as saying, “We are determined that Britain will lead in the next stage of the Internet revolution. Our target is within three years to become the world’s best environment for electronic commerce” (cited in Denny 2000).

**Australia**

Australia also wanted to be in the game and, according to Australian technology journalist Stuart Fist (1997), made its first move in 1990 when the then Labour government decided to compete for a share of the market alongside the US:

I particularly relish memories of the announcement in December 1990 by Communications Minister Beazley that a merged Telecom and OTC (Megacom) was necessary for Australia to have an international player in telecommunications to compete with the Americans.

Fist also praised Tony Blair’s New Labour as acting with appropriate urgency and contrasted it with a comparatively slow-moving government in Australia. His article states that Howard’s conservative coalition government, which replaced the Labour government in 1996, was “shown up” by Tony Blair’s New Labour, which, when compared with Australia’s leaders, had “hit the ground running” (ibid.). Although he does not detail concrete policy decisions, the buzz and excitement that surrounded New Labour were evident: “No-one can be sure where New Labour will leave Britain. But Tony Blair, his senior ministers and closest advisers are intent on change. Now” (ibid.).

On July 27, 2000, Kevin Rudd, then a Labour MP who would go on to become Prime Minster of Australia in 2007, made his thoughts clear in an opinion piece he wrote in the *Sydney Morning Herald*. He argued that Australia must join the global economy for better prosperity and an inclusive democracy (Rudd 2000). His support for globalisation went so far as to associate what he termed “globaphobia” with xenophobia:

…we are committed to the development of an internationally competitive knowledge economy in part by bridging the emerging digital divide
within Australia, by democratising people’s access to the tools of the new economy.

The recipe for avoiding the rise of globophobia and its near relative on the Right, xenophobia, is not another bout of capitalist triumphalism. It lies in providing all peoples, at home and abroad, with a tangible stake in the globalisation project (ibid.).

However, Australian diplomat and economist Ross Garnaut (2009) reveals the underside to deregulation, market-fundamentalism, and globalisation as he reflects on the causes of the GFC in 2007-2008. He explains that “By the middle of the first decade of the twenty-first century the psychology of the boom was well established” (ibid., 21). In the US and the UK, ‘credit standards’ were in decline and new mortgage products were being created. This, he says, was also happening in Australia, where “Australian versions of ‘non-conforming loans’ finally arrived before the turn of the millennium and were in widespread use across the most conservative banks” (ibid.).

The Dot Com Boom: Financial Media and Business

In the late 1990s the stock market became an entity that symbolised wealth creation and opportunity. Furthermore, it became symbolic of something beyond anybody’s control, even Alan Greenspan’s. Cheney (1998) called the stock market one of the most celebrated ideas in economic life in industrialised society. He describes consumerism, and the prevalence of financial markets, as a means for the public to create wealth, as a force that is accepted in daily discourses, in the media, and therefore in society. Also, his reference to “The Market” as a “social actor” produces the image of a reified being:

On a practical level, the [author’s research] paper highlights certain ironies associated with some of the most celebrated ideas in economic life today: for example, that The Market is a supreme social actor and a motivator of human action, and that consumer choice, particularly in its mundane forms, represents a high form of democratic expression and participation (ibid., 26).

The financial media reflected this ebullient enthusiasm. However, there was also pressure on financial journalists to report positively. Schuster (2006, 75) quotes one dot com reporter in the US as stating, “There was enormous pressure to report
positively about what was going on at the stock market.” As the financial markets grew, so did the amounts paid by for advertisements in the financial media.

It has also been argued that the media’s pro-business attitude was encouraged primarily because of the general public’s investment and involvement in the stock market (Simons 1999). Simons described the extent to which investment in the stock market had expanded and touched everyone from micro to macro level investment: “Today, virtually everyone out there (journalists among them) is a business “player” – if not a direct investor then by dint of their company pensions or 401ks or employee stock ownership plans” (ibid., 56). Therefore, the media were taking direction from the audience they wrote for, as Simons phrases it, “Taking a cue from their readers, newspapers have enthusiastically climbed aboard the business bandwagon” (ibid.).

Venal Journalism

As the enthusiasm for individual investment and get-rich-quick schemes grew, so did the public images of the icons of the new economy: young technically savvy entrepreneurs who amassed millions on the stock market. Within the media, according to Simons (ibid., 56), “The feature about the nouveau riche twenty-something exchanging his battered Hyundai for a Porsche when his company goes public has become such a newspaper staple it’s already a cliché.”

However, finance journalists were not just under the spell of the young entrepreneurs. They were also dazzled by opportunities for their own financial gain. Simons (ibid., 57) argues that this was not surprising “in a world where the go-go entrepreneurs and the reporters covering them both tend to be young and ambitious, opportunity and its attendant temptation are rearing their heads.” Venal journalism, it is argued, soon became common practice. For instance, Henriquez (2000b, 20), a journalist at the New York Times, wrote that journalists covering the “new economy” in “new media” did not consider accepting cheap insider stock or investment in industries they cover to be a problem.

Finance journalists were also in a position to benefit professionally from the large revenues proffered by newly emerging dot coms and high-technology companies. For example, Simons (1999, 67) cites a jump to salaries beyond $100,000, and stocks
potentially worth millions, if business journalists made the transition from traditional print media to writing online about high-technology companies and stocks – something he calls “the leap from print-on-paper to print-on-glass.” Therefore, a picture is painted of a business press benefitting financially from the dot com bubble through increased and expensive advertising space and salaries.

The dazzling financial lures of the ‘new economy’ paved the way for biased and unquestioning reporting. It also produced a shift in news values, as journalists were captured by their sources. Stories shifted focus from ordinary citizens to responding to the beat of the market. For instance, Quinn (1988, 48) referred to rich business sources as “predators” who journalists tended to dine with “innocently, without even thinking about it. They’re the force field. They’re the story, not average folks.” Indeed, a shift in news values is also identified by Parker (1998, 129) who argues that the social welfare aspects of economic stories were usurped by a concern with “the relative economic strength of competitors.” He argues that the format of economic stories changed and became more like political competition “horse race” narratives (ibid.). He also points towards an increase in soft news and budgetary pressures imposed by a new generation of producers and managers as a negative foreboding.

*Groupthink*

Lack of objectivity and too close a relationship with business sources of information resulted in groupthink journalism. As discussed in Chapter Three, groupthink is described by Schuster (2006, 70) as the manner in which the media “conditions” individual perceptions through positive and biased reporting, creating homogenous mass behaviour. James Surowiecki of the *New Yorker* argues that “CNBC style” coverage precipitates a herd mentality and does not encourage independent decision-making: “You don’t get that wisdom in a world dominated by CNBC style coverage. In that world, every decision becomes dependent. And in certain circumstances … you end up with a mob instead of a market” (cited in ibid., 75).

Davis (2006, 619) also cites new financial news channels like CNBC and Bloomberg, the rise of new financial journals, and the Internet as major factors that fed the dot com boom. He argues that they provided a “speculative forum” with
which to hype Internet stocks and promote the cult of the “new internet entrepreneur” and the ideology of the “new economy” (ibid.). Schiller (2000, 76) also credits new financial channels and publications, and specifically their business models that push deadlines, for a reportage at the time “devoid of genuine thought”, and he concludes that “the news structures of business coverage are not very beneficial to rational, critical, sensible, differentiated and diversified investor behaviour.”

Davis (2006) also alludes to a feedback loop that existed between media and consumers of media during the dot com boom. The self-reflexive nature of communications, according to Davis (ibid., 621), is prompted by the investment process, which encourages participants to observe and react as their rivals would. Indeed, one of Davis’ interviewees, Paul Woolley, chairman of fund management company GMO, resisted temptations to follow groupthink and saw clients promptly withdraw their funds. He said the following about the telecommunications and media technology (TMT) bubble:

The TMT bubble offered a classic example of the bandwagon effect. Unrealistic expectations were the main culprit, but the share price explosion was undoubtedly fuelled by demand from managers concerned to protect their portfolios against benchmark risk by staying close to index weights in the sector (ibid., 620).

How the Reporting of the Dot Com Boom has been Measured Before

According to some earlier studies, the media during the dot com boom helped to sustain some of the common myths that were popular at the time, such as that of a new economy with high growth and minimal inflation, and get-rich-quick schemes. They also spruiked the benefits of the Initial Public Offering (IPO) activity of new Internet companies, and pandered to analysts, institutional investors, and a new investing public, with sensational reporting.

According to Howcroft (2001), the closeness of the finance journalists to their sources and the personal benefits they derived from the dot com boom led them to perpetuate the myths around the bubble. Howcroft enumerates four of these myths. The first myth is the myth of the ‘new economy’: the move from old industry to a
new digital economy. Howcroft (ibid., 196) uses the example of the merger between Time Warner and America Online, which happened in January 2000, as a prime example of a “new era” company.

The second myth is of the entrepreneurial geek, who achieves success and riches (see also Goozner and Janis 2000). According to Howcroft (2001, 196): “Much of the dot.com publicity focuses on ‘rags to riches’ tales, thereby engendering feelings that large-scale success is not only possible, but there for the taking (particularly for the young and technologically competent).” The third myth, the myth of innovation, arose because the Internet was promoted as a technological innovation and a “new way of doing business”—this legitimised the euphoria around high-technology shares (ibid., 200). However, Howcroft (ibid.) argues that e-commerce has been an established part of business vocabulary for decades before the Internet promised so much in the way of e-commerce—first originating with the EDI and VAN concepts in the early 1970s.\(^{15}\) Also, over-optimism about new technologies has been witnessed before with both the telegraph and television:

> Just as the telegraph would bring democracy and television would educate the masses, the Internet and with it the new dot.coms are heralded as the technology that has the potential to profoundly affect many industries and the entire retail experience (ibid., 202; see also Best 2005; Schiller 2000).

The fourth myth is that of virtual and mass-scale success. Success during the boom is not success in the traditional sense of profit-making, but in the virtual sense (Howcroft 2001, 197). Stock market analysts, it is argued, replaced traditional profit-making measures with empty promises about potential success on a massive scale. The fact that most new dot com companies fail within the first few years was ignored. Similarly, the fact that the people running these businesses were new, inexperienced, and working in a new industry was also ignored.

The role of the media in sustaining the kinds of myths enumerated by Howcroft has also been researched empirically (Pollock and Rindova 2003). The authors looked at 225 IPOs and the media attention they received to ascertain whether the media

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\(^{15}\) EDI (electronic data interchange) and VAN (value-added network) were the precursors of web-based e-commerce, and were the original systems used on computers to support commerce, mainly between businesses. See Harreld, Krill and Schwartz (2002) for a discussion of the merits of web-based commerce over that provided by EDI and VAN technology.
played a significant role in their promotion and legitimisation. They concluded that publicly available information not only legitimises IPOs, but also, by making them appear legitimate, influences investor behaviour. Indeed, they emphasise the important role played by the media in sustaining the cult of the Internet.

The study argues that the media can facilitate or inhibit the formation of impressions about firms by the level of investor exposure to information about them and by the framing of this information either positively or negatively (ibid., 631). According to the study, the media have the capacity to direct public attention to the companies they select for coverage, thereby increasing the public’s exposure to them (ibid., 632). The study also found that the type of information provided by the media influence investor choices about IPO firms. Moreover, they found that the tenor of media coverage has the potential to alter perceptions of the value of firms and generate a price premium for IPO firms (ibid., 640). Therefore, any Internet companies that did appear in the media stood a higher chance of increasing their market valuations on the first day the shares were sold.

The frenzy that surrounded the dot com bubble, sustained by the media, is also aptly compared by Best (2005, 361) to the frenzy that surrounds celebrities: “…at the turn of the millennium we were relating to the Internet in much the same way as we relate to a celebrity.” Best (ibid., 362) identifies two strands of an argument, or narrative, that told the story about the Internet before and after its implosion: first, that the Internet was a key element in an unstoppable, exciting, and extremely profitable wiring of the world; and second, after the implosion, that the Internet was an important technology which should be judged against old economic fundamentals.

Several important factors contributed to the popularity of the Internet, according to Best. First, there was the media, who “played a crucial role” through the promotion of an investment culture (ibid., 371). Second, there were the “celebrity agents”, who promoted the cult, such as stock analysts and investment bankers (ibid.). This promotion was exacerbated by the rise of financial journalism and the contemporary sensationalism of media, which has become more “entertaining and personal” (ibid., 372). Third, there was the environment of the time, which saw the rise of the individual investor, the rise in mutual funds, and the increasing use of stock options for employees, which reduced fears in risk. Last, the Internet added fuel to the fire,
as it offered new possibilities like online trading and stimulation of interest through news groups and message boards (ibid., 372).

Therefore, the role of the media in perpetuating the myths of the new dot com economy is well established by previous studies. There is a heavy focus on the US, with minimal studies on the UK and Australia. What is missing is a more comprehensive empirical survey of the coverage, and the extent to which the financial press played a watchdog role and served the interests of the general public during this period.

**Content Analysis Timeframe: March 1998-May 2001**

In the last few years of the 1990s, the idea of a “New Economy” gained wide currency, almost rivalling “globalization” as a neologism that characterizes our era (McChesney 2008, 291).

This section analyses mainstream financial coverage of the dot com boom qualitatively and quantitatively. It uses the same methodology that was applied to the reporting of the 1990 recession. Content from the same broadsheet mainstream publications, the *New York Times* (US), the *Guardian* (UK), and the *Sydney Morning Herald* (Australia), will be compared and quality standards will be measured based on the criteria that were laid out in Chapters Three and Four:

- A variety of interpretations on an issue to promote discussion of alternative views;
- A variety of ‘voices’ quoted directly to represent all sections of society;
- Everyday advice relating to finance and government spending for all sections of society, not just investors;
- Explanations that are unpacked with minimal jargon; and
- Sufficient scepticism and warnings that serve to signal impending or potential crisis in the financial or economic systems.
The Economic Context: What the Economic Data Tell Us

Following studies, such as Kollmeyer (2004) and the Pew Research Center (2008), a snapshot of the contemporary economic data was prepared against which to align the newspaper coverage. Using data from the Trading Economics website, the key economic indicators from the US, the UK and Australia (the GDP, inflation and unemployment rates) were captured to assess the economic trends from 1998-2001.16

The United States

Figure 20 shows that the US annual GDP growth is close to 5 per cent through to the end of 1998 and into 1999. Economic growth does not begin to slow until mid-2000 and when it does, it slows quickly and dramatically.

Figure 20. Dot Com Boom: US annual GDP growth rate from 1998 to 2001

Figure 21 shows the pattern of inflation over this period. The US inflation rate was low, at around 1.5 per cent, for much of 1998 and 1999. From mid-1999, it rises consistently and reaches a peak of close to 4 per cent in mid-2000, where it remains until mid-2001. This does not indicate excessive inflation, but it does indicate that the economy has started to inflate, from 1999-2000, by just over one percentage point, and then decreased by 2001, when the economy went into negative growth.

16 Trading Economics is a website that collates official economic data and presents it in graphs (see: www.tradingeconomics.com).
Figure 21. Dot Com Boom: US inflation rate from 1998 to 2001

Figure 22 shows that the US unemployment rate reduces steadily from over 5 per cent in 1998, to around 4 per cent by early 2000. It then remains there until early 2001 when it rises quickly and sharply.

Figure 22. Dot Com Boom: US unemployment rate from 1998 to 2001

Overall, then, the economic indicators show growth slowed and inflation grew, and should have been obvious to financial journalists by mid-2000. However, unemployment was low for much of 2000. One might expect more scepticism and warnings in articles at least from mid-to-late 2000.
The United Kingdom

Figure 23 shows that in the UK the economy slows through 1998 to mid-1999, from four to 2.4 per cent. It then grows to 5.6 per cent in mid-2000, where it peaks and then drops down quite quickly.

Figure 23. Dot Com Boom: UK annual GDP growth from 1998 to 2001

Figure 24 shows the UK inflation rate during this period. This continues to fall from 1998 to mid-2000. It reaches a low point of close to 0.4 per cent in mid-2000. It remains below one per cent until March 2001, when it increases quickly. In just three months, from March-June 2001, the inflation rate jumped by a percentage from 0.8 to 1.8 per cent.

Figure 24. Dot Com Boom: UK inflation rate from 1998 to 2001
Like the US, the UK shows a positive unemployment trend. Figure 25 shows the unemployment rate heads down from 6.4 per cent in early 1998, to around 5 per cent by mid-2001. It decreased steadily and indicates that the general public was enjoying increasing rates of employment in these years.

Figure 25. Dot Com Boom: UK unemployment rate from 1998 to 2001

Therefore, the economic data was positive when compared to the US. Economic growth continued and inflation was steady for much of 2000. One might expect elements of scepticism on the domestic economy from the start of 2001.

Australia

Figure 26 shows Australia’s annual GDP growth rate was consistent and close to 4 per cent for most of 1998, 1999, and 2000. In mid-2000, it drops dramatically for three consecutive quarters.
Figure 26. Dot Com Boom: Australia’s annual GDP growth rate from 1998 to 2001

Figure 27 shows an inflation rate in Australia that increases steadily from 0 per cent in early 1998, to 6 per cent by the end of 2000. This figure, coupled with the GDP growth rate, indicates that Australia’s economy took a turn for the worse at the end of 2000 and early 2001.

Figure 27. Dot Com Boom: Australia’s inflation rate from 1998 to 2001

Like the US and the UK, Australia, despite a slowing economy, enjoyed lower rates of unemployment—although they were still relatively high compared to the US and the UK. Figure 28 shows the unemployment rate dropped by nearly 2 per cent from 1998 to 2001, from around 7.7 to 6.25 per cent.
Figure 28. Dot Com Boom: Australia’s unemployment rate from 1998 to 2001

Therefore, the economic indicators point to decreased economic growth and higher inflation from mid-2000. It can be expected that this will be reflected in articles from at least the end of the year 2000, especially as unemployment starts to rise again.

Summary

The economic indicators show that high growth and low inflation, the indicators of the ‘new economy’, were evident throughout 1998 and 1999, and part of 2000. By 2000, each country was feeling the impact of lower economic growth and higher inflation. Conversely, unemployment was declining in each country. In Australia, it is higher than in the US or the UK, but it was declining nonetheless.

Therefore, official data shows that each economy was showing signs of slowing, while inflation was getting higher and this information should arguably have been available by mid-2000. This is later than the NASDAQ peak and fall. Therefore, the economic picture is clear, when looked at retrospectively, but the real economic conditions might not have been clear and available to financial journalists until mid-2000.
Capturing the data

The following key words were used to capture a data set from the electronic database Factiva:

- Dot com Boom;
- Internet Bubble;
- Venture Capital and New IPO;
- Dot com Boom;
- New Economy; and
- Entrepreneur and Dot Com.

The key words were chosen on the basis of their relevance to dot com boom. An example of the type of article that resulted from this type of search is included in Appendix B. As was discussed in Chapter Four, the timeframe was determined around the so-called Minsky moment—the moment that the crisis was revealed to the public, and economic and financial events turned sour. Based on the assumption that the press should play a watchdog role in forewarning the public about an impending financial and economic downturn, this method would allow enough time to examine coverage during the incubation period of the crisis. The timeframe also extended to a little over a year after the Minsky moment to measure the tone and types of articles that shaped the coverage of the events in the aftermath.

In total, the key words generated 275 suitable articles. Of the data set, 116 articles are from the New York Times, 96 are from the Guardian, and 63 are from the Sydney Morning Herald (see Figure 29 below).
In this case study, the Minsky moment is March 2000, the month that the NASDAQ reached a peak and started to deflate. The duration of the data capture period is from March 1998 to May 2001.
Quantitative Analysis: Tone and Quoted Sources

The Tone of the Reportage

In addition to the amount of articles, measured by the Minsky moment, the articles were assessed according to tone as sceptical, neutral, or optimistic. The definition of sceptical, neutral, and optimistic is provided in Chapter Four, and an example of each is provided in Appendix A.

To plot the trend across the entire timeline, totals were averaged for each quarter, or three-monthly period, as represented below in Figure 31.

Figure 31. Dot Com Boom: Tone Trend, March 1998 to May 2001

1=Sceptical 2=Neutral 3=Optimistic

Figure 31 illustrates that each of the publications reports with an average tone between neutral and optimistic until around March 2000, at which point each publication heads towards greater scepticism. Therefore, each of the publications also reflects the economic situation discussed in the section above, as the economies slowed and inflation grew from mid-2000. The level of optimism maintained by each
publication is quite high until the NASDAQ falls from its peak in March 2000—the Minsky moment for this case study—when the switch to scepticism is dramatic.

The Sources that Shaped the Dot Com Boom

To ascertain the diversity of ‘voices’—one of the criteria for quality established in Chapters Three and Four—the first two directly quoted sources were coded (see Chapter Four for an explanation of the method used). It would reveal whether mainstream financial journalism represents all of society or mainly the business elite as indicated in the literature. It was also hoped that coding the main sources of information would reveal the extent to which PR spokespersons and press releases are quoted directly.

In addition to coding all of the quoted sources of information, the six months directly following the Minsky moment—March 2000—were coded separately to see the extent to which the financial press consulted a different set of sources for information in the months when the crisis became obvious and of concern for members of the public.

The results presented in Figure 32 indicate that business sources, analysts, and institutional investors were the most quoted sources for each of the publications. An overwhelming percentage of direct quotes come from business sources like CEOs and executives: 38.3 per cent in the New York Times, 40.3 per cent in the Guardian, and 31.7 per cent in the Sydney Morning Herald. In second place are analysts, with institutional investors not far behind.
Figure 32. Dot Com Boom: Number and type of directly quoted sources, as a percentage of publication’s total quoted sources

By way of contrast, the general public and non-government organisations are grossly underrepresented by each of the publications. Only 0.5 per cent of quotes from the *New York Times* are from non-government organisations and 2.5 per cent are from members of the public. On the other hand, 4 per cent are from academic economists and 3.6 per cent are from academics.

Of the quotes from the *Guardian*, only 1.7 per cent are from members of the public, 3.5 per cent are from academics, and there are none from academic economists or non-government sources. The *Sydney Morning Herald* is similar, but with no quotes from members of the public, academic economists, or non-government sources, and only 3.6 per cent from academics.

Figure 33 below shows that in the months immediately after the Minsky moment—March 2000, the month the NASDAQ peaked and started to deflate—similar sources are used by each publication. The majority of direct quotes in each publication come from business sources, analysts, and institutional investors. This follows the same pattern as Figure 32, but it is exaggerated. Non-government sources are not quoted directly by any of the publications, while only the *New York Times* quotes members.
of the public and this is only 4.4 per cent of its total quotes. Also, only the *New York Times* quotes academic economists, at 4.4 per cent. Only the *Guardian* and *Sydney Morning Herald* quote academics, at 8.9 per cent and 3.8 per cent respectively.

**Figure 33. Dot Com Boom: Sources quoted after the Minsky moment, March 2000 to July 2000**

![Bar chart showing sources quoted in financial reportage]

**Conclusions from the Quantitative Analysis**

The economic situation in each country took a turn for the worse in mid-2000. The economies slowed and inflation grew. However, unemployment was in decline. Therefore, while there might have been room for some optimism in financial reportage, the tone was arguably overly optimistic in each publication. As a result, there was quite a dramatic switch to scepticism after the March 2000 Minsky moment.

The reportage was dominated, and hence arguably shaped by business sources, analysts, and institutional investors who supplied the bulk of information and direct quotes for each publication. This means that there is far less representation of other sources, including academics, non-government organisations, and members of the
public. This is in contrast with the previous case study on the 1990 recession, which provided a much fairer representation through its direct quotes.

As was the case with the 1990 recession, after the Minsky moment, the reliance on business, analysts, and institutional investors is even more extreme. This suggests that alternative voices tend not to be sought even at a time when the public is arguably most tuned in to financial news.\(^{17}\) It appears that news values do not shift, but rather they are magnified.

**Qualitative Analysis: News Framing and Discourse**

It was noted in Chapters Four and Five that a comprehensive empirical study of mainstream financial journalism is needed because so far studies have been “anecdotal” and limited to one methodology and/or one region (Schiffrin and Fagan 2013, 153). It was also decided to enrich the results from quantitative methods with those that are more qualitative in nature. An analysis of the discourse would be able to explore the main preoccupations and narratives of the dot com boom and perhaps even shed light on some of the predominant ideologies at the time—an aim that echoes Mickler’s (2012) study, discussed in Chapter Four. Furthermore, qualitative methods were necessary to answer the first research question regarding the quality standards of financial journalism. Would there be everyday advice for all of society, clear explanations of events, and enough diversity of views to promote democratic discussion?

**Main Topics of the Dot Com Boom**

Following the method employed by the Pew Research Center (2008), the main themes were identified and worked out as a percentage of the overall data set. Appendix C contains examples of three articles that appeared under the Old versus New topic.

\(^{17}\) See: Pew Research Center (2008), and Blood and Phillips (1995), which provide evidence of increased public attention during periods of financial and economic crisis.
Table 7. Main Topics of the Dot Com Boom

<table>
<thead>
<tr>
<th>Main topics</th>
<th>% total data set</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Bursting of the bubble</td>
<td>28</td>
</tr>
<tr>
<td>2. Debate on the ‘New Economy’</td>
<td>20.5</td>
</tr>
<tr>
<td>3. ‘Old versus New’</td>
<td>19.5</td>
</tr>
<tr>
<td>4. Warnings</td>
<td>18</td>
</tr>
<tr>
<td>5. ‘Ordinary’ topics</td>
<td>14</td>
</tr>
</tbody>
</table>

1. **BURSTING OF THE BUBBLE**

The topic ‘bursting the bubble’ occurred in 103 articles, 28 per cent of the total data set. This theme brought together a collection of articles that mention the bursting of a bubble and its consequences, and ultimately builds the narrative that shaped the public’s understanding of the bursting of the Internet bubble.

The distribution amongst the three publications was as follows:

*New York Times* (33) 28 per cent of publication’s data set.

*Guardian* (50) 52 per cent of publication’s data set.

*Sydney Morning Herald* (20) 32 per cent of publication’s data set.

Figure 34 plots the coverage against the study timeline. It shows the preoccupation with the bursting of the dot com bubble in the US, the UK, and Australia from March 2000, after the March 2000 peak on the NASDAQ. Only four articles appear before March 2000, two in the *Guardian* and two in the *Sydney Morning Herald*, and they are curiously prophetic in predicting the busting of the dot com bubble.
Figure 34. Dot Com Boom: Distribution of articles on the bursting of the Dot Com Bubble

New York Times

Of the 34 articles from the *New York Times* that relate to the bursting of the Internet bubble, none appear before March 2000, and only eight articles appear afterwards, later in 2000. However, in 2001, seven articles appear in January, nine in March, and nine in May. The *New York Times* reports sombrely and matter-of-factly from early 2001. The bust is not considered in a larger economic context, but instead it is seen as a realignment as investments shifted from new stocks to older stocks and there was a shift from a ‘new economy’ culture to one that realised that businesses needed to prove themselves and produce real profits.

The earliest reference to the bursting of the Internet bubble appears on July 12, 2000. Stamler declares that, “The Internet bubble has burst.” The article goes on to cite Robert Johnston, president of the New York eCommerce Association to the effect that, “Many Internet sellers are watching their colleagues and competitors go belly-up, and are realizing that they, too, may soon be in trouble.”

By November 2000, the situation is being acknowledged and described euphemistically as a ‘fallout’. On November 9, 2000, McGeehan reports on the
resignation of Heidi Miller from Priceline—once in the top ranks at Citigroup—as “confirmation that the dot-coms are dead.” Richtel reports along similar lines on November 24, 2000, when he states that “Dot-com failures and layoffs are increasingly common, as investors shed ventures unlikely to meet once-lofty expectations.”

On January 2, 2001, Norris reports, not directly on the implosion of the Internet bubble, but on the relative success of the Dow Jones in comparison to the ‘new’ stock market indices like the NASDAQ. He describes the situation at the end of 2000 as one where “the Internet bubble collapsed.” On the same day, January 2, 2001, Hakim refers to a “market retreat.” He describes a shift in investment culture that has learned from hindsight.

Then on January 31, 2001, Markoff reports from the World Economic Forum in Davos Switzerland that, “The bursting of the Internet bubble last year has brought with it some changes in the pecking order at the World Economic Forum.” The article at once confirms the bursting of the bubble in the US, whilst simultaneously cheering on the emerging bubble in Europe. According to Markoff, “Gone are many of the US-based dot-com executives who have in recent years preached that ‘the Internet changes everything’.”

Markoff further explains that they have been usurped by “a resurgent high-technology Europe … less inclined to take a backseat to the United States in technology leadership.” Nevertheless, the article goes on to highlight the continuing “superiority” of the US in one area: “while Europe and the United States are both ethnically and racially diverse, some people here say that the United States has done a far better job in capitalizing on the skills of immigrants.”

From January onwards there are articles that report on the corporate losses and a shift in investment culture to one that had to respect ‘old’ business rules. There are also interesting articles that refer to the less than objective role of the press in fuelling the Internet bubble. On March 26, 2001, Rutenberg reports that Ted David, reporter on the CNBC program Market Watch, “sounding like a shepherd gently guiding his flock through a hurricane” reported with an “apologetic tone” that “showed how drastically things have changed for CNBC.” Rutenberg contends that, “CNBC is now
the bellwether for the market’s descent – where people often go to hear the latest bad news.”

Similarly, Madrick reports on May 10, 2001, that, “Ever since high-technology stocks began to plummet last spring, the press has become increasingly disillusioned with the ‘new economy’.” The article describes the concept of a ‘new economy’ as loose and a void that “The press, Wall Street and a handful of influential authors rushed to fill.”

The Guardian

The Guardian reports on the movements of investors in March 2000 and lends supports to the idea of an Internet stock ‘comeback’ through 2000, as the ‘new’ stocks gain favour with investors again. This stance changes in early 2001, as signs appear that the real economy is slowing. From March 2001, there are more and more reports that Internet companies are failing. However, they are mostly embedded in a narrative that removes blame from the companies themselves and describes them as victims.

One of the earliest articles from the Guardian, by Tran, refers to the bursting of the Internet bubble on September 2, 1998. It is prescient and relates to an earlier financial crisis, but it also indicates the capacity of the press to criticise the unsustainable and “outlandish” values of some of the Internet companies it covered:

The rush into Internet stocks led to outlandish valuations. At the end of August, Yahoo! had a market capitalisation of $9.1bn … With the bursting of the Internet bubble, Yahoo! is well off its highs, although yesterday it was making.

Two years later on January 13, 2000, Keegan reports on Value America of Virginia as a “casualty” of the “internet bubble”: “The first post-Christmas casualty of the internet bubble was Value America of Virginia.”

On March 3, 2000, Finch reports optimistically on the “Jeans entrepreneur Shami Ahmed” who “yesterday got off to a flying start in his new career as chief executive of a quoted dot.com business.” Finch reports that, “Mr Ahmed's AIM-listed concern, which raised just over [GBP] 3m, is an internet investment company. Not clever, it
would seem, when Mr Ahmed is on record saying that ‘the internet bubble is going to burst.’ However, she goes on to report, again optimistically, that “Mr Ahmed reckons he can sort the wheat from the chaff.”

On March 24, 2000, Atkinson argues that the stock market fall could have major ramifications for the real economy, not just investors and the financial markets. The argument is backed by academic research:

Higson and Briginshaw suggest that a lot of internet investors could lose their shirts. But it is not only individuals that stand to suffer. If the bubble bursts, falling stock prices could hit economic growth. But even the bubble is doing damage to the real economy.

However, for the rest of the year, the articles veer again toward optimism in the new technology stocks, as investors regain their confidence in them, and therefore the stock market rallies. For instance, on September 1, 2000, Griffin reports the “revival” and “return to favour” of the Internet stocks. Collinson reports along similar lines on September 9, 2000, that technology stocks again have a “place in the sun.”

Support for the dot coms continues in January 2001. However, on January 3, 2001, the technological advancement that underpins the new Internet companies is represented as heralding a fundamental change to business. The article (not by-lined) encourages “rational exuberance”, as it suggests flight from the sector could result in regulations and conservatism:

Brightness and brashness could give way to the forces of bureaucracy and conservatism as the sector consolidates around big corporate players initially left flatfooted. It [the Internet sector] could easily become bogged down in a safety first mentality that would be as inappropriate as many of last spring’s stratospheric valuations. To misquote Alan Greenspan, what we need now is an outbreak of rational exuberance.

*Sydney Morning Herald*

The *Sydney Morning Herald* produces two articles that warn against investment in the Internet bubble as early as 1999. The articles that appear on and after March 2000 contain elements of schadenfreude, as they describe the consequences that are affecting mainly US companies. Even as weakening economy statistics appear in early 2001 and Australian companies are adversely affected, schadenfreude remains.
One of the earliest articles from the *Sydney Morning Herald* appears on July 21, 1999, by Nicholas who reports that “Another three mining companies turned to the Internet this week amid warnings from stockbrokers that the public should exercise more caution when investing in such ventures.” The article goes on to cite a William Noall private client adviser, John Wilson, who warns, “‘There has been talk about the Internet bubble bursting and it is a valid point because most of these companies don’t have any earnings’.”

Nicholas reports along similar lines again on September 8, 1999, specifically on “Perth-based Internet software maker HarvestRoad” and its listing on the ASX, warning that “market watchers said the path for Internet floats remained slippery, with jaded retail investors now turning to biotechnology stocks.”

On March 24, 2000, the bubble has officially burst by *Sydney Morning Herald* standards. Hale defines it as a bubble that emanates from the US. He reports that, “America’s technology stocks have burst into bloom again but the deflating Internet bubble for business-to-consumer (B2C) stocks seems to be spreading worldwide.” He describes Australia’s comparatively “limited Internet sector” and the extent to which B2C companies were a “lifetime away” from “the manic phase of the bubble” in 1999.

On May 15, 2000, Plunkett describes a scene that contains elements of schadenfreude as “Dot-com’s digirati flocked to the much-hyped “Webby” Awards gala in San Francisco last week.” She explains, “What was really going on was a picture of “eat, drink and be merry, for tomorrow we die”.” On May 24, 2000, Higgins and Nicholas report along similar lines about the hapless industry: “Should he so desire, Mr Packer could buy an instant e-tailing empire for little more than $25 million on yesterday’s closing share prices.”

By 2001, the *Sydney Morning Herald* discusses the bursting of the bubble with reference to new economic data that indicated a slowdown. For instance, on January 1, 2001, Eakin explains that there is “Caution over an economic slowdown, especially after the big losses many investors suffered from the collapse of the dot com boom and the sell-off in telecom stocks, has kept many out of the market.” Indeed, Packer’s company, which was picking up bargains in May 2000, is “floundering” and “has further to fall” in early 2001.
**Quality Measures: Bursting of the Bubble Topic**

This theme brings out the reactive nature of the financial press, as most articles reflect investor behaviour and do not criticise it until late 2000-early 2001 when there are huge losses on the stock market and company reports begin to appear. Each publication presents their version of the bursting of the dot com bubble. The *New York Times* was cautious and reported optimistically in places and compared the US favourably against Europe’s dot com success. The *Guardian* does present some early scepticism, but mostly it reports with optimism and little criticism of stock market speculation. There is little evidence of its political leanings and the criticism of political management and ideology, which characterised its reporting during the 1990 case study. The *Sydney Morning Herald* sees Australia in favourable contrast to the US. It reports on the events of the bursting of the bubble with relish.

There is little critical examination of the pitfalls of the stock market investments and movements of the real economy. There is also little coverage about why the ‘new’ technology stocks were popular with investors, or any discussion about their non-sustainability, given they were often based on unsustainable business models with little or no real profits. Journalists let investors dictate the timing of the bursting of the bubble, when arguably they should have investigated the nature and sustainability of the bubble long beforehand.

Therefore, there were some warnings and scepticism, but the articles were not always geared for the general public. This is also evidenced by the minimal everyday advice on finance and government spending as the bubble burst. Furthermore, there are only a few examples—for instance one in the *Guardian* by Atkinson (March 24, 2000) and one in the *Sydney Morning Herald* by Eakin (January 1, 2001)—that discuss the significance or potential impact of the falling stock market for the real economy and therefore society-at-large.

In summary, the issue is understated and the public is largely not alerted to the magnitude of the crisis ahead. Moreover, articles are largely geared to investors. Therefore, it can be argued with some certainty that the publications—with regard to the “bursting of the dot com boom”—were not playing an effective watchdog role on behalf of the more general public.
2. **DEBATE ON THE ‘NEW ECONOMY’**

The topic of ‘debate on the new economy’ occurred in 75 articles, 20.5 per cent of the total data set. As a concept, the ‘new economy’ had various meanings as it was used in reportage throughout the late 1990s. For instance, it could be used to describe certain types of stocks or could refer to something larger, a movement toward a new way of thinking and a new way of living, a cultural shift that was more modern and enabled by high technology advancements.

The distribution amongst the three publications was as follows:

- **New York Times** (37) 32 per cent of publication’s data set.
- **Guardian** (19) 20 per cent of publication’s data set.
- **Sydney Morning Herald** (18) 28.5 per cent of publication’s data set.

Figure 35 plots the coverage against the study timeline. It shows discussion and debate of what constituted a ‘new economy’ continued through the case study period, but was particularly popular with the **Guardian** and the **Sydney Morning Herald** in March 2000 – the period that the NASDAQ peaked and then fell.
New York Times

The *New York Times* defines the new economy in various ways: as an historical shift towards technology companies, as an economy that grows exponentially with greater productivity and low inflation, and as a new way of doing business unencumbered by old business models and cycles, and through e-commerce. The concept itself, the social inequalities it cultivates, and the limits of its usefulness for society are debated infrequently. Most reported warnings come from citing the Federal Reserve Chairman, Alan Greenspan, who expresses concern about the sustainability of high growth and low inflation through 1999 and 2000.

Also, most articles that deal with potential interest rate increases or warnings of inflation are accompanied by the idea that government monetary policy has the power to halt the ‘new economy’ in its tracks. Therefore, for the *New York Times*, the new economy was also associated with neo-liberal free-market ideology. The newspaper remains mostly optimistic about the new economy until mid-2001. By early 2001, scepticism does creep in and the new economy is referred to as the ‘so-called’ new economy or the ‘new’ economy.
One of the earliest articles on a ‘new economy’ from the *New York Times* appears on January 10, 1999, and aligns companies like Dell and America Online with a permanent shift much like the developed world’s transition from an agrarian to industrial economy. The reporter Wyatt focuses on the success and beliefs of mutual fund manager William Miller. Miller is a value investor and he predicts a turn of the tide that permanently favours companies like Dell and America Online that “capitalize on this new economy.”

The following day Markoff touches on a different facet of the new economy, as he reports on a study by Joint Venture that suggests unequal social development in the US, as the fortunes built in places like Silicon Valley, thriving because of Internet companies, were not evenly spread. Moreover, the uneven distribution of the wealth from the new economy is particularly divisive for “Hispanic and Black kids.” For instance, “the high school graduation rate, which is now at 70 percent, has been slipping in the last five years; the graduation rate for Hispanic students stands at 56 percent.”

On May 7, 1999, Stevenson highlights continuing strength in the economy that includes high productivity and low inflation, as hallmarks of the new economy. However, the main thrust of the article is to sound a warning by Alan Greenspan that inflation will always be a threat on the sidelines. For instance, optimism is tempered by the warning that “it would be risky to assume that technology could continue to keep the economy and Wall Street surging forever or that the business cycle and all the old economic rules had been repealed.”

In 2000, the majority of articles are optimistic about the continuing growth in the economy, which mostly is seen as justifying the outlandish stock market prices. For instance, on January 3, 2000, McGeehan reports enthusiastically that “Never before had investors pumped so much money into shares of companies selling stock for the first time.” The article contains no scepticism, warnings, or explanations. It ends with further endorsement for the ‘new economy’, arguing that “investment bankers are cheering for a continuation of the boom in initial stock offerings.”

Two months later on March 21, 2000, Stevenson explores Greenspan’s contradictory views on the ‘new economy’. Despite Greenspan’s comments that “technology is driving the economy into a transformation so fundamental that there is nothing to
compare it to”, he wants to slow investment in financial markets. Stevenson inadvertently describes Greenspan as incompetent and ignorant, as he argues that “Greenspan … seems to see his role in the current climate as merely surfing in the wake of the debt markets rather than leading them.”

Then on July 9, 2000, Hakim lends justification to the inflated prices on the stock markets, based on the value that new technology is providing to peoples’ day-to-day lives. A shift is described whereby individuals are calling the shots and institutional investors are following. For instance, Hakim cites Avi Nachmany, President of the consulting and research firm Strategic Insight, who calls stock market investing “‘a renaissance of national optimism’.” Furthermore, national optimism is explained by the “‘The e-mail you get from your grandmother in Florida, the health advice you can get before you go to the doctor, the cheaper plane tickets’.”

In the same month on July 16, 2000, Sorkin describes a “shift in culture” in Britain, which has embraced the new economy and given up its “staid British mind-set.” Therefore, the ‘new economy’ is credited with a certain mind-set, one that is fresher and freer, and filled with “American business values.” Sorkin explains that “Talking about money has always been considered crass in Britain.” However, this has changed and, thanks to the US and the ‘new economy’, Britain is changing its attitude.

By 2001, the various ways the ‘new economy’ was defined remained, but scepticism creeps in to the reportage. For instance, on January 2, 2001, Norris reports that “The S. & P. 500 also was hurt by its additions of ‘new economy’ companies, although it could have been worse.” Furthermore, tides had turned as America Online dropped in value by “54 percent”, which Norris contends, “might have been worse had it not agreed during the year to buy Time Warner, an old-economy company.”

However, the thesis of a new economy of permanent change was still pronounced, even as Norris reports on drops in market values. For instance, by January 25, 2001, Postrel argues that technology has abolished volatility in the economy. Postrel cites a study by Margaret M. McConnell, an economist at the Federal Reserve Bank of New York, and Gabriel Perez Quiros, an economist for the European Central Bank. The study contends that “This calmer economic ride didn’t start in the last decade,
however, or with Mr. Greenspan’s appointment to the Fed in 1987. It goes all the way back to the first quarter of 1984.”

By May 2001, the ‘new economy’ concept is analysed thoroughly and realistically. For instance, on May 10, 2001, Madrick describes the concept evolved to explain the boom of the late 1990’s. Moreover, it was a concept that was built by “The press, Wall Street and a handful of influential authors.” Belief in the concept is described as damaging:

The enthusiasm the term fostered, the sense of authority it conveyed, convinced Americans that they might at last have solved their central economic problems. Yet a recession may arrive long before family income is back on a firm growth track and enough people have been lifted out of poverty.

