

**Lessons From the Financial Crisis:  
What Have We Learned? Business Journalists Speak Out.**

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by  
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## LESSONS FROM THE FINANCIAL CRISIS

WHAT HAVE WE LEARNED? BUSINESS JOURNALISTS SPEAK OUT.

Tatiana Darie

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## **Chapter One: Introduction**

The collapse of Lehman Brothers, a global investment bank, in September 2008 almost brought the world's entire financial system to its knees. Nearly \$31 trillion have been wiped out across the global equity markets in one year. Millions of jobs around the globe have been lost and billions in taxpayer money have gone to rescue the world's biggest financial institutions. The most asked question in the aftermath of the 2008 crisis was "How did we miss it?" How was nobody able to waive a red flag and lead people's attention to the things that mattered the most? While there were economists and reporters sounding alarms years before the crisis, the general consensus is that from economists to regulators and the press – nobody was able to grasp the enormity and depth of the financial meltdown that triggered a global crisis.

The worst recession since the Great Depression also reminded everyone about the importance of business and financial journalism, and raised new questions about the quality and purpose of such reporting. While business reporters fiercely defended the stories they were telling, there's no clear evidence that they've learned the lessons of the past and are better equipped today to identify and understand the potential threats to the stability of the U.S. financial system. Probing top editors and reporters who were setting the agenda seven years ago and are leaders in the newsroom now, this study looks at how the financial crisis has changed the way business journalists do their jobs today.

During my master's studies at the Missouri School of Journalism, I discovered a passion for business journalism. I quickly came to the conclusion that understanding economics and business means understanding the world better and realized that with a

great journalism education and a passion for storytelling, I could make a big impact by exploring the complex worlds of business and finance.

My business reporting classes at the Missouri School of Journalism served as a crash course to understand why and to whom numbers matter. My professors and mentors, Randy Smith and Marty Steffens, taught me about the art of storytelling and the human faces behind the numbers. As part of my assignments, I reported on top business stories from across the state for the digital publication Missouri Business Alert, and the local NBC affiliate in Mid-Missouri, KOMU 8 TV. My experience on campus allowed me to immerse myself into business reporting and shed light on challenging issues that matter to the community.

I consider myself a multimedia journalist, a combination of a digital and TV reporter and producer, who can tell stories across platforms. My eventual goal is to report for a global business news organization, focusing on international subjects. My professional placement at Bloomberg News, one of the world's leading financial news sources, gave me the opportunity to experience firsthand what it takes to cover companies, markets and economies in real time. Bloomberg delivers instant financial data analysis and news through its software – the Bloomberg terminal – which also serves as the foundation of a lucrative business model that allows the company to stand out in a busy crowd. Learning the ins and outs of the industry enables me to share my knowledge with the Missouri School of Journalism.

## **Chapter Two: Weekly Reports**

This section consists of ten weekly notes sent to committee members during the course of my professional placement at Bloomberg News.

### **Week 1 – Welcome to Bloomberg**

I had a great first week at Bloomberg. I found out that I'm on the Commodities Industry team in NYC and will be covering hard commodities, with a special focus on gold for the first few weeks. That also includes reporting on new developments within mining companies and equipment manufacturers.

We had training Monday to Thursday afternoon and spent Friday in the newsroom. The news training was mainly focused on the Bloomberg Way, introducing us to the company's policies and reporting style. I learned a great deal in these four days and had the chance to practice writing on deadline. We had a lot of in-class exercises, which helped us get a better sense of the assignment requirements at Bloomberg and the time frame in which we are supposed to deliver. I think I did well on those because I had prior training and my knowledge helped me understand and digest indicators easier and faster.

During the week, I introduced myself to the team and got the chance to meet almost everyone, in person and on the phone. I am very glad that I am part of such a great team. I also had the opportunity to help one of my colleagues who needed a hand with some Russian translations. I translated a few paragraphs for him and he gave me credit in the story.

On Friday, I was asked to report on speculation that a banknote printer company may have a contract with the Greek government to print drachmas, in case it

exists the euro zone. I had to get reaction from analysts. Unfortunately, I could not reach those who were listed on the terminal because they were not available. Looking for a plan B, I then looked at the company's latest conference call transcript, found another analyst and got my quote! We ended up not publishing the update because of various reasons, but I definitely learned a lot from the experience.

## **Week 2 – How I Got My First Stories Published**

It's been a busy, productive week at Bloomberg. I got the chance to work on many stories, both breaking news and enterprise.

Monday, I filed my first story (attached below). The editor suggested looking into a research note and I did the reporting and wrote the story. Everything went well, except for the fact that it took me a couple of hours to file it. This is when I realized that the biggest challenge for me now is being able to understand complicated stories and technical language on the fly. Talking to sources is not always easy as most of them use industry jargon as well as have a deeper understanding of the companies they are following. Therefore, I feel like I am not pushing it too hard in my interviews, mainly because I'm afraid of sounding stupid or asking the wrong questions. But I noticed that the more I do it, the easier it gets. Confidence comes with preparation and the more I learn about my beat, the better the interviews get.

During the week, I also had the chance to file my first company story, mainly looking at why the shares are falling or rising. The most challenging part was getting ahold of analysts/company people for comment. Luckily, I was able to do that for both stories but I learned I need to make more contacts to be able to reach out when in need. I just have to call up more people, introduce myself and ask some smart questions about

their research, so they'd remember me next time.

For one of the stories, I had to work with an analyst's research note and decipher the information in a short amount of time. I ended up getting it right but I realized that familiarizing myself with the language used in these research reports will help me understand and digest it much faster, so I decided to read as many as I can in my spare time.

Besides daily reports, I also had the chance to start working on a longer piece, which I'm planning on filing next week. It is interesting how the story has changed after talking to more and more people in the industry and getting a more clear sense of what the story should be. I learned that it is vital to speak to as many sources as possible to move the story forward.

In terms of challenges, I still struggle with story ideas. Because my team mostly covers companies, it is difficult to come up with good story ideas when I don't have enough contacts in the industry. Most of them are also based out of the U.S., which makes it even harder. For now, I am focusing more on enterprise story ideas as well as getting closer to the PR folks at those companies and trying to get to the CEOs or someone in management to talk about strategy and the industry in general.

I worked on 5 stories this week, but I can only share the ones published on Bloomberg.com for now:

1. [U.S. Steelmakers' Trade Case Unlikely to Halt Import Flood](#)
2. [Goldcorp Sells 26% Stake in Tahoe Resources for \\$811 Million](#)
3. [Where Coal Was Kind, Pope's Climate Warning Faces a Tricky Sell](#) (did the graphic for this story)



### **Week 3 – How I Learned: The Power of Teamwork**

Week three at Bloomberg went well. I found it more challenging than my first two weeks because I mostly worked on breaking news assignments. But I also learned a great deal about my beat and contributed to more stories. I wrote my first earnings story this week and learned the “Bloomberg way” of doing it. I found the experience useful as it directly relates to my training at the Missouri School of Journalism. The most challenging part was finding the story among the numbers without much prior knowledge about the company. The story turned out well, but I worked closely with my editor, who pointed out what our readers mostly care about. This was definitely one of the highlights of this week, which I think prepared me better for future earnings assignments coming up this summer.

This week, I also learned a lot about teamwork and collaboration. I worked with two of my colleagues on an enterprise story we had to file pretty quickly. First, I found it very interesting because I learned a lot about a subject I didn't know much about and second, I learned how to effectively communicate and collaborate with other team members in a fast-paced environment. Please see story

here: <http://www.bloomberg.com/news/articles/2015-06-28/how-a-bet-on-rare-earths-flopped-as-scarcity-was-a-mirage> (also published in Bloomberg Businessweek)

I also had my first confrontational interview this week and learned how to be patient and respond professionally. I am still working on it, but I am very grateful to have such a wonderful team and mentor at Bloomberg who always support me with great advice. I am also still learning everyday how to ask the right questions, how to get good answers and how to handle situations when people don't want to tell you things. I spend a lot of time

talking to people in the industry so asking good questions certainly makes a difference.

Reading other publications and doing additional research also paid off this week. I pitched a couple of story ideas and published one of them already. In the meantime, I am working on an enterprise story and still trying to learn about new ways to find stories on the terminal.

Here are this week's stories on Bloomberg.com (the rest are on the terminal, which I cannot share. I have around 13 stories on file so far):

<http://www.bloomberg.com/news/articles/2015-06-23/u-s-duties-on-some-asian-paper-imports-estimated-at-over-100->

<http://www.bloomberg.com/news/articles/2015-06-22/canada-grants-historic-exemption-under-uranium-policy>

#### **Week 4 & 5 – Things Slowed Down**

Sending in my update for Week 4 & 5. We had a short workweek for July 4th and I thought I would combine the two weeks in one report.

Things are going well but I had fewer projects to work on because our new mining reporter just started and we are both covering the same beat. While we are working together on some projects, I decided to focus more on enterprise reporting.

During the last two weeks I spent most of my time talking to people. I finally got more confidence to talk about my industry and the companies I cover. This is reflected in the questions I ask and the story ideas I come up with. One thing I've learned in the process is that I have to think about stories broadly and show readers across the world why they should care about developments in a particular region. It also takes a lot of thinking and reporting to come up with good story ideas at Bloomberg.

I've got the great opportunity to learn from the best here in the newsroom, so every time I see an interesting story, I reach out to the reporter and ask a lot of questions to understand the thinking behind their editorial decisions. As we are preparing for earnings season, it is very important for me to understand how to make stories interesting and relevant to readers around the world.

I also realized that building up sources is probably one of the most important things in any newsroom. It is not easy and it takes time but I am constantly learning from my colleagues and experimenting with different ways of interacting with people. This is probably one of the biggest challenges this summer and most important takeaways from this internship. So far, I learned how to reach out to analysts and hold an engaging conversation rather than conducting an interview, form a relationship with the companies I am covering as well as meeting new people outside my beat who can be helpful in many different ways.

I am halfway through my internship and I realize that it is time to make my mark at Bloomberg. The plan is to really focus on enterprise reporting and get some great stories out there.

Here's one of the stories that got published on the web. I worked on more stories but unfortunately most of them are on the terminal for now.

<http://www.bloomberg.com/news/articles/2015-06-29/eldorado-gold-to-sustain-greek-operations-amid-capital-controls> (Note: I published this story before the company put out a statement on the issue or perhaps the company issued it in response to my story, that's a possibility.)

## **Week 6 – Preparation is Key**

My week was pretty short because unfortunately, I got sick over the weekend and it took me a few days to recover but I did work on a few stories at the end of the week. I will make up for the hours lost in the next few weeks.

Last week, I spent a lot of time talking to people and working on my enterprises, finding anecdotes and good voices. I am still working on a story that I started a few weeks ago and that's because the story has changed so much since I started writing it. Going the extra mile and doing more reporting has allowed me to find a bigger and more interesting story behind it. This experience has also taught me to be hard on my writing, make every single sentence count and try to say more with fewer words.

I've also spent some time preparing for company earnings coming up later this week. I studied balance sheets, asked my colleagues a lot of questions and tried to think about what reports might show and how it may compare with estimates or forecasts. In the meantime, I realized how important it is to do your homework and anticipate possible outcomes. Thinking ahead is a big part of the newsgathering process and good preparation will hopefully allow me to break the news and get the story out first.

Finally, I also had the chance to work on more breaking news assignments this week and learned that persistence is another very important skill to have as a journalist. There's always someone who will pick up the phone if you keep trying!

This week's stories:

<http://www.bloomberg.com/news/articles/2015-07-17/barrick-gold-drops-to-lowest-since-1991-as-price-of-metal-falls> (Assisted the reporter.)

<http://www.bloomberg.com/news/articles/2015-07-17/cf-said-to-be-in-early-talks-with-oci-about-fertilizer-merger> (I've been working really hard on this merger. Though the

WSJ broke the story, we advanced it by giving background, context and perspective.)

### **Week 7 – Earnings Reporting is Fun**

It was a very busy week in the newsroom. Some of the companies on my beat started reporting earnings and as you probably noticed in the news, the rout in commodities is sending mining companies to historic lows, so that is keeping us very busy.

This week, I had the chance to report on earnings and covered the biggest U.S. gold miner. We were able to publish the story a few minutes after the company posted second-quarter results and that was possible mainly because of good preparation. As numbers came in line with expectations, instead of updating the story, my editor and I decided to write another article focusing on what we thought our readers mostly care about. It was an exciting experience and I really learned a lot, from effectively reading an earnings release to finding the numbers that matter the most. Overall, I learned what it takes to write a good earnings report and how to find interesting ways to tell technical stories that would appeal to broader audiences.

Moving on, I am still chasing details about a deal between two big fertilizers (see story attached) and in the process, learned a lot about M&A and how important it is to ask the right questions, talk to various sources and highlight different perspectives, especially on sensitive topics such as mergers and acquisitions.

This week, I also completed my first enterprise project, which will get published later this summer. I really enjoyed working on the story because I learned so much about

reporting and other key journalistic skills such as observation and investigation. There is nothing more rewarding than digging up your own story, so I am on to my next project.

Finally, I wanted to touch on my transition from television to print. At this point I realized that I love doing journalism on every platform. This internship has really given me an opportunity to work on my writing and put a lot of thinking into what I am trying to say, what words best express it and how to make it clearer for the readers. This has always been one of my top priorities and I am glad I'm around some of the best professionals to learn how to do it right.

Week 6 stories published on Bloomberg.com:

<http://www.bloomberg.com/news/articles/2015-07-20/gold-mining-stocks-plunge-to-lowest-in-decade-on-bullion-rout> (The online version is missing my byline, but I wrote the second half of this story, everything below the subtitle "Barrick, Newmont.")

<http://www.bloomberg.com/news/articles/2015-07-17/cf-said-to-be-in-early-talks-with-oci-about-fertilizer-merger>

<http://www.bloomberg.com/news/articles/2015-07-22/gabriel-rises-after-filing-arbitration-case-over-romanian-mine> (Spotted this story following local news in Romania – a good example of effective use of language skills.)

<http://www.theglobeandmail.com/report-on-business/newmonts-earnings-fall-in-second-quarter-as-gold-price-drops/article25635623/> (First take on earnings, picked up by the Globe & Mail)

<http://www.bloomberg.com/news/articles/2015-07-22/newmont-says-earnings-fell-in-second-quarter-as-gold-price-drops> (Second take on Newmont earnings story).

## **Week 8 – More Earnings and M&A**

We wrapped up a long week of earnings at Bloomberg and looking back, I am surprised about how much I've learned during this experience. I talked about it in my last note, but I monitored more companies this week and had to identify themes or trends among most gold miners.

Listening to conference calls allowed me to learn more about my companies and pay attention to the questions and answers during the call, which are clear indicators of what the market is focused on. I had to send out headlines on merit and therefore, I put a lot of thinking into spotting what's the most interesting and newsworthy information. It was a great exercise of news judgment. Of course, the technical details can get complicated, but it's important to understand what is underneath all the financial jargon. At the end of the week, I pitched an idea based on my observations and we ended up going with it but the story changed quite a bit during the reporting process.

Our mining reporter and I joined forces and turned the article around pretty quickly, which is another example of how important collaboration is in a newsroom. We reached out to a variety of sources and got insights from a CEO, analysts and investors. It was interesting to observe how all the pieces of the puzzle were coming together to form a story. Also, it is important to keep enterprise stories fresh so identifying the right angle was another key element.

I also worked on a few more M&A stories this week. For the Newmont story, I worked with our colleagues in India who reported on what the acquisition deal meant for the Indian markets. It wasn't a big story for the U.S. gold producer (the seller), but I thought it was important to see why the transaction made sense for the company and how

it will impact its earnings in the future. Sometimes announcements like this go unnoticed, but I believe they are a piece of the bigger picture and it's important to monitor and understand the implications of every development.

This week really helped me to gain more knowledge about my beat, understand what our audience cares about, pay attention to every single comment and question and think critically about what the answers mean for the future of the company or the industry. You can't get far in your beat without understanding earnings so I think it deserves a lot of attention and preparation.

Stories this week on Bloomberg.com (the rest are on the terminal):

<http://www.bloomberg.com/news/articles/2015-07-31/hope-glimmers-for-penny-pinching-miners-buffed-by-gold-rout> (Picked up by the TOP news section on the terminal, which gathers the best stories throughout the day.)

<http://www.bloomberg.com/news/articles/2015-07-30/oceanagold-to-buy-romarco-for-660-million-for-u-s-gold-mine>

<http://www.bloomberg.com/news/articles/2015-07-27/india-rajesh-exports-pays-400-million-for-gold-refiner-valcambi>

<http://www.bloomberg.com/news/articles/2015-07-29/u-s-steel-surges-as-ceo-sees-earnings-recovery-on-demand-pickup>

## **Week 9 – Differences Between Market and Company Reporting**

This week I had the chance to try some market reporting and broadened my understanding about what moves prices and how to make sense of that.

I shadowed our base metals reporter a few times and had the chance to speak to sources and contribute to a few market stories. I found this experience very rewarding.



Being focused on gold mining companies, I didn't spend much time thinking about what influences the price of gold on a daily basis. I couldn't understand why it's important to update markets stories a few times a day when precious-metal prices seem to be impacted by macro factors such as the economy, global developments and others. This experience really helped me grasp how individual events can change metal prices and why.

I also got the chance to speak with those who set the price and learned more about their thinking. I found it very interesting because it makes you think broadly about the world and analyze how different factors impact the markets. This reporting experience was also helpful to understand how gold companies plan their operations and set expectations for investors and analysts. Besides, I realized that sometimes journalists get so immersed in their beats that they think audiences understand these correlations really well when in fact that is not the case. That is why it's important to take a step back, ask some basic questions and explain things adequately.

This week, I also worked on a study on conflict minerals and noticed how difficult it is to write about academic studies and translate academic language into digestible stories for large audiences. The WSJ reported the story first and misinterpreted a few things, which we got to clarify, but the main takeaway is that it's very easy it is to make mistakes when writing about complex studies. It also got me thinking about all the factors that could influence a study or its findings such as sponsors, special interests, methodology and others, which are all important components of the story and deserve a mention.

For the rest of the week, I worked on enterprise stories and prepared for some interviews that I will be conducting next week. Due to some changes, my feature on

the cannabis business got pushed back again and I had to find a new angle and rewrite most of it. Again, I think more thinking and reporting makes the story better so I am hoping to get it out really soon.

Stories this week on Bloomberg.com (the rest are on the terminal):

<http://www.bloomberg.com/news/articles/2015-08-05/gold-drops-as-fed-s-lockhart-signals-rates-may-rise-next-month>

<http://www.bloomberg.com/news/articles/2015-08-06/traders-have-disappeared-from-the-gold-market>

<http://www.bloomberg.com/news/articles/2015-08-04/tracing-conflict-minerals-proves-too-hard-for-most-u-s-firms>

### **Week 10 – What an Incredible Opportunity**

My last week at Bloomberg was so far the best one. I finally broke a few stories and wrapped up my enterprises. The week started with an industrial conference in New York where I had the opportunity to meet and interview several executives at gold-mining companies.

I also had the chance to talk to people outside my beat and learn about their perspectives, which gave me a better idea of what our readers are looking for in our stories. Getting out of the office or field reporting opens the door for many great opportunities, so I will try to find a way to do that more often in the future.

Talking to top-level executives was certainly another highlight of this summer because it helped me get to know the people on my beat better and become more confident about asking hard questions. I cannot stress enough how important it is to prepare for these interviews and think about the different ways to ask questions and

follow-ups. I've learned that company executives are so well-trained to focus on what they want to talk about that they will try to dominate the conversation and avoid answering the tough questions unless the questions are direct and very clear. Interviewing is an art and the more you do it, the better you get at it.

I also stepped outside my industry this week and did a story on the largest U.S. office paper producer. It was exciting to challenge myself to learn about a new beat in such a short amount of time. This experience broadened my understanding about other commodity industries and helped me think about more story ideas.

Overall, I realized just how much I've learned this summer. I immersed myself in beat reporting and by the end of the internship, I was generating a lot of good story ideas, which is a huge progress from a few weeks ago when none of them would work.

Additionally, faced with a few challenges this summer, I expanded my knowledge about journalism and how big newsrooms like Bloomberg operate. Writing for an international audience helped me think about stories broadly and emphasize why it matters to various audiences in different parts of the world. Stories resonate among readers when journalists are able to explain what's at stake and what the larger implications are. Short daily reports are usually the base for good enterprise reporting and I wish I had spent more time on longer investigations.

I also had an opportunity to taste what print reporting is like and that helped me improve my writing, think about good headlines and train my news judgment. Many of these things sound like everything I've learned in class at MU but real-world practice takes it to a whole new level.

To sum up, this internship was an incredible, eye-opening experience that

certainly made me a better journalist and brought me closer to my professional goals. Looking back, I wish I could've pushed myself harder to learn everything faster and produce more and better stories. I wish I had more time to go beyond shortsighted reports and look into what some of these stories mean for the wider public and not just for investors or Wall Street.

But this experience was a great foundation for a real-world job and it helped me find my strengths, work on my weaknesses, build work skills and most importantly, reiterated my passion for business journalism. I realized that this is what I want to do for the rest of my career and am looking forward to new challenges.

Stories: <http://www.bloomberg.com/news/articles/2015-08-10/freeport-hires-jpmorgan-for-share-offering-of-up-to-1-billion>

Plus, a few exclusives this week (the rest are on the terminal):

<http://www.bloomberg.com/news/articles/2015-08-12/silver-wheaton-seeing-unprecedented-deal-interest-in-metals-rout>

<http://www.bloomberg.com/news/articles/2015-08-12/agnico-weighing-share-sales-and-partnerships-for-gold-projects>

<http://www.bloomberg.com/news/articles/2015-08-14/gold-miners-turn-to-payroll-as-next-wave-of-cuts-if-rout-deepens>

<http://www.bloomberg.com/news/articles/2015-08-14/domtar-ceo-looking-to-expand-personal-care-unit-as-paper-weakens>

### **Chapter Three: Personal Evaluation**

My experience at Bloomberg News was an intensive hands-on training that helped me build a solid foundation for a successful career in business journalism. I cannot stress enough how much I've learned about journalism, Wall Street, and myself.

My professional project run for a period of ten weeks from Monday, June 8, 2015 to Friday, August 14, 2015, where I worked full time, 40 hours a week. I also spent an additional 20 hours helping my team with this summer's earnings coverage, which helped me meet the 420 hours of practical work required for the completion of this project. At Bloomberg, I was assigned to cover precious metals and the mining industries for the Bloomberg terminal. Throughout my internship, I developed strong skills in business reporting, from producing breaking news under tight deadlines to pitching and writing enterprise stories and conducting interviews with company executives and financial analysts. I also learned how to write quickly and accurately to the highest Bloomberg standards, with a keen eye for detail and a determination to execute on tasks.

Looking back, I realized how little I knew about the worlds of business and finance, yet thanks to my education and training at the Missouri School of Journalism, I was able to get through all the challenges. A lot of what I learned came from my business journalism classes and from my work in the Missouri Business Alert newsroom. The ability to work independently, ask the right questions and present the information in an engaging way are valuable lessons that I took to heart. At Bloomberg, I took it to the next level by learning how to write high-quality stories and using new techniques in data and computer-assisted reporting to advance my storytelling. In addition, I learned that writing

for an international audience entails thinking about stories broadly, providing the right context and explaining why people across the globe should care about your subjects.

Most importantly, I found that building sources was one of the biggest challenges for me during my internship. Sources are one of a reporter's biggest assets and it's important to learn how to connect with people on a human and professional level. I also had the opportunity to experience what print reporting is like and that helped me polish my writing and editing skills. I am confident that I have the right skill set to report news across platforms and tell stories that capture audiences whenever and wherever they are.

To sum up, I was fortunate to have worked for one of the most influential and innovative outlets in the business news industry and my practical experience helped me get a step closer to my professional goal of becoming a business reporter. Additionally, I strongly believe that my education at the Missouri School of Journalism has prepared me well to succeed in the workplace and I'm ready to build on my knowledge and master the art of business and financial journalism.

## Chapter Four: Evidence of Work Completed

Week 1-Training

Week 2

### 1. U.S. Steelmakers' Trade Case Unlikely to Halt Import Flood

By Tatiana Darie

June 15, 2015 — 3:22 PM CDT Updated on June 15, 2015 — 5:39 PM CDT

Trade complaints that imported steel is being sold in the U.S. at unfairly low prices probably won't staunch the flood of the metal into the country, hurting the profitability of domestic producers, according to Bloomberg Intelligence.

Despite a U.S. [trade case](#) filed against China and four other countries, imports may continue to pressure steel prices and volumes for domestic producers, according to a Bloomberg Intelligence note on Monday. Steel profitability fell 71 percent this quarter compared with a year earlier, according to the Bloomberg Intelligence Steel Profitability Index.

A bill that would make it easier for domestic mills and unions to file cases against unfair trade prices hit a major roadblock on Friday after House Democrats rejected President Barack Obama's trade promotion authority, legislation that includes the trade-case reform backed by steelmakers in the U.S., Caitlin Webber, a Bloomberg Intelligent analyst, said in a phone interview on Monday. While Congress also is considering another separate bill that would reduce customs evasion, the measures are unlikely to ease the import pressure from foreign rivals in the near future.

"In terms of changing the behavior of foreign steel companies, I don't think that legislation that they are considering will go far enough," Webber said, referring to the customs-evasion legislation.

### **Steel Overcapacity**

U.S. Steel Corp., the second-largest steelmaker in the country, fell 5.1 percent to \$23.31 at the close in New York, the most since April 29. Nucor Corp., the largest producer in the U.S., declined 2.2 percent to \$47.50.

It's hard for trade cases to be effective because companies can find ways to get around regulation, such as by using additives or sending it to other countries before it is shipped to the U.S., according to Kenneth Hoffman, a Bloomberg Intelligence senior analyst.

“Those countries will cut it up or slice it or do some minor changes to it cosmetically and say, ‘It’s our steel, we’ll ship it to the U.S.’” Hoffman said in a phone interview. “At the end of the day what you’re going to have to see in China is for the mills to go bankrupt and to start to consolidate and truly close capacity.”

### **Chinese Exports**

Rising U.S. demand and the stronger dollar prompted Chinese steel mills to turn to overseas buyers, mainly in Europe and the U.S. The Chinese government has tried to curb shipments by encouraging higher-added-value steels and charge export tariffs. Even so, producers were using the same techniques to get around domestic rules and ship steel products globally, Bloomberg Intelligence said.

Chinese steel global exports reached record levels last September. The exports surged to 34.3 million metric tons in the first four months of 2015, exceeding total U.S. steel production of 26.3 million tons.

China accounts for about half of the global steel production and has a capacity of more than 1 billion tons, compared with less than 100 million tons in the U.S., according to Bloomberg Intelligence.

### **2. Goldcorp Sells 26% Stake in Tahoe Resources for \$811 Million**

By Christopher Donville and Tatiana Darie

June 15, 2015 — 4:08 PM CDT Updated on June 16, 2015 — 3:29 PM CDT

Goldcorp Inc., the world’s largest gold producer by market value, sold its 26 percent stake in Tahoe Resources Inc. for C\$998.5 million (\$811 million) to increase its near-term liquidity.

Goldcorp offered 58.1 million common shares of Tahoe for C\$17.20 each in a secondary share sale, Vancouver-based Goldcorp said Monday in a statement. Reno, Nevada-based Tahoe, which closed Monday in Toronto at C\$18.49, won’t receive any of the proceeds from the offering, Goldcorp said.

Like many of its peers, Goldcorp is working to lower costs and focus on the most profitable operations following two consecutive annual declines in the price of gold. The company, which operates in the Americas, is also ramping up production at new mines in Argentina and Canada.

Goldcorp will probably focus on supporting its immediate capital commitments and improve its financial flexibility, said Phil Russo, a Toronto-based analyst at Raymond James Financial Inc.



“We view the developments in its liquidity profile to be for internal purposes, rather than specific M&A posturing,” Russo said in a note.

Tahoe, which [operates](#) the Escobal silver mine in Guatemala and La Arena gold mine in Peru, dropped 9.2 percent to C\$16.78 at the close in Toronto, below the offer price. Goldcorp fell 1.8 percent to C\$20.18.

“Divesting non-core assets has been instrumental to Goldcorp’s growth and consistently sound financial position, and the sale of the Tahoe position supports that strategy,” Goldcorp Chief Executive Officer Chuck Jeannes said in the statement.

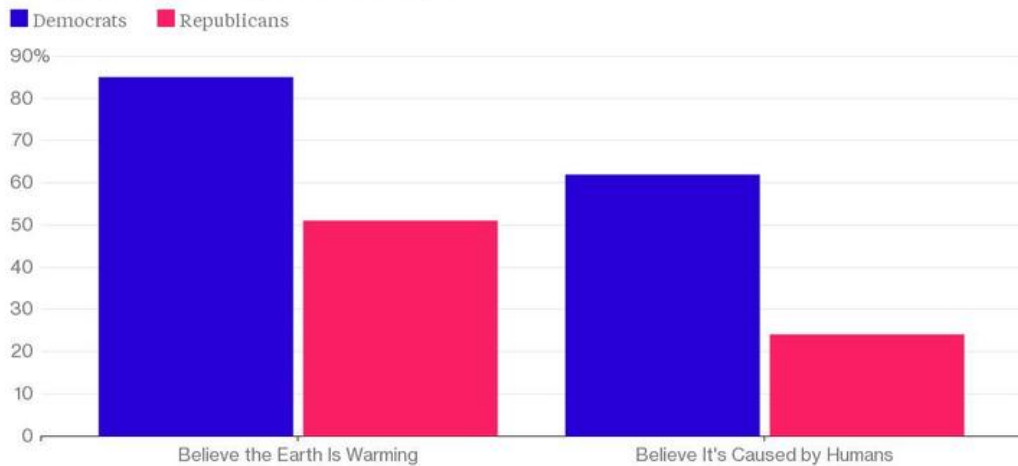
GMP Capital Inc. and Bank of Montreal are leading a group of banks on the share sale, according to the statement.

### **3. Where Coal Was King, Pope’s Climate Warning Faces a Tricky Sell**

Graphic by Tatiana Darie

#### **U.S. Catholics Split on Global Warming**

Many Republicans disagree with the Pope



Source: Pew Research 2015

Bloomberg

### **Week 3**

#### **4. U.S. Duties on Some Asian Paper Imports Estimated at Over 100%**

By Tatiana Darie

June 23, 2015 — 6:36 PM CDT

U.S. paper imports from certain Chinese and Indonesian producers could cost more than twice as much because of duties to offset subsidies, according to initial estimates by the U.S. Department of Commerce.

