

Introduction

On 7th September 2008 Fannie Mae and Freddie Mac, the two huge US mortgage suppliers were effectively nationalised by the US government and their management sacked; on the 15th September last minute attempts to find a buyer for Lehman Brothers, involving Henry Paulson, US Treasury Secretary and other leading global commercial banks such as JP Morgan, Citigroup and Credit Suisse collapsed; by Sunday 5th October the global financial system had unravelled to the point where, according to insider sources, one of the leading UK high street banking groups, Royal Bank of Scotland / Nat West, was only hours away from closing its ATMs on Monday morning (Mason, 2009a). The cost of the collapse of the global financial system runs into trillions of dollars, perhaps over \$10.8 trillion or around twenty per cent of world economic output, equivalent to £10,000 per person in the developed world, according to some estimates (Schiffres, 2009). Figures produced by the UK House of Commons Treasury Select Committee show that in the two years between April 2007 and April 2009, £178.8 billion had disappeared from the market capitalisation of the UK high street banks (2009:9). Of the nine main high street banks in 2007 only five remained, supported with an injection of £37 billion from the UK tax payer (Tett, 2009:286). The consequences for the lives of ordinary people in terms of job security, pensions, schooling, health care, public transport infrastructure, and so on, are profound.

It was the fond hope of mass communication theory in the middle of the last century that news media might act as the antennae of society, alerting the polity and community to potential threats or significant change in the external environment (Lasswell, 1960). The collapse of financial capitalism must count as a pretty big change in the external environment and yet there has been much soul-searching about the failure of the financial media, including news agencies, to spot the disaster coming before it was almost upon us. This paper draws upon interviews with sources within the City of London and with financial journalists, together with other materials including journalists' blogs, to explore the reasons for the absence of a critical, holistic financial journalism, capable of sounding a louder alarm as the

antecedents of the crisis began to emerge. It uses the framework for analysing the politics of news information flows first developed in Manning (2001).

Theoretical Context

Three decades ago the research agenda was defined by debates between pluralist and neo-Marxist or radical approaches concerning the extent to which dominant power structures exerted control over news information entering the public domain (for example, Tracey, 1978; Blumler and Gurevitch, 1977; GUMG, 1976; Downing, 1980). More recently in developing a refinement or critique of Hall's concept of primary definition by the powerful (Hall et.al., 1978), empirical studies of trade unions (Manning, 1998; Davis, 2000a), environmental groups (Anderson, 1991), criminal justice pressure groups (Schlesinger and Tumber, 1994), paramilitary organisations (Miller, 1994), amongst several others, demonstrated that there *were* opportunities for the politically marginal to secure some significant news media victories, through the strategic use of symbolic and material resources, at the expense of powerful and dominant organisations. It was also suggested that the architecture of the state and its associated internal tensions sometimes generated information flows that political elites found impossible to 'manage' (Manning, 1999). Against this, the more frequent use of professional public relations consultants bought a formalisation of news information flows which could advantage the powerful (Davis, 2002; Palmer, 2000).

Approaching the problem from a rather different point of departure, the more optimistic or utopian strands of new media theory (Negroponte, 1995; Poster, 1997; Kellner, 2001) anticipated the arrival of diverse and fragmented information flows supported by the multiplicity of information sources, running through web sites, blogs, and social media. Again, the picture is one of both opportunity and a new sense of empowerment for formally marginal groups and of a new set of problems for the formally powerful in seeking to manage the diverse information flows coursing around the globally networked world.

So in recent years there has been some common ground established amongst diverse researchers interested in the politics of information flows. While the powerful, those organisations commanding significant economic and political resources, enjoy advantages in the struggle to exercise control over the flow of information, there still exist possibilities for the politically marginal providing they are 'media savvy', and recognise the ways in which other kinds of symbolic resources and media strategies can be deployed. Davis terms this

common ground 'radical pluralism' (Davis, 2000b). But one problem with this kind of approach is that it tends to place most emphasis upon the pro-activity of the organisations struggling to deploy resources to secure media victories. This is not wrong and is, indeed, a very important dimension of the study of contested mediation but it does not help us with another equally important dimension: the expression of power through the non-emergence of information flows. In considering the failure of financial journalism to spot the story of the collapse of global financial capitalism, it is this dimension that requires discussion. The idea that the powerful could somehow benefit from silences or inactivity, as well as mediated pro-activity, certainly goes back a long way (Crenson, 1971; Lukes, 1974). Significantly, this tradition stresses the lack of intention as well as the deliberate will to suppress information flows: sometimes powerful organisations do not need to do anything for inconvenient information not to emerge in public discourse. In the case of the non-reporting of the looming global financial crisis of 2008, a complex combination of forces operated to encourage a non-reporting of the growing problems – a non-reporting that characterised both the financial retail news media and the main financial wholesale news agencies.