Also in May 2001, doom-mongers are given voice, as it becomes acceptable to question the ‘new economy’ concept. Also, the hallmarks of the ‘new economy’ have shifted from high economic growth and rampant wealth to potential recession, debt, and inequality. For instance, Steinberger reports on May 17, 2001, that “Bearishness has its benefits these days. Just ask Stephen S. Roach, Morgan Stanley’s chief economist and currently Wall Street’s leading merchant of doom.”

*Guardian*

One of the earliest articles on the ‘new economy’ from the *Guardian* appears on November 28, 1998. The article suggests that at this early stage the new economy was closely associated with New Labour and a non-hierarchical business culture. Pandya describes “One of the rising stars” of the creative industry, “software designer CMG Group.” The company is described as part of “New Labour’s New Economy” and adds that “the firm has dispensed with hierarchy in favour of a status-free corporate culture.”

In 1999, there are only two references to a ‘new economy.’ On January 9, 1999 Pandya writes a profile on the company Colt Communications, asking the question, “What is it worth?” Pandya concedes that “it has not yet produced a profit”, but he qualifies optimistically that “it is still growing rapidly.” Despite no profits, its shares
are “currently changing hands at [GBP] 10.75 the firm is capitalised at about [GBP] 6.36bn.”

Reporting along similar lines, an article on November 4, 1999 (not by-lined), labels Rupert Murdoch as “conservative” because “he is putting his money only into tried and tested models where the risks are not too great.” Ironically (in the light of future developments), it is for Murdoch’s calculated position outside of this “frenzied atmosphere” that the article reports: “Some critics cast doubt on News Corporation’s ability to understand and adjust to the demands of the web-based economy.”

The majority of references to the ‘new economy’, 13 of them, appear in 2000. Some refer briefly to the types of stocks that are part of the new economy, while some provide explanations about the phenomenon and the cultural shifts that are taking place. For instance, on January 5, 2000, Denny and Treanor outline the two faces of the ‘new economy’: the non-sustainability of the dot coms that were inflating the stock market, and the real economy that was experiencing growth because of underpinning technological advancement. Therefore, this was a truer reflection of the ‘new economy’ that was being experienced. The article retains a focus on investors, as it asserts that “the threat of higher interest rates failed to scare off small investors who remained faithful to the ‘dot.com’ stocks which have seen such remarkable price rises over the last four months.”

Two months later on March 2, 2000, economics writers Elliott, Atkinson and Martinson report with an element of sarcasm that, “A taste of the bad old days impinged on the hi-tech high-growth ‘new economy’ last week.” The article focuses on American truck drivers who had “effectively blockaded the centre of Washington. Their gripe? A 55% jump in the price of fuel in the past few weeks.” It is described as an encroachment of the ‘old’ world on the ‘new’ world. The “oil crisis” is called a “spectre” that is haunting “the cosy late-90s world of internet cafes, endless growth and shrinking dole queues.”

In an article on the following day, March 3, 2000 (not by-lined), the attitude towards the ‘new economy’ is a little more sanguine, as the article declares, “There is money – and lots of it – to be made at the cutting edge of the new economy, where entrepreneurial flair meets the revolution in technology.” It goes on to endorse the idea of turning the “prehistoric” Post Office into an e-business. The article also
argues that the Post Office would need to reinvigorate its image “to appeal to investors” in case it suffers like “many other solid citizens of corporate Britain from brewers to banks” mainly “because they lack the cachet to appeal to investors in these e-fixated days.”

On July 3, 2000, economics editor Elliott provides one of the most comprehensive analyses of the ‘new economy’ and what it entails. He asks the following with an element of sarcasm:

Are you now a fully paid-up member of the new economy? Or has your love affair with the world wide web [sic] started to cool? Does your PC sit sad and neglected on its desk while you get a life?

Elliott cites a paper by Robert Gordon of Northwestern University, Illinois that analyses the reality of the “seismic shift” that is exaggerated and is not on the scale that technology advancements were felt in the 19th and 20th centuries.

The discussion and varying definitions of the ‘new economy’ continue into 2001. For instance, on January 17, 2001, Atkinson cites evidence and arguments that the economy has grown with low inflation thanks to increased global competition and technological advances. Ironically, on the same day, Cassy defines a completely different ‘new economy’. The article reports that “slumping technology and internet share prices” have dashed “dreams of instant riches.” Therefore, in this instance, the ‘new economy’ refers solely to Internet stocks that were flagging on the stock markets.

*Sydney Morning Herald*

One of the earliest articles from the *Sydney Morning Herald* on the ‘new economy’ is on March 13, 1999. Economics editor Gittins argues that higher productivity, low inflation, and globalisation have created a ‘new economy’ that might allow unemployment to continue to fall without inflation. He focuses on the idea of NAIRU, which stands for “non-accelerating-inflation rate of unemployment.” It is the rate at which unemployment can fall before inflation rates are adversely affected. Gittins argues that the unemployment could fall lower than the five per cent rate, acknowledged as the lowest it can fall without inflation creeping in: “…it will do no
harm, and possibly a lot of good, for us to press on with those measures we believe would reduce unemployment – and the NAIRU along with it."

By May 31, 1999, Plunkett was ridiculing the Australian government’s failure to fully involve itself with the ‘new economy’ – now focused on its moves towards Internet censorship – as “backwards” and in contrast to the proper proponents of the ‘new economy’, the US: “Combine two years of talk with no action on capital gains tax reform with last week’s Internet censorship moves and Australia looks to the outside world – particularly the US – like a country that just doesn’t ‘get’ this New Economy thing at all.”

On September 4, 1999, Bartholomeusz highlights the cost of “social dislocation” that is being ushered in by a ‘new’ economy that “favours scale, capital and technology and therefore widens the gap between the competitiveness of large organisations and their smaller independent competitors.” Also, benefits are not evenly distributed, as they “tend to flow towards the more densely populated and industrialised centres.” On the same day, Sheehan continues this stance by arguing that the ‘new economy’ contradicts Australian “egalitarianism”:

Size and speed of the changes have taken Australia into uncharted territory. Some of that territory is dangerous, particularly the rising gap between rich and poor, which erodes the supposed egalitarianism that underpins Australian cultural mythology.

In 2000, optimism continues and most of the articles on the ‘new economy’ appear in March, the month the NASDAQ composite peaked and then started its slow descent. On March 16, 2000, Allard reports optimistically that “The economy is in its best shape since the 1960s after recording almost three years of continuous growth above 4 per cent, and the Treasurer, Mr Costello, says the good times will continue to roll.” Furthermore, “Mr Costello boasted that Australia had all the features of a high-tech new economy but retained all the benefits of traditional export-earners such as mining and agriculture.”

The following day on March 17, 2000, Burrell also acknowledges Costello’s announcements of Australia’s ‘new economy’, but urges Australia to catch-up with the US: “But the American experience also suggests that productivity growth could again be turbocharged if Australia can fully catch up with the technological
revolution which is transforming American business and creating the real new economy.”

It is on March 22, 2000, that economics editor Gittins offers a full definition and explanation about the ‘new economy’ and what it entails. He explains that “It’s a phrase whose meaning changes every ten minutes but, in its latest incarnation, it’s being used to divide the world into two boxes. Companies and their shares, and countries and their currencies can all be divided into New Economy or old economy.” According to Gittins, to be a member of the ‘new economy’, “you have to be engaged directly in the Information Technology revolution: you make the hardware or the software, you’re doing something new and amazing on the Internet, or you produce ‘content’ for the Net to carry.” He explains the benefits of new technology that “store, retrieve, sort, analyse and transfer information faster.” He also explains the negative effects on society, which sees a widening the gap between generations, and the regional and city centres of Australia.

Definitions and descriptions of the ‘new economy’ drop off, but there is one in January 1, 2001, by Eakin that suggests the “‘new economy’ rocket carrying technology, media and telecom stocks started to crash back to earth last April.” The new economy was not over, but attained more realistic dimensions in the *Sydney Morning Herald*. Therefore, some technology stocks still offered value, but gone were the days characterised by heady speculation on a new principle of living and doing business.

**Quality Measures: Debate on the ‘New Economy’ Topic**

According to the articles captured under the ‘new economy’ heading, in addition to technological advances, the new economy symbolised a more liberal way of thinking and doing business in open and globalised markets. The premise of economic growth simultaneously fuelled the hype surrounding new Internet companies that went public through IPOs and inflated the financial markets. By 1998, the concept had started to take on the meaning of technological revolution. The variations in definitions did not always provide an accurate overall picture of what the ‘new economy’ was and contributed to the mystique that maintained the allure of the new Internet companies and ventures.
Most importantly, each publication told its own story and was concerned with its own unique placement within this ‘new economy’. The US wanted to be ahead in the game as an exponent of high economic growth with low inflation. The UK tried to establish itself as its own centre of creativity, led fervently by New Labour. Meanwhile, Australia tried to emulate the US. All three publications were taken with the idea of a ‘new economy’ and were primarily concerned with new ways of doing business in a newly freed-up economic system that would grow without inflation.

As much as the new economy is discussed, along with the shifts in the economic paradigm that it appears to bring in its wake, few articles dwell on the significance and long-term impact this might have for the general public. Also, the few alternative interpretations that exist, which consist of economics writers using academic research (such as Gittins on March 22, 2000, and Elliott on July 2, 2000), highlight social inequality. The topic of the ‘new economy’ and its associated social and economic changes do not include advice for everyday finances. There is minimal jargon. However—except for a full explanation of the ‘new economy’ in the *Sydney Morning Herald* on March 22, 2000, by economics editor Gittins—there are only brief references and varying definitions as to what constitutes the ‘new economy’.

In summary, two narrative strands emerge: first, the ‘new economy’ is hyped with the focus on events in the US; and second, reality crashes through with the US rather than business attracting the criticism. Overall, each publication was taken with the concept. This representation of a ‘new economy’ as a panacea for business and the economy was not useful for the public, and certainly not in the interests of the individual mum-and-dad investors who were drawn into the bubble. In this sense, the financial press, arguably infected by the market euphoria, was not playing an effective watchdog role for the public.

3. ‘OLD VERSUS NEW’

The topic of ‘old versus new’ occurred in 71 articles, 19.5 per cent of the total data set. The ‘old versus new’ topic is an extension of the debate around the emergence of a ‘new economy’. As the ‘new economy’ started to symbolise a cultural shift to a new more modern way of living, so a narrative emerged that viewed anything that was not ‘new’ or related the ‘new economy’ as old and out-of-date.
The distribution amongst the three publications was as follows:

*New York Times* (36) 31 per cent of publication’s data set.

*Guardian* (21) 22 per cent of publication’s data set.

*Sydney Morning Herald* (14) 22 per cent of publication’s data set.

Figure 36 plots the coverage against the study timeline. It shows that the ‘old versus new’ frame increased in popularity over the period of the case study. The debate was most popular with the financial press during the late 1990s, and well into 2000. The *Guardian* and the *Sydney Morning Herald* use it for the first half of 2000 and particularly in March—again, the month the NASDAQ market peaked and fell. By 2001, opinion had shifted and the old economy had regained favour in the finance press.

**Figure 36. Dot Com Boom: Distribution of articles on the ‘old versus new’ topic**
The *New York Times* was mostly optimistic through 1999 and 2000. Its reportage on the ‘new’ economy and the new types of stocks inflating the financial markets was clearly geared towards investors’ interests.

Only two articles are from 1999, in contrast to the 25 that appear in 2000. On March 30, 1999, Wyatt dismisses the belief that the ‘old’ Dow Jones is no longer relevant:

> Recently, critics of the Dow have argued that the older gauge, having missed the upswing caused by the Internet investment mania, lags behind too far … Over longer periods, however, the gauges track quite closely.

On May 7, 1999, Stevenson adds another factor to the ‘old versus new’ narrative, namely the distinction between those economists seeking higher interest rates, the “inflation-hawk camp”, and those seeking lower interest rates, the “new camp.” Therefore, the ‘new’ now extends to the low interest rates needed to sustain the boom. Indeed, Greenspan has even helped to “drive the talk of a new economy by holding back pressure from traditionalists inside and outside the Fed for interest rate increases.”

In 2000, reporting turned particularly in favour of the ‘new’. On January 9, 2000, Abueva reports that there is a “draining of innovative people” that “is creating a vacuum in traditional corporate America that is increasingly difficult to fill with the people who remain.” Abueva goes on to write disdainfully about the people who have been left in the ‘old’ world. Unlike their ‘new’ counterparts, they are actually “putting some fixtures of American industry at risk of becoming mired in the same type of inertia that once hobbled Detroit in the face of nimble competition from automakers in Japan.”

However, there are soon some doses of reality and scepticism, as Madrick reports on March 16, 2000, that, “The new economy is still dependent on the much larger old one.” Similarly, Norris reports a few days later on March 19, 2000, that “the dull old stocks that used to dominate the economy” managed to take “off with a vengeance last week.”

Then at the end of the month the brief resurgence in the ‘old’ stocks is proved short-lived, as Morgenson reports on March 31, 2000, that the old value investing is over.
She notes that Julian H. Robertson Jr., head of Tiger Management, is closing the company, which has been “humbled” by the “financial markets.” Morgenson provides a list of investors similarly affected:

…like Warren Buffett, whose returns last year, measured by Berkshire Hathaway’s book value, rose a woeful half of 1 percent. Then there’s Robert Sanborn, a once-hot mutual fund manager, who resigned last week from his stewardship of the Oakmark Fund after a dismal 1999 in which the fund lost 10.5 percent.

Ironically, just a month later on May 1, 2000, Treaster reports on the continued movement of value investors against the ‘new’ technology stocks. The article focuses on Warren Buffet, head of Berkshire Hathaway, whose stock was rising because “the New Economy stocks Warren E. Buffett has shunned now looking more risky.”

Indeed, on the stock market the slide continues into 2001, and is still represented by the financial press in terms of ‘old’ versus ‘new’. For instance, Morgenson reports on January 21, 2001, that “the new economy” is “slumping even more than the old one.” Disillusionment continues and on May 2, 2001, Glater reports that business school students are returning to “traditional” values in their business plans. However, there is still latent admiration for the ‘new’ style of doing business as Glater begins the article by describing the return to “mundane” business plans in place of the “trendy.”

Guardian

The Guardian reports with scepticism through 2000, as some articles highlight the fickle nature of the ‘new’ way of doing business that does not produce real profits. Also, on many occasions it adheres to the narrative of the ‘old’ versus ‘new’ battleground. On the other hand, there are also several articles that are particularly optimistic and generally accept the inevitability of the ‘new’ world and a ‘new’ way of doing business.

One of the earliest articles to represent the ‘old versus new’ narrative, on July 2, 1999, is by Bannister and Barrie, and begins with the announcement: “Newspaper baron Rupert Murdoch yesterday declared an end to the era of print and officially joined the wired revolution.” The article reports Murdoch’s change in attitude with some delight. According to Murdoch, the “old model economy” is turning into “a
new one.” The article would have served Murdoch’s publicity drive as he announced a deal with Tokyo-based mobile phone company SoftBank.

However, in the *Guardian*, the majority of the articles that push the narrative appear in 2000, and more than half of them appear in March, the month the NASDAQ composite peaked. In this publication, as in the others, the stock market is presented as a battleground between ‘old’ and ‘new’. For instance, on March 3, 2000, Finch describes a battle between ‘old’ and ‘new’ as “the second industrial revolution … when one in 10 stalwarts of the FTSE 100 index is likely to be ditched in favour of new-economy stocks.” The “casualties” were reported to be “Imperial Tobacco, Whitbread and Scottish & Newcastle – whose histories predate the Second World War.”

An article appearing as early as March 11, 2000 (not by-lined), expresses scepticism about the viability of the ‘new’ as a sharp contrast is made between the ‘old’ as robust and the ‘new’ as fickle and unlikely to last. The article also predicts that “A meltdown is inevitable” as it describes the ‘new’ economy that is being built upon the ‘old’ as unlikely to yield real profits: “The arrival of internet commerce has generated a deflationary environment in which it is difficult to make serious profits in the market place (as opposed to the market in stocks).”

On March 16, 2000, McGregor describes Martha Lane Fox, the head of Lastminute.com, as the epitome of ‘new’ way of doing business, which is built on freshness and equality. She is accepted as a woman and is putting “a Prada trainer through the glass ceilings still cramping old-fashioned companies.” In contrast, “In a traditional company, she might have made assistant brand manager at 35; the dot.com industry has made her joint boss of her own company and a virtual millionaire in her 20s.” McGregor also points out the irony, that “The very modern Martha Lane Fox succeeds because she fits the old sexist criteria for visibility: young, blonde, beautiful, posh.” On the other hand, “If she had been black, working-class, middle-aged – or, worst of all, plain – she probably would have been consigned to the same invisibility as most women.”

By 2001, the tide had effectively turned and the early scepticism in the *Guardian* finds validation as the economy has officially slowed, and it is now scathing of ‘new’ economy principles. For instance, on March 8, 2001, Keegan reports that the ‘new’
internet companies, and specifically the “casualty” eToys, will be “swallowed” by ‘old’ companies: “In this way, the online companies that were supposed to replace old economy monoliths will in fact be swallowed by them once they have got their act together.”

*Sydney Morning Herald*

One of the earliest articles on the topic from the *Sydney Morning Herald* appears on May 3, 1999, by Plunkett. Incidentally, Plunkett’s by-line also includes the description “valley girl”, pertaining to the Silicon Valley in the US where the Internet start-up industry was based. Plunkett explains that, “the latest term being bandied around Silicon Valley and Wall Street – ‘traditional Internet Company’ – seems more like an oxymoron.” However, Plunkett provides examples of companies that have earned the reputation of being “Blue Chips”—companies, such as America Online (AOL), eBay, and Amazon—who “have established such a level of consciousness in the consumer and investment markets that people see no irony at all in using such terms to describe them.”

On November 5, 1999, Burrell reports on the reality of the ‘old’ and ‘new’ worlds, and explains clearly that the ‘new’ economy is just an improvement on the ‘old’. He reports sarcastically that if you read “most business magazines these days and you’d think these new high-tech industries had taken over from the “Old Economy”.’” He explains that “this hasn’t really happened, even in the cutting edge US e-conomy.”

He also outlines some of the benefits of the ‘new’ way of doing business, such as streamlining the design process.

On March 11, 2000, economics editor Gittins provides a dose of reality as he reports along similar lines to Burrell at the end of 1999. He also outlines the benefits of ‘new’ technology on the ‘old’ economy, which is mainly higher productivity thanks to a bigger scale of economy. He sums up the situation at the end of the article with a specific warning: “It’s the information economy’s potential for high profitability a la Microsoft that’s the grain of rational analysis under the mountain of irrational speculation in Internet shares. The latter will collapse; the former will survive.”

On November 2, 2000, Ham writes an article redolent with schadenfreude at the expense of new Internet companies that ignored traditional business values. Ham
cites the warnings he provided in March 2000, when the NASDAQ was at its peak, but which was received with sneers:

As Jack Welch reminds us, ‘the Internet belongs to the old and the big’. Three cheers for the devil we know!

…Through the haze walks a kind of truth, in the granite-chinned form of Jim Collins: ‘There are certain immutable laws that dictate the development of great companies,’ croons Collins, author of the best-seller Built to Last. ‘They applied 1,000 years ago and they apply today. Many Internet companies believed that re-allocating capital is the same as making money it’s not.’

…I stated this glaring truth in March and received sneering emails and prudish ‘tut-tutting’ from New Economy gurus.

**Quality Measures: ‘Old versus New’ Topic**

Each publication shapes the reportage of the dot com bubble and its subsequent burst into a relatively simplistic narrative of ‘old versus new’. Analysis of this topic shows the extent to which all three publications adhered to a similar narrative that failed to expose the weaknesses inherent in the dot com bubble.

The *New York Times* focused most of its reporting on the replacement of the ‘old’ with the ‘new’ economy, directing itself mainly at an audience of investors and more often than not, and especially through the year 2000, reflecting and condoning investor behaviour. It does become more sceptical as time goes on, so that by November 2000 the validity of the ‘new’ is questioned, and ‘traditional’ business values, even including labour concerns, creep in.

The *Guardian* is mostly sceptical about the merits of a new way of doing business. However, it does favour the ‘old versus new’ narrative. What constitutes ‘old’ is clear, as it represents the old, traditional, stable, and profits-based way of doing business. However, what constitutes ‘new’ is more elusive, as it encompasses many elements, such as gender equality, speed, and technological advances.

The *Sydney Morning Herald* provides a more sceptical analysis about what the change from ‘old’ to ‘new’ entails. It also makes an effort to explain the merits of technology that benefit the old way of doing business. While it also uses the oppositional narrative, it tries to minimise the division between ‘old’ and ‘new’. This
perspective would be useful for a non-shareholding public that might otherwise feel compelled to keep up with the times, as well as for investors tempted to shun the ‘old’ in favour of the ‘new’.

In summary, the narrative of ‘old versus new’ would be the overriding message to a non-investing public, with the ‘new’ presented as having greater appeal. Of the publications, the *Sydney Morning Herald* played the most effective watchdog—through its attempts to explain the real conditions of the ‘new’ economy. However, through their adherence to this narrative all the publications lent further weight to the ‘new economy’ thesis, supporting what would turn out to be unsustainable new Internet companies and the high growth low inflation economy stimulated by them.

Thus, some of the main requirements of a watchdog press were not met: they did not provide independent and informative reportage, which would subsequently provide a fair evaluation of the real economic situation to a non-shareholding public.

4. **WARNINGS**

The topic of ‘warnings’ occurred in 66 articles, 18 per cent of the total data set. This topic included all articles that provided any semblance of warning about potential repercussions from the dot com bubble.

The distribution amongst the three publications was as follows:

*New York Times* (20) 17 per cent of publication’s data set.

*Guardian* (22) 23 per cent of publication’s data set.

*Sydney Morning Herald* (24) 24 per cent of publication’s data set.

Figure 37 plots the coverage against the study timeline. It shows that warnings gained momentum and peaked in March 2000—arguably too little and far too late. However, there were some early warnings and signals that will be discussed below.

The *Sydney Morning Herald* produced the most warnings. In the two years leading up to March 2000, 24 articles within this data set include a clear warning of imminent financial or economic danger. In contrast, 20 articles appeared in the month of March 2000, the month that the NASDAQ, the market that caters to
technology stocks, peaked and then dropped substantially. Taken in the context of the entire 275 article data set, 66 warnings are arguably not a substantial amount. They certainly were not enough to offset the positive framing of the majority of articles during the boom.

Figure 37. Dot Com Boom: Distribution of articles that provide a warning relevant for the Dot Com Bubble

![Graph showing distribution of articles providing warnings for the Dot Com Bubble]

*New York Times*

There are five articles from the *New York Times* in 1999. On January 11, 1999, Markoff provides a subdued warning about Silicon Valley:

> Despite some signs of slowdown and a long recession that has gripped the semiconductor equipment industry, which is centered in the Valley, there were still signs indicating that the area remains a remarkably robust economic region.

Then on January 31, 1999, Gilpin warns that “All good things, of course, come to an end. And expectations are high and rising that sooner rather than later the bubble will burst, particularly for Internet stocks.” However, the main argument of the article comes from a transcribed question and answer session with Michael Murphy, editor
of the *California Technology Stock Letter*. It goes on to provide latent optimism “that you can pop a bubble like this without taking the rest of the market down.”

Stevenson reports a more obvious warning on May 7, 1999, from Federal Reserve Chairman Alan Greenspan that “it would be risky to assume that technology could continue to keep the economy and Wall Street surging forever or that the business cycle and all the old economic rules had been repealed.”

Then on November 5, 1999, Labaton reports a more dire warning based on the repeal of the Glass-Steagall Act. Viewed retrospectively the repeal of the Act arguably laid the foundations for the subprime housing market that would bring the entire financial and economic systems down in 2007. It “modernized” the Act, which had been in place since the Great Depression, for a “new economy” and a “new century.” The Act kept a “separation between bankers and brokers” mainly to avoid “speculative stock frenzy.” Therefore, the Act was closely tied with the ‘new economy’ thesis. Labaton gives voice to proponents and critics of the repeal. One of the notable criticisms comes from consumer groups and civil rights advocates. They provide a sobering warning that came to fruition from 2007. According to Labaton, “They say that it fails to protect the privacy interests of consumers and community lending standards for the disadvantaged and that it will create more problems than it solves.”

The following year on March 31, 2000, Norris, citing an academic source, highlights the neophyte enthusiasm for Internet stocks is creating unsustainable “mania”:

Ranco Modigliani says that the current mania for Internet and other technology stocks is not irrational. But it is a bubble, and it will burst … Dr. Modigliani knows something about the fundamentals. Now 81 years old, he won the Nobel Memorial Prize in economics in 1985 in part because of his pioneering work in just what those fundamentals are.

On May 17, 2001, Steinberger provides a warning that is clearly too late from Morgan Stanley’s chief economist, and “currently Wall Street’s leading merchant of doom”, Stephen Roach. According to Steinberger, “He was among the earliest on Wall Street to say that the economy was about to hit a wall – he issued his forecast in early January.”
The *Guardian* provides an explicit warning about the non-sustainability of Internet companies in 1998, when the stock market had a brief downturn. However, the seeds were not successfully sown, as scepticism and warnings did not continue. It is not until March 2000, when the stock market peaked, that explicit warnings appear. Some of them are clear and sound warning signals for investors. For instance there is a comparison between the situation in 2000 with the Dutch tulip mania of the 17th century and the oil crises experienced in the 1970s.

One of the earliest warnings from the *Guardian* appears on September 2, 1998, by Tran. Tran reports that, “The global stock market collapse this week has hit high-flying Internet stocks particularly hard.” Indeed, this was the earliest blip on the stock market that should have provided enough forewarning and instilled scepticism in the reportage. Tran adds a rationale for the stock market crash that “The rush into Internet stocks led to outlandish valuations.” Indeed, criticism should have continued along these lines.

By 2000, the majority of the stark warnings appear, too little and too late. For instance Denny and Treanor report on January 5, 2000, warnings from the Governor of the Bank of England “that even if new technology was improving the performance of the economy, the ‘dot.com’ bubble could burst.” Conversely, the warning is effectively cancelled as the article, which also debates the possibility of higher interest rates around the globe, states that investors are still enthralled with Internet stocks.

In March 2000, there are nine articles that contain warnings as the stock market soared. On March 2, 2000, Elliott, Atkinson and Martinson provide one of the starkest warnings when they discuss the likelihood of a recession and also factor in social costs of a downturn:

Andrew Oswald of Warwick University argues that the three sharp rises in oil prices since the war – in 1973-74, 1979-80 and 1990 – were all ‘followed by a slump … and a sharp and then sustained rise in global unemployment’. Pricier energy will end the recent boom.

On March 9, 2000, Cassy reports warnings of overheating from UK Chancellor Gordon Brown, UK Financial Services Authority Howard Davies, and US Federal
Reserve Chairman Alan Greenspan. The article is decidedly neutral, as Cassy reports both on continued investor enthusiasm, as well as the mounting evidence that the Internet companies are not producing profits to warrant such high valuations.

_Sydney Morning Herald_

Nine warnings from the _Sydney Morning Herald_ appear in July 1999. Most of the articles are sceptical about Internet stocks, and the earliest few refer specifically to the general public as an audience. For instance, on March 13, 1999, Gittins argues that, “If you pressed him” the Reserve Bank Governor, “Macfarlane would add two qualifications. First, no-one has abolished the business cycle and, sooner or later, another recession is inevitable.” Gittins also prophetically argues that “The probability of a recession in the US economy sometime in the next four years would have to be high; the possibility of something going badly wrong elsewhere in the world is also high.”

A few months later on July 21, 1999, Nicholas reports that “Another three mining companies turned to the Internet this week”, which came “amid warnings from stockbrokers that the public should exercise more caution when investing in such ventures.” Furthermore, she cites John Reynolds, head of institutional dealing at stockbroking firm Scott Fosters & Partners, as warning that the “‘everyday Joe Bloggs punter’ should be careful not to get caught up in the Internet euphoria sweeping Australian markets.”

Scepticism continues into 2000. On March 3, 2000, Knight signals that some lock-in stock contracts are about to end—known as “escrow”—and might signal a downturn. She argues that with “some of the ‘older’ of Australia’s Internet stocks now coming up for their first anniversary as listed entities, the countdown has begun.” Indeed, she continues to clearly argue that, “If any single factor can be identified as the most obvious pin to prick the Internet bubble, it will be the rush of equity that hits the markets when these paper millionaires want to convert these massive gains into cold hard cash.”

On March 13, 2000, Hale cites an academic economist to warn of global implications and a bubble, not just a bear market: “It’s worldwide now with a handful of large industries or stocks dominating global equity returns and volatility, so the next
moves here will resound around the globe from Australia to Finland.” He cites Yale’s Professor Robert Shiller, who says “the excesses of the current price/earnings ratio are now well above their previous peak in September 1929.”

Scepticism continues through 2000 and into 2001. For instance, at the end of 2000, on November 22, 2000, Hale continues his analysis of the ramifications of the stock market implosion on the real economy. He also predicts that recovery will be difficult to achieve and “the turbulence will be set off by companies buckling under the weight of excessive debt lent to them at the height of new-economy euphoria.”

**Quality Measures: Warnings Topic**

The majority of the warnings that are present run contrary to coverage of the ‘new economy’ and the ‘old versus new’ narrative. They provide some of the best examples of reporting against the grain. It is interesting that there was still inbuilt optimism and continued support for the new economy given the type of warnings that existed. The warnings that are given are clear and easy to understand, with minimal jargon. Arguably, the explanations needed to be longer and sustained through repetition. Clearly the warnings did not generate enough attention until economic events turned sour from March 2000.

The *New York Times* provides the lowest number of warnings, at only 17 per cent of its data set. Also, the warnings are not always explicit and mainly pertain to stock market movements. They are also frequently balanced with optimism. Only a few warnings appear from the *Guardian*. Of the data set from the *Guardian*, 23 per cent provide warnings. They are directed mainly at investors, and relate to movements on the stock market. Furthermore, the warnings do not come from sceptical reporting or investigation, but come mainly from top officials. Of the data set from the *Sydney Morning Herald*, 24 per cent provide warnings. It also produces the earliest warnings. Although the economic data in the quantitative analysis shows that the economies did not slow until around mid-2000, the *Sydney Morning Herald* refers to the threat of a slowdown in 1999.

The *Sydney Morning Herald* also produces one of the only pieces of advice for a general public, on July 21, 1999, Nicholas warns Joe Bloggs against investing in Internet stocks. This—considering the subsequent fall in stock prices—is arguably
the best everyday advice for the general public from the data set. Early on it also starts to consider the ramifications for the real economy from the stock market implosion, something that would have been useful for a non-shareholding public, as well as investors. Therefore, with regards to scepticism and warning, and appeal to the general public, the *Sydney Morning Herald* plays a significant watchdog role. The other two publications fare less well, as the *New York Times* and the *Guardian* produce fewer warnings, less scepticism, and less information geared to the general public.

5. **‘ORDINARY’ TOPICS**

This topic captured articles that contained information on government spending, jobs, and personal finance, that were geared to a non-shareholding audience, and that contained minimal jargon. The topic occurred in 50 articles, 14 per cent of the total data set.

The distribution amongst the three publications was as follows:

- *New York Times* (26) 22 per cent of publication’s data set.
- *Guardian* (14) 14.5 per cent of publication’s data set.
- *Sydney Morning Herald* (10) 16 per cent of publication’s data set.

Figure 38 plots the coverage against the study timeline. It shows that the publications increasingly reported on these ‘ordinary’ topics for non-shareholders as time went on and the recession deepened. There is a peak in coverage in each publication in March 2000, and then increased coverage by the *New York Times* and the *Guardian* at the end of the year—the *Sydney Morning Herald* comparatively provides more constant coverage.
The *New York Times* produces the most articles on this topic, at 22 per cent of its total coverage. There are three articles in 1999, 12 in 2000, and 11 up to May 2001. The earliest appears on January 11, 1999. Markoff—using research information from a company called Joint Venture—discusses the “real” situation in Silicon Valley, including wage growth: “the real average wage in the area rose 2 per cent last year, to $49,060, and real per-capita income continued to rise at a rate faster than that of the nation as a whole.” The article also discusses income inequality: “For example, from 1991 to 1997, the report shows that real income fell 8 per cent for households in the bottom fifth of income distribution. At the same time, real income rose 19 per cent for households in the top fifth of the income pyramid.”

On May 7, 1999, Stevenson reports on Reserve Bank Chairman Alan Greenspan and his reservations that, unlike the ‘new economy’ thesis that promised high growth and low inflation, inflation will always be a concern. Indeed, the article debates whether or not this will result in an interest rate increase. However, it also deals with the employment rate, since Greenspan also refers to “declining unemployment, which he
said would eventually push wages and perhaps prices higher in an inflationary spiral.”

On November 13, 1999, Uchitelle debates the social impact and a cultural change precipitated by high productivity on workers: “Does the recent jump in productivity simply mean that companies and their workers are stretching themselves for a while to satisfy the strong demand of a booming economy, and when the economy cools so will their productivity?”

In 2000, the unemployment rate continues to be treated as a barometer to bolster the ‘new economy’ thesis, analyse inflation rates, predict interest rate hikes, and discuss social inequalities. For instance, on January 16, 2000, Uchitelle continues to reflect on the social impact of the strong economy on society and workers:

No-one expected the current economic expansion, which started in 1991, to last so long. Certainly not the Marxists, who hold that too much of the national income has gone to corporate profits in the 1990s and not enough to labour, a painful imbalance that cannot be sustained indefinitely.

By November 24, 2000, Richtel reports the individual human cost of the ‘new economy’ using an individual’s story to make his point:

Just before midnight, Larry K. Canoy steps into his truck to drive an hour to his father’s trailer, where he will spend the night. Neither the commute nor the accommodations are ideal, but Mr. Canoy has been cutting back on expenses, like rent, since the new economy upstarts came to town and turned his world on its head.

Into 2001, job cuts continue and make up the rest of the reportage in the New York Times for an ‘ordinary’ audience. As in 1999 and 2000, the articles are a mix between jobs data that is indicating the end of the ‘new economy’ thesis, and an exploration of the human and social costs.

Guardian

Only one article is from the Guardian in 1999, seven are in 2000, and six are concentrated into a few months in 2001. It produces the lowest number of articles on this topic of the three publications with 14 per cent of its total content.
An article on May 8, 1999, by Pandya, refers specifically to the company Cable & Wireless Communications, and discusses jobs optimistically in terms of the company’s successful business strategy: “Look, just a few years ago Britain’s cable industry looked like a dead duct [sic]. This week it announced additional 60m investment in digital TV services creating 2,000 new jobs over the next two years.”

In 2000, articles discuss the dot com boom in terms of benefits for the consumer, rising oil prices that threaten recession, job creation prompted by British Telecom and low inflationary growth, and a UK budget that spurs speculation on the markets. For instance, on January 13, 2000, Keegan is optimistic about the Internet and Internet companies, this time in terms of the growth of power for consumers; the new Internet companies are portrayed as a conduit of social and democratic good.

On March 2, 2000, Elliott, Atkinson and Martinson relate the dot com boom to the oil crises in the 1970s. The main message is that recession could be imminent and the article highlights the darker side of the ‘new economy’ that was underreported.

In 2001, the reportage shifts to discussing job cuts, all of which occur in ‘new economy’ companies that were lauded in 2000. The articles are narrowly framed to discuss the implications for the particular company that is being reported on. For instance, an article on January 13, 2001 (not by-lined), reports on a failed deal between AOL and Time Warner, and it is contested that “The betting now, however, is that the first lever to be yanked will be that big old fashioned one, labelled “job cuts”.”

Then again on May 19, 2001, Cassy reports on the potential for job losses:

Palm said it was cutting its revenue forecasts for the fourth quarter from $300m-$315m to $140m-$160m. As recently as March analysts were looking for revenues of $600m. An estimated 300 jobs or 15% of all staff are to be cut in an effort to reduce costs.

Sydney Morning Herald

There are four articles from the Sydney Morning Herald in 1999. One of the earliest articles appears on March 13, 1999. In this article, Gittins argues that the level of unemployment can reach five per cent or lower before it triggers inflation (a rate he explains is called NAIRU). Gittins also points to the mechanisms that have been
working in the labour market’s favour while easing inflationary NAIRU pressures: “Labour’s Working Nation labour-market programs aimed to make the long-term unemployed more attractive to employers (‘job ready’), thereby increasing the effective supply of labour.”

On May 7, 1999, Burrell reports on unemployment as any other indicator of financial and economic health. Like Gittins, Burrell also discusses the relationship between unemployment and inflation. It is discussed in terms of the ‘new economy’ concept that saw both unemployment and inflation falling. However, the impact for ‘ordinary’ workers is not discussed. Burrell concludes by speculating that the changes could be permanent and, therefore, interest rates, the main preoccupation of the article, can be kept lower.

A few months later, on September 4, 1999, Sheehan discusses the Australian households’ personal incomes as proof that the economy is overheating. The article, entitled “Welcome to the Dog Years” reports to an ‘ordinary’ audience, as it discusses individual personal finances, but at once warns of impending crisis:

Household debt more than doubled between June 1990 and June 1998 (from $123 billion to $290 billion), an increase of 136 per cent, much faster than the increase in the value of assets (up 87 per cent) and much faster than the growth in the economy, according to the Reserve Bank.

The article also warns that Australia is adopting a trend from the US that favours executives over ordinary workers, and the corporation over equality and “egalitarianism.”

On November 5, 1999, Burrell reports on the benefits of the ‘new economy’ for businesses and productivity. They are at the expense of workers’ hours, an issue that is not explored. Citing Greenspan in the US, Burrell reports:

More timely and complete real-time information on customers’ needs, production, warehousing and distribution means businesses have been able to drastically reduce workers which they had needed to build into their production processes.

The article is, however, more concerned with “hints that, contrary to popular belief” Greenspan “may not yet be convinced another interest rate hike is necessary when the Fed board meets in 11 days.”
In 2000, there are two articles that focus on personal finances and advise against speculating in the dot com bubble. One article weighs up the social costs and inequalities caused by the ‘new economy’, and the other article pushes for the ‘new economy’, urging more investment on technology and Internet companies to catch up with the US.

In July and November 2000, there are two articles that advise ordinary people on their finances, and warn explicitly against hedging bets on the dot com boom. For instance, on July 29, 2000, O’Brien warns, “Most people stash away too much money in the bank and overinvest in property. Errors such as starting out too late in life, trying to get rich quick and acting on tips from friends are all too common.” The article cites a spokesperson for the Financial Planning Association of Australia: “Avoiding greed is the best advice.”

**Quality Measures: ‘Ordinary’ Topics**

The articles placed within this topic had certain requirements to begin with: they had to have minimal jargon, and report on topics like government spending, jobs, and personal finance for non-shareholders. There is evidence that this data—unemployment and wage data—can provide early alerts as to an economic downturn. There is a lot of scepticism in the articles that report on ‘ordinary’ topics for an ordinary audience. There are also some stark warnings that come from reporting on jobs data.

However, the majority of warnings and scepticism appear only as economic data shows a sign of slowing and the recession is being felt by society-at-large. This trend is actually more pronounced than it was in the 1990 recession. As the economy falters each publication engages with the general public and produces articles that really highlight the social cost of the ‘new economy’ that was being felt by members of the public. There is an increasing concern with individual households as the economy took a turn for the worse. Figure 38 shows that this is the case for all publications as the preoccupation with ‘ordinary’ topics peaks around March 2000.

The *New York Times* uses jobs data to support, then debunk, and highlight the social cost of the ‘new economy’ myth. It reports on individuals’ circumstances through individual-level analysis, something the *Sydney Morning Herald* also does and the
Guardian does less often. The Guardian reports directly to a general non-shareholding audience once, and on this occasion it describes another face of the ‘new economy’ and predicts recession in its wake. Overall, however, it does not often consider the human or social costs of the ‘new economy’, and reports quite matter-of-factly about unemployment and the jobs market.

There are only a few articles from the Sydney Morning Herald, but these demonstrate a style of financial reporting geared to a more general audience, tackling issues, such as jobs data and personal finances, from a societal as well as an economic vantage point. These articles also tend to be written in laymen’s terms and also provide everyday advice (such as warning the public to avoid get-rich-quick schemes), as well as some of the starkest warnings. However, there were also minimal explanations. Jobs data was used to discuss broad economic movements and wages data was used to illustrate some inequalities. The issues that are discussed are easy to understand. However, there are missing links between this data, and everyday working and living situations that the general public could use to understand their position in the financial world.

As with the 1990 case study, this topic reveals a similar trend towards an increasing concern with the ‘ordinary’ public as the economy worsens. This topic demonstrates that each publication plays a watchdog role for the general public when it considers ‘ordinary’ topics—jobs, government spending, and personal finance—particularly the New York Times and the Sydney Morning Herald. However, it is also the topic that provides the most scope for publications to take on this watchdog role.

**Conclusion**

Having examined the quantitative and qualitative data for the reporting of the dot com boom it is now possible to assess the reportage as a whole against the quality criteria. It is also possible to assess the extent to which the financial press played a watchdog role for the general public during the dot com boom.

Unlike the 1990 recession, the reportage during the dot com boom fits less well with the quality criteria. The articles mainly reflect investor movements that served to justify the sky-high value of Internet stock prices. Each of the topics and narratives
uphold the ‘new economy’ thesis, which is arguably a political construct built on high economic growth, low inflation, and steady employment. This suited the needs of business, but it certainly did not suit the needs of the ordinary public that was adversely affected when the economy plunged.

While during the 1990 recession there was a diverse range of ‘voices’ included in the reportage, there is now a narrower range of sources and these come mainly from within business. Institutional investors and analysts make up the majority of the direct quotes in each publication and feature more prominently than in the previous case study. Now, the quotes are concentrated in these few areas, with less distribution amongst other source types.

The under-representation of non-biased and non-elite source noted in the previous case study continues here. Members of the public, academia, and non-government organisations are grossly underrepresented. For each publication, only around 2-3 per cent of quotes come from non-government organisations and only the New York Times uses members of the public for quotes, around 2 per cent of total sources quoted.

As was also the case in the 1990 recession, the pattern is exaggerated in the months immediately after the Minsky moment, with even less representation of non-elite sources. This appears to be an emerging pattern. It suggests that the same sources that shape the coverage before the crisis have a monopoly on the framing of the events when the crisis is finally revealed to the public.