The department found some exporters received subsidies of as much as 126 percent of their costs in China and 131 percent in Indonesia. Anti-dumping measures would lead U.S. Customs to require cash deposits matching the subsidies to authorize entry of the imports, according to a statement from the department on Tuesday.

The report follows a request from the United Steel Workers and four paper manufacturers including Packaging Corp. of America and PH Glatfelter Co. to impose duties on certain imports from China and four other countries, which they say are being sold at unfairly low prices. Higher rates should reduce the paper import flood from foreign competitors, according to Caitlin Webber, an analyst at Bloomberg Intelligence.

“When you are looking at duties that more than double the cost of imports, typically that is seen as prohibitive for importers,” Webber said in an interview on Tuesday. “You can imagine that would have a material impact on what imports look like.”

In 2014, the U.S. imported \$54.1 million of uncoated paper from China and \$200 million from Indonesia, the Department of Commerce said.

Final estimates for the import duties are due in November. The U.S. International Trade Commission will also weigh in before the duties are ordered.

#### **5. Canada Grants ‘Historic’ Exemption Under Uranium Policy**

By Tatiana Darie

June 22, 2015 — 12:39 PM CDT Updated on June 22, 2015 — 3:14 PM CDT

Canada approved Australia’s Paladin Energy Ltd. to hold a majority stake in a planned uranium mine in Newfoundland and Labrador, a decision that may open the door for other foreign investors seeking supplies of the nuclear fuel.

The government granted an exemption under its Non-Resident Ownership Policy, which for more than two decades has stipulated that uranium mines must be at least 51 percent Canadian-owned when they start production. The move allows Paladin to proceed with development of the Michelin project, the company said in a statement Monday.

Exemptions under the policy are allowed where Canadian partners can't be found. The government said Paladin demonstrated that this was the case with Michelin.

“This is a historic decision that could have implications for all uranium companies and projects in Canada,” said David Sadowski, an analyst at Raymond James Ltd. in Vancouver. Chinese nuclear utilities have said in recent months they're considering the acquisition of a Canadian uranium project to meet their future needs, he said in a note Monday.

Paladin will start its summer exploration program at Michelin in July. It said the the area surrounding the project, located 140 kilometers (87 miles) northeast of the town of Happy Valley-Goose Bay, may hold additional uranium deposits.

Paladin shares closed unchanged in Toronto at 28 Canadian cents.

## **6. Potash Corp.'s Mooted Merger Could Face Tough Regulatory Hurdles**

By Tatiana Darie

June 26, 2015 — 4:12 PM CDT

Potash Corp. of Saskatchewan Inc.'s bid for rival fertilizer producer K+S AG could face tough regulatory hurdles as more than half of global capacity would end up in the hands of four companies, according to Bloomberg Intelligence.

The proposed \$8.6 billion-plus takeover of K+S would give about 8 percent of global capacity to Saskatoon, Saskatchewan-based Potash Corp., which already controls about 20 percent of the market, according to Bloomberg Intelligence.

Potash Corp. also is part of Canpotex Ltd., a marketing venture with North American fertilizer suppliers Mosaic Co. and Agrium Inc. Collectively Canpotex has 37 percent of global capacity right now, according to a Bloomberg Intelligence note.

The possibility of further consolidation in the industry would increase the likelihood of antitrust challenges, Bloomberg Intelligence said.

“It's natural resources; the government always takes a look at it,” Christopher Perrella, an analyst for Bloomberg Intelligence, said Friday by phone.

The U.S. corn seed market, where four suppliers comprise two-thirds of the industry, puts things into perspective, Bloomberg Intelligence said. Syngenta AG, the world's largest maker of crop chemicals, rejected last month an offer from Monsanto Co., the biggest

seed producer, partly on concerns that regulatory risks will far exceed a proposed \$2 billion breakup fee.

Kassel, Germany-based K+S, Europe's largest potash supplier, had risen 27 percent this year before newspaper Handelsblatt reported Potash's interest on Thursday. The shares jumped 30 percent to 37.66 euros in Frankfurt on Friday, giving it a market value of 7.21 billion euros (\$8.1 billion).

## **7. How a Bet on Rare Earths Flopped as Scarcity Was a Mirage**

By Tim Loh, Tatiana Darie and Simon Casey

June 28, 2015 — 6:01 PM CDT Updated on June 29, 2015 — 3:19 PM CDT

In late 2010, two questions were on the minds of many commodities investors: What are rare earths? And where could they buy some?

The group of 17 obscure, difficult-to-pronounce minerals, used in hot-ticket items like smart phones, electric cars and wind turbines, were beginning to post the kind of price gains not seen even in the traditionally volatile energy and metals markets. For many investors, the only way to get in on the action was to buy shares of U.S. producer Molycorp Inc. Its market capitalization had shot up to \$4 billion after an initial public offering earlier that year.

On Thursday, Molycorp filed for bankruptcy protection, having run out of cash after a precipitous and sustained slide in rare-earth prices. The company has become a cautionary tale for investors looking for the next hot thing, a lesson in how excessively high commodity prices can quickly reverse.

“In hindsight it was an absolute commodity bubble,” said Jon Hykawy, an analyst at Stormcrow Capital Ltd. in Toronto who tracks the rare earths industry.

The trigger for the rally was the decision by China in 2010 to suddenly restrict exports, sending users scrambling for supplies of lanthanum, neodymium, cerium and other rare earths. Yet grave predictions of a shortage of these critically important materials proved to be flawed. Rare earth consumers such as Toyota Motor Corp. simply switched to cheaper alternatives.

### **Dominant Producer**

Until the 1990s, the U.S. was the dominant producer of rare earths and China mined almost none. That would soon change as the largest U.S. mine shut and Chinese

producers took advantage of cheap labor and more relaxed environmental regulations. By the early 2000s, China supplied 97 percent of the global market, according to the Council on Foreign Relations.

Rare earths would soon assume geopolitical significance. The minerals are used in smart bombs, Tomahawk cruise missiles and F-35 fighter jets. Concerned by the reliance on Chinese supplies, the U.S. Department of Defense and other government agencies began studying the issue. In July 2010, just months after their report was published, the fears began to be realized when China cut export quotas by 72 percent to ensure domestic supply.

Rare earth prices began to climb as consumers built up inventories, and the rally would last into much of 2011. Lanthanum, used in hybrid-car batteries, and neodymium, for powerful magnets, both jumped fivefold during 2011. Cerium, for glass polishing, soared sixfold.

### **Good Timing**

In the U.S., Molycorp became a stock-market star. Investors who had bought into the Greenwood Village, Colorado-based company at its July 2010 IPO at \$14 a share saw the stock touch \$79.16 in May 2011.

Molycorp's sales pitch billed the reopening of its Mountain Pass mine in California as the only North American source of rare earth, breaking the grip of Chinese buyers. Then, the rare earth boom ended almost as quickly as it began, with prices posting steep declines in late 2011. More supply was coming on the market, not just from California but also from Australia and Malaysia, according to Kevin Starke, an analyst at CRT Capital Group.

"The industry shot itself in the foot with so much new supply," he said.

### **Alternative Methods**

Prices also came under pressure as corporate buyers did work-arounds. The glass polishers started recycling cerium, according to Stormcrow's Hykawy. Toyota went one step further, developing motors for hybrid and electric vehicles that don't need rare earths. Oil refiners substituted rare earths from the catalysts used in refining.

"There's a maximum price that you pay," Hykawy said. "I'm sick to the stomach of the argument that rare earths are irreplaceable."

Even as prices continued to slide, Molycorp elected to double down on the industry by buying Neo Material Technologies Inc., a Canadian metals processor, for \$1.2 billion in 2012.

No longer profitable, Molycorp's woes mounted. In November of that year it said it was being investigated by the U.S. Securities and Exchange Commission over the accuracy of the company's public disclosures. Further equity and bond sales followed to help fund the development of Mountain Pass. By January 2015, the company was talking to debt-restructuring advisers.

### **Bankruptcy Exit**

In court documents, Molycorp listed assets of \$2.49 billion and liabilities of \$1.79 billion. A group of creditors has agreed to provide \$225 million in financing. The company continues to operate and says it plans to exit bankruptcy by the end of the year.

The shares, which trade over the counter after they were delisted from the New York Stock Exchange following the bankruptcy, fell 30 percent to 9 cents at the close. Three analysts recommend selling the shares while one has a hold rating, according to data compiled by Bloomberg.

Despite Molycorp's plight, rare earth demand continues to grow. Yet analysts say the industry needs to smooth out supply management to lessen price volatility, or permanently scare away users. China remains the dominant global supplier with a share of at least 70 percent, the Council on Foreign Relations said.

"There needs to be a stable source of rarer supply outside of China," said Melissa Tan, a New York-based analyst at RW Pressprich & Co. "Large buyers, the Japanese companies and others, they want to diversify their exposure."

### **Week 4 & 5**

#### **8. Eldorado Gold to Sustain Greek Operations Amid Capital Curbs**

By Tatiana Darie

June 29, 2015 — 11:15 AM CDT Updated on June 29, 2015 — 3:40 PM CDT

Eldorado Gold Corp. said it will be able to sustain operations in Greece and pay workers even as the European nation imposes capital controls.

The Canadian gold producer, whose Greek assets include the Stratoni mine and three

projects in Northern Greece at the Olympias, Skouries and Perama Hill sites, said operations aren't affected by the government's measures.

“At the moment the capital controls imposed by the Greek government are not having any material impact on our ability to make or receive payments to and from third parties,” Eduardo Moura, Eldorado's vice president and general manager for Greece, said in an e-mail.

While cash withdrawals are limited to 60 euros (\$67) a day, electronic transactions within the country won't be affected, according to a document provided by the Greek government. There are about 2,000 people working for Eldorado and its contractors in the country, according to a company statement on Monday.

Eldorado Gold Chief Executive Officer Paul Wright said the company will “continue to support its investment in Greece, responding as appropriate to the conditions as they evolve.”

The shares rose 1 percent to C\$4.99 at the close in Toronto. The Vancouver-based producer has dropped 30 percent this year.

## **Week 6**

### **9. Barrick Leads Gold Producers Down as Price of Metal Tumbles**

By Danielle Bochove, with assistance from Tatiana Darie

July 17, 2015 — 9:18 AM CDT Updated on July 17, 2015 — 4:06 PM CDT

Barrick Gold Corp. tumbled to a 24-year low in Toronto, leading a rout among bullion miners, after a selloff in the price of the metal.

Barrick, the world's biggest gold producer, dropped as much as 6.5 percent to C\$11.19 in Toronto, the lowest intraday price since May 1991, before closing at \$11.35. Goldcorp Inc., the biggest North American producer by market value, finished down 6.1 percent and Newmont Mining Corp., the largest U.S. producer, fell 3.2 percent in New York.

Gold tumbled Friday on strength in the U.S. dollar and signs of improving U.S. economic growth.

“The market's focus has turned back to the U.S. dollar, away from the safe-haven bid, and there is simply no support for gold prices at this point,” Jessica Fung, a Toronto-based commodities analyst at BMO Capital Markets, said Friday by phone. The market's attention has temporarily shifted away from concerns about Greece and the Chinese stock

market, she said. Gold futures for August delivery closed down one percent at \$1,131.90 an ounce on the Comex in New York, after touching \$1,129.60, the lowest since April 2010.

Other precious-metal miners fell. The Philadelphia Stock Exchange Gold and Silver Index, a gauge of miners, finished down 4.74 percent, reaching the lowest intraday since January 2002. Among Toronto-based gold miners, Kinross Gold Corp. closed down 6.8 percent, Agnico Eagle Mines Ltd. fell 4.8 percent and Yamana Gold Inc. fell 5.2 percent.

### **Interest Rates**

The markets are focused on the extent to which the U.S. may raise interest rates, Sean Boyd, the Vice-Chairman & chief executive officer of Agnico Eagle, said in an interview on Friday.

“So there could be continued pressure on gold equities, there could be continued pressure on the gold price, until we get some direction on interest rates,” he said.

Barrick is under particular pressure as the drop in gold casts doubt on the company’s strategy of shedding assets to pay down its \$12.9 billion debt, Ron Stewart, an analyst at Macquarie Capital Markets in Toronto, said Friday in a telephone interview.

“Barrick was doing OK with this notion of selling assets to reduce the debt levels and repair their balance sheet,” he said. “It becomes harder and harder to sell those assets at any kind of reasonable value if metal prices are unwinding.”

Barrick’s total debt peaked at \$15.8 billion in the second-quarter of 2013, the same year gold futures had their biggest annual plunge in more than three decades. Since then, the company has sold more than \$2 billion worth of assets and has been in talks to sell a 50 percent stake in its Zaldívar mine in Chile.

### **10. CF Said to Be in Early Talks With OCI on Fertilizer Deal**

By Aaron Kirchfeld and Tatiana Darie

July 17, 2015 — 4:07 PM CDT Updated on July 17, 2015 — 11:01 PM CDT

CF Industries Holdings Inc., the largest U.S. nitrogen-based fertilizer producer, is in talks with Dutch rival OCI NV about a merger, a person with knowledge of the matter said.

The discussions are at a very early stage and could still fall apart, said the person, who asked not to be identified because the process is private. There’s no certainty that an agreement will be reached, the person said.



CF jumped 9.9 percent in New York on Friday, giving it a market value of \$16.2 billion, while OCI American depositary receipts climbed 10 percent, giving it a value of \$7.07 billion.

It's the second time in less than a year that CF has tried to merge with a competitor. In October, it terminated talks with Norway's Yara International ASA about creating the world's bigger maker of nitrogen fertilizer. CF Chief Executive Officer Tony Will said the following month he was still interested in buying production assets rather than building them amid what he described as a "heavily fragmented" industry. "CF started out as a regional player, it became a national player," Mark Connelly, a New York-based analyst at CLSA Americas, said in a phone interview. "This transaction will make them a global player."

CF and OCI representatives didn't respond to requests for comment. The Wall Street Journal reported earlier that the companies are in advanced talks. The newspaper said a deal that could be structured as a so-called inversion, in which a U.S. company moves its tax domicile to another country.

### **Sawiris Stake**

The potential merger "is 90 percent about taxes and 10 percent about synergies," Connelly said.

CF rose to \$68.92 at the close New York, the biggest jump since December 2013. OCI American depositary receipts jumped 10 percent to \$33.65 in New York. The company has production assets spanning Egypt, Algeria, the Netherlands and Texas. It's currently building a fertilizer plant in Iowa and a methanol factory in Texas. The company's chief executive officer is billionaire Nassef Sawiris, Egypt's richest man, who has a 29 percent stake in OCI, according to data compiled by Bloomberg. The Iowa plant is among capacity expansions under way in the U.S. to take advantage of the country's cheap natural gas supplies. Gas is used in fertilizer manufacturing to capture nitrogen from the air.

News of the CF-OCI talks come as Monsanto Co., the world's largest seed company, is pursuing a \$45 billion takeover of Syngenta AG, the biggest producer of pesticides.

### **Week 7**

#### **11. Gold-Mining Stocks Slump to Lowest in Decade on Bullion Rout**

By Kevin Crowley, Adam Haigh and Tatiana Darie

July 20, 2015 — 7:39 AM CDT Updated on July 20, 2015 — 4:35 PM CDT

A gauge of the world's biggest gold-mining companies fell to the lowest in at least a decade as a rout in the precious metal deepened.

The 15-member Bloomberg Intelligence Global Senior Gold Valuation Peers Index, which includes Barrick Gold Corp. and AngloGold Ashanti Ltd., dropped 9.2 percent to 16.96 at the close in New York, the lowest since it began in 2005. Spot gold declined 3.3 percent to \$1,096.50 an ounce, the weakest closing price since March 2010.

Gold has fallen out of favor as Federal Reserve Chair Janet Yellen prepares to raise U.S. interest rates this year, strengthening the dollar and reducing demand for havens. Producers are struggling to adapt to a lower bullion price after a decade of debt-fueled expansion, acquisitions and cost inflation during the boom years that saw bullion peak at \$1,921.17 in September 2011.

“With low global inflation and an improving U.S. economy, I doubt we’ll see big economic shocks, which is not good for gold,” said Wayne McCurrie, who helps manage \$8 billion at Momentum Holdings Ltd. in Pretoria, South Africa. “With a large element of fixed costs, miners are obviously geared to the gold price.”

### **Barrick, Newmont**

Barrick Gold, the largest producer, tumbled 16 percent in Toronto, and Newmont Mining Corp. dropped 12 percent in New York. Newmont was the biggest decliner on Monday among companies in the Standard & Poor’s 500 Index.

The plunge in shares comes two days before Newmont reports second-quarter earnings, and will be followed in coming weeks by other North American producers. With gold prices tumbling, mining companies will focus on additional cost-cutting programs, Morgan Stanley analysts led by Brad Humphrey said in a note on July 14.

Second-quarter profits among top gold producers are expected to fall about 22 percent compared with last year, according to the Bloomberg Intelligence Global Senior Valuation Peers Index.

A further drop in prices would squeeze margins for producers saddled with high-cost operations, according to Pawel Rajszel, an analyst at Veritas Investment Research Corp.

“The industry is not looking good in our view,” Rajszel said in a telephone interview last week. “That means the lower-cost producer should outperform, but companies with higher average costs, or generally just higher-cost mines, will do quite poorly.” While Barrick is working to cut the biggest debt in the gold industry and Newmont is focused on reducing costs, Goldcorp Inc. is expected to show an improvement in the second half of the year, according to Farooq Hamed, a Toronto-based analyst at Barclays Capital. The Vancouver-based producer could post higher output as it ramps up output at its mines in Canada and Argentina, Hamed said in a note.

## **12. CF Holds Talks With Dutch Rival OCI About Fertilizer Deal**

By Aaron Kirchfeld and Tatiana Darie

July 20, 2015 — 1:10 AM CDT Updated on July 20, 2015 — 4:39 PM CDT

CF Industries Holdings Inc., the largest U.S. producer of nitrogen-based fertilizer, said it’s in preliminary talks about a combination with certain businesses of Dutch rival OCI NV.

There’s no guarantee talks will result in a transaction, CF said in a statement on Monday, without providing further details. OCI, the fertilizer producer run by Egyptian billionaire Nassef Sawiris, is in talks about possible combinations or transactions, it said in a separate statement, without identifying CF.

The merger being discussed by the two companies would exclude OCI operations in Egypt and Algeria, said a person familiar with the matter, who asked not to be identified because the talks are private. OCI also has production assets in the Netherlands and the U.S.

The potential deal would allow CF to expand outside the U.S. while also tightening its grip over the domestic market, according to Colin Isaac, a London-based analyst at Atlantic Equities LLP. The Iowa plant being built by OCI is the largest nitrogen-fertilizer expansion in the U.S. after CF’s own projects, he said in a phone interview. OCI’s European assets “aren’t as low-cost as the U.S. but they are still quite profitable,” Isaac said.

CF dropped 5.7 percent to \$65 in New York, giving it a market value of \$15.3 billion. OCI American depositary receipts fell 1.1 percent to \$33.27, valuing the company at \$6.99 billion.

## **Tax Inversion**

It's the second time in less than a year that CF has tried to merge with a competitor. In October, it terminated talks with Norway's Yara International ASA about creating the world's biggest maker of nitrogen fertilizer.

CF Chief Executive Officer Tony Will said in November the industry is "heavily fragmented" and he was still interested in buying production assets instead of building them.

The Wall Street Journal, which first reported the CF-OCI talks, said a deal could be structured as a so-called inversion, in which a U.S. company moves its tax domicile to another country with lower rates.

Sawiris, Egypt's richest man, relocated Orascom Construction Industries to the Netherlands from Egypt last year through a buyout by OCI. He has a 29 percent stake in OCI, according to data compiled by Bloomberg.

### **13. Gabriel Rises After Filing Arbitration Case Over Romanian Mine**

By Tatiana Darie and Irina Vilcu

July 22, 2015 — 10:26 AM CDT Updated on July 22, 2015 — 6:00 PM CDT

Gabriel Resources Ltd., a Canadian gold-mine developer, rose after it escalated its dispute with Romania over its stalled Rosia Montana project by seeking international arbitration.

Gabriel increased 5.2 percent to 40.5 cents in Toronto. The shares have declined 56 percent in the past 12 months.

The company has spent more than a decade trying to build what would be Europe's largest gold mine amid opposition by campaigners to the use of cyanide to extract the metal. It said Tuesday in a statement it has filed a request for arbitration at the World Bank's international settlement arm after Romanian authorities "blocked and prevented implementation of the project without due process and without compensation."

"In light of their apparent and disappointing unwillingness to engage at all, it has become the company's sole recourse to commence international arbitration," Chief Executive Officer Jonathan Henry said in the statement.

The company doesn't have any further comments, Henry said Wednesday when reached

by phone. In 2013, Gabriel threatened to seek as much as \$4 billion of damages should Romanian lawmakers vote to oppose its gold and silver project in the country. By the end of the year, Romanian lawmakers rejected legislation that would've helped Gabriel's gold mine amid protests against it.

Romanian spokesman Corneliu Calota said the government "has fulfilled its obligations when it submitted the mining draft law to Parliament." Officials haven't received any notice yet from Gabriel or the World Bank's arbitration body, Calota said by phone Wednesday.

The Rosia Montana project stalled after a series of protests in cities across the country in 2013 demanded Gabriel's plan to be dropped. Local communities opposed the use of cyanide in Romania after the country suffered one of Europe's worst environmental disasters in 2000 when cyanide-rich mine waste in northwestern Romania contaminated tributaries of the Tisza river and spread to the Danube.

#### **14. Newmont's Earnings Fall in Second Quarter as Gold Price Drops**

by Tatiana Darie

Jul. 22, 2015 6:27PM EDT

Newmont Mining Corp., the largest U.S. gold producer, reported second-quarter earnings that fell from a year earlier as prices for the metal declined.

Net income dropped to 14 cents a share from 36 cents a share a year earlier, Colorado-based Newmont said Wednesday in a statement. Earnings excluding one-time items were 26 cents a share, trailing the 27-cent average of 15 estimates compiled by Bloomberg. Sales were \$1.91 billion, lower than the \$1.99 billion average estimate. Newmont is working to cut costs and debt after a sustained slide in the price of the metal, which dropped to a five-year low this week.

A rout in bullion this month has sapped investor confidence in gold miners, sending the benchmark 30-member Philadelphia Stock Exchange Gold and Silver Index of the largest producers to its lowest since 2001.

"At the end of the day, they do have higher-cost assets," Pawel Rajszel, a Toronto-based analyst at Veritas Investment Research Corp, said in a July 13 telephone interview. "They also have a significant debt load."

The metal's plunge is eroding profits at mines across the globe and stressing balance

sheets in an industry where the biggest producers are weighed down by a record debt load of \$31.5 billion.

### **15. Newmont Cutting Its Cost Outlook Shows Why Gold Can Keep Falling**

By Tatiana Darie

July 22, 2015 — 3:25 PM CDT Updated on July 22, 2015 — 5:38 PM CDT

Newmont Mining Corp., the largest U.S. gold producer, reduced its outlook for the cost of mining this year, a sign that the slump for the metal that took prices to a five-year can keep going.

The forecast for so-called costs applicable to gold sales was cut to a range of \$630 an ounce to \$680 an ounce, from \$660 to \$710, the Greenwood Village, Colorado-based company said in a statement Wednesday.

“It’s probably a sign the rout in gold will continue,” said Martin Leclerc, the founder and chief investment officer of Barrack Yard Advisors LLC, which oversees \$160 million. “Newmont is positioning itself to at least be the last man standing.”

Gold’s drop to the lowest since 2010 has investors focusing on metal-production costs, because they’re trying to see how far prices will drop before output is cut back. Even as Newmont reports net income that fell 61 percent from year earlier to 14 cents a share last quarter, lower energy expenses means that it’s getting cheaper to mine and the company is expanding production as it tries to reduce debt.

Newmont is working to cut costs and debt after a sustained slide in the price of the metal, which dropped to a five-year low this week. A rout in bullion this month has sapped investor confidence in gold miners, sending the benchmark 30-member Philadelphia Stock Exchange Gold and Silver Index of the largest producers to its lowest since 2001.

### **Oil Prices**

“Favorable oil prices and exchange rates largely offset the impacts of lower metal prices,” Chief Executive Officer Gary Goldberg said in the statement. “Based on this performance, we are improving our full-year outlook for both production and costs.” Newmont’s so-called costs applicable to sales averaged \$638 an ounce in the second quarter, compared with the \$654 average of eight estimates compiled by Bloomberg.

“It is a trend that’s been taking place across the board for the miners,” said Dan Denbow, a portfolio manager at the \$600 million USAA Precious Metals & Minerals Fund in San

Antonio. “They’ve been having to live with lower commodity prices, and therefore you have to adjust your operating cost if you’re going to keep making money.”

Newmont’s earnings excluding one-time items were 26 cents a share, trailing the 27-cent average of 15 estimates compiled by Bloomberg. Sales were \$1.91 billion, lower than the \$1.99 billion average estimate. Second-quarter gold output rose to 1.24 million compared with 1.22 million ounces a year earlier and the 1.18 million average of nine estimates.

(Newmont scheduled a conference call to discuss the results for Thursday at 10 a.m. New York time, accessible in North America at 1-800-857-6428 and for other callers at 1-517-623-4916. The passcode is Newmont.

## **Week 8**

### **16. Hope Glimmers for Penny-Pinching Miners Buffeted by Gold Rout**

By Danielle Bochove and Tatiana Darie

July 31, 2015 — 10:49 AM CDT

Gold miners battered by the biggest metal-price slump in two years are responding by strengthening their balance sheets and eventually will be rewarded by investors, according to North America’s most valuable producer.

“We, as an industry, have done a really good job of trying to shore up those margins - some better than others because some have better assets,” Goldcorp Inc. Chief Executive Officer Chuck Jeannes said in a telephone interview.

He spoke from Quebec City on Thursday after Goldcorp reported quarterly profit that beat analysts’ estimates. The Vancouver-based company is lowering its dividend by 60 percent as part of a cost-cutting drive that enabled it to become cash-flow positive for the first time in almost three years, and said it could defer projects if prices keep falling.

Goldcorp and peers including Kinross Gold Corp. and Agnico Eagle Mines Ltd. are answering investor calls to preserve cash as gold heads for a 7.7 percent slump this month, the most in two years. Bullion slid 0.6 percent to \$1,081.75 an ounce by 10:25 a.m. in London, according to Bloomberg generic pricing, after reaching a five-year low on July 24.

Even as producers batten down the hatches, investors are selling their stocks far more aggressively than gold.

The BI Global Gold Mining Competitive Peers Index has tumbled 25 percent in the past

month, with members trading below their book value on average, compared with a ratio as high as 2.4 times four years ago, data compiled by Bloomberg show. Yamana Gold Inc. and Barrick Gold Corp. are among the hardest hit, losing more than 30 percent. Goldcorp is down 16 percent.

### **Recovery Seen**

Eventually, the market will come around, Jeannes said. Short-term investors have all but left the industry, while long-term holders understand its cyclical nature, he said.

“We’re in a low part of the cycle now but I’m sure they believe, as I do, that things will turn around,” he said. “I’ve seen it before and we’ll start climbing out of this at some point.”

Goldcorp has been focused on driving down costs and bringing on new mines with high margins, Michael Gray, a Vancouver-based analyst at Macquarie, said by telephone.

“They are reasonably well-positioned to weather the storm.”

Agnico, based in Toronto, lowered its cost guidance by a further \$10 an ounce in the second quarter, reduced its debt and maintained its 2015 production target. Vancouver-based Eldorado Gold Corp. also lowered its cost forecast.

### **Forex Relief**

Canadian producers with significant local operations are getting some price relief from an 11 percent decline in the currency against the U.S. dollar this year, according to Barry Allan, an analyst at Mackie Research Capital Corp.

Others, like Barrick and Newmont Mining Corp., have significant U.S. operations and a weaker outlook, he said by telephone on Thursday. Hours later, Barrick announced the sale of 50 percent of a Chilean copper mine, bringing debt reduction to nearly two thirds of its \$3 billion target this year.

The meltdown means the price of gold is approaching the cost of production, which signals buying opportunities, said Douglas Groh, who helps manage \$1.9 billion in gold and other precious metal investments at Tocqueville Asset Management LP.

“Valuations are probably the lowest they’ve been in 15 years for these mining companies,” Groh, whose holdings include Detour Gold Corp. and Goldcorp, said by telephone. “Clearly they are taking it on the chin and the market is anticipating the worst.”



## **17. OceanaGold to Buy Romarco for \$660 Million for U.S. Mine**

By Thomas Biesheuvel, Tatiana Darie and David Stringer

July 30, 2015 — 4:43 AM CDT Updated on July 30, 2015 — 11:15 PM CDT

OceanaGold Corp. agreed to buy Romarco Minerals Inc. in a deal worth C\$856 million (\$660 million) to gain control of its bullion project in South Carolina. The buyer's shares fell the most in six years.

OceanaGold will pay 0.241 of its shares for every one in Romarco, the Melbourne-based company said in a statement on Thursday. That values Romarco shares at C\$0.68, a 73 percent premium on the July 29 closing price, OceanaGold said.

A decline in the price of gold, which last week fell to the lowest since February 2010, is spurring deals after valuations tumbled. OceanaGold said in April it was seeking to buy more assets after agreeing to pay \$101 million for Newmont Mining Corp.'s Waihi mine in New Zealand.

OceanaGold slumped as much as 17 percent in Sydney, the most since 2009, and was at A\$2.37 at 1:58 p.m., down 15 percent.

Investors are questioning the value of adding Romarco's Haile mine project, according to UBS Group AG. "It appears they are paying a significant premium," Sydney-based UBS analyst Jo Battershill said by phone Friday. "It makes it difficult to see how they can add genuine value in the current gold price environment."

After tumbling 47 percent in the past year, the BI Global Gold Mining Competitive Peers Index trades just below its members' average book value, compared with as high as 2.4 times four years ago, according to data compiled by Bloomberg.

