

## Complacency and Collusion



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A Critical Introduction to  
Business and Financial Journalism

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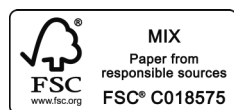
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# Introduction

Almost daily it seems the headlines of the newspapers and broadcast news feature another scandal or story about a business. Too often it's about corporate wrong-doing and not about a good-news story, such as a successful company or an innovation. If bad news sells newspapers, then there has certainly been enough for a lifetime from the banks.

The prominence of business stories is why we need financial and business journalism, but for all its current high profile we do not know enough about its origins, its function, or what the modern-day financial journalist does. This book puts that right, because it is the first book to provide a detailed analysis of financial and business journalism.

Inevitably, the financial crisis of 2008, given its size, provides a recurring lens through which we can analyse the role of financial and business journalism and, crucially, look at its role in those events.

In November 2008, during the royal opening ceremony of a new academic building at the London School of Economics (LSE), Professor Luis Garicano, director of research at the LSE's management department, was explaining to the Queen how the then unfolding economic crisis had started. Having listened to his explanation, Her Majesty asked the question that puzzled not just her, but millions of her subjects: 'If these things were so large, how come everyone missed them?' Professor Garicano replied that 'At every stage, someone was relying on somebody else and everyone thought they were doing the right thing' – a situation which the Queen described as 'awful' (Greenhill, 2008).

'How come everyone missed them?' is a question millions of people throughout the world have asked since the start of the financial crisis in 2008. In the UK every taxpayer has paid directly for the crisis by contributing financially to the bail-out of the banking industry.<sup>1</sup> In the longer term, the recession that developed after 2008 has been paid for by the poorest and the working-class through lost jobs and lower wages and living standards. They have paid a cost for a crisis that was not of their making.



There are other unanswered questions, such as why those who caused the crisis have not been brought to account for their actions. If the crisis was caused by greed and the type of activity that many would describe as criminal, how is it that so few have escaped prosecution?<sup>2</sup>

Perhaps the most crucial question is how a crisis that was so clearly a failure of free-market capitalism and an unregulated banking system led in the UK to a Coalition government that then intensified the same economic policies that had been a major factor in contributing to the problem.

It was not only the economics profession that stood accused of failing society by missing the warning signs and not alerting everyone to what was happening. Questions have also been directed at financial and business journalists as to why they did not or could not identify the impending crisis. A Reuters Institute report (Picard *et al.*, 2014: 28), for example, said, ‘Business news failed to predict the [2008] crisis, possibly being “guilty” of seeking opportunities to report on business news in a positive light because no significant source was raising questions about developments in the sector.’ Business and finance journalists are supposed to be close to events, watching and occasionally boasting of their special and unique relationship with the financial and business world. Many newspapers also have specialist banking correspondents who have personal access to the leading figures in the industry. So if their relationship was as close as they claimed, why could they not see the story that was developing in front of them?

There is another angle to this question: did the fact that they were so close to their sources prevent them from identifying the story? What we see when we explore the nature of the relationship is a systemic failure which goes right to the heart of business and financial journalism.

If most of the financial and business press missed the emerging 2008 crisis, does this raise questions about its function? Or was the 2008 crisis so unique that, along with the politicians and economists, it is not surprising that many business and financial journalists failed to identify it?

Our historical research demonstrates that this failure was not an isolated event but systemic. Earlier crises have also been missed, and it is likely that future ones will be too, unless there is a re-evaluation of the role and purpose of the financial media.

‘While the root causes of the [2008] crisis lie in the behaviour of and regulation of banks and other investors, many have asked what the role

of financial reporting may have played in the crisis and whether the crisis would have been so sudden and deep if a different approach to the practice of financial journalism had been taken' (Tambini, 2008: 5). At the heart of this failure is the relationship that the financial media has with public companies.

The 2008 crisis unleashed a torrent of soul-searching and self-criticism from practising financial journalists keen to try to understand how, as a former *Wall Street Journal* writer put it, 'Could 9,000 Business Reporters Blow It' (Starkman, 2009: 15). How, he asks, could an 'army of professional business reporters – an estimated 9,000 or so nationwide [in the USA] in print alone – for all practical purposes miss the biggest story on the beat'. In the UK, leading practitioners of financial journalism were hauled in front of the House of Commons Treasury Select Committee in February 2009, not only to explain why they had failed to identify the crisis, but to answer accusations that they had made the situation worse by the way events had been reported as it developed.

A welcome, if unintended, consequence of the 2008 financial crisis is that, possibly for the first time, business and finance journalism has been considered seriously, and that its practitioners have been encouraged to look at their practice. Whether they have drawn the appropriate conclusions from their analysis is, however, another question. Most practitioner responses, perhaps predictably, have focused on the problems and difficulties faced by the newspaper industry and journalism as a whole. Important examples of such 'pre-2008' analysis include Anya Schiffrin's *Bad News* (2011), which consists largely of contributions from the USA. In the UK the journal *Ethical Space* (Mair and Keeble, 2009) produced a special edition 'Playing Footsie with the FTSE? The Great Crash of 2008 and the Crisis in Journalism'.