The public was provided with optimistic reporting, minimal warnings, and minimal discussion of issues most relevant to the dot com boom before it was too late in March 2000. The tenor of the reportage is more optimistic in each publication than during the 1990 recession. The data reveals how reportage changed quite quickly to scepticism during March 2000 (the Minsky moment). This is also the period that warnings start to gather in each of the publications. Compared to the 1990 recession, where 60 per cent of articles that related to the key words appear in the two years before the Minsky moment, in the dot com boom only 20 per cent of the articles appear before March 2000.
As with the 1990 recession, the economics editors and writers provide the most sceptical and prescient reportage, another emerging pattern across the case studies. The *New York Times* highlights the social cost of the dot com boom on a few occasions, mainly from economics writers like Uchitelle. Similarly, in the *Guardian* it is the economics editor Elliott who expresses the most sceptical views. The *Sydney Morning Herald* does produce some criticism of what was construed as ‘new’ in the ‘new economy’ and provides more practical explanations that put the ‘new economy’ in a more realistic context. These criticisms mainly came from economics writers, such as Gittins and Mitchell.

In contrast to the 1990 recession, the reportage of the dot com boom measured less favourably against the quality criteria. There is even greater reliance on business, analysts, and investors as the most quoted sources. There is less coverage and scepticism before the Minsky moment. Also, the topics and discourse buoy business activity and tend to serve the interests of investors. It is fair to conclude that on the whole the reporting of the dot com boom was framed for the markets and not for an ‘ordinary’ non-shareholding public. In each publication, there is a sharp deviation from the watchdog function it played for the general public during the 1990 recession.
Chapter Seven

Case Study III: The “Global Financial Crisis”:
August 2005-October 2008

The who-what-why-where-when of the story we’ve been trying to tell is impossible to define. Some of us have been treading the canyons of capitalism for years and still we don’t know. It’s as if all we see are … reflections and shadows, and from these we compose our myths and fables (Wilson 2008, 57).

Introduction

This is the third and final case study chosen for analysis. It focuses on reportage of the GFC and, as with the previous two case studies, it begins with a review of the political economy of the period, describes the relationship between business and the media at this time, and summarises the studies that have gone before, in the US, the UK, and Australia, on which this study will build. This serves as a sufficient background to set the scene before the mixed methods research design is applied to the data.

The GFC: An Overview

It was in August 2007, the moment that BNP Paribas pulled the plug on the financial industry, that the extent of interrelation between global financial markets and the US subprime mortgage bubble was vividly exposed. Financial companies, rating agencies, the PR industry, the banking industry, and information technology, are areas that have faced heavy scrutiny since the world economy spiralled into recession from 2007.

Certain deficiencies and underlying problems in finance journalism were magnified by the 2007 events and recession that followed. Financial journalists attracted blame for not predicting the crisis and for getting too close to the sources that they should
have been holding to account (Mair and Keeble 2009). They also attracted blame for exacerbating the crisis as it unraveled—the UK government even explored the idea of financial journalists practising self-censorship to reduce public panic (UK Treasury Select Committee 2009). While some business journalists are baffled about their industry’s lack of foresight, others can pinpoint exactly where problems occur.

For instance, Howard Kurtz (2008), then a media writer for the Washington Post, was grappling with the sensational financial overhauls and bailouts of 2007 and 2008 that left journalists wondering how they did not see this coming. In October 2008, in one of his blogs, he made the comment that the business media might have raised a few issues by whistleblowing before 2008. Instead, they were “A day late and several dollars short” (ibid.). In the same blog, Kurtz cites David Brancaccio from PBS, “We journalists have had a long history with accepting what the smart people hand down to us, especially on complicated stuff.” Likewise, Dean Starkman (2009b), former financial writer for the Wall Street Journal, and now writer at the Columbia Journalism Review, argues that the business press missed the story and then provided “excellent retrospective work”, which he likens to “kicking the wreckage after the plane has crashed.” Reporting before the fact, he points out, “what reader-investors-citizens really need” (ibid.).

The GFC: The Politics

Democratically elected governments have, over the past three decades, willingly ceded control of the world economy to a new elite of freebooting super-rich free market operatives and their colleagues in national and international institutions. We call these people the New Olympians (Elliott and Atkinson 2009, 4).

The United States

According to Soros (2009), the GFC had roots in the bursting of the dot com bubble, during which time the US Federal Reserve cut rates from 6.5 per cent to 3.5 per cent. The 2001 terrorist attacks on the World Trade Centre prompted even lower rates to bolster the economy, so that they were down to one per cent by mid-2003 (ibid., xv). Such low rates, according to Soros, precipitated a housing bubble in the US. Federal Reserve Chairman Alan Greenspan has attracted particular criticism for facilitating
access to easy money. Other politicians, more widely, have been charged with encouraging deregulation that prompted easy lending practices and encouraged speculation (Taibbi 2010).

In 1999, the Glass-Steagall Act, which was enacted in 1933 after the stock market crash of 1929, was repealed and replaced by the Financial Services Modernization Act. The original Act had banned commercial banks from underwriting securities, which saw the split of banks, such as the House of Morgan into the commercial bank JP Morgan and the broker dealer Morgan Stanley (Davies 2010, 79). Davies argues that the move towards the repeal of the Glass-Steagall Act began as early as 1987 with the appointment of Greenspan who oversaw a “softening” of the Act (ibid.). The repeal of regulation that separated commercial and investment banking, coupled with the low interest rates that ensued after the dot com boom and 9/11 terrorist attacks in 2001, paved the way for the emergence of unregulated institutions that acted as banks, proffering credit across the globe, while the regulated banks engaged in unregulated activities, such as credit default swaps.

According to Soros (2009) the move towards softer regulation policies began in the Reagan years of the 1980s. He says that while previous crises usually led to stricter regulation, the two decades following the dot com boom and bust have benefitted from the influence of market-fundamentalism. Banks in the US were granted greater freedom to make money as the restrictions that had been imposed on them in the Great Depression were removed: “They were allowed to expand their branches, merge across state lines, and enter new lines of business. The separation of investment banking and commercial banking faded until it disappeared altogether” (ibid., 117).

In addition to the repeal of the Glass-Steagall Act, in 2002, another notable policy change freed securitisation from regulation by credit rating agencies (Garnaut 2009, 78). A further loosening up occurred again in 2004: “the Securities and Exchange Commission allowed the big five Wall Street investment banks to raise their leverage ratios from 12-to-1 to 35-to-1 or more” (ibid.). The Federal Deposit Insurance Corporation’s (FDIC) unwavering faith in “a new age of banking perfection” was evidenced by its suspension of banking premiums, which had been collected as collateral to insure deposits, as part of its role to supervise financial institutions
Thus, the easy lending practices spurred by deregulation during the 1990s were bolstered by further policy changes at the turn of the century.

*The United Kingdom*

In the UK, the financial sector emerged as a force to be reckoned with from Greenspan’s “Irrational Exuberance” speech in 1996 onwards. According to Elliott and Atkinson (2009, 16), “the fastest-growing parts of the finance sector expanded at around 7 per cent a year between 1996 and 2006.” The authors place the roots of the GFC in the “aggressive marketing of Britain as an offshore financial sector with a light-touch regulatory regime” (ibid., 44). They say this spawned the easy credit culture that ultimately provoked the spectacular failure of the UK-based Northern Rock bank.

The move to laissez-faire finance had strong political support, specifically from New Labour. During this period, the UK enjoyed a “golden age of mortgage innovation” (Garnaut 2009, 21). Credit standards were declining and, after 2000, loans were available that were “above 100 per cent of collateral value” (ibid.). By 2005, “the ratio was extended to 125 per cent” (ibid.). Therefore, in the years after the dot com boom, an asset boom could grow without being reined in and a shadow banking industry was free to flourish.18

*Australia*

According to Garnaut (ibid.), politicians in Australia were less wedded to neoliberalism and more inclined towards regulatory policy. Australian banks had begun to seek risk elsewhere, in offshore borrowing, and had constructed their own version of a shadow banking industry, which did effectively prompt an asset bubble. The banking industry was also involved in securitisation to some degree and shadow-banking activities were emerging, notably at National Australia Bank. However, Garnaut (ibid., 142) argues that while this indicated that Australia may have been

18 Garnaut (2009) defines shadow banking in three ways. First, they are non-traditional banks and include investment banks, hedge funds, and monoline insurers—among others. Second, they are traditional banks that use the same financial products and take part in the same activities—which often require the use of derivatives and a degree of speculation. Third, he describes the kinds of products that are used by the shadow banking system—“derivative products that enable institutions to shift risk, increase leverage and operate beyond regulatory scrutiny” (ibid., 41).
heading down the same path as the US and the UK, it was effectively saved by the GFC, which stopped it in its tracks.

Also, Garnaut (ibid.) notes that “There was no counterpart official in Australia of Alan Greenspan’s views of economic processes.” He says this inherent conservatism in Australia was its potential salvation, as “Australian business and political culture in general was less taken with the extremes of individual wealth accumulation than the United States” (ibid.). Furthermore, the Asian Financial Crisis in the late 1990s had provided a warning to Australian authorities, giving them “clearer views on the importance of regulation to constrain destabilizing speculation and financial sector risk” (ibid., 145).

The GFC: Financial Media and Business

The criticism that financial journalists did not forewarn the public arises out of the fact that the media either ignored or failed to understand the significance of the debt market and products, such as CDOs, being sold around the globe, and their relationship with the subprime housing bubble in the US. The debt market had in fact been growing for two decades. Writing about the US, Phillips (2008, viii) states that, “between 1987 and 2007, debt—in all flavors, from credit card and mortgage to staid U.S. treasury and exotic Wall Street—became one of the nation’s largest, fastest growing businesses.” Indeed, the credit market debt quadrupled during this time, from $11 trillion to $48 trillion to create a kind of super-bubble (ibid.).

From the 1980s onwards, the financial sector blossomed into a full-scale super bubble thanks to the expansion of financial debt and the extension of mortgage credit into the subprime loans that were eventually concocted (ibid., 39). This is evidenced recently by data that was collected by the Bank for International Settlements that reveals the total amount of credit households now, including credit that comes from non-banks and foreign lenders (Dembierment, Drehmann and Muksakunratana 2013). It shows the phenomenal levels of credit provided to households and non-government institutions by unregulated financial institutions since the 1980s. According to the authors, households in Australia and the US owe more than the corporate sector (ibid., 79). They also point to a link between decreasing regulation of the financial industry and the “emergence of a shadow banking industry” (ibid.,
Therefore, what was happening in 2007 was not a recent phenomenon, but one that had been slowly gathering steam for almost two decades. The repeal of the Glass-Steagall Act in 1999—discussed above—gave extra licence to a sector that was already growing exponentially.

As the credit market grew and regulation faded, finance companies targeted vulnerable borrowers. Two of the largest perpetrators are Fannie Mae and Freddie Mac, for-profit and government-sponsored bodies, which were responsible for providing home loans to the Latino and African-American communities. The two enterprises became involved in subprime packages, which were essentially the repackaging of mortgages into financial instruments that were sold-on. The extent to which the newly packaged loans were disseminated to the Latino and African-American communities is alarming: “Home loan figures from 2006 show that 53.3% of loans issued to Black borrowers were high-cost sub-prime, along with 46.2% of loans to Latinos, compared to 17.7% to white borrowers” (Chakravartty and Schiller 2010a, 681).

The bundling together of toxic mortgage loans into packages involves a process known as securitisation. As Phillips (2008, viii) describes it, “To oversimplify somewhat, sophisticated financial institutions discovered gold in tying together five hundred or five thousand loans, mortgages, or whatever, and then selling fresh securities based and valued on the new assemblance.” The processes involved in securing assets were, as such, quite complex and sinister. To have actually put the pieces together, it has been argued, would have been beyond the feat of a “humble” journalist:

Expecting humble scribes to put all these complex concepts together, as well as name the day and form in which the whole thing will all come tumbling down – and run a decade-long campaign for regulatory change and oversight – is probably asking a bit too much (Caplen 2009, 32).

Hamilton (2009), former reporter at the Washington Post, also touches on the intricacies of the products that underwrote the subprime market. They were, undoubtedly, difficult to understand even for some of the most eminent financial journalists. Hamilton cites Floyd Norris of the New York Times, who admits that he did not understand the full extent of CDOs and collateralised mortgage obligations,
or the fact that rating agencies might not be assessing risk properly. Hamilton also explains that predicting a disaster is not as sexy as covering one.

Hamilton (ibid., 36) sees this as evolving out of structural and cultural biases, which include the bias that speculative “this trend could be dangerous” stories should be avoided. The idea that the financial press was caught up in a larger process is suggested by other academics. Davies (2010, 201) calls this “climate” the “culture of the moment.” He also argues that the press does not have any statutory responsibility to guard against financial excess, although he does pose the pertinent question: “were there no skeptics who questioned the sustainability of the dramatic growth in credit and asset prices that was under way?” (ibid.). Therefore, there are two different, but intrinsically related, reasons as to why financial journalists were handicapped: first, the GFC was complicated; and second, pointing out tentative dangers went against cultural biases that favour optimism within financial news practices.

The closeness of the financial journalists to their sources also induced a certain level of self-censorship. Brummer (2009a, 20), city editor at the UK Daily Mail, admits that self-censorship is present in the business media industry, and in some cases during the crisis top officials asked the business press to censor themselves—“and we have” he writes. He gives the example of Lionel Barber, editor of the Financial Times, who argued during a UK Treasury Select Committee (2009) meeting with financial journalists that it is not the job of his paper to bring the banking system down. Brummer (2009a, 20) then goes as far as to describe the Financial Times as “the cheerleader for capitalism. The paper’s income is highly dependent on full-page ads from the masters of the universe.”

Gillian Tett of the Financial Times was one journalist who did in fact understand the financial products, having covered this shady area for years, but when she connected the dots, she was ignored by the industry and practically ridiculed. She tried to voice her concerns at the Davos economic forum in 2006, but she was not listened to. Tett told a journalist at the Guardian:

One of the most powerful people in the US government at the time stood up on the podium and waved my article, the article that predicted the problems at Northern Rock, as an example of scaremongering (cited in Barton 2008).
Tett also argues that she benefitted from a PhD in anthropology, which had trained her to see the bigger picture (Fuller 2009, 88).

Mair (2009a, 23) touches on the various reasons as to why financial journalism failed to spot the impending crisis, making the argument that there is a larger systemic problem with financial journalism, as well as the financial industry, and the capitalist system generally. He lists various viewpoints from the academics and journalists who contributed to the collection of essays in *Playing Footsie with the FTSE? The Great Crash of 2008 and the Crisis in Journalism* (Mair and Keeble 2009). Brian Caplen, editor of the *Banker*, says he “sunk” his doubts about securitisation; Hugh Pym of the BBC says “we were all deluded”; Matthew Fraser of the INSEAD business school in Paris blames poor training of financial journalists; and Howard Davies, the director of the London School of Economics, blames all institutions (Mair 2009a, 23). The different viewpoints suggest there is more at issue than the simple case of an industry that has lost its way. It points rather to systemic failure in both financial journalism and the financial industry at large for the absence of public forewarnings.

**How the Reporting of the GFC has been Measured Before**

Various methodologies have been employed to assess the reportage of the 2007-2008 financial crisis, ranging from studies on the main frames and narratives used to represent the crisis, through to investigations into the modus operandi of the financial journalists themselves (Mair and Keeble 2009; Pew Research Center 2008; Roush 2009; Schifferes and Coulter 2012; Starkman 2009a; Tambini 2010). Cumulatively, the studies on the 2007-2008 financial crisis that exist portray a mainstream financial media that is limited by a narrow frame of reality, and dependent on a small coterie of PR operators, analysts, and business sources who are treated uncritically. Moreover, there is a sense that the financial press, which is faced with increasing time and commercial pressures, has generally lost its desire and capacity to report in the public interest. However, there is still a need for more thorough, comprehensive, and empirical research into financial journalism, as has been noted recently by Schiffrin and Fagan (2013, 153) who acknowledge that “Despite the wide anecdotal criticism there is not much academic research on business/economic journalism.”
The study “Power Problem”, which was conducted by Dean Starkman (2009a) for the *Columbia Journalism Review*, was particularly influential in relation to the research design for this study. It focused on the US business media and analysed articles from 2001-2007. It searched Factiva for the names of important institutions, like Bear Stearns, and matched them with search terms, such as “predatory lending” and “securitization” (ibid., 26). Also, news outlets were asked to volunteer their best work during the period. The study was scathing of the business media and concluded with the following:

CJR’s study … provides strong support for the idea that sometime after 2003, as federal regulation folded like a cheap suitcase, the business press institutionally lost whatever taste it had for head-on investigations of core practices of powerful institutions (ibid., 30).

The most significant and interesting finding of the Starkman study is that the most useful warnings and journalistic analysis of the subprime housing market and its links with synthetic products on Wall Street occurred from 2000-2003. As Starkman (ibid., 27) states: “business journalism during this period comes close to reaching the holy grail – the critical Wall Street/subprime connection.” Had investigations continued along these lines they might have mitigated the subprime mess. From 1999-2004, some anti-predatory lending laws were passed in the US and there were some large litigation cases as a consequence. For instance, Citigroup had to sign a US $240 million settlement with the Federal Trade Commission to cover two million customers. The business press pushed the issue and put pressure on officials, such as Elliott Spitzer, New York Attorney General from 2002-2007 and then Governor until 2008, resulting in what Starkman (ibid., 28) terms a “virtuous cycle of reform.” Eventually, however, the business press developed “collective amnesia” and officials like Spitzer were ousted (ibid.).

Starkman provides empirical evidence to support the thesis that the business media failed the public in the years leading to the 2007 crisis. He enumerates a few of the issues he sees as causes for poor business reporting. First, he touches on the capture of business journalists by sources. This is something he calls “a form of Stockholm Syndrome” (ibid.). Second, he comments on superficial under-researched reporting, “nothing about boiler rooms and CDO factories were there, no matter how carefully you read” (ibid.). Third, he blames the public that did not listen, and a business press
that did not manage to get through to the public, or what he calls the “thick skulls of a Pick-a-Pay Nation” (ibid.). Toward the end of the study Starkman also blames Bush-era deregulation and business media’s financial travails. He highlights the close connection between regulation and great journalism, as well as editorial leadership and news ownership that clear a space for financial journalism (ibid., 30).

Roush (2009, 36) comes to a different conclusion in his study, arguing that the business press did “yeoman’s work during the past decade-plus to expose wrongdoing.” However, government regulators and the public chose to ignore them, caught up in the moment of a “populist bull market” (ibid., 39). He did what he refers to as an “examination” of coverage before 2007, and found “ample coverage of the dangers that lay ahead” (ibid., 37). However, Roush’s study, published in the American Journalism Review, does not elaborate on how he ‘examined’ the coverage. Therefore, his results are not quantifiable or reliable.

Roush does produce solitary examples of good quality reporting. The articles he refers to, such as Morgenson’s New York Times story in 2007, “Mortgages may be messier than you think”, are indeed some of the best examples of reporting before the crisis (ibid.). He argues that journalists like Morgenson and Pearlstein of the Washington Post, cut out the jargon that the public does not understand and “made it clear that trouble was brewing in the economy” (ibid.). However, the examples he provides focus heavily on mortgages and the lending institutions Fannie Mae and Freddie Mac. They do not connect-the-dots to paint the picture of a much larger interconnection between a subprime market and a shadow banking industry that had global reach.

The Pew Research Center (2008) discusses the narratives that various media in the US used to tell the financial crisis story. They collected 5,000 news stories from January 2007 to January 2008, which included 48 news outlets in total (ibid., 1). They discovered that the financial crisis story was the number two story, with the Iraq war as a close number three. However the main story, which took up “37% of the newshole”, was the presidential election (ibid., 2). They discovered that the coverage often lagged behind economic events. For instance, the recession received coverage in early 2008, a period the Pew Research Center argues saw a strengthening economy, yet the media moved away from the topic at a time when it warranted
attention in the second quarter of 2008. The media also produced fewer stories on the slowing economy, even as there was increased public interest in the economy and the GFC. They also tracked the different topics favoured by the different media. For instance, they found banking and housing are big issues in print media, gas prices are more popular with TV, and the press still covers the economy more than any other medium (ibid., 14).

A 2008 study conducted at the London School of Economics and Political Science by Tambini (2008), produced similar results to Starkman (2009a), highlighting the serious inadequacies it found in a period it calls “a crisis for financial journalism.” Tambini used interviews with business journalists, editors, and their lawyers, as well as some of the sources and stakeholders used for stories, to reach his conclusions. Tambini sums up by saying that financial journalism faces challenges, including “pressure of speed due to 24-hour news cycle; increasing complexity; PR strategies; sustainability; and the challenges of globalisation” (ibid., 4). He also adds a more recent challenge, which is the identification of exactly who is a financial journalist, with the entrance of new media mediums and platforms.

In Australia, there has been minimal study on the financial press before, during, or after the GFC. Mickler (2012) produced an interesting study that assesses the writings from opinion writers in Australia and Canada. It finds that they diverted blame from conservative free-market thinking to liberal attitudes among the public. Therefore, the reporting of finance in some mainstream newspapers in Australia promoted conservative views above all else, failing to bring in healthy criticism and democratic debate for citizens.

The studies done separately in the US, the UK, and Australia indicate that during the GFC the financial press did not devote enough attention to the economy, did not provide forewarning, and reported to promote free-market values. In essence, reporting in the public interest was not of primary importance. There is clearly a need for a transnational comparative study, which could bring all of the criticisms and concerns about financial reporting standards together in one place. Of the three case studies in this research project, it is the reporting of the GFC that has attracted the most critical attention. However, the academic studies, a review of the literature, and the political economic climate that existed indicate that the financial press were
also dealing with considerable institutional pressures. First, there was the cultural pressure to report within certain pro-business and free-market ideological parameters. Second, there were the commercial and time pressures, which gave less time for investigation into an increasingly complicated financial system that was growing in wealth and power.

**Content Analysis Timeframe: August 2005-October 2008**

This section analyses the amount and quality of content that was available to the public before and after the GFC. It is the last of the three case studies, and follows the same pattern as the two that have gone before; the collected articles will be analysed first quantitatively and then qualitatively. The aim is to answer some of the key criticisms that have been levelled at financial journalism—that it is too close to its sources, is too optimistic in its reportage, and is therefore lacking the scepticism needed to hold power to account and produce timely warnings of impending disaster for the public. While pre-existing studies have already focused on these criticisms it is anticipated that this research design—employing a longitudinal, transnational, and mixed-methods approach—will provide a more comprehensive snapshot not just of the GFC, but of the trends as they have developed across three decades of financial reporting.

**The Economic Context: What the Economic Data Tell Us**

We are in the midst of the worst financial crisis since the 1930s. In some ways it resembles other crises that have occurred in the last twenty-five years, but there is a profound difference … the current crisis is the culmination of a super-boom that has lasted for more than twenty-five years (Soros 2009, vii).

This case study deals with arguably the most serious of the economic crises examined in this research project. As noted in the quote above, Soros describes it as a “super-boom” that has been gaining momentum for the past 25 years.
The United States

As shown in Figure 39, the US economy grows at around 3 per cent for most of 2005 and 2006. At the end of 2006, it slows dramatically and only picks up slightly before it continues to head down from the end of 2007, until it reaches negative growth by the end of 2008.

Figure 39. GFC: US annual GDP growth rate from 2005 to 2008

As shown in Figure 40, the inflation rate remains at around 4 per cent for 2005, until mid-2006 when it dips to close to 1 per cent. It remains under 3 per cent until mid-2007 when it starts to rise, peaking at close to 6 per cent by mid-2008.

Figure 40. GFC: US inflation rate from 2005 to 2008
Figure 41 shows the unemployment rate in the US, which is at around 4.5 per cent for 2006 and most of 2007. Like the GDP growth and inflation rates, it is not affected negatively until mid-2007 when it rises steadily and climbs to 6.5 per cent by November 2008.

**Figure 41. GFC: US unemployment rate from 2005 to 2008**

All the US data point to negative economic conditions from mid-2007. One can expect high scepticism and warnings from this point onwards, as the economic conditions continue to fall, inflation continues to rise, and unemployment grows.

*The United Kingdom*

In the UK, as shown in Figure 42, the GDP growth rate actually increases through 2007 and persists until the end of 2007 when it peaks at 4.6 per cent. From the end of 2007 to 2008, the economy quickly slides towards recession.
Figure 42. GFC: UK annual GDP growth rate from 2005 to 2008

Figure 43 shows that the inflation rate in the UK is between 2 and 3 per cent for much of 2005 and 2006. In the first few months of 2007, it rises slightly to 3 per cent, but remains closer to 2 per cent for the rest of the year. From the start of 2008, it starts to rise rapidly and reaches just over 5 per cent by November 2008.

Figure 43. GFC: UK inflation rate from 2005 to 2008

As shown in Figure 44, the unemployment rate in the UK increases from 4.8 per cent in mid-2005 to around 5.6 per cent for most of 2006 and 2007. It increases rapidly from five per cent in June 2008 to 6.3 per cent by November 2008.
Therefore, the economic data in the UK shows a lag when compared to the US. Events really started to decline from the end of 2007. It can be expected that articles will reflect these signs with more sceptical articles, at least by the end of 2007.

**Australia**

According to Figure 45, Australia’s economy was slowing throughout 2006. From 2007, it started to grow quickly to peak at 5.4 per cent growth in mid-2007. From this peak it dropped, but only to pre-2007 levels of around 2.5 per cent.

**Figure 45. GFC: Australia’s annual GDP growth rate from 2005 to 2008**

As Figure 46 shows, Australia’s inflation rates dropped during the second half of 2006 and through most of 2007. From the beginning of 2008, there is a steep upward
trajectory until it reaches 5 per cent by the end of 2008. This coincides with the negative GDP growth in the same months.

Figure 46. GFC: Australia’s inflation rate from 2005 to 2008

Figure 47 shows that Australia’s unemployment rate actually declines through the period. In 2005, it starts with a peak of around 5 per cent, but from then onwards the trend is downwards until 2008, where it remains steady at below 4.5 per cent. This is lower than the US and the UK at their lowest points in 2006 and 2004 respectively.

Figure 47. GFC: Australia’s unemployment rate from 2005 to 2008

Therefore, Australia experiences more positive economic conditions when compared to the US and the UK. However, the economy did slow and inflation rose drastically from the start of 2008. It can be expected that articles will reflect this, providing scepticism and warnings at least by January 2008 onwards.
Summary
According to the key economic data for the period of study, the US and the UK experienced a period of economic growth and low inflation from 2002 to 2005. However, both experience slower growth toward the end of 2007. By 2008, both the US and the UK are in recession. By way of contrast, Australia’s economy does not dip into negative growth, although it does slow from mid-2007 onwards. The inflation rates in the US, the UK, and Australia also climb from early 2008.

The US and the UK have similar unemployment trends that head upwards to around six per cent, especially through 2008. Conversely, Australia’s unemployment reduces from 5 to 4.5 per cent and remains there for much of 2008.

Therefore, Australia’s economy stands out during this period. Although it did experience slower growth and some increased inflation, the levels are modest when compared with the US or the UK. Furthermore, the official data would not have provided much indication of a slowdown, as it did not happen in each country until mid-2007. At this point, growth slowed, inflation grew, and in the US and the UK at least, unemployment increased, all at dramatic rates.

Capturing the Data
The following key words were used to capture a data set from the electronic database Factiva:

- Housing Bubble;
- Collateralised debt obligations;
- Mortgage-backed securities;
- Risky derivatives;
- Securitisation; and
- Subprime bubble.

Including coverage of the crisis and its aftermath, the total collection period was from August 2005 to October 2008. The search produced a data set of 546 articles,
comprising 279 articles from the New York Times, 147 from the Guardian, and 120 from the Sydney Morning Herald (see Figure 48 below).

Figure 48. GFC: Distribution of articles from the publications

In this case study, the Minsky moment was August 2007—the moment that the crisis was revealed by the French bank BNP Paribas and became a story available widely for the public (Kleinnijenhuis et al. 2013; Pew Research Center 2008). To ascertain the amount of articles available to the public before the crisis was revealed, and therefore the opportunity for warning and debate among citizens, articles were collected two years before the Minsky moment. Based on the key words, 42 articles appeared in the two years before August 2007 (8 per cent of total coverage), and 504 afterwards (92 per cent of coverage) (see Figure 49 below). This suggests a minimal amount of coverage on topics pertinent to the subprime housing bubble before it imploded. In comparison, 504 articles in a little over a year afterwards suggests that the public was inundated with articles after the story broke.
Quantitative Analysis: Tone and Quoted Sources

The Tone of the Reportage

As with the other case studies, and as described in Chapter Four, the articles were coded along a three-point scale as sceptical, neutral, or optimistic. Examples of sceptical, neutral, and optimistic articles are available in Appendix A. To plot the trend across the entire timeline, totals were averaged for each quarter, or three-monthly period (see Figure 50 below).
Figure 50. GFC: Tone Trend, August 2005 to October 2008

Figure 50 illustrates that all publications reflect the economic events quite closely in the tone of their coverage. The *New York Times* starts on a neutral tone in 2005, and heads downwards towards scepticism for the period. The *Guardian* has a spike of optimism in mid-2007, which is interesting considering the subprime revelations in August 2007, but not so surprising given the higher economic growth around the same time. The *Sydney Morning Herald* coverage is between neutral and optimistic at the start of 2006, but then remains close to neutral for most of the period, which is likely a reflection of Australia’s more favourable economic conditions.

**The Sources that Shaped the GFC**

To ascertain the level of diversity and representation of society, the first two direct quotes were coded for each article. It was hoped that this would also ascertain the extent to which PR spokespeople and press releases were quoted directly.

Additionally, the direct quotes that were available in the months directly after the Minsky moment, in August 2007, were coded and represented in a separate bar.
graph. This would reveal whether journalists used the same sources for information and quotes that they used before the crisis or whether there was an Emperor’s clothes moment of revelation when they sought alternative sources (see Lewis 2010). The results are represented in Figure 51.

**Figure 51. GFC: Number and type of directly quoted sources, as a percentage of publication’s total quoted sources**

According to Figure 51, business sources are the most quoted source by each publication. Of the direct quotes used by the *New York Times*, 19 per cent are from business, while 27 per cent for the *Guardian* and 21 per cent for the *Sydney Morning Herald* are also from business.

Analysts and PR are also popular sources for information and quotes. Of the quotes from the *New York Times*, 13 per cent are from analysts and 11 per cent are from PR. The *Sydney Morning Herald* is similar, with 18 per cent from PR and 12 per cent from analysts. By way of contrast, the *Guardian* uses 19 per cent from politicians.
and 11 per cent from the UK’s central bank, the Bank of England, for the majority of its direct quotes.

Members of the public and non-government associations are not used often for direct quotes. Of the quotes from the New York Times, 3.1 per cent are from members of the public and 1.1 per cent comes from non-government organisations. In the Guardian, 0.5 per cent are from members of the public and 0.5 per cent are from non-government organisations. In the Sydney Morning Herald, 2.2 per cent are from the public and 0.7 per cent are from non-government organisations. Slightly more quotes are used from academia. Of the quotes from each publication, around 3 per cent are from economists. Similarly, from other academics the New York Times uses 4.5 per cent, the Guardian uses 1.6 per cent, and the Sydney Morning Herald uses 3 per cent.

During August 2007, and in the months that followed, as Figure 52 indicates, the quoted sources remain similar, but PR sources increase, while fewer members of the public and academics are quoted.

**Figure 52. GFC: Sources quoted after the Minsky moment, August 2007 to December 2007**
Conclusions from the Quantitative Analysis

The tone is close to neutral in each publication and is therefore a far cry from the optimistic reporting of the dot com boom. There is a slight turn to scepticism in August 2007. This is when the subprime market was exposed and it is also, according to the economic data, when the economies started to take a turn for the worse. Therefore, while the publications were not sceptical beforehand, they were quick to shift the tone of their coverage once the economic situation showed signs of deterioration.

As is seen in Figures 51 and 52, members of the public, non-government organisations, and academia are far less popular as sources for information and quotes compared to business, PR, and analysts. Indeed, we can see from the data the extent to which each publication actively favours direct quotes from business, PR, and analysts. In the case of the Guardian, there is a trend emerging that sees politicians and central bank sources used most for quotes.

As is seen in Figure 52, in the months after the Minsky moment, in August 2007, PR and business sources predominate. This is an emerging trend common to all the case studies. The selection pattern for sources post-crisis becomes exaggerated, and sources like non-government organisations and even government bodies are now rarely quoted. This leaves the field clear to the elite sources that are implicitly connected to the business world and its reputation to define the aftermath of the crisis.

These results make it possible to form a view on two of the quality measures: the diversity of ‘voices’ and levels of scepticism. However, to assess the articles against the remaining criteria—relating to accessibility of content for the general public and the extent to which it provided appropriate warnings, and held government and business to account—it was necessary to employ qualitative methods.
Qualitative Analysis: News Framing and Discourse

This section examines the frames and language used by journalists in their reportage of the GFC.

Main Topics of the GFC

As with the other case studies, the most salient topics of discussion were identified and worked out as a percentage of the total data set (see Table 8 below). The top five most referred to topics are then analysed qualitatively, the key narratives are discussed, and the publications are measured against the quality criteria and compared. Appendix C contains examples of three articles that appeared under the ‘Ordinary’ topics.

Table 8. Main Topics of the GFC

<table>
<thead>
<tr>
<th>Main topics</th>
<th>% total data set</th>
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<tbody>
<tr>
<td>1. Explanations and connected dots</td>
<td>25.5</td>
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<tr>
<td>2. Crisis talk</td>
<td>23</td>
</tr>
<tr>
<td>3. Blame game</td>
<td>22</td>
</tr>
<tr>
<td>4. Bailouts</td>
<td>15</td>
</tr>
<tr>
<td>5. ‘Ordinary’ topics</td>
<td>14.5</td>
</tr>
</tbody>
</table>

1. EXPLANATIONS AND CONNECTED DOTS

The topic of ‘explanations and connected dots’ occurred in 219 articles, 25.5 per cent of the total data set. The topic includes all of the explanations that relayed the complicated situation that was unfolding to the public. Almost half of the data set is included in this category, which suggests that a lot of explanations were available to the public.

The distribution amongst the three publications was as follows:

New York Times (113) 40.5 per cent of publication’s data set.

Guardian (62) 42 per cent of publication’s data set.
Figure 53 plots the coverage against the study timeline. It shows a dramatic peak in August 2007, and only ten articles appear before this date. After this month, the coverage remains high and constant in each publication. The spread of the data verifies August 2007 as a month when the lid on the Pandora’s Box was indeed lifted and it can be considered a revelatory moment.

Three features are tracked in the analysis: the nascent warnings, the use of a US-focused narrative, and the use of short-hand jargon.

**New York Times**

*Nascent Warnings*

The earliest explanation and connection of dots in the data set appears in the *New York Times* on April 7, 2006, by Norris. Therefore, links between the US subprime housing market and risky processes like securitisation were reported on and available at least a year before BNP Paribas had to closedown hedge fund activities, in August 2007. Norris explains the main principles that lie behind the subprime housing
market and securitisation process. Furthermore, he makes an important connection with the over-leveraged households that are directly exposed to the risk.

A year after Norris’ report, on April 12, 2007, another lengthy explanation by Bajaj appears in the *New York Times*. It also explains the processes behind securitisation and subprime in detail. However, it does not cite the risk to ordinary households, but instead highlights the success of a particular financier, John Devaney, founder of United Capital, away from the risky subprime market:

“I personally hate subprime,” Mr. Devaney declared at an American Securitization Forum conference in late January, “and I’m kind of hoping the whole thing explodes.”

He certainly got his wish. Within a month of his remarks, several big lenders to people with weak credit – specialists in what is known as the subprime market – began collapsing…

An article by Morgenson also appears on April 22, 2007, and explains the situation for investors. Like Norris and Bajaj, there are links to the housing market and minimal jargon is used, as colloquialisms like “mortgage mess” and “troubles loans” are used in place of the technical terms subprime and securitisation.

*The US-focused Narrative*

The US-focused narrative is one of the main narratives employed by each of the publications when trying to explain the situation and frame it for the public. By August 2007, and especially after BNP Paribas halted trading on August 9, the full implications of the subprime market in the US were being revealed and the major impacts on the real economy were being acknowledged. This is exemplified by the litany of articles, 48 articles in total, that appeared in August 2007, all trying to explain the situation and the financial products involved in detail. It was during this month that the narrative emerged of a crisis in the subprime housing market in the US that was unable to be contained, like a natural event, such as an earthquake or virus.

The *New York Times* produced 11 articles in August 2007 that adhere to this narrative. For instance, on August 10, 2007, Kanter and Werdigier report the “exposure” of European banks to the “United States subprime market because they
are often held through CDOs, financial products that bundle securities and help spread risks, and banks often do not disclose their exposure.” Similar descriptions are used on August 14, 2007, by Anderson to depict Bear Stearn’s hedge funds as “casualties” of investment in “mortgage-backed securities.” Schwartz and Bajaj, reporting on August 19, 2007, explain that subprime lenders began to miss payments from December 2006, and go on to describe the events that stem from the US as “a tsunami in the global financial markets.”

*Use of Short-hand Jargon*

Explanations continue into 2008, but range from technical to lucid, and from thorough to brief. For instance, on April 6, 2008, Aenlle explains simply that the stock market is experiencing difficulty because of “the precarious state of the banking system.” Also, financial products are described as “exotic instruments – collateralised debt obligations and mortgage-backed securities.” In contrast, on April 27, 2008, Schwartz and Dash provide highly technical explanations for the products and processes that caused the GFC:

> Derivatives are privately negotiated and often complex financial contracts theoretically designed to limit risk. Their value is derived from an underlying basket of assets, like stocks, bonds or loans. Advocates say that derivatives, used wisely, foster economic activity.

From October 2008, the explanations shift from a US-based narrative to one that encompasses a wide range of issues, as the crisis continued far beyond the events of August 2007 and far beyond the subprime housing market. Indeed, in October 2008, 11 articles appear in the *New York Times* that briefly explain the financial products that caused the GFC, but also try to explain the historical context and development of the situation. For instance, on October 5, 2008, Duhigg explains the subprime market briefly as “loans to the riskiest borrowers”, but considers their development within an historical context: “Between 2001 and 2004, the overall subprime mortgage market – loans to the riskiest borrowers – grew from $160 billion to $540 billion.”

*Guardian*
The *Guardian* did not produce any articles offering explanations about any aspect of the impending GFC until August 2007. Therefore, unlike the *New York Times* and the *Sydney Morning Herald*, it does not produce any ‘nascent warnings’ for the public based on the specific data set collected for this study.

*The US-focused Narrative*

The *Guardian* does weigh in with explanations in August 2007. There are ten articles in August with detailed explanations about the situation, which are written with minimal jargon. On the other hand, the products and financial processes that triggered the GFC are not technically explained. Also, of these articles seven describe the events as US-generated and uncontainable.

For instance, Teather explains on August 10, 2007, the day after BNP Paribas’ revelations, that the situation was “triggered” by a “segment” known as the subprime sector that is linked to “low incomes” in the US. The terms “securitisation” and “credit derivatives” are left unexplained. Also, the article is mostly geared towards understanding the impact of events on the financial markets and investors.

Another article published on August 10, 2007, by Pratley uses terms like “junk lending”, “toxic waste”, and “subprime” that are not explained fully. The subprime crisis is described as like catching the flu, as Europe has “caught a nasty dose”: “How much have they got? There is no way of knowing at the moment … yesterday’s gossip was that a large, frontline European bank has caught a nasty dose of subprime.” The following day on August 11, 2007, Pratley uses the term “toxic waste”, again without explanation, and explains that this waste is arriving at the UK and is not “containable.” This gives the impression that the US is dumping its waste on domestic shores.

On August 13, 2007 (not by-lined), an article explains that US loans “are claiming casualties around the world.” A similar description is used on August 17, 2007, as Bowers describes European banks’ involvement as “big exposures to US subprime losses.” He also reports it is expected that, “The list of casualties in Europe and elsewhere” will grow.

*Use of Short-hand Jargon*
From August 2007, explanations are briefer and short-hand descriptions refer to the events that triggered the GFC. For instance, on December 20, 2007, Clark describes CDOs as “arcane securities backed by American home loans which were, until recently, considered to be safe bets.” On December 31, 2007, Teather described “bad debt” that was “packaged up and sold on around the world’s financial system.” After this short description of the securitisation process he briefly mentions the products without explanation: “arcane practices of the financial world such as collateralised debt obligations and structured investment vehicles”, which “became everybody’s concern.”

By April 2008, it was assumed that the financial products and processes were by now well understood. For instance, on April 8, 2008, Treanor simply refers to “CDOs”: “CDOs are the villains of the market turmoil but before they unraveled they fuelled easy credit and economic growth in many developed economies.” By October 6, 2008, economics editor Elliott tersely refers to “risky derivatives” that spurred the casino mentality of “German banks.”

Sydney Morning Herald

Nascent Explanations

Like Norris at the New York Times, Gittins, economics editor at the Sydney Morning Herald, also explains the securitisation process and applies it to the real economy, and predicts systemic risk as early as December 23, 2006:

If you take away one economic lesson from 2006, let it be this: we must pay more attention to the financial side of the economy ... Financial markets have become much more complex, with futures contracts, options and other derivatives. It’s now a lot easier to buy and sell financial assets and liabilities.

The US-focused Narrative

Of the three publications, it is the Sydney Morning Herald that pushes the US-generated narrative the most vehemently. Of the 14 articles that provide explanations in August 2007, 11 use similar explanations that place the US in a central position and describe the problem as a natural disaster. Like the Guardian, the technical terms and processes that underlined the GFC are explained in simple lay terms that can
easily be understood. What is lacking, however, are technical definitions and thorough explanations of the precise and complex reasons for the GFC.

On August 8, 2007, Washington simply explains CDOs as “now notorious debt products known as collateralised debt obligations.” On August 11, 2007, O’Sullivan provides an account of the genesis of the crisis in the US that prompted a “contagion effect.” Furthermore, the financial products, CDOs, are explained briefly as “US home mortgages that were bundled together and sold around the globe.” On August 15, 2007, Knight explains the securitisation process and the US subprime origins in equally simple terms with the use of a simile that a lay audience would understand: “Once there are enough loans in the warehouse, the door is shut and they are amalgamated into a new entity. It has interest income so it is able to sell bonds in this warehouse and pay income to these new investors.”

On the same day, August 8, 2007, Burrell really brings the narrative to life, explaining the butterfly effect from US subprime loans to house loan rates in Australia. Furthermore, the situation in the US is depicted as “washing up” on domestic “doorsteps”:

A butterfly flaps its wings in the Amazon and there’s an earthquake in China, the cliché goes.