### **Cut Costs**

The combined producer will be able to bring down costs further and post "attractive margins" even with prices hovering around \$1,100, OceanaGold Chief Executive Officer Mick Wilkes said on a conference call. The company is "fully financed" to undertake Romarco's capital projects, Wilkes said.

After completion, OceanaGold shareholders will own about 51 percent and Romarco investors about 49 percent. Adding the Haile project, which is targeting first production in 2017, will boost the combined company's annual gold output to about 540,000 ounces.

“The developing companies are attractively valued in the context of the market,” Andrew Kaip, a Toronto-based analyst with BMO Capital Markets, said by phone. “You can buy reserve ounces and pre-development names for cheaper than you can actually find them.”

## **18. U.S. Steel Rallies as Demand Pickup Seen Alleviating Metal Glut**

By Sonja Elmquist and Tatiana Darie

July 29, 2015 — 11:20 AM CDT Updated on July 29, 2015 — 3:32 PM CDT

U.S. Steel Corp. shares are on the biggest tear in a year on signs steelmakers in the country are about to get some relief from a glut exacerbated by China’s slowdown. The stock jumped 13 percent to \$20.04 at 4:15 p.m. in New York, the steepest advance since July 30, 2014.

Chief Executive Officer Mario Longhi said Wednesday he’s looking for a fourfold increase in second-half earnings on cost cutting and an improving market outlook. The projection helped extend a gain this week to 23 percent as part of an industrywide rally fueled by optimism that trade complaints lodged against cheap imports will ease price pressure.

U.S. Steel surprised by maintaining its guidance based on cost cutting, which implies “a massive improvement in the second half,” David Gagliano, a New York-based analyst for BMO Capital Markets, said by phone. “Our view is it’s going to be hard for them to get to that target.”

Cliffs Natural Resources Inc. Chief Executive Officer Lourenco Goncalves said Wednesday that the trade cases are a game changer for steelmakers with volumes set to rise in the second half. Cliffs sells iron ore to steel mills.

Companies including U.S. Steel could win market share from overseas steelmakers if duties are imposed on cold-rolled imports, Bloomberg Intelligence trade analyst Caitlin Webber wrote in a report Wednesday.

### **Losses Deepen**

After reporting on Tuesday a wider-than-forecast net loss for the second quarter, the country’s second-largest producer gave an estimate of at least \$570 million in earnings before interest, taxes, depreciation and amortization for the second half of the year, compared with \$130 million in the first half.

Shipments in the flat-rolled division, its biggest, and tubular segment, which produces its highest-priced goods, will improve, Chief Executive Officer Mario Longhi said on a conference call to discuss earnings.

“The automotive market continues to be a very good market for us, and we expect it to remain strong throughout the year,” Longhi said. “We also expect growth in demand in the appliance and construction markets as compared to last year.”

U.S. Steel’s net loss widened to \$1.79 a share in the second quarter compared with 12 cents a year earlier. Excluding one-time items, the loss per share was 79 cents. Sales fell to \$2.9 billion from \$4.4 billion.

The average price of hot-rolled steel coil, a benchmark product used in everything from buildings and appliances to automobiles, tumbled 33 percent to \$456 a ton in the quarter, according to data from The Steel Index. A stronger dollar and climbing domestic demand amid global oversupply has led to years of increasing imports.

The nation’s steelmakers on average used 72 percent of their capacity in the quarter, down from 76 percent a year earlier, according to the American Iron and Steel Index. Nucor Corp., the largest U.S. producer, has gained 6.6 percent this week, reducing a year-to-date drop to 5.9 percent.

### **19. India’s Rajesh Exports Acquires Newmont’s Swiss Gold Refiner**

By Swansy Afonso and Tatiana Darie

July 27, 2015 — 1:22 AM CDT Updated on July 27, 2015 — 3:42 PM CDT

Rajesh Exports Ltd., India’s biggest exporter of gold jewelry, agreed to buy Swiss refiner Valcambi SA from owners including Newmont Mining Corp. for \$400 million.

The cash purchase helps ensure gold supplies to India, the largest consumer of the metal after China, Bangalore-based Rajesh Exports said in an exchange filing on Monday. Its stock rose to close at the highest level since at least July 2000, while shares in Newmont, the largest U.S. gold producer, fell.

“On a theoretical basis Valcambi is capable of supplying the entire gold requirement of India,” said Chairman Rajesh Mehta. Credit Suisse Group AG has agreed to fund 30 percent to 35 percent of the acquisition through long-term debt, which Rajesh Exports plans to repay through Valcambi’s future earnings, Mehta said at a news conference in Mumbai.

Valcambi, founded by a group of Swiss entrepreneurs in 1961, has processed and sold an average of 945 metric tons of gold and 325 tons of silver annually during the last three financial years, according to the statement. India imported 891.5 tons of gold in 2014 to meet demand of 811.1 tons, according to the World Gold Council.

For Greenwood Village, Colorado-based Newmont, the sale of its stake in the refinery will generate net proceeds of \$119 million, part of an effort to reduce debt and position itself for near five-year low gold prices.

The deal “could prevent more difficult decisions from having to be made down the road,” if gold prices continue to fall, Garrett Nelson, a Virginia-based analyst at BB&T Capital Markets, said in a telephone interview.

### **Price Tumble**

Newmont has raised about \$900 million this year, including a stock offering and the sale of the Waihi mine in New Zealand. The funds more than offset a pending \$820 million payment for the newly-acquired Cripple Creek & Victor mine in Colorado and give the company more flexibility to reduce debt this year, Farooq Hamed, a Toronto-based analyst at Barclays Capital, wrote in a research note on Monday.

Newmont shares lost 3.3 percent to \$17.22 at the close in New York, extending a decline this year to 8.9 percent. That’s in line with gold’s drop amid mounting speculation that U.S. interest rates will climb this year, curbing the metal’s appeal because it doesn’t pay interest like competing assets.

Rajesh Exports and its units used more than 170 tons of gold for its operations during the financial year ended March 31, it said. The company’s net income may increase 40 percent in 2015-16 from 6.5 billion rupees (\$102 million) a year earlier because of the Valcambi acquisition and an increase in Indian gold demand during festivals starting in September, Mehta said.

### **New Markets**

“The coming together of Rajesh Exports and Valcambi would ensure that Valcambi improves on its global share of gold business, by opening up new markets in India, Middle East and China,” Michael Mesaric, chief executive officer of Valcambi, said in the statement.

The deal helps cement India’s position in the world gold market, said Harish Galipelli, head of commodities and currencies at Inditrade Derivatives & Commodities Ltd., calling it a positive move for Rajesh Exports.

Shares of Rajesh Exports rose 1.6 percent to 540.85 rupees at the close in Mumbai on Monday. That was the ninth day of gains and the longest winning streak since September 2010.

## **Week 9**

### **20. Gold Bears Return as Traders Look to September for Rate Increase**

By Joe Deaux and Tatiana Darie

August 4, 2015 — 7:38 PM CDT Updated on August 5, 2015 — 1:54 PM CDT

The gold bears are back on the prowl.

Futures in New York fell for the second time in three days amid mounting speculation that a resilient U.S. economy will allow the Federal Reserve to raise interest rates as soon as September. Prices extended declines as a private report showed that American service industries in July expanded at the strongest pace in a decade.

Gold tumbled to a five-year low in late July on the outlook that the Fed will start tightening monetary policy. Higher rates curb the appeal of bullion because it doesn't pay interest or offer returns, unlike competing assets. Money managers have stayed net-short on the metal for two straight weeks, and banks including Goldman Sachs Group Inc. predict more declines for prices.

"Gold is becoming more and more distasteful as an asset for people to own," Phil Streible, a senior market strategist at RJO Futures in Chicago, said in a telephone interview. "Better U.S. growth is going to reaffirm an interest-rate hike in September, and that's what is damaging gold."

On the Comex, gold futures for December delivery fell 0.5 percent to settle at \$1,085.60 at 1:44 p.m. in New York. The metal reached a five-year low of \$1,073.70 on July 24. As prices slide, mining stocks are also suffering. Shares of Canada's Barrick Gold Corp., the world's largest producer, dropped to the lowest since 1989 in Toronto.

## **Dollar Rally**

Fed Bank of Atlanta President Dennis Lockhart said in an interview with the Wall Street Journal that it would take a significant deterioration in data for him not to endorse raising rates in September. The Bloomberg Dollar Spot Index reached the highest in more than four months. Jobs data from the Labor Department on Friday will be closely watched for more signals on how fast rates could rise.

“There is tremendous pressure on prices” of gold, George Gero, a vice president of global futures at RBC Capital Markets in New York, said by telephone. “The strength of the dollar and the Fed’s Lockhart indicating a September rate hike back on the table has damped enthusiasm for gold.”

Holdings in exchange-traded products backed by bullion are at the lowest since 2009, and about \$7.8 billion has been wiped from the value of the assets this year.

Since about 40 percent of what’s mined or recycled annually gets sold as coins or bars, shriveling demand from speculators could mean a prolonged bear market. Morgan Stanley says investment buying will keep dropping through at least 2018. Goldman in a report Monday reiterated that gold may fall below \$1,000.

Silver futures for September delivery fell less than 0.1 percent to \$14.553 on the Comex. Palladium for September delivery lost 0.9 percent to \$593 an ounce on the New York Mercantile Exchange, a fourth straight decline. Platinum for October delivery slid 0.8 percent to \$950.90 an ounce, also the fourth drop in a row.

## **21. Traders Have Disappeared From the Gold Market**

By Joe Deaux and Tatiana Darie

August 6, 2015 — 11:42 AM CDT Updated on August 6, 2015 — 5:05 PM CDT

### **Where Are the Gold Traders?**

Sinking volatility signals disinterest



Source: Exchange data compiled by Bloomberg

Bloomberg

As

gold continues to languish near its lowest price in five years, one element seems to be missing: traders.

Volume so far in August, already a slow time of year, has dropped about 8 percent from 2014. On Thursday, trading was about 40 percent below the 100-day average. With fewer

participants, the metal's volatility has tumbled to the lowest in nine months.

Gold traders are awaiting a U.S. jobs report due on Friday. A gain for employment could push the Federal Reserve to tighten monetary policy sooner, cutting the appeal of bullion because it doesn't pay interest.

The declines in volatility show that the "market isn't that interested" in gold as "fewer people are trading it," Tai Wong, the director of commodity-products trading at BMO Capital Markets Corp. in New York, said by telephone. "The expectations of higher interest rates will keep a cap on it."

Gold futures for December delivery rose 0.4 percent to close at \$1,090.10 an ounce Thursday on the Comex in New York.

The metal's 60-day historical volatility was near 11.8 on Thursday, the lowest since late October. Money managers have stayed net-short on the metal for two straight weeks, and banks including Goldman Sachs Group Inc. predict more declines for prices.

## **22. Tracing Conflict Minerals Proves Too Hard for Most U.S. Firms**

by Tatiana Darie

August 4, 2015 — 12:08 PM CDT

The vast majority of companies in a U.S. compliance study struggled to determine whether their products contain minerals from areas of conflict in Africa.

The research into company disclosure processes regarding the use of minerals such as tin, tantalum, tungsten and gold from the Democratic Republic of Congo was funded by New York-based consulting firm Assent Compliance and undertaken by Tulane University doctoral student Chris Bayer.

Tech giants Microsoft Corp., Apple Inc. and Intel Corp. -- which use the components to build everything from smartphones to hard drives -- were among companies with the highest compliance scores.

More than 80 percent of the 1,262 companies that filed compliance reports with the U.S. Securities and Exchange Commission last year said they couldn't identify whether their products contain conflict-free minerals. Another 9 percent used language that didn't specify if their supply chains contained such metals, according to the report.

Lawrence Heim, director of advisory firm Elm Sustainability Partners in New Haven,

Connecticut and a member of the study advisory panel, said it proved to be more difficult for companies to trace information than the SEC had predicted.

“The public needs to understand that this isn’t as simplistic as they might think,” Heim said in a telephone interview. “There are more technical obstacles in terms of being able to obtain information and data from suppliers.”

U.S. companies spent about \$709 million and a combined 6 million working hours from July 2013 to June 2014 to comply with the filing requirements.

The rules were enacted by the 2010 Dodd-Frank Act as part of an effort to curb exploitation and trade of conflict minerals by violent groups in the war-torn Congo.

## **Week 10**

### **23. Freeport Surges as \$1 Billion Stock Sale Seen as Necessary Evil**

By Tatiana Darie

August 10, 2015 — 7:08 AM CDT Updated on August 10, 2015 — 4:46 PM CDT

Normally a plan to dump \$1 billion in new stock on the market would send investors packing. Not for Freeport-McMoRan Inc., whose shares rose the most in six years.

The world’s biggest publicly traded copper producer surged 11 percent in New York, the most since March 2009 and the best performance among major mining companies, after it filed the offering prospectus.

While new shares will dilute value for existing holders, the money raised could help Freeport lower debt amid slumping prices of everything from copper to oil. Investors are seeing it as a better option than selling more assets or taking its oil business public, according to Daniel Rohr, an analyst for Morningstar Inc.

“Market expectations for oil prices just a few years down the road are pretty ugly, and in that environment you don’t want to be a seller,” Rohr said by telephone from Chicago.

A broad commodities rebound Monday also bolstered Freeport shares. The Bloomberg Commodity Index that tracks 22 raw materials posted the biggest intraday gain since February on Monday amid increased Chinese crude-oil imports, supply disruptions at copper mines and worsening conditions for corn.

The Phoenix-based miner that bet big on the energy market two years ago entered into a share distribution agreement with a unit of JPMorgan Chase & Co. and may offer



common stock, it said in a statement Monday.

Freeport is responding to a 19 percent slump in copper prices in the past three months, the biggest meltdown since November of 2008 as Chinese demand slows and the U.S. dollar strengthens. The company announced energy spending cutbacks last week as part of a sweeping operational review.

### **Debt Danger**

The share sale will allow Freeport to reduce net debt that stands at \$20.4 billion, or about four times estimated earnings before interest, taxes, depreciation and amortization, according to Jefferies LLC analysts led by Christopher LaFemina.

“In this lower commodity price environment it becomes more dangerous to have a lot of debt,” LaFemina said by telephone. “It becomes important to focus on repairing the balance sheet.”

The stock had lost more than 50 percent in the past three months, the worst performance in the Bloomberg World Mining Index. Freeport bonds due 2024 rose 7 cents to 83 cents on the dollar after a sell-off sent yields to a high of 7.7 percent on July 27 from 4.9 percent at the beginning of the year.

While Monday’s statement didn’t say when the shares would be sold, Jefferies analysts said they expect it to happen soon.

Freeport is also looking at bringing in partners to help shoulder spending burdens and said it will announce results of its operational review this quarter.

### **24. Silver Wheaton Chasing \$700 Million New Deals in Metal Rout**

By Tatiana Darie

August 12, 2015 — 3:30 PM CDT Updated on August 13, 2015 — 9:48 AM CDT

For Silver Wheaton Corp., it’s a great time to be in commodities.

The Vancouver-based company, which gives miners upfront payments in exchange for the right to precious metals it later sells, is in talks for new deals worth as much as \$700 million and expects to announce transactions by year-end, Chief Executive Officer Randy Smallwood said in an interview.

So-called streaming companies are taking advantage of efforts by miners to strengthen

their finances amid slumping prices. Barrick Gold Corp. announced last week an arrangement with a unit of Royal Gold Inc. for \$610 million upfront, plus continuing payments for metal delivered under the deal.

“I’ve never seen a time as busy as this, where we have so many opportunities,” Smallwood, who is also one of the company’s founders, said on Wednesday in New York. “A lot of the big diversified companies have balance-sheet challenges.”

Silver Wheaton is looking for low-cost mines at both large and small silver and gold producers. Smallwood said he prefers silver because of growth in industrial uses for the metal. The company also would look at deals in platinum and palladium.

The company is in a “great position” to fund new deals with cash it generates from operations and \$1.4 billion credit line capacity, he said in an e-mailed response to questions.

Precious metals could get a boost from China’s devaluation of the yuan, which is “setting the stage” for currency wars that would eventually press the U.S. to curtail the dollar’s gains to maintain competitiveness, Smallwood said.

A stronger dollar curbs demand for metals like gold.

## **Tax Proposal**

Regarding a proposal from the Canada Revenue Agency to reassess as much as C\$715 million (\$562 million) in earnings from its foreign subsidiaries, Smallwood said he is “very confident that we will prevail.”

The agency probably won’t go forward with the measure as the implications could spread to other resource companies with foreign operations, he said.

Should Silver Wheaton get a tax reassessment notice, it would appeal in a process that would cost about \$100 million and half of any penalties the agency assigns to the company.

“That’s well within our current capacity,” he said.

## **25. Agnico Weighs Partnerships and Share Sales for Gold Projects**

By Tatiana Darie and Sonja Elmquist

August 12, 2015 — 2:03 PM CDT Updated on August 12, 2015 — 3:24 PM CDT

Agnico Eagle Mines Ltd. is considering bringing in partners and selling “prudent measures” of stock to help finance projects as it battles tumbling gold prices.

Developing the Toronto-based company's Amaruq and Meliadine mines in northern Canada and its and El Barqueno project in Mexico are the top priorities, Chief Financial Officer David Smith said in an interview at the Jefferies Group's Global Industrials Conference in New York on Wednesday.

While Smith said an equity issuance could be an option, the 23 percent decline in the company's stock over the past year leaves share sales as a less-preferred option, he said. Freeport-McMoRan Inc. filed a prospectus this week to sell as much as \$1 billion in stock as it seeks to cut debt.

"With really low share prices, it's not particularly palatable at this time," Smith said. "But it's something we've done in the past. In prudent measures, it's OK."

Agnico doesn't plan to close any mines, which Smith said are generating operating profit, and he doesn't expect "drastic" cost-cutting at the operational level, he said. Agnico is among gold producers who have coped with a tumble in the precious metal's price to a five-year low, squeezing margins and provoking peers such as Barrick Gold Corp. to sell assets in a bid to preserve cash.

"Gold and other hard assets, other commodities, will go up over time versus paper currencies," as more countries turn to monetary stimulus to boost economic activity, Smith said.

Agnico operates mines in Canada, Mexico and Finland.

Shares in Toronto jumped 7.8 percent on Wednesday to C\$33.51 (\$25.82).

## **26. Gold Miners Turn to Payroll as Next Wave of Cuts If Rout Deepens**

By Tatiana Darie

August 13, 2015 — 11:00 PM CDT

Miners from global giant Barrick Gold Corp. to small-cap Golden Star Resources Ltd. are grappling with the same dilemma as the gold rout deepens: how to rein in labor costs without sacrificing too much output and revenue.

Barrick is looking at how to do "more with less" as it targets \$2 billion in spending cuts, Co-President James Gowans told analysts last week. Toronto-based Golden Star is working to reduce labor costs further, while Kinross Gold Corp., Yamana Gold Inc. and Newmont Mining Corp. are also reviewing headcounts as prices hover around five-year

lows. “It’s everything, it’s holistic, it isn’t one particular area,” Golden Star Chief Executive Officer Sam Coetzer said in an interview. “That’s just the nature of the game.”

The industry has already reduced its workforce by more than a third since 2012, when gold was trading about 30 percent above today’s levels, according to data compiled by Bloomberg. While gold is unlikely to witness the kind of mass firings seen in harder hit industries such as coal and oil, more cuts may be coming with labor accounting for as much as half their expenses.

“They really are trying to cut to the bone,” Kenneth Hoffman, a mining analyst with Bloomberg Intelligence, said in a telephone interview. “The next step is the mines themselves, and that will be the next big wave of cuts.”

Cutbacks so far have included corporate office staff and local contractors, Omar Jabara, a spokesman for Newmont, said by telephone.

While there’s still room to cut corporate jobs, companies can’t go “very far” with reducing mine workers, said Pawel Rajszel, an analyst at Veritas Investment Research in Toronto.

## **Golden Star**

“If they still want to mine at the mines, it’s hard to imagine how they are going to achieve that,” Rajszel said. “Unless, they start bringing in robots.”

In Ghana, Golden Star has opted to close its refractory business to focus on easier-to-process deposits, Chief Executive Officer Sam Coetzer said in an interview in New York Thursday. The company plans to cut 300 jobs in the next quarter and is looking to further reduce expenses, including on exploration and suppliers, he said.

Workers are paying the price of a commodity rout as a slowdown in Chinese demand fans oversupply concerns. Prices for raw materials measure by the Bloomberg Commodity Index dropped to the lowest since 2002 this month.

Glen Mpufane, director of mining at IndustriALL Global Union, which represents about 50 million workers in the mining, energy and manufacturing sectors across the globe, said wage reductions would be a more “responsible” alternative to dismissals. Few companies are considering that, he said by phone from Geneva.

## **Complex Negotiations**

That's because negotiations can be a complex process that might not always save jobs, according to Hoffman.

"Sometimes the unions will say flatly 'No' because they know that if they take a wage cut, everyone will have to take a wage cut," Hoffman said.

Wage talks in South Africa are perhaps the most telling example, he said. The country's largest miners have been locked in negotiations with worker unions for more than a month, trying to avoid slashing 10,000 jobs as companies grapple with the higher costs and plunging prices for their output.

Newmont and Barrick said there are no plans for wage reductions, while Goldcorp and Kinross did not comment on the issue. Yamana reduced salaries in 2013.

## **27. Domtar Hunting for Personal-Care Deals as Paper Slows**

By Tatiana Darie

August 14, 2015 — 8:55 AM CDT Updated on August 18, 2015 — 8:50 AM CDT

Domtar Corp., North America's second-biggest paper company by market value, is scouring for opportunities to expand its foothold in the personal-care business to counter declining paper demand.

The Montreal-based company is looking to generate as much as 65 percent of its earnings from growth businesses including pulp, personal care and specialty packaging as paper demand slows by 3 percent to 5 percent a year, Chief Executive Officer John Williams said in an interview Thursday in New York.

Domtar plans to spend \$1 billion or more on acquisitions, according to company spokesman Nicholas Estrela.

"The dialog on Domtar will be about the growth businesses and by the way, we own a paper business that generates lots of cash," Williams said. "Not the other way around."

The paper manufacturer spent about \$1.8 billion in the past four years to acquire personal-care operations across Europe, including Spanish adult-diaper maker Indas. At the same time, it converted some mills to specialty paper and fluff pulp, used in diapers, as it works to integrate the new businesses.

Domtar would consider using credit and cash to expand its personal-care unit, adding tissue and potentially female-hygiene products, Estrela said. Other financing options include issuing debt and equity, he said by phone from Montreal.

While maintaining dividends, Domtar would also slow its \$300 million share-buyback program for deals that would bring the “best return for the shareholder,” Williams said.

Regarding its remaining 10 paper mills, he said the company will have to take more decisions on re-purposing in the future.

### **Paper Declines**

Domtar shares advanced 0.3 percent to \$39.20 in New York Friday, reducing a decline this year to 2.5 percent.

Domtar could cut its paper output by almost 40 percent in three to five years as it focuses on growing the pulp and personal-care business, Williams said. While the company gets half of its revenue from paper sales, strong earnings and cash flow from growth businesses will offset the decline in production, he said.

“Investors want to know whether there’s really a return on those investments,” Mark Connelly, a New York-based analyst at CLSA Americas, said in a telephone interview.

Operating income from the personal-care segment rose to \$17 million in the second quarter from \$12 million a year ago.

Williams said Domtar has done “a reasonable job” calibrating shareholder returns with expansion efforts.

Domtar is among other paper producers that are waiting for a ruling from the Department of Commerce regarding anti-dumping complaints against imports of certain types of uncoated paper from China and Indonesia, Brazil, Portugal and Australia.

It’s unlikely that the department will rule in favor of the producers, because there’s not enough justification for anti-dumping complaints, according to Connelly.

“White-paper producers did not keep supply and demand in balance,” Connelly said.

## Chapter Five: Analysis component

This research project aims to explore what lessons have business journalists learned from covering the biggest story of the decade: the financial crisis. Through a series of in-depth interviews with top editors and reporters who were setting the agenda seven years ago and are leaders in the newsroom today, this study wants to investigate the following research question: How has the financial crisis changed the way business journalists do their jobs today? Seven years on, what lessons have been learned? More importantly, this study wants to assess to what extent has that knowledge translated into real changes in the industry? An answer to this question would identify what tools and indicators are journalists watching now to be able to see and avert the next financial or economic collapse. Probing theories of gatekeeping and social responsibility, this paper sets out to determine how the recession has changed the roles, duties, and constraints of business journalism.

*RQ: How has the financial crisis changed the way business journalists do their jobs today?*

## Theoretical Framework

### Gatekeeping

One of the oldest and most applicable theories in mass communication research relevant to this study is gatekeeping – a concept that describes how media organizations filter information for publication (Shoemaker & Vos, 2009). Mass audiences rely and trust journalists to scan the world’s most important events and stories into digestible snippets of information. Gatekeeping explains how and why certain stories make it out in the public while others don’t (5). The theory is vital for journalism as gatekeeping constructs what later becomes an individual’s social reality (3).

So who is a gatekeeper? The theory of channels and the concept of gatekeeping was first developed by the German psychologist Kurt Lewin, who was focused on exploring group dynamics or how an individual’s behavior changes as a result of their interaction with other members of a group (Shoemaker et. al, 2001, 234). He explained the concept describing how wives and mothers act as gatekeepers who control what goes on a family’s dinning table based on their decisions on what to buy and how to store food. The gatekeeper, in the author’s perception, was the person who decides what passes through certain gates at any given stage of a process and how external forces shape those decisions (Lewin, 1947, 144). The psychologist then pointed out that the theory goes beyond food and could be used in understanding how news items travel through communication channels (145). This concept was further elaborated by David Manning White, one of Lewin’s assistant at the University of Iowa. He spent a summer watching how a news editor, dubbed Mr. Gates, selected stories for publication. The researcher realized that the daily feed of news was heavily influenced by the editor’s experiences,



attitudes and expectations (White, 1950). A later study on the same Mr. Gates done by Paul Snider found that 17 years on, his story selections were still largely based on his personal preferences and understandings of what audiences wanted (Snider, 1967 cited in Shoemaker & Vos, 2009, 16).

Other studies come to contradict White's findings and conclude that editors are "caught in a straight jacket of mechanical details" that offset the personal value influence (Gieber, 1956, 432). Gieber notes that structural factors such as deadline pressure, the scarcity of news as well as organization pressures were more important than personal subjectivity. Westley and MacLean (1957) share some of those findings and emphasize that journalists collectively act like one gatekeeper, following the same set of rules (35). Through their model of communication, scholars also point out that what does not go through the gates deserves equal attention as to what gets published (35).

Later studies focused on the outside forces that influenced gatekeepers. Gandy (1982) describes how public relations play a huge role in shaping the media content. Because most of the fact-gathering process happens before the press releases are sent out to journalists, the statements will be more likely to pass the media gates, therefore allowing interest groups or PR practitioners to influence the news content, the author notes. Scholars stress that the process of gatekeeping can be analyzed at five different levels: the individual level, the communications routine level, the organizational level, the institutional level and the social system level (Shoemaker & Vos, 2009, 31).

This study aims to look at three main levels: individual, organizational and institutional. The individual level is concerned with how the journalist's own judgments, knowledge and behavior affect the gatekeeping process (33). Analyzing concepts of

thinking, second-guessing and decision-making helps us get a better understanding of how events get covered and what stories get published (42). Moreover, as White (1950) concludes, Mr. Gates based most editorial decisions on his own preferences and attitudes, therefore a close study of the journalist's personal background, values and role perception would help us understand how their individual characteristics shape the news (Berkowitz, 1993; Johnstone, Slawski & Bowman, 1976).

Conversely, Bruce (2000) points out that journalists' attitudes and values might not shape news content as much as the limitations imposed on them at the organizational or institutional level (7). The way a newsroom operates influences the news coverage to a great extent, he argues. Shoemaker and Reese (1996) use a hierarchical model, visualized as a series of concentric circles, to describe how personal characteristics as well as other forces exert influence on news content (64). The authors contend that journalists are more constrained by forces such as their own routines or organizational issues. Demers (1995) argues that the ownership of the publications is another important factor to keep in mind and concludes that organizations run by big corporations are much more editorially controlled (106). Shoemaker and Vos add that groupthink has a powerful ability to pressure journalists on how to cover the stories (72). Authors also point out that management, editors, the culture and routines of the newsroom are also important factors that shape what ends up getting published (Bantz, 1990; Shoemaker and Vos, 2009; Whitney, 1981).

The institutional level is concerned with outside institutions such as markets, audiences, advertisers, sources and PR practitioners that may affect what passes through the gates (76). Shoemaker and Vos emphasize that the number of players in the market is

an important characteristic, which directly controls the competition and the level of content supply (77). Another significant institution in the gatekeeping process is the audience (78). Gieber (1963) suggests there are “introjective” journalists who will mainly change their perceptions based on what audiences want and “projective” journalists, who assume that audiences would agree with their judgments (9). This was also identified in another study, which looked at how differently network and local journalists perceive international news (Kim, 2002). The paper concludes that local journalists would only select events or subjects relevant to their communities (449).

Advertising is another factor that shapes decisions about what goes into print or on the air (Shoemaker and Vos, 2009). The economic reliance of trade publications has been well documented before and proved that advertising has a significant impact on editorial content (Hollifield, 1996; Milavski, 1993). Finally, sources are also crucial for how content is created, scholars note. Sigal (1973) found that the vast majority of journalists rely on a set of elite sources such as governmental or company executives, press releases, conferences, events and others. Gans (1979) adds that because economically and politically powerful sources have more access to the media, their messages have more chances of getting through media channels. Koch (1991) argues that the more journalists rely on elite sources, the more vulnerable they get at preserving their own agendas. It’s worth noting that the public relations engines behind them also play a huge role in what messages get media attention (Sallot & Johnson, 2006, 156). Surveys of journalists and PR practitioners found that as much 44 percent of news content is influenced by PR (154).

The gatekeeping theory has been used in other similar studies on business journalism. Bruce (2000) used the theory to study the characteristics, roles and practices of the business press and how they differ from the mainstream press. The scholar found that business journalists are more commercially minded and feel more pressure from advertisers (222). However, the study also found that business journalists view facts as “sacred” and perceive factual content as the “paramount tenet among the profession,” (224). Qian (2013) used the gatekeeping theory to explore how social media was changing the way business journalists get their sources. The scholar found that while social media helps journalists find more sources and facilitates interactions with audiences, it does not change the traditional sourcing process of business journalists (66).