Financial Journalists and the Benefit of Hindsight

It has been the best of times and the worst of times since 2007 for journalists reporting on the global crisis. They have secured more space and air time for their copy than ever before; their expertise has never been in such high demand within the news organisations they work for. As Larry Elliott of *The Guardian* admitted, 'we're having a ball... we're no longer the guys with pointy heads sitting in the corner' (Elliott, 2009). But there has also been a spate of public criticism directed at financial journalism for the approach taken to the crisis and some soul-searching on the part of financial journalists, themselves. There have been some complaints that in pursuing stories about individual bankers with enormous bonuses and fabulous lifestyles, the financial press have trivialised the crisis and neglected the more fundamental underlying issues (Goodhart, 2009). Another complaint, made amongst others by the director of the Confederation of British Industry, Richard Lambert (a former financial journalist), has been that media coverage actually exacerbated the crisis by exaggerating the difficulties of the banks, thus spreading alarm amongst the public and undermining investor confidence (Lambert, 2008:9). However, the sharpest criticism and the one to prompt the most soul-searching on the part of journalists, was that they missed the story in the first place, before the crisis was upon them.

Some limited quantitative content analysis studies have already been undertaken of financial reporting in the UK and the US in the years prior to the crises of 2007-08. A preliminary search of UK newspapers using *Lexis-Nexus* undertaken by Paul Lashmar did not reveal, “any journalist providing a serious warning about the dangers of CDOs [collateralised debt obligations] before 2007” (Lashmar, 2008:5). With regard to the US, Starkman undertook a survey of over 700 news reports and articles published between 2000 and 2007 and found that there were very few critical articles dealing with the potential dangers associated with banking, leverage or hedge funds (2009). Indeed, there were fewer critical articles as the decade wore on. Of course, much hangs on what is meant by critical. Starkman did find articles that addressed problems with specific financial services and specific companies but nothing that offered a more critical and holistic assessment. In the UK, several journalists now claim to have identified the ‘warning signs’ in pieces written earlier in the decade¹, though these claims have sometimes been disputed. But it is possible to point to particular pieces produced by Gillian Tett and her colleagues at the *Financial Times* or Alex Brummer, City Editor at the *Daily Mail*, for example, that raised questions about aspects of the dependency upon leverage and corporate debt². But even Tett concludes that ‘the only thing that is more remarkable than this deadly state of affairs [the global financial crisis] was that it went so unnoticed for so long’ (Tett, 2009:299)³.

Journalists have offered four kinds of explanation for the non-reporting of the antecedents of the crisis. Some, including Alex Brummer, have blamed the power of financial public relations to bamboozle journalists; others, including Dan Bogler of the *Financial Times* and Faisal Islam of *Channel Four News*, have pointed to the impenetrable complexity of the financial arrangements made by banks and hedge funds (Islam, 2009; Robinson, 2008). For Brummer, the relative youthfulness of most financial journalists meant that few had memories of the last major banking crisis of the mid-1970s which made it difficult to contemplate the possibility of systematic banking failure. Even a collective exercise in deep psychological denial has been suggested by some (Hewlett, 2008). At the end of the day, some journalists simply argue that they did not report the coming crisis because they simply could not know it was coming⁴.

News Sources and the Politics of Information Flows: was the information ‘out there’?

The explanations offer partial insights that are helpful but a more comprehensive explanation needs to draw upon the theoretical frameworks discussed above. It needs to focus upon the

politics of news sources, the exchange relationships between financial sources within the City and the financial journalists producing whole sale and retail news and it needs to place these in the context of the distribution of symbolic, political and economic resources. However, it also needs to recognise that the inactivity as well as the pro-activity of particular powerful institutions is important. Information was available in the public domain in the years between 2002 and 2007 that might have been used to develop a holistic and critical assessment of risks to the global financial system and there were some discussions within City institutions that might have prompted journalists.

The collapse of Enron in December 2001 and the subsequent action taken by the US Securities Exchange Commission in fining two of the leading global banks, JP Morgan Chase and Citigroup for their part in the scandal, could be regarded as the first important evidence of significant problems in the global banking system (Mason, 2009b:72). We also know, for example, that the UK's Financial Services Authority investigated the regime of credit risk management at HBOS in 2003 and raised concerns about the banks exposure in the corporate sector and the culture driving the Halifax sales division. As a consequence, Paul Moore was promoted within HBOS to become Head of Regulatory risk; a position he was subsequently sacked from the following year, after confirming to the board the grave risks he believed the bank was running (Moore, 2009; House of Commons Treasury Select Committee, 2009). When Moore was sacked from HBOS, he claims he received 'countless emails of support from colleagues' (Moore, 2009), suggesting that many other staff within the City shared his fears. Wall Street had already instigated a review of the complexity of finance in 2005 (Tett, 2009: 265) but it is clear that the some of the leading US banks were also having internal discussions about the huge potential dangers of over-exposure in sub-prime mortgage markets as early as 2006 with, for example, Jamie Dimon, President of JP Morgan Chase, warning that, 'we need to sell a lot of our positions... This stuff could go up in smoke' (quoted in Tett, 2009: 168). In the City of London similar conversations were occurring at the same time. A senior broker with experience at two 'bulge bracket' (large diversified) banks recalled:

"In November 2006 X [name omitted] wrote a note on bank shares advising everyone to sell but this wasn't picked up. I'm a media cynic and I think it was in everyone's interest to keep the party going. Politicians, the media, ... the City didn't want to hear this kind of evidence... think of all those apartment blocks being built in that New Labour Eastern

corridor from Hull to Essex ... it wasn't in the interests of the property developers, the politicians or the banks to be party poopers..."