In the modern world of meltdown finance, an unemployed taxi driver in Chicago who can’t repay his mortgage can mean one of the biggest non-bank mortgage providers on the other side of the world takes a hit on its profits and stock price, and pushes up home loan rates for someone in Penrith.

The wave of international market turmoil now washing up on the doorsteps of Australia’s mortgage belt.

Use of Short-hand Jargon

The US narrative continues in the *Sydney Morning Herald* with some force into 2008. It serves not only to paint the crisis as a specifically US one but it also serves to demonstrate that Australia is doing well by comparison. For instance, on April 2, 2008, Sampson describes CDOs as “dodgy loans in the US” and investors as “victims.”
In October 2008, the genesis of the GFC was still being explained, and distance was still being created between Australia and the US. On October 4, 2008, Yeates traces the historical lineage of mortgage-backed securities to Wall Street. Then the following day on October 31, 2008, Irvine explicitly distances Australia from the US, arguing that Australia, “full of middle-aged borrowers” could afford the debt it signed up for unlike US “marginal borrowers”: “Moreover, housing debt in Australia was largely in the hands of middle-aged borrowers who could afford it, rather than more marginal borrowers, as in the US, meaning forced sales were less likely.”

**Quality Measures: Explanations and Connected Dots Topic**

The majority of articles arrive in August 2007 when it is too late for any forewarning. Instead, an avalanche of articles inundated the public with the same message—a crisis has arrived and it was born in the US. There are few interpretations to learn from: similar explanations and narratives are adhered to by each publication. The GFC emanated from the US and was caused by financial products that spread like a virus. There is little movement away from this version and account of the GFC. Therefore, each publication contributed directly to the shaping of the GFC using the same dominant narrative of a US-born disaster that was catching like the plague.

Indeed, the fact that 48 of the 220 articles, or 22 per cent, appear in August 2007 also illustrates that this must have been a moment of revelation for the financial press, as well as the public. It also highlights groupthink and the financial press’ collective reactive response to the events. Furthermore, it suggests that complicated financial products, their connection to the subprime market in the US, and the interconnectivity between the financial markets across the globe, were not fully scoped by financial journalists until August 2007.

Two accounts of the GFC that provide warnings come from financial writer Norris at the *New York Times* and economics editor Gittins at the *Sydney Morning Herald*. These are two writers with decades of experience in writing about finance and economics respectively. Their reporting tends to be sceptical in tone and contains warnings for the public, here, as well as in the other case studies. The *Guardian* is
the tardiest of all the publications, with no warnings at all before it begins reporting on the GFC in August 2007.

Eventually full explanations faded out of the reportage and, by April 2008, they were replaced with short-hand accounts that assumed public knowledge of complicated financial products like CDOs. Thus, the terms that were clearly defined and explained in 2007 became part of the financial press’ vernacular. Where explanations did appear, they started to focus on broader questions and wider contexts. For instance, journalists started to look beyond the events of the GFC to question their domestic economy’s position in the global system, the unsustainable nature of free-market doctrine, and the deficiencies of the regulatory oversight system.

Therefore, according to the qualitative analysis of this topic, the financial press arrived quite late in the genesis of the GFC. In this sense, they did not play a watchdog role with regards to scepticism, warnings, and holding power to account. However, from August 2007 onwards, through the provision of information and explanations, they certainly played a watchdog role for the public. They did a very thorough job of connecting the seemingly nebulous dots together as the situation unfolded in August 2007. Indeed, August 2007 is full of lengthy and detailed explanations of the events and products at the heart of the crisis. The explanations are detailed, mostly free of jargon, and really attempt to explain the inner workings of some of the complex financial products and their links to the real economic events.

2. CRISIS TALK

The topic of ‘crisis talk’ occurred in 196 articles, 23 per cent of the total data set.

The distribution amongst the three publications was as follows:

*New York Times* (90) 32 per cent of publication’s data set.

*Guardian* (62) 42 per cent of publication’s data set.

*Sydney Morning Herald* (44) 37 per cent of publication’s data set.
Nearly half of the data set uses the emotive description of a ‘crisis’ to define the GFC as it unfolded. This is illustrated by Figure 54, which shows the extent to which each publication refers to a ‘crisis’ after August 2007.

Only five of the articles appear before August 2007. Figure 54 also shows that the GFC was defined as a crisis until early 2008 when the theme trailed off and then peaked again by August 2008, especially in the *New York Times*. This relates strongly to the events surrounding Lehman Brothers during this period.

**Figure 54. GFC: Distribution of articles that refer to a ‘crisis’**

- *New York Times*
- *Guardian*
- *Sydney Morning Herald*

*New York Times*

As the subprime housing market in the US imploded, and its impact reverberated into the global financial and investment community, the *New York Times* uses the word ‘crisis’ to describe the situation. However, it is associated with macro-economic issues somehow beyond human control. Blame is deflected from institutions and individuals because the ‘crisis’ was catching like a disease or as unpreventable as a natural disaster. As the situation deteriorated and the ‘crisis’ showed no signs of abating, the language became more alarmist into 2008.
Morgenson provides the earliest mention of a crisis on April 22, 2007. Ironically she refers to financial crises and the fact that they come and go now with no more than a “blip on the screen.” She refers to Amaranth, which is a hedge fund worth US $6 billion that collapsed in 2006. She then moves on to the subprime housing crisis, which she reports is still unfolding and likely to continue. Therefore, as early as April 2007, the subprime market collapse was imminent and the inter-changeability of one ‘crisis’ with another was already present.

Two months later the ‘crisis’ is specifically related to two Bear Stearns hedge funds that had collapsed in June 2007. Creswell and Bajaj describe “the crisis this week” on June 23, 2007. Similarly, a few days later on June 28, 2007, Creswell reports that the crisis had “nearly” managed to “set off a broader sell-off in the market for mortgage-related securities.” Therefore, further links are again made between the hedge funds and risks associated with mortgage-related securities. Thus, the ‘crisis’ is contained and clearly definable at this stage.

However, by August 2007, the events are regularly framed in terms of ‘crisis’ and the word takes on a number of different meanings. On August 26, 2007, Morgenson, who earlier described a credit ‘crisis’ now refers to a “housing crisis of historic proportions.” On the same day, August 26, 2007, Grant reports that, “The subprime mortgage crisis of 2007 is, in fact, a credit crisis – a worldwide disruption in lending and borrowing.” This conflation and confusion of terms on the same day highlights the jumbled picture that was being painted for the public. The following day, on August 27, 2007, Clark describes a German state-run bank as “the first major European victim” of “the global liquidity crisis.” Thus, three different definitions of a ‘crisis’ all reinforce the idea that it is spreading like a virus. Readers would have still been in the dark about the true nature and scope of the ‘crisis’ that was by now a popular and prevalent topic.

By October 2007, some additional terms are used. For instance, on October 2, 2007, Grynbaum reports that Wall Street had “sensed” that the “summer credit crisis had passed.” He then goes on to describe the pervading optimism among investment banks and homebuilders who were “hardest hit by the lending crisis.” Later in the month, on October 25, 2007, Grynbaum explains that “credit crisis” still loomed over Wall Street, but that the stock market had found “a savior” which arrived in the form
of poor house sales report that suggested a lower interest rate from the Federal government. The following day on October 26, 2007, Norris refers to “this financial crisis, the one that started with subprime loans.”

A similar narrative of a ‘crisis’ of many faces that could not be contained continued into February 2008. For instance, Bajaj and Story report on February 12, 2008, that “The credit crisis is no longer just a subprime mortgage problem.” They explain that the situation has spread to people who have good credit ratings. A few days later on February 15, 2008, Krugman reports along similar lines that “ultimately, it’s more than a subprime crisis; indeed, it’s more than a housing crisis.” He then declares that, “It’s a crisis of faith.”

By October 2008, the ‘crisis’ was all-encompassing and reports explained the ramifications of such a long lasting ‘crisis’. On October 1, 2008, Pristin introduces the description of “the economic crisis”: “the city will lose 60,000 financial jobs before the economic crisis is over and that the Manhattan availability rate could exceed 13 percent.” Then the following day, on October 2, 2008, over a year since the break of a ‘crisis’, Sorkin, Henriques, Andrews and Nocera explain what a credit crisis actually is:

It’s banks refusing to lend to other banks – even though that is one of the most essential functions of the banking system. It’s a loss of confidence in seemingly healthy institutions like Morgan Stanley and Goldman – both of which reported profits even as the pressure was mounting. It is panicked hedge funds pulling out cash. It is frightened investors protecting themselves by buying credit-default swaps – a financial insurance policy against potential bankruptcy – at prices 30 times what they normally would pay.

Guardian

In the Guardian, the word ‘crisis’ is not used until August 2007 and it also took on various meanings. However, the Guardian talks about the ‘crisis’ with a sense of schadenfreude and sarcasm, and more often than not frames it as a ‘subprime crisis’ that is politically and specifically made in the US. It also refers to the events in ‘natural disaster’ terms, as investors are regularly portrayed as victims. It does, however, make quite a significant break from this narrative: it focuses on the involvement of central banks and highlights economic policies that do not encourage
enough accountability in the financial system. Ultimately, it uses the construction of a US-born crisis as an opportunity to question the lax and unregulated political economy, not just in the UK, but worldwide.

For instance, Teather reported on August 10, 2007, that “The growing crisis in the credit markets has become increasingly evident.” The Governor of the Bank of England, Mervyn King, is quoted and provides assurance that the ‘crisis’ was based in the US and not yet international. On the same day, August 10, 2007, Pratley reports that “nobody in the markets, including central banks, can say with confidence that they know where this crisis will end.” It is not clear exactly what ‘this’ crisis is, but he does then explain that it is related to “the thriller called Sub-prime Slime.”

Economics editor Elliott wrote an article on August 17, 2007, that referred to the different meanings of the term ‘crisis’ as it was being used. He explains that a drop in the FTSE prompted a “selloff in Asia” and a warning from the investment bank Merrill Lynch “that the US mortgage lender Countrywide could go bust.” Then, citing economist Roubini, he differentiates between liquidity and an insolvency ‘crisis’. This distinction is useful and it also suggests that the journalist is aware that the term ‘crisis’ is being used too loosely:

Finally, as Nouriel Roubini, economics professor at New York University puts it there is a difference between crises of liquidity and crises of insolvency. Liquidity crises are those in which firms and individuals have a cashflow problem; interest rate cuts help them through the tough times. Insolvency crises are much more serious; slashing rates makes no difference when people are going bust. The LTCM [Long-term Capital Management] collapse was a liquidity crisis, Roubini says, and what’s happening now is an insolvency crisis.

On December 1, 2007, Clark really delves into the political economy that had helped build the crisis. He describes the White House negotiations with lenders as “a rare intervention by the Bush administration, which generally adopts a laissez-faire attitude towards business.” Lending support to an argument for regulation and intervention, Clark then quotes Darren Duarte, a spokesman for the Neighborhood Assistance Corporation of America, who calls it “a move in the right direction.”
Two days later on December 12, 2007, the UK Northern Rock bank, which was eventually nationalised, is portrayed by Fletcher as a “victim” of the “US sub-prime crisis”:

Many of today’s expected departures are losing their place as a result of the US sub-prime crisis and the subsequent credit crunch. Northern Rock is of course the most prominent victim of the funding difficulties that followed the US problems.

By February 2008, the “US sub-prime crisis” has reached the UK. On February 14, 2008, Treenor and Jones report that “The US sub-prime mortgage crisis spread further into the UK yesterday when the US owner of Advantage Home Loans pulled the plug on the mortgage lender.” Indeed, at the end of the month, on February 25, 2008 (not by-lined), the ‘crisis’ has become an “economic” crisis and the problem is traced from Greenspan’s lax monetary policies to Bernanke’s “tough line on US interest rates for fear of being the poor man’s Alan Greenspan.”

Sydney Morning Herald

The Sydney Morning Herald produces several definitions for the ‘crisis’, but it is mainly referred to as the US subprime housing crisis. Like the ‘Explanations and Connected Dots’ topic that distanced Australia from the US, when referring to a ‘crisis’ the Sydney Morning Herald is more likely to focus on the impact on specific Australian companies, rather than the large political economy issues that the Guardian discusses, and instead highlights the positives that Australia is experiencing.

Two articles from the Sydney Morning Herald appear in June 2007, before BNP Paribas halted trading in August 2007. On June 16, 2007, Washington points to high-risk areas, not in developing countries, but in “a new wave of debt products.” Therefore, the articles identify the key area that would eventually bring down the financial and economic system from August 2007 onwards, and for this reason it is prescient. It also suggests that there was a very good idea about the financial products that were producing the risk before they were completely exposed in August 2007. Also, the scene that Washington describes in New York is of “regulators, academics, credit rating agencies”, who can pinpoint exactly where the
problem lies. An economics professor from Columbia University, Richard Clarida, is quoted, saying that the crisis will appear not in a developing country, but somewhere “on balance sheets in Malaysia and London and Riyadh.”

In August 2007, the impending ‘crisis’ would have been confusing to grasp. Only seven articles refer to a ‘crisis’, but different definitions are used and there is reference to it by Gittins as “no big deal.” The ‘crisis’ is defined as specifically originating from and residing in the US, and the impact on Australia is underemphasised. However, this changed by the end of August 2007 as the global reach of the ‘crisis’ is realised. On August 15, 2007, Knight discusses a ‘crisis’ in terms of a “liquidity crisis.” Later in the article, the ‘crisis’ is referred to as a “debt crisis.” Referring specifically to profit warnings from the Australian RAMS Home Loans company, the crisis is described by comparing the price of fuel used by the Qantas airline with the price of money used by the Australian home loan company RAMS: if the price of fuel goes up so does an airline ticket, and likewise if the price of money goes up so does the price of a mortgage.

On the same day, August 15, 2007, Gittins refers to all “financial crises” and tells the man-in-the-street not to take the media seriously, as most financial crisis do not apply to them:

Don’t be impressed by TV journalists who know next to nothing about the subject, but do know a good scare story when they see one … The giveaway in much reporting of financial crises is that reporters so rarely ask the great cliché journalistic question: what does it mean for the man [sic] in the street? They don’t ask because they’re afraid the answer will be: probably not much.

Again on August 15, 2007, John refers to the crisis, also at RAMS, as emanating quite specifically from “repercussions from the crisis in the North American subprime loans market.” Furthermore, ramifications in the Australian economy are considered, again citing RAMS, as “some hedge funds, including Australian funds, are in trouble.” A few days later on August 25, 2007, Sampson argues that the events in August 2007 have “proven the US still has the power to send world markets into a tailspin.”

It may have been recognised that the ‘crisis’ was global, but articles in October and December 2007 still focus on domestic companies and seek to highlight optimism.
For instance, on October 16, 2007, John reports that, “In its quarterly briefing” the Commonwealth Bank “said it was continuing to experience ‘solid underlying’ credit growth.” John also highlights that this strength is in contrast to “the period that witnessed the greatest volatility in the loans sector after the US subprime crisis.”

On December 18, 2007, Maiden describes both “the Centro crisis” and then the “global debt crisis” within a few paragraphs. Moreover, links with the US are described as “a US invasion”: “After a US invasion that more than doubled the group’s assets in a year, Centro did not take enough insurance. As the global debt crisis erupted in August and debt funds became scarcer and more expensive.”

In 2008, the ‘crisis’ is framed in various ways, mostly underscoring Australia’s relative remoteness from it. However, this changes when Lehman Brothers falls at the end of the year, by which stage the reportage shifts focus to the reach of the crisis in Australia and the possibilities for intervention in the form of economic policy.

The largest concentration of articles appears in one month, April 2008, when there are nine stories. On April 21, 2008, Washington reports that the market has been “afflicted by the credit crisis” and the Reserve Bank will buy mortgage-backed securities to ameliorate the “total freeze in the securitised home loan market and the consequent dangers to ordinary Australian home loan borrowers.” Incidentally, this is one of a few articles from the Sydney Morning Herald that frames the ‘crisis’ in such a way that the ordinary public is taken into consideration. The article goes on to state that “stigma” is attached to “being seen to need Reserve Bank help to restore liquidity” and it is “a move that could be portrayed negatively and frighten investors.”

On August 16, 2008, another article appears that considers the ordinary public. West and Robins report that the “subprime debt crisis” that “emerged in the United States” first “exposed” NSW councils to losses, and is now “threatening charities, churches, children’s hospitals, nursing homes and dozens of councils across the nation.”

By October 2008, the ‘crisis’ is framed in more global terms and Australia is no longer seen as immune to its effects. Furthermore, since the collapse of Lehman Brothers in the US, larger political economy issues are also discussed. On October 1, 2008, Irvine frames the crisis as “The global financial crisis.” She reports on a
government plan to spend $4 billion of taxpayer money to buy back mortgage-backed securities. On October 4, 2008, Verrender describes a domino effect from the US, which means that Australia is now “in foreign territory.”

Two weeks later on October 14, 2008, Maiden reports more favourably on government intervention. He goes on to discuss the US Federal government’s decision to allow Lehman Brothers to fail in September and defines the crisis as “September’s crisis within a crisis.” He also cites bigger problems outside the remit of regulatory policy:

The status of hedge funds, private equity funds, property groups and the shadowy $US60 trillion market for collateralised debt obligations is also still unclear. Much of the suspected contamination lies in areas of the economy that are outside the officially regulated finance sector.

**Quality Measures: Crisis Talk Topic**

There are only a few mentions of a ‘crisis’ before August 2007. The general public was not forewarned or informed about the GFC in its totality at any time before August 2007. Until August 2007, there was little scepticism or forewarning. From this point onwards, there is an avalanche of articles and reportage that is critical.

The discussion of events framed in terms of a ‘crisis’ often acted as an extension of the narrative that formed from August 2007—that of a disaster spreading from the epicentre of the US, and one that was contagious like a disease. This served to remove blame away from financial institutions and the financial markets. The ‘crisis’ was framed in terms of problems relating to financial institutions, investors and bankers, and jobs in the finance sector, rather than in terms of the impact on ordinary households or ordinary job losses, or losses in individual savings accounts. This is despite the fact that the ‘crisis’ had reached the ‘real’ economy and was affecting all sectors, both public and private.

Also, the word ‘crisis’ was used indiscriminately to denote various types of crises – including credit, debt, economic, financial, global, housing, national, lending, liquidity, subprime, market, international, mortgage, insolvency, mortgage fraud, current, today’s, and US. This would have made it more difficult for the ‘ordinary’
public trying its best to understand a situation, especially as explanations for complicated terms fell away in 2008.

The explanations that were offered did not pull the elements together to define the GFC in ways the general public could easily understand. The way that the crisis, or the crises, is framed is often full of jargon. The simple references to debt, housing, or liquidity crises, for instance, assume knowledge. Moreover, the references were rarely teamed with full explanations, which is why the GFC itself might have been difficult for the general public to grasp. There are some examples of clear explanations of specific crises, such as the one offered on August 17, 2007, by economics editor Elliott from the *Guardian*. There is also one offered by journalist Washington in the *Sydney Morning Herald*, when quoting academic economist Roubini on June 16, 2007.

Therefore, the ‘crisis’ topic reveals that the publications were not playing a watchdog role with regards to fair and informative reportage for the general public. The reportage failed to take advantage of the opportunity this topic offered to bring everything together to help the public understand the nature of the GFC, the extent of the crisis, and its actual and potential impact.

3. **BLAME GAME**

The topic of ‘blame game’ occurred in 190 articles, 22 per cent of the total data set. Articles within this topic, blame something or someone for causing or stoking the GFC. This defined a majority of the coverage of the GFC and the issues are represented in highly political terms.

The distribution amongst the three publications was as follows:

*New York Times* (106) 38 per cent of publication’s data set.

*Guardian* (55) 37 per cent of publication’s data set.

*Sydney Morning Herald* (29) 24 per cent of publication’s data set.

Figure 55 below plots the coverage against the study timeline. It shows that articles within this theme peak in August 2007.
There was not one particular person or institution to blame, and the financial press did disseminate the blame among various parties. Fourteen areas of blame were identified from the data set, including financial institutions, ratings agencies, and regulatory authorities. These are discussed below under three subject headings: lax monetary policy, financial deregulation, and aggressive lending.

**Lax monetary policy (46 articles)**

Lax monetary policy really refers to low interest rates and a failure to curb excessive monetary growth. Government policy was blamed for letting the financial industry run away with unrestricted power. Only five of the 46 articles come from the *Sydney Morning Herald*, while the rest are distributed between the *New York Times* (24 articles) and the *Guardian* (17 articles). Also, of the 46 articles, 25 hold Greenspan specifically responsible for lowering interest rates to one per cent after the 2001 dot com bust, which prompted an easy credit culture.
New York Times

Some criticism and blame appear in the New York Times as early as 2005. For instance, Krugman wrote the following on August 29, 2005: “Most of what Alan Greenspan said at last week’s conference in his honor made very good sense. But his words of wisdom come too late … So there’s a rough ride ahead for the U.S. economy. And it’s partly Mr. Greenspan's fault.”

The criticism of a lax monetary policy that kept interest rates too low and spurred easy credit conditions appears throughout 2008. For instance, on April 11, 2008, Norris suggests that if Paul Volcker, Greenspan’s predecessor, had remained as Federal Reserve Chairman, he would have been less popular, but the “bad times” that prevailed in 2008 would not be such a serious problem.

Then later in the year on October 24, 2008, the month after Lehman Brothers failed, Greenspan attracts the worst of the blame, as Andrews reports that “Mr. Greenspan’s critics say that he encouraged the bubble in housing prices by keeping interest rates too low for too long and that he failed to rein in the explosive growth of risky and often fraudulent mortgage lending.”

Guardian

At the Guardian, as early as August 8, 2005, Seager explains that interest rates, which were cut globally, had instigated a housing bubble:

To get a broader perspective on the house price bubble, it is worth looking at other countries. Britain’s bubble is far from unique. Indeed, it is clear that the wave of interest rate cuts around the world in the wake of the bursting of the dotcom bubble five years ago, which saw shares tumble 50%, created a boom in housing instead.

In an article on February 20, 2006 (not by-lined), the Governor of the Bank of England, Mervyn King, is seen in favourable contrast to US Federal Chairman Alan Greenspan, who is derided for thinking that asset bubbles are not visible and interest rate rises should only be used as a reaction to problems:

On this issue Mr King differs from the former Federal Reserve chairman Alan Greenspan, who argued that asset price bubbles were difficult to
spot and raising interest rates sharply to prevent them could have damaging wider effects on the economy as a whole.

Later in the year, in June 2006, Elliott points to lax monetary policy under Greenspan’s stewardship of the US, arguing that, “The fact that inflation is picking up even as the economy is slowing down, is testimony to an over-lax monetary policy two or three years ago.” Elliott then argues along the same lines on August 17, 2007, defining a problem that has been growing in the US for two decades, as “In the 1990s, the Federal Reserve, the US central bank, provided cheap money to get the economy going.”

Then on October 10, 2008, Elliott extends this blame from Greenspan to all central bankers:

Somewhat belatedly, the message from the IMF is that it might not have been the smartest idea for policymakers to connive in the build-up of asset-price bubbles. The unspoken sentiment is that central bankers like Alan Greenspan were asleep at the wheel and adopted macro-economic policies that were far too lax.

*Sydney Morning Herald*

Only five articles from the *Sydney Morning Herald* refer to low interest rates and easy credit conditions. Indeed, the problem, which is framed as a specifically US problem, has not affected Australia, which is piggybacking on the success of economic developments in China and India. Therefore, rates have not remained quite as low in Australia as the rest of the developed world.

On June 16, 2007, Washington indicates risk, as he reports that “Low interest rates and an expectation of continuing strong economic conditions have led to a boom in the prices of assets that are sought by hedge funds, investment banks and private equity funds alike.” However, on August 8, 2007, the situation has become pressing since BNP Paribas has halted trading, and Canavan reports that the Macquarie Bank in Australia and “investment banks around the world” were “beneficiaries” of “prolonged low interest rates and easy credit market conditions.”

Sampson echoes this view on April 2, 2008, with the explanation that “Thanks to low interest rates there was a seemingly endless market for this debt.” However, the
situation mainly pertains to other developed economies, as Australia is benefitting from a boom in China and India. Instead, there is the opposite fear that the Reserve Bank will hike up interest rates. Indeed, on April 9, 2008, Saulwick reports that Australia is still removed from the easy credit environment, as blame for easy credit conditions are again placed on Greenspan’s shoulders.

**Financial deregulation (36 articles)**

Under this heading 20 articles came from the *New York Times*, 11 from the *Guardian*, and 5 from the *Sydney Morning Herald*

Each publication added its weight to the view that more regulatory oversight was needed. To some extent they were reflecting current debate, but they were also spurring on the debate themselves. They argued quite vociferously that the GFC would not have escalated if regulation had reined in risk, speculation, and greed. It is interesting that an entire regulatory system that had favoured laissez-faire neo-liberal policy since the 1980s was brought into question only from August 2007.

*New York Times*

On August 10, 2007, Norris describes central banks that have “lost influence”:

> The central banks, while clearly crucial to dealing with the loss of faith in the new financial system, lost influence under that system. Loans could be arranged by nonbanks, not subject to bank regulators, and the regulators were hesitant to impose rules that would not apply to all lenders.

A day later on August 11, 2007, Werdigier reports the following on lack of regulation of subprime assets and company accounting rules:

> As subprime market tremors in the United States spread to Europe, they are raising questions whether regulation and accounting rules on the Continent are forcing companies to disclose enough information to investors about their exposure to such high-risk assets.

The same article reports that European regulators are complacent compared to those in the US: “regulators in the United States are reportedly examining financial
statements of Wall Street securities firms to make sure they are not hiding subprime-related losses, regulators in Europe seem far less concerned.”

Later in the year, on December 28, 2007, Norris describes a “credit party” that was buoyed by “a new financial architecture that moved much of the activities out of regulated institutions and into financial instruments that emphasised leverage over safety.” Indeed, he goes on to suggest that problems with the financial regulatory system might be revealed in 2008: “The next year may be the one when we learn whether the subprime crisis was a relatively isolated problem in that system, or just the first indication of a systemic crisis.”

The following year, on April 1, 2008, Anderson argues that regulators did not oversee the financial products that were central to the GFC. Likewise, Schwartz argues on April 13, 2008, that the mortgage market caused the crisis and therefore it needs to be regulated:

…the mortgage market – the very sector where an absence of regulation and an excess of greed instigated the current crisis. To address this, Ms. Schapiro says, mortgage brokers should be added to the groups that are more closely regulated.

Later in the year, on October 5, 2008, the blame game and the debate continues, as Frank quotes Senator John Cain, who he describes as “a long-time champion of financial industry deregulation” as saying that, “It isn’t simply ‘Wall Street greed’.” Frank goes on to provide an analogy with the spirit of competition in athletes who take steroids and argues that, “The problem occurs because, just as in sports, an investment fund’s success depends less on its absolute rate of return than on how that rate compares with those of rivals.”

*Guardian*

Discussion about regulation in the *Guardian* pertained mainly to regulation of Wall Street, global markets, and banking in Europe. Reports on G7 meetings and the Bank of England Governor Mervyn King’s comments on the Financial Services Authority are not as ideologically partisan as its reporting in the other case studies. However, there are a few articles in 2008 that place direct responsibility on regulators.
For instance, on August 22, 2007, Pratley reports: “Yet it is also dawning on financial markets that the Fed has left things horribly late.” On April 8, 2008, Treanor also paints a picture of “top regulators” that were not just asleep, but complicit and allowed financial products like CDOs to develop unregulated: “Top regulators were left in no doubt of the perils hiding in the financial system after the two-day summit aimed at finding and disarming the bombs waiting to explode.”

Two months later, on June 16, 2008, Elliott argues the dangers of financial markets that become more powerful as controls are “less stringent.” He describes it as “like putting a formula one engine in the family saloon and removing all speed limits.”

*Sydney Morning Herald*

There are only five articles that blame a deregulated economy for the GFC, but there is no doubt about who the culprits are. As early as August 8, 2005, Gittins argues that “This boom of unprecedented size … was the consequence of the belated impact on housing of financial deregulation, coupled with the halving of nominal mortgage rates following our return to low inflation.”

On August 10, 2007, in the month that the situation was revealed, Washington and Irvine point to the non-bank lenders that provided home loans without regulation:

> NON-BANK lenders are responsible for up to 80 per cent of court actions for home repossessions.

> …Unlike banks, these lenders are not supervised by the banking watchdog and often fall outside established dispute resolution procedures.

Early the following year, on April 2, 2008, Sampson declares “blame globalisation and financial deregulation.” The article describes a situation where investors, hungry for high returns, resorted to riskier investment products that were better than the yield government bonds could offer.

**Aggressive lending (33 articles)**

Articles were distributed as follows: 19 from the *New York Times*; 6 from the *Guardian*; and 8 from the *Sydney Morning Herald*. The majority of the articles, and
especially the concentration of 11 articles that appeared in August 2007, followed a narrative line involving predatory finance companies, greedy investors, and preyed-upon innocent borrowers.

New York Times

On August 20, 2007, Fabrikant describes a situation where homeowners felt “encouraged” to borrow to purchase homes:

Lawyers may also be able to show that the original loan process was so flawed that the borrower is not liable for taxes. Indeed, during the real estate bubble, lenders and mortgage brokers sometimes encouraged homeowners to borrow more based on inflated home values.

The following year on June 6, 2008, Norris continues the narrative of homebuyers who were “tricked”: “In the spreading mortgage crisis, there are many homeowners who were tricked into taking out loans they could not afford, or who failed to understand the risks they were taking.” Similarly, on August 26, 2008, Morgenson describes a public that was preyed upon by a “smooth-talking sales force”:

…providing “the best loan possible” to customers wasn’t always the bank’s main goal, say some former employees. Instead, potential borrowers were often led to high-cost and sometimes unfavorable loans that resulted in richer commissions for Countrywide’s smooth-talking sales force.

Guardian

The Guardian also describes a situation of lenders that preyed on innocent borrowers. For instance, in an article on August 21, 2007 (not by-lined), the Guardian explains that US mortgage brokers encouraged “dodgy borrowers to state their own incomes and assets”, and explains that banks that then turned the loans into “financial sausage meat.”

On December 5, 2007, Inman reports that John McFall, Chair of the UK Treasury Select Committee tasked with holding the Treasury, Bank of England, and Financial Services to account in the wake of the GFC, said too often investors, including pension funds, were the victims of a “garbage in, garbage out” culture that allowed
investment banks to sell “junk” that appeared creditworthy to investors who only discovered later that the financial instruments were worthless.

Later in the year, on December 7, 2007, Clark explicitly described “dodgy borrowers” as “prey”, and reported that, “one of the biggest American unions, the SEIU, said families had been ‘preyed on’ by lenders for too many years and lawmakers needed to end a ‘culture of cosiness’ between regulators and big banks.”

*Sydney Morning Herald*

The *Sydney Morning Herald* also employs the narrative of aggressive lenders and borrower victims. On August 20, 2007, Gilbert published a satirical article about “Bob the sales guy” who “assured us the securities were still worth 100 per cent of face value, so everything was cool.” Similarly, on the same day, Davies reported that home loans were negligently lent to borrowers without assessment: “Mortgage brokers, who found money easy to obtain from banks and other financial institutions, lent to people without assessing whether they could repay the loans at the higher rate.”

On October 11, 2008, a full account of the “villains” emerges as Sexton quotes a Columbia University law professor as blaming a pyramid of investors, banks, and regulators for producing aggressive lending practices:

> In the current crisis, Coffee, a legal academic, says, “there are probably three villains: loan originators, who had a moral hazard problem, investment banks, that found securitisation to be so profitable they put great pressure on credit rating agencies to inflate their grades, and credit rating agencies that, under pressure, became more and more ready to rationalise.”

**Other sources of Blame**

Other sources of blame in descending order of frequency, are:

- Financial naivety (33);
- Ratings agencies (29);
- Human psychology that encourages groupthink (20);
• The financial products as if they existed as animate objects (18);
• Individual traders’ activities (13);
• Wall Street greed (13);
• Compensation structures of companies that encourage reckless and speculative behaviour (12);
• A greedy public that played a significant role as they lived beyond their means (9);
• The financial wizards that designed products too complicated to understand and easily priced (8);
• Outright mortgage fraud (5); and
• The journalists that played a role in talking up the stock market (3).

**Quality Measures: Blame Game Topic**

Each of the publications is critical of lax regulation and a corrupt financial industry. Free-market principles, since the 1980s, were suddenly called into question. Collectively, the publications were asking for someone and in fact something—the thing being the financial industry and government policy—to be accountable. They shared similar concerns and while this could be seen as just another example of groupthink, it shows how the press together can lobby for social good. It also becomes clear that trying to place blame was part of trying to define the GFC and understand its true nature and dimensions.

This topic does provide a number of alternative views—on regulation, on the finance industry, and on government economic policy. Each publication delivers its fair share of criticism. It would certainly have prompted discussion. However, despite the preoccupation with blame there are few ideas or suggestions for alternatives to replace or challenge the current political economic or financial system.

Also, there is little in the way of everyday advice. While the activities of a financial sector that preyed upon members of the public are related there is no advice to the average person on how to deal with the fallout from the crisis on a day-to-day basis, nor is there any focus on what needs to be done to prevent it happening again.
Conversely, there are some explanations of how and why blame is placed on issues or individuals. There is also minimal use of jargon and the articles would be easy for a lay audience to understand.

Therefore, collectively the blame game topic was very informative, challenging government philosophy and the moral heart of the financial industry. However, the explanations do not go far enough. They are also too late. As the discussion of lax monetary policy in particular indicates, the problem was gestating for a decade or two. Furthermore, as mentioned above, while there is discussion of whom or what caused the GFC there are few suggestions of alternative policies or ideas to curb financial corruption in future. Thus, qualitative analysis reveals the financial press played a watchdog role in the sense that it certainly promoted accountability and democratic discussion. It failed, however, in its belated reporting and the limited everyday advice for the general public.

4. BAILOUTS

The topic of ‘bailouts’ occurred in 130 articles, 15 per cent of the total data set. The scale of some of the bailouts that came out of the US Federal Reserve, to the tune of US $900 billion, and the taxpayer funded bailout of the Northern Rock in the UK, soon made headlines. For the US, the UK, and Australian governments, it was a sharp break from the laissez-faire free-market policies that had characterised business and economic policy for nearly three decades since the Thatcher and Reagan years in the 1980s.

The distribution amongst the three publications was as follows:

*New York Times* (68) 24 per cent of publication’s data set.

*Guardian* (44) 30 per cent of publication’s data set.

*Sydney Morning Herald* (18) 15 per cent of publication’s data set.

Figure 56 plots the coverage against the study timeline. Two peaks in coverage can be seen, in August 2007 and October 2008 respectively. In August 2007, the month that central banks poured money into failing banks, there are 30 articles. The
following year, in October 2008, the month after the US Federal Reserve made the unprecedented decision to let Lehman Brothers fail, 37 articles appear.

**Figure 56. GFC: Distribution of articles that discuss a bailout**

![Graph showing the distribution of articles discussing bailouts from August 2005 to October 2008. The y-axis represents the number of articles, and the x-axis represents the months from August 2005 to October 2008. The graph shows a peak in August 2007 and October 2008.]

**New York Times**

Of the 68 articles in the *New York Times* that discuss bailouts, the largest concentration appears in August 2007 and October 2008, with 17 and 23 respectively. Those in August 2007, mainly discuss the announcements and details of bailouts in the US and Europe. There are also a few that question the grounds on which the bailouts were being made given that the central banks are using taxpayer-funded money. However, by October 2008, there is support for a global round of bailouts. By extension, there was support for policy to reverse the laissez-faire policies that had ruled since the 1980s.

The argument that the public should not have to pay for the mistakes of big investment banks appears as early as August 6, 2007, when Morgenson argues:

> For now, the burden falls on people like Ms. Brimmage, a former forklift driver … A borrower in good standing since 1998, she said a local broker
persuaded her to combine her debts in a fixed-rate loan of $65,000 in 2003.

However, on August 10, 2007, the day after BNP Paribas halted trading, Creswell, Dash and Bajaj report that the European Central Bank “stepped in” yesterday to provide “$130.2 billion in emergency loans to European banks.” Meanwhile, the Federal Reserve “injected $24 billion in liquidity into the United States banking system.”

On August 28, 2007, Andrews reports on the “ideological divide” between the Democrat and Republican motivations for the bailout of the financial system. Indeed, he touches on both sides of the debate and highlights a schism that appeared in politics and, incidentally, was reflected in the press as well:

Administration officials are reluctant to bail out people who bought homes they could not afford or simply gambled that easy credit and rising real estate prices would lead to quick profits. Democrats, though opposed to a broad bailout, are proposing an array of measures to help lower-income people renegotiate their loans and stay in their homes.

However, into 2008, the acceptance of and encouragement for bailouts continued, as Weisman paints the Federal Reserve as a saviour to the markets and the public on April 12, 2008:

He [US Treasury Secretary Paulson] said that the federal government was helping more than a million homeowners keep their homes … He also said “there was a universal feeling in that room” that all would cooperate to do “whatever it took to protect” global financial systems.

The Month after Lehman Collapsed

On October 2, 2008, and arguably in response to the failure of Lehman Brothers the month before, the journalists Sorkin, Henriques, Andrews and Nocera together focus on the complacency that appeared to characterise US federal policy at this time, as “government policy makers appearing to careen from crisis to crisis.” The following day on October 3, 2008, Andrews reports on the “hundreds of billions of dollars” that were “pumped” into the “financial system” by central banks “around the world.” He then provides more support for the moves and the “thawing” of the system: “Fed and Treasury officials are hoping that the money markets will start to thaw more if
Congress allows the government to buy as much as $700 billion in troubled mortgages and mortgage-backed securities.”

On October 8, 2008, Stout and Andrews note that Bernanke “is an authority on the Great Depression” and that he “said that the country and its federal officials had learned from history that inaction or delayed reaction to financial calamity could be disastrous.” Likewise, Schwartz, on October 14, 2008, refers to the act of nationalisation of UK banks and the injecting of trillions of Euros in guarantees in terms of taking “effective control.”

Guardian

The 44 articles from the Guardian are quite evenly spread from August 2007 onwards. However, there is a concentration of eight in August 2007, nine in October 2007, and eight in October 2008.

On August 10, 2007, one of the first bailouts from the European central bank is reported, by Teather, as a necessary “injection” for financial markets. Also, Teather equates the “turmoil” felt in the markets with the 9/11 terrorist attacks on New York: “The European Central Bank yesterday injected an emergency Euros 95bn (pounds 64.5bn) into the financial system in an attempt to restore some calm to markets rocked by fears of a credit crunch.”

In an article on August 13, 2007 (not by-lined), the Bank of England Governor, Mervyn King, is cited as saying “that it was not the job of central banks to bail out lenders who had lent imprudently.” The article continues by saying, “Good on him. He did add, though, that the Bank would monitor the situation in case the general stability of the financial system was threatened.”

Similarly, On April 22, 2008, Seager, Elliott and Treanor defended Mervyn King’s plan, which they say does not use taxpayer money and is even described as “innovative”: “Mervyn King yesterday launched the Bank of England’s biggest attempt yet to end Britain’s nine-month credit crunch while insisting that the taxpayer would be protected from the unlimited financial support on offer to mortgage lenders.”
The Month after Lehman Collapsed

Eight articles appear in the *Guardian*, in October 2008, that are scathing of the US government’s bailout plan and the US downfall in the power stakes. In contrast, the role of the UK Treasury and Bank of England is again discussed more optimistically. For instance, on October 2, 2008, Miles, Henry and Dublin report that Chancellor of the Exchequer “Alistair Darling intervened twice with the Irish government on behalf of UK banks yesterday … Treasury sources said last night that the Irish finance minister, Brian Lenihan, was told ‘in no uncertain terms that the scheme was a problem for the UK’.”

Then on October 3, 2008, Elliott reports quite dramatically that, just as it is for the Beatles “For America, too, the dream is over.” Furthermore, “Judging by the reaction to the Bush administration’s emergency stabilisation bill, the list of things Americans no longer believe in is as long as Lennon’s: Wall Street, bail-outs, Congress, Paulson, Pelosi – you name it.”

On October 17, 2007, Elliott describes bankers as “whingeing”, painting a picture of adolescents begrudgingly accepting being held accountable by their parents:

> The action by the world’s central banks to prevent a death spiral in global financial markets prompted a relief rally, but it lasted just 48 hours. Now it’s back to business as usual, with shares tumbling, awful economic news and banks whingeing about their bail-out terms.

*Sydney Morning Herald*

The *Sydney Morning Herald* produces the lowest number of articles on bailouts. This is perhaps understandable considering that Australia did not experience bailouts of the magnitude felt in the US and the UK. There is a concentration of five articles in August 2007, five in April 2008, and six in October 2008—the months that the US and the UK provided the biggest bailouts, and April 2008 is the month that the Reserve Bank of Australia began to accept and buy securitised loans from financial institutions.

On August 15, 2007, economics editor Gittins stresses that the central banks will keep things under control, underlining the fact that panic had not yet set in:
… the greatest likelihood is that the central banks will keep things under control, so the worst we have to fear is the slowdown in the US economy becoming a recession. Fortunately, the rest of the world is growing strongly, so even that wouldn’t be too much of a worry.

A few days later, on August 18, 2007, Gittins explains the way bailouts are used by central banks in great detail. Moreover, he makes reference to the phrase that is favoured by the press, “pumping additional liquidity”, with some wryness: “On and off for the past week the central banks of the United States, Europe, Japan and Australia have been reacting to the global financial turmoil by ‘pumping additional liquidity into financial markets’.” He goes on to explain the reality that central banks “haven’t been printing money or surreptitiously lowering interest rates. They’ve been doing what they do every day, but doing a lot more than usual because of the special circumstances.”

*The Month after Lehman Collapsed*

By October 2008, as the seriousness of the situation and the global implications were being appreciated, the publication makes comparisons between bailouts in the US, Europe, and the UK. On October 10, 2008, Davies highlights the need for coordinated efforts to “stabilize”, “take control”, and produce a “double-edged response” for the economy:

The Australian Treasurer, Wayne Swan, along with many other finance ministers, will be in Washington for the International Monetary Fund meetings. The G20 meeting is expected to take place on Saturday and will look at ways to urgently co-ordinate stabilisation measures in the markets.

It also reported on October 14, 2008, by Maiden, that “western world governments” have engineered a “double-edged response”:

It has taken a month of urgent manoeuvring by western world governments to come up with the double-edged response. The Irish Government came up with the idea of blanket deposit protection a week and half ago, and that has become a gold standard that governments including Australia’s have replicated. Britain’s intervention last week refined the model by proposing simultaneous equity injections into its banks (HBOS and RBS are the main targets), and a government guarantee on British bank borrowings in the wholesale market.
On April 22, 2008, Saulwick reveals the extent of the bailouts being provided by the Australian Reserve Bank. In doing so, the Reserve “exposed” itself, as it allowed securitised loans as collateral:

The Reserve Bank of Australia has exposed itself to more than $1 billion worth of household mortgages in the past few days as it seeks to spark life into moribund debt markets and help banks continue lending.