### **Social Responsibility**

The gatekeeping process and the editorial decisions made by business journalists are closely related to how they perceive their responsibilities (Tambini, 2008). Historically viewed as the informants of investors, few business journalists recognize their role as serving the general public (Schiffirin, 2011; Doyle, 2006, 450). The aspect of social responsibility in business journalism was studied by various scholars before and after the financial crisis. In the wake of the Enron collapse in 2001, Doyle (2006) questioned the efficacy of financial journalism. Complimenting a scant academic literature on the topic, the author reiterates that while the pressure and constraints of financial and economic journalists are the same as for many other beat reporters, there are more challenges that arise from working closely with big financial corporations and technical material. The author claims that the lack of education and expertise also make it harder for journalists to hold companies accountable and see the wider picture. In her

exploratory research, Doyle reiterates that the financial press is reluctant to step outside the worlds of “pro-market and pro-capitalist thinking” (446). Her findings come in line with earlier studies that confirm that a large number of stories are based on a stream of corporate and economic press releases or rival publications (Roush, 2004). Doyle concludes that although the depth and high-quality expertise of the field is admirable, financial journalists at mainstream business news publications fail to understand their responsibilities concerning civic empowerment in a democracy society (450). Other studies also found that business news coverage is dominated by shortsighted reports on economic indicators, markets and corporate earnings and features fewer longer-form stories on the social implications of certain developments (Schiffrin, 2011).

The idea of social responsibility in journalism goes back to the early voices who introduced the theory in 1956. In their classic “Four Theories of the Press,” Fred Siebert, Theodore Peterson and Wilbur Schramm describe it as a concept that gives the press full freedom but also calls for a degree of responsibility and self-regulation (74). First put forward by the Commission on Freedom of the Press in the mid-40s, it emphasized the idea that the press has a social responsibility toward its citizens to provide trustworthy information that would empower them to live in a democratic society. Nerone (1995) points out that one of the weaknesses of the Four Theories is that it only focuses on the concept of classic liberalism, which assumes that “we have freedom of the press if we are free to discuss political matters in print without state suppression” (22). When the press had later become an institution itself, it became more adequate to talk about “the public's rights—the right to know, the right to free expression—rather than the press's rights. The press had responsibilities; the public had rights,” the author notes (6). He goes on to point

out that in a new world order, the definition and presentation of the news also evolved. Fairness and balance and factual reporting came to overwrite opinion and rhetoric, thus setting the standard for responsible journalism (83).

Voakes (2000) explains that this interpretation argues that the freedom of press is not “an end in itself” but rather “a means to a fully functioning, free and democratic society” (31). Moreover, the theory goes to stress that in this social exchange setting one cannot have rights without responsibilities. The concept is rooted in the theories of great philosophers like Aristotle, Immanuel Kant and John Stuart Mill, who stressed the importance of “humanity” in people’s professional roles. Kant’s principle of humanity argues that people should treat each other as an end in itself and never as a means to an end (Plaisance, 2014, 76). Mill’s utilitarian principle highlights that people’s actions should promote the greater good for the society (32). Mill adds that people should always remember that they are human beings and have a fundamental role of being responsible selves first of all, therefore journalists, advertisers, government workers should always operate “with a sense of collective responsibility” based on their humanity (cited in Nerone, 1995, 89).

Where to draw the line between freedom and responsibility has been a long-standing subject of debate within journalism at large. Codes of ethics such as the Society of Professional Journalists (SPJ) aim to offer some answers to moral dilemmas while protecting the First Amendment. Nonetheless, many journalists and scholars have questioned whether business and financial journalists should abide by a special set of rules and principles due to their ambiguous degree of commitment to public interest (Doyle, 2006; Starkman, 2009; Tambini, 2008). Tambini suggests that business and

financial journalism is defined by “set rules of thumb and an ethical attitude that varies in some respects between outlets” (27). Other studies also stress that truth is never independent in financial news, mainly because of the close relationship between reporters and expert sources (Thompson, 2015, 169).

Another aspect of the social responsibility theory applied to business journalism warns against rumor or speculation (Tambini, 2008; Goodman, 2011; Schiffrin, 2011).

An editor interviewed by Tambini (2008) said:

It means you have to be 100 percent squeaky clean. Because people can automatically believe you can be guilty of manipulating the stock market. So you have to be completely open. You have to write your doubts of the story.

Scholars and journalists also note that in times of crisis, business and financial journalists have a heightened sense of responsibility (Stiglitz, 2011; Goodman, 2011; Schiffrin, 2011). Scholars explain that journalists should be careful to not scaremonger or anticipate calamities before they happen (Goodman, 2011; Schiffrin, 2011). “I’m not suggesting for a moment that journalists shouldn’t be aggressive. But journalists, like markets, tend to overshoot. You don’t want to go overboard and celebrate the downturn,” said Marcus Brauchli, former managing editor at The Wall Street Journal (cited in Roush, 2009).

The social responsibility theory has been used in previous studies to examine business journalists’ ethical responsibilities. Tambini (2008) used the concept to seek answer to the question of what defines a business journalist or who is a financial journalist? The author found that business and financial journalists have a sense of responsibility that goes beyond serving their companies and the public in the short run.

The scholar notes that there is “a new stress on the role of financial journalism in the corporate governance framework and a sense that journalism can do more” (30).

### **Literature Review**

Roush (2004) notes that the history of the business press dates back to the 16<sup>th</sup> century when early settlers in America would rely on newspapers to get crop and livestock prices, and updates on goods entering U.S. ports (5). In the late 1980s, publications like *The Journal of Commerce* and *The Wall Street Journal* came along and were later followed by *The Economist*, *Dow Jones* and *Reuters* (Schiffrin, 2011, 8). Schiffrin points out that it’s important to remember that the business press was never meant to provide “public interest reporting” (7). Rather, its history is deeply rooted in a tradition of informing investors and supporting the American free market system (Parsons, 1990, 41). As the industry grew bigger with the expansion of the stock market and technology, company reporting took off and “market-moving” stories would dominate the news agenda (Schiffrin, 2011, 8).

As business journalism became more technical, criticism grew louder. In the 1920s business reporters were accused of taking checks and other monetary rewards from market promoters in exchange for writing stories that would push stock prices up (Henriques, 2000, 118). Other scholars note that the business press was always seen as a vehicle of free advertisement for the companies they cover (Bruce, 2000; Enders, 1995). In the mid-30s, Carswell, a writer for *The World Telegram*, argues that business papers were out of touch with the public. He notes that there was an exaggerated focus on Wall Street and particularly, on the New York Stock Exchange (1938, 614). The news had become boring, lacked “popular interest” and was questionable from a broad “social and



public policy” perspective, Carswell adds (617). Roush goes on to stress that the rise of PR in the 1930s had a significant influence on the performance of business journalism. Even as journalists gained more experience and the quality of their reporting saw significant improvements, they still missed some big stories, such as the collapse of Enron, Schiffrin (2011) points out. An analysis of the coverage before the company’s bankruptcy found little but praise for the firm and its staff, the author notes (9). Thompson (2015) argues that the media’s shortcomings in covering the financial crisis should not be seen as an exceptional case but rather as a continuation of a systematic problem between business journalists and Wall Street (174).

On the other hand, Henriques (2000) argues that compared to the old days where journalists were taking bribes for writing biased stories, there has never been a time in history where business reporters had higher standards (118). She goes on to emphasize that it’s important to keep in mind that over the past decade, America has gradually experienced a “business coup” and big corporations have risen to power unchallenged and unquestioned (119). Today business journalists play a leading role in holding companies accountable, Henriques notes, and the failure to do so should also be attributed to senior editors or news directors, who often times fail to grasp the importance of money stories. The author notes that business reporters at general news publications don’t have the time or resources to cover important stories largely because of a widespread ignorance about business and finance in American newsrooms. Most people in typical newsrooms across the country think that “business is boring,” she notes (121). Later surveys echo her view and show that business desks were indeed a low priority for

newsroom executives and did not get much resources and attention, (Roush, 2004, 11). This was no longer true in 2008.

### **The Financial Crisis**

On September 15, 2008, Treasury Secretary Hank Paulson arrived at the White House to inform President George W. Bush about the unavoidable financial collapse (Halm-Addo, 2010, 1). Lehman Brothers, one of the five investment giants on Wall Street, had filed for bankruptcy and its shares were worthless by the end of the day. Markets plummeted and within days the Dow Jones industrial average lost more than 778 points or 7 percent, its biggest single-day drop in history (CNBC, 2010). Panic ensued on Wall Street: Merrill Lynch, another investment giant, was sold to Bank of America, people flooded money market funds with massive redemptions requests and the nation's largest insurance company, American International Group (AIG), lost billions of dollars in assets (FCIC, 2011, 351). Amid the chaos, Congress allocated \$700 billion to bail out banks and financial institutions through a program known as the Troubled Asset Relief Program, (McLean & Nocera, 2010, 359). The housing finance institutions Fannie and Freddie Mac were taken over by the government after becoming insolvent. The financial crisis gradually intensified and developed into the worst recession since the Great Depression (Williams, 2012).

The consequences were steep – \$15 trillion in household savings have vanished, including the pensions and college savings of many American people; nearly 9 million workers lost their jobs, 9 million people were pushed below the poverty line, and almost 5 million homeowners lost their homes (Geithner, 2014). The federal deficit soared from \$456 billion in 2008 to \$1.4 trillion in 2009, and rose to an estimated \$1.6 trillion in 2010

(FCIC, 2011, 400). As of 2015, the Federal Reserve has a balance sheet of more than \$4.5 trillion in assets (roughly equal to Germany's GDP) after pumping money into the economy through a once-in-a-lifetime program known as "quantitative easing" (Bloomberg, 2015; Federal Reserve, 2015). The central bank also slashed its overnight interest rates to almost zero. Seven years on, the economists at the Fed are still hesitant to raise rates.

So how did we get here? Before trying to connect the dots, it's worth pointing out that in the early 2000s, the financial industry in the U.S. grew more powerful than ever before, and was dominated by a few players: five investment banks (Bear Stearns, Goldman Sachs, Lehman Brothers, Merrill Lynch, Morgan Stanley), two financial conglomerates (Citigroup, JP Morgan), three security insurance giants (AIG, MBIA, AMBAC) and three rating agencies (Moody's, Standard & Poor's, Fitch), (Ferguson, 2011). At the same time, Federal Reserve Bank of San Francisco president John Williams notes, the housing market started to take off as the country was still recovering from the dot-com bubble burst in 2000. Some economists say the housing boom was mainly fuelled by an accelerated increase in house construction, which rushed buyers into buying new homes on the assumption that prices would continue to go up (Glaser & Sinai, 2013, 16). Similarly, lenders continued to issue loans and did not see any risk of major downturns in the bullish housing market (Williams, 2012).

The loose credit fuelled an overvaluation of subprime mortgages, which were sold to banks. Financial experts sliced and diced them into securities and products that very few were able to understand (McLean & Nocera, 2010, 52). Business scholars explain that the pooled mortgages were used to back other complicated securities such as

collateralized debt obligations (CDOs) and were sold to investors hungry for higher returns at a time of low interest rates maintained by the Fed (Kolb, 2010, 147). J.P. Morgan was one of the institutions that hired mathematicians and physicists to create new securities that would spread the risk from one firm's books to another based on the modern portfolio theory that diversification reduced risks (McLean & Nocera, 2010, 52). The products, known as derivatives, quickly spread on Wall Street and got completely intertwined with subprime mortgages. One type of derivatives, known as credit default swaps (CDS), was sold to domestic and foreign investors to protect them against the default or decline in value of mortgage-related securities (Harrington, 2009, 787). The exotic financial products had become a lucrative business for banks, which made loads of money in the years before the crash. Fast forward to 2006, when the housing market turned at its peak and unraveled a whole new world in the financial system (The Economist, 2013). The game was over.

The mortgage-backed securities, whose credit ratings were inflated by agencies like Moody's and Standard and Poor's, lost their value and it became extremely difficult to sell similar financial products and use the funds as collateral for short-term funding the banks relied on (The Economist, 2013). That triggered a chain of events that ultimately paralyzed the entire economy. Williams explains that financial institutions suddenly became reluctant to borrow from each other and lost the ability to finance their daily operations. Other non-financial companies no longer had access to credit to pay suppliers and workers, and cut their spending to save cash. On the other hand, insurers like AIG, which sold protection to investors, could no longer meet its obligations and had to be rescued by the government (Harrington, 2009, 790). A public inquiry into the crisis found

that the amount of debt in the financial sector spiked from \$3 trillion in 1978 to \$36 trillion in 2007 (FCIC, 2011, xvii). The same paper notes that in 2007, the five major investment banks faced a severe capital shortfall and were operating on leverage ratios of 40 to 1, meaning that for every \$40 in assets there was only \$1 in capital to absorb losses (xix). The gamble on debt turned a nasty downturn into a deep recession that destroyed some of the biggest banks on Wall Street and came very close to bringing down the entire global financial system.

The same public inquiry concludes that the crisis was avoidable (FCIC, 2011, xxvii). It notes that there were plenty of warning signs out there – from an explosion in subprime lending and securitization to clear indicators about the housing boom and shady lending practices, including mortgage lending increase and the growth of unregulated financial products such as derivatives. The paper blames deregulation and the lax policies introduced in the 1980s that were supported by various administrations and lawmakers in Congress. The inquiry goes on to conclude that the main causes of the crisis were the systemic failures and risk management practices inside the biggest financial institutions on Wall Street (FCIC, 2011, xviii).

### **Global Financial Crisis**

The financial crash soon wreaked havoc around the world, hitting European banks that were also loaded with bad debt (Williams, 2012). One of the main problems, scholars note, is that relaxed regulation in Europe permitted European banks to run both investment and commercial services. That in result increased their exposure to the toxic assets on Wall Street as banks borrowed greedily from American markets to finance their own shady securities (Carmassi et al, 2009, 988; Economist, 2013).

In August 2007, the French bank BNP Paribas spooked the markets by telling investors it will not be able to withdraw money from two of its funds because of a lack of liquidity in the market, therefore signaling to the rest of the world that banks were no longer able to lend to each other (HSBC, 2012). Northern Rock, a British mortgage lender was one of the first institutions to fall in Europe (Economist, 2013). Shortly after, the LIBOR (London Interbank Offered Rate) or interbank lending rates that average banks are charged when borrowing from each other in the short-term, had suddenly jumped by almost 100 basis points (Kwan, 2009). That resonated among the world and the European Central Bank was forced to inject around 95 billion euros to help the markets, setting a new record for the biggest cash injection in its history (FT, 2007).

Around the world central banks turned to emergency measures to rescue their banks and pump money into the economy. The Fed infused about \$24 billion into U.S. markets and the Bank of Japan injected \$8.5 billion. The Bank of Australia also pledged A\$4.5 billion through repurchase agreements and the Bank of Korea said it was ready to inject funds if need be (FT, 2007). While rich-economy central bankers began experimenting with non-traditional tools to stimulate the economy, one country was particularly hit hard due to the large size of its banking sector. After the interbank market froze following the collapse of Lehman Brothers, three big banks in Iceland were taken over by the government after defaulting on their short-term debt and a run on deposits (Iceland Chamber of Commerce, 2013). The Icelandic government then created three new banks to overtake domestic deposit obligations and assets from the failed banks. As a result, public debt more than tripled and the country had to request emergency funds from the IMF (Ministry for Foreign Affairs of Iceland, 2011).

Yet the global credit crunch spread even further. Dubai, the land of extravagance and luxury, was drowning in debt after its real estate market collapsed because no one wanted to buy or rent its newly built properties (BBC, 2009). The fear that Dubai will not be able to pay its bills sent jitters through world markets. Investors became more worried about other hidden debt bombs in other parts of the world and raised questions about the financial stability of the EU states, some which had substantial operations in the region. In November 2009, Greece revealed that its sovereign debt reached its highest point in history, amounting 113% of GDP in 2008 and nearly 175% today (BBC, 2012, 2015). That spurred concerns over other indebted countries in the EU – Portugal, Ireland, Spain and Cyprus – which suffered devastating banking collapses, and had to be rescued by the euro zone and the IMF (BBC, 2012). Although some countries have since slightly recovered, Greece is struggling to repay its debt to this day. The rise to power of an anti-austerity leadership renewed fears of a potential ‘Grexit’ or the possibility of Greece leaving the euro zone (Bloomberg, 2015).

### **Consequences**

The global financial crisis had vast consequences and many economies in Europe have not fully regained their footing. Among many other losses, the global equity markets lost more than 50 percent or around \$31 trillion in market capitalization in one year (Savona, 2011, 20). Unemployment in the euro area skyrocketed and stands as high as 11% as of 2015, with rates as high as 25.2% in countries like Greece (Eurostat, 2015). Nonetheless, although the crisis shook many parts of the world, Japan and China largely escaped the credit problems (p.22). For one, Japan was more cautious with subprime-related financial securities after it experienced its own financial bubble burst in the late

1980s (p.22). Additionally, China's "lack of mature, integrated financial market" also helped it avoid collapse (p.22). However, both countries still rely heavily on the U.S. and the sharp slowdown in America sent Japan into recession and cut China's growth rate by almost half from 12 percent as demand for exports decreased.

### **Who is to Blame?**

Among scholars, there is a consensus that the Fed had a role in causing the economic crisis. Authors claim that the central bank deviated severely from its traditional monetary policy by keeping interest rates low from 2002 to 2005 (Taylor, 2009, 6). The argument goes on to explain that the eased policy on capital fuelled an economic boom, sending housing prices to a record. Moreover, other scholars (Carmassi et al, 2009) claim that because the Fed is mainly concerned with domestic goals, it oversaw the international dimensions of its policy (979). It's important to note that the U.S. monetary policy has a dominant role over global liquidity because the U.S. dollar is considered the world's main reserve currency (979).

Conversely, in line with Fed defenders, others claim that it was the world's savings glut, especially in China, that pushed interest rates down in the U.S. as capital flooded into safe U.S. bonds (Economist, 2013). Carmassi et al. go on to argue that the explosion of financial activity built on the vast flows of abundant cash from world markets to the U.S. has historically proven as one of the main elements of a bubble (978). However, some economists refute the claim and argued that IMF data shows that the world was actually suffering from a savings shortage (Taylor, 2009, 6). Carmassi et al. conclude that some of the big causes of weakness on both sides of the Atlantic were weak capital requirements for credit issuance (989).



## **“The Watchdog Didn’t Bark”**

When the crisis struck, the hunt was on for culprits. Media scholars note that bankers, regulators and economists were not the only ones to bear responsibility for the faults of the financial system (Chittum, 2011; Starkman, 2014; Manning, 2012). Central bankers and regulators were accused of falling asleep at the wheel and failing to keep economic imbalances in check, but so did the press, authors note (Starkman, 2014, 2). Amid crisis and uncertainty, everyone from bankers to media critics took shots at journalists for failing to anticipate the imploding crisis. “How could an entire journalism subculture, understood to be sophisticated and plugged in, miss the central story occurring on its beat?” (1). In an effort to explore the shortcomings, Starkman undertook a project at the Columbia Journalism Review to investigate how well had the business media performed its watchdog role in the years leading up to the crisis. The study analyzed more than seven years of coverage prior to the crisis across nine major business publishers: the Wall Street Journal, the New York Times, Los Angeles Times, Financial Times, the Washington Post, Bloomberg News, Forbes, Businessweek and Fortune.

The study found that even as the business news industry had expanded and prominent news outlets had published high-quality investigative journalism between 2000 and 2003, it later turned its gaze toward investor concerns and slipped into what the author calls “CNBC-ization” or news that emphasizes “speed over depth, immediacy over context, internal metrics (e.g. earnings) over external costs (say, predatory lending and its aftermath, or income inequality and its roots),” Starkman notes. “It is about insiderism, incrementalism, and scoopism” (2012) The author concluded the press missed the most

important stories on Wall Street's powerful financial firms during the most critical years (4).

But there were several reasons for that, he notes. First, the financial crisis came at a time when American journalism was really struggling. With the growth of the Internet and the flow of ad dollars to new online companies, newsrooms saw their revenues plummet to levels not seen since 1965 (242). Less revenues eventually led to smaller staff and less time to cover stories, which in turn unleashed a tug of war between depth and speed, a phenomenon coined by Starkman as the "Hamster Wheel" (2014, 301). To its disadvantage, the period when the newsroom culture shifted from one of "confidence, swagger, muckraking and storytelling to keeping one's head down and career survival," coincided with the rise of the superpowers on Wall Street (245). Schiffrin (2011) shares some of these findings and adds that nearly 30,000 newspaper jobs were lost in 2008 and 2009 (2). Tighter budgets and time pressure left many news organizations more dependent on wire copies, which she notes were highly superficial on business subjects. Her interviews with 25 journalists revealed that nearly all of them felt guilty about their "superficial" reporting before the meltdown (11). Schiffrin and Starkman both conclude that the business press shifted back to its earlier role as a servant to markets rather than a watchdog over them.

Chittum goes on to stress that business journalists simply failed to connect the dots (2011, 79). The author notes that besides the mounting pressure to distill sophisticated information in a limited amount of time, there is also "an institutional barrier" among beat reporters, which does not allow them to step on each other's territory (80). For example: the bank reporter cannot meddle in the Fed reporter's coverage and

vice versa. The scholar goes on to suggest that it takes a great deal of leadership to manage collaborative work and editors should take most of the blame for their reporters' failures (80).

Peter Goodman, former national economic correspondent at the Times and now global editor-in-chief at International Business Times, writes that it's important to take a step back and reflect on the root causes of the economic meltdown and understand the underlying factors before assessing the media's role in it (2011, 96). The author notes that many business journalists missed seeing that there was a whiff of concern long before the bubble burst in 2008. While being too busy writing about technology, real estate wealth and the American prosperity, journalists did not notice that wages were stagnating yet costs have been rising for the middle class long before the banks collapsed (101). Goodman calls it the "quiet crisis" which affected the ordinary people, most of who are usually ignored by the business media and many of whom had nothing to do with loans and mortgages (95). "One enduring question is whether we manage to retain the knowledge that wages and incomes for working people are the crucial indicators of economic health, not the wonders of some new technology or another investment fad," Goodman notes (121).

### **"Had They Only Paid Attention"**

Top business news professionals quickly jumped in to defend their work before and during the crisis. "Anybody who's been paying attention has seen business journalists waving the red flag for several years," writes Roush (2009) in the American Journalism Review. According to Roush, the public and government were the ones not paying enough attention to what journalists were writing about. He cites a variety of sources,

from the Journal's coverage on Freddie and Fannie Mac to the Times' articles on risky mortgages and dodgy accounting practices as well as the Washington Post's columns on the credit market. Headlines and book titles such as "'Wall Street Versus America: A Muckraking Look at the Thieves, Fakers and Charlatans Who Are Ripping You Off,'" (Weiss, 2007) "Mortgages May Be Messier Than You Think," (NYTimes, 2007) and "Credit Markets' Weight Puts Economy on Shaky Ground," (Washington Post, 2007) and many more cited by Roush, are clear evidence that the warning signs were plentiful, he argues.

In 2009, hundreds of business journalism professionals gathered to discuss the coverage of the crisis at a conference held by the Society of American Business Editors and Writers. Notable editors such as Larry Ingrassia of the Times and former managing editor at the Journal and chairman of ProPublica, Paul Steiger, both discussed their special coverage and front-page stories on home equity loans, housing price bubbles and the heated mortgage market in the early 2000s. "I think the record shows that the press was there and ringing the alarm bell," Ingrassia said (SABEW, 2009).

Many other journalists agreed. In numerous accounts studying the coverage before and during the crisis, a couple of names stand out (Starkman, 2014; Goodman, 2011; Stiglitz, 2011; Tett, 2009). Bloomberg reporter Mark Pittman was applauded for anticipating the crisis and gained a reputation for being among the few people who challenged the Fed (Bloomberg, 2009). The financial journalist submitted a Freedom of Information request to reveal what securities the Fed was accepting as collateral for the \$1.5 trillion in loans given to banks, in addition to the \$700 billion bailout program (Pittman, 2008). Pittman also wrote about Hank Paulson's role in creating some of those

assets while he was at the helm of Goldman Sachs and revealed details about bailout money allocated to AIG that has gone to investment banks, including Goldman (Bloomberg, 2008).

Gillian Tett, an editor for the Financial Times, was also noted for spotting a mismatch between the news agenda of the business press and the realities unraveling in the world of finance. While on her first week as editor of Capital Markets at the FT, the former social anthropologist said she wanted to learn more about the investment banking “habitat” and culture (Ferguson, 2011). That is why Tett went to an investment banking conference in Nice, where she heard a lot of debate on CDOs. Upon her return to London, she published her first story on CDOs on April 29, 2005. The article titled “Clouds Sighted Off CDO Asset Pool” featured a lawyer who had just sold one of those complex products to an Australian charity (Tett, 2005). Soon, Tett started to warn that the CDOs were far more risky than regulators and investors thought, yet that was not enough to draw more media attention to the subject (Barton, 2008). She also argued that the business press “had missed one of the biggest stories of the decade,” (Starkman, 2014, 223). Starkman points out that it’s notable that Tett, a generalist with an anthropology background, was able to sense danger and see flaws that other expert beat reporters have not (225). Tett reiterates that being an outsider certainly played a huge role and allowed her to operate free of preconceptions and peer pressure (225).

The component of ignorance about warning signs and the failure or refusal to act upon it was also studied by Davies and McGoey. The scholars conclude that the financial crisis was an example of “strategic ignorance” (McGoey, 2007), which served those who had an interest in ignoring the knowledge and the scale of the risk (Davies and McGoey,

2012, 66). The authors stress that the “exploitable nature” of ignorance serves as a powerful political and commercial tool (81). One example notes how the press failed to take notice of a 1975 SEC ruling that technically banned small credit rating agencies from competing with Moody’s, Standard & Poor’s and Fitch. In other words, this meant that the agencies were given the greenlight to be corrupt or inaccurate because no competitor could challenge their mistakes (Friedman, 2009 cited in Davies and McGoey, 2012, 77). N.N. Taleb, a risk analyst and former derivatives trader, adds:

In the market there is a category of traders who have inverse rare events, for whom volatility is often a bearer of good news. These traders lose money frequently, but in small amounts, and make money rarely, but in large amounts. I call them crisis hunters. I am happy to be one of them. (Taleb, 2004 cited in Davies and McGoey, 2012, 79).

In his documentary, filmmaker Charles Ferguson reiterates the suspicions that some bankers and regulators knew about the problem well enough but failed to act. “As long as there was room for the bubble to grow, Wall Street's overwhelming incentive was to keep it going,” he said (Ferguson, 2012).

## **Values and Challenges**

### *Biased Sources*

The Nobel laureate economist Joseph Stiglitz approaches the problem from the perspective of economics of information, a theory that suggests that there are strong incentives that hinder the media’s ability to serve its watchdog role (2011, 24). Because of the wide reach of the mass media and its power to influence perceptions and sentiments, there are plenty of outside forces such as markets and governments that have

an interest to shape the media coverage. Besides, journalists are also looking to fulfill their own self-interests in the process (24). The economist points out that the business press relies heavily on business sources from the companies they are reporting on (25). European scholars Fengler and Ruz-Mohl (2008) echo the same thoughts and emphasize that the market tension and competition pressure push journalists to take a “market approach” in their work (675). The authors emphasize a few key factors that may influence their interactions: journalists with little time and limited resources may seek material (money) and non-material (reputation, influence) incentives. For achieving one or the other, journalists engage in transactions with their sources. In such a setting, the journalist saves time by getting PR information and research in exchange for offering public attention. At the same time, sources leak information for a positive spin on the news that promotes their agenda (676). Manning (2012) agrees that the “mutually-shared understandings” between the two parties did not allow journalists to take a more critical stance and anticipate more than a market correction (183).

### *Complexity*

So why wasn't anyone listening if the evidence was there? Another argument brought up at the SABEW conference said that journalists were overwhelmed by the complexity of the new financial products, such as derivatives. “I never heard of the credit default swap until all of the sudden it was hitting me in the head,” Quinn, a columnist for Bloomberg News, recalled at the conference (SABEW, 2009). This is a view echoed by many professionals and scholars in both the media and business industries (Goodman, 2011; Kolb, 2010; McLean & Nocera, 2010, Williams, 2012;). Charlie Gasparino, a former CNBC reporter who spread the news about the problems at Bear Stearns, adds

that it was almost impossible to understand what was going on inside these companies from reading balance sheets on things that were so obscure and difficult to understand (Delevingne, 2009). Indeed, one of the causes cited by a government inquiry into the financial crisis was the lack of transparency within the financial system (FCIC, 2010, xx). The paper notes that key information on things like the multi-trillion repo lending market (repurchase agreements where the dealer sells securities to investors and buys them back at an agreed price at a later day) off-balance sheet entities and derivatives were kept away from the public and required in-depth financial knowledge to digest. In an interview with Roush, former Wall Street Journal editor Marcus Brauchli goes on to point out that even when journalists sounded alarms, it was very hard to capture people's attention around complicated subjects on financial risks when the stock market was booming. "It wasn't loud enough to alter anyone's behavior," said Andrew Leckey, director of the Donald W. Reynolds National Center for Business Journalism at Arizona State University (cited in Roush, 2009).

The complexity of the financial crisis was also closely studied by an array of academic economists and finance scholars. The public financial crisis inquiry stated that policy makers and regulators were caught off guard and did not have a strategic plan to respond to the developments because they "lacked a full understanding of the risks and interconnections in the financial markets," (FCIC, 2010, xxi). Richard Caballero of the Massachusetts Institute of Technology notes that the crisis was a severe blow to the reputation of macroeconomists particularly because of their "inability" to comprehend the enormity of the issue and predict the meltdown (2010, 85). The author goes on to stress that in turbulent financial times is it indeed difficult to foresee what other surprises may



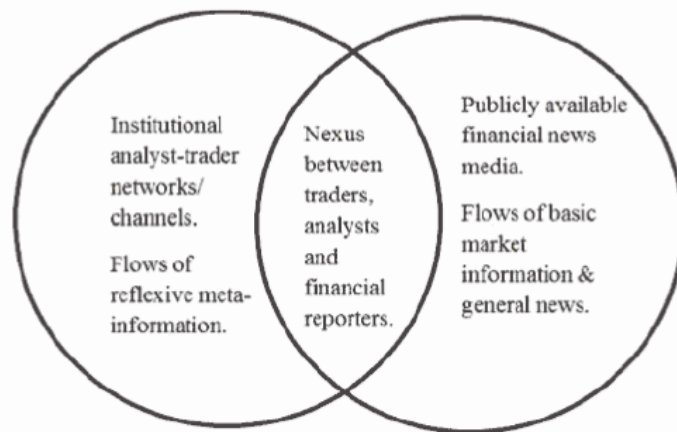
arise. While market participants and policy makers understood the situation at their local levels, gauging “all the possible linkages across these different worlds is too complex,” the author notes (94). Mathematician Benoit Mandelbrot, the father of fractal geometry, once explained that economics are in a way similar to storms and dangers can only be predicted after they emerge (Hudson & Mandelbrot, 2008). He said that weather forecasting can see a storm coming but it cannot predict when and how it will happen with precision. Economics, he mentions, is way more difficult to understand than storms but the analogy provides useful perspective for analysis (248).