(Interview with author 11th December, 2009).

Gillian Tett had first been alerted to the potential dangers of credit derivatives in a snatched conversation with a banker in 2004 (Tett, 2009: xiii). In 2005 and 2006, she and colleagues on the *Financial Times* had begun to report some of the anxieties circulating in the City (for example, Tett and Hughes, 2006). Two hedge funds operated by Bear Stearns had collapsed in June 2007 which might have sounded wider loud alarm bells not only about the longer term stability of Bear Stearns but also with regard to the overall stability of the derivatives market (Mason, 2009b:8). The cost of insuring against Bear Stearn defaulting (credit default swaps) steadily rose in the next twelve months, with the insurance price of \$10 million Bear bonds rising from \$100,000 in March 2007 to over \$600,000 in March 2008 when Bear Stearns actually collapsed (Tett, 2009: 255). Rumours circulated about the strength of HBOS, one of the nine major UK high street banks, but these were not substantiated or reported by financial journalists (Islam, 2009). In August 2007 stress signals could be detected in the credit markets which precipitated the difficulties at Northern Rock, in turn forcing the bank to approach the Bank of England for emergency support. According to Lashmar (2008) and Starkman (2009), it is really only at this point that financial journalism begins to explore the emerging dangers but even here, on the admission of financial journalists, themselves, few began to develop a comprehensive or holistic approach that might point to the broadest dangers.

In retrospect many journalists do concede that there was a collective failure. Evan Davis (BBC Radio Four *Today Programme*) wondered whether journalists should have done more (quoted in Lashmar, 2008:9); Robert Preston (BBC) and Jeff Randall (Sky) agreed in their evidence to the House of Commons Treasury Select Committee (2009) that journalists should have questioned the prevailing mood of economic optimism. Hugh Pym (BBC economics editor) conceded that journalists shared responsibility with others:

"...we should have asked more questions, I'm happy to acknowledge that but so too should MPs, consumers, people who borrowed large sums of money... as well as large market players"

(Pym, 2009)

A senior national newspaper journalist and former financial correspondent rejected the suggestion that even Gillian Tett really grasped what was going on before the summer of 2007:

“I’ve known Gillian a long time and she’s a good journalist and colleague but she did not spot the global crisis. That was not foreseen by anyone. What she did was to point out the risks in derivatives. There were plenty of people saying there was too much leverage ... including bankers.”

(Interview with the author 3rd December 2009).

However, Faisal Islam (Channel Four News) also believes that financial journalists might have developed stronger lines of enquiry and, significantly, he identifies a failure to relate macro perspectives to information concerning micro economic behaviour. In other words, a failure to develop a critical and holistic journalism:

“This is the biggest failure in public policy in my life time and a few older peoples’ lifetimes too, so one could argue retrospectively that there could have been a more robust holding to account of some of the more ... the political economy behind the bubble , the byzantine structures that built up in the banking system...I mean the truth is that many people did spot it in 2003 , that lending in this country for example was out of hand and many people cried wolf at that point ... the irony is that many of us knew about the big picture, that china and the creditor states were foisting a wall of debt upon the debtor nations and we knew about the smaller picture that many people were getting 125% loans and mortgages of 7,8,9 times income ... I think very few people and possibly nobody worked out the mechanisms that connected those two stories and worked out the whole supply chain of credit . If people were aware that the supply chain of credit was dependent upon such bizarre, incorrigible and possibly fraudulent [practices] then maybe people would have been a bit more sensible... I don’t know... but I think looking back on it I would have loved to have put that jig saw puzzle together ...”

(Islam, 2009)

Manning 21/12/09 22:32

Commento: Key quote for the point about the info being out there before 2007

In other words, few mainstream news reports or commentaries even in the period between the collapse of Northern Rock in 2007 and the ultimate crisis of September 2008 made connections between the emerging symptoms of crisis at the micro level (growing consumer debt, banks only sustaining profits through highly aggressive sales cultures, etc.) and the macro structures of expanding national debt, and the more frequent use of off balance sheet accounting.