According to Schiffrin, the 'failure' of business and financial journalists to identify the crisis was caused by the same problems and difficulties affecting all sections of the print media. Crucially, therefore, this means that the failure to spot the impending crisis was not primarily the fault of either the journalists or the genre of financial and business journalism. Common industry factors include cut-backs in the number of journalists and increased work loads caused by the need to produce more copy in order to supply online versions of the newspaper. The consequence of this is that journalists have less time to spend on detailed investigative reporting. 'The disintegration of the financial media's own financial

underpinnings could not have come at a worse time. Low morale, lost expertise, and constant cutbacks, especially in investigative reporting – these are not conditions that produce an appetite for confrontation and muckraking<sup>3</sup> (Schiffrin, 2011: 4). Furthermore, under-resourced financial and business journalists faced, in financial public relations (PR), one of the PR industry's most powerful and influential sectors. And, in the uneven battle between PR and journalism, it was PR that came out on top.

*Complacency and Collusion: A Critical Introduction to Business and Financial Journalism* looks at the history and development of financial and business journalism, key figures and key incidents and its current functions.

However, understanding its role, purpose and functions means setting it in context, which can be done only by a detailed exploration on the nature of the public company. The history of financial and business journalism is linked to a particular form of business organisation: first the joint stock company and then its successor, the public company. Any book looking at modern financial journalism has to take account of its relationship with financial PR and the communication obligations of the modern public company.

Financial and business journalism, despite the high-profile that business news occupies, remains under-studied and under-researched. This book is an introduction to it and, while aimed at journalism/media/PR students, it is also intended for the general reader interested in the media. It aims to fill what I believe is a glaring gap in the journalism studies market. This book builds on the efforts of a number of individuals who have explored different aspects of financial and business journalism. Wayne Parson, in his excellent book *Power of the Financial Press*, explores how financial journalism has transmitted economic ideologies. Aeron Davies, who has been important in exploring the role and influence of corporate PR in a number of papers, and has exposed the growing influence of financial PR on business and the link with the corporate elite. Gillian Doyle has raised perceptive questions about the nature of financial journalism following the collapse of Enron. More recently, Damien Tambini has produced a first-rate analysis of some of the ethical considerations.

Dilwyn Porter is one of the few historians to have explored some of the historical roots and seminal figures in business history, and his

research has opened up new insights into some of the main historical characters and episodes of financial and business journalism. I hope that my exploration of these themes will encourage others to explore financial and business journalism. As this is an introduction and deals only with the printed media, I recognise that some subjects may not be covered in as much depth as possible.

Financial and business journalism has the following functions. Firstly, it is the sphere through which the corporate world prefers to interact with society. Businesses are happier to be scrutinised and analysed in these pages of the press, rather than elsewhere. It is an area in which businesses can receive legitimation and validation because corporate interests are more able to control the news agenda, especially through their PR activities.

Secondly, it has been and continues to be the vehicle through which economic ideas and philosophies are discussed and promulgated. From the eighteenth century, when Adam Smith's economic philosophy became the established economic paradigm, to the emergence of neoliberalism in the 1970s, economic writers have played an important role in disseminating arguments and helping to establish an economic philosophy's intellectual credibility. Keynes, for example, quite deliberately used the media and not academia to try to influence policy. In the 1970s, Samuel Brittan of the *Financial Times* and Peter Jay of *The Times* were influential apostles of neoliberalism. The economic columnists, like their counterparts in the news and editorial sections, play an important role in voicing and reinforcing readers' opinions.

Chapters 1 to 6 trace the origins of financial journalism from the first recorded versions down to the current day. Chapters 7 to 12 look at modern financial journalism and are based on research undertaken at the University of Huddersfield Centre for Communication and Consultation Research. Looking at the history of financial and business chronologically reveals – perhaps not surprisingly – that financial crises keep reoccurring and our lack of collective memory means that we keep on walking into them. One of the functions of financial journalism should be to act as the guardian of that memory.

The origins of this book lie in my working background, which is in financial and business journalism. I have edited a business magazine and worked in newspapers as a financial and business journalist. I have also worked in financial PR and experienced at first hand the many

ways that PR practitioners attempt to influence the media. I believe this cross-disciplinary background provides me with the ideal skills to look at this.

In the final chapter of the book, I attempt to answer the question 'What is financial and business journalism?' The 2008 crisis was the largest failure of free-market economics since 1929. That should have led to a reassessment of our profession's relationship with business. This chapter also attempts to answer the question 'What is the role of financial and business journalism?' Is it to 'fight for business' and articulate its interests and encourage politicians to implement policies that are in business's interests? Or is it to adopt a more critical and sceptical tone? It seems that too many of our current business and financial journalists believe that it is the former, and have in the process become the willing or unwilling apostles of neoliberal, low-tax, less-government interference, loose labour laws policies and the transfer of wealth from the poor to the rich. To suggest that financial and business journalism should have a more critical function is not anti-business, but can play an important role in building a new relationship with society. I hope that this book will help to stimulate the debate about what that role should be.

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