### *Overshooting*

Another important challenge that makes covering stories in times of crisis even harder is overshooting or overplaying the gravity of the situation (Goodman, 2011, 111). An investigation by Vanity Fair looking into the collapse of Bear Stearns, elaborates on the argument. In a detailed account with in-depth interviews, the article describes how CNBC’s speculation over Bear Stearns’ failing liquidity inflicted panic into the markets, fuelling more rumors and negative stories about the investment giant, which ultimately resulted in its collapse (Burrough, 2008). The SEC also acknowledged the negative press coverage of the bank (FCIC, 2008, 1). While Bear Stearns was repeatedly issuing public denials to refute rumors, its public statements were perceived as confirmations of the worst fears on Wall Street. Despite numerous assurances that it had plentiful liquidity assets, the aftermath was inevitable (Burrough, 2008). The bank collapsed and was forced to sell to J.P.Morgan for \$10/share, which was 13 times less than its peak price before the crisis (155). Other scholars also acknowledged CNBC’s role in the dot-com boom (Brady, 2003).

Stiglitz goes on to elaborate on the question of responsibility when it comes to reporting on a company on the brink of collapse. The author notes that reporting inaccurate information that a firm is on the verge of bankruptcy when in fact it is not, could precipitate a collapse and trigger a domino effect in the industry (25). Schiffrin (2011) agrees that during the crisis many journalists were aware that an overheated rhetoric could've hit consumer confidence and sent the economy into a downward spiral (5). Goodman (2011) adds that journalists paid close attention to what they were writing because they knew people would move their money accordingly (110). The author goes on to mention that there has also been criticism that business journalists have intentionally manufactured fear to support the government's bailout of the financial system (118). Goodman dismisses the claim noting that fear and panic was too pervasive among people and the media had to react as panic was spreading quickly. "Had we in the press chosen to consciously not broadcast fears out from the government, we would have been censoring ourselves and depriving readers of a full sense of what was actually going on," (p.119). The media has also been accused of sensationalism (FCIC, 2010, 253).

The way markets react and how consensus changes during crisis times has been analyzed by many scholars. One of them, the political economist Peter Thompson, looked at how information travels from institutional analyst-trader networks into publicly available financial news. The author identified that there is a point of interaction of the two or a "nexus" through which privately held information is leaked to the media (180).



**FIGURE 12.1** Financial information flows between institutional and public channels

(Thompson, 2015, 181)

That nexus, Thompson goes on, becomes a channel “through which market rumors or shifts in market perceptions circulating through private institutional networks can become public, triggering a sudden shift in market expectations and valuations,” (181). Once those shifts occur and the consensus begins to change, the author notes, investors become cautious about the fact that market expectations may also change. That’s because investors make their decisions based on the “majority view” or how much they think other investors would pay for shares (Davis, 2005, 314). The media plays a significant role because it acts as the “primary consensus indicator” (314). Thompson concludes that while it does not mean that the media is responsible for causing crises, any reporting of privately held information is “likely to accentuate any shift in consensus,” (183). However, the author goes on to note that the problem does not lie in the failure of journalistic values, but rather in the “structural relationship” between journalists and market sources. Davis (2005) also looked at how the media influences investor behavior and concluded that while the press has a limited ability to influence the daily decision-

making process, it “can lead to more extreme price and market movements,” (321). The authors found that the financial media is one of the main indicators of how the majority perceive the market, which in turn prompts investors to act in anticipation of how they think the consensus will change after certain announcements (315). This anticipatory effect has also previously observed by other financial studies (Keynes, 1936; Shiller, 1989; Soros, 1994).

### *Globalization*

Tambini (2008) notes that there is clear consensus that the profession is being shaped by technological, legal and commercial challenges (29). Among them, the scholar identified another factor that has intensified over the past decades: globalization. The phenomenon not only entails an expansion of trade between countries but also the global movement of humans, capital and technology (Kunczik, 2001,1). Kunczik explains that perceptions and images of foreign nations have a strong impact on the flow of capital (3). The author points out that most of those images are pictured mainly by the news media, which most often controls what kind of image predominates. He goes on to claim that it’s hard for the media to capture a realistic picture of all the foreign countries because most of the world’s media attention is mostly focused on developed countries. Coverage of the developing nations on the other hand, has an emphasis on short-lived events and negative developments such as protests, revolutions or natural disasters (4). That in turn affects people’s perception of those specific countries, which in business terms equates with money and investment because it reflects the confidence in the economies and stability of currencies (6). Boulding (1967) notes that an image is formed through a combination of historical perceptions and scientific learnings, which he described as literary images (5).

The author argues that these images can be deeply misleading because it's very difficult to capture all the linkages in the complex international system. Tambini explains that the coverage of global issues depends on the journalist's perception of his/her role and responsibilities (2008, 26). For example, some jobs have an international focus and require reporters to look for stories beyond America's shores (26). The author goes on to stress that it's still unclear how the globalization trend will affect the norms and standards of business journalism as it becomes increasingly difficult to draw the line between "public interest" and "national interest" given the global nature of the markets (26). Concepts such as transnational, multinational and global often overlap (Kunczik, 2001, 2).

#### *The rise of PR*

Another big challenge in the field of business journalism is the rise of public relations, scholars argue. "In many ways, they set the agenda. They are the access point," said an editor quoted Tambini's analysis. "The consequences are the free flow of information has been interrupted and the kind of information we get can be very sanitized. It's very hard getting to the bottom of a story," (2008, 22). Manning (2012) argues that most financial and business journalists failed to report much of the emerging evidence of the financial crisis in part because of the manipulative power of PR consultants, who now have more control over the flows of information and the kind of stories that get out in the public (173). Schriffrin (2011) echoes those thoughts, noting that the lack of technical expertise and the pressure of tight deadlines prompt reporters to turn to PR sources for quick quotes (14). The increased dependence on sources is not endemic to business journalism but it is particularly concerning, scholars point out.

## Research Findings

Through interviews with ten experienced business journalists, most of whom have covered the 2008 financial collapse, this study found that the crisis triggered renewed skepticism within the business press. Journalists said they've learned that the so-called "experts" can be wrong and should not be easily trusted. A vast majority of respondents said they are now more suspicious about official pronouncements and have a higher tendency to question expert judgments on the health of the financial system and the state of the economy in general. The consensus also shows that journalists have significantly improved their knowledge about financial issues and the global interconnections between them, and they are following more indicators that measure the pulse of the U.S. economy. Additionally, this research shows that business journalists have a sense of responsibility that goes beyond serving investors and are concerned with what is essential to society.

Nonetheless, despite signs of improvement, a number of respondents suggest that business journalists will not be able to see the next crisis coming. Moreover, participants argue that the changes prompted by the 2008 collapse are not sufficient to sustain the media's ability to perform its watchdog role over corporate America. The mainstream business press, respondents note, is slipping back into old habits of less investigative, more celebratory coverage – clogged with scoops on corporate practices and financial leaders. The interviews provide new perspectives and offer fresh insights into how the financial crisis has changed the way business journalists do their jobs today, what challenges remain in the industry and how to address them. The following ten themes emerged during this research:

**1. Business journalists have improved their understanding of the financial system, the economy, and the global interconnections.**

Most interview participants agreed that business journalists now have a better understanding of how very interconnected the world's financial markets and economies are. The crisis has forced journalists to educate themselves about the global financial system and they are much better equipped today to spot what could go wrong and where the problems could come from. Additionally, reporters and editors also have an improved understanding of how dangerously interconnected Wall Street and the world has become, as risky U.S.-made financial products such as mortgage-backed securities were sold and spread to investors around the globe. Michael Hudson, a former freelance reporter and one of the first journalists to write about the flaws in the mortgage industry, said:

I have a better sense of how, you know, when something is happening on the ground in a small town in the middle of nowhere, it's not just some local entrepreneur. It generally has to do with some big Wall Street firm.

Nonetheless, Christine Harper, an executive editor at Bloomberg News who covered Goldman Sachs and Morgan Stanley during the crisis, pointed out that although journalists have gotten smarter about many issues, it's important to keep in mind that there are always "innovations in this business" and "new sources of risk being developed." Journalists – like the people who create these new financial products – are going to learn about the risks as those assets become more prominent in the market, Harper noted.

Adam Davidson, the co-founder of NPR's "Planet Money" and a columnist for

The New York Times Magazine, went on to point out that business journalists should at least be modest and humble enough to recognize what they know or what they don't know, because global finance is an active experiment produced by people who don't necessarily understand all the risks associated with the products they create. The 2008 financial crash was a "huge failing" of all the gatekeepers and watchdogs, Davidson argued, because very few of those involved fully understood what was happening to enable them to issue the right warning or give enough context. Even though the media is "never going to be great" at predicting the future or warning people, he went on, journalists can at least do a better job at explaining global economic and financial issues to broad audiences and be more modest about the things that they don't understand.

That's one of the primary reasons why Davidson and his colleague, Alex Blumberg, started the twice-weekly podcast "Planet Money" after the financial crisis. The goal is to explain the economy to the wider public in a digestible and entertaining way. Davidson said he learned that being more open about personal learning experiences helps reporters engage audiences and eventually, make a bigger impact with their coverage:

If I am an expert who knows everything and I'm telling you the things that I know, that's not a very engaging way to engage people. If I am someone who's kind of figuring things out and I'm learning things and it's interesting and exciting, and I'm sharing that with you, you are on a journey with me.

Conversely, Dean Starkman, who's analyzed the business press' coverage of the financial crisis as a media critic at the Columbia Journalism Review, said he does not



believe that journalists have significantly improved their understanding of the nature of the financial system. Starkman, now a Wall Street reporter for the Los Angeles Times, said some of the coverage today proves that the press is still out of touch on financial issues, citing a recent story on for-profit education, where he said the linkage between educational institutions and Wall Street was underreported.

## **2. Business journalists are watching new indicators of economic health.**

In the wake of the financial crisis, journalists have started following more indicators that assess the state of the U.S. economy. A large majority of research participants said they are now monitoring the unemployment numbers more closely, among other measures.

Jeff Cox, a financial editor at CNBC who played a leading role in the network's coverage of the financial crisis, said he's paying more attention to the "U6 number," which is an indicator that captures people who are working part time because they can't find full-time employment. This is typically seen as a broader unemployment rate and is usually much higher than the headline number. Cox said he also watches the Federal Reserve's Financial Accounts, also known as the Flow of Funds, which is a report of financial accounts that show how people, companies and entire sectors get and spend their money. The Flow of Funds report allows Cox to keep track of household debt or cash reserves at banks. Additionally, the CNBC editor said he also monitors the inflows and outflows from Exchange-Traded Funds – securities that mimic an index, a commodity, bonds or a group of assets like an index fund – to track whether investments are moving from safe securities into higher-risk assets.

Bloomberg's Harper agreed that the economic pulse is indeed measured by people's and companies' ability and inability to borrow money. Peter Goodman, the editor in chief of International Business Times, added that he also keeps an eye on wage growth as the vast majority of Americans earn less in real terms now than they were ten years ago. Without higher pay rates, the overall health of the economy is going to be in question, Starkman added, as stagnant wages continue to trail major expenses such as housing, healthcare and education.

Some journalists added that they have started paying more attention to fixed-income securities such as bonds, and not just stocks, as a result of the 2008 crisis. Meanwhile, other respondents said they are not following any particular indicators but instead they're looking at an array of data to get as much information as possible.

### **3. Business journalists are paying more attention to what's happening abroad, but partly because their current jobs require it.**

As the housing bubble was heating up in the U.S., the demand for mortgage-backed securities and related derivatives was growing. The difficult-to-understand financial products, which carried a higher rate of return and a higher risk than other assets, were sold to investors around the world. Many foreign buyers, including banks and hedge funds, lost most of their money when the bubble burst in 2008. The liquidity contagion spread to Europe, where many commercial banks were exposed to bad debt in the U.S. The irresponsible behavior of excessive spending and borrowing by individual governments and financial institutions – compounded by a credit crunch – ultimately pushed fragile countries like Greece, Spain, Portugal and Ireland to the brink of collapse, triggering the euro crisis. Journalists said they are now paying more attention to what's

happening beyond America's shores, but that's not necessarily an outcome of the financial crisis. Some journalists noted that they've broadened their understanding of the world economy and the global financial system mainly because of the nature of their work rather than the 2008 collapse.

Ivry said his assignments on the international markets team have got him looking abroad more but he doesn't believe that any other economy in the world would be able to trigger a similar crisis like in 2008. "I think if we are really going to have the kind of worldwide financial crisis that will have our grandchildren studying it, it's going to originate here in the U.S.," Ivry said.

Harper explained that financial journalists are following the global markets more closely because financial markets and economies around the world have become more interconnected than ever. China's economy has gotten so big, she noted, that it's clear how financial and economic developments there echo around the globe. Cox added that he thinks investors will start looking for more opportunities abroad as the U.S. enters a period of slowdown, therefore it's becoming more important to have a good grasp of what's happening in other parts of the world.

Conversely, Davidson pointed out that while he now covers less international issues than he used to as an international business and economics reporter at NPR, he thinks the mainstream press pays too little attention to the global economy. He acknowledged that there's more volume of financial and economic news in the media, however, to him it doesn't seem that financial issues are fully integrated into the overall news coverage just yet. "We probably still cover Kim Kardashian way more than we cover global markets," he said. One potential reason for the lack of such reporting, he

added, is that most foreign correspondents are more concerned with political and humanitarian issues rather than economic or financial subjects. “Although, I don’t know if there is a market for it. Probably most people don’t particularly want to read about financial markets,” Davidson concluded.

#### **4. The financial crisis has also taught business journalists to be more skeptical about official pronouncements.**

The 2008 financial crisis prompted journalists to be more skeptical and less credulous about official statements on the health of the financial system and the economy in general, according to respondents. Reporters and editors who covered the crisis now have a harder time trusting economic and financial leaders around the world, and are more inclined to question their judgments, the majority said. Bloomberg’s Harper perhaps put it best:

I certainly believed that executives at all these banks knew their stuff pretty well and I’m sure they knew a lot, and more than I did, but there’s a lot that they didn’t see. And just realizing that having covered it, and realizing all the important things that they’ve missed, makes you more aware of the fact that everybody is fallible and even the so-called experts don’t see what’s about to go wrong.

Journalists added that they’ve once again been reminded of the good old saying: “If something seems too good to be true, then it probably is.” That’s the biggest lesson Paul Steiger said he’s learned from covering many financial crises in his decades-long experience in the newsroom. Another rule of thumb: “If people start saying ‘this time it’s different,’ it’s time to run for the nearest exit,” he added. The former managing editor at

The Wall Street Journal and chairman of ProPublica, Steiger said he always tried to encourage an attitude of skepticism, though not cynicism, in the newsroom. Rather than being cynical or distrustful of everything and everyone, journalists should keep the template of the past to remind themselves about the dangers that can threaten the stability of the financial system, and the economy in general, Steiger concluded.

When CEOs and lions of Wall Street start to become profiled as heroes, and when college kids announce they are going to business school and plan to be billionaires by the age of 30, that is time to batten down the hatches.

Other respondents went on to underscore another type of skepticism: field reporting. Jesse Eisinger, a senior reporter for ProPublica, said it's also important to question charts and data and look for the human faces behind the numbers. Although accessing public files is now easier than ever, little information should lend itself to easy analysis or conclusions, Goodman added. Moreover, he argued that numbers are not always in sync with reality and can be interpreted – or misinterpreted – in many different ways. Getting out there and investigating what's really going on in the field makes a big difference, according to him. That's why Goodman always tells his reporters: "Make sure you are talking to large numbers of people whose job description does not involve talking to people like you."

On the other hand, CNBC's Jeff Cox noted that journalists have, to some extent, overlearned the lessons as there is sometimes "too much skepticism" in the press. Nonetheless, some respondents argued that despite improvements, the changes are not big enough to produce real outcomes. Hudson pointed out that this wave of increased

skepticism will be short-lived in a few years because there is no solid “infrastructure” in the business press to allow for good watchdog journalism.

**5. Business journalists are more likely to lean toward accountability journalism over access reporting.**

Since the inception of the financial press, access to insiders has been essential. Furthermore, today reporters, who once carried their newspaper’s print deadline time, are taking on new responsibilities in the 24/7 news environment and constant deadline pressures don’t encourage them to broaden their source base. While the argument goes that journalists at business and financial news publications prioritize access over accountability reporting as reporters depend on their sources to do their daily jobs, most interview participants said they lean in favor of in-depth reporting over quick access stories.

Harper said she does not believe in access reporting. The editor acknowledged that informing readers about important issues sometimes comes at the cost of losing access to expert information, but in the long run, access stories tend not to be the ones that really matter, she said. Ivry added any well-rounded journalism organization has to find a way to balance daily coverage with investigative work, and educate the public about important issues. “There’s bastards out there that need to be hanged. That comes first,” he said. Cox went on to stress that there are times when reporters want to consider the seriousness of the story, however, he said that has never come into play in his editorial decisions, and he strongly objects reporters who base their decisions on fears of losing access, Cox noted. Starkman, on the other hand, said that newsroom productivity

pressures have increased the need for access stories, which also tends to narrow the range of sources. To a large extent, business journalists are still beholden to their sources at big corporations, Eisinger concluded.

However, that's not the case with all business journalists. Hudson said he learned from his experience during the crisis that talking to former employees is invaluable. For his stories on Ameriquest, a major home mortgage company that collapsed in the crisis, he spoke to more than 30 former workers who've witnessed fraudulent and unethical practices at the company. Likewise, Davidson stressed that his experience has proved that there are plenty of people who are willing to speak up. He added that access reporting is endemic to the financial press because it focuses too much on what he calls "minor incrementalism" or reporting on minor technical or administrative decisions within corporations – stories that are generally irrelevant to the wider public, Davidson said.

Moreover, other respondents argued that there's an abundance of public data available on governmental websites such as the SEC that allows journalists to write about companies without their cooperation. Nonetheless, the problem is that sometimes reporters deliberately choose not to pursue accountability reporting because they prefer to be "inside the tent or at the cocktail party or a friend of the CEO," Morgenson pointed out. But that's not going to produce any hard-hitting journalism, she warned.

**6. Despite signs of improvements, some argue that it's not enough. There is a sense that the push for accountability journalism in the business press has faded.**

Most interviewees acknowledged that the crisis sparked a wave of in-depth investigations in the press that brought business stories on to front pages and prime-time

television. Most journalists interviewed for this project have won awards for their exemplary coverage of the 2008 collapse. However, the interviews revealed that there's a deep sense of disappointment among some respondents that the push for accountability reporting in the financial press has faded.

Hudson, now senior editor at the International Consortium of Investigative Journalists, said he doesn't see any structural changes in the business press. Along with Eisinger, he argued that there was a brief moment from 2007 to 2011 when organizations like Bloomberg were doing substantial investigative reporting but their focus has now switched back to producing quick short stories and less in-depth content, much like in the pre-crisis era. He said that the mainstream business press tends to shy away from investigative reporting that takes time because beat reporters are pressured to constantly break news and beat the competition by as little as minutes or seconds. "We are in a transitional period right now where we are sort of going back toward the older, less skeptical, less investigative accountability-based reporting," Hudson said.

Eisinger agreed. The Wall Street Journal and Bloomberg, two main players in the industry that share vast resources and large numbers of employees, have moved away from investigative reporting for various reasons, he argued, including the fact that this kind of journalism "is not really lucrative" from a business standpoint. While there have been reports about Bloomberg's editorial shift toward a more focused financial news coverage tailored to customer needs,<sup>1</sup> Harper noted that Bloomberg has tried different models of investigative journalism, which yielded award-winning work that even brought

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<sup>1</sup> Poynter (2015). *Bloomberg EIC outlines editorial vision in wake of cuts*. Accessed from: <http://www.poynter.org/news/mediawire/370754/bloomberg-eic-outlines-editorial-vision-in-wake-of-cuts/>



the network its first Pulitzer. She said she's optimistic about Bloomberg's potential to break important stories and continue winning journalism awards. But big stories, she noted, don't always have to come from special projects or designated investigative teams, but also from people who are just dedicated beat reporters. Bob Ivry went on to say that as an enterprise editor at Bloomberg, he almost never runs "happy stories," but looks for "grand conspiracy stuff and corruption" instead. He said he likes to ask reporters two main questions to determine whether the piece will publish or not: "Does this story put anybody in jail? Does this show people doing something wrong?" The editor also stressed that he thinks it's a huge mistake to rewrite press releases because journalists shouldn't take anything for granted.

Nonetheless, Ivry went on to point out that the financial crisis also posed a new dilemma for journalists that often gives way to criticism:

It's hard for journalists to get moral because we are not preachers. I am not a guy who likes to wag his finger at my fellow citizens and say 'You are doing bad things.' I'd much rather catch them violating the law.

The challenge here, he added, is that the legislation is usually skewed in favor of those who violate the rules and journalists are set to fail because they can engage in arguments that only work on a moral level.

Other respondents have argued that although there's more volume of financial and economic news at general news publications, business stories have not been integrated into the overall news coverage yet. Davidson noted:

I would guess that if you would hold the top-level editors of any major mainstream broadcast outlets, I guess you'd have much deeper knowledge about Israel than you would about global finance. And Israel is a tiny little country, and global finance affects everything that happens in the world.

When asked why, he said he's not convinced there's a big demand for that kind of coverage because many people still perceive the crisis as a one-time event that has passed and will probably not happen again. "I don't know whose fault it is," Davidson concluded. Gretchen Morgenson, an assistant business and financial editor and columnist at The New York Times, also noted that the Times runs less business stories on its front page now than it did in the aftermath of the crash, but mainly because some of the business stories today are not of a broad interest as the financial crisis was in 2008.

#### **7. Business journalists are split on whether they should be concerned with overshooting.**

Another challenge that business journalists face is the risk of overshooting or the danger of being overly critical. Because business news is market-moving information, the theory holds that when journalists say something bad might happen, it will probably happen. The interviews identified that journalists at mainstream business news publications such as CNBC and Bloomberg News are more concerned about the matter than are journalists at outlets with more general audiences such as the Times and ProPublica. Cox said that financial journalists have to report on what moves the market, and trust their instincts to decide whether the information provided is reliable and accurate. Drawing on criticism over CNBC's negative coverage of Bear Stearns that

arguably led to its collapse, he said he doesn't believe the network inflicted panic into the market because the bank was on the brink of collapse regardless of the news. Ivry agreed. "On the one hand, we were criticized for not doing enough and then we were criticized for doing too much."

Harper stressed that journalists have a responsibility to raise red flags, but they have to do it in a way that will not overstate things or cause panic. She noted that in the wake of the 2008 meltdown, there were many instances where people saw more crises coming, so she learned that it's important to stick to the facts about what is actually happening rather than what might happen.

On the contrary, Steiger and Hudson said journalists should never worry about how they may affect the markets as long as they present factual and contextual information. Reporters have a responsibility to dig deep and inform the public about what's happening in a market or company. Not doing so could be a disservice to new investors who are buying a stock at maybe inflated rates, Hudson noted.

**8. Although the majority agreed that they are approaching their jobs differently, there's a consensus that the business press will miss the next crisis.**

Since the Enron scandal in 2001 – the biggest fraud in corporate America, which revealed that the energy giant has disguised its financial condition and misled a lot of investors – journalists have been reflecting on the lessons learned during past crises and ways to address emerging challenges. The interviews found that while journalists seem more prepared today to cover a financial crisis, more than half of the respondents are not convinced that the business press will be able to predict the next financial or economic

disaster, and there are few reasons for that.

Eisinger said the media's ability to change the world is "overstated and highly overrated." Although many journalists have warned about the subprime mortgage crisis, their coverage did not prevent the housing bubble, he added. Steiger went on to say that although there will always be reporters doing their jobs well and pointing out recessions, their stories will be overshadowed by many other voices saying otherwise.

Tighter budgets and fewer investigative reporters to look for signs of danger is another challenge that leave Goodman and Davidson less optimistic that the media will do better with the next crisis. In addition, Goodman added that there are fewer incentives for reporters to do that kind of work today because the story is "kind of a dull story now." After the crisis, the spotlight turned to regulation but "that's seen as unsexy, tedious, deep-in-the-weeds story," Goodman noted, "It's not getting out on the front of your website or your newspaper; that's not getting you airtime on TV."

Davidson pointed out that it's "unrealistic" to expect that journalists can call the next crisis because the financial system is complex and chaotic, and it's very difficult to track and understand all the moving parts. However, he attributed that to a lack of capacity at general news publications where senior editors neither fully understand, nor care about things like interest rates and others. Hudson went on to accentuate that predicting the next crisis has more to do with prognostication, but journalists should only worry about doing hard-edge reporting, and they'll never know what they've averted.

## **9. Solutions? The business press needs more diversity and resources.**

As journalists reflect on what they've learned during the financial crisis, some of them noted that the entire media industry is struggling to move forward in a new reality of shrinking budgets. The economic recession came at a time when the U.S. media was going through disruption and pain as the Internet hit homes and slashed newspaper revenues severely. It got worse as the 24/7 online platforms and social media sped up the news cycle and continuously put more pressure on journalists to produce more content with fewer resources. A number of respondents echoed that cost-cutting programs have severely downsized business desks across the country, and while the impact hasn't been as dramatic as for regional papers, it created a difficult environment for business reporting.

Starkman argued that this is one of the big reasons why the business press has not had a more "combative attitude" toward the institutions they cover. "Productions arms don't allow it," he said. Goodman added that while there are more people writing about finance in general, there are fewer reporters in newsrooms in a position to do investigative work. One exception would be Bloomberg News, which continued hiring during the recession and still enjoys a large number of bureaus and reporters around the world despite cutting as many as 100 editorial jobs recently.

Furthermore, several respondents recognized that another problem in the industry today is that metrics-driven newsrooms don't have an incentive to do long-form investigative stories. Goodman noted:

If you live under the tyranny of the page view and unique visitors, then it's very

hard to find time, to get an editor to give your potentially weeks to dive into something that might not even pay off.

One way he's addressing the problem as editor in chief is de-emphasizing metrics for the reporters selected to do the publication's most ambitious stories and fostering a culture in which journalists are incentivized to do in-depth reporting. Davidson added that general news publications also need more capacity or training and expertise to educate people about global economic and financial issues. "We have an oversupply of narrowly-focused technical access journalists, but we have an undersupply of people who tell compelling stories about business and economics to a broader audience," he said.

Some respondents suggested that there's also a greater need for diversity.

Goodman emphasized that he wants a newsroom of people with different backgrounds; for instance, someone who could easily dive into a Fed Flow of Funds spreadsheet and general-assignment reporters who could ask the basic questions that ordinary people would. Moreover, he said newsrooms should have more racial, gender and class diversity. "When you don't have a diverse newsroom, you simply don't know what's going on." During the interview, he recalled one of his conversations with an African American city editor at the LA Times shortly after the Rodney King riots, when LA was rocked by widespread rioting and looting after four policemen were acquitted of assault charges in the videotaped beating of Rodney King, a black motorist who was beaten by police. He remembered her saying "For years we – meaning other African American journalists at the LA Times – tried with lack of success to get the senior editor interested in doing a deep dive into problems with race in the LAPD." Those requests were largely ignored by "white, suburban-dwelling senior editors," who didn't see more than a few bad officers in

this story, Goodman said. Had they listened, maybe the media would've gotten ahead of some of the big stories that followed since then, he added. Goodman pointed out that finance is no different than other beats and it's important to cover ground for everyone.

Paul Steiger said he's still confident that the legacy media – including the New York Times, the Washington Post and the Wall Street Journal – will continue to produce high-quality journalism. But he's also keeping an eye on new media outlets such as BuzzFeed and The Huffington Post, which are devoting significant efforts to accountability journalism. Non-profit investigative organizations also need to “keep aggressively raising money” and do better work, Steiger concluded.

**10. Business journalists should have a stronger sense of responsibility toward the wider public.**

The argument that a business journalist's main role is to inform investors has been around since the profession's inception. The financial crisis sparked a new debate about the role and responsibilities of business journalists in the society, and while recent research suggests that business journalists have a sense of responsibility that goes beyond serving investors (Tambini, 2008), some interviewees called for more.

A number of respondents still picture business journalists as “technical specialists” who report on and to a niche community. In response, Cox explained that business news is somewhat different than the rest of the media. Unlike other beats, business stories try to offer advice and analysis rather than simple newsgathering, he said. Cox referred to audiences as “business readers.”

A number of respondents called for a broader definition of financial journalism that would also cater to consumers, because people are more involved in the financial system than they might realize – through their retirement plans and savings. Interviewees also stressed that business journalists have to think about what’s important for society and do a better job at explaining the world’s biggest stories.

Bloomberg’s Harper agreed that all journalists have a responsibility toward the wider public, and stressed that financial reporters and editors today have the enormous task to help readers understand how complex business and finance subjects impact their lives directly. Ivry said he always tries to broaden the scope of the stories he edits to do just that. “I wasn’t born and came into this career to make wealthy people wealthier,” he said. “I want to be able to tell what the wider impact is, so I am trying to do that everyday.”

Goodman went on to say that the definition of a business journalist ultimately depends on the publications they work for. While at networks like Bloomberg, the majority of reporters might cater to investors, at general interest publications business journalists should follow the public interest, according to him. Goodman noted:

The business journalist has to be concerned with serving that kind of translation layer for lay readers who understand, especially now, that whether we pay attention or not to financial workings or economic workings, this stuff has direct bearing on every aspect of our lives.