Explaining the Non-Reporting of the Antecedents of Collapse

If the information was, in a sense ‘out there’; if financial analysts, brokers, and traders were discussing anxieties about the long-term viability of the ‘new Wall Street system’; if dissenting voices had already sounded within certain high profile banks, and critical pieces of information were already in public circulation, how can the absence of a holistic, critical journalism be explained? The answer lies in the nature of the exchange relationships that exist between financial sources and financial journalists but these have to be placed in the context of the pressures operating upon the production of financial news, and the power structures within which they are circumscribed.

Beginning within the news room, it is clear that the explanations frequently put forward by journalists do contribute part of the explanation: mainstream news values which guide story selection make it difficult for financial journalists to persuade their news organizations, including news agencies, to select stories which involve high levels of complexity and appear to lack a ‘personality’ around which to hang information. While specialist news outlets, such as *The Financial Times*, operate with distinct news values on the assumption that their target readership is better educated and more inclined to absorb detailed financial data, many journalists approach financial stories with mainstream selection criteria (Doyle, 2006: 436). To begin to seriously engage with the available evidence in the period between 2000 and 2007, financial journalists would have to find ways of making highly complex detail of company accounts, derivatives, and asset-backed securities newsworthy in the immediate sense of mainstream news values, and, as Gillian Tett admits, even the *Financial Times* found collateralized debt obligations dull (Tett, 2009:xi).

But the task of making financial data newsworthy is a daily challenge for financial journalists. What had changed in recent times, following neo-liberal deregulation in the main global financial centres, was the sheer complexity of the data – another point strongly

stressed by journalists, themselves. Banks were no longer simply banks, a point signaled when the Bank of England abandoned the term 'bank' in favour of 'CFI' or Complex Financial Institution. And the assumptions that drove the banks and hedge funds to move deeper and deeper into CDOs hinged upon sets of mathematical formulae bewildering to many economists and CFI directors, let alone financial journalists. Journalists have debated whether or not Enron should have been spotted because, despite the use of off-balance sheet accounting, the evidence of the highly dubious accounting practices were to be found within the accounts if one looked hard enough (Lashmar, 2008:10). However, the complexity of the CDOs meant that the company accounts would not provide the key to the extent of the risk. As one financial analyst working for a large global bank said:

“Financial correspondent face several difficulties,,, (a) they often don't understand the technical details – especially risk calculations, hedges, etc.,... and (b) they often don't have time to get a grip on the underlying patterns... whole chunks of editorial are simply lifted out of our notes [reports] without much original analysis.”

(Interview with the author, 3rd December, 2009)

Financial correspondents work within the familiar organisational hierarchies that structure all news production. Often their news editors are not financial specialists and this can mean that even when they recognize the highly newsworthy nature of pieces of financial information, they can have difficulties in persuading their editors that they have a story. As Faisal Islam (Channel Four news) recalls:

“It is quite an important issue, though because before the absolute cataclysm in about August 2008 the credit markets were totally in convulsion, the credit markets are bigger than the stock markets, yet it was an issue of editorial choice, our editors, our bosses, couldn't quite see there was a problem unless the stock markets were falling, bizarre but actually tells you something about the prioritization process within the news media ... that we had to wait until the Stock markets were falling before our bosses would understand that there was something wrong with the financial system and yet companies were stopped being lent to, it was a complete blood bath ...”

(Islam, 2009)

And similarly within papers such as *The Guardian*,

“That’s true, even on the Guardian ... on the day of the real melt down , when Lehman went bust, on the Sunday, and it all started to kick off, we knew something bad was happening – the financial and economic staff – and we couldn’t get the paper to put it on the front page because Barclays had pulled out of a bid for Lehmans so it was actually thought that it was not a big story and if you look at the *Guardian*, it’s on about page twenty-eight, and of course, for about the next six weeks it was on the front page every day...”.

(Elliott, 2009)

So financial journalists may not only face a challenge in explaining the complexity of financial stories to news audiences but news editors, too. Several journalists and, indeed financial analysts interviewed for this paper, identified a certain preoccupation with celebrity and personality, at the expense of ‘hard news’, even within economic and financial reporting. While the now disgraced CEOs, such as Andy Hornby (HBOS) and Sir Fred Goodwin (RBS), were being constructed in the financial news media as ‘celebrity bankers’, less attention was being directed to the underlying systemic roots of the crisis.

City Sources, Financial Journalists, Exchange Relationships and Information Flows

However, a focus upon news values and editorial decision making will only take the explanation so far. At a deeper level, the analysis needs to consider the ways in which news source politics and the information flows generated around such politics are embedded in and express relationships of dominance and power. As Doyle describes, much financial reporting starts in the way reporting on any other beat is initiated. Journalists in their search for the first story of the day will sift through company reports, news diary events, press releases if they are desperate, and the other routine sources of financial information (Doyle, 2006: 437). But much of the really useful information will emerge from their dealings with contacts and sources within the financial and political institutions that they have built up over their time as financial reporters. In this, they are as dependent upon key information flows as correspondents working any other beat. There has been a formalization of these relationships with the more frequent use by City institutions of ‘professional public relations consultants’, to initiate and structure relationships between financial analysts and journalists (Davis, 2002; Tambini, 2008), and this has to a degree displaced the traditional information flows that were secured through informal relationships between particular financial correspondents and senior

figures within the banks. Richard Lambert complained in his recent speech to the Reform Media Group that ‘financial PRs have become central figures in the game’, so that, ‘these cosy relationships [between journalists and sources] are harder to pull off ... [and that there are now], ‘armies of investment analysts crawling all over the affairs of large companies leaving very few exclusive tit bits for that friendly chat between the CEO and the City Editor’. Access was becoming ‘industrialised’ so that by the end of the 1990s there were few traditional press conferences, let alone private briefings (Lambert, 2008:7).