Amid reports of a similar intervention by the Bank of England, the Reserve Bank yesterday accepted $780 million worth of securitised Australian home loans as collateral for the regular loans it extends to local banks.

On the same day, April 22, 2008, West reports that the Reserve Bank is acting like a “white knight”, and copying its counterparts in the US and the UK:

The Reserve Bank has followed its central bank counterparts in the US and Britain as a white knight for banks struggling to fund their structured mortgage products, making an unprecedented $1.1 billion two-day intervention to buy bunches of mortgages.

**Quality Measures: Bailouts Topic**

Some of the more sceptical articles question the rationale and justification for the bailouts, with the *Guardian* the most scathing in its criticism of the huge bailouts and about the intervention by the US Federal Reserve. The topic of bailouts was not only a popular one, it was also a contradictory one because, although the press often reported on the topic in neutral terms, they saw the bailouts as a lifeline as much as they scorned them for using taxpayer money. Indeed, after the Lehman collapse in August 2007, all publications follow the same line and present the intervention as an act of taking control. To some extent this view is justified, as the global financial system was balancing on a knife-edge by this stage. However, like the ‘blame game’ topic, there was reporting that challenged the laissez-faire principles that had guided policy for so long. This provided an opportunity to suggest alternatives and promote alternative views, but there are few examples of this by late 2008.

Each publication uses words, such as ‘injected’ and ‘pumped’, which are an extension of the narrative of a disease that began in the US and became contagious. However, each publication reports along different lines as they did with the framing
of the ‘crisis’. The New York Times provides a number of different views, and ultimately—particularly after the Lehman Brothers collapse—it rallies to support the rescue of central bankers through government bailouts. The Guardian reports with an element of schadenfreude on events in the US, but also looks at the GFC in the context of the UK’s own domestic economy, supporting remedial measures by the UK Treasury and Bank of England. The Sydney Morning Herald is mostly concerned with the domestic economy, rather than the global economy. It presents the bailouts in the US and Europe as solutions to problems it does not need to consider, and uses language that is mostly alarmist and colloquial.

There is more information and advice regarding government spending in this topic than any other in the case study. In particular, given the anger generated around the use of taxpayer money, there is also discussion of average wages—for instance Morgenson’s reporting in the New York Times about consequences for an individual forklift driver on August 6, 2007. However, this angle was not pursued, as justifications in favour of bailouts came to dominate the coverage. Also, there is minimal use of jargon, but there is also minimal explanation of the size, scale, and scope of the bailouts, as well as of the pros and cons of the arguments used to justify them. However, on August 14, 2007, economics reporter Gittins, from the Sydney Morning Herald, provides one of the most detailed explanations of how a “bailout” technically works.

Therefore, while the discussions that would prompt democratic debate and information that the public needed about large-scale funds being provided to banks were there, they tailed off too soon. Despite the size, scale, and scope of these phenomenal bailouts, and despite the creation of some ‘super’ banks, there was relatively little discussion about whether the institutions should be allowed to fail. Instead, the majority of the reportage on a bailout focused on a justification for the rescue. Thus, this topic—on bailouts that directly impact the general public through taxpayer money—provided the financial press with ample opportunity to inform the public and hold power to account. There are real attempts and evidence of articles that are geared to the general public, but the watchdog role it could have played in suggesting policy alternatives, and arguing limits for the use of taxpayer money, were reduced by the end of 2008 and by the collapse of Lehman Brothers.
5. ‘ORDINARY’ TOPICS

The topic of ‘ordinary’ public occurred in 128 articles, 14.5 per cent of the total data set. All of the articles placed in this topic contained minimal jargon, addressed a non-elite, non-shareholder public, and referred to jobs, government spending, or personal finance. The number of articles that addressed at least one of these topics comprised 14.5 per cent of the data set.

The distribution amongst the three publications was as follows:

*New York Times* (68) 24 per cent of publication’s data set.

*Guardian* (42) 28.5 per cent of publication’s data set.

*Sydney Morning Herald* (18) 15 per cent of publication’s data set.

Figure 57 plots the coverage against the study timeline. It shows that there is increasing reference to these ‘ordinary’ topics from the middle of 2007, with a peak from August 2007 onwards—the Minsky moment when the GFC crisis was revealed and became headline news.

**Figure 57. GFC: Distribution of articles on ‘ordinary’ topics**
According to Figure 57, the largest number of articles in one month is 21 and they appear in August 2007, the month that the subprime market was exposed. This suggests at first glance that nearly one third of the coverage addressed a general non-shareholding public, and indeed there were many exemplary articles that did communicate directly with the ‘ordinary’ public.

New York Times

The New York Times moves quite quickly from sceptical forecasts in 2005 to more optimistic ones by 2006. A few such articles appear in 2005 that predict problems in the subprime housing market and financial products available to investors. Some of the articles are reported on at an individual level and are compelling narratives that would have wide appeal. However, this type of story disappears by 2006 and does not appear again until August 2007.

Porter provides one of the earliest signs of trouble in the subprime market on August 25, 2005, in the context of vulnerable homebuyers, and he addresses an ‘ordinary’ audience. He reports on an appraiser’s apprentice, Adam Gardner, who is quoted directly:

Adam Gardner wasn’t going to let limited resources stop him from buying a house. A 28-year-old appraiser’s apprentice from Reno, Nev., he extended his search all the way to a new development 20 miles north of downtown. When he finally found a place — a two-bedroom, three-bath house — he took out two loans to finance 90 percent of the $253,850 price tag. And to keep his monthly payments within budget, he obtained what’s known as an interest-only adjustable-rate mortgage.

Porter, an economics writer, goes on to relate how “first-time home buyers are being pushed into the embrace of creative financing.” It is, he argues, the effect of a “housing boom” which has lifted “the median home price way beyond the budget of huge numbers of Americans, middle-income home buyers like Mr. Gardner are increasingly turning to such mortgages.”

Taking the opposite tack, Bajaj uses another individual example a few months later, on December 24, 2005, to tell an optimistic story about someone who has benefitted from real estate and argues that there is in fact no housing bubble to speak of:
Richard A. Smith figured out how to make money in the real estate business early in his adult life. He bought his first home for $39,000 in the Atlanta area in 1979, selling it a year later for $43,000, the first of several transactions that he said made him “nothing more than a good student of the industry.”

On December 25, 2005, Fackler equates the financial loss felt in Japan in the Asian financial crisis with the pain that could be felt in the US if the property market falls. This is a clear attempt at admonition as the reporter strives to educate readers on lessons learned from the past. Fackler argues that “With housing prices in the United States looking wobbly after years of spectacular gains, it may be helpful to look at the last major economy to have a real estate bubble pop: Japan.” The article is prescient and compelling, and comes with a stark warning that is useful for non-shareholders and investors: “to shun the sort of temptations that appear in red-hot real estate markets, particularly the use of risky or exotic loans to borrow beyond one’s means.”

Of the 21 articles that appear in August 2007, 13, over half, are by the New York Times. The articles include information for investors and four articles are reminiscent of those from 2005 that highlight the social plight of the ‘ordinary’ public. For instance, on August 4, 2008, the Associated Press reports in the New York Times that “the labour federation” had written to warn the SEC about ‘Kravis’ planned $1.25 billion offering and Och-Ziff’s proposed $2 billion offering raised concern because one of the companies owned by Kravis holds $11.9 billion in mortgage-backed securities.” This, it is reported, is part of a phenomenon that has seen labour unions “pushing back against the booming private equity industry, contending that its huge buyout deals hurt workers, cost jobs and widen the country’s income inequality.”

From August 2007 to October 2008, only three articles provide an individual narrative to highlight personal and social plights. Also, articles are aimed at both investors and ‘ordinary’ non-shareholders, as they discuss the overall health of the economy, movements in the financial markets, and criticisms of inequality within the financial system. For instance, on October 7, 2007, Grynbaum reports that “The markets” had been “buoyed by news that the manufacturing sector continued to grow in September.” Employment figures are also included as “Employment figures in the manufacturing sector ticked up last month to their highest level since May, offering
some comfort to analysts.” Reporting along similar lines again, on August 25, 2007, Grynbaum reports that data, which includes employment data, has “bolstered hopes that the Federal Reserve would cut interest rates again when it meets next week, making it easier to borrow money. Just the possibility of a cut was enough to erase the morning’s declines and send the Dow Jones industrials to a flat close.”

Two months later on December 8, 2007, Goodman, Grynbaum and Leonhardt report on jobs data as a sign of economic slowdown. However, in addition to building an overall picture of financial and economic health, the jobs data is presented using the example of a real person. They refer to the case of Sue Foust in Tucson who “was sifting through options for new jobs yesterday, having been laid off from an AOL software testing site, where she worked for the last decade … Comparable prospects seemed poor, and she was growing resigned to finding secretarial work.”

Four months later, on April 18, 2008, economics writer Goodman reports again on the social costs of the slowdown and the individual narrative is employed, the “Ludowici Roof Tile factory in eastern Ohio”, where overtime is no longer available and “unsold tiles piling up across the yard, the company has slowed production and cut working hours, sowing worry and thrift among its workers.” An employee, Kim Baker, is cited as her “take-home pay at the plant has recently dropped to $450 a week, from more than $600.” He argues that Kim Baker’s situation is felt by others across the country: “Throughout the country, businesses grappling with declining fortunes are cutting hours for those on their payrolls … Growing numbers of people are settling for part-time work out of a failure to secure a full-time position.”

**Guardian**

The *Guardian* covers jobs, mainly unemployment figures, government spending or lack thereof, and personal finances. However, the articles mainly refer to unemployment figures and lack of government spending to build an overall picture of the business and economic climate. Indeed, ‘ordinary’ members of the public are not referred to directly but rather as one barometer that indicates which way the housing market, retail sales, and ultimately interest rates are going. Into 2008 there are a few articles that build a narrative of a public that is preyed upon by home lenders. There are also references to the money that is taken from taxpayers to pay
for bailouts of banks, such as Northern Rock. However, these are fleeting references and the matter is not discussed at length or debated.

An early example of a discussion of government spending and jobs appears on December 28, 2005 (not by-lined), in an article that argues that “The government surge in spending on health and education, in particular, has been a key source of growth and especially jobs.” However, it goes on to explain that then Treasurer Gordon Brown had “made clear in this month’s pre-budget report” that “the spending bonanza is drawing to a close.” Indeed government spending is described as an “important prop” that provides as “boost” to hold up the economy.

On August 13, 2007 (not by-lined), another article, and one of the only articles of its kind from the Guardian in this data set, reports directly on “ordinary people” and asks the question: “So should ordinary people be worried about the turmoil sweeping the world's credit markets? Are economies going to be damaged and jobs lost?” Furthermore, it aligns itself with the ordinary audience it reports to and asks whether “we” will “have to pay for the excesses of the financial markets, rather like a waiter who ends up paying the bill for a banker’s lavish lunch?”

The following week on August 20, 2007, Inman and Allen report evidence “of a further slowdown in the housing market and fears of job cuts and a clampdown on generous bonuses in the City.” The jobs, however, relate mainly to investment banks and jobs in the City: “investment banks have put a block on hiring staff to fill vacancies in their middle and back office functions … Rightmove said an end to the jobs merry-go-round in the City.”

By December 19, 2007, Griffiths reports on “The Treasury’s announcement” that UK taxpayers were “one step closer to taking on responsibility for liabilities relating to Granite.” Granite is described unflatteringly as “the complex web of companies used by Northern Rock to raise billions of pounds on international capital markets using its mortgage book as collateral.” However, the debate stops there, and the involvement and implication of UK taxpayer funds are not debated.

The following year, on August 9, 2008, Collinson uses a fictional plot featuring “David and Michael” to illustrate the kind of unreliable borrower that investment banks preyed on for loans: “David has a credit card – but with a limit of just pounds,
200. It’s no surprise the limit is so low; David has a long history of county court judgments and is repeatedly late with the monthly payments on a personal loan.” However, the article mainly takes aim at investment banks that the government is to pay “bumper fees” to “for advice on sorting out the credit crunch.” The article suggests that Northern Rock should be returned to the mutual sector rather than privatised following the wishes of the investment bankers.

_Sydney Morning Herald_

Some of the earliest articles in the *Sydney Morning Herald* that address employment, government spending, and personal finance are also some of the most prescient. They relate to a housing bubble in 2005 and 2006, as well as the financial products that became inextricably linked to the US subprime market.

From August 2008, the majority of the articles from this topic also fit into the category of articles from the *Sydney Morning Herald* that tried to define the ‘crisis’ as specific to the US, and that distanced Australia from the global economy by highlighting areas of optimism and differences. Indeed the ‘ordinary’ public topic is framed in the context of a domestic housing market quite divorced from the US economy. The factors that are included are treated as a measurement of economic and financial health, and more often than not economic issues take precedence over the social issues.

One of the earliest articles recorded for the *Sydney Morning Herald* is by economics editor Gittins, on August 8, 2005. He describes “the now-subsiding mother of all property booms, a threat to the economy we still haven’t cleared safely and that may well influence the course of the economy for years to come.” He goes on to criticise the then Howard government’s policy, and specifically its tax policies, which encouraged speculation on the housing market: “the real problem is that prices have gone too high and become unaffordable, are driving people away from the state, and need to fall until equilibrium is restored.”

The following year on April 12, 2006, Collett writes an article that links financial products like CDOs directly to retirees and retail investors. He reports: “A plethora of products has burst onto the market over the past decade that invest in shares or property and yet mimic safe fixed-interest products.” He argues that “Those who
market such products have been quick to exploit the predicament of many retirees, when falling yields from safe investments mean less to live on.”

However, like the *New York Times* and the *Guardian*, jobs data is still treated as just one factor in building an overall picture of economic and financial health. For instance, on August 26, 2006, Wade, Chancellor and Kontominas report on unemployment. However, the data is used, like prospective interest rate rises, to predict movements in the housing market:

> While NSW lags the rest of Australia, the unemployment rate has remained at historic lows, helping to limit the damage from the property slump. The Reserve Bank has gone out of its way recently to send a positive message about the housing market.

By August 2008, articles appear that use jobs data to bolster the perception of Australia’s optimistic economic outlook. For instance, on August 13, 2008, Gittins argues the following:

> According to the March quarter national accounts, the non-farm economy is growing at 4.6 per cent – way above potential. This story is supported by last week’s labour force figures, which show employment growing by 2.5 per cent in the year to July and the official unemployment rate steady at 4.3 per cent.

All of the data is used to support the final premise that, “despite the scary headlines, the greater likelihood is that what our future holds is boom, not bust.”

Sampson reports along similar lines on August 25, 2008, when she cites Shane Oliver, the head of investment strategy with AMP Capital Investors, as saying that the problems in the US are restricted to the housing market and businesses “are not highly geared.” Furthermore, low unemployment is a factor that has propped the US economy up “it is not all bad news. The chief economist of CommSec, Craig James, is also cited as saying that, “Inflation is holding up okay, unemployment is relatively low, and those things have been supporting the US economy,” James says.”

A few articles that appear in April 2008 talk up the Australian economy and distance it from the situation in the US. For instance, on April 2, 2008, Sampson cites Colonial First State’s head of investment markets research, Hans Kunnen, who describes Australia’s enviable position in the world economy:
The situation in Australia is quite different: “In lifting interest rates, the Reserve Bank has made the point that our major trading partners are doing quite well,” he says. Rather than being concerned about recession, our central bank wants to slow the economy to ease building inflationary pressures.

On April 12, 2008, Cummins discusses the unemployment rates in terms of housing, and to highlight a favourable difference between Australia and the US:

Although vacancies in the CBD are at break-even point, that is, finding space is near impossible, all that can change very quickly if unemployment starts to rise. This week the Federal Government said employment rose for a record-breaking 17th consecutive month last month, with unemployment near 33-year lows … Australia’s unemployment rate is one percentage point below that of the US, the biggest differential in Australia’s favour in 25 years.

On the same day, on April 12, 2008, Paul Fegan, CEO at St George Bank was given a platform in the business section to argue and “reassure” readers with the following:

Contrary to some of the assertions made by your columnist Michael West (BusinessDay, April 10), our group remains in a fundamentally strong financial position shown by its solid capital position, levels of liquidity and very sound profitability and asset quality.

At the end of the year, on October 4, 2008, Verrender considers the social implications of the situation, indirectly highlighting what is missing in a lot of the Sydney Morning Herald reportage. He argues that, “No amount of statistics ever really take account of the human cost – unemployment, lost opportunities, family breakdowns, personal hardship.” He continues and argues, “The real tragedy of October 1929 didn’t play out until well after the market crash, during the Great Depression of the 1930s.” Also, toward the end of the article there is also the admission that Australia is in fact, “in foreign territory now” and “There’s no doubt the credit market meltdown will affect us all.”

However at the end of the month, on October 29, 2008, coverage that could be relevant for the wider audience is targeted towards investors. For instance, Canavan reports on the prospect of Australia weathering the “global storm” but in the context of the outlook for the NAB. Unemployment and a recession are examined as factors that could impact on NAB’s future outlook.
Quality Measures: ‘Ordinary’ Topics

The reportage under ‘ordinary’ topics tends to be quite objective and critical. The majority of the articles appear after August 2007, and inform the general public of the range of concerns as the economy begins to wobble. Some of the earliest and starkest warnings appear when journalists engage with this non-elite, non-shareholding audience. For instance, economics writer Porter, reporting in the *New York Times* in 2005, provides a warning of a house boom, and explains the boom’s close association with risky products and vulnerable borrowers.

The stories collected under this topic show how individual-level narratives and engagement with an ordinary and non-shareholding audience often result in the clearest articulation of warnings of potential problems in the financial and economic systems. Also, rather ironically, some of the articles that were based on communication with the ‘ordinary’ public also produced the starkest warnings, using individual level narratives to connect dots between the subprime housing market and risky financial products. Furthermore, they usually come from economics writers and editors, like Porter at the *New York Times* and Gittins at the *Sydney Morning Herald*. However, the analysis also shows that this sort of coverage emerges too late in the genesis of the crisis to alert the public in advance to upcoming problems and does not provide enough day-to-day guidance for the general public so that it can understand what is happening and cope with the consequences.

In summary, a watchdog role was not played in reporting on ‘ordinary’ topics. The reportage was not fair and balanced with coverage appealing for and geared towards the general public. The ordinary public is either referred to as a barometer of financial and/or economic health, or included as an illustration of the depth of the problems that had been caused by the GFC. Therefore, on this evidence the financial press did not appear to have the ‘ordinary’ public in mind as a main target audience. While the financial press had the capacity to communicate the situation and reflect what is truly happening to the public-at-large, the broadsheets chosen for analysis elected instead to appeal to the interests of business and government.
Conclusion

As with the other two case studies, quantitative and qualitative methods have been used to assess the level of quality reportage offered to the general public during the GFC and the extent to which the publications fulfilled a watchdog role for the general public before, during, and after arguably the worst economic decline since the Great Depression of 1929.

The decline in quality standards noted during the dot com boom continues during the GFC. The publications gear their articles towards an investor audience and interpretations generally follow the same narratives. This narrows the interpretations of events and arguably limits democratic discussion.

Continuing the trend since the 1990 recession, there is a narrowing of sources used, with business sources comprising the majority of quotes in each publication. Analysts and PR sources also took up a large portion of direct quotes. The Guardian stood out, with the majority of its quotes coming from politicians and the Bank of England. Here as in the other case studies each publication rarely features quotes from non-government organisations and members of the public.

Once again, as already noted in the previous case studies, the preference for business, analysts, and PR sources is exacerbated in the months immediately after August 2007—the Minsky moment. Non-government organisations and members of the public are left outside the framing of the GFC in the crucial months when the crisis was defined.

The amount of coverage and warnings before the Minsky moment has drastically declined since the dot com boom. Of the total data set only 8 per cent of articles appear in the two years before August 2007. Therefore, there was minimal coverage on the topics that relate to the key words before the month that the subprime bubble was exposed. The tone of the coverage from each publication turns toward scepticism at the tipping point of August 2007. This is understandable, as the economic data shows this is the point that the US, the UK, and Australian economies started to slow and inflation grew.

As with the other case studies, the most scepticism and engagement with the general public usually comes from economics writers. Analysis also shows that where
warnings are given, economic journalists do direct themselves to a non-shareholding ‘ordinary’ public. For instance, in the New York Times, the human-interest based articles in 2005, which quote members of the public directly, such as Porter on August 25, 2005, produced the starkest warnings of an impending economic downfall.

The explanations for the events of the GFC mostly appear in August 2007 and drop off quickly after that. Those that appear in August are thorough and detailed in most instances, and would have served a general non-shareholding audience well. As in the other case studies, there is not much everyday advice for the general public to act on. Also, events are not reported to and for an ‘ordinary’ non-shareholding public to the same extent as in the 1990 recession.

In summary, there is a noticeable decline in quality standards since the 1990 recession: there is less ‘variety’ in the sources used and most are from inside the corporate sphere; there is minimal coverage prior to the Minsky moment; and there are not enough explanations geared towards the general public. Non-shareholders, whose savings and mortgages were under threat, were largely ignored by the coverage that could have been more effective in providing them with information and advice. All the results point to the fact that during the GFC the publications failed in their watchdog role in relation to the general public.

Some overall results can now be drawn from the analysis. This study has examined three decades of financial reporting from three countries focusing on their coverage before, during, and after three major financial and economic crises – the 1990 recession, the dot com boom of 2000, and the GFC of 2007-2008. The overall results from the content analysis can assess the reportage against specific quality criteria and examine trends and changes over time. Given the results from the content analysis we can now draw some conclusions in relation to the first research question, which is the focus of this thesis:

Have there been any changes in the way financial news has been reported over the past three decades?

- What conclusions can be drawn from the coverage itself in relation to the quality of the reportage?
How far does mainstream finance journalism go in fulfilling a watchdog role for the general public?

Content analysis has revealed that financial journalism has indeed changed in character and quality over the past three decades. The way sources, topics, and discourse frame events alters substantially between the 1990 recession and the GFC of 2007-2008. Topics and discourse include fewer alternative views and voices, and are increasingly geared towards the interests of business and investors. This is reflected in the range of sources that are quoted and used for information, which narrows by degrees over the three decades, until the time of the GFC where it is business insiders who dominate. Institutional investors and PR spokespeople also become a more pervasive source of influence from the 1990s onwards. Therefore, whereas financial journalism in mainstream newspapers once served a much broader section of society, it can be argued on this evidence that now it serves the interests of business and investors.

This is confirmed by the pattern of coverage of ‘ordinary’ topics that emerges from each study. The ‘ordinary’ topics are important as they are an indication of the extent to which the financial press includes topics desired by the public—on jobs, unemployment, and government spending—and in such a way that cuts jargon and reports for a non-shareholding audience (Schifferes 2012). The relevant Figures are reproduced below.
Figure 17. 1990 Recession: Distribution of articles on ‘ordinary’ topics

Figure 38. Dot Com Boom: Distribution of articles on ‘ordinary’ topics
The coverage of the 1990 recession included more articles geared towards the general public and a greater variety of voices that would have promoted democratic discussion. The pattern alters dramatically in the subsequent crises. However, all three graphs show a shift towards topics relevant to the general readership, such as jobs, government spending, and personal finance for non-shareholders when the economy starts to slow and unemployment starts to rise. Even so, there is very little in the way of everyday personal advice on how the average person should cope now and into the future.

Each case study also shows that on the comparatively rare occasions when journalists do go further afield and consult with sources, such as academics, non-government organisations, and members of the public, it is these sources that often provide some stark warnings of trouble ahead. In addition, it is individual level narratives—mostly provided by the New York Times—where we are most likely to find everyday personal finance information aimed at the general public. Another interesting feature that emerges is the different approaches of business compared to economics writers. It is the economics writers who usually express the greatest scepticism and who
engage most with the broader readership. Therefore, within the same publication we see different approaches towards both topics and audiences.

Overall, the case studies build a convincing argument that the general public is increasingly irrelevant in financial reporting, and that warnings and scepticism are always “a day late and several dollars short” (Kurtz 2008). The public cannot be confident, on this evidence, that the financial press are playing a watchdog role. Rather than serving the public interest, it is more likely to serve the business and political interests that power the economic engines.

It is all very well to draw conclusions from the written evidence, but this does not tell us what it is like to work as a financial journalist. It may be that the mainstream financial press have become increasingly reactive and less proactive. It may be that journalists have been ideologically captured by their sources and, hence, are less critical in their reporting. We may speculate on the impact of diminishing resources and increased time pressures on the work the journalists do. However, to understand the professional and industrial issues that impact on financial reportage we need to talk to the journalists themselves. Purposive interviews took place with practitioners in the UK, US, and Australia. This is the focus of the next Chapter.
Chapter Eight

The View from Industry – Practitioner Perspectives

A ruptured bubble itself is nothing new. But outrage now extends beyond the executives who did the inflating, to include the guardian professions who are supposed to restrain them when they puff their cheeks (Page 2002, 49).

Introduction

Content analysis has revealed that standards of mainstream financial reportage have been slipping consistently since the first case study of the 1990 recession. Articles are increasingly geared for an investment public at the expense of a non-shareholding one; business sources and PR practitioners are increasingly used to frame events; and there are minimal alerts and scepticism to warn of an impending downturn. Overall the public is being presented with a narrowing frame of reality.

This Chapter addresses the second research question of this study: What impact have changes in the media industries had on the practice of finance journalism? To do this the results from the content analysis were discussed with a selection of practitioners in the US, the UK, and Australia, to ascertain some of the causes of declining standards and the extent to which they can be ascribed to increasing pressures, challenges, and changes within the media industries. As discussed in Chapter Four, the interview selection was purposive and the results are therefore not generalizable, though they do present an industry perspective on results from content analysis. While this means that it is impossible to provide a categorical answer to the second research question some inferences can be made nonetheless which may be pursued further in a more extensive future study. Four journalists were selected from each country. They came from both mainstream and specialist publications reporting in the areas of finance, business, and economics. Those interviewed and their affiliations are presented in Table 5 (see Chapter Four). The questions covered target audiences, the time and commercial pressures that impacted on their work, any
ideological, institutional, or industrial pressures that impacted on the nature of their reportage, the relationship with their sources, and levels of training.

**The Audience for Mainstream Financial Journalism**

A review of the literature in Chapters Three and Four indicates that while academics have been arguing for financial journalism to have broad appeal (Starkman et al. 2012), financial journalism is addressing itself to a narrower business-oriented audience. This is confirmed by the journalists themselves. They corroborate with the literature that financial journalists increasingly see themselves as reporting to and for the financial market and less aligned with a traditional watchdog-reporting role.

In the US, Chris Roush, founding director of the Carolina Business News Initiative, argues that there is no clear idea of the audience for financial journalism in mainstream newspapers—but it is increasingly geared towards “overwhelmingly providing content for the market and not for the masses.” Greg David, long-term writer at the *Crain’s*, a business publication focused on New York, and lecturer at the Central University of New York, argues that the *New York Times* struggles to understand who its audience is. On the one hand, it has always “appealed to a relatively sophisticated audience.” On the other, it suffers from the fact that the audience has never been completely worked out, and is never completely clear.

This view is also expressed by Dean Starkman, formerly of the *Wall Street Journal*, and now editor of the *Audit* for the Columbia Journalism School. Ultimately, he argues that, “Investor stuff is vital … but if you’re not also speaking to the general public you are going to marginalise yourself to the people who are already insiders.” Peter Goodman, formerly at the *New York Times* and now the executive financial editor at the *Huffington Post*, agrees that the business section is not doing the job of appealing to the general readership. He says the business section in the *New York Times* is aimed at “Generally people who have money to manage.” Therefore, a wider audience of people with less money is excluded.

Goodman (*Huffington Post*) also develops the argument that there are two types of business journalism that target two very different audiences: the mainstream newspaper reporting that should target a general public, and the Bloomberg and
Reuters type of financial reporting that serves “the core traditional interests of the business press.” Thus, Goodman believes that the kind of financial journalism that developed inextricably with the financial markets—the kind described in detail by Parsons (1989)—is a different genre with a different audience to the type of financial journalism that should exist in mainstream newspapers. In other words, sections of mainstream newspapers are increasingly conflating their news values, which focus on quality information in the public interest geared to the general public with the type of journalism that reports to and for the market instead.

In the UK, Steve Schifferes, Marjorie Deane Professor of Financial Journalism at City University London, and former economics correspondent at the BBC, also delineates the dual audience that is catered for by business sections in mainstream newspapers: “There’s a big interest among a smaller number of people who feel they are involved either in business or as investors and then there’s the general public who doesn’t often get that involved.” Ian King, finance editor at the Times in the UK, sees the issue in class terms. At the Guardian, he says, “They [the audience] are more school teachers, social workers, people who work for charities—they are the bread-and-butter for the Guardian.”

In Australia, the practitioners suggest that business sections in mainstream newspapers are for an audience that is involved, investors with an interest in business and finance. This view is captured well by Alan Kohler, founder of Business Spectator, who believes that it is for “people who are interested in that world and also working in it, so people who are engaged in the markets, people who are engaged in business and need to know what’s going on, and also those who are interested because they are investors.” Similarly Paul Cleary, journalist at the Australian, thinks that “The idea behind having those business sections is for the increasing number of people who are investing, and who are doing their super funds and the like.” He adds that, “There is also an attempt to capture the readership of business executives and high-net worth individuals.”

However, on the same topic of audience, Ross Gittins, economics editor at the Sydney Morning Herald, enunciates a key problem that the business section in the Sydney Morning Herald fails to address, and that is “The great majority of people who buy those newspapers don’t have much of an interest in the business section.”
He distinguishes the business and economics pieces he writes himself. His op-ed page is positioned outside of the business section, specifically because it appeals to “a much broader audience … economics for ordinary people.” In contrast, when writing for the business section, he aims for coverage that is “a bit closer to the interests of the kind of people who read that section, remembering that business economists also read the business section.”

This might suggest that business, finance, and economics are corralled together in one section for the specific benefit of shareholders and business participants, rather than for the broader readership. We can infer from Gittins’ (SMH) candid remarks that that economics reporting has two faces in the same publication and the type of economics reporting that would have relevance for ordinary people is not likely to be found in the business section.

Despite this, when journalists were asked who they considered to be the target audiences for the business sections in mainstream newspapers, almost all believe that it should be the general public. Roush (Carolina Business News Initiative) argues that “there is a criticism that business journalism is called business journalism so that means it should be for businesses, but that’s not true, it should be for everybody.” Likewise, Shifferes (BBC) argues, “I think in mainstream papers it is for the general public, and it should be.” Cleary (Australian) believes that business sections that address a general public will “remain relevant and retain readers.” It is interesting to note that Gittins (SMH) draws a clear distinction between business and economics reporters and he places the responsibility of reaching a general audience firmly with economics reporters. Thus, the few who were interviewed in Australia suggest economics reporting is seen as business and finance’s strange cousin, with a different set of priorities and a different audience.

The interviews, therefore, shed some light on the empirical evidence from the content analysis that the general public is left out of business sections even though the journalists support the premise that the business sections in mainstream newspapers should be for their benefit. This suggests that there is disconnect between the audience that mainstream financial journalism is serving and the one who it believes it should be serving; a point of contention even for practitioners with decades of experience.
Commercial and Time Pressures: Daily News Practice and Quality of Financial News

Chapter Three discussed the challenges facing the media industries that have been gaining momentum since the 1980s. In particular, the concentration of ownership, globalisation, and the advent of digital media have combined to change the business model for journalism. This has resulted in less money and, with 24/7 operations, less time for journalists to do their jobs. Opportunities for investigation have been decreasing and in some cases discouraged, particularly if they are into the corporate sector (see Chapter Three). Research has empirically demonstrated the impact on quality as coverage becomes more superficial, with less verification of facts and less independence of thought.

In the US, Goodman (Huffington Post) and David (Crain’s) believe that while commercial pressures are there they do not affect the New York Times as much as other smaller publications. Indeed, David argues that the New York Times has been given a lifeline, being able to turn itself into a “truly a global business” that now appeals “to a global audience with a global market.” Goodman is also optimistic about the New York Times’ commitment to investigative journalism. However, there is less investigative journalism being done than there once was because there are not enough people “working financial beats to enable you to let people fail.” This contrasts with the old “monopoly days” when “they could put people on a project that eventually turned into nothing.” When there was “Monopoly power … You had to buy the newspaper” and so lay news values aligned with the lay audience. Now, however, with a focus on the higher end, there is more focus on a smaller, more affluent and elite section of society.

In the UK, Schifferes (BBC) echoes the idea that there is more news but lower quality “because of the number of outlets, of online and 24-hour continuous news, and because business sections are expanding to some extent.” Therefore, there is less time dedicated to analysis and it is more likely that financial journalists will “repeat what companies are saying.” King (Times) provides an alternative point of view, saying that his section at the Times has actually benefitted from having cut two thirds of the reporting team that it had three years ago: “We’ve got rid of a lot of dead
wood—people that were underperforming.” Conversely, changes like this have not been made at the Guardian, where he says the “quality has definitely dropped off, because they are less interested in business news than they once were.”

In Australia, Colleen Ryan, former editor at the Australian Financial Review and business reporter at the Sydney Morning Herald, compares the standards of financial journalism that existed 20 years ago with the financial journalism that exists today, in what she calls “a completely different world.” She attributes the pressure, not so much to cuts in staff levels, but to the “24-hour news cycle that has to be fed.” For instance, Ryan explains 20 years ago “newspapers had the resources to let you spend three months working on a series like [the Sydney Morning Herald’s] “Greed Ink”, but those resources aren’t available today.” She adds that at the Australian Financial Review only an hour at the end of the day is available to “write for the paper with analysis.” As a result, one of the fundamental roles of watchdog journalism is forfeited because it is now too difficult to find the time to “cultivate contacts” and “dig around, to find out the real stories, and really hold CEOs and market systems to account.” She refers to “the old days” in Australia, when the “Fairfax family, and the Murdoch’s and Packer’s” were “commercially fiercely competitive”, but also with “publishers that were focused on the stories, their views, and their impact on society.”

Economics writer Gittins (SMH) introduces the issue of the changed “commercial strategy”—pushing pro-business coverage to achieve commercial success by appealing to a business audience. He believes that there is “a tendency for national newspapers in Australia to become more overtly pro-business than they used to be.” As a result, he says that financial journalists become “less inclined” to check claims from businessmen and less likely to seek “somebody who says the opposite.” Therefore, reportage becomes “more rough-and-ready” as journalists are time poor.

In summary, the journalists suggest that time and commercial pressures have a direct influence on the quality of financial journalism that is produced, noting the lack of depth, less independence of thought, more pressure to produce pro-business coverage, and less time to verify stories. The journalists express a sense of nostalgia

19 “Greed Ink” was a lengthy investigation by the Sydney Morning Herald in the late 1980s into the causes of the 1987 stock market crash (see Light, McGeough and Ryan 1990).
for the monopoly days of the industry when there was a business model that could accommodate in-depth investigations and truly served the public interest.

**Pressure to Report Positively and within Mainstream Consensus**

Chapter Three discussed the tendency for journalists to be vulnerable to groupthink for fear of being seen to be out on a limb. This was particularly evident during periods of market euphoria. The literature also showed that their reporting can affect market movements. The content analysis revealed that each publication discusses similar topics and adheres to similar narratives. This is especially the case in the discussion of the new economy during the dot com boom and the adherence to the same GFC narrative during August 2007.

**No Time to Think or Listen to Cassandras**

In the US, Goodman (*Huffington Post*) has felt “intense pressure” to cover his news competitors as a matter of priority. While he worked for the *Washington Post* in the 1990s, there was pressure to compete with the *New York Times* and the *Wall Street Journal*. He calls the Internet a “healthy development” because “there are more people who wake up in financial journalism eager to find ground that nobody else has explored rather than beat the competitor.” Starkman (*WSJ*) argues that financial journalists would like the chance “to stand back and look more broadly at the world around them and the people that companies are affecting.” However, they do not work autonomously, but are part of “larger institutions, which often deny them that opportunity.”

In the UK, King (*Times*) also concedes that groupthink is exacerbated by resourcing problems in an environment where “Our share of media voice is falling, advertising is falling, and certainly in the UK, the problem that all papers have, we’re all trying to make the transition to digital.” He also comments on what he sees as the negative impact of the BBC, which is not affected by commercial considerations and whose digital version “is crushing competition out of the market remorselessly.” He also argues that like all human beings financial journalists “are pack animals.” He provides the analogy of the fashion industry, which picks up on “a trend leader.”
Andrew Palmer, finance editor at the *Economist*, picks up on the staffing issue saying that the only way to counter groupthink is to “have enough bodies that you can send a journo off to think about something and have time to research and report it”, as well as “an editorial mind-set and a publication that allows for a bit of that kind of investigative proactive reporting and isn’t afraid to devote some space to what if kind of questions.” The *Economist* stands apart here, as Palmer reveals that time pressures on a weekly publication are less of a problem as “the rhythm enables us to think a bit more to give people a new perspective on things, or alert them to potential threats and opportunities.”

In Australia, Kohler (*BS*) points to the inevitability of covering the same news story as well as the “tendency for news organisations to follow each other.” To counter groupthink, he suggests journalists remain “vigilant, and energetic, and sceptical.” Ryan (*AFR*) also thinks it is inevitable that newspapers copy one another. She also notes the additional strains from working in a dying newspaper industry with resources that are “slashed day-after-day”, and the 24-hour news cycle that has “increased demand” for more news copy.

Gittins (*SMH*), like King (*Times*) and Schifferes (*BBC*), explains groupthink as part of human nature, so that in a boom and bust cycle: “You get an optimistic mood, when people want to hear everything is on the up-and-up.” However, through such optimistic coverage, the financial press are not acting as an effective watchdog, preferring to play the role of the facilitator as it “plays along, affected and infected by it.” Gittins notes that the *Sydney Morning Herald* once went against the grain and received criticism for being anti-business. He explains how “executives who are very influential … can call top people in your own company to say you are anti-business.” He suggests media needs section and chief editors who “understand that telling people what they want to hear is not doing the job professionally.”

Therefore, there is an indication that within the newsroom there is pressure to copy the competition, with a pronounced fear of getting it wrong—something Schifferes (*BBC*) calls “safety in numbers.” It is also argued that a preponderance of quotes from the same source type is likely to induce and exaggerate groupthink. Furthermore, there are decreasing numbers of financial journalists and resources to devote to investigation or to encourage independent thought. To mitigate groupthink,
some think that editors have the responsibility to think outside of the box, and some believe the Internet is already providing the alternative views that are needed to counteract it. However editors are also susceptible to groupthink and the Internet can be a curse as well as a boon, as it does not encourage investigations outside the office and is being monopolised by state-funded entities like the BBC.

**Groupthink and Over-Optimistic Reporting**

The content analysis revealed that the dot com boom was the most optimistically reported of the case studies, and perhaps the most indicative of groupthink in the financial press. The practitioners gave some explanations and realistic examples that illustrate why this may have been the case.

In the US, David *(Crain’s)* discusses the reality of the pressure of reporting in the dot com boom from his own experience at the publication, *Crain’s New York Business*:

> In November 1998, two reporters of mine reported the story, ‘Up in Smoke’, how a billion dollars had been invested in New York tech companies without producing a single viable company. It laid out everything that was wrong with the tech business. But the Friday before the story came out, Earthweb went public and had the biggest jump ever for an IPO, it’s still a record. So almost immediately the story looks stupid. Over the next eight months we continued to write sceptical stories, but the market continued to boom. I finally gave up. Not because I didn’t think the story was right—but I couldn’t be sure—but because nobody wanted to read it.

In contrast, in the UK, King *(Times)* argues that he maintained a sceptical point of view in his reporting during this period. However, he worked at the UK tabloid the *Sun* at the time and he managed to ignore the pressure from the public to report the events optimistically: “When I wrote that such-and-such a stock was ridiculously over-hyped, people would ring to say you don’t know what you’re talking about.” On the other hand, he concedes that at the time there was no sectional editor for the finance section of the *Sun* so he was more at liberty to take an independent line.

Schifferes *(BBC)* also experienced pressure while he reported for the BBC, not from the investing public, but from big companies, such as Cisco. For instance, he recalls a briefing with the company Cisco, where it was “argued that others didn’t understand fundamental change, so you could join in … or remain in the old world
with old-fashioned people and fogies who didn’t get it.” Schifferes illustrates here the kind of mind-set that surrounded the idea of a new economy at this time. So journalists had to contend with the pressure to compete with other media outlets, with the market euphoria spurred by an investing public and inflated IPO stocks, as well as with the pressure not to be perceived as being “old-fashioned” by ignoring the ‘new’ economy.

In Australia, Kohler (BS) relates journalistic over-optimism at the time of the dot com boom to the problem of the relationship of journalists with their sources. He explains that in his experience “Stockbrokers are habitually optimistic, because they’re trying to get people to buy stocks.” Therefore, “If the people that you speak to are only stockbrokers, then you would be optimistic all the time.” He adds the dimension of sycophancy that emphasises the optimism bias, and highlights the problems a premium on source access can bring, arguing that, “If you needed stockbrokers to give you stories, then you’d be optimistic because you want to suck up to them.”

Kohler also points to the public’s involvement in the stock market in this period and the “mass psychology” that prompted the more exaggerated boom and bust cycle. Ryan (AFR) notes that it is difficult to be a Cassandra in a period of market euphoria and optimism: “I think journalists get swept up in the market optimism just as market players do. When everyone is making a fortune, it’s hard not to report that.”

According to the experiences of the selection of practitioners during the dot com boom, groupthink is difficult to counteract, particularly during a period of market euphoria. They are faced with commercial pressures to compete, to give the investing public what they want, and in some cases to produce pro-business reportage. It suggests that Cassandra-like warnings that challenge the status quo, especially during periods of optimism, can sound out of tune and incompetent.

**Industry Pressure to Report within Free-market and Capitalist Norms**

Chapter Three discussed the development of financial journalism out of the roots of capitalism (Parsons 1989). It also discussed a pro-business reporting culture and the ideological pressures to report within free-market norms and neo-liberal principles.
In addition, it discussed a dominant narrative that reflects the process of finance becoming the main political driver—a process known as “financialisation.” The content analysis revealed that diversity of viewpoints started to decrease from the time of the 1990 recession. The topic of financial deregulation—the main topic of discussion during the reporting of the 1990 recession—tailed off and did not re-emerge until deregulation received a large share of the blame for causing the GFC. The journalists were asked to give their views of the ideological environment in which they worked.