## **Discussion**

The financial crisis served as a good lesson for all participants of the economic system as well as the press. It came at a time when the Internet put an enormous pressure on budgets, forcing newsrooms to spread resources more thinly and in many cases, prioritize quantity over quality. However, the financial collapse also served as a painful test of what journalists have been able to retain from the experience and how has that knowledge translated into real change in newsrooms. This research indicates that the biggest change triggered by the financial crisis is a flurry of skepticism within the business press. Respondents said they have become knowledgeable about the global financial and economic issues, and are more inclined to question the behavior and thinking on Wall Street and in Washington. Moreover, some claimed there's more volume of business-related stories in mainstream news publications because there is a better understanding of how certain developments in the system affect the country or the world at large.

At first glance, this gives hope that the quality of business reporting has improved in the wake of the financial collapse. Newsrooms today are vastly different than they were seven years ago and have many more avenues to reach audiences. Social media in particular has become an increasingly important tool for reporters to find sources and monitor conversations to spot stories or trends. More and bigger data is also becoming available on public platforms around the world, and organizations like Investigative Reporters and Editors (IRE) are scaling up their training programs to help journalists learn how to use data in their investigations. Additionally, due to the economic uncertainty and the use of unconventional monetary policy actions never tested before,

the Fed has taken important steps to increase transparency in its communication – including releasing statements on long-term goals and policy strategy as well as adding press conferences with the Federal Reserve board chair.

Yet some argue that these steps are not big enough. Journalists at investigative-oriented publications such as ProPublica and the ICIJ claim that despite signs of improvement, the business press has not significantly changed its practices, and if anything, is sliding back into old habits. They argue that leading business news organizations such as Bloomberg and The Wall Street Journal have shifted their content strategy to focus on quick market-moving stories that lack the depth and breadth of their investigative coverage during the crisis. Further content studies should investigate these claims, but nonetheless, the findings should raise a red flag among those setting the agenda at influential business news outlets, and further questions should be raised about the consequences of such a shift. At the same time, it's also important to keep in mind the Bloomberg News is delivering financial news to Bloomberg terminal subscribers and not the general public. Although the company has expanded its reach on new digital platforms, its main mission is to serve its customers or the people who are paying for its service.

One of the most important takeaways from this study is that the financial crisis has not produced more fundamental changes within the industry, and business journalists themselves don't believe that they can predict or avert the next crash. This is somewhat alarming given the fact that the country's economic leaders themselves recognize that even policymakers are far from being able to identify developing risks and act in time to

prevent future crises.<sup>2</sup> Presidential candidates also acknowledge that there are risks in the U.S. financial system that could still cause another crisis.<sup>3</sup> These observations come to accentuate the importance of accountability reporting in the business press, which has been also reflected in the interviews.

These findings inevitably raise the questions: Why has the crisis not produced more fundamental changes? Why are journalists not able to predict the next crash? There is no easy answer to these complex questions. Some argue that this is the nature of the field, where it's impossible to fully understand the linkages in this complex financial system, while others say this is a consequence of fewer resources to do investigative reporting. Respondents also said that there's a lack of capacity and expertise at general news publications to translate the technically - complex issues into digestible stories for audiences. Moreover, journalists claim that there are strong incentives in the industry that keep reporters away from digging deeper – that also raises questions at the institutional level, where leaders have the power to set the tones and the frames of the coverage. Most of these findings align with earlier studies discussed in the literature review that identified similar problems in the field of business journalism (Henriques, 2012; Schiffrin, 2011).

So how do we respond to these challenges and do a better job next time a crisis looms? As the vast majority of interview participants have pointed out, the financial press needs more resources and diversity to cover bigger and better stories. Business desks at

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<sup>2</sup> Remarks made by the Federal Reserve Bank of New York President William Dudley at a recent conference hosted by the Federal Reserve Bank of Boston. Retrieved from: <http://bloom.bg/1j98V0q>

<sup>3</sup> In a recent Bloomberg View piece, Hillary Clinton echoed the need for more accountability on Wall Street. Retrieved from: <http://bv.ms/1FV51IX>

general news publications have not been immune from an industry-wide pressure on budgets, and newsrooms should continue experimenting with new sources of revenue and investing efforts in finding new business models as well as innovating their newsrooms to be more cost-effective and productive. There is an abundance of research produced by the Nieman Journalism Lab, MIT Media Lab, Reynolds Journalism Institute's Future Lab and other leading journalism institutions that provides solutions and guidelines on how to turn big ideas into practical products and processes. Newsrooms need to adapt or risk becoming irrelevant in today's media age.

Second, while audience metrics have become ubiquitous in most news organizations – particularly at digital startups like Business Insider and BuzzFeed – it remains to be seen how the constant display of analytics on giant boards on walls changes the newsroom culture and how metrics dictate editorial value. Yet along with the pressure to feed the numbers, journalists should not forget about their responsibility. That's why it's so important for these new digital shops, which are building the infrastructure of the future, to plan their budgets to also include funds for in-depth reporting, as Paul Steiger suggested. Another useful solution was proposed by Peter Goodman who said he de-emphasizes metrics and allocates resources to a team of reporters assigned to do investigative work without worrying about clicks or number of bylines. Additionally, crowdfunding is another way of raising money for ambitious projects. NPR's successful "Planet Money Makes a T-Shirt," among many others, proved that dedicated followers are willing to support this kind of journalistic endeavors.

The interviews also reminded us of a sad reality in U.S. newsrooms. Despite the changing racial and ethnical makeup of the country, news organizations are still

predominately white – more than 32,900 journalists work at 1,400 US newspapers, but only 4,200 are minorities, according to the most recent survey of American Society of News Editors.<sup>4</sup> That is an average of three non-white journalists per newsroom or around 12 percent. Moreover, in an effort to recruit research participants for this research, I also found that there is a shortage of women in senior positions at business news publications. Although the rate fares better for women than minorities – 60 percent of news organizations have at least one woman among their top three editors remains – it’s still not enough. As other respondents have argued, the newsroom staff and coverage should reflect a commitment to covering all the communities equally and fostering an even and rational public discourse or otherwise risks creating a dangerous climate of exclusion. We need more diversity in newsrooms.

Finally, I strongly agree that business journalists at general news publications need more training on technical subjects such as finance and economics. Basic training and math skills are not enough to allow general assignment reporters to make sense of the inner workings of big corporations or developments in the world’s biggest economies. Therefore, it’s increasingly important that newsrooms invest in specialized training to allow reporters to advance their knowledge on complex issues and learn new data techniques to improve the quality of their reporting. Simple things like learning how to analyze Excel spreadsheets or extract data from websites can make a big difference. However, as they gain these new skills that are so important today, journalists should never forget about the basics – looking into the human experience and explaining how

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<sup>4</sup> ASNE (2015). *2015 Census*. Accessed from: <http://asne.org/content.asp?pl=121&sl=415&contentid=415>

numbers impact people's daily lives.

All in all, it's clear that the roles and duties of a business journalist ultimately depend on the publication they work for and the audiences they serve, where the public and the press' interests might not be in perfect alignment. Investors and the public are two different audiences, that require different approaches to reporting and newsgathering. But it is equally understandable that the public – and the rest of the media – rely on institutions like Bloomberg and The Wall Street Journal to make sense of the goings-on on Wall Street, and that calls for a higher degree of responsibility toward the public. Bloomberg's Bob Ivry perhaps put it best when we discussed what the press's commitment to investigative journalism should be: "Does it bring in money? I don't know. But it's almost that if you have the resources, you kind of have to do it."

This paper acknowledges that further research should continue to investigate why the financial crisis has not triggered more fundamental changes in newsrooms. A vast majority of respondents indicated that they approach stories with more skepticism, yet there's not much they do differently today, respondents said. Some challenges and potentials solutions were presented in this research, but further work needs to address what other reasons stand in the way of the press to do its job better and how they could be solved. Moreover, a thorough content analysis needs to independently verify claims about Bloomberg's and the Journal's approach to long-form and investigative reporting. This is important because these two institutions are among the most influential news organizations in the worlds of business and finance and their coverage impacts millions if not billions of lives across the world. Although this paper captured a variety of opinions, further studies need to address the issue in more detail.

Finally, the results seem to contrast earlier arguments that business journalists don't have a responsibility toward the wider public, but come in line with later studies which showed that a good majority of business journalists perceive themselves as the watchdogs of society (Tambini, 2008). Nonetheless, this research acknowledges that more studies are needed to investigate to what extent is that sense of responsibility reflected in their coverage. Overall, this paper complements the scant body of literature on business journalism and its findings are essential to any journalist considering a career in the field.

Limitations for this research include interviewing only a small sample of journalists due to time constraints; however, participants were chosen using a series of purposeful sampling approaches to maximize the quality of the results. A combination of snowball and opportunistic sampling approaches also facilitated finding more recruits by selecting people who know people who have been involved in covering the financial crisis.

This study also acknowledges that the researcher's journalism background made it more difficult to create open-ended questions but reiterates that the data was thoroughly examined and variations were noted. This research did not jump to unsupported arguments yet identified themes and findings that emerged in interviews with at least half of the participants. It applied critical thinking and relied on participants' answers to address the issues raised in this paper. Furthermore, the study captured as many variations as possible and presented all the alternative interpretations and negative responses to enhance validity as well as collected findings until no new knowledge was gained (Silverman, 2013, 285). This paper presented the main findings that emerged

during the interviews and addressed what areas should be further investigated. Supporting documents in the Appendix sections can be found to verify the accuracy of these statements.



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## APPENDIX A: CODING SCHEME

To make the findings more reliable, the researcher created a codebook to categorize results. First, a number of common themes were identified based on the main questions asked during the interviews. Then, the answers were catalogued as the list evolved, which allowed the researcher to note similarities and differences between respondents.

### Jeff Cox, CNBC

*Challenges during the financial crisis:* keep up with the flow of information, learning about new concepts in the market, explaining the new programs introduced by the government such as TARP, following the different moving parts of the giant story

*Lessons learned:* watch for warning signs when things are great, keep an eye for bubbles, be more vigilant about the system in general; think outside the mainstream

*Changed they way he does his job:* a little more vigilant now, keeps an eye out of bubbles

*Indicators watching now:* the Fed flow of funds, ETFs, debt levels, distribution of debt, savings and the unemployment and the U6 number of underemployment

*Observations re the business press:* journalists got smarter about financial system and its threats, the press is better equipped to see problems with securitization products; too much skepticism

*Overshooting:* apply basic journalism principles and finding all sides of the story

*International news:* we are getting more interconnected so it's huge

*Journalism sources:* use own judgment on sources; access reporting is never a factor in his editorial decisions

*Next crisis:* there will be one and we will probably ask ourselves how did we miss it?

*Who is a business journalist:* funny part of the media, the role is a little different; they do more about analysis than simple news gathering

### Michael Hudson, International Consortium of Investigative Journalism

*Challenges during the crisis:* finding a mainstream publication to publish investigative work

*Lessons learned:* made me more skeptical about official pronouncements; talk to former employees at companies you are covering

*Changed they way he does his job:* more skeptical and learned to talk to former employees

*Indicators watching now:* skeptical of indicators

*Observations re the business press:* journalists should be more prepared; there is not enough skepticism in the media; the press is going back to its old model of less skeptical coverage; we need to broaden our definition of financial journalism

*Overshooting:* not our job to worry about the markets, our job is to report facts

*International news:* better sense of interconnection; paying more attention because of his job

*Journalism Sources:* still rely too much on high-level sources; we need to talk to people at different levels

*Next crisis:* the infrastructure is not in place for journalism skepticism  
*Who is a business journalist:* mainstream business press serves investors; but it should also serve consumers and society as a whole

Jesse Eisiger, ProPublica

*Challenges during the crisis:* no public information on complicated products such as CDOs; the material was really hard to understand

*Lessons learned:* made him more skeptical, more humble about what he doesn't know; can't simply look at the data, one has to report on human beings; understanding about the global financial system hasn't changed

*Changed they way he does his job:* more skeptical and humble

*Indicators watching now:* not one in particular, volatility and the VIX

*Observations re the business press:* there was a brief moment when there was more investigative coverage, now it's gone; there have been some improvements, people understand the financial system better

*Journalism Sources:* business journalists are beholden to sources, journalists use same sources.

*International News:* not more than before

*Next crisis:* assumes that it will be missed

*Who is a business journalist:* serves investors; but he thinks about what's important for society

Paul Steiger – ProPublica, WSJ

*Challenges during the crisis:* didn't have an experienced financial reporter on the team;

*Lessons learned:* if investments are too good to be true, they are; more skepticism but not cynicism;

*Indicators watching now:* fixed-income securities, bonds, derivatives

*Observations re the business press:* they learned

*Overshooting:* journalists should never worry about spooking the markets

*Next crisis:* journalists try but don't succeed

*Journalism Sources:* better to lean toward accountability than access;

*Who is a business journalist:* all journalists should seek the truth for public but business journalists care more about jobs, money and business leadership

Christine Harper, Bloomberg News

*Challenges during the crisis:* understanding how and what things can go wrong in banks

*Lessons learned:* didn't fundamentally change my job, made us smarter, more skeptical

*Changed they way he does her job:* didn't fundamentally change

*Indicators watching now:* China and emerging markets, debt markets

*Observations re the business press:* we got a lot smarter about the financial system; we understand what could go wrong and what are the sources of contagion; it's still a learning curve for beginners, I guide them; there s a lot of good investigative reporting at Bloomberg but it's going to come from beat reporters most often

*Overshooting*: there is an important calculation to avoid speculation, journalists have to state facts and stick to what they know

*International news*: a lot more

*Journalism sources*: does not believe in access reporting

Business Journalist: all journalists have a responsibility toward the wider public

#### Adam Davidson, NPR

*Challenges during the crisis*: understand global system & technical parts

*Lessons learned*: global financial issues are going to be central to understanding the world; financial system is an active experimentation; we need to get better at warning people

*Changed they way he does his job*: what he learned, that why he started Planet Money!!!!

*Indicators watching now*: fixed income, bonds;

*Observations re the business press*: more volume of news but not an injection into overall coverage; we need more; there is a minor incrementalism in the financial press

*International news*: lot less now than when he was international correspondent but we need more coverage of it

*Journalism sources*: never used access reporting, there are plenty of sources out there

*Next crisis*: it's unrealistic that we'll call it

Business Journalist: technical specials that serves a narrow audience, but the broad audience needs more.

#### Peter Goodman, International Business Times

*Challenges during the crisis*: figure out stuff, he was new to the beat; it was not easy to figure it out (the crisis)

*Lessons learned*: learned how quickly contagion can spread and now understands global finance better; learned that there are humans behind the banks that lead the big decisions; he is more skeptical and suspicious; if people are not earning enough money, there are going to be credit bubbles

*Changed they way he does his job*: to be on the lookout for signs of economic health

*Indicators watching now*: look at society's traditional ways of earnings pays bills; wages, unemployment and the U6 number

*Observations re the business press*: more skeptical and smarter about the financial system and the interconnectedness; more people are writing about finance but fewer people are doing investigative work; journalism now is more about aggregation; we need more diversity in newsrooms; some are non-critical about the ppl in institutions

*Next crisis*: he is not optimistic we'll do better on the next one

*Who is a business journalist*: depends, at general news publications business journalist should serve the public.

#### Gretchen Morgenson, New York Times

*Challenges during the crisis*: covering Washington when the story moved there

*Lessons learned*: Washington is a lot more secretive; improved understandings of the global interconnections

*Changed they way he does her job:* not substantially

*Indicators watching now:* unemployment, mortgages and private data that's given to investors

*Observations re the business press:* people got smarter about the financial system and the interconnections; seeing less business news stories in general publications like Times

*International:* better understands how its related but not necessarily paying more attention

*Journalism sources:* lot of public available data, don't believe in access reporting

*Who is a business journalist:* who can explain what is happening for the everybody; now more ppl are investing through 401k so responsibility is higher.

#### Dean Starkman, LATimes

*During the crisis:* the press was not fully understanding the nature of things covered

*Lessons learned since returning to newsroom:* he is more skeptical

*Changed they way he does his job:* lessons learned

*Indicators watching now:* unemployment, wage growth; lack of demand

*Observations re the business press:* no big change, business as usual because there are fewer resources and a greater demand for news; press still out of touch; journalists got educated on the financial crisis

*International news:* lot more because of the nature of his work

*Journalism sources:* difficult balancing act to do access reporting and accountability coverage.

#### Bob Ivry, Bloomberg News

*Challenges during the crisis:* to go against public officials

*Lessons learned:* more skeptical and more confident – can argue with my boss; his frustration level is higher; understands the global financial system better; likes big stories

*Changed they way he does his job:* not substantially but I'm more skeptical and confident

*Indicators watching now:* indicators didn't change – still asks: do I have a job, am I saving for my retirement and kids' education?

*Observations re the business press:* nobody remembers the financial crisis; not sure that skepticism has grown; reporters don't exercise the suspicion they ought to be; the greed for clicks in the media is damaging; I don't know if things have changed; we have a post-crisis moral dilemma; press needs diversity and more communication; it's a mistake to re-write press releases; the element of capture.

*Overshooting:* that's bullshit

*International news:* broadened his understanding because of the nature of work but does not think any other country can cause a similar financial crisis

*Journalism sources:* he doesn't know if they've changed but a solution is to change beats!

*Stories he runs:* does not run happy stories; like big corruption stories

*Next crisis:* he thinks we are headed in that direction and journalists are going to make same mistakes

*Who is a business journalist:* any different than any other journalist; we have huge responsibility to look after the government because the government is compromised by

money; responsibility toward the wider audience.

## Results

**1. Business journalists improved their understanding of the financial system and the global interconnections.**

Smarter: Cox, Eisinger, Steiger, Harper, Davidson, Goodman, Morgenson, Starkman

Global interconnections: Cox, Hudson, Harper, Davidson, Goodman, Morgenson

**2. Business journalists are a lot more skeptical today because of their experience covering the financial crisis.**

More skeptical: Cox, Hudson, Eisinger, Steiger, Harper, Goodman, Starkman, Ivry

Not enough: Hudson, Ivry, Starkman, Eisinger

**3. Even though there was a lot investigative coverage during the crisis and few years after, signs of a lack of in-depth reporting on corporate America can be noticed.**

Yes: Hudson, Eisinger, Goodman, Starkman, Ivry \*Davidson (mainstream press paying too little attention to economics)

No: Harper

**4. The business press needs more diversity and resources.**

Diversity: Davidson, Hudson, Goodman, Ivry

Resources: Starkman, Goodman

**5. Business journalists are watching new indicators of economic health.**

New indicators: Cox, Steiger, Harper, Davidson, Goodman, Morgenson, Starkman

**6. There is debate on whether business journalists should be concerned with overshooting.**

Concerned: Cox, Harper

Not concerned: Hudson, Steiger

\*Ivry (said "it's bullshit")

**7. Journalists are paying more attention to what's happening abroad but mainly in part because their current jobs require it**

Yes: Cox, \*Hudson (not because of the crisis), Harper, Starkman, \*Ivry (not because of the crisis)

No: Eisinger, Morgenson, \*Davidson (thinks we need more)

**8. Business journalists say they prefer accountability journalism over access reporting.**

Yes: Cox\* (need to weigh the story sometimes), Steiger, Harper, Davidson, Morgenson, Starkman

No:

**9. There is consensus that business journalists will miss the next crisis**

Cox, Hudson \*(not good journalism infrastructure), Eisinger, Steiger, Davidson, Goodman, Ivry

**10. Business journalists should have a stronger sense of responsibility toward the wider public**

Yes: Hudson, Eisinger, Steiger, Harper, Davidson, Morgenson, Ivry

\*Hudson, Eisinger, Davidson still see biz journalists as catering to investors

\*Goodman said business journalists at general news publications should think about public interest

## APPENDIX B: INTERVIEW TRANSCRIPTS

Interview with Jeff Cox, finance editor at CNBC.

*Jeff, you played a major role in CNBC's coverage and broke some big stories. Could you tell me a little bit about what the biggest challenges were back then?*

Hard to know where to begin. I think the biggest part of it was just being able to keep up with everything. Events were happening so quickly. First it was the whole Bear Stearns story unfolded so rapidly because the nature of the crisis itself was so fast. It was just a matter of months before these big banks were reporting big earnings and all of a sudden, almost overnight, they had faced this crisis of confidence and liquidity and things just turned so fast, so it was really difficult to keep up with the speed of things.

I think number two was just the introduction of concepts that were really not well known within the market, were certainly not known almost at all by the public, and being able to take these stories as they unfolded and explain them to the public. Just for instance, some of the acronyms that came out of this, the MBS or the mortgage-backed securities and the asset-backed securities and the concept of the subprime loans and the bonds that they were being packaged into and kind of explaining all of that story and then having to explain the remedies that the various bodies were coming up with the Treasury and the Fed, the TARP and term-asset facility and just all the other things that the things they were coming up with and being able to take these concepts and be able to explain that.

And then just you know, the enormity of it all and just being able to understand what was happening and how serious it was. I think we all knew this was a serious story when the Bear Stearns news came about but at that point, it seemed like a Bear Stearns problem and then as the summer turned into fall, I mean it just infected the entire financial community, so it was just an enormous story, just so many moving parts and it was just very tough to be able to get your arms around the whole thing.

*What lessons have you learned and how has that changed the way you do your job today?*  
02:59

I would just say the big lesson is watch for the warning signs, get the message that something is too good to be true. I think a lot of this financial press had really gotten blind sighted by this as much as the public did just because it was, there were concepts that we were not familiar with ourselves, so I think we all learned the lesson. I think that to some extent we may have overlearned the lesson from that because I think it's sometimes too much skepticism but you know, I think it was just a learning experience from everybody, to really keep an eye on valuation, to keep an eye out for bubbles, to understand that we are really living in a different world now than we lived before, now that we are dealing with the market moves at a much faster pace as it ever did before,



there are so many influencers on the market.

The market has become much less human now, it's rolled by machines, there are incredible levels of sophistication out there now trying to find ways to beat the system and I think if you just wanted to wrap it up in one big bowl, it's to be more vigilant, to really just be on the lookout for these kind of things in the future and make sure that we don't get blindsighted again by them.

*From your perspective as an editor to what extent do you think journalists improved their knowledge about the financial system and some of those complexities you mentioned?  
(05:21)*

I think the crisis has really forced journalists to try to go to school to become more familiar with how a lot of securization products are working. I think the whole Dodd-Frank process really worked us into... and also journalists, regulators and Congress along the way to really understand how big the financial system has become and be able to gage that be able to understand the threats. We have so many different mechanisms in place now in addition to Dodd-Frank, there is a stress test and the various puzzle the banking requirements, that kind of thing.

I do think that the financial press has gotten a much better understanding and really understands these products a lot more now and understands the system more now and I think it's much better equipped to at least see that type of problem coming. You could probably call me back in a couple of years and talk about what the next crisis is going to be, which is probably some place other than where we are looking right now, but I think at least as far as this particular crisis went, we are much better educated now and we have a much better understanding of where we are in the financial system.

*You said it's really important to keep an eye on early warning signs, what indicators of economic health are you watching now and how has that changed after the crisis?  
(07:41)*

One of the things that I started reporting on a number of years ago, it's something called the U6 number, which is a number that was used to be buried deeply within the unemployment report every months. It's much more encompassing unemployment rate and includes people who are out of work and have not been looking for work as well as those who are underemployed, it's a much higher number than normal unemployment rate goes. That's sort of one.

There are a lot of other data tools now, I'm constantly watching the numbers that come out of the Fed, they issue periodic reports about levels of debt, distribution of debt, the savings levels, the Fed flow of funds that comes out quarterly as something that is extremely important. And just be able to go through, if you are a data geek and numbers geek like me, you can sit in there and spend a lot of time on this report but it really just goes through all of the debt and assets as well a country on a household level or a corporate level and it's really something that I keep an eye on to make sure that it's not a

tremendous growth here and there and it's also useful to know how much cash corporations have, what they are doing with the cash, where investment is going and you know, those are a lot of the things that we missed in the last crisis.

Another thing that I watch is fund flow reports, where is money going as far as mutual funds, where is money going into exchange-traded funds I think you can get, especially the ETFs, you can get a very good pictures of what the trades of the day are, if there is a lot of money going into higher risk assets and you know, coming out of the more safe heavens that gives a good pitch, or sentiment surveys or something that I pay a lot of attention to as well. You know, it's just the idea of looking in between the mattresses and up in the closet shelves and that kind of thing to really try to find the data that tells the picture about where the economy is heading.

*You said you were not watching that before that? (10:35)*

Not so much not watching it but I think maybe watching these things a little more closely I think. Some of the things that have been happening in the last crisis, we all got caught by surprise by that, there really weren't, not that there were no people who were forecasting it, but some of the folks were forecasting it and were just the guys who run around constantly and saying 'Crisis is coming,' so if you walk out of the door everyday and say 'It's going to rain today', you know one day you are going to be right but there weren't a lot of people out there who were able to diagram and diagnose the crisis before it was coming.

It was just something that just really happened and to go back to your original question about how quickly the thing unfolded, I think it's just a matter of making sure that you are prepared for the next crisis that comes along but there will be another crisis and will be probably one of those things that we all say 'Jees, how did we miss that?' and then we try to get better every time.

*To what extent do you think we are getting better or more prepared for that? (12:01)*

Again, I mean, there is all this thing about, you are always fighting the last war you know. I think in some ways, as a profession we've gotten better, as an economy I think there are still some lessons that we haven't learned yet. I believe that a lot of the market turmoil right now is happening because we believe that we've come up with a solution to our problem and I think there is this pervasive belief in the market among policy makers that the Fed can just kind of control all of these strings of the economy through monetary policy if we just keep interest rates low and if we just print a couple of trillion dollars every now and then, that will just keep the motors running.

I think that's a foolish belief, I think that history has taught us that easy money always leads to financial asset bubbles and dangers, misallocation of resources, that kind of thing. So I mean that that problem is out there. When it's going to manifest itself? I guess it's the thing we all wish that we knew and how it's going to manifest itself is the thing that we all wish we knew but you know, what I try to do with my reporting, is try to think

outside the mainstream and try to find the stories that other people aren't writing about and try to find themes that other people aren't writing about because generally the herd is wrong. The direction the herd is moving, you can pretty much count on that that's the wrong direction and that's trouble coming from a completely different place and it's just hard to say how it's all going to happen and how it's going to transpire.

*Just wanted to follow up on what you said about Bear Sterns and I'm sure you're familiar with comments on CNBC's coverage on Bear Sterns and how that inflicted panic into the markets and people said that that led to more rumors, and led or contributed to the bank's collapse. My question is: how can journalists raise a red flag without spooking the markets or precipitating more bad news? (14:47)*

There are a couple of things that are problematic there. I think that'd you'd find just as many people saying that we weren't vigilant enough. We had a guy coming on, a hedge fund manager, who was shorting Lehman Brothers at the time and was trying to convey the message to the public that Lehman Brothers was kind of like a house of cards, so we were giving that voice but as far as the Bear Sterns thing goes, you know, one of our guys Jim Cramer was faulted for months before the collapse was saying that people should be buying Bear Sterns. The extent that we were inflicting panic, I really don't buy that a whole lot. I think that we are here to report on things that are moving the markets. Interestingly enough to answer another part of your question: in China they just arrested a whole bunch of journalists for commenting about the market and what they were saying, comments that were not productive to the market and that were inflicting fear in the market, and the rest of them putting them in jail so I surely don't think we want that kind of a society that does that to journalists.

We have done a better job during the crisis, of course we could've and so could've the WSJ and Bloomberg and so could've the NYTimes and everybody else who's got reporters on Wall Street. We all took our lumps from the crisis. But just sit there with your teeth and your mouth when you know there is something going on out there that's moving the market. I don't think that's good either, I think you just have to trust your instincts to decide whether the info that you are getting is reliable and is accurate. And particularly in the case of Bear Sterns, I mean, these guys were living on the fault line for a long time, just dependent on this short-term liquidity and Bear Sterns was going down no matter what CNBC did. Bear Sterns was not going to be around forever, too many risky assets on their balance sheet and not enough liquidity to cover it, end of story.

*How can journalists raise those alarms without inflicting panic into the markets because this is so sensitive and many of the stories you write are market-moving and people do pay attention to those, so there is the element of overshooting, as other authors have said? (17:55)*

Sure, but I think you are just talking about applying basic journalistic principles to that kind of stuff. Just make sure that your info is sound and then you try to find the other side of the story. You always see, if you are going to report on something that you think it's going to shake the market up making sure that you've got to be sure stuff in there 'Here's

the other point of view, here's somebody that this is not necessarily the case and just making sure that you've got your basics covered.' You're giving your readers all sides of the story.

*Another argument claims that business journalists rely on a number of sources, people in the companies who can tell them inside information. I am wondering how has that source base changed after the crisis and how can it change so that journalists can still get that inside information as well as broaden their reporting about the larger implications? (19:27)*

That's a tough one. I just think it's a matter of just being thorough. Broadening your source information, I mean, I think you're always look for broad-source information, you always want to make sure that you know, you're not running around with one or two source-stories, unless it's an extremely well-played source. It's just a matter of again, those basic journalistic principles of going out there and being vigilant and making sure that the sources that you're speaking to are credible and winning whether somebody's got an ax to grind or when somebody is just trying to move the market for selfish reasons. I think you've got to be able to use your judgment on that. And of course, there are editors like me around to communicate with, and we all sit down and make those decisions together.

*That brings me to my question on accountability reporting. From your perspective as an editor, how can journalists balance access reporting with accountability reporting? (20:59)*

There are reporters out there, and sorry to say this, but there are reporters out there who will trade one of their kids for access. It's sad in a lot of cases that journalists do crave access so much and it's something I've experienced myself and not just on Wall Street but in any number of endeavors that I've been involved and jobs that I've had in my life that 'Jees if we report this, I'm going to burn a source. If we say something nasty about the Fed or the Treasury then they won't let us come and they won't give us access.'

I think that you've really got to be 'Hey, there are really going to be times when you want to weight the seriousness of the story but I'd really object to reporters who base what they do on fears of loosing access.' The public has every right to be concerned about and that readers have to be concerned about and I would just tell you that it's not ever a factor in decisions that I make. I just think you've got to go with wherever the story leads and if it burns somebody in power, too bad.