The formalization of the relationships through the use of public relations consultants has allowed financial institutions to exert more effective control over information flows in a formal sense. As the main locus of exchange relationships shifted away from very senior figures within banks and the main conduits for information became the middle ranking financial analysts and brokers working on the desks within the banks, so the *kind* of information may have changed. Fewer juicy tit bits to use Lambert’s phrase meant less *contextual* intelligence flowing to journalists, at least via these formal public relations managed channels. But this is not the complete picture. To begin with, as Lambert notes in his speech, it was during the informal days of the 1970s that a potentially hugely damaging banking crisis was entirely concealed from the public in the UK (Lambert, 2008:2). But secondly, many financial journalists will say that they still rely on their informal contacts for much of the information. ‘Massage your contacts’ is still the advice given to young aspiring financial journalists according to the business editor at Sky (Wilson, 2009), while an experienced correspondent on a Sunday newspaper commented:

Banks will always try to control the relationships between their staff and journalists. Banks will not allow their staff to talk to us except through their own established channels. That has got more formalised over the years and most banks and funds will use public relations firms now or their own press officers ... so there is a degree of filtering that goes on either through external PR firms or internally...but most finance journalists that are any good will use their own contacts that they have built up over the years. I’m a columnist now but I’ve been a financial correspondent for twenty years so I’ve built up these contacts and once you have their mobile phone numbers then you can to an extent bypass the formal systems when you need to check something or cut through the gloss.

(Interview with the author, December 3rd 2009).

So a book of contacts or these days a list of mobile phone numbers remains a measure of a financial journalists effectiveness in the eyes of editors and colleagues. The ability to circumnavigate the formal channels and establish informal channels for information to flow from sources that are ‘reliable and informed’ remains a key objective. A frequent point made in the news source literature is that this can foster a dependency which allocates power in the relationship to sources rather than journalists and certainly there is evidence to support this analysis in the case of financial reporting (Davis, 2000b and 2002). But exchange relationships, even if based upon a structured dependency, will only be sustained through time if the exchange of information is advantageous to both sides. For example, the placing of information in particular news outlets of strategic significance, such as the *Financial Times*, can be a sufficiently valuable goal for City sources that FT journalists may enjoy a stronger bargaining position in the terms of the unwritten, normative framework that governs established relationships between city sources and journalists (Doyle, 2006:439).

This begs the question as to why City sources may wish to deal with journalists outside the formalised domain of professional public relations and how do they understand the ‘rules’ of the game – the normative framework – that regulates their relationships with financial correspondents?

“We would want to exert some influence over bad stories and push other key information outwards... on a sales desk you are always looking to promote particular ideas and also to generally build market reputation. Journalists would want to cross check market rumours. Journalists may want to write knocking copy but they will know that this may do their mates some harm. They will mostly have some kind of conscience....although not always.”

(Interview with broker, December 11th, 2009).

‘Bad news’ entering the market domain needs to be managed in the eyes of those financial analysts working on the City desks and the ‘pushing outwards’ of positive information can help improve the price of a stock. And of course, money can also be made from ‘shorting’ stocks if negative information lowers the price. Markets are mediated environments, responding more to constructed sensibilities than ‘hard objective’ data, and there is good evidence to demonstrate the relationship between share prices and media exposure (Tetlock,

Manning 23/12/09 19:53

Commento: Evidence of the norms and informal rules of exchange relationships – relationships being normatively structured

2009; Davis, 2006). So relationships with financial media are important for financial analysts and need to be cultivated.

When I first arrived at [major global bank based at Canary Wharfe] in 2004 I was the main conduit for our desk and journalists such as Neil Hulme who writes the Alphaville column for the FT. When I joined we were very low profile... When I joined [x bank] in 2004, they were at the other end of the spectrum. Their PR was very passive, and they would just let stories [damaging stories] emerge and explode... bad stuff on the bond markets, etc. , then [X] was brought in to sort it all out, brand ourselves better, infuse ourselves with an image as a powerful player, get more of an ability to use PR to help our stocks, etc.

(Interview with broker, December 11th, 2009).

And, of course, media coverage can enhance the individual careers of brokers, too.

A lot of people are keen to get their opinion across...getting your view in print can be valuable. You get more credibility. If people read it your profile is enhanced. Rightly or wrongly.