In the US, Goodman (Huffington Post) links ideological pressures to report within socio-cultural norms together with the commercial and time pressures, and the co-dependent relationship of journalists with their sources. This means that the views of the sources you quote can often become your own and there is no time to consider larger systemic changes. He recalls the following:

If you were covering technology in the late 1990s for a major newspaper, and you have to compete against an array of other beat reporters, and you need to reach people fast, you need to find people you can quote, you tend to go back to the same people time and again.

In the UK, King (Times), blames the US for setting in motion the move towards financial deregulation. He refers specifically to the repeal of the Glass-Steagall Act, which then President Bill Clinton abolished under pressure from Wall Street, in 1999. He admits that, “It [regulation] didn’t seem to be on anyone’s radar.” He says that the UK initially “went the other way” and that in 1997 “when Tony Blair’s government came in, there was a complex web of regulators across the financial services industry.” Therefore, “Most of the commentary at the time was not that we were deregulating, but adding too much.” The Financial Services Authority was set up with new financial regulation powers, but proved ineffective during the 2008 financial crisis and was subsequently disbanded. He suggests that reporting in the UK might have been effective if it had focused on how the regulator worked and its effectiveness rather than the idea that there was too much regulation of the financial industry.

Schifferes (BBC) considers neo-liberalism as an ideology that was pursued by politicians and embraced by the press. He believes that a “strong left-wing critique or
a rise of left-wing parties in the US and UK would have given more voice in the press to those people who wanted to be more sceptical.” He also blames an element of groupthink, as mainstream organisations have a “limit” for the extent to which they can critique the “existing social order.” He also cites the new era of economic growth and the fact that “People were seemingly benefiting from the long boom, which reinforced it.” So despite the fact that “there were moments when Greenspan stopped the regulation of derivatives, or a couple of board members warned about mortgages” it unfortunately did not “register in any mainstream debate.”

Cleary (Australian) ascribes the acceptance of deregulation in Australia as part of a politically-led phenomenon that was pushed by “some very strong and charismatic individuals, Paul Keating20 being a classic example of this.” Cleary argues that, “Newspaper journalists and editors also embraced these new ideas in an enthusiastic way because this was a new way of thinking.” Gittins (SMH), like Schifferes (BBC), describes the process of acceptance that occurs in society: “While it’s new and controversial, they’ll debate it like mad. When it ceases to be a hot topic human nature eventually will accept it as status quo.”

Gittins also concedes that, in Australia, journalists “probably should have been more critical than they were, and they probably should have stayed more critical.” He sees this as further evidence of “the great occupational hazard in all journalism”, namely “being captured by your sources, taking on the values of your sources.” He reveals that it is only through experience and as he has aged that he is “less inclined to just swallow the values of my sources, and I’ve become more critical.” Kohler (BS) and Ryan (AFR) concur, acknowledging that while deregulation should have been criticised by financial journalists in Australia more than it was, to many it represented the natural order of things in a capitalist system.

Ryan provides a similar response, but touches on an element of groupthink in her suggestion that journalists were “swept along.” She believes that there was no pressure from within the newsroom to be pro-deregulation. However, like Kohler, she believes that financial journalism is a natural part and product of the capitalist system. She points to the Australian Financial Review, which she says, “made its

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20 Paul Keating was the Australian Labour Party’s Treasurer and then Prime Minister during the period 1983-1996.
name for championing deregulation in the 1960s and 1970s; that was its hallmark.” Also, she argues, from her point of view: “Most deregulation has been beneficial. It’s stopping tariffs, stopping monopolies. I can see that banking deregulation went too far with the end of the Glass-Steagall Act.”

Therefore, from the point of view of the selection of practitioners, the topic of deregulation and the main Principles that guided neo-liberal ideology were accepted in the 1980s in a similar unquestioning way to during the dot com period. They also suggest that deregulation could have and should have been criticised more in the past thirty years. The pressure, however, does not necessarily come solely from within the newsroom, but also from strong political personalities, the business and finance players, and the peer group pressure encouraging professional groupthink. It can be argued that source capture has a role to play in the acceptance by journalists of neo-liberal ideology and deregulation.

**Quotes from Sources within Business**

Chapter Three revealed that the financial press increasingly favours sources from the financial and business elites, and often ignores the “common man” (Schiffrin and Fagan 2013, 152). The content analysis provided empirical evidence that business sources (including CEOs, CFOs, chairmen, and managers) have become increasingly prominent in the coverage and are now the most quoted sources in the financial press. Analysts and institutional investors also became popular by the dot com boom case study. This contrasts with the very small number of academics and members of the public that are quoted. Such a preponderance of business sources not only excludes other voices from participation in the discussion, but also presents the public with a restricted view of reality. The selection of practitioners had a variety of views on this subject.

**Source Capture**

The ‘capture’ of financial journalists by their sources is seen by several of the practitioners as a legitimate issue of concern. Moreover, it is described as a pressure that financial journalists experience on a day-to-day basis. It is viewed by the interviewed practitioners as a direct result of the dependence on business sources and
the consequent need to gain access to business sources. Most also suggest that the downside is that it presents a view of the world that is dominated by business and excludes the public’s interest.

In the US, David (Crain’s), Goodman (Huffington Post), and Roush (Carolina Business News Initiative), explain the phenomenon of capture as a result of the need to gain access to desired business sources. David explains how it can occur mainly because financial journalists think that, “access is crucial to their success … journalists think that scoops keep them employed.” Goodman notes that the kinds of financial journalists who have prospered in the US are not necessarily those who have provided “sage analysis or rigorous attention to data”, but those with “ability to talk their way into the CEOs room.”

In the UK, Palmer (Economist) provides a pragmatic reason for the dependence of journalists on business sources: the fact that information is gaining in complexity, as the 2008 financial crisis revealed. Journalists needed to get their heads around principles and practices of international finance and relied heavily on the knowledge provided by business insiders. Palmer says, “I think that’s partly a function of the topic particularly these arcane financial areas, you need to be pretty well-informed and self-sufficient to be able to dive into them yourself.” King (Times) provides another viewpoint saying that capture is a thing of the past, as CEOs—receiving increasingly larger pay packets—have far less in common with financial journalists at national newspapers, which are “more likely now to be in their 20s or early 30s and probably not as especially well paid.”

In Australia, Kohler (BS) argues that journalists have the “key responsibility” to “represent readers, not the people that they speak to as sources.” For Kohler, this is a question of journalistic accountability. Colleen Ryan (AFR) also sees the capture of financial journalists by sources as impacting on their accountability in their watchdog role. She refers specifically to the mid-1980s, in Australia, when “the entrepreneurs were rising – like the Alan Bonds and the Holmes à Courts.” However, their subsequent collapse resulted in “a much more forensic and critical approach” from financial journalists. This was not a permanent change, as she suggests that, in Australia, “we’re getting back to some of the business hero coverage, which is a real worry.”
This sense of capture was described perfectly in an example by Gittins (**SMH**), who compared the reporting of the mining resources rent tax in Australia. Business journalists, quoting predominantly from business sources, provided one account for the interests of business while economics journalists quoted from other sources and made up their own minds—reporting a fairer version that included the merits of the scheme for the general public:

You’ll find that all the business commentators roundly condemned the tax. Economic journalists, including people like me and Alan Mitchell on the *Financial Review*, and Peter Martin on the *Herald* and the *Age*, backed the tax and defended the tax. That was very revealing of the difference in sources between business journalists and economic journalists. Business journalists talk to business people and end up siding and adopting the views of their sources. They become infected by the views of the people they spend all day talking to.

This is an eloquent illustration of the contrast between the types of sources used by business and economics journalists, and the interests they subsequently end up representing.

Therefore, capture is seen as a by-product for business reporters that need to talk their ways in to the boardrooms of CEOs. This suggests that the practice of financial journalism is sometimes in direct conflict with watchdog-style journalism that is accountable to the general public, which the mainstream papers should be reporting to.

**The Popularity of Analysts**

The literature and content analysis revealed a trend to make more use of analysts and investors as quoted sources from the time of the dot com boom. The practitioners ascribed this to the need for authoritative market information directed at an audience, now assumed to be active investors themselves.

In the US, Starkman (**WSJ**) says the quoting of analysts and investors results in the “marginalisation of accountability reporting.” He explains that realistically, it was not a useful way of reporting “in terms of investor interest in both the dot com crash and the mortgage crash.”
Conversely, in the UK, King (Times) argues, pragmatically, that investors and analysts are the people who “know what they are talking about.” Indeed, “no-one ever tells you anything without them having a motivation to do so. That is just as true of an academic as it is a member of the public, as it is an investor, analyst or CEO.” Schifferes (BBC) also explains the quoting of analysts in practical terms, as they played an “incredibly important” role and “became stars in their own right” in explaining the tech IPO phenomenon of the dot com period and the rise of stock ownership more generally in the 1990s and 2000s.

In Australia, Kohler (BS) argues that, “Investors and analysts have been used for as long as I’ve been in journalism, so I don’t see that as new.” Gittins (SMH) concedes that, “They are people who think deeply about the shares of particular companies … So they are knowledgeable.” He adds the precaution that “they must have a tendency to think alike.” He also sees, alongside the trend of quoted investors and analysts, a more worrying trend of analysts who are “encouraged to try harder to get free publicity for their companies.”

The General Public and Academics

While there are negative consequences of the over-reliance on business sources and analysts, there are also disincentives for journalists in accessing the general public and academics as potential sources.

In the US, Goodman (Huffington Post) explains the practical inadequacies that prevent academics from being quoted directly in four ways. First, financial journalists perceive academics, unlike business sources, as unimportant. He calls this “a self-perpetuating feedback loop.” There are exceptions to this rule like Nouriel Roubini or Ken Rogoff, but generally academics do not manage to capture “the bandwagon” and, therefore, the media rarely uses them as sources. Second, they are often inaccessible, and “less likely to wander around with blackberries and respond in real time to reporter on deadline.” Third, they might find it difficult to communicate issues in simple terms. Goodman describes them as “impatient talking to people who don’t have the same expertise or grasp that they have.” Last, it is unlikely a credentialed academic has much time to spare for “a neophyte financial journalist or even for someone who is up-to-speed.”
In the UK, Schifferes (BBC) also describes academics as “inaccessible … in terms of being able to give them [business journalists] timely quotes.” As for the general public, he argues that they would not have provided the information needed to spot the 2008 financial crisis. Instead, he points to the kind of investigative journalism that Gretchen Morgenson did at the New York Times—“the gritty level underneath the statements of the big money”—arguably, what Starkman (WSJ) refers to as accountability reporting—as the most viable way to understand the public’s involvement in the corporate sphere.

For King (Times), academics lack in “real-world experience.” This is in contrast to business sources, which when talking about business, “tend to know more than most people.” As for the general public, he describes them as “ignorant and ill-informed. That is a sweeping generalisation, there are intelligent ones as well, but you want to talk to someone who knows what they are talking about.”

In Australia, Cleary (Australian) explains that “Business sources, from a journalistic perspective, have a more current and relevant viewpoint” while “academics have a more abstract understanding of events.” Kohler (BS) explains the usefulness of business sources in terms of timeliness and “practical responses”, and their engagement with “what the story is about.” Echoing Cleary, he says, “It’s not so much the-person-in-the-street reaction you are looking for in business stories” and “academics are more theoretical than practical.” Ryan (AFR) agrees, “I’m not sure a member of the public is the right person to talk to if you are writing about a business—similarly for an academic.”

In fact, Ryan goes on to state exactly what advantage the business economist has over the academic commentator:

I would struggle to think of an academic economist in Australia who you would go to instead of, say, a Chris Richardson from Access Economics, or a John Edwards from HSBC, or a Steven Copulos [Copulos Group]. So the reason I don’t think academics are used in Australia is because they don’t have the profile or the track record in economic analysis as it applies to the market.

Gittins (SMH) offers a very similar view of the situation in Australia and, echoing Goodman (Huffington Post) and Schifferes (BBC), argues that academics and members of the public are not useful sources. He lists three main reasons as to why
academics are not useful for information or quotes. First, they are reluctant to stick their necks out, “If they’re not specialised in the area you want to talk to them about, they’re probably reluctant to talk to you about it.” Second, they tend to be rather dull, “By the nature of their academic discipline, they tend not to give very colourful quotes.” Last, they are rarely available, “You can never get the bastards when you want them, because they’re always away giving a paper in America.”

As such, according to the practitioners, business sources are regarded as the most desirable source because they can provide information that is up-to-date and relevant to the market. However, there is the danger that this can lead to a distorted view of reality as well as source capture, both of which lead to coverage that is not independent or in the general public’s interest.

In contrast, academics and members of the public are described as either too abstract or too ignorant. However, the practitioners in the US acknowledge that by speaking with contrarians or members of the public, those situations that might be damaging for the economy, as the subprime mortgage mess suggests, might be revealed sooner rather than later.

The Effects of Public Relations Activities on Day-to-Day Financial News Practices

According to the literature review in Chapter Three, the PR industry is making access to sources difficult and it is becoming a more powerful industry than the news media it serves. The content analysis showed the enduring popularity of PR representatives as sources for information and quotes. Also, it showed how PR plays a more dominant role in the months after a crisis, with each case study showing an increase in PR quotes during these months. The journalists were asked to comment on what the reasons for this trend might be.

Time Restrictions and the Attractiveness of Public Relations

In the US, Roush (Carolina Business News Initiative) sees no lessening of PR influence and, in fact, notes the same trend as occurring in Australia, as journalist numbers falls, “for every 10 PR people, there’s only one business journalist these
days.” He describes the insidious appeal of PR material. Given that financial journalists are “bombarded” with press releases and messages from PR people, they sometimes “subconsciously begin to look at this as a primary resource for news.” As a consequence, they also “forget to get out of the office and find news by other means.”

Starkman (*WSJ*) sees the increase in PR numbers in conjunction with the time and commercial pressures now on the financial journalism industry, as creating a corporate “power imbalance.” He compares The New York Times Company and Morgan Stanley, which were about the same size financially in the mid-1990s—$5 billion and $4 billion respectively—with the situation today, where Morgan Stanley is 30 times bigger than The New York Times Company. Therefore, the power imbalance is not just between news ethics and values, but is also very real in commercial terms.

In the UK, King (*Times*) sees nothing new in the current situation, “I’ve been doing this job for years and they’ve always been around, even 20 years ago.” However, Schifferes (*BBC*) highlights the more seductive role the PR person can play in the fraught 24-hour news environment. He also comments on the level of training in young journalists as an issue, “not all journalists covering business are that well trained” and, therefore, “there is a temptation to take material from public relations firms and take their point of view, or the press release, uncritically.”

Schifferes further notes the power of PR to create an optimistic environment during boom times, while shrouding their clients in secrecy during times of crisis. For instance, in the 2008 financial crisis, Schifferes notes that, “Some of the PR people I have talked to suggested that their big job in the post-crash period was to make sure as few people as possible talked to their CEOs and companies.” He suggests that financial journalists “need to recognise that this is exactly the time that companies will try their hardest to convince them or to deny things.” Conversely, in the boom times PR companies can create myths, “particularly of corporate leaders as heroes.”

In Australia, Cleary (*Australian*) notes that PR companies have more time and resources to devote “to developing strategies to put things in a favourable way to the media.” Moreover, Kohler (*BS*) indicates that the day-to-day practice of financial journalism is made “very difficult” as a result. He also points to a more worrying fact
that PR copy is “seductive” to financial journalists working under time restrictions, and that PR interests are often served as a result. Gittins (SMH), like Kohler, believes that the problem lies in the time and commercial pressures that are pervading the industry.

The Journalist/Public Relations Source Relationship

From a US perspective, Goodman (Huffington Post) argues that PR is less pervasive than it was in the dot com boom, and he also makes the point that journalists still hold the power to say no to a story which is not in the public’s interest. However he also describes a more sinister side of the PR industry, which has started to prey on the “large numbers of young people straight out of school” that “are now going straight to the national newspapers and they have never engaged with PR people on any level.” In addition, he argues that everything he says about PR “applies to government agencies.” Indeed, they “punish reporters who don’t get the party line. While he paints a negative picture Goodman also notes that when it comes to the crunch in the journalist/PR relationship “the reporter owns them and not the other way round.”

In the UK, King (Times) also makes the similar point that in the end ultimate power resides with the journalist. Similarly, in Australia, Gittins (SMH) maintains that financial journalists can still wield the power and argues that, “we run the stories … I’m writing the story mate.” Ryan (AFR) notes that technological advances make it easier to sidestep the PR person as a go-between, since “if you’re canny enough to get a personal email, or mobile phone number, of the CEO, you have better access than you did in the old days.”

Therefore, the majority of the practitioners see the influence of PR as a very real problem for both the day-to-day practice of financial journalism and the production of quality standards. The growth of PR is making it more difficult for financial journalists to access sources directly. Furthermore, there is a worrying trend, discussed by Goodman, for PR operatives to prey on the young and inexperienced financial journalists who are straight out of college and working for national newspapers.
The practitioners also believed that PR people now heavily outnumber financial journalists—whose numbers and resources are steadily declining. Indeed, the adage that there is one financial journalist to every ten PR people was quoted on several occasions. Therefore, the ubiquity of PR operatives combined with the time and commercial pressures now placed on financial journalism can make them all the more seductive as sources. There is a silver lining in that financial journalists still have the capacity to choose whether or not to use information from PR. Ultimately, it is the journalist that decides whether information provided by PR is in the public’s interest.

Past and Current Training Standards for Financial Journalists

Chapter Three discussed the fact that there is insufficient training for financial journalists. Moreover, it has been an enduring issue for some decades. Research from academics into this area suggests that in an increasingly complex and digitalised world training is needed more than ever. This section draws on the experience of practitioners to see the extent to which they see lack of training as an issue that is impacting on the practice of financial journalism in the US, the UK, and Australia. It was a topic on which they expressed some divergent views.

In the US, Goodman (Huffington Post) notes that there are only a few financial journalists who are able to “develop their own line of thinking, and who are not captive to their sources”, and he believes that this problem will only be resolved “through education.” However, while he thinks that more training is needed, “most of us are too busy to get it.” Roush (Carolina Business New Initiative) thinks “there are a lot of business journalists out there today that don’t know how to read a balance sheet or an income statement.” He does think that training has improved from “ten or 20 years ago,” but he also thinks that further improvements can be made.

David (Crain’s), who coordinates the business reporting program at the Central University of New York, is an advocate of learning on-the-job. He admits that he is “in the business of training people”, but concedes that he is “entirely self-taught. I teach a covering economy class and I never took econ 101.” He believes that financial journalists should teach themselves how to practise financial journalism on a day-to-day basis, mainly because journalism is a different discipline to business, “I
don’t need to know how to do a marketing campaign. I need to know how to assess it.”

Starkman (WSJ) holds similar values to David as he believes that, rather than training, what financial journalists need is an “attitude adjustment” that places the public interest first. He argues that, “The best work, when you’re talking about serving the public, is often done by generalists with a fresh perspective.” He uses Gillian Tett from the *Financial Times* as an example, as she “is not trained, but she talks about her lack of financial reporting experience as an advantage in learning about derivatives.” He also uses the example of the American journalist from the early 20th century, Ida Tarbell:

She was a literary and historical writer before she turned to examining the standard oil company, which was a sprawling and extremely complex business that monopolized the oil market … She was able to unravel the rise of that, the growth of that, and she is still celebrated for it today.

In the UK, King (*Times*), has “never been given a day of training” in his life “in terms of reading a balance sheet and so forth.” He believes that it is important to “read and learn about it in your spare time” and also that “experience is the best guide.” According to Schifferes (BBC), on-the-job training is the most common way for financial journalists to learn about their beat and their craft. At the *Financial Times* “there is still an on-the-job mentality.” He argues that there is a “traditional and generational” view in financial journalism that training is not necessarily needed for success in reporting finance. He cites Robert Peston as an example of a financial journalist who “doesn’t think we need financial training, because he managed to do it on his own.” However, he also thinks that things might be changing because there is “a trend of those entering financial journalism that have commercial or financial backgrounds that know more … they are the people that have the most foresight.”

Schifferes also refers to “all the intense and complex events that are going on” leading to a greater reliance on sources for explanations which in turn results in financial journalists that are “not questioning enough.” He notes how in economics reporting, “Many of them are starting from scratch and are relying on sources to teach them, and of course those sources may have their own biases.” He is of the view that training should be extended to “the people who aren’t officially business
journalists, but are asked to cover business stories and make judgments about them.” Palmer (*Economist*) has a “relatively small staff of people who have quite disparate backgrounds.” Despite this, he also thinks that, “as an industry we could do more to provide training.” It was also noted earlier that Palmer believes the world is more complicated and that journalists need knowledgeable sources like analysts who understand what is happening.

Speaking of the approach to training in Australia, Cleary (*Australian*) says he does not know of news organisations that “have had consistent training, for instance just understanding balance sheets and annual reports.” Indeed, he believes that a lack of understanding of “financial transactions and operations” that are now “more complex” has resulted in “increasingly superficial coverage.” According to Gittins (*SMH*) “There virtually isn’t any [training].” He says that for 20 years he has made it his “business to hire all the young people that write about economics in the *Herald.*” Specifically, he wants to “hire people with economics degrees to write about economics.” Like Schifferes (BBC) and Cleary (*Australian*), he notes that “the world’s got more specialised. All of these topics are now more complicated than they used to be.” He also makes the point that financial journalists would be equipped to “view the topic more independently than if all they know is what their sources have told them.” Kohler (*BS*) agrees, stating in his turn that “Financial journalists aren’t numerate enough, they don’t know how to operate spreadsheets, and they don’t know how to read balance sheets sufficiently.”

Ryan (*AFR*) takes the opposite view when she compares training today with training at the *Financial Review* in the 1970s. She highlights the fact that she was “the first economics graduate that was ever employed at the *Financial Review*, as a cadet.” Therefore, “compared to the 1980s and 1970s, they’re much better qualified to be financial journalists.” Furthermore, she maintains that, “A lot of the financial journalists at the *Financial Review*, and the *Sydney Morning Herald*, have worked at the Reserve Bank, they’ve worked at the Treasury, in big accounting forms and law firms.”

Overall, the practitioners indicate that financial journalists need comprehensive training to deal with a more complex world and specialised information. There is also the view that it is an area that is slowly improving as the media industry
changes. More education and training would allow for journalists to think independently, avoid bias, and subsequently hold sources to account. In some cases, particularly the US, there is the view that having the right attitude towards the role of journalism is more beneficial than financial education in terms of reporting in the public interest.

**Conclusion**

The second research question—what impact have changes in the media industries had on the practice of financial journalism—could not be competently answered through content analysis alone. A selection of practitioners were, therefore, presented with the results of content analysis and provided their own insights and explanations for the trends that were observed. Although the range of practitioners is arguably narrow and purposive, they were chosen for their expertise in finance and their experience (where available) at the publications chosen for analysis. Therefore, while the conclusions that can be drawn are tentative, they are illuminating nonetheless. There are four particularly significant points that emerge from their reflections.

First, they indicated there is increasing pressure to target the most affluent audience. There has been a conflation of general news values with more specialist coverage of business, with the target audience being seen to be business and the financial market, instead of the wider public who do not necessarily hold investments. This results in the general public being largely invisible in mainstream financial reporting. Preference is given to information and quotes from business sources, analysts, and investors, further excluding the general public from the frame of reality. The practitioners agree that such a preponderance of quotes from business and analysts can result in a bias towards a narrow, overly optimistic view, a narrow version of reality, the exclusion of alternative voices that include independent thinkers, and the capturing of financial journalists by their sources’ versions.

Second, the interviews suggest that ethical challenges and industry pressures are being exacerbated by increasing time and commercial pressures to feed a 24-hour news machine; journalists now are required to produce more stories with less time to think. This results in articles with less analysis, less rigorous processes of verification, and less independent analysis. There is also increasing reliance on the
PR industry, which has been growing as the news media have been shrinking. Moreover, fewer resources mean less investigation on behalf of the public. Without such investigations to counter corporate malfeasance, they indicated that people were less likely to be held to account and the public interest was not being served.

Third, some of the journalists believe that more education and training is needed before journalists reach the newsroom, because the financial and economic systems are more complicated and this would help ensure independence from sources. Some argue that the best training is provided on-the-job and in-house, which has always been the case. An interesting argument is also developed by a few that the best reporting has been done by reporters with no financial training, but who have the right attitude to serving the public interest. Interestingly, they also reveal that minimal and inconsistent training is provided at mainstream newspapers and that they have personally never received a day of training in their career. This view of training, however, is also identified as a generational and traditional way of viewing financial training for journalists and is changing as the times are changing.

Last, it is revealed that business and economics journalists can vary in their views about the nature of financial reporting itself. This view is expressed most candidly by Gittins (SMH), when he reveals that his articles that report to the general public and mum-and-dad investors do not belong in the business section. There are also some nuances that distinguish the financial writers from economics writers. Compare financial writer Goodman (Huffington Post), who expresses the need for business writers to talk their way into the CEO room rather than provide sage analysis, with economics writer Gittins who believes economics journalists consult sources other than the CEO-type. The suggestion of different approaches and motivations between financial and economics journalists is, therefore, an issue worthy of further research.

In summary, the interviews provide industry context and some professional confirmation for many of the traits picked up in the content analysis. The journalists have clearly explained some of the changes within the media industries that have impacted on the working practices of financial journalists. They indicate the range of institutional, industrial, and ideological pressures on them to report within certain norms, which often constrain them in terms of fulfilling the watchdog-reporting role.
In the next Chapter the insights from the content analysis and the interviews are brought together in a discussion about the significance of the results and the implications in relation to future practice.
Chapter Nine

Discussion

It is easy to mock the idea that journalism is about something more than selling stories, but in a cynical age it is one of the few places in our culture where other possibilities may be played out. Or to put it another way, don’t just watch this space, fight for it (Lewis 2010, 164).

Introduction
Through a comprehensive longitudinal analysis of mainstream financial reportage from three countries, and a selection of interviews with practitioners from the respective countries, the study has achieved its research aims. In this Chapter, the main conclusions are summarised and options explored on what needs to be done to restore quality and relevance to mainstream financial journalism.

Trends Across Three Decades
The opening Chapters reviewed the literature that exists on financial journalism and the main concerns that had emerged from previous studies. It became obvious that, compared to specialist finance journalism, mainstream finance journalism is under-researched. It also became obvious that there is a lack of fit between the kind of financial coverage that exists and the information needs of the broad spectrum of society. From the literature was derived a set of criteria for measuring quality in this journalistic genre. The criteria were based on the traditional watchdog function of the press, addressed the needs and wants of the general public, and included the editorial standards at each publication being analysed.
The criteria were as follows:

- A variety of interpretations on an issue to promote discussion of alternative views;
- A variety of ‘voices’ quoted directly to represent all sections of society;
- Everyday advice relating to finance and government spending for all sections of society, not just investors;
- Explanations that are unpacked with minimal jargon; and
- Sufficient scepticism and warnings that serve to signal impending or potential crisis in the financial or economic systems.

The results from content analysis indicate that quality standards have declined across the three decades under review. The kind of balanced, independent, and informative reportage that the public wants and the publications aim to provide are not reflected in what is available. In addition to declining standards in the public interest, some clear trends emerge from the content, which are discussed below.

**Minimal Warning and Scepticism before a Downturn**

The literature expressed a concern with the lack of warnings that exist before a crisis emerges and the tendency of the financial press to avoid confrontation with important corporate entities. It also revealed that the public needs and wants the press to play a watchdog role. The content analysis confirms empirically that mainstream financial reportage is increasingly reactive, with little scepticism and few warnings.

The number of articles that appear before the Minsky moment in each financial crisis reduces dramatically from case study-to-case study. It shows how the concept of the Minsky moment, unique to this study, has provided a useful method to capture the amount and type of forewarnings before and after a crisis. The Minsky moment Figures from each case study are reproduced here for ease of comparison.
The graphs show quite clearly the amount of coverage, and hence the capacity for advance briefings and forewarnings, in the lead-up to each crisis. In the 1990 recession, 60 per cent of the data set appears in the two years before recession was called in November 1990. By the dot com boom, 20 per cent of the data set appears in the two years before the stock market slides from March 2000. Then by the GFC, only eight per cent of the data set appears in the two years before August 2007. Therefore, the elements that eventually precipitated the GFC were indeed grossly underreported leaving the public uninformed and unsuspecting.

Analysis of the numbers of warnings two years prior to the Minsky moment indicates that warnings were there, but that they were, to use US statistician Nate Silver’s (2012) words, too little signal in all of the noise.\(^2\) Also, the types of warnings in the case studies differ. During the 1990 recession, there are warnings of impending recession. During the dot com boom, the warnings mainly come from officials like

\(^2\) Silver (2012, 53) distinguishes between two types of sources that he calls hedgehogs and foxes. He argues that the media favour hedgehogs because they will talk about big ideas and governing principles. Whereas foxes, less popular with the media, see limitations of human judgment and take a multitude of approaches towards a problem, effectively seeing the world differently.
Federal Reserve Chairman Alan Greenspan and they are often countered with optimism about the stock market within the same article. The warnings before the GFC appear in 2005 and then disappear. Those that appear before the 1990 recession and some in 2005 before the GFC, are more prescient and clear than those that appear, albeit too late, before the dot com boom.

The key economic data in each case study shows that evidence, based on simple and official statistics, would have provided little in the way of an advanced alert of impending economic problems. During the 1990 recession, despite certain deficiencies in the economic data, there were indications of slowing economic growth, high inflation, and increasing unemployment at least by mid-1990. Economic data during the dot com boom showed signs of a slowing economy and creeping inflation by mid-2000. In comparison, the GFC presents a different story. There is a bit of a lag between the economic slowdown and its reflection in official data. Despite the fact that August 2007 was the month the financial crisis story took hold, economic growth, inflation, and unemployment were not negatively affected until mid-2007, and later in the case of Australia. Therefore, to some degree the financial press would not have been had access to official economic signs of an impending downturn. Nonetheless, there were signs elsewhere, for example in the nature of the subprime industry, its links to marginal borrowers and connections to a shadow banking industry (see Chapters Six and Seven).

Also, a trend emerges that sees the starkest warnings in reports aimed at the ‘ordinary’ audience. An example is Porter’s reporting in the New York Times on August 25, 2005, which speaks with a member of the public and connects dots between risky financial products and an unsustainable subprime housing bubble. There is evidence in each case study that when journalists go beyond the usual coterie of elite sources, and speak with academics and members of the public they often pick up warning signs that are not reflected in the official data.

The qualitative analysis revealed that the most sceptical reportage and some of the starkest warnings come from economics as opposed to business writers. This type of reportage also tended to feature non-biased sources like academics and members of the public.
The industry interviews provide a few practical explanations on how and why financial journalism is challenged to play a watchdog role for the public. The journalists also offered some suggestions as to how the situation might be improved. For Andrew Palmer, finance editor at the *Economist*, what was needed was “enough bodies that you can send a journo off to think about something and have time to research and report it.” Perhaps more achievable, in an industry that is under-resourced, is the idea of “an editorial mind-set and a publication that allows for a bit of that kind of investigative proactive reporting and isn’t afraid to devote some space to ‘what if’ kind of questions.” Steve Schifferes, former economics correspondent at the BBC, believes that news organisations should “find a way to clear space so they can work on off-diary items of a more investigative nature that are crucial for the future.”

**A Narrowing Selection of Sources to Frame Events**

The literature expressed a concern over the increasing closeness between financial journalists and their business sources. The empirical evidence confirms that financial journalism is increasingly geared towards business sources, analysts, and PR, and that this dependence can and does lead to a pro-business bias in reportage and ideological capture. The general public is largely ignored, left without a voice, and excluded from the version of reality that is framed. To ascertain whether a variety of voices shaped the reportage, the first two sources that were quoted directly were recorded for each article. Content analysis suggests a change in pattern across the three decades, as the following Figures illustrate.
Case Study I:

Figure 13. 1990 Recession: Number and type of directly quoted sources, as a percentage of publication’s total quoted sources

Case Study II:

Figure 32. Dot Com Boom: Number and type of directly quoted sources, as a percentage of publication’s total quoted sources
Case Study III:

Figure 51. GFC: Number and type of directly quoted sources, as a percentage of publication’s total quoted sources

The Figures from the case studies illustrate that the sources used for information and quotes used to be quite varied. Business research and government organisations were the most popular sources to quote during the 1990 recession, but quotes are used from a more diverse range of sources. By the dot com boom there is a concentration of business sources, analysts, and institutional investors. During the GFC business sources, analysts and institutional investors are still the most popular. In this period, politicians and PR follow close behind (unsurprising considering the political implications of the GFC). The trend, therefore, emerges over the three decades that business sources, analysts, and investors become most popular for quotes. Each Figure also shows PR has always been a popular source for information and quotes.

By way of contrast, members of the public, non-government organisations, and academics are always the least quoted sources. While it is a feature of news reporting that it will prefer authoritative sources to establish credibility, this study suggests that these source types are always marginalised. It is completely contrary to the type of
source diversity that should be expected from these publications according to their editorial codes.

Moreover, in the months directly after the Minsky moment, for each case study, while the types of sources that are quoted directly do not change, the pattern is exaggerated. More business sources, investors, and PR are quoted. Conversely, members of the public, non-government organisations, and academics are quoted even less. Lewis (2010, 161) argued that the 2008 financial crisis provided a watershed moment for financial journalism, as the defects of neo-liberalism were exposed, providing an opportunity for journalists to look elsewhere for new voices and interpretations. However, content analysis proved this was certainly not the case at the New York Times, the Guardian, or the Sydney Morning Herald.

Therefore, content analysis indicated that since the 1980s the financial press in mainstream media have favoured quotes from a very specific section of society. Business sources, analysts, and investors come to dominate the articles by the dot com period. The fact that this pattern that has become more pronounced since the 1980s demonstrates how the variety of ‘voices’ has contracted to include a relatively narrow band of society. These results provide empirical evidence for the argument that financial reportage in mainstream newspapers has become increasingly geared towards business, investors, and the shareholding public.

The practitioners suggested that the industry favours these sources as they carry authority within the business community and so communicate with an audience that has an interest in finance. The practitioner interviews also indicate that financial journalists do appear to “place a premium on business sources”, as Peter Goodman, executive financial editor at the Huffington Post, argues, which moves the focus of reporting away from critical investigation and “providing sage advice”, and more towards sycophancy towards the business sources that should be held to account.

Economics journalists are arguably set apart from business journalists, as they often use different sources for information and quotes. It is interesting that Ross Gittins, economics editor at the Sydney Morning Herald, differentiates between two different styles of financial reporting within mainstream newspapers (at least in Australia): the
reporting of finance that takes dictation from business sources, and the reporting of economics that consults a range of sources and targets the general public.

The journalists were generally disparaging of academics and ordinary members of the public as sources, yet the content analysis showed that when they did use them they provided some of the starkest warnings of a financial downturn. Indeed, as Dean Starkman, formerly of the Wall Street Journal, also argued during an interview (and based on his 2009 study, Power Problem), it was non-CEO types that predicted the GFC.

The practitioners also suggest what the content analysis revealed: dependency on the same type of sources of information leads both to capture and a distorted version of reality. The journalists speak frankly about the fear of being seen to be going out on a limb, the unpopularity of doom-saying Cassandras, and the general reluctance to question the status quo—particularly during a period of market euphoria like the dot com (and the housing bubble after 2005, as the GFC case study suggests). It suggests media industries need to encourage consultation with a range of independent and non-biased sources.

**The Rise of Public Relations**

The empirical data provides evidence for the concerns expressed in the literature about the influence and increasing power of the PR industry on finance journalism. Content analysis revealed that PR sources are used more for information and quotes in the months after Minsky moment. This showed the extent to which they have the power to shape the coverage in the aftermath of a crisis. It also indicates that they are ready and available as sources to give information when a crisis is developing.

Yet as Schifferes (BBC) reminded us, when talking about coverage of the GFC, PR practitioners saw it as their duty to protect their clients’ images, and in a crisis this is more than ever the case. The practitioners confirm that financial journalism is being dwarfed by the rising size, influence, and power of the PR industry. Given that it outweighs journalism in resources, it is becoming more seductive for financial journalists and is preying on new recruits. Nevertheless, the practitioners made the point that the financial journalist holds the ultimate power to decide independently whether or not to accept the version offered by the PR practitioner.
Content Geared for the Insiders and not the General Public

The literature suggested that articles would be geared for business insiders. Content analysis revealed the extent to which this is increasingly the case. During the 1990 recession, each publication provided articles that were written for the general public in mind. However, this became less the case in the dot com and GFC, as articles were geared to market investors and insiders. Content analysis also revealed that in each case study there is more of a focus on ‘ordinary’ topics when a crisis worsens.

Similar topics, narratives, and versions of events feature in each of the publications in each of the case studies. As well as reflecting the similar cultural norms and social value systems of the three countries, this also indicates a certain level of transnational groupthink, which has become more evident since the 1990 recession.

During the 1990 recession, there was debate and discussion about the topics in such a way as to promote a diverse range of views. One of the main topics is deregulation of the financial industry, and the Sydney Morning Herald and the Guardian are scathing about the political management of the economy in the topic of interest rates, with the Guardian revealing its left-wing political sympathies as it derides Thatcher’s conservative government. The Sydney Morning Herald is also scathing, but less motivated by ideology as it provides a variety of viewpoints. The New York Times also provides a variety of views but compared to the Guardian adopts a more neutral stance that focuses on political management and less on political ideology. Overall, the publications and the main topics show that political management of the newly deregulated economy and the principle of deregulation itself was the main preoccupation of the period.

By the dot com boom case study, the reportage aligns itself more firmly with an investing audience. This is reflected in the minimal alternative views that are included. The topics that make up the dot com boom—the bursting of the bubble, recession, the ‘new economy’, the ‘old versus new’, the ‘ordinary’ public—focus on the ‘new economy’ and all three publications follow a similar narrative line that serves the financial community. The Guardian, which so derided free-market principles of the Thatcher government in the 1990 recession, now joins with the
other publications in its framing of the dot com boom. The Sydney Morning Herald does take a contrarian stance that provides a dose of reality as it explains the real merits of technology, although it still pushes the concept and presents Australia in competitive contrast to the US. Therefore, it can be concluded that during the dot com boom each of the publications served the interests of the markets, and assisted the politicians and regulators, such as Federal Reserve Chairman Alan Greenspan, to spruik the increasingly unregulated free-market ideology.

By the time of the GFC, groupthink is even more apparent in the coverage, with articles concentrated around a few topics. They also push the same narrative, with the GFC depicted in terms of a natural disaster with the US as the epicentre. Therefore, the public was presented with a barrage of articles dealing with the same issues in similar ways, which nevertheless provided little information of direct use to them. While there is criticism of the financial system and the regulators, and therefore the option of an alternative interpretation of events, the articles are geared largely to a business audience with the focus on the justification of bailouts for the industry that had caused the problems.

The fact that coverage provided less debate and critique of the financial system and more content specifically for investors might be related to the dual audience for mainstream financial journalism, which was discussed by some of the practitioners. One is its traditional audience—the business community that is easy to cater for—and the other is the non-financial and non-shareholding general public, which is a less attractive target for advertisers. All evidence underscores the point that the general public as an audience is less of a priority, and attention only turns to them during crisis situations.

Despite this, the interviews also suggested financial journalism in mainstream newspapers should be for everyone. Echoing Peston’s (2009) comments that financial journalists are needed to promote democracy, Goodman (Huffington Post) argues that the general public now realises the importance of understanding financial and economic matters:

It [mainstream financial journalism] should be for everybody. Anybody who has been alive for the past ten years now understands in their bones that if they take heed of economic and financial events or not, those
events are directly affecting their lives; as taxpayers, as workers, as savers. It’s absolutely incumbent upon us to devote the resources to figure out what’s going on and make it accessible and compelling and engaging to a general readership or democracy suffers.

Therefore, there is some evidence of support from practitioners for a mainstream financial journalism that serves democracy and places service to the general public as central to its news values.

**Minimal Everyday Advice for the General Public**

Chapter Three discussed the kind of financial reportage that the general public needs and wants: fair and independent reportage that empowers them with the knowledge they need to deal with everyday finances. Also, there are indications that the public wants more financial information they can understand and use. However, content analysis confirmed the paucity of this sort of advice in each case study.

During the 1990 recession articles that relate directly to an ‘ordinary’ non-shareholding audience represent a fair proportion of the total reportage. The majority of the articles appear as the economy worsens and the *Sydney Morning Herald* produces the most. Furthermore, some of the earliest that pertain to the ‘ordinary’ topics also produce the starkest warnings.

By the time of the dot com boom stories geared towards the ‘ordinary’ public are further down the list at number five and the public is less of a focus, with the discourse directed mainly at an investor audience. As was noted with the 1990 recession, there is more concern with the ‘ordinary’ public as the economic situation worsens at the end of 2000. Again, the *Sydney Morning Herald* stands out as it provides some examples of everyday advice relating to finance and government spending geared towards all sections of society, not just investors. Overall, however, everyday advice is scarce and this has become an emerging trend.

By the GFC, stories relating to the ‘ordinary’ audience remain at the bottom of the list with the majority of the coverage dealing with bailouts and the blame game. On the other hand, once again there is increasing concern with the non-shareholding public as the economy worsens at the end of 2007. There are some individual case
studies from the *New York Times* that speak directly to the more general public. Each publication provides some political rhetoric that pushes for government intervention reminiscent of the 1990 case study. Also, there are some articles from the *Sydney Morning Herald* that highlight the social cost of the GFC. On the whole, however, events are shaped for business and investors, and the general non-shareholding public is not an important part of the discussion. The GFC arguably presented an opportune moment to provide advice for the general public, particularly as governments were using taxpayer money to nationalise banks and provide bailouts. Also, as the economic data shows, unemployment was growing. However, as with the other two case studies, everyday advice is scarce.

The analysis also suggests some differences between the publications. The *New York Times* often provides explanations, but it has a tendency to provide multiple explanations on the same topic, which can at times be contradictory, and hence confusing for the general readership. The *New York Times* also provides the most technical detail. While this requires the use of jargon, there are some attempts to translate this into terms the general public will understand. The *Guardian* and the *Sydney Morning Herald* also provide explanations, but they are usually colloquial and lack the kind of technical detail that is also needed to ensure a more complete understanding.