*What defines a business journalist and how would you describe the responsibilities toward investors and wider public? (22:58)*

Business journalism is really a funny part of the media landscape because it's different, the roles are a little different in business journalism, the expectations are different. When you're a government reporter and say you cover Congress and bill comes up in Congress

and you have to write about this bill and what your job as a journalist is to go out and you know, write what the bill states and you interview somebody from the one side of the argument and somebody from the other side and you have a story. It's basically a pretty balanced piece of journalism and that's that.

Business journalism is a little different because people are looking for advice really, they are looking for direction to go, how are they going to invest their money, so to really say 'There is one viewpoint and there's another viewpoint,' sometimes it's not terribly helpful. You get a lot of, I am not the one to go out and tell people to buy this stock or don't buy that stock or buy this sector or don't buy that sector. I would occasionally say 'One sector really looks cheaper' or something like that but I don't get into that kind of stuff a whole lot but it what you do is more analysis than simple news gathering so it's just another one of the things you need to be conscious about and even in that analysis, you got to make sure that you give the other side of the analytical point.

And even if it's got to sound that you've got a particular point of view on a story, there are still issues of fairness, accountability, accuracy, thoroughness, making sure that you know what you're talking about, making sure that somebody is supported by some actual data and facts, because that's what business readers want, they want facts, they want to be able to feel good about their decisions. Their decisions are evidence based and not just somebody's opinion so it is a different challenge but it's great and it's interesting and it really affords you to do some things that other branches of the business don't allow.

*Maybe you can also quickly comment on: to what extent do you pay more attention to events abroad? (25:54)*

Well, we are in an interconnected world and we are getting more interconnected all the time, so what's was happening in China obviously we can see what's been happening in the markets over the last several weeks it's been heavily influenced by international situations: the growth of emerging markets, the growth of developing markets, that kind of thing, frontier markets. It's all very important right now and it's going to get more important. Nonetheless, as far as US markets go, we are probably entering a period of prolonged slower growth so investors are going to be looking for opportunities elsewhere - not just simply how this is going to impact US stocks but if the US market is going to slow down from this massive run-up that we've seen over the last 6 years, where do I go, what other parts of the world can I invest in? So it's huge.

The ability to see things beyond our shores and to have a good grasp of them. Four years ago, was really predicated on the idea on how debt was swallowing up a lot of the global economies and we weren't careful, we would've ended up the same way. Those problems echo over here, they echo throughout the world, so as a business journalist you've got to know not just what's going on in your backyard but what's going on in everybody else's backyard too.

## 2. Interview with Jesse Eisinger, senior reporter at ProPublica and columnist at The New York Times.

*Jesse, you and your colleagues at ProPublica have done a great job explaining the complexities of this crisis and explained really well what happened.. At the time, what do you think was missing from the mainstream press? (02:36)*

So what I thought about during the crisis and then the aftermath was that the press has done a pretty good job covering the existence of the housing bubble and that this had been covered in all the major people on a pretty regular basis. It has made the covers of major news magazines, the Economist had put multiple covers about the housing bubble. This was a commonly understood thing that if you were a moderately attentive reader of the media, the press, that you would've had some sense that there was a housing bubble.

What the press did a completely horrific job at, like totally inadequate job, was covering the credit bubble, the leverage in the system, the lack of regulation in the rise in the shadow banking system. What I mean by that is that the press simply did not cover the risks in the financial system from things like derivatives and structured finance like collateralized debt obligations or even residential mortgage-backed securities in any kind of adequate way or the risks to the banking system, or the failures of the regulatory system to oversee the banks. This was a terrible failure.

*Why was that? (04:29)*

A wide variety of reasons. I think that one was that it was incredibly complicated and the press didn't really have much expertise in things like CDOs or derivatives. You know, people could see housing prices going up so it was a little easier to do that but the rise of the shadow banking system, most people just didn't know about it, so that was one of the problems. The other problem was that a lot of people had some sense that regulation was slow, to the extent that regulation existed and maybe it was too much of it. There was some vague notion that the U.S. was losing out on competitiveness in its capital markets to London and Hong Kong and that we needed to loosen regulation. That wasn't necessarily a view that was held in press but I think the press absorbed the notion that we had the best capital markets in the world, which was kind of the underlying assumption with the sense that we needed even further deregulation.

We had the best banks, the most sophisticated banks and that there was a lot of sophisticated rocket science that was going on and become dazzling and nobody really understood and people thought it was impressive rather than worrisome. So I think that is why it didn't get covered in any kind of adequate way and I think there was a lot of personality coverage and bankers were regarded as wheelers and dealers and exciting big players and there was a lot of money at stake and then, there is a lot of wealth (inaudible) and that sort of coverage played into it. You had coverage of people like Sandy Weil as a kind of empire builder rather than a flim-flim artist who was cobbling together companies that were really vital to the careful functioning of the capital markets, careful and save. He was cobbling all these companies together and moving the regulators to allow him to

do lots of aggressive things with little oversight and he was celebrated rather than scrutinized.

So then the financial crisis happens and I think the press did a very good job of covering the events of the crisis, so you had really really good coverage of inside the banks and inside the government in the months around September 2008 and wait, can you hold on a second ... (08:20)

So I think it was very good coverage in the Times and the Journal and elsewhere about the events of 2008, and the books written, you know Andrew Ross Sorkin, so I think you had a good sense of what was literally the action that were taken then but what we realized was there hadn't been much coverage and that was so draining. And that absorbs so much journalistic attention that there really hadn't been by kind of early and mid 2009, much attention paid toward the lead-up to the crisis and what the bankers knew and when they knew it, it particularly focused on the 2006, 2007 crisis, the late bubble years when things got pretty bad.

So we decided to focus on that period and that turned out to be a very fruitful period to focus on because there has been so little journalistic attention and you know, there have been some stories at the time, but with the perspective of the crash in 2008, things from 2006 and 2007 had a completely different perspective or you had a different perspective on those events knowing that it led up to the crash so it was a very fruitful way for us to investigate and that's how we sort of approached it and we focused on the CDO market, because it was the heart of the bubble and that's when we started our series.

*In his nomination letter for the Pulitzer award, Paul Steiger mentioned some of the challenges you had back then, could you elaborate more on that too? (10:49)*

Yeah, well, the problem was there weren't any documents. There was no public disclosure of any of this, really. There was some prospectuses of CDOs but they had no salient or relevant information, they didn't disclose the risk in any substantive way or revealed what they were saying in any way that made any sense. You couldn't get them through American regulators anyway, you had to get them through the Irish stock exchange, some CDOs were filed there. But there was basically no public lists of the CDOs, there was no government body that kept track of them. You couldn't FOIA anybody so they were all private deals done by private players which made it incredibly challenging, and which you really had to do was simply a lot of shoe-leather reporting of talking to people. And that's kind of out of fashion now in investigative reporting because everybody loves to do stories about data and in fact they so love them, that they kind of think the investigative stories, that well, we really need data to back this all up, but there really wasn't that much data.

We ended up commissioning a statistical study on it from a provider who gave us a really interesting look at the data but the data really wasn't at the heart of the story, it was the people making the decisions. So we had to do a lot of reporting and we had to find people to talk. That entailed an enormous number of calls to people in the CDO business in the

time at the height of the bubble to find out how the business worked and through banging our heads against the wall, we found a lot of people to talk to us and tell us how the business worked and you had a class of people who didn't liked the way the business was going so they could tell us some things and people who were drummed out of the business because they hadn't take the risk to do the aggressive things.

And then occasionally, we found people who wanted to either reveal the questionable things that they've done because either they wanted to brag about it because they were so clever or they wanted to confess to us. There were a lot of different motives for these things but it too a lot of time and building trust with people.

*What have you retained from this experience and how has that changed the way you do your job today? (13:55)*

I was pretty skeptical going in to this but now I'm even more skeptical about the systems and the underlying assumptions, questioning assumptions that people think to hold about the financial system or the capital markets or economy, you want to question everything, want to be even more skeptical. I also feel like much more humble about what I don't know, I feel like there are enormous swathes of the business that I am sure I don't know about right now and things are even more complicated than I think they are, so approach things more carefully and more worried that I am going to get things wrong and I feel like I need to dig to get the real answers to things more carefully.

And the other thing is that you have to report on human beings and what their decisions are that you can't simply look at the data, that you really have to go out. Get out of the office, meet people and find out what's really going on than simply count looking at the documents and the numbers and try to see if you can discern truth from those things.

(15:39) look for question

Well, I didn't think much of bankers to begin with but nobody can really think of bankers now as that smart, that thoughtful, certainly not prudent, that they know what they are doing so I think they needed a lot of oversight. And some of that oversight has to come from journalists, now we have to approach them very skeptically. And so, I think when they talk and explain what their business is they don't necessarily know what they are talking about. Certainly when they drift away from their business to measure of economics or politics, they specially don't know what they are talking about. They are still regarded as experts who essentially talk about anything because they are rocket scientists who deal with complex issues. But I think what was shown was that they in fact can be extremely reckless, furiously misleading, often perhaps criminal and certainly can make some pretty stupid business decisions based on emotions and take terrible risks, so you should approach them with enormous skepticism.

*How has your understanding of the global financial system changed since the crisis? (17:30)*



I don't think things have changed really. You know, there was an emerging markets crisis in the 1990s that led to a major financial crisis, it was LTCM, so I've always been cognizant that we are really living in global markets and that global markets can affect the country's capital markets in the U.S. and vice versa. I don't see this as a particularly international crisis. 2008 was an international crisis, 2008 the US contagion affected it and made it a global crisis rather than the other way around. I've been obviously following the European financial crisis that was subsequent to ours in 2008 and been paying attention to that but I don't think any more or less than I would've barring the 2008 crisis.

*What indicators are you watching now and back then before the crisis? (19:00)*

I don't watch any one particular indicator to the exclusion of other. I certainly watch the VIX, a measure of volatility. What I try to do is gather a lot of relevant data on a regular basis and analyze that but I am not really a macro economics reporter and I'm not an overall markets' valuation reporter so I am not sitting around and assessing that kind of data anyway.

I am kind of digging into specific issues. But if I were to do it, I would want to one, look at a wider array of data rather than one or two or four or five indicators, I want to get as much information as I can and I would ask experts. One thing that I believe is that journalists aren't experts and that we need to go out and find experts to talk to us about things rather than think that we can analyze indicators on our own and figure out what they mean by just looking at them.

*How do you think business journalism has changed since the crisis? (21:23)*

I think there was a period when accountability stuff was covered a little bit more, where people were a little bit more skeptical about bankers' claims but now I think the financial press is receding back to old habits so there's a lot of raw-raw coverage of Silicon Valley for instance and a lot of celebratory coverage of deals and now you are seeing Bloomberg in particular, revert to kind of, wholesale buying of bank story lines about things like an impending liquidity crisis which is really back to our way or arguing against further regulations and you know, perennial concerns from the banks that are voiced about supposed problem on the horizon from this regulation and that regulation so I think that there was a brief period of financial reporting skepticism but we are kind of back to covering this largely from the point of view of the bankers and that has reason because bankers and actors in the financial market are mainly reporter sources and so the reporters just let hear them much more than they hear from very view critics and regulators and things like that, they totally outmanned that number, so they reflect their views much more often.

*An argument stressed in the literature review goes that business journalists depend on a small number of sources, who tend to have an interest to shape the media's coverage. How has that relationship changed after the crisis and how can it change? (23:05)*

I think its endemic to business and financial journalism mainly because of the source issue, which is that the vast majority of the sources are business people and people in the capital markets and they have a very sheltered view of the world, a narrow view of the world but they reflect their narrow view and interests to the reporters and the reporters generally reflect that.

If you look at CNBC you'll never see a labor supporter, there are just huge swathes of topics that will just never get covered in the financial press or they are relegated to kind of the backburner, the darker corners of the newspaper pages. So they are sort of not regarded as the most important news of the day so you just don't see them reflected, these are really subjects that are never touched or spoken about really.

*You know, the argument in the literature review is that few journalists have been able to connect the dots and see the big picture, although there were early alarms sounded. To what extent have we learned that? (24:35)*

I think that's very hard reporting to do and it's hard to make those connections and reporters need time to think and most of them don't really have time to think because they are moving onto the next story and the editors are busy too so I think there is an inherent difficult there and you see less reporting than you should that really kind of explains things well and connects the dots. That's why investigative reporters have a place in the world, because we are supposed to sit back and think and try to understand something from a wider .. we can add a lot of value by just sort of synthesizing things and analyzing things.

*What other changes have you noticed in the industry, besides more skepticism? (26:30)*

I think there have been some improvements. People understand bank capital much more clearly than they used to, so there's been some expertise about this that journalists have gleaned and learned. I think that if there were new structured finance products that were really sexy that people would pay attention to those and be a little more skepticism about those so I think there is a little bit of skepticism and knowledge about bank innovation and questioning whether than innovation is exciting or potentially dangerous and I think there is some more sophistication about the financial statements of banks and their capital. There 's some incremental progress there, I certainly have learned a lot since the financial crisis about these issues.

*One reason for this lack of sustained reporting cited in Starkman's book is that the interests of business and the interests of journalism were too close to warrant in-depth accountability reporting. To what extent has that changed you think? (28:19)*

I think things are pretty bad from a financial press perspective because if you look at the WSJ I don't think that they do sustained coverage of financial matters from a skeptical investigative point of view and Bloomberg had a lot of this kind of reporting and has

moved away from it in the last six months and a year and their change is really notable, especially for financial reporter. I think the Times is doing a pretty good job but the Times actually devotes very few reporters to this kind of reporting compared to Journal and Bloomberg. Then there is Reuters out there that is doing a pretty good job still so I think that... So if you look at the new sites coming out like Business Insider, they are not doing much reporting at all and the reporting is not particularly skeptical or in-depth or analytical.

There was a brief moment of optimism where you had a lot of push to investigative reporting and in depth reporting and skepticism about the banks that lasted from 2009, 2010, 2011 and maybe 2012 but in the last recent period we've gotten worse. Now, there is a lot of expert blogs and experts commenting on the markets and the global economy and I think they add a lot of value and are very smart and they to some extent, fill the gap and do it better because they actually have financial expertise but in terms in what is really going on inside some of these companies, inside corporate America, I think we know less than we did few years ago.

*Why is that? (30:45)*

I think that is hard reporting to do, it takes time and people are under pressure to produce stories so they produce fewer of the harder stories, the more in-depth stories. I think at Bloomberg you've had an explicit mandate not to do this kind of stories because they don't want to challenge the buyers of the terminal so it's a business decision that they've taken not to do this kind of stories. And the Journal to some extent too. Under Murdoch, it made a business decision that skepticism towards financial markets is not something that they display on a regular basis and they don't do the kind of in-depth reporting that they use to do. you just don't see these stories on Citigroup and Bank of America and they just don't do that in-depth reporting period so often that means that they don't do in-depth corporate reporting. They do have some investigative reporting and they've gotten a bit better on that than they were a couple of years ago but they still have one way to go to really improve. So I think it's a corporate decision that this stuff is not really lucrative.

*How can that change? (32:17)*

I am not sure why it would change. I assume that the next financial crisis will be missed by the press. I don't think that the press affect the financial crisis one way or the other. As I said, the press did a pretty good job of warning about the housing bubble and it had 0 effects on the housing bubble. Media's ability to change the world is vastly overrated and overstated.

I just don't see a lot of big changes. You would like that, to be that way. I certainly approach my job differently. I know a handful of other reporters who do that same but I just don't think that on an industry-wide basis we are doing that and largely is that we are beholden to our sources. Journalists are beholden to their sources and most of their

sources are at corporations and of course they will end up channeling what those sources tell them. I don't know what to tell you.

*What would need to change to allow journalists be better prepared? (34:36)*

It's wholly unrealistic but we'd need to, they'd need to expand the notion of what should be covered and what's an appropriate story, think about stories from the point of view of what's good and bad for society rather than what's good or bad for the bottom line, or for the top executives. You have to completely reorient the way they think about business and that would allow them to cover workers, workplace injury, product safety issues, environmental issues, corporate lobbying and regulation differently. You'd just have a completely different way of approaching the way you think about corporation if you only said 'What we are only going to look at the way their actions affects society.'

*Last question, who is a business journalist? (36:06)*

Our responsibility is to think about what is important for society. It's not to reflect what the sources that we cover think or the sources that we cover think it's important, so when they make or beat their quarterly earnings number this is an incredibly important thing for the executives at the company and all the investors in the company and it's close to irrelevant for society at large, so to some extent you have to cover that because the people who are paying for the coverage mainly the investors, want to know that information, but they can't be the core of the way people approach their jobs, but of course it's very important for the investors so they're going to cover that and will do that on a regular basis.

They cover a lot of incremental non-sense from businesses and businesses control the flow of information and they define what's business news so whenever they launch a product or they make a new executive appointment or they release their financial, those are all regarded as news events. They control the flow of probably 90-95 % of business news. They totally dominate the flow of news, who the sources are, investors in a corporation so the outsider notion of the stakeholders of the corporation they almost have no voice in what gets reflected in the coverage of business news. Not only that, they often don't know anything. if you are the victim of a bad product, you might not even know often that you are victim of it. you might have gotten food poisoning or something or you might have had a default on your mortgage, you are totally disenfranchised, you don't have access to the press and you might not know what happened to you in any specifics. So it's very hard for the media to find that person.

Interview with Gretchen Morgenson, assistant business and financial editor and a columnist at The New York Times.

*I'll jump straight to the questions as we don't have much time and ask you what lessons have you learned from the financial crisis and how has that changed the way you do your job today? (01:43)*

I guess one of the most interesting lessons I learned from the crisis was that when it moved from Wall Street, I am a reporter who covers a lot of Wall Street companies and practices, but when the crisis moved from Wall Street to Washington, after 2008 and 2009, that it became much harder to cover because Washington is much more secretive if you can believe than Wall Street. That was a very interesting lesson for me to learn and I find it very much more difficult get information out of Washington which was kind of counterintuitive, to what I would've expected.

*How about your understanding of the financial system, complexities? One criticism is that journalists were not able to connect the dots between the mortgage market and the banking crisis and everything that happened in between. How do you think this ability to see the big picture has changed after the crisis? (03:09)*

I think there is no doubt that people now understand and journalists now understand how interconnected everything is and how even particularly when something goes wrong in a particular market, if it's a large market and certainly the mortgage market would qualify as a large market, that it would have an impact in other markets and it would bleed in those markets as well.

Also I think the interconnections between regions around the globe were also very interesting because we saw first hand in the crisis in 2008 how the banks that had sold mortgage securities based on loans made in the US and sold these securities around the world, that we were sort of exporting our toxic waste because a lot of these loans were dubious loans and so the interconnections between Wall Street and the world became very very obvious during the crisis and in the aftermath.

*To what extent are you paying more attention to what's happening abroad now than you did before the crisis? (04:23)*

It's not that you pay more attention to it but you understand that it's all very interrelated. I mean we saw in 1998 when the devaluation of the Thai currency and the Russia default of its debt that created problems in this country so it's not that that's a new concept but it's just something to be reminded of and we were really reminded of it clearly in the mortgage crisis as far as how much that debt was sold overseas and how problematic those loans were and the vast reach of those loans.

*What indicators of economic health are you watching now and how has that changed after the crisis? (05:21)*

It really hasn't changed. Obviously the important indicators to look at are unemployment but that's something that everybody looks at, that's a very important number. I think that mortgage rates obviously but I think that there are a lot of pieces of the puzzle that aren't necessarily government figures or data that's supplied to investors on a regular basis. So for instance, how it's not really as easy to tell if people are able to get a mortgage for instance. You can see if mortgage applications rise or fall but that doesn't really tell you how many people are trying to get a mortgage and can't get a mortgage which is a

number of a figure or a data that would be really helpful for people to try to understand how strong the economy is. So there are still a lot of data points that aren't necessarily out there and you have to dig around and find the answer to those questions yourself.

*Another argument raised in my literature review and this is probably familiar to you as a Wall Street reporter is that lot of journalists depend a lot on their sources in the companies they cover, so access is very important to business journalism. I'm wondering how can we balance balance access reporting with accountability journalism? Because this is another argument raised by authors that there was a lack of lack of sustained reporting before the crisis and the question was raised after that. (07:09)*

I disagree with the idea that you can't have accountability journalism in the business arena and I think what I do week in and week out would certainly be an indication of my beliefs that you can be a journalist and hold people accountable. The wonderful thing about business reporting is that there is so much material that is in the public domain and these are company filings that are required to be public by the SEC and you have a tremendous amount of data coming out about stock trading and transactions and you have really an awful lot of information, so it's much easier to write about companies without their cooperation, if you choose to do so.

A situation might be where you get wind of a company doing something maybe from one of its customers, maybe from one of its employees or suppliers You get it from a different person, you are not going to get the story from the CEO or the CFO or the COO. You are trying to get those stories from people who have an experience with the company or from an insider who wants to be a whistleblower but the fact of the matter is that you can go around the companies if they don't want to cooperate because so much material is available in the public domain at the SEC and other places and so I really don't feel there is a crisis of an inability to have accountability journalism in business reporting.

If anything, it is because people don't want to pursue that kind of reporting, it's that they feel that they want to be inside the tent or at the cocktail party or a 'friend' of a CEO or to be palsy with the CEO. Well, that's not going to get your good, tough investigative stories under your belt because you're never going to learn about those things from high-level people at the company but the fact is that you can do investigative reporting around in spite of companies that don't want to participate in business and I think that's very hard to do in say, political reporting or Washington reporting, where you really do rely on sources to drop confidential documents in your lap, so that's a different kind of setup and one that I really would not want to work in because you're as a reporter beholden to those sources of information and often times, that person has an axe to grind and a reason to give you the information and you can't really disclose that to the reader, so the reader is left in the dark about the motivation of the story, how it came about, how the information was transmitted to the reporter and that's tricky.

*You write for the New York Times and I really wanted to speak to somebody from the non-core business press. I am interested in your perspective from the NYTimes on how is the mainstream press covering business news differently you think? (11:25)*

I don't know, I think that's hard for me to answer. I mean I don't know the answer. I don't know how other people are doing it. I am doing what I always did which is to try to understand what's going on, who's doing what to whom, why, when, where? I haven't really changed (unaudible). It's hard for me to judge for me to say how people are approaching their jobs and what they're doing after the crisis.

*From your experience of the Times, is there more attention paid to business stories? has something changed from that perspective? (12:30)*

I think that during the crisis say 2008-09 you would see way more business stories on the front page. It was obviously the story. There were other stories of course but financial crisis was one of the crucial stories of that time and being able to explain to our reader what had happened to them and it had an impact on everyone, on homeowners, stock holders, neighborhoods, state governments, federal governments, it had an impact everywhere, so trying to explain what happened and who the perpetrators were and just illuminating the dark corners was really important because it was a devastating crisis and the aftermath was so harsh and so many people were hurt by it.

So it was natural I think that it would be an issue that people cared about and see explained in plain English. Wall Street is known for obfuscating and hiding things in lingo and difficult-to-understand language but people were really struggling to understand what happened because of the significance of the devastation. So yeah, you would see a lot more stories on page one back then, sort of classic explanatory journalism, in the aftermath of the crisis than you do now. But you still see things that the stock market is very volatile right now, we have China that seems to be blowing up and so there's always the business story that's interesting to people, it was just that it wasn't front and center, some of these stories are not quite of a broad interest as the financial crisis was back in 2008.

*Just to quickly follow up on my first question and ask you again if there is any other way you do your job differently today because of the things that you've retained from that experience? (14:59)*

It's not that I do things really differently. I think the thing that's happened since then was that the news cycles is 24/7, it's much speedier, you are trying to get things much faster but that's not really a result of the crisis. I am not sure that's the right answer of that question. It's still the same thing, I still have the interest of trying to get to the bottom of what's going on, trying to understand who the key players are, who the victims are and who's hurting and who's helping? You know, all of those things, are still of great interest whatever the storyline is, whether is about the China situation, or the fact that the Fed has kept interest rates so low and who's been hurt by that so you know there's always something but I don't think I've changed dramatically in my approach to reporting and telling a story.

*What defines a business journalist from your perspective? To what extent do business journalists have a sense of responsibility toward the wider public? (16:29)*

I think a good business journalist is someone who is able to translate into plain English what is happening. People are more and more involved in the financial world, whether they recognize it or not, through their 401k and retirement plans and so being able to understand what is happening to their investments and future prospects is very important and so I think the goal of any business reporter if they want to be a good one is to find things that are going to have an impact on people and explain them so that people would understand how to protect themselves and how to respond in ways that is going to put them in a better place.

I think more than ever, understanding the way business world works, the way Wall Street works is crucial for people to have a prosperous retirement or succeed in life, so I think business journalist would be someone who'd really try to help people to understand what's going on and how it's going to impact them so that they are prepared.

*Do you mean the wider public? (17:55)*

Everybody.

Interview with Mike Hudson, senior editor at the International Consortium of Investigative Journalists.

*You were one of the first reporters to sound early alarms with your stories on subprime mortgages and corporate whistleblowers in early 2000s. Why do you think the press paid so little attention to these stories?*

I think especially the business media there is a nervousness to kind of being in front of a story. Once there is a financial crisis or the company crashes or the government announces an investigation, the business press is pretty good about coming down out of the mountains and shoot at the wounded, they are pretty good afterwards at sort of doing autopsies and showing what went wrong. There are not so good about doing stories at a time when the market is going great or a company seems to be powerful and rising high. There are not so good about doing those kinds of stories early on when the subprime market was going great guns and 2003, 2006 there certainly was some notable exceptions.

Businessweek did some good work about dangerous loan products but mostly the coverage was kind of blinded to what was going on in the market, there wasn't a lot of in depth coverage of just how things really work, how much fraud there was, how dangerous these loans were, what was Wall Street's role in fueling some of these pretty shady practices inside this market and putting a lot of home owners and the economy at whole at risk. I think there's the business press and again, I'm making generalizations, and there are many notable and very honorable exemptions among reporters and publications



but I'm sort of talking in general from what I've seen working in various places, reading other people's stuff, reading what they say about what they do what they do.

I mean the business press is sort of prisoners of respectability and access. They want to be seen as independent but not too independent. They don't want to be seen as being crusaders and you know, people define that in the business media as simply doing stories, getting on a story and staying on it. If you do too much on a story it's one thing to do 'Oh, we'll do one story about this problem or raising questions but we are not going to be doing the follow up,' but it's often what gets results and gets you deeper into what's really going on.

*Looking at your work and the stories you covered, I was wondering if you speak a little bit about the challenges in really covering these complicated subjects? (04:35)*

You know, I think the biggest challenge was finding sort of big mainstream publication that were willing to take these stories. I was fortunate that the LA Times in 2005, late 2006 they were open to bring me on as a freelancer and pair me with a really great reporter there, Scott Record to dig into Ameriquest which at the time was the biggest subprime lender in the world and was driving a lot of what was going on in the subprime market. So I think just getting editors at the mainstream media to sort of take these stories seriously and look at what the facts are. I think that the problem is that when you come in and want to do stories that are critical of big companies or market, there is always a tendency to think that this person is an ... (06:14) but the way to make a decision on ideology but should be based on what the facts are and what the facts on the ground are showing.

*Why do you think there was that hesitation? Why wouldn't papers be willing to do that? (06:30)*

I think they are after certain kinds of stories. First of all you have to look at... I think the mainstream business press is about serving investors, it's not about serving consumers or about serving the economic system as a whole. The truth was that during this boom and mortgage market, investors were making a lot of money. So by that standard everything was fine but what we found out that the market was based on a lot of smoke and mirrors. People were making money in the short-term but in the long-term a lot of investors lost a lot of money and a lot of companies crashed and burned but part of the problem is you have to understand that what's happening to the consumer on the ground is often like an early system of what's going to happen in the long run to investors.

I think the other thing you need to look at is the beat system in most financial media. There is a lot of pressure and I'm sympathetic to this and there's a lot of pressure on beat reporters to get the inside baseball kind of stuff. 'Oh, the CFO is going to be replaced, who are the top candidates?' Those kind of stories, if you get beat by half an hour, by a day on those stories by your competitors, you're in big trouble. It's completely understandable that reporters and the day-to-day triage of what am I going to emphasize and spend my time on, they tend to shy away from stories that are hard to do and take a

lot of time, and there is a lot of pressure (08:50) to produce copies and stories that may in fact get their access cut off to the top level corporate officials.

For me, I was always an outsider when I was writing about this stuff so I wasn't worried about whether or not I was going to have access. I only wanted access to ask specific question about what was going on on these investigative stories. So it was very much this dichotomy between access reporting and accountability reporting, insider versus outsider reporting and I don't think its an either or thing, I think you need to have both: reporters who do the access reporting but you also need reporters who aren't chained to the access system who in a sense outsiders when it comes to particular companies in particular markets and have a greater freedom to really lay it all out, all the problems, the fraud, the smoking mirrors and everything about a particular company or particular market.

But unfortunately what happens is this beat, insider access reporters naturally are a bit protective of their turf so when another reporter starts sniffing around a story that may touch on their company, there are sometimes problems. There have been instances when one reporter's editor picks up the phone and call another reporter's editor and says 'Stay away. This is my reporter's beat. You shouldn't be messing with it.' So I think there's that and I think there's that tendency. There is a just a sense of sort of a capture, I don't want to say ideological capture, but definitely when you are covering a beat you end up, and I found this to one degree or another when I was covering a local court house in Virginia, you end up taking the views of the people you are covering and accepting their assumptions about what's important and what you should be focusing on how to look at this world.

So for me, and I know this is hard and I know there are cuts in news budgets and layoffs but I think you need to have people who are the inside and the outside reporters and people who are the access reporters who are getting into the day-to-day stuff which is important and you need to have at least a few accountability reporters who not only have the time but also the freedom to greenlight to go after stories and not have to stop on a story because that's somebody else's beat. You know the inside reporter, they can say, tell their sources, 'well, i have no control over this other reporter. They are going to write what they are going to write. You can always trust me and be here and listen to what i have to say, that kind of thing.'

Another thing I'll say about in terms of number of journalism resources, at least in the financial press there's still a huge amount of people. It is economically more viable, most of these: you look at Bloomberg, at these other places, they have huge numbers of journalists, often covering very narrow minute-to-minute beat. Why when you have that, why can't you have a certain percentage of people who were given a broader view and do stories and focus on accountability and focus on connecting the dots and digging deeper. I think that's important.