(Interview with hedge fund manager, November 11th 2009).

So there are good reasons for sources within financial institutions to seek to cultivate exchange relationships with journalists and they are aware of the bargaining chips they hold.

“... I think there are three things which we can offer. Firstly, there’s access to us, to our work and to the notes that we prepare. Then, there’s access to our traders, to their dealings and to the real market information that they are using all the time. And then there’s having another ear to the markets, to the rumours and for trying ideas out. For example, someone at Goldmans slipped me a note yesterday demonstrating that the tax take implications from the pre-Budget announcement on Wednesday was actually negative, not positive [ie the Inland Revenue would lose rather than gain tax revenues] and that’s information that journalists will like to have. If you [as a journalist] have good eyes and ears on the market you will look good to your bosses”

(Interview with broker, December 11th, 2009).

Manning 23/12/09 20:55

Commento: Key comment for summarizing the bargaining relationships

These are reflexive relationships in which both sides are very much aware of both the unwritten rules, or normative frameworks, that govern them and the complex sets of motivations operating in each direction. Journalists are sceptically aware that financial sources may be seeking to 'talk up their book'. However, when it came to hedge funds and their complexity some journalists felt less confident:

... On thing that journalists have to be more weary of these days, especially when dealing with hedge funds, is not being misled. You have to be careful about fund managers...bankers... talking up their own book... you can get caught out. For example, a hedge fund manager might be saying that a deal won't happen and it might be true or it might be that he wants to move the price... There are more dangerous areas now where there is less transparency."

(Interview with financial columnist for national Sunday Newspaper, 3rd December 2009).

Importantly, we can see from these comments that the staple information to be exchanged or traded between financial sources and journalists is usually information relating to particular stocks or companies, and not information relating to underlying systemic issues, the finer complexities of CDOs, or the longer term prognosis for the financial system. When things got too complex, as in the case of hedge funds, journalists grew wary. The routine exchange relationships operating between journalists and financial sources, simply did not serve as conduits for the kind of information that would prompt the more critical holistic journalism required to engage with the issues leading towards the crisis of 2007 and 2008. This was not conspiracy but simply a function of what each party sought from these exchange relationships.

The Newsroom and News Agency

The response of retail news organisations in recent years to increasingly competitive markets and declining advertising revenues has been to find ways of maintaining margins by driving down costs, introducing multi-skilling in broadcast news, and cutting staffing throughout newsrooms. A familiar theme in the literature is the extent to which these measures impact upon the practice of journalism and make sustained investigative journalism much harder to undertake because of the costs involved (Davies, 2008; Tambini, 2008; Aviles, et. al. 2004). With regard to news agencies there has been a similar drive to lower costs, particularly

Manning 23/12/09 21:12

Commento: Important point about recent changes in the city hedge Funds a new danger less transparent

staffing, combined with a search for new ways in which information and agency services can be commodified (Manning, 2008).

The ability of the main international news agencies to gather and supply financial data placed them in exactly the right position to develop and expand specialist services in the provision of financial data and related on-line services, as the demand for such data grew in the period of financial market liberalisation over the last two decades. Reuters was the first international agency to develop this kind of strategy and it is now estimated that 90% of Reuters revenues are generated from its specialist financial data services rather than traditional newsgathering functions (Citigroup, 2006). Given the importance of these kinds of revenue streams, it is hardly surprising that the main international news agencies, such as Reuters, prioritise this function (the provision of raw financial data) in terms of staffing and resourcing. Sustained investigative journalism was never the forte of news agencies but the pattern of diversification into specialist financial data services has made it even less likely that the main news agencies would support investigative financial journalism with the kind of holistic and long-term perspective required to grasp the totality of the looming crisis of recent years. That kind of journalism is expensive and not necessarily understood as relevant to targeted customers in terms of the routine requirements of financial traders and analysts. And, as Davis argues, financial markets are highly mediated with movements in prices being driven by consensual patterns, or 'herd behaviour' (2006: 616). Given their priorities and resourcing strategies, news agencies are very unlikely to step outside the market consensus in terms of the kinds of questions their staff posed.

Indeed, with the arrival of digital technologies, the provision of financial data has become a pretty crowded international market with several major organisations fiercely competing for dominance in the provision of on-line and broadcast financial data services. In addition to Reuters, CNN financial and the Wall Street Journal, offer financial data services but the now dominant agency for the provision of financial data to the banks, themselves, is Bloomberg. Started in 1981 as a dedicated financial data agency, Bloomberg now has offices in over 160 countries, employs over 10,000 staff, until recently offered on-line, radio, television, and Facebook services, and sold financial news to 350 newspapers and broadcasting stations around the world. However, most traders and financial analysts with the City will require access to Bloombergs at their desks. 'If I didn't have Bloombergs, I'd resign'⁵, was the comment of one financial analyst interviewed for this paper. But Bloomberg, just like other

agencies, is seeking to drive down costs and has recently embarked on a round of staff cuts at all its main offices. In London, 90 jobs have recently been cut and the five European television channels, are to be merged into one single European channel. Bloomberg also owns *Business Week*, the financial magazine, where staff have been fired. Others interviewed for new posts were asked, ‘what would you say if you were going to work newswires seven to seven?’ (Yarrow, 2009). In the new regime the emphasis was to be even more firmly placed upon data provision, not a wider reporting brief, and certainly not investigative journalism.

