Media and the Financial Crisis: Could the public have been better informed?

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Howard Davies

This is a preliminary report on a Polis seminar on financial journalism featuring Howard Davies (LSE Director), Damian Tambini (LSE Media and Comms), Dean Starkman (Columbia University), Stephen Shefferes (City University), Aeron Davis (Goldsmiths University) John Lloyd (Financial Times/Oxford University) and others.

By Polis Intern, Sakshi Ojha

Did the business media fail to adequately cover the financial crisis? Could the public have been better informed and thus more aware of a crisis of this magnitude? Should financial journalists have covered their core beat differently?

At a Polis expert seminar, leading researchers and journalists discussed the role of the media and, business journalism in particular, in covering the recent global financial crisis. Problems in financial news reporting were highlighted, possible causes scrutinised and areas of further research identified.

Financial journalism in the years leading up to and during the crisis faced many challenges, both internal and external. Some of these were identified at the seminar as having affected the coverage of the crisis.

Alleged Nexus

These included conventional media outlets reducing their staff, close links between media and financial institutions, alleged nexus between the newspaper industry and the real estate industry and the media's continuing focus on equity markets, rather than the debt and derivatives markets, which had a more direct link to the crisis.

Journalists were also seen to have been caught up in the euphoria of what Howard Davies, director of the LSE, described as an "unusual crisis." Their relationships with sources, the paucity of resources available, including time, complexity of the topic, speed and 24-hour news are all factors that put constraints on business journalists.

Facing such challenges and constraints, how then does business journalism define itself? There are three key messages from Dean Starkman, Columbia Journalism Review's Kingsford Capital Fellow's findings. Firstly, the degree to which news leadership sets the tone and frame of discussion is paramount. Editorial leadership and news ownership should push back against structural conflicts and cultural taboos.

Safe Ignorance

Secondly, it is important to improve financial literacy. Earlier, the public could safely ignore business journalism, but the crisis has shown that there needs to be a sense of urgency in having a broader public engagement. Even though the universal response among media figures is – "we did our job" – the public's agenda in the reportage was clearly missing. There is a pressing need today to approach business journalism from the citizen's point of view.

This leads us to the third and perhaps most important point, that of multiple audiences. Do business journalists report from an investor's perspective or from the citizen's? An interesting observation at the seminar that reinforced this problem of defining audiences was that you cannot have the same audience if you are writing for the Investor's Chronicle, the Financial Times or the Daily Mail business section.

There was indeed a plethora of information available, both from the media and directly from the sources. How would the media respond to this evolving crisis when journalists themselves had no way to know the seriousness of it all?

Blame Individuals

It is easy to blame individual journalists as they constitute the first line in reportage. Dr Damian Tambini of the LSE's Department of Media and Journalism encourages us to move beyond the individual blame game and focus instead on the larger institutional process.

Journalists should have a certain rights and responsibilities pact, whereby regulatory measures ensure that news and journalism delivers. It is indeed easy to speak about a journalist's social responsibility, but there are pressures like getting the story out quickly, pressures from sources and sometimes even pressures created out of self-interest.

Commitment To The Public

He reiterates the point made earlier that journalism shouldn't be about reporting to investors. It should be about a commitment to public interest instead, by looking at how journalists deal with self regulation.

Other researchers at the seminar, including those who have worked as financial journalists, agreed that we couldn't blame it all on individuals and that there was a difference between mainstream and business journalism.

Social environment, too, is a huge determining factor, as there are different journalistic traditions in different parts of the world. It would be interesting to study further how the reportage of the global financial crisis was affected across the world.

An example could be the European media, which is affected by factors of media ownership and conflict of commercial interests. Or how does the self interest of a financial journalist, who is allowed to actively trade in Shanghai, affect his media reports?

Financial crises have happened a few times in history. It would be interesting to identify any recurring trends and lessons we can learn on how the relationship between society and financial journalism has or can change.

By Polis Intern Sakshi Ojha – a fuller account and a pod-cast will follow.

Contact Polis@lse.ac.uk for more details of the Polis Financial Journalism Research Programme.