Also, the amount of explanations varies in each period. In the 1990 recession, by the time the economy worsens in 1991, there are full accounts for the benefit of the general public about what the recession was and why it happened. During the dot com boom the explanations provide often conflicting accounts of the ‘new economy’ giving the public little idea about the threats in addition to the opportunities. The reportage on the GFC provides thorough explanations—especially in the Minsky moment of August 2007—although attempts to define the GFC are often confusing rather than enlightening. Also, the full explanations soon drop off and most follow the same narrative of an uncontainable virus.

However, the public was well-served during the first months that the subprime housing bubble was exposed, with some thorough and detailed explanations of the events in each of the publications. The *New York Times* offered more highly technical explanations but these diminished from late 2007. The *Guardian* and the
*Sydney Morning Herald* offered more simple explanations and these continued into 2008. Together the publications offered the insight, information, and clarification that the public needed in this crucial month.

Analysis also suggests that some of the best everyday advice emerged from writing by economics journalists and editors like Gittins (*SMH*), Louis Uchitelle (*NYT*), and Larry Elliott (*GDN*). Also, this advice was most prevalent during coverage of ‘ordinary’ topics—on jobs, government spending, and personal finance. However, in each case study, and in each publication, the everyday advice for a general public was always too little and too late.

The fact that the public needs more information with less jargon is something that Alan Kohler, founder of *Business Spectator*, agrees with, saying that neglect of ordinary readers is the product of laziness, and “it takes effort to write in a way that’s more accessible to ordinary people.” This is also noted by Schifferes (BBC), who argues that mainstream financial journalism fails if it becomes too specialist and addresses just a finance and business audience or an audience of investors.

In summary, the results from content analysis, and some suggestions from interviews, lend empirical support to some of the criticisms raised in the literature over decades relating to the quality of financial journalism. The content analysis indicates the progressive decline in quality against key measures, while the practitioners point to the challenges they face in meeting quality standards and playing a watchdog role.

Overall, using the quality measures developed in the opening Chapters, some evolving trends have been identified from the articles in the data set. The analysis provides evidence that quality financial journalism that is in the public interest has been declining since the 1980s. In the next section, the focus shifts to the media industries themselves to identify what measures, if any, are needed to restore quality and integrity to this journalism genre.
Professional Challenges to Practice

The interviews with practitioners provided some insight into the pressures the literature has identified as impacting on the quality of financial journalism. The exercise indicated how the industry has changed over the past three decades, and how institutional and industry pressures have had a major impact, not just on work practices, but also on the ideology of and focus for financial journalism in relation to the audience it addresses. In this section, each of the areas of pressure are dealt with in turn: commercial and time pressures, institutional and ideological pressures, and financial training.

Commercial/Time Pressures

A review of the literature reveals a financial press that has been reporting favourably on the process of financialisation since the 1980s; that is accepting of neo-liberal policy; and that produces pro-business coverage (Davis 2011; Goozner and Janis 2000; Greenfield and Williams 2007; Mickler 2012; Quinn 1998). Furthermore, the pressures to uphold and support status quo are exemplified by the treatment of journalists like Danny Schechter—labelled a doomster after his 2006 film, In Debt We Trust—and Gillian Tett—who received a similar response from the world economic forum in Davos (Barton 2008).

Practitioners interviewed for this study held the view that commercial pressures and time pressures are most responsible for the decline in quality standards. Reportage is now more rough-and-ready, there is less analysis, less time to think, or to question and to verify stories. As a result, copy produced by PR practitioners is becoming more seductive. They also compared the kind of quality financial journalism that once existed—with the opportunity and resources for investigation—and the kind that now exists where there is little capacity to investigate on behalf of the public interest.

Colleen Ryan, former editor at the Australian Financial Review, suggested that to counter this practitioners need “encouragement from their bosses and their readers to break very good stories on the economy and on business generally.” She believes that this will require a re-focus by media owners and editors on the quality of news content rather than the revenue:
That’s the main missing factor, newspaper owners and managers are focused on lack of revenue and a need to transition online, and they are not focused on the actual content of the stories going out there—that’s what is needed most of all, a change of focus by owners.

This suggests that if anything is to change, it will have to be instigated at the very top of the editorial chain.

**Institutional and Ideological Pressures**

The interviewed practitioners suggested that ideological pressures are a product of the pressure to keep up with the competition, to give the investing public what it wants, and generally to support rather than challenge the status quo. They also acknowledged the temptation to follow the herd, not wanting to report outside the mainstream for fear of being an outlier. They blamed this for the failure to be more critical of financial deregulation and the economic consequences, which followed after the 1990 recession as markets were freed up and globalised.

The examples the practitioners provide from the reporting of the dot com boom, highlight some of the impracticalities of reporting from outside the common consensus. Those who do are simply not heard or are viewed as out of tune. Therefore, during any period of market euphoria, there is little appetite for a challenge of the status quo. This provides some indication as to why warnings provided by journalists before the GFC, such as Gillian Tett and Danny Schechter—discussed in Chapter Three—went unheeded.

The pattern that indicates that lone voices sometimes produce the best warnings suggests that more attention needs to be paid to them. Financial journalists need to be able to work in a news environment that welcomes, and indeed encourages, debate, and a critique of the status quo. Encouragement of critique is not just necessary, it is essential, for the financial press to be able to report in the public interest. This requires media owners and editors to support and encourage engagement with sources that are not within mainstream consensus.
Financial Training Pressures

The literature revealed that industry training for financial journalists has always been inadequate, especially within mainstream organisations, as indicated by Doyle (2006) and Paul Cleary, journalist at the *Australian*. The literature suggested that given the complexities of the modern financial system, the demands of the digital environment, and the proliferation of PR training is more necessary than ever.

The practitioners interviewed criticised their employers for failing to provide adequate training and offered several suggestions relating to training standards. In the US, Chris Roush, founding director of the Carolina Business News Initiative, believed money should be invested in training. In Australia, Cleary (*Australian*) thinks “It would be good for the industry to have some minimum standards for financial journalists.” Another Australian, Gittins (*SMH*), suggests the “First thing is try to only hire people who have formal academic qualifications in the area of specialty.”

This implies that media owners must be briefed on the benefits associated with investment in training for their journalists. First, improved training standards will ensure independence from sources and PR practitioners in particular. Second, it will ensure financial journalists are equipped to understand economic and financial developments as they happen and keep abreast of stories that are in the public interest.

Looking Ahead: Suggestions for Improving Practice

This study has shown that mainstream financial journalism has problems, many of them longstanding, which ultimately have had an impact on the credibility and trustworthiness of the genre. The weaknesses in terms of narrowness of vision, reluctance to challenge the status quo, susceptibility to source capture, and limited understanding of complex financial, and economic concepts have become even more of an issue in the post-GFC world. Financial journalism has hindered rather than helped the general public to keep abreast of serious changes in the dynamics of the political economy. This deficiency could be remedied if financial journalism was better placed to report on the corporate world in the public interest.
Harnessing all the literature, results and data, this study makes the following recommendations for an overhaul of mainstream financial journalism to counteract the three major structural pressures: institutional, industrial, and ideological.

**Institutional**

- Support (including legal protection) from governments and non-profit organisations for newspaper sections and broadcast programs that are specifically designed to inform, educate, and enlighten the general public. If governments are prepared to fund schemes, like Money Advice Services in the UK and the Financial Literacy Scheme in Australia, they also need to recognise the continuing role of mainstream news for financial education of the general public.

- Collaborations should be supported between financial journalists and financial regulatory authorities in the US, the UK, and Australia – to open a dialogue between them to offer mutual support, and prompt investigations in the public interest.

- An awareness campaign should be launched targeting economic/business academic researchers encouraging them to be more available to provide analysis/comment to business reporters and to become ‘public academics’ sharing their research with the general public.

**Industrial**

- Initial and repeat professional development courses, especially for financial reporters, in understanding market developments, such as the CDOs that led to the GFC.

- Revision of editorial policies regarding use of PR material and PR sources, limiting the use of such material to a last resort option.

- Enforcement of editorial codes relating to impartiality and balance and the use of diverse and unbiased sources of information.

- Higher and consistent training standards within publications and refresher training on the editorial codes in place.
• Additional editorial codes that make explicit the requirement to cover topics like government spending, jobs, and personal finance for a non-shareholding audience.

Ideological

• More economics writers need to be employed at mainstream publications that can consider longer-term economic trends and explain them for a lay audience to understand.

• Industry workshops should be conducted to inspire support for independent thinking, analysis, and investigation. They should also address the kinds of alternative and non-biased sources that could be consulted for information and quotes.

• Time and money should be set aside for independent investigation and analysis.

• Education sessions on political and economic history should be provided for financial journalists to provide them with a broader perspective from which to judge present-day developments in business and finance.

Conclusion

This Chapter has highlighted some of the main changes that have occurred to the standards and practice of financial journalism in the past three decades. Using evidence provided by the study and some reflections provided in practitioner interviews, it has made some suggestions to ensure quality standards in this reporting genre for the future. The next Chapter considers both of the study’s research questions, highlights the significance of the results, and makes some recommendations for future research in this area.
Chapter Ten

Conclusion

This study began with an aim of placing the reporting of the GFC into context, to explore whether mainstream financial journalism fulfils the role of watchdog for the public, and to understand the modus operandi of financial journalists themselves. It grew into something more ambitious: a comparison of the reporting patterns in the US, the UK, and Australia across three periods of financial crisis in order to understand the development of mainstream financial journalism as a genre since the 1980s. The research design was comprehensive, pulling together elements of previous studies and expanding on them to reach conclusions about mainstream financial journalism that were long overdue in an area that has been under-researched.

The mixed methods approach involving a longitudinal tri-nation quantitative and qualitative content analysis and practitioner interviews produced some comprehensive conclusions that answer the research questions dealing with quality reportage and provide some insight into the current challenges on the practice of finance journalism. The study provides empirical evidence that mainstream financial journalism as represented in this sample (New York Times, Guardian, and Sydney Morning Herald) has evolved as a subgenre within mainstream newspapers that supports the financial community. At the same time, the watchdog role financial journalism plays for the general public is diminishing.

The study also opens a window on the extent to which finance journalists, like other journalists, have been impacted upon by significant changes within the media industries that have increased the institutional, industrial, and ideological pressures on them as they try to do their jobs. Interviews with practitioners suggest that, as a consequence of media changes, the view of reality provided for the general public has been narrowing since the 1990 recession. Events and issues are now predominantly framed by business, analysts, and PR practitioners for whom time,
and resource-pressed journalists are easy prey. Viewing the world as these sources
do—through a narrow lens of self-interest—the end result is a limited range of
interpretations and versions of events, presented to the public in ways that diminish
the ordinary person’s access to the sort of information essential to facilitate
democratic debate.

The media industry has seen its fair share of changes in the past three decades, with
new formats and modes of delivery spurred on by smart technology and social
media. Mainstream newspapers continue to prove their worth. The pay-wall
introduced by the New York Times is proving to be successful as it makes inroads in
to the Chinese market (Chyi 2013). The Guardian is extending its brand by opening
newsrooms in Australia and the US. The Sydney Morning Herald, while abandoning
the broadsheet format, has retained the same editorial values. However, the merging
of the finance reporting staff across all Fairfax publications, announced in October
2013, provoked concerns over a lessening of diversity. Carson’s (2013) research in
Australia has pointed to cross-media collaborations as a way forward for online
media that still need the authority and clout that only mainstream newspapers can
provide.

The media industry has also had its fair share of scandal—culminating in the closure
of the UK News of the World after it was found to have engaged in unethical and
potentially illegal conduct. The resulting deterioration in public trust prompted media
inquiries in the UK and Australia.

All these events have impacted on the standing of financial journalism. In 2013,
international scholars of media and communications gathered in Dublin to debate
and discuss the characteristics and scope of the continuing economic crisis and
global shifts in power. The papers were varied but the overall message was clear—
the economic and media systems have been shaken, but there remains room for a
media system that is ethical, inclusive, and representative of an international and
diverse society.

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22 See: International Association of Media and Communication Researchers (IAMCR) 2012
conference, Crises, ‘Creative Destruction’ and the Global Power and Communication Orders,
http://www.iamcr2013dublin.org/
The findings of this study show the need for industrial support of mainstream financial journalism if it is to thrive and to do the job the public is entitled to expect from it. More resources need to be invested by media outlets so that journalists can hold their sources to account, provide independent analysis, and conduct investigations into corporate misdeeds and changes in the financial industry. If deregulation is going to continue as a political mantra, then journalism resources need to be adequate to ensure the financial industry is accountable, that the public is appropriately informed, and that the public interest is safeguarded.

The support also needs to be institutional. Each publication analysed for this study subscribes to similar goals to provide independent, fair and impartial reporting in the public interest. The editorial codes at the New York Times, the Guardian, and the Sydney Morning Herald all enshrine specific values and practices. However, the content analysis and practitioner interviews clearly show the gap between ethical theory and ethical practice. If faith in the financial press is to be restored in a post-GFC, post-Leveson, and post-Finkelstein news environment, then media proprietors and editors need to actively enforce ethical practices from the top down. Editorial codes also need updating to encourage a move away from the over dependency on PR sources and material. The codes should clearly point out that using PR generated information is the last option, rather than the first option.

This study also revealed an interesting difference in approach between financial and economics journalists that may warrant further study. It is the economics journalists who tend to provide sage economic analysis, look at long-term trends, and report for the general public, as well as the market. They are needed to explain important economic shifts, as well as the political economy more broadly. They represent a sub-section of finance reporting that remains closer to the traditional ideals and role.

If this study has done nothing else it has proved that the public was once relevant and catered for, but that since the 1990s it has become increasingly invisible in the reportage and its interests have been overlooked. This is not a resourcing issue, but a question of ideology. Internal and external pressures have encouraged a culture of groupthink based on maintaining the free-market pro-business status quo values. There are examples of financial journalism—in each of the case studies—that do provide warnings, explain complicated issues and developments with minimal
jargon, and lobby on behalf of the non-shareholding public—for better tax conditions or more inclusion in government policy, for instance. Also, the interviews indicate that practitioners still see the general non-shareholding public as central to their news values—even if practical commercial and time pressures deflect them from achieving this goal. Since it is the journalists who ultimately decide what the story will be, the suggestion is that they can exercise this power themselves to improve standards.

**Suggestions for Further Study**

It was noted in the conclusion to Chapter Four that because of the time restrictions of the PhD framework the study was limited to three mainstream publications. Therefore, there is certainly scope for the study to be extended to include a larger sample of mainstream publications. The methodology could also be used for a similar study of specialist financial publications. There is also scope to compare newspaper coverage with online and social media coverage. Analysis of a wider selection of financial news would make it possible to draw conclusions about financial news more generally. Further to this, the use of a panel of coders to analyse the articles would provide an intercoder reliability coefficient and more credibility for the study.

It is also acknowledged that the range and selection of practitioners for interviews were too narrow to draw generalizable conclusions from their responses. The evidence presented here can serve only as an indication of an area that merits further investigation by a more comprehensive survey. More interviews with practitioners are needed, especially—as the results from content analysis indicate—to investigate the differences of approaches and motivations that exist between financial and economics journalists.

A related area of research could focus on the audiences that consume mainstream financial reportage, using interviews and public workshops to establish the level of their financial understanding, to explore the ways in which they get their information, and to assess their information needs relating to the mainstream publications.
Future studies could also include surveys and interviews with financial industry stakeholders, such as CEOs, PR workers and strategists, financial analysts, ratings agencies, bankers, policy makers, central bankers, and others. Their attitudes toward the role of financial and economic reporting would greatly contribute to the research field.

The claim in the reporter interviews that economic academics are dull and hard to get usable quotes from deserves further research attention. These independent experts could play a major role in identifying and warning the public about future financial excesses and debacles, and it is important to investigate why they seem unwilling to engage in the public discourse.

This study has demonstrated the effectiveness of its research design and recognised its limitations. So much more could be done in this area, which underscores the urgent need for a reappraisal of mainstream financial reportage. The study has confirmed the important role it can, and should, play in informing and educating the general public in an increasingly complex, digitalised, and financialised world.
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Appendices

Appendix A: Examples of Neutral, Optimistic, and Sceptical Tone

This appendix provides examples of three articles coded as neutral, optimistic, and sceptical respectively to illustrate the way content was selected according to tone.
Sometime in the next three months most taxpayers will be sorting through their 1988 financial records to get the information they or their tax preparers need to file returns. A key to really getting finances under control is to do the job as soon as possible and as thoroughly as possible, by preparing an entire cash-flow statement that shows all expenditures as well as income and deductions.

"I spend a tremendous amount of time on cash-flow statements," said Joel S. Isaacson, a C.P.A. and director of personal financial planning for Weber Lipshie & Company. "Cash flow is the key to evaluating a whole financial life. Everything else flows from it - budgeting, investments, retirement plans."

"It's time-consuming the first time you do it," said Barbara L. Tymec, a senior manager with Price Waterhouse in Washington. "But from then on, if you keep track as you go, it's much faster."

Barbara J. Pope, a tax partner with Price Waterhouse in Chicago, said a cash-flow statement can give people "a snapshot of where they are right now." They should also request a benefits statement from their employer, if they do not receive one, she said. Then they can set up priorities and draw up a budget for the coming year. Some people will need to direct more toward investments, or will want to supplement employer-provided retirement plans, she said. Others will be surprised to learn just where their money has been going.

Mr. Isaacson, who provided a model cash-flow statement to help people understand what to list, said that some people overlook certain income, like interest or dividends accruing in a bank or brokerage account. All income should be listed, as should all expenditures, and when a category is blank, thought should be given as to whether it ought to be.

For example, Ms. Tymec said, many people do not have disability insurance, but every employed person should. "People focus on planned life events like retirement or education, but fail to prepare for the unexpected," she said.
Mr. Isaacson told of one client whom his firm had advised to get disability insurance. He procrastinated, then came down with AIDS. People should base their decisions on how much disability or life insurance to buy on needs and expenses, not on income, as many people do, Mr. Isaacson said, and preparing the cash-flow statement is a key to determining those amounts.

Some people will discover that they have a negative cash flow, he said, and they have big problems. They need to draw up a budget and cut expenses or figure out how to increase income. Others will have a positive cash flow, and they should set up a regular saving and investment plan with the excess.

"The key to lifetime security isn't the rate of return, but the rate of investing," Mr. Isaacson said. He recommended using dollar-cost-averaging — that is, investing the same amount in a security or fund each month. Also, consider marginal tax brackets in deciding whether to invest in taxable or tax-exempt securities.

Some taxpayers will undoubtedly prepare cash-flow statements and decide they need professional advice in restructuring insurance and investment portfolios or consolidating debt, but simply getting all the information organized will help them use the professional's time to maximum advantage at the least cost. PREPARING A CASH-FLOW STATEMENT Take a yellow pad or use a spreadsheet program and copy the applicable categories and subcategories in one column, adding any that may be needed. Across the top of the page write headings for each month and for the year. Then enter the amounts for 1988. Receipts Salary Bonus Self-employment income Director or trustee fee Commissions Pensions Annuities Social Security Royalties Alimony Child support Gifts and inheritances Trust distributions Dividends Interest Sale of assets Loans receivable Other sources Total Receipts Expenditures Household Rent Mortgage payment Property taxes Utilities Telephone Household maintenance Household help Furniture and other Clothing Food Groceries Lunch Insurance premiums Life Disability Medical Car Property and liability Other Transportation Car payments Gas and oil Repairs and maintenance Tolls, garage, etc. Commuting expenses Taxis Medical Education Gifts (birthdays, holidays, etc.) Contributions Entertainment Vacations Dining out Movies, plays, sports, etc. Hobbies Parties, etc. Taxes Federal income State and local income Property Other Social Security Loans Education Margin accounts Other Personal expenses Grooming Petty cash Savings and investments I.R.A.’s Payroll plans (401k etc.) Regular savings Investments Alimony or child support Child or dependent care Other Total Spending Excess (deficiency) Source: Weber, Lipshie & Company

New York Times Digital (Full Text)
Cool companies - 1. CMG Group.

By Nick Pandya.

303 words 28 November 1998 The Guardian GRDN 105 English (c) 1998

Only a few young professionals blessed with serious talent or powerful connections make it big time in the creative industries. But smart graduates who head for the burgeoning information technology industries find themselves working in the one of most dynamic sectors in the current jobs market.

The Government officially named IT as a creative industry this month when its Creative Industries TaskForce unveiled the results of a mapping exercise which shows the IT industry now employs 272,000 people.

One of the rising stars of this sector is IT consultant and software designer CMG Group. A corporate child of the sixties, CMG was founded by the late Douglas Gorman in 1964 to provide a computer bureau service. Now, in New Labour's New Economy, the firm has dispensed with hierarchy in favour of a status-free corporate culture.

CMG today has developed into a full-service software house and a premier league IT consultancy. The firm designs and installs bespoke information systems and provides business solutions through innovative use of IT products. Last week the firm, as part of a consortium, was awarded a contract to upgrade the DTI's systems.

CMG offers around 100 internships a year to graduates with any numerate degree that has included six months of programming content. All recruits on its Graduate Business Programmes are taken on as consultants and given an initial six to eight weeks of intensive training. Graduate rookies can pull in around #22,000 after 12 months.

If CMG gets your creative juices flowing, send a CV to Emma Haig, Graduate Recruitment Manager, CMG UK Limited, FREEPOST SW4717, London SW1H 9YZ. Alternatively ring freephone 0500 51-61-51 or see its website at www.cmgplc.com

For more details try the Arup website www.arup.com.
A.3: A sceptical article, from the *Sydney Morning Herald*

**The Sydney Morning Herald**

Business

**That's not a recovery, it's another bout of extreme volatility**

Malcolm Maiden

914 words 21 August 2007 The Sydney Morning Herald SMHH English


IT WOULD be comforting to describe yesterday's sharemarket leap as a recovery but it would be misleading, too.

A better description would be that it was a continuation of extreme volatility: the US Federal Reserve set the conditions for a reflexive bounce by cutting the direct rate it charges banks for credit by a half a percentage point on Friday night.

But that move, only days after the Fed had signalled that rates were on hold despite the market instability, only confirmed that the world's most important central bank had suddenly decided that there was a real and worrying risk that the US credit market squeeze would contaminate the real American economy, eroding an anaemic 2 per cent annual expansion rate.

The jury is still out on whether or not that occurs, and subterranean concerns about collateral damage will linger because of the size and suddenness of the Fed's move. What does the Fed know that we don't about the size and nature of the debt meltdown? That's a problem.

The Fed has at least signalled a determination to keep funds flowing in the crucial US market and it will probably back up last Friday's action with a shift in the more general Fed funds rate when its rate-setting committee meets on September 18, or earlier if the market nosedives again.

But more slides and rallies are likely as the credit crunch winds its way through the system and more firms disclose where the losses that the US subprime-collateralised debt meltdown has caused are sitting. Remember, too, that the four-year-plus bull market was essentially earnings-based. Share prices rose - but on the back of rising profits, not because investors were prepared to pay more for earnings, as occurred in the 1990s technology boom. Earnings momentum must be maintained if shares are to put the correction firmly behind them and that can't happen until its economic implications are known.

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As the market gyrates, Grant Samuel is beavering away at its independent expert's report on the proposed Coles-Wesfarmers scheme of arrangement merger. Bendigo Bank, chaired by Grant Samuel's Melbourne head, Robert Johanson, was marketing its proposed $3.8 billion merger with Adelaide Bank, announced on August 9, as the selldown was accelerating. Both deals are complicated by the mayhem.
Announced as a share and cash offer worth $17.25 on the basis of a bulging $45.73 Wesfarmers share price, the Wesfarmers bid is now worth $14.98 a share, and only achieved that value yesterday because Wesfarmers shares rose by 55c to $37.75.

The decline in the sticker value of the deal partly reflects the fact that Wesfarmers is down more heavily than the market because of concerns that Coles is a bad acquisition for Wesfarmers shareholders - including Coles shareholders who convert. One analyst, David Errington from Merrill Lynch, estimated last week that Coles would destroy $5 billion, or $7 a share, of value inside Wesfarmers. The Perth-based group's shares are 17.5 per cent below their price when the deal was announced, three times worse than the fall in the ASX 200 index, which is down 5.8 per cent.

The terms of the cash and share offer remain the same, but with Coles shareholders likely to wind up owning about 40 per cent of the enlarged group. It will be difficult for Grant Samuel not to conclude that the obvious alternative - a complicated partial asset sale and cash return that leaves Coles with the job of renovating its troubled food and booze outlets, and in need of a new management team to do it - is at least as uncertain and risky.

Bendigo Bank and Adelaide Bank said on August 8 that Bendigo planned to issue 1.075 shares for every Adelaide Bank share in a scheme-of-arrangement merger that valued Adelaide Bank at $17.63 a share.

The value of the offer had fallen to $16.04 a share last Thursday as the market selldown gathered pace but shares in both banks rose more than 5 per cent yesterday, boosting the merger price to $16.87.

Bendigo has come in for criticism about the offer after its rejection of a merger approach from Bank of Queensland but there are similar savings in the Adelaide Bank deal and similar scale advantages - which is important because next year's asset-focused capital adequacy regime for banks will favour groups with size and breadth.

Bendigo also saw a better operational fit, between Adelaide Bank's wholesale business streams and Bendigo Bank's retail streams, and culturally in their joint desire to own and develop systems and intellectual property, rather than subcontracting as Bank of Queensland does.

The market correction is an issue for the deal because Adelaide Bank sources almost half its pre-tax earnings from wholesale home mortgage provision and securitisation, and the provision of margin lending finance to investment banks, brokers and wealth management services.

But, so far, no problems have surfaced during due diligence. Early feedback suggests there is more Bendigo Bank shareholder support for its leading role in the Adelaide Bank merger than there was for its subordinate role in a Bank of Queensland merger. Given that 75 per cent shareholder approval is needed for a merger, that matters.
Appendix B: Examples of Articles that Contain Key Words

The data set was captured for the study by searching Factiva with the use of key words. The key words were decided by a review of the literature and had to relate to the crisis being analysed. A list of the key words that were used for the case studies can be found on page 86. This appendix contains examples of articles captured under different key words.
B.1: From the 1990 Recession case study: The key words in this instance are asset boom and the words are in bold format

The Sydney Morning Herald

Business

OUR ASSETS BOOM NEARS A STICKY END

ROSS GITTENS Economics Editor

901 words 17 July 1989 Sydney Morning Herald SMHH 29 English

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It's so typical of economics: we've realised the problem created by the boom in leveraged borrowing just as the boom is bursting. A lot of people are about to find out the hard way.

To the public, the practice of negative gearing relates purely to the financing of investment housing. In fact, of course, that's just the tip of the iceberg. The purchase of any asset can be negatively geared. So business has been borrowing heavily to purchase property and shares, and to take over companies. The more highly geared (leveraged) the investment, the higher the expected after-tax profit when the asset is sold.

The money-making machine relies on the presence of inflation (in asset values as well as in everyday prices) and the absence of inflation adjustment in the tax system. So far, we've focused on how little the economy has to show for all this borrowing and frantic buying and selling of (usually second-hand) assets. This kind of "investment" does little to increase our capacity to produce exports and replace imports. We've begun to think we should reform the tax system to stop it distracting business's attention from more productive ways of making a quid.

But, in a surprisingly frank article in the July issue of its Market Insights, Westpac has drawn attention to the likelihood that the problem is about to solve itself - for the time being, anyway. Leveraged debt, it says, is a two-edged sword. "When, as now, asset prices are falling, or at best standing still, equity can rapidly disappear. For those businesses which paid premium prices for assets, difficult times lie ahead."

"For Australia, the experience should be cathartic. It will be painful in the short term, as the ripple effect of bankruptcies and capital losses spreads through the economy. Whereas earlier, capital gains fed into spending, capital losses will cause belt tightening," it says.

Whew | You have been warned. The point is that the assets boom could go on for as long as asset prices kept rising. But the end has to come eventually and once prices start falling, the game folds up. Actually, the game in the sharemarket ended with the crash of October 1987. In recent months we've seen the growing list of casualties from that episode. In the two years to June, the All Ordinaries has fallen by 19 per cent.
After the sharemarket crash, the action shifted to property. Property values are estimated to have risen by 65 per cent over the same period. But property prices have weakened and interest rates have reached excruciating levels. We have it on Westpac's authority that there are a lot more company crashes to come. This time, the delay is likely to be much shorter.

Recessions are produced by a mixture of severe tightening of monetary policy and sharp decline in business confidence, which causes the slowdown to snowball. The drama of the expected property shakeout increases the likelihood that our landing will be hard rather than soft.

Westpac says that, in the longer term, the shakeout should be beneficial, as investment becomes focused more on productive assets. "Potentially, there should also be less reliance on foreign savings," it says. My fear is that this development may sap our will to achieve a permanent solution to the problem by indexing the business tax system.

TAX CUT DELAYS SLOWDOWN

Paul Keating began tightening monetary policy as long ago as late April last year. The big puzzle for economists has been why it's taken so long for demand to slow. They should consider the effect of the cut in the rate of company tax.

Most attempts to explain the surprisingly long lag have focused - with much justice - on the way the Government sought to downplay, and sometimes even deny, the steady tightening of monetary policy over the course of 1988. The fraternal obligations imposed by Labour governments' elections in NSW, Victoria and WA help explain the lack of frankness.

Public perceptions were further confused by Bob Hawke's repeated predictions that mortgage rates would be down by Christmas, so to speak. The upshot was that the potency of monetary policy was diminished by the absence of any "announcement effect". It's another case where both policy and psychology are important. In this case, the psychological side wasn't helping achieve an early slowdown.

But there's another part of the explanation which has received less attention. While it's clear that the monetary tightening had the overheated housing market firmly in its sights, people often forget that monetary policy works mainly through its impact on the actions of the corporate sector. And it's not just that high interest rates discourage business investment.

The need to make higher interest payments discourages business spending more generally by squeezing companies' cash flows. As their cash flows tighten, companies tend to cut spending wherever they can: running down inventories, suspending recruitment, cutting advertising budgets and so on.

But something has been working in the opposite direction to ease the pressure on corporate cash flows. The company tax rate has been cut from 49 per cent to 39 per cent. As we know, the abolition of accelerated depreciation eventually will make company tax reform revenue neutral. But at this stage, corporate taxpayers are ahead.

Document smhh000020011117dl7h00oql
WHILE the New Economy continues to rule the hearts, minds and wallets of most investors, there appears to be a stirring among the Old Economy stocks left for dead on Wall Street. Shrewd institutional investors, who know a bargain when they see one, and corporate managements, fed up with problems that depressed share prices present, are taking companies private.

Two deals announced last week characterize the nascent trend. United States Can, a maker of plastic and steel containers, said on Wednesday that an investment group led by the chairman of the company planned to buy it for $282 million. The offer was a 41 percent premium to the stock's price before the announcement. The shares, which closed at $19.6875 on Friday, still trade at only 12 times earnings.

On Tuesday, senior managers at Cameron Ashley Building Products made a move to take their company private for $328 million. The offer carried a 21 percent premium to an earlier bid. At its closing price on Friday of $17.4375, Cameron Ashley is trading at about nine times earnings.

"As everybody knows, there has been a huge flight of capital into dot-coms -- technology or biotech," said Paul L. Schaye, a principal at Chestnut Hill Partners, a firm that advises private equity investors. "That sucking sound has left everybody else saying 'What about me?'"

The what-about-me's are legion. Mr. Schaye said there were hundreds of publicly traded companies with relatively few shares outstanding, price-to-earnings ratios of less than 9 and current values of less than $1 billion. Those with solid businesses may become buyout targets, rescuing shareholders and managements from oblivion.

"Some Old Economy companies that are trading at 3 to 6 times cash flow were trading at 7 to 12 times 2 years ago," said Dan O'Connell, chief executive of Vestar Capital Partners, which manages $3.6 billion in private equity investments. "We probably meet with two to three management teams a day that are considering going private."

Going private appeals to these managers, because the depressed stock prices make strategic acquisitions using their own shares prohibitively expensive. Investors like the going-private deals because they can acquire valuable assets at cheap prices.
Annual returns of 20 to 30 percent are common. And with stock prices so depressed, even an investor taking on substantial debt for a buyout can still make the numbers work. Indeed, the premiums to market price that acquirers paid in going-private transactions rose significantly last year. Mergerstat, a supplier of global merger and acquisition data, reports that the median premium paid in 1999 was 32.7 percent, up from 20.4 percent the year before.

Adding to the lure of Old Economy buyouts is the fact that earnings in some beaten-down sectors could soar this year. Steven Weiting of Salomon Smith Barney expects earnings at basic materials companies and energy concerns to grow 41 percent and 50 percent, respectively, in 2000. He also sees strong growth in the capital goods sector.

Investors looking to take companies private have amassed quite a war chest -- $350 billion by one estimate. Even if half of this goes into technology companies, that still leaves a good chunk of change for action among the have-nots.

Graph: "Cashing In" Graph tracks the stock price premium offered to companies going private since 1995.
Another day, another revolution at EMI. A fortnight ago, it was the decision to remove anti-piracy software from online downloads, a huge step into the unknown. Now EMI's back catalogue, its crown jewels, is to be securitised, a process that will effectively mortgage future royalties from proven musical gems to enable a refinancing of the group's towering debts of pounds 1bn or so.

It sounds dramatic, but securitisation makes sense. EMI's debt is rated as junk by the credit agencies, which is par for the course in the music business but expensive. The group has been paying an effective interest rate of almost 8%-8.5% and needs to get the figure down.

EMI did not quantify the net savings, but pounds 20m is a reasonable guess. It is not a fortune, but securitisation also puts the long-term finances on a firmer footing. The timing is also right. Investors these days are willing to pay handsomely for reliable streams of income, and EMI's catalogue is stuffed with songs that sell steadily. It is a safe bet that Motown classics and the Rolling Stones' Brown Sugar will still be heard on airwaves 20 years from now. In other words, securitisation, though fiendishly complex, should be doable.

But does it create a poison pill against a takeover? That would be alarming for investors because the assumption is that Warner Music will return as a potential purchaser sooner or later. On the face of it, there is not a problem here because there will be no change-of-control clause; so the door, in theory, is still open to Warner if it can muster an acceptable price and persuade the regulators to approve.

Those are two big ifs, which is why EMI chief executive Eric Nicoli has to concentrate on doing what he can to relieve the pressures on the company from the slump in CD sales. Another round of restructuring is under way and the fight against digital piracy has been given up as a lost cause. In its place is a strategy to maximise digital revenues by offering a better product. It's a case of making the best of a bad hand.
Of course, none of it will quieten calls for Nicoli's resignation. Another profits warning would surely be fatal, but you have to give the man some credit for his Teflon qualities. Yesterday he achieved the remarkable trick of axing the dividend but pushing the share price up 5%. The market's response partly reflects relief that current trading has not deteriorated further, but Nicoli is clearly not going to be pushed out easily. He is moving at the speed of a man on borrowed time, and, for now, shareholders may settle for that.

Green for Turquoise

Project Turquoise was widely derided as a grand piece of posturing when a collection of investment banks proposed setting up a rival to the London Stock Exchange. The motive, it was assumed, was to force the LSE to submit to price cuts. Surely the banks wouldn't actually go so far as to launch the thing . . .

Suddenly it looks as if they may just do so. They have found a company to provide clearing and settlement services and, behind the scenes, headhunters are said to be working furiously to secure serious names to manage the new company. Goldman Sachs is said to be the driving seat and, given that it advised on two failed bids for the LSE, some may detect the whiff of revenge in the air.

In reality, Goldman and its partners may simply be motivated by the purer ambition of making a profit. The LSE is enjoying record volumes of trading, as hedge funds and their imitators put their booming coffers to work. These are glorious times for stock exchanges and, if Turquoise manages to grab only a small fraction of the pie, there may be a proper business within a few years.

The real sign that they are serious is the planned launch date - November 1. Having put a specific date into the public domain, it would require a sudden, and humiliating, U-turn to cancel the plans. In fact, the scepticism about Turquoise has probably worked to the banks' advantage - if war with the LSE is really the ambition, it's useful to retain an element of surprise.

Poor Choices

This warm weather is a killer. It blew a hole in Debenhams' sales the other day, or so the company said. Now ChoicesUK, which rents out videos and DVDs, says too many of us spent the Easter weekend sunning ourselves rather than watching Casino Royale and The Queen.

That is just about believable, but Choices was telling us only a fortnight ago about the wonderful progress in its recovery plan and the "financial benefits of reduced costs and stabilised margins". Stability seems to have lasted about a week. Yesterday the management's credibility was lost in a day.
Appendix C: Examples of Articles Selected According to Topic

This appendix contains examples of articles from each publication in each case study that were collected under particular topic headings: 1990 Recession: Interest Rates; Dot Com Boom: ‘Old versus New’; GFC: ‘Ordinary’ topics:
As they peered into the new year from the relative safety of the one just past, credit market analysts seemed to have a remarkably clear view of what is likely to unfold over the next six months. What happens afterward is in considerable dispute.

Between now and June, they say, continued strong economic growth will force the Federal Reserve Board to push up short-term interest rates, continuing a tactic employed since March to slow the economy and, thus, ward off inflation.

"The Fed has not finished raising short-term interest rates to keep pace with the business expansion," said Neil M. Soss, the chief economist at the First Boston Corporation. "By mid-year, short-term rates will be a full percentage point higher than they are now."

Long-term interest rates will also move higher in the first half of the year, to the 9.5 percent area, from around 9 percent, most of the analysts said. Shorter-term maturities will rise to 9 percent, from 8.75 percent, they said. With the Fed tightening through much of the last six months, short-term interest rates were more responsive to the Fed's actions than were long-term rates.

As a consequence, the so-called yield curve - reflecting the difference in yields between short-term instruments like three-month Treasury bills on one end of the maturity spectrum and 30-year bonds on the other - has flattened, and the trend is likely to continue this year. Indeed, most of the analysts expect it to become inverted.

"Our basic message is that the bond market environment will be fairly positive in 1989," said Richard Berner, a vice president and economist at Salomon Brothers Inc. "But that view hinges on the Fed's willingness to tighten monetary policy, and push up short rates."

Views reflecting that outlook are widespread. But opinions diverge dramatically over the effect additional increases in short-term rates will have on the economy and inflation over the second half of the year. 'Above Trend' Growth Seen
A large group of economists projects that more tightening by the Fed will have little effect, that economic growth will remain far above the 2 percent to 2.5 percent pace that the Fed has said is necessary to keep down inflation, and that interest rates will move higher.

"Growth will be above trend not only for the year, but for each quarter as well," said Richard B. Hoey, the chief economist at Drexel Burnham Lambert Inc.

Mr. Hoey is forecasting that, on a year-over-year basis, the economy will expand at a 3.1 percent rate in 1989, and that by the end of the year yields on 30-year Treasury bonds, currently just under 9 percent, will have soared to 11 percent. Less Economic Growth

Richard A. Stuckey, the chief economist at E. I. du Pont de Nemours & Company, voicing a less dire outlook, said, "I find it difficult to forecast lower interest rates in 1989."

Nevertheless, Mr. Stuckey said a further small increase in interest rates - along with slower growth in exports, capital spending and personal consumption - would help bring down overall economic growth to the 2 percent to 2.5 percent range the Fed wanted. He predicts that inflation will rise at close to a 5 percent annual rate in 1989, up from the 4.2 percent rate of 1988.

At the other end of the spectrum are those who see the economy losing steam and inflationary pressures easing in the second half. Those factors will encourage the Fed to ease monetary policy and push down bond yields sharply.

Nowhere is this position more vocally espoused than at Merrill Lynch & Company, where the analysts forecast that long-term bond yields will fall as low as 7 percent by the end of the year. 'On the Up Side'

The distinct possibility exists that both sides could be wrong. But most of the analysts concede that the imponderables confronting the credit markets, a list that includes the future direction of the trade and Federal budget deficits and the value of the dollar, suggest that any surprises are more likely to be unpleasant than felicitous.

"Virtually all of the risk to interest rates is on the up side," said John Paulus, the chief economist at Morgan Stanley & Company.

Mr. Soss at First Boston is particularly concerned about the dollar, which remained remarkably stable in 1988 but could face downward pressure this year if the trade deficit does not continue to narrow or Congress and the incoming Bush administration fail to pare the 1990 Federal budget deficit to the $100 billion goal mandated by the Gramm-Rudman-Hollings legislation.

"One significant risk to my forecast is a loss of confidence overseas precipitating a premature drop in the dollar, which would destabilize economic conditions," he said.

While foreign investors may have high hopes for a sizable deficit reduction this year, domestic analysts are far less sanguine.

"Progress on the deficit will be slow, agonizing and limited," said Robert G. Dederick, who served as chief economist at the Commerce Department during the first Reagan Administration and is now an executive vice president at the Northern
Trust Company in Chicago. "For the fourth straight year, we are likely to see a deficit of $150 billion." A Threat to 'Junk Bonds'

Curiously, a huge threat to the high-yield "junk bond" market could, if realized, produce a financial conflagration that might push interest rates much lower.

On Jan. 22, Representative Edward J. Markey, Democrat of Massachusetts, is scheduled to begin hearings on leveraged buyouts.

"Congress may ultimately submit a bill that calls for a limitation on the deductibility of interest payments" on debt used to finance leveraged buyouts, said Robert Long, the head of the high-yield bond research department at First Boston. "If that happens, it will cause some panic, particularly in the stock market. The mere introduction of that sort of legislation will make the stock market go down a couple of hundred points."

In the wake of the stock market collapse of October 1987, the Federal Reserve flooded the banking system with liquidity, and interest rates fell sharply - an event that could recur. But Mr. Long and others said that, given the potential dire consequences, chances appeared slim that Congress would take such a dramatic step.

Aside from that cloud, market participants said that continued economic growth should spell good news for the $180 billion high-yield market.

Moreover, the participants said the market had grown so large, and demand for the issues had expanded so greatly, that any possible action by the Government to force the market leader, Drexel Burnham Lambert, out of the junk bond business would have only a limited effect.

"The market has become too broad and too deep to be hurt by anything that happens to Drexel," said Robert Levine, the president of Kidder Peabody High Yield Asset Management, a subsidiary of Kidder, Peabody & Company. Seeking Protection

Corporate bond investors, still reeling from the losses sustained in the stunning takeovers of Kraft Inc. and RJR Nabisco Inc., in the coming year are almost certain to demand protection from such "event risk" as hostile takeovers or leveraged buyouts.

A few issues that provided investors with protections against takeovers were successfully placed in the wake of Kraft's purchase by the Philip Morris Companies and the RJR Nabisco buyout by Kohlberg, Kravis, Roberts & Company. But most industrial corporations remained on the sidelines and chose not to test the market by issuing new intermediate- to long-term debt.

Corporate finance executives said that with the exception of a few names - the International Business Machines Corporation and the General Electric Company, for example - such provisions would be a staple on corporate debt offerings this year.