So the exchange relationships that support the flow of information between journalists and City sources were unlikely to prompt journalists to begin to ask the wider questions about the underlying systemic stability of the global financial system, and the conditions under which journalists work in both mainstream news outlets and news agencies, made it increasingly difficult for journalists to undertake sustained investigative work. But a more complete explanation needs to also take into account the power structures that circumscribe the information flows that journalists seek to access. Power, of course, is exerted not only through intentional action but also through the relationship between institutional structures and discourse (Foucault, 1979). The organisational structures within the large financial institutions can produce a ‘silo effect’ (Tett, 2009:299), so that rather than sharing information, divisional rivalries within the same bank may actually prevent the gathering and pooling of data in a way that allows a holistic picture to be formed, even within the banks, themselves. The banks do also, of course, operate formal and legally binding control mechanisms over employees in order to exert control over external information flows (Davis, 2002; Manning, 2001). A standard employment contract will include a clause prohibiting any unauthorised dialogue with journalists or other external organizations. Compliance departments in banks formally monitor the research notes that employees produce. These controls are not entirely effective, as we have seen, and financial analysts continue to brief journalists in ways not always sanctioned by their employer. One of the reasons the *Financial Times*’ on-line site, ft.com/alphaville, is regarded as such an important source of information within the City itself is that it is widely recognized that the journalists associated with it, Neil Hume, Paul Murphy and others, are so well connected and regularly receive ‘off the record’, unsanctioned information from within the major financial institutions. Nevertheless, the banks can and do use their direct controls and sanctions: Paul Moore (formerly Head of Regulatory Risk), for example, was paid nearly £750,000 as part of his settlement from HBOS in 2004, which included a ‘gagging clause’. RBS and the Bank of England, of course, had managed to keep the bank’s November 2008 £37 billion emergency loan entirely secret until the Government chose to make it public twelve months later on 24th November 2009 (Mason, 2009a).

The state and formal regulatory institutions represent another centre of power which manifests itself not only through political intentionality but also through the configuration of

departmental structures and their associated policy discourses (Manning, 1999). Starkman (2008) notes that financial reporting in the US tended to follow the lead of the regulators in setting news agendas: as regulators relaxed their scrutiny after 2003 so journalists turned their attention away from issues of financial regulation. As illustrated by the success of the bank of England and RBS in keeping billions of pounds of emergency loan secret, when the political interests of government and interests in the City coincide a powerful lock can be secured over information flows, despite tensions or conflicts of interest arising amongst other financial partners. As Paul Mason (BBC *Newsnight*) commented, ‘...Lloyds shareholders could be forgiven for asking whether the board at this point were working for them or the government’ (Mason, 2009a). Despite these quite fundamental conflicts of interest no leaks emerged.

Dilemmas and Ideology

To complete the analysis, we return to the perspective of journalists who were reporting the crisis at the time. Several journalists have publicly discussed the dilemmas they faced once the enormity of the 2008 crisis was becoming clear. Once they, themselves, had grasped the extent of the crisis, they faced the question of whether or not to place this information in the public domain, given that in mediated markets news coverage could potentially bring about the very collapse that was feared. At this point, during August and October 2008, Paul Mason’s contacts with ‘hedgies’ (hedge fund managers) had given him an understanding of just how serious the situation was and that a complete collapse of the banking system was possible. He chose not to pursue these rumours ‘too boisterously’ (Mason, 2009a). Similarly, Hugh Pym (BBC Economics Editor) likened the situation to war time when the BBC had to think seriously about the national interest alongside its commitment to free reporting (Pym, 2009). Faisal Islam (Channel Four) remembers ‘tiptoeing’ around the Icelandic Banks

“...we tiptoed around it for about four or five months basically, making sure we put out a story that was very delicately told, and in the end we pulled our punches ... now I’d like to think that that was the right decision but maybe it was a mistake to pull our punches, maybe we should have said these banks were a complete joke and you should take all your money out... I don’t know.” (Islam, 2009).

So when finally contemplating the enormity of the potential crisis, journalists faced a real dilemma in judging how much information to make public: provide a full story and risk triggering the collapse of banks and perhaps a wider systemic economic failure, or exercise a

Manning 27/12/09 20:56

Commento: Good example of self censorship and a link to Hugh Pym on responsibility etc.

degree of self-censorship in ‘pulling punches’, and compromise a commitment to free reporting.