"Every issuer will have to answer the question of whether or not he will need poison puts, and what the cost will be if they do provide them, as opposed to if they don't," said Thomas W. Jasper, a managing director in charge of the capital markets group at Salomon Brothers. "The issue will become even more topical if leveraged buyout and merger activity continues at last year's pace." More Municipal Issues
Participants in the tax-exempt market for municipal bonds anticipate more debt issuance this year, as the market continues to recover from its deep slump after the Tax Reform Act of 1986 was passed. The law limited the kinds of bonds that qualified for tax-exempt status and also put curbs on investors.

graphs of forecasts by Wall St. firms for key rates at end of 1988 (pg. D1); key yields and treasury yield curve spreads for 1988 (Source: Saloman Bros.) (pg. D16)

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C.2: The Guardian on “Interest Rates” in the 1990 recession case study

High interest rates and fall in consumer demand put Britain's industry at risk.

By Tim Congdon

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Hardly anyone now thinks that the Government managed the boom from mid-1986 to mid-1988 successfully. In retrospect, it is obvious that Mr Lawson allowed too much borrowing, stimulated too much spending, and risked too much inflation. Unhappily, the evidence is mounting that the Government is now also mismanaging the slowdown. It is piling excessive financial agony on British companies, endangering too many jobs, and keeping interest rates too high for too long.

British companies have been under financial pressure for many months, but the full severity of the problem has become clear only recently. Last year they had a financial deficit of more than 5 per cent of national income, the highest figures ever. This deficit which is the gap between their undistributed income (ie their profits minus tax, dividends and interest) and their spending on stocks and investment widened again in the first quarter of 1990.

They have had to cover the deficit by bank borrowing, but the consequent heavy debts to the banks have weakened balance sheets and proved difficult to service.

The start of the trouble was the restrictive impact of monetary policy on the interest-rate-sensitive parts of the economy.

As a result company profits, which were growing quickly until mid-1989, have started to fall. Unless profits recover, the only way that companies can cut their deficit significantly is to reduce stocks and investment. But when they do this they lower spending further and aggravate the deflation already at work in the economy.

For much of 1989 and early 1990 the Government was disappointed that high interest rates did not seem to be having a more powerful impact on economic activity. Its disappointment is difficult to understand. In the year to the fourth quarter 1988 domestic demand grew in real terms by 8 per cent; by contrast in the year to the fourth quarter 1989 it barely rose at all. The slowdown in spending was clear and marked.

In 1990 interest rates have been higher still and, contrary to the talk in some newspapers of "resilient" and "buoyant" demand, the underlying weakness in the economy has intensified.

Such reliable advance indicators of business activity as housing starts and car registrations have been behaving in much the same way as before the 1975 and 1980/1 recessions.

It seems inescapable that the slowdown of 1989 and early 1990 will evolve into the recession of late 1990 and early 1991.
The Government is nevertheless insisting that it will not ease monetary policy. It apparently wants to bring our inflation rate down to the European level in the next few months as part of its preparation for entry into the exchange rate mechanism of the European Monetary System.

Decisions on interest rates today affect credit demand and monetary growth over the next six months to a year, and these will have their full impact on inflation only two to four years later. Anyone who believes that interest rates in September 1990 affect the retail price index in December 1990 does not understand the nature of cause and effect in monetary policy.

If the Government is deferring interest rate cuts until British inflation is fully respectable for ERM entry, it still has a long wait ahead. While it is pondering the options many good companies will be wiped out and unemployment could head for two million.

The Government's actions would be appropriate and even praiseworthy if it wanted to have stable prices by 1992. A severe deflationary process, provoking an economy-wide scramble into cash of the kind we have described, would be one certain method of achieving this. The Prime Minister and the Chancellor may have judged that, if inflation were indeed nil, the electorate would applaud the bravery of its economic policies and re-elect the Conservatives despite the deep recession.

But most people would regard this attitude as quixotic to the point of eccentricity. The Government would have hardly any excuse for the economy lurching from the headlong boom of the Lawson years to a slump even more traumatic than that of 1980 and 1981.

Price stability is an admirable policy goal. But, after Mr Lawson's many blunders in monetary management, it is not a credible objective in the next two or three years. A determined drive for stable prices now would be counter-productive, because it would lose the Conservatives the next general election and weaken the political constituency for responsible financial policies in the long term.

The best that the Government can hope for in its current term is to bring inflation down to 5 per cent. It has probably done enough already, with more than two years of high interest rates, to restore 5 per cent inflation in late 1991 and 1992. But, if monetary policy remains so fierce for much longer, it is risking a recession of unnecessary depth. It would also be courting electoral disaster.

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The Sydney Morning Herald on “Interest Rates” in the 1990 recession case study

Business

GOVT COMES CLEAN ON THE RATES LIE

Tom Burton

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During the bad old days when Governments set exchange and interest rates, it used to be said that it was acceptable for politicians to lie about anticipated rate changes.

Today, thanks to deregulation, the Government's conscience is not bothered by this type of white lie. Instead, as rates rise, the Government can luxuriate in the myth that the market sets the rates.

While the rates are obviously set by the market in the long run, the Government - through the Reserve Bank and its own comments - can and does manipulate rates in the short and medium term to achieve its economic objectives. It does this by pushing cash in and out of what the Bank calls "the system".

This week saw the Government finally come clean and admit it had been tightening monetary policy by lifting interest rates in recent months. Over the past six weeks, both Paul Keating and the Reserve Bank Governor, Bob Johnston, had been denying monetary policy needed to be tightened.

When the first increases appeared the Treasurer said they were simply part of the follow through from the June-quarter interest rate increases. As cash rates kept rising, Keating still maintained there would be no discrete increases in interest rates.

In the trading rooms of the finance market the dealers at first were confused. The bank did not appear to be screwing down the hatches but each time rates edged up the official rates would snug up behind them, lifting the floor under the rate structure.

The bank was worried about the strength in the economy, particularly in the housing sector. Like a runaway locomotive, the housing boom on the east coast and in the west was starting to drive the consumer price index up. The bank, which traditionally takes a harder line on credit conditions than the Canberra bureaucracy, decided to "lean into the wind".

In Canberra, there were two camps. Treasury economic deputy Chris Higgins led the school sympathetic with the bank - that interest rates needed to be lifted to clear the way for large tax cuts next year. The early trade figures, car registration and employment figures were all showing strong upward trends. If they continued, it was going to be very difficult to inject the economy with a large tax cut and not send inflation and the trade deficit through the roof.
Less convinced was Treasury Secretary Bernie Fraser and some of Mr Hawke's key economic advisers. Their view was that while the economy appeared to be strong, the activity was patchy. Retail sales remained subdued, and while economies in some States were surging, others were struggling. The concern was that if rates were lifted, the keystone of the Budget strategy, a 12 per cent increase in business investment, could be jeopardised.

For a while this view held sway. Keating was happy to allow the bank to snug the rate but believed there were not enough hard figures to make any discrete jump in rates. The announcement late last month of a poor inflation figure saw cash rates again pushed up a few notches, forcing the more exposed private banks to lift their key home loan rates.

The two big lenders, Westpac and the Commonwealth, however, held out. At the same time both the bank and the Treasurer were coming under pressure from dealers and market economists to clarify the position on rates so as to remove uncertainty in the finance markets.

Last week the doves lost out. Keating met Bob Johnston and agreed to abandon the snugging approach. With PAYE payments due this week, there would be a run down in the amount of cash in the system. On Monday some of the official dealers were left in no doubt that the bank cash rates were to be pushed up to the 14 to 14.5 per cent range. Keating spoke to Hawke and, on Tuesday, in a prepared answer to a Dorothy Dixer, Keating confirmed monetary policy had been tightened, signalling to the market there was now a new floor which would be lifted if "appropriate".

Next morning the Reserve Bank pages on the dealers' Reuters screens announced ahead of the Treasury note tender outcome that the bank was upping the rediscount rate. This was the first time since the trade crisis in 1986 the Reserve had announced its rediscount rate ahead of the tender outcome.

Some in Canberra dispute that the bank was sending a signal, but bank insiders say the decision was taken the night before and no-one in the market saw it as anything but a sign in bright lights that rates were on the way up.

Yesterday, senior government officials conceded there had been a discrete increase to try to force the major banks still holding out to lift their rates.

Many in the market this week were openly critical of the bank's approach, which seemed to drag out the agony for no reason. Government advisers rejected this criticism, arguing that the Government has had to feel its way in the face of contradictory indicators of economic activity.
When Heidi G. Miller quit her job in February as the highest-ranking woman at Citigroup to join Priceline.com, the online travel agency, her move was heralded as a stunning signal that the new economy was eclipsing the old one.

Now that Ms. Miller has abruptly resigned from Priceline and is looking for work, her brief adventure in cyberspace is being cited as confirmation that the dot-coms are dead. But Ms. Miller says that she never was a true believer -- and, likewise, that she has not lost all faith, despite the turnabout that has slashed Priceline's share price by more than 90 percent and left her options on the company's stock virtually worthless.

"The general perception was the dot-coms were all golden and now they're all dirt," Ms. Miller, 47, said in an interview this week. And though neither assessment was accurate, she added, the shift in investor thinking has greatly impaired the growth prospects of Internet-based start-ups and wiped away much of their appeal to experienced executives like her.

Ms. Miller walked away from Priceline's headquarters in Norwalk, Conn., last week after the company -- still struggling to turn a profit -- decided to retrench and lay off 16 percent of its employees.

Others also bailed out: Maryann Keller, a longtime Wall Street automotive analyst, quit as president of Priceline's online car-buying service, and Bill Pike, a financial executive who had followed Ms. Miller from Citigroup, also resigned.

Shares of Priceline fell $1.03, to $3.25, a new low.

"A workout situation requires a different type of team and attitude," Ms. Miller said. "I didn't want to do that at this time in my career."

The collapse of Internet stocks since last spring has slowed a brain drain from established companies that had caused headhunters to work overtime and propelled pay packages heavenward. The value of Ms. Miller's Priceline options briefly shot up to more than $40 million last March, before crashing to earth.

Even in that context, Ms. Miller's hasty retreat resounded through executive suites, because "Heidi was and is an 'A' player," said Rick Savior, an executive recruiter
who specializes in technology companies at the Directorship Search Group in Manhattan. Ms. Miller said she was fielding offers from a variety of organizations, including philanthropic groups.

Ms. Miller expressed no sorrow for investors who had bought Priceline's stock on her arrival, having interpreted her move as a buy recommendation from a savvy Wall Street veteran. "Investment decisions are different from career decisions," she said, adding that she was motivated not by the lure of Internet stock options but by "personal decisions about what I wanted to learn."

And learn she did, about electronic commerce and about building a consumer brand, Ms. Miller said. But she also found that dot-com enterprises are not all that different from more traditional established corporations.

In particular, she said, she no longer believed that the new economy was any more hospitable to women executives than the old one.

Shortly after she left Citigroup, Ms. Miller said of her experience there: "I know I've had a very good run, but that doesn't excuse what I know to be real bias." At the time, she said she expected a start-up like Priceline would be a better place for women to flourish.

Now, she says, she "never bought that idea." Describing herself as a radical feminist, Ms. Miller explained, "I don't think young men are any less biased than old men are." In that regard, she said, "dot-coms are smaller versions of big corporations." So would she join another Internet-based company? "Only if I were totally in control," Ms. Miller said.

She declined to talk about decisions made by her superiors at Priceline with which she disagreed, saying only that there were "differences of opinion about what the right thing might be."

Brian Ek, a spokesman for Priceline, said company executives would have no comment about Ms. Miller's departure beyond what Daniel H. Schulman, the chief executive, said in a statement last week. In part, Mr. Schulman said, "We know she is supportive of the long-term direction the company is taking and wish her the best in her future endeavors."

A lack of authority was one of Ms. Miller's reasons for leaving Citigroup. A favored lieutenant of the Citigroup chairman, Sanford I. Weill, Ms. Miller, as the financial company's chief financial officer, apparently wielded influence and had a bright future. Last year, Fortune magazine ranked her as the second-most-powerful woman in corporate America, behind Carly Fiorina, the chief executive of Hewlett-Packard.

But she found her job on Wall Street constricting, and has said that she was frustrated in her desire to run a business at Citigroup. "I had a great run at Citi and Sandy did lots for me," Ms. Miller said. "But at the end of the day, only one person makes the decisions."

Mr. Weill has not called, she said, but James Dimon, a friend and former colleague who is chairman and chief executive of the Bank One Corporation in Chicago, has. Mr. Dimon urged her to call him before making her next move, she said, though she
indicated she had no intention of uprooting from her home in Connecticut to join him in Chicago.

She also played down the chances that she would return to being a corporate chief financial officer, saying "been there, done that." Otherwise, her future is not clear, she said.

She dropped this year to No. 20 on Fortune's list of powerful women, and she said she was not in a hurry to shoot back up that chart despite a ribbing from her son about why she had slipped so far.

"Career paths are not linear," she said. "It's not about going from No. 2 to No. 1 on a list, and the score is not about how much money you have."

She clearly bristles at being labeled an "Internet loser," a tag Forbes magazine stuck on her recently. But she said she was not looking back in anger at her colleagues at Priceline or friends who advised her to go there, like Nancy Peretsman, an investment banker at Allen & Company, and William Ford, a venture capitalist at General Atlantic Partners. Ms. Peretsman, an investor in Priceline, introduced Ms. Miller to Priceline's founder, Jay Walker, at a holiday party in 1999.

"I'm certainly smart enough to have understood what I was getting into," she said. "I don't feel I made a big mistake."

Photo: Heidi G. Miller, who recently resigned from Priceline.com, says she is now fielding offers from a variety of organizations, including philanthropic groups. (Ruby Washington/The New York Times)(pg. C4)
Murdoch joins the wired revolution.

By Nicholas Bannister and Chris Barrie.

599 words 2 July 1999 The Guardian GRDN 1

Newspaper baron Rupert Murdoch yesterday declared an end to the era of print and officially joined the wired revolution.

Just six days after marrying his third wife Wendy Deng, 36 years his junior, the media mogul launched a new internet operation. He declared that his global operation, News Corporation, is to transform itself `into an internet company'.

Less than six months ago the media mogul had declared that the internet was `not the death-knell of the old'.

Indeed, he had claimed that stock market internet darlings such as Yahoo!, America Online and Amazon.com were massively overvalued and that he did not `see any need to hurry this' move to new technology.

But yesterday, at a hastily convened press conference in London, Mr Murdoch said the internet would transform business at lightning speed into a world where traditional ways of doing business no longer applied.

`The world is changing very fast. We are moving from an old model economy to a new one, and every business has to find a way of transforming itself for this new economy which is coming upon us with lightning speed. Big will not beat small any more. It will be the fast beating the slow.' Mr Murdoch was officially announcing an agreement with Tokyo-based Softbank, the world's biggest backer of internetrelated businesses.

The agreement, signed with epartners the new media investment arm of News Corporation, will give Mr Murdoch access to some of the most promising young internet companies in the US. Part of the plan is to encourage these internet businesses to expand in Britain. The first will be an on-line mortgage broker. Stressing that the lessons from the new business, to be called eVentures, would be applied across News Corp, Mr Murdoch said the experience would speed the transformation of the media empire itself into an internet operation.

The media tycoon added that `the majority of News Corporation's value would be internet-related'.

News Corp's interests range from News International's newspapers in the UK the Sun, News of the World, the Times and Sunday Times to the Fox film and television group and a 40% stake in BSkyB, the satellite TV company.
He said that his son James, who was responsible for internet activities at News Corporation, would not be involved in epartners.

"He is responsible for everything that is going on inside the company (News Corporation), transforming it into an internet company." Mr Murdoch claimed he had never underestimated the internet, but he had been unable to bid for quoted internet companies because "the prices are way above our level".

But the new venture with Softbank would enable his group to get in on the ground floor.

Indicating the potential for Fox and BSkyB of the internet, he said a lot of young people were surfing the internet which would soon expand its potential for entertainment with the arrival of broadband and stream video. Downloading Star Wars, which would take all day at the moment, would be done in five minutes.

The Guardian's network of websites, Guardian Unlimited, last night won two prizes at the first NetMedia online journalism awards.

Guardian Unlimited (www.guardian.co.uk) won the Best News Design and Navigation category, with judges praising its clarity, and describing the network as "streets ahead of all other sites in the UK and many across the Atlantic".

The Guardian's Film Unlimited site (www.filmunlimited.co.uk) won the Best Entertainment category for its lively content and imaginative presentation.
C.6: The Sydney Morning Herald on “old versus new” in the dot com case study

The Sydney Morning Herald

Business; Bizcom

Traditional Media Struggle For Web Niche

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In the new media age of the Internet, the more nimble and aggressive Web portal sites so far upstage traditional media companies. Sites such as Yahoo, Excite, America Online and Infoseek, as well as specialist Internet-only content providers such as computer news site C-NET, have done their best to help foster the image of old media as plodders and laggers in the new economy.

It is certainly true that most of the big media brand names have so far been wandering in a daze between the old world and the new, trying to attract an audience to their own sites built around their familiar brands and failing to see the mass market power of new portals to draw in big audiences and advertising dollars.

There are exceptions such as the German media giant Bertelsmann and the New York-based Dow Jones which embraced the Internet early and smartly. Bertelsmann has pursued a multi-faceted partnering and investment strategy with Web companies and Dow Jones has established its own interactive version of its best-known newspaper asset, The Wall Street Journal.

Some such as US TV network NBC are so deeply invested in the Net across a range of joint ventures and equity plays (such as MSNBC and CNBC) that something is bound to pay off sooner or later.

But, for the most part, traditional media has floundered in Webland and there is still no consensus on what constitutes a successful Web media strategy. But after years of dabbling with the Web, so called Big Media's Internet future may be much stronger than their rival upstart portal pioneers may think.

In recent months, many media conglomerates have been forking out huge dollars to buy their way into the Web's most highly trafficked sites. From Walt Disney company's purchase of 43 per cent of Infoseek to NBC's deal for a 19 per cent stake in C-NET's Snap, a flurry of high-profile deals are sending the message that when it comes to media the Internet is no longer the exclusive realm of the tech wizards.

At least some of the deals done in recent months may prove to be more reactionary than strategic, an attempt by traditional media players to plug holes quickly and regardless of price. But many industry commentators believe that the early lead in new media achieved by the portal sites may be relatively short-lived, despite the fact that many are generating profits while the sites of publishers are still deep in red ink.
The increasing commoditisation of technology, along with the general shift of users over time away from general-purpose portal sites toward more specialist "affinity" portals will leave the uppermost positions of the communications revolution value chain to the owners and creators of intellectual property.

It would be a mistake to discount the strength of the media giants at this stage of the Internet game. While the promise of true convergence between old and new media has a long way to go, there is a growing consensus that the portals need the media giants just as much as the media giants need the portals. Maybe even more so. If history can serve as any guide, the large media players with lots of cash and an ability to execute may yet marginalise the Web portal pioneers.

The history of the early days of American radio some 70 years ago bears this out, when a group of techies turned entrepreneurs, battled with giants such as Westinghouse, NBC and CBS, and General Electric, for control of the first mass medium.

In the early 1920s, there were more than 500 eclectic and independent radio stations operating in the US. Most stations ran at a loss due to limited advertising but just like today's Internet pioneers, they thought they were securing a stake in the new future. If the station was popular enough, the theory went, they could find a way of supporting themselves through voluntary audience subscriptions.

But in late 1926 RCA changed the game with the creation of the first wide-scale advertising supported network, National Broadcasting Company. Others such as CBS and ABC sprang from that move. It was the ability of the giants to construct strongly branded, advertising supported, radio networks the equivalent of today's portals which either swallowed or buried hundreds of smaller, innovative broadcasters. By the mid-1930s, 700 of some 850 radio stations were network affiliates.

Those winners of the radio wars in the US, the likes of NBC, ABC (now part of Disney) which have a stake in Infoseek, NBC (via its partnership with Microsoft and its stake in Snap), and Westinghouse (with its CBS Sportsline and Moneywatch sites) are now playing in a new battle on the Web. Their key assets are their brand power, their content power and the pulling power their content can bring.

As the Internet changes from being technology driven to content driven, the assets of the traditional media players would take on a far greater and reinvigorated emphasis to both consumers and advertisers.
ADAM GARDNER wasn't going to let limited resources stop him from buying a house. A 28-year-old appraiser's apprentice from Reno, Nev., he extended his search all the way to a new development 20 miles north of downtown. When he finally found a place -- a two-bedroom, three-bath house -- he took out two loans to finance 90 percent of the $253,850 price tag. And to keep his monthly payments within budget, he obtained what's known as an interest-only adjustable-rate mortgage.

"I moved out of Reno to find something I could afford. Even then I needed an interest-only adjustable mortgage," said Mr. Gardner, who closed on his new home in April. "First-time home buyers are being pushed out of the market entirely."

Actually, many first-time home buyers are being pushed into the embrace of creative financing. As the housing boom lifts the median home price way beyond the budget of huge numbers of Americans, middle-income home buyers like Mr. Gardner are increasingly turning to such mortgages -- a decision that could well come back to haunt both them and the banks behind the loans later on.

The newfangled mortgages have been heralded in the industry as useful tools for buyers who would otherwise be shut out of the surging real estate market. That's because they reduce borrowers' monthly payments by allowing them to pay only interest initially while charging a lower interest rate that remains fixed for a few years before starting to adjust annually for the rest of the term, typically 30 years.

But critics say they are riskier than standard mortgages, as they are prone to two payment spikes -- one when the interest-only period expires and another when the fixed-rate period ends and the borrower faces potentially much higher interest rates.

Critics also worry that offering extra-risky financial products that permit financially vulnerable buyers to get ever bigger mortgages is particularly perilous now, when many experts say the housing bubble may be near a breaking point.
"We are in uncharted territory," said Susan M. Wachter, professor of real estate at the Wharton School of the University of Pennsylvania. "On the one hand, it is the case that these mortgages enable purchases of homes by higher-risk, poor-credit households who otherwise wouldn't be able to own a home. But on the other hand, they are riskier products, and we don't have historical data to know how risky they are."

Mr. Gardner, for one, is not especially worried. He said homes like his had already appreciated substantially, in his case making him a paper gain of tens of thousands of dollars. By the time the interest rate on this 30-year mortgage starts adjusting and his mortgage starts amortizing -- in five years -- he expects to have either sold or refinanced the home.

If he cannot, however, he may have to dish out a lot more money to pay his mortgage. How much more? If interest rates on his mortgage rose by a mere, say, two percentage points, to 7.25 percent from 5.25 percent, his mortgage payments in five years would increase by about $500 a month -- to some $1,560 from about $1,060, according to estimates by Cathie Jackson, who owns Mortgage Options, the broker who arranged Mr. Gardner's loan. But if rates spiked to 10.25 percent, as they did in the late 1980's, he could end up paying almost $1,000 more a month.

UNTIL recently, interest-only mortgages were the preserve of more affluent borrowers, people with solid or "prime" credit histories and substantial resources, including high incomes relative to the size of their total debt payments. They mostly used I.O. mortgages, as they are called, to refinance and extract cash from their homes.

But as home prices have continued to soar, lenders have aggressively pushed interest-only mortgages down-market. According to the Mortgage Bankers Association, typical home buyers using interest-only adjustable-rate mortgages could afford to borrow some $50,000 more than they could with standard 30-year fixed loans -- and still make the same initial monthly payments. So banks are offering the new products as an instrument of choice for potential buyers who could not otherwise afford a home.

In the subprime market -- where borrowers have low credit scores, higher debt-to-income ratios and, often, little cash to make a down payment -- interest-only loans soared from virtually nothing two years ago to about a quarter of all new mortgages in the first half of this year.

"The most direct contributor to this is housing prices," said David Liu, a mortgage strategist at UBS, the investment bank. "Average income definitely did not keep pace with home-price appreciation. The only way for buyers to afford a house is to get a bigger loan."

One of the first banks to take the I.O. mortgages down-market was First Franklin, a unit of the National City Corporation in Cleveland. Its specialty is what it calls the nonprime market, essentially home buyers with better credit ratings than typical subprime borrowers but who cannot afford a down payment.

First Franklin has had success selling interest-only mortgages that it promotes as a way to "reduce monthly payments, reduce debt-to-income ratios and boost loan
amounts." Today, such loans are more than half of its new mortgages, up from 27 percent two years ago.

First Franklin offers 100 percent financing that its Web site suggests is "ideal for first-time and low-cash buyers," and even 103 percent financing for buyers "to shrink their out-of-pocket expenses or to maximize purchase power."

John Gellhausen, vice president for consumer finance at National City, who is in charge of the First Franklin unit, said customers using interest-only loans were not necessarily financially troubled. They just have better things to do with their money, he said, than make a down payment on a home or pay the principal on the mortgage.

Maybe so. But many First Franklin customers also use interest-only mortgages to push their borrowing and buying power as far as it will go. On average, they borrow 94 percent of the value of their homes, mostly through a second fixed-rate loan for the down payment. Even though they are paying only interest, they devote a whopping 45 percent, on average, of their income to debt service.

By comparison, according to a UBS analysis, subprime borrowers using 30-year fixed-rate mortgages borrow, on average, slightly more than 75 percent of the value of their home and devote a more manageable 38.8 percent of their income to debt payments.

As these new products proliferate at the bottom end of the housing market, the risk is that borrowers will extend themselves, chasing houses higher and higher up the price scale. That would be somewhat akin to a low-income dishwasher buying stocks on margin at the height of the dot-com bubble.

Buyers using interest-only subprime loans have decidedly riskier profiles. They typically borrow a bigger percentage of the value of their homes, and earmark a larger slice of income to pay their debts. Most of these mortgages keep the interest rate fixed and allow interest-only payments for just two or three years, according to UBS.

That could soon expose borrowers to higher mortgage payments. In fact, interest rates -- especially the short-term rates that determine the rate on adjustable-rate mortgages -- are already rising sharply. If house prices take a nose dive, these buyers may find themselves squeezed between growing debt payments and a devalued asset.

"They are selling it to you because it is a stretch for you to make the payment on a traditional mortgage," said Kathleen Keest, senior policy counsel at the Center for Responsible Lending in Durham, N.C. "That means that you are looking at more home than you can afford. When, five years down the road, the loans switch to amortizing, which is likely to be at the same time that interest rates are rising, you are going to be hit by a payment shock."

Nonetheless, both buyers and their financiers seem sanguine about the risk. Most buyers trust that they will have sold or refinanced their home before the payment shock kicks in, taking advantage of appreciation to build equity and to land a new mortgage on better terms. "Very few people will still have these mortgages by the time the adjustment occurs," said Ms. Jackson, who is also president of the Nevada Association of Mortgage Professionals.
Besides, for many middle-income buyers, the choice is often between an interest-only adjustable-rate mortgage and not getting the home. In California, for example, one needs to earn $125,870 a year to qualify for a standard mortgage to buy a median-priced home, which currently costs $542,720. Only 16 percent of Californians make that kind of money.

Kristi Borean, who owns Highland Financial, a mortgage broker in Murphy, Calif., noted that the price of an entry-level home in her area was rising above $300,000, up from a $90,000-to-$120,000 range 10 years ago. Not surprisingly, she said, the profile of the first-time home buyer has radically changed. To qualify for a standard loan for an entry-level house, Ms. Borean said, a household must have no other debt and needs at least "two decent jobs -- say a teacher and a policeman."

"Ten years ago, entry-level buyers were waitresses and gas station attendants," she added. "Today they are out of the picture. They will rent until their parents die and leave them their house."

First-time home buyers are stretching the most. Nationwide, the typical first-time buyer earns only about 70 percent of the income needed to qualify for a standard mortgage to buy a typical entry-level home with 10 percent down, according to the National Association of Realtors.

For Mr. Gardner in Reno, the interest-only mortgage was essential. The total monthly payment of $1,300, including taxes and homeowners' fees, was about a third of his and his wife's monthly income. Had he sought a standard, fixed-rate mortgage, he estimates, it would have been about $300 higher, and he might not have qualified for the loan.

NEARBY, in Carson City, Erica Hall splits her time between full-time study at the local community college and a $1,300-a-month job in the reservations department at Harrah's Casino Hotel. She recently closed on a $135,500 condo but she said she could not have afforded it with a standard mortgage. Ms. Hall, who is 20, managed to close the deal with a 30-year mortgage that is interest-only for 10 years. That pulled down the monthly mortgage payment to just over $600. And while she said she expects to be able to refinance before her rate starts fluctuating and her amortization payments kick in, she acknowledged that her finances were already "a teeny bit stretched."

Many home buyers may be overconfident in their ability to refinance their way out of a future mortgage squeeze. Their assumption is a rosy one -- that home prices will continue on their upward path, or at least not decline, and that interest rates will not rise too far.

But if the housing market tanks, as a growing number of skeptics expects, refinancing or selling into a falling market with higher interest rates won't be easy. As Bette Dobkin, a real estate agent for Coldwell Banker in Arcata, Calif., noted: "Everyone's fear is what happens when rates go up and people are stuck."

So is the market poised for a wave of home repossessions? For the moment, interest-only mortgages are performing splendidly, even among subprime borrowers, showing lower delinquency rates than those of standard fixed-rate loans. But few of
these interest-only loans have hit the payment shocks of amortization or higher interest rates.

While there is no exact parallel for the current explosion of creative mortgages in the subprime market, there are precedents that might give bankers some pause. "We have had high default outcomes associated with instruments that were heavily used by low-income people," said Ms. Wachter of Wharton.

She recalled two programs started by Congress in 1968 to stimulate low-income homeownership through mortgages that required only symbolic down payments and had very low, subsidized interest rates. Of nearly one million mortgages issued through the two programs, nearly 18 percent defaulted.

But if the latest doomsday forecasts are right -- and house prices dive while interest rates soar-- there may be a silver lining of sorts for homeowners with interest-only adjustable-rate mortgages.

Bob Tremble, who owns Fairview Mortgage, a small mortgage broker in the upscale gated community of Coto de Caza, near Mission Viejo in Orange County, California, observes that buyers who finance 100 percent of their homes with interest-only mortgages are likely to have no financial stake in the homes. If rates rise and the homes are repossessed, they will lose nothing.

"The really big risk is on the part of the lender," Mr. Tremble said. "Lenders have more to lose than borrowers."

Photos: Adam and Sunny Gardner got an interest-only loan for their home. (Photo by Max Whittaker for The New York Times)(pg. 1); Erica Hall, 20, was able to buy her new condo in Carson City, Nev., thanks to a 30-year loan that requires payments of only interest for 10 years. (Photo by Shannon Litz)(pg. 8)

Chart: "Principal Later"

Interest-only loans, a substantial fraction of prime mortgages, are making gains in the subprime loan market. Subprime loans are made to people with lower credit scores. INTEREST-ONLY LOANS As a percentage of new mortgages Graph tracks prime* and subprime loans from 1999 through June 2005 (for subprime). *Includes negative amortization loans. (Source by LoanPerformance)(pg. 8)

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In many ways, looking back over 2005, it would be better to think of England winning the Ashes, Darren Gough winning Strictly Come Dancing or the brilliance of Bleak House. In terms of the economy, this year is really one best forgotten. Growth was poor, unemployment started rising after years of decline and manufacturing is back in the doldrums.

The best one can say is that it could have been worse. Oh yes, and it was the year the UK was overtaken by China and so lost its spot as the world's fourth largest economy, after the United States, Japan and Germany.

It looks like the British economy managed to grow only about 1.75%, although we won't know the true figure for some time, and it could be higher. As it stands, it is the weakest since the recession of the early 90s, well below the average 2.5% forecast among independent economists at the beginning of the year and barely half the 3%-3.5% pencilled in by an ever-optimistic Gordon Brown in his budget in March.

Rising interest rates from last year, rising taxes due to fiscal drag and a cooling housing market all took their toll on incomes and resulted in a sharp slowdown in consumption which, along with rapid growth in public spending, had kept the economy motoring for several years. But once the consumer engine stuttered, the whole economy did.

There was optimism aplenty earlier in the year that growth would become more balanced. Industry, it was argued, would benefit from a strong world economy and exports would pick up sharply, driving up business investment and taking up the baton dropped by the flagging consumer.

Interest rates

It didn't happen. Exports have shown signs of improvement but manufacturing output stalled again, probably because the pound remained strong, particularly against the euro. Business investment has stayed very low and productivity growth - the ultimate driver of living standards - dwindled. Instead of more balanced growth this year, we just had less growth.

The Bank of England, which stopped raising interest rates in August 2004, grew increasingly alarmed at the situation in the summer and cut borrowing costs by a quarter of a point to 4.5% last August. But it did so at a time when inflation was
rising above its government-set target of 2%, thus constraining its room for manoeuvre to reduce rates further to boost growth, which has now been below its long-term trend of around 2.75% on an annual basis for five quarters.

One thing that didn't happen, though, was a slump in property prices. Since Bank of England chief Mervyn King warned in June last year that the housing market risked running out of control and crashing, prices have been static. That pulled the annual growth rates of all the major housing market indices down sharply from nearly 20% last year to about 3%. But expectations that the annual rate could turn negative this autumn, dealing the market another psychological shock, proved wide of the mark. Indeed, annual rates have started to creep up again and buyer interest is re-emerging. The housing market, possibly thanks to the rate cut in August, has been shored up and looks to have settled on firmer foundations.

Consumer spending, too, seems to be past the worst and slowly rising again, as the Bank of England has predicted. It is still nowhere near the sizzling pace of recent years but neither is it dead in the water.

November's sales were the best for several months. Having rested for a year, the good old British consumer appears to be shrugging off record levels of debt and is starting to spend again.

The labour market is a little harder to read, though. On the face of it, things don't look great. The claimant count measure has risen for 10 months in a row, by a total of 88,000 to a two-year high of 900,000. The wider measure, the labour force survey, suffered its biggest rise in 12 years in the most recent three months.

But employment hit a record high, a cause for celebration, and economic inactivity - such as the long-term sickness tally - has been falling. The rise in employment could be explained by immigrants arriving and getting jobs, adding to employment without reducing unemployment. But the most recent figures also show that the number of pensioners getting jobs jumped 10%, or 100,000, over the past year. That occurred while youth unemployment was rising.

It's probably best to conclude that the labour market is static rather than obviously worsening, and that is a source of encouragement for next year.

So what is likely to happen in 2006? Most pundits predict a gradual, unspectacular improvement, with growth of 2.5% or so, possibly helped by another rate cut or two. Inflation has fallen back to 2.1%, so one constraint on rate cuts has been lifted.

But the Bank remains concerned that the sharp rises in oil prices this year could push through into the forthcoming wage round, although there are no signs of that. In fact, quite the opposite appears to be happening as earnings growth has slowed.

Mr King and his colleagues on the monetary policy committee face the problem that, if they cut rates, consumption and the housing market may pick up a bit, meaning we are back to the old problem of unbalanced growth.

Still, the world economy looks set fair for 2006, barring unforeseen shocks or another surge in oil prices (of which more next week). In theory that could mean further improvement in exports and the long-awaited recovery in manufacturing output. But manufacturing output, we learned recently, has shrunk to just 15% of
total economic output, down from nearly a fifth. Can that be relied upon to pull us up? I doubt it.

Stability

It is important not to forget what is happening to fiscal policy. The government surge in spending on health and education, in particular, has been a key source of growth and especially jobs. But, as Mr Brown made clear in this month's pre-budget report, the spending bonanza is drawing to a close. He also raised taxes again, meaning fiscal policy is starting to tighten. This means an important prop holding up the economy is simply not going to provide the sort of boost we have become used to.

It is important not to get too gloomy. The economy has not fallen off a cliff, as it used to when growth slowed. In fact, the IMF last week praised the "remarkable" stability the British economy has shown in recent years. The housing market bubble seems to have deflated gently rather than burst. House prices remain very high on any measure but the risk of a crash has diminished greatly.

The British economy, as I have said before, has gained an oil tanker-like quality where it takes an awful lot to blow it off course. Things have slowed a bit, but something will probably come along soon, such as a fall in the pound. It is just possible that 2006 will turn out to be better than currently expected.
Millions of US homes at risk

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Mortgage meltdown could last for years - MARKETS IN TURMOIL

UP TO 7 million Americans could lose their homes over the next two to three years, having taken out mortgages they can no longer afford, raising the spectre of more turmoil on the US financial markets and a massive loss of jobs on Wall Street.

As the markets brace for the opening of the new week's trading, the question on everyone's lips is whether the Fed's attempt on Friday to inject more liquidity into the system by cutting the discount rate and terms at which banks borrow from the Fed, will be sufficient to stabilise the world financial markets.

According to the influential financial analyst James Cramer, of TheStreet.com, as many as 7 million people will default on their home loans in the US in the next two to three years.

Alan Fishbein, director of housing and credit policy at the Consumer Federation of America, put the figure at 2 million to 3 million. But he said the worst was yet to come, with a big bulge of subprime loans due to move off honeymoon rates in September.

Typically, a subprime mortgage has a two-year honeymoon rate, after which it can jump 3 or 4 percentage points to about 10 per cent. A further rise in the number of loans moving off honeymoon rates is expected in January and Mr Fishbein warned that the later loans were often of more dubious quality because mortgage brokers and regulators had become increasingly lax in assessing the credit-worthiness of their clients.

Mortgage brokers, who found money easy to obtain from banks and other financial institutions, lent to people without assessing whether they could repay the loans at the higher rate.

Usually the homeowner could refinance or, at worst, sell. But a combination of rising interest rates and falling house prices has meant that this is no longer possible, Mr Fishbein said.

"Subprime loans were never envisioned as a long-term product," he said. "The trouble is many people are now stuck with them."

The mortgage distress is not confined to subprime borrowers. Last week The Washington Post reported that a Maryland couple had had their finance withdrawn
two hours before settlement. They had what is known as an alt-A loan, meaning they had a good credit rating but the loan did not meet the criteria which gave it a government guarantee (which is limited to loans up to $417,000).

Meanwhile, the mortgage companies that were selling the loans to Wall Street - which securitised them and traded them - are in strife.

As default rates have climbed the securities have fallen in value, leaving firms that hold them exposed. That problem has caused investors to flee companies which are involved in housing loans, like Countrywide and American Mortgage, but it's also affected other parts of the market such as hedge funds and pensions funds, who hold these mortgage-backed securities.

These firms were also buying the paper that was being issued to fund the activities of the private equity firms such as KKR and Blackstone, which were midway through big deals like buying Alliance Boots.

These investors are now unable or unwilling to fund other more risky ventures with the result that credit has dried up.

Mr Cramer forecast that by Christmas major firms such as Bear Sterns and Blackstone would have laid off 30 per cent of their staff, as a result of what he called a "nuclear winter in the market".

Senators Christopher Dodd of Connecticut and Charles Schumer of New York, both Democrats, recently urged federal regulators to ease restrictions so that Fannie Mae and Freddie Mac, the two giant mortgage agencies, could buy more mortgages and mortgage-backed securities from lenders to add fresh capital to the home credit markets, so that borrowers could refinance.
Appendix D: The Questions asked During Interviews with Practitioners

This appendix contains the full list of questions that were used during interviews with practitioners. They are based on main results from content analysis. The first question relates to results and there are some sub-questions that bring in some of the findings from previous studies and literature that were discussed in Chapters Two and Three. At each stage of the questioning process, the practitioners were asked for practical explanations to explain the results and they were given time to diverge and provide examples from their own experiences.
1. Sourcing Patterns-

Business sources- (I classed as) CEOs, executives, and managers- are the most quoted sources for each of the case studies, with an overwhelming percentage for each publication in each case study. By way of contrast members of the public, and academics, are the least quoted. Is this unusual or is it to be expected that business sources should feature so prominently?

Why are they the most useful/desirable source?

Researchers have raised concerns about financial journalists being ‘captured’ by business sources if they have too close a relationship. Is this a real danger in your view?

2. Rise of PR-

Public relations are now widely recognised by researchers as a rapidly growing and powerful industry.

Have you noticed this trend in your experience? How is PR affecting the day-to-day practise of financial journalism?

3. Shift in Audience

There is an argument raised by some researchers that financial journalism has become enslaved to the business world and financial markets, and the broader public-at-large are no longer the primary audience.

Over the three periods studied investors and analysts move up the list of quoted sources and are nearly the most quoted by all publications by the dot com boom. Is this catering to a more market-based investing savvy audience?

Who do you think financial journalism in mainstream papers is for?

Schifferes 2012 City University study polled the public and it revealed that they want more information about jobs, government spending, less jargon and recognition of ‘ordinary’ people- which they deemed to be the less ‘elite’ that are not necessarily shareholders. I analysed my data according to these parameters, and found that in the 1990 case study, at least a fifth of the articles dealt with these elements- they spoke to an ‘ordinary’ public, reduced jargon and covered topics like jobs and government spending. However, this was not the case with the dot com and GFC case studies, as far less articles contained elements that spoke to ‘ordinary’ non shareholders about jobs and government spending.
Do you think financial journalists should cater for a wider public?

4. Herd Mentality-
I averaged the tone of articles every 3 months and plotted them over three years. Each of the publications follows similar trajectories, reporting along optimistic and neutral lines, and heading towards scepticism at around the same time.

Similarly, the top five themes/issues/topics revealed by the content analysis reveal that similar topics are covered by all three outlets-

Is there pressure to report the same topics/issues covered by other outlets and in a similar way?

This appears to suggest that the pressure to ‘follow the herd’ has worsened. Would you agree? Is this something you have observed?

The dot com was the most optimistically reported case study, is there pressure to report along positive lines?

Is there a need for more proactive reporting? How could this be encouraged?

5. Capitalist/Neoliberal Ideology-
Some studies have argued that the financial press accepted capitalism and neoliberalism and ‘normalised’ it and its processes like entrepreneurialism, deregulation, and globalization, from the 1980s. Deregulation was one of the top five most referred to themes in the framing of the 1990 recession, but then it drops off as the new economy is heralded.

Was there a pressure to accept capitalism and neoliberalism as economic and financial norms?

6. Commercial Pressures and Time pressures-
How have commercial pressures affected the day to day practise of financial journalism? Have you noticed any impact on the quality of the reportage?

7. Are there any other influences – eg media bosses, finance companies, government– that impact on the way you select and cover stories?
8. What do you consider to be quality financial journalism?

9. **Financial training**- Studies have identified lack of education and training a problem that is endemic in financial journalism. Also, since the GFC and the increasing complexity of the economic and financial systems it has been argued that training is needed now more than ever. What are your thoughts about past and current training for financial journalists? Are they adequately prepared to understand and report knowledgeably? What in your view is needed to ensure quality reporting in this area?

10. What then do financial journalists need to do their jobs better? How does the industry need to change to ensure the maintenance of quality standards in finance reporting?