But these dilemmas were faced in the months near to the final crisis. What about the years between 2001 and 2007? Several journalists have said that in retrospect they are surprised how much they embraced the ‘received economic wisdom’ that low interest rates were established as a permanent feature of the landscape; that growth could be sustained in a way that would allow growing levels of banking, consumer and sovereign debt to be tolerated without any serious consequences. In this sense, financial journalists shared a ‘received wisdom’ with bankers and politicians, a set of assumptions about the nature of the political and economic world that were profoundly ideological. As one financial analyst explained, “balance sheets weren’t seen as efficient if they didn’t have enough debt”⁶. The assumption that interest rates could stay low and growth sustained despite mounting debt was a picture that was articulated through the polity, with the rhetoric of ‘an end to boom and bust’, and through the dominant neo-liberal discourses promoting de-regulated financial services as an unquestioned success. For the BBC economics editor, Hugh Pym, this consensus was so strong that it inevitably mapped the contours of BBC reporting. For him, it was not the role of the BBC to adopt a critical position outside this consensus:

“We all forgot previous market crashes and assumed that the boom of the early Twenty-first Century was different...a collective wisdom or consensus signed up to by a very broad coalition of politicians and media was that markets would ensure beneficial outcomes and that the lightest of regulation was all that was required... And I think the problem for the media - and especially the BBC- is to ask ‘Is it the role of the BBC to challenge a consensus which is as broad as that, is it the role of any of us to challenge as broad an intellectual consensus or to challenge from what might be seen as the sidelines at the time?’ “ (Pym, 2009).

Manning 27/12/09 21:25

Commento: Key quote!

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Commento: Absolute key quote on consensus

So power is exerted not only through the intentional pro-activity of sources within the financial institutions but through the *inactivity* of those sharing the taken-for-granted assumptions about the economic and political world that characterized the neo-liberal consensus of the last two decades.

Conclusion: concatenation but not conspiracy

Although some critics have been tempted to claim ‘a conspiracy’ in explaining the under-reporting of the antecedents of the financial crisis of 2007-08, this paper suggests that the answer is much more complicated. It is to be found in the routine politics of financial information flows; in the exchange relationships between financial sources and financial relationships and in the way such relationships rarely prompted journalists to develop more holistic and critical perspectives on the financial system, despite such critical conversations sometimes actually occurring amongst staff within banks. But it has to be recognized that exchange relationships and the power that is exerted over and through information flows, are embedded in particular political and ideological structures that underpin the ‘received wisdom’ about the way things are. In the first half of the period between 2001 and 2007, many financial journalists embraced the received wisdom on financial markets and low interest rates so that they did not pursue holistic questions via their exchange relationships with sources. In the more recent period, as the tremors vibrated through the system, they faced some very real dilemmas in choosing whether or not to vigorously investigate and report the information that was emerging from within the financial systems around the world. But as one broker in conversation with the author put it, this was a “concatenation of events”, not a conspiracy and although he would not claim to be a social theorist, this phrase does capture the interlinking of features that explain the non-reporting of the crisis: intentional strategies expressed through news source politics, deeper ideological frameworks, the stillness of established dominant political structures, all linked together to defy the hope of those mid Twentieth Century mass communication theorists. The financial media did not act as our antennae and they did not warn us.

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Notes

1 See, for example, Peter Wilby in *The Guardian*, Media Section, 'Careless Talk Costs Livelyhoods', Monday 8th December 2008

2 See, for example, 'Fears Over Corporate Credit Downturn But there are Two Trains of Thought on Whether the Cycle is About to Turn', Gillian Tett and colleagues, *Financial Times* 13th December 2006, or 'EU Banks Warn on Leveraged Finance', *Financial Times*, 14th December 2006.

3. A partial exception here is Larry Elliott who published *The Gods that Failed* with his colleague Dan Atkinson in the summer of 2008 before the final collapse of the banking system in September and October of that year.

4. Interview with experienced assistant editor of national Sunday paper and experienced financial correspondent, conducted by the author, 3rd December 2009.

5. Interview with London based financial analyst, 30th October 2009.

6. Interview with London based broker working for one of the large international banks, 22nd November 2009.

Interviews

Interview with London based financial analyst working for large international bank, 30th October, 2009.

Interview with broker employed on a sales desk in a large international London based bank, 3rd November, 2009.

Interview with hedge fund manager conducted by the author, 11th November 2009.

Interview with assistant editor of a national Sunday newspaper, formerly a financial correspondent for twenty years, 3rd December 2009.

Interview with London based broker currently working for a second tier bank in the city but with experience of working for two of the large 'bulge bracket' banks, 11th December 2009.

Interview with experienced financial journalist currently working for an influential on-line news source, 15th December 2009.

Hugh Pym (BBC), Faisal Islam (Channel Four), Larry Elliott (The Guardian), Michael Wilson (Sky) all contributed to the 'Saints or Sinners: The Media and the Financial Crisis', panel debate at City University, on December 2nd 2009.

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