*And what have you retained from your experience of covering your stories and how has that changed the way you do your job today? (13:48)*

I think it's made me more skeptical about official pronouncements and especially skeptical you get these ideas like 'Oh, these guys at Lehman brothers they are really smart, they are obviously smarter than us and you know, in the media, who are we to question them?' and the truth is that when you peel back the layers on a lot of this stuff, they are not always titans of finance. Of course there are many smart and brilliant people working on Wall Street in corporate America but there is also a lot of stupidity and lot of people who don't have ethical radars and lot of people who would believe what they need to believe in order to keep going with the market and with certain kinds of business practices, business models, which in the short-term are profitable although in the long-term can be disastrous for the consumers and for the economy and even the company itself.

I think skepticism is ... being skeptical anytime of hype of this idea that titans of the universe 'out this company, or this CEO has it all figured out and there are so smart 'and it's not always true and it's often not true. Sometimes it is, sometimes they are brilliant people who have it all figured out but often they are just human beings who are trying to figure out what's going on and coming up with this pose of being the smartest guy in the room, of having it all figured out, this pose of power and invincibility. So I think skepticism is a big deal. I think the other thing is a thing I've really learned from my reporting on Wall Street and on the subprime mortgage market and if you wanna know what's really going on, talk to former employees. It seems so simple but a lot of reporters don't do that. Always be searching out X employees of the company and for the most part, more able than if they are working for the company to be able to talk frankly and I think a lot of people think 'Oh, they won't talk to me, they're too scared to talk to me or they don't want to talk to me.'

But I can't tell you how many times I've called people and they've been relieved and had people who told me 'I've been waiting for two years for somebody to call me because I have so much to say but I just didn't know how to go about it.'

And there are other people who you need to spend time convincing, but what you do is, if you talk to former employees and talk to enough of them, once you talk to a half dozen and then on that seventh person you're able to say 'I've already talked to X number of people. Three of them have agreed to go on the record, here are their names.' It's OK to give out their names because they've agreed to be on the record. It gives what might be reluctant sources, that there are not going to be standing out alone. It's not going to be them versus this big company saying what you have to say. You know there is a sense of safety and numbers and then you build.

When Scott Record and I did the stories about Ameriquest which was the largest subprime lender and had the huge sort of support in the financial press and support even among fair landing advocated were saying all sorts of nice things about Ameriquest that Ameriquest was actually doing things right and it turned out that Ameriquest's business model was really built on fraud. They didn't really switch salesmanship and really sleazy predatory tactics. Scott Record and I, when we wrote our stories for the LA Times we had more than 30 former employees who were talking about having witnessed fraudulent or unethical practices.

When I wrote about Lehman Brothers and their subprime in house lending mortgage units for the WSJ I had had 25 former employees from all over the country, who said they had witnessed really questionable and really sleazy practices: forging people's signatures on loan documents, creating fraudulent documents just to push loans through, to react to the pressure to produce loans, to push loans through the system.

*It's interesting you mentioned skepticism and other people have talked about that. To what extent do we see more of that in the press today? (19:15)*

I'd say there is more skepticism but there still isn't enough and a lot of the skepticism is backward looking 'Ok, now we get it, we get that. There was all this fraud going on, there was a lot of sleazy tactics.' It's easier to have skepticism when you do have government investigators like the DOJ and the SEC doing big investigations and doing settlements. That seems to be one thing that, and again this seems a little bit like coming after the fact, after the battle idea. Once that happens, you see more skepticism in the financial press. The problem is when there is less investigation and the government is less aggressive, like basically 2001 to 2006, the Bush administration was much less aggressive on investigating financial fraud and mortgage fraud, so you saw much less skepticism in the business press about what was going on. The key is that next year, right now we are still in the some more of an era of skepticism partly because we are only five years out from this huge financial crash, you know we've had a drum beat of investigation of lawsuits and revelations that have come out since then when all these investigations are sort of done, are we going to be back to where we ere before the 2008 crash where skepticism was much more muted.

And that's my concern, and I think structurally I don't see how we do, how we cover the financial system, I don't see that those kind of changes which will make a different when we get into an era as we get further away from the financial crash as the investigations and scandals out of the crash began to die down or come to a completion.

*You don't see that you said? (22:38)*

I don't see that really, I don't see the structural changes. You look at like Bloomberg, and it had a good investigative unit and was doing a lot more investigative reporting but now they still have some investigative reporters and my understanding is that the pressure there is to produce quick hit stories and not really do the investigative stories that Bloomberg was trying to do in 2007-2008-2010-11 era. So I worry that the infrastructure is not in place to sort of continue the journalistic skepticism that we need. And I want to be clear, I don't think it should just be like this ideological skepticism 'Uh, you can't trust any CEO, you can't.' But it should be a skepticism that produces action and real reporting. A sense of that 'Oh, we should check behind these pronouncements, these numbers.'

It's easy to play accounting games but sometimes there are illegal, sometimes there are accounting fraud but sometimes it's just illegal slide of hand about how you structure your company and how you are keeping track of your success and what you are

emphasizing and not to make it seem like everything is great and going well when in fact if you dig down into those numbers, into the actual practices on the ground, there are a lot of problems, which have the potential which can cause some serious damage to the company itself and to investors and to consumers down the road.

*And to what extent do you see some of that has been done? Maybe you could also talk a little bit about the mainstream press? (24:55)*

We are in a transitional period right now where we are sort of going back toward the older, less skeptical, less investigative accountability-based reporting. I see less of it in the last couple of years, I think there was some fine reporting. There wasn't enough reporting before the crash about what was going on the ground, and I am not talking about predicting that there is going to be a crash. I am talking about on the ground reporting about how this market works and the level of fraud and smoke and mirrors that was going on there and there wasn't a lot of that before the crash. Since the crash, there has been some pretty good reporting in the mainstream press in the business press on what happened and why and about the level of fraud and misconduct that went on. I feel like now we are seeing less of that in real time. of course there are some notable exemptions and even now but i definitely see a lot of less skeptical reporting about corporate practices and the financial systems.

*To what extent are business journalists are more prepare today to anticipate a crisis do you think? (27:10)*

I think they should be more prepared. There are a lot of skeptical journalists and remember it's not just on the reporter because you have these systems of news bureaucracies and editors and the real question is if you got a skeptical reporter who's digging up stuff and is beginning to find stuff and sees the possibility that there's a bigger darker story there, are they going to get the green light from the institution or the news organization to do the digging? My concern is that we have seen in some places, there is less investigative being done and at Bloomberg it's very clear that they are shifting away from doing long-term investigative reporting and that has nothing to do with reporters there, they are really good who want to do hard-hitting skeptical accountability journalism that I am talking about. If they are told 'you need to produce three or two stories a week' there are not going to have time to do those stories. 'We want quicker hit stories, oh, and btw don't write a long piece. Write 600 words.'

That's not the kind of system that tis going to produce a lot of skeptical, in-depth reporting that I am talking about. A lot of it is sort of where the financial media managers are, the leaders? What willingness they have to invest resources and do these stories. It's always easy when there is a financial press, or the mainstream press or the daily newspaper or a TV program, it's always easy to get caught up in the day-to-day latest shiny news and kind of forget that it's not the stories that break, that happened yesterday and last week or is going to happen tomorrow that is really going to affect us.

It's the long-term, not the stories that break but the stories that are slowly happening out there and accumulation of different practices and events and ideas that are pushing us in a certain direction. And if you don't have a certain number of people who are empowered to do that at your news organization, then you are going to miss those stories and we are going to be back to the sort of pre-crash 'there is occasionally some good reporting, but it's very occasional and it gets lost in the wave of day-to-day coverage and wave of CEO profiles and all those stories, the bread-and-butter of the business press. There is a tendency of those to overwhelm accountability reporting and if there is not a real army of investigative reporters out there who can do these stories and those stories on the agenda and not just an occasional blip on the radar but make them part of what's really happening in the media. I'm concerned that I haven't seen. I think in general financial reporters are probably more skeptical than they were in 2008 but whether or not their systems are in place to empower those reporters to ask on those skepticism and do the hard thing of talking to employees and digging through SEC filings and looking through lawsuits and talking to experts and all that kind of stuff. That takes a lot of work to do that and if you don't have news managers who are willing to do that and support and back you up and also back you up when the companies push back and come after you with lawyers and PR experts and they're yelling at you and try to investigate you as a reporter and doing all that kind of stuff. If you don't have editors who don't have some sort of commitment and really level of guts to do that, then you are not going to get the level of investigative reporting that we need.

*And how has your understanding of the financial crisis changed after this experience? How about the global financial crisis? (32:25)*

I do have a better sense of the interconnection. I have a better sense of how, you know when something is happening on the ground if in a small town in the middle of nowhere is not just some local entrepreneur, it generally has to do with some big Wall Street or some big firm how they are lending money, who are they lending money to, where are they putting their investments. I have a better sense of the interconnectivity.

*To what extent do you pay more attention to what's happening abroad? (33:41)*

That's a difficult question to answer because as of 2012 I started working for an international news organization so I have a lot more of international focus so that may have to do more with who I am working with now that it does with the lessons I've learned from the financial crisis. Certainly I am more aware of how connected are London and Wall Street are as financial market places. But I really can't answer that question in the abstract between.

*Can I ask you about the indicators that you are watching now in the US? What indicators of economic health you are following closely and how has that changed since the crisis? (34:49)*

I actually don't. I am skeptical of the indicators. I think I'm more skeptical and I don't really rely on them because I know there is a back story to what is behind the numbers

and what appear to be good numbers but you need dig deeper to find what's really going on in the market or in an economy. So i am very aware of the smoke and mirrors aspect of economies and markets and how the indicators may not tell you what's really going on. Certainly not in real time so I have to say I don't really look at the indicators too much. And again, I am no longer focusing on Wall Street but right now I am focusing on things like money laundering and the World Bank and it's a different world.

I am not sort of focusing on covering traditional business now. I am more doing international business investigative reporting, much of which happens to be about finance and business but I don't see myself as covering the financial system.

*One other aspect of the research is that reporters and editors needed to be careful with raising a red flag without spooking the markets and precipitating the bad news. How do you think journalists can do that without anticipating more bad news or events? (37:00)*

I just don't think it's our job to worry about how we affect the markets overall as long as we are putting out factual and in context information, it's not our job to be concerned 'Oh, this is going to roil the market or not.' It's our job to report they are all facts, what's doing on. it's our job to dig deep and tell you what's going on in the market or the company. We should not be worried about what the stock prices of a company or what the indexes are saying. That's part of the problem. That mentality, 'oh we don't want to go too far because we might cause some ripples in the market.' You shouldn't withhold or turn a bling eye to sort of factual information out of some concerns about how are you going to affect the markets. That to me is a recipe for the kind of reporting failures that we've seen over the years.

*To what extent do you think that has to do with the responsibility, either toward the investors? (38:37)*

I mean you have a responsibility toward investors but if you are going to soft-pedal bad news about a company, that is likely to come up in the long run, you are hurting investors now, who are buying the stock. and the stock is maybe at a high level, so you are hurting them. You are buying stock which soon or in another year or two may plummet because once the news eventually comes up or once things play out, you are going to be hurt. Your responsibility to investors is to report, not to avoid or soft-pedal bad news. It's to report what's going on and give information that's not spun or PR approved or affected. It's information that they can act on and take into accounting and invest in and where to put their money.

*Given the changing media ..... what is there to be learned? What needs to change to be able to spot the next economic collapse or crisis? (40:11)*

I think I've kind of said it throughout. I don't think this is necessarily predicting the next crisis, or 'Oh there is going to be a collapse.' That has to do with prognostication. I am talking about reporting. What we need is hard-edge reporting about what's going on in the markets, ad companies and you'll never know what you prevented and what you stopped

by sniffing something earlier or creating action. I don't know, I can't say 'had there been really tough reporting in the subprime market, in 2002-2003 that that would've made a difference but we can't question that. We are saying that we should've been doing tougher reporting. There some good people doing good stuff but there wasn't enough of it. it was swamped by all the positive news and all the news that bought the smoke and mirrors of the industry so I think you have to do the real reporting and I think that the hard-edge reporting that goes beyond the day-to-day, goes beyond the PR spin, is in the long run make markets work better and it's going to make less likely that we have bubbles. There is always going to be bubbles, ups and downs, but it will make it less likely that the bubbles are going to grow so big and be so damaging as we thought in 2008.

That's what we need: more investigative reporting, more skepticism, more accountability-focused journalism and we need to broaden our definition of what is financial news. It's not just about writing for investors, but it should also be about writing for consumers, both consumers who are buying high-end products but also average consumers and low-income consumers to really understand the financial system as a whole. You have to have a broader definition of what is business news, what is financial news and have a better sense of how this all fits together and it's going on in a particular company or particular market, how that affects the economy and real people and not just be focused on 'Oh, is the price of the stock up or down? Are investors getting their moneys worth?'

Of course there is an element of what the financial press does but I think it needs to be broader (43:11) and I think ultimately if you have a broader take on what's going on and what's important you'll actually help investors more because you won't have situations like 2008 where lots of investors and pension funds really hurt, really badly because they didn't have the real info and the media mostly ignored what was going on the ground in the financial system, in the mortgage business and on Wall Street with derivatives and all sorts of other stuff. Because there wasn't enough reporting, not only consumer were hurt but also investors.

*Going back to your point to your argument on source, to what extent has that changed and how can it change? (44:25)*

I still think we rely too much on high-level, top-down sources. We don't spend enough time talking to mid-level, low-level people who know what's going on in the markets. Again, I just don't think there is enough of it. We are still caught in this thing, if we get something from the CEO or CFO or other high-level corporate executive, that is more valuable than talking to 5 other people at different levels and who have different perspectives. I think the official source mentality is still there and is still hurting us and the way to fix that is just broaden your reporting. And of course you talk to the CEO , of course you talk to VPs and CFOs and other people like that , but you need to talk to people lower in the system: risk managers, fraud investigators, loan underwriters. you need to talk to people at the lowest levels, who are working in branch offices.

You need to be doing that and talking to as many people as possible and not just thinking that if you talk to these one or two key people, there are going to tell you what's going on



because the truth is they might not know what's going on or they might not have an incentive to put a spin on it consciously or subconsciously and give you information or a take on what's going on that is very skewed.

*How would you describe the responsibilities of a business journalist? (46:33)*

I think to dig deep and find out what's going on. I think you have to be responsible to both and we can't do as we tend to do we can't just think that we are serving investors, you have to think that you are serving investors, consumers and society as a whole.

Interview with Dean Starkman, author and Wall Street reporter for the Los Angeles Times

*Dean, I read most of your book and used it in my literature review. You raise great arguments that I'm discussing with my sources. I wanted to talk to you a little bit about how things have changed since you did this study, based on your experience and observations. You are back in a newsroom now, what changed have you noticed so far?*

Two things. One is, I don't have the advantage of that sort of purge as a critic overseeing the entire business press like back in the trenches working alongside some of the folks I was criticizing a few years ago which is interesting. But you know, a couple of big thoughts. One thing that you sort of notice is since the 2008 financial crisis, when you think about that event, it sort of exposed the financial system and big institutions to the entire world, both engaged in practices (inaudible) in the mortgage-lending side but also in the selling and marketing of both derivatives. Let's just put it blindly. The system and the institutions have been hugely discredited from basically this massive system failure that was only prevented by extraordinary intervention by the U.S.

So you'd think that there'd be sort of a change in sort of the relationship in the media in Wall Street, there's just no way you can argue that that's true. Basically it's more or less business as usual. Now to be sure, we have to acknowledge that there has been great work done in exploring the causes of the crisis and investigative work continues to be done but the fact is that reading the business press today doesn't feel significantly different from reading back in 2006 for instance. There's that observation.

The second big thing I would say is we are kind of in a different business now, I feel like, from the mortgage era. A big turning point in the history of U.S. media was 2007, that sort of when the impact of the Internet hit home and you started to see, if you go back and look at the charts of newspaper companies, you'll see that they went into a tailspin rather later than you'd think so the period of the mortgage crisis was definitely a time of uncertainty and some financial difficulty for the press but the bottom really fell out late, in 2007, not because of the financial crisis but it was really about the Internet hitting home and basically the effect of Google and other Internet companies that just signed off, an enormous amount from the revenue base of the newspaper industry.

Nothing wrong with that, just evolution of our business, but that's what happened. We are kind of living in this kind of new landscape where resources when they used to be. Yet production requirements of media are what they used to be or even greater, so that the resources, the use of the job is even larger than before and the resources are a bit smaller, sort of true across the board, with of course a lot of exceptions. Bloomberg is the same size as it used to be and other major papers are as big and you can argue that business news has been less affected, it hasn't been diluted as regional papers but still it's a much more difficult environment and they have a bigger job to do than even before so to me, that sort of explains, whereas one might expect that in the wake of the financial crisis there'd be a far more combative attitude between media and the institutions that covers. That hasn't been the case and one of the big reasons is that the production arms don't allow it.

*How has your study on the financial crisis and experience at the CJR changed the way you do your job today? (07:21)*

That's interesting. If you remember in the book, there was the argument of access and accountability and all reports have to practice both but you know the balance I think, I would say that my attitude has changed in the sense that, only moderately, because I was always sort of skeptical of claims of the financial industry, not necessarily in each specific case but in general, I was always skeptical about the growth and size of the system and the institutions individually. These Wall Street firms are super sized compared to where they used to be in the '90s for instance when they were not that much bigger than the average newspaper company for instance and today they power over the media companies but also over much of the rest of the economy.

One of the favorite scholars on the topic, Admati, she notes that the biggest banks are like some of our largest corporations, they are enormous and enormously powerful institutions and her argument is quite valid that there's also a much more fragile than I think we like to believe so I think any reporter covering these institutions, even as they have to report on daily reports and obviously deal with the daily grind of the news, it has to maintain critical distance from these institutions. And not only that, reporters have to keep in mind that the system and the institutions the solvent that they seem on the surface, actually have potential to do enormous harm to do to the US and the world economy.

*And how can journalists do that and still maintain access to those sources? (11:31)*

It's a difficult balancing act, I mean there are different functions for the news organization and there are people who have the luxury or ability to spend a lot of time looking at particular institutions or story and really not worry about gaining access after writing a critical story. So for the rest of us, it's always been a balancing act because the fact is that we absolutely need access to these institutions to do our jobs and cover the news of the day just to get research reporters about the economy or other stocks that just keep the flow of news going. But having done this a while and having dealt with financial institutions for a while and now directly on this beat, I think that most of the biggest ones

in particular understand that if you are writing and reporting and thorough about it but also if you give them fair warning about what's coming and you fully explain what you're trying to get at and the fact that you are marshaling for your story.

I also thought that the more open you are beforehand, the better in terms in the accuracy of the piece. If you are trying to stick to an approach that's very straightforward and forthcoming and not hide your premise until you've gotten the information you need but actually laying stuff out explicitly as possible so that everyone fully understands what you've got. I think in most cases, most institutions will accept that in a professional way and realize that they'll have to deal with you in the future. I think that's the best formula for pulling that balancing act.

*Another argument in the lit review raised by your and other authors is about the ability to connect the dots. Some argued that journalists saw the problems with the mortgage markets but not the banking crisis. I wonder how has that changed in the newsroom today? (15:06)*

I don't think it actually had. And one of my arguments in the book was that it was surprising failure on the part of the mainstream media to find the most important dots and the most important dots in the crisis was how were mortgages created, the sales culture that has overrun the industry from Citigroup to Washington Mutual and all of the brand names and basically turned institutions to a large degree into boiler operations and that's a strong term and what exactly has happened.

And then you know, my argument was that it was only the outsiders and the alternative reporters like Mike Hudson, who was working as a freelance reporter, who was able to understand the true nature of the mortgages that were being created and that mortgages were the raw materials of the crisis as we learned. So you could sort of say, and as I did say in the book, that the business press did about as well as it could've been expected and maybe a little better and looking in the aftermarket, the securities market trying to grapple with the size and explosion of products like CDOs, they understood that those were problematic and understood their complexities and some of them, understood even that they were dangerous, that there was something threatening in those kinds of markets.

But what was really missed was the fact that these models and these products were made of raw material that was defective from the start, that was sold to consumers and regular people often under certain circumstances, so I guess the problem I think that they had then was not necessarily connecting the dots but not fully understanding the nature of the system they were covering.

*And just to confirm, you don't think that has changed much, as you said earlier? (18:27)*

I really don't. Occasionally you will see things that are hard-hitting regarding subprime auto lending for instance. There was some good reporting on things like the for-profit education and even there you have to say that the debt that these for-profit colleges put on mostly working class people settling with government-guaranteed loans that they could

never ever get off from landers unless (inaudible)for bankruptcy. That was another example of how out of touch the business press can be, I thought that was under covered and the links to the financial system particularly the private equity firms that owned this for-profit education companies was grossly underreported.

So I mean, I feel like there's a ... I think your question is right, connecting the dots is important in the sense that you really have to step back look at these issues systemically because that's the public really understands how the system really works, so yeah, there's definitely a shortfall in that kind of stuff today but the point that I was trying to make was that you have to make sure that when you're trying to connect the dots, you have actually gathered all the dots and understood what's going on at the Street level.

*What indicators of economic health are you watching now? (21:20)*

As a Wall Street beat reporter I don't cover the economy quite as close as others who like that, but what I'm trying to keep in mind are things like not just unemployment rate but wage growth which everyone is trying to sort of look for and not really seeing because without wage growth, the whole long-term health of the economy is still going to be in question.

One of the problems that we are looking at these days is we are looking at lack of demand. People just don't enough money to drive growth and the reason they don't is because wages have essentially been stagnant and meanwhile, major expenses have been, the prices of major expenses haven't been stagnant: housing, health care and education. So when you see, it's almost in totality, we are not able to have an economic recovery until is broad-based, until the benefits of corporate profits and rising productivity are spread more widely.

*To what extent are you paying more attention to what's happening abroad and how that could impact the U.S.? (23:25)*

A lot more actually, and it's only because of the nature of my job, which is sort of a jack of all trades of the financial system but I do worry over the conflict over Greek debt because of the effect that was having on the European markets and US markets over here and I am now in the middle of writing a story about China and it's about the uncertainty surrounding even basic data that the government issues.

So it's interesting. I've had an education in international economics and finance, but just a reporter doing a beat job, you almost have to know what the ECB is doing and understand their quantitative easing program and understand what the Chinese government is trying to do because the economies are obviously interdependent and the financial system is absolutely linked, joined at the hip around the world as markets react instantly, not just to pieces of economics news to faraway places but they react to each other, I mean, sometimes stocks are falling just because stocks are falling and that's been a real education.

*Given the changing media landscape today, where newsrooms are shrinking and a vast majority of media outlets live under the tyranny of clicks and 24/7 news, to what extent do you think business journalists are more prepared today to anticipate the next financial collapse? (25:47)*

In one sense, we've all gotten education, we all kind of now understand that there can be such a thing as a financial crisis. We had grown up during the time for the last few decades where financial crises popped up with increasing frequencies, including the ethanol crisis for instance and the Russian and Asian debt crisis in 1998 and the tech wreck a couple of years later but they were kind of contained. We constantly grew up thinking that crises could actually, while the financial system was certainly seem to be growing at a dangerous rate and that financial crisis were occurring at an alarming frequencies, that basically they could be managed.

If you remember the famous time and magazine cover from 1998 I think it was, it was called 'A committee to save the world' and it had a picture of Alan Greenspan, Rubin and their third tenure, I can't remember but you can look it up. That was sort of, the attitude was that the financial system was growing like gangbusters but they were on it, on top of it. And now we realize that they aren't and nobody is and that sort of, I think that's the plain truth that most business reporters we just solved, kind of understand that Janet Yellen is not on top of it and Mary Jo White is not on top of it and Mario Draghi is not on top of it and nobody is and these are that the system is not under control and not inherently stable and inherently unstable.

And not just that, the fact is that when it unraveled things went into reverse, it takes extraordinary measures to begin contain the damage and the damage is actually quite severe. We are still living really in the post financial crisis era. This recovery is been unsatisfactory for everybody and the instability it has created globally is something that we are still trying to reckon with from Europe and beyond and that's I think Most reporters who are kind of thoughtful and kind of thinking about working today no matter how busy they are, at least has that knowledge of firmly-embedded in their consciousness for the rest of their career. The question now becomes, where's the next crisis coming from?

I think that's sort of the wrong approach. I mean it's about making sure that the job of a financial journalist now is not just trying to keep an eye on or hold to account these big financial institutions but it's mostly about trying to understand the extent to which the regulatory system is not capable of exercising its authority and to holding up its responsibility to effectively regulate these companies and this system.

The Dodd-Frank reform law, it created some tools for the system and definitely had an impact but a lot of it had to do with the degree to which the public interest is looked after in regulating the financial system and if you wanted to measure the degree to which the government has been able to stand out to the financial industry and hold it to account. If you recall the number of criminal conditions of the major financial executives in the wake of the mortgage crisis, that number is zero. So that kind of gives you an indication

that when push comes to shove, it's not clear that the government has the authority to really control the system and I think that's what business reporters keep in mind and keep an eye on.

*As a last question, you mentioned that the 'future of the news' envisions a networked news ecology where traditional news institutions play less of a role. Just wanted to follow up and if you see any examples? What will drive back investigative journalism? (32:41)*

I was not hoping that institutions would play a decreasing role, I was just sort of noting that that's what others were hoping for but also I was conceding that mainstream news organizations are weakened and other sources would have to step up. You know, right now, since basically 2007, when the bottom fell under the media business ax... basically the future of news depends on the future of developing a business model to support robust journalism and big newsrooms and profitable news organizations. Unfortunately, that business model remains elusive, no one figured it out. The New York Times had some success by instituting a pay wall and a subscription system that help support the newsroom and helped offset some of the losses of advertising dollars. The WSJ and others have done the same but there's no one 's betting big on newspapers (inaudible) put it that way.

I mean there's not path to growth right now and if I had the answer, I think I wouldn't be doing what I'm doing now, but the future of news depends on coming up with some kind of business model or scheme that will keep news organization both robust and very importantly, independent. Lots of people put a lot of hope in philanthropic model and that kind of thing. Those include a lot of complications that can be the independence of the organization so right now, it's just, we are on a time where basically we've got news organizations that are severely weakened from and to some extent diminished beyond recognition from the past, the pre-2000 era. And a lot of hope for complements haven't really gained traction. I'm fully aware of a lot of the new digital entrances and don't get me wrong, they are welcome. But it's just I think, a fact of life that fact-gathering capacity of the news industry is diminished by some enormous percent and until that's rebuilt we are really going to be flying blind for a while.

Interview with Peter Goodman, editor-in-chief at International Business Times

*How would you describe your paper's coverage of the financial crisis?*

I was at the Times from the fall of 2007 until the summer of 2010. Before that I was at the Washington Post based in China for the last six years, so I kind of came in at the tail end. I got to the Times the year that the Bear Sterns hedge funds run into trouble and that was the first signal that was the subprime crisis. I think our coverage was quite aggressive at that point. I was the national economics correspondent in the first... Which aspect of this do you want to get into? The Great Recession or the financial crisis specifically?

*I think both.*

I did a lot of the financial crisis coverage but I was hired at the national economics correspondent and speaking for myself, I think I fairly quickly figured out that contrary to assurances of Ben Bernanke and Hank Paulson at the time, we were talking about the subprime crisis --- and that it was such a small part of the overall mortgage market and the mortgage market was a sizeable but nonetheless, fractional size of the overall financial system --- that this thing was contained to use Bernanke's phrase. And I think we fairly quickly figured out that that was just nonsense. The first story that I ever did, having covered this story from the standpoint of somebody who didn't know that much about the domestic economy, at that point again, I've been based in China for six year for the Post and then my last year at the Post in the New York bureau, I was the international economics correspondent and I am suddenly diving into something that's brand new for me, the national economy, and I wanted to figure out: well to what extent does trouble in the housing market look like trouble of the broader economy in the financial system?

And in two days work I had an economist build a model for me that looked at the extent to which home equity lines are credit connected to overall consumer spending. And this economist I worked with built this model out of some credit report that was proprietary, Fed flow ?, funds data and basically we figured out that in the last several months, home equity lines of credit, as a share of disposable income, have dropped from 16% nationally to something like 8%.

You can go find the actual numbers when you go find the story. And then there were lots of metro areas, particularly the places where the housing market has been really hot, when the burst in the bubble was really painful, where the numbers were much more extreme and so, I picked a place almost at random in literally my first week at the NYTimes and I said, well I am going to fly out to Reno, Nevada, where the numbers were 20% six months earlier if you looked at home equity credit lines as a share of disposable incomes, and now it was like 10% and dropping. I just sort of flew out there, got off the plane and started looking around for anecdotal evidence to support this and within five minutes of driving around I met this guy Marshal Widdy, who became both a character in my book and character in this A1 story. And he had worked as a tile salesman and things have just been booming for him. He's been getting this massive bonuses all during the housing bubble and he and his buddies were all in real estate or home furnishings would just routinely just buy a new truck, buy a new house. They all had four, five spec houses, they would move into a bigger and better one. He very proudly told me that he would get a new truck because he didn't like the color of the old one, he took me to his house and showed me his closet full of shoes and multiple flat screen televisions and he had used home equity lines of credit to finance a honeymoon with his bride to Tahiti and now the bubble had burst, he was sending the keys back to the bank and as we are talking he gets a phone call from his buddy and he's like 'No dude, I can't go to the lounge tonight, how about we just watch Netflix?'

So I gathered up this story that was really chilling to me. It was the first sign of what was happening nationally. This sorts of speculative guys who have gorged on cheap credit,

now they were underwater, they were pursuing short sales and run for closure and as a result they were really cutting back on their spending and I went back to New York and told my colleagues and said 'Man, we are screwed.' I have to admit that people have been covering these things for a long time, the reaction was 'Oh, I don't know. Maybe we'll have a moderate recession.'

But I was immediately filled with a sense of fear and that story ran above the folds. It was the first byline I ever had in the NYTimes, right handside, and if you go back and read that story, pretty well laid out what was going to happen and what did happen as the bubble burst and as people run out of credit and as consumer spending slowed and that coupled with derivatives crisis and eventually real bank distress, torpedoed the real economy and we had the great recession.

*The literature review shows that nobody was able to grasp the depth of this and were not able to connect the dots and to see the full picture. What's your take on that? (06:38)*

That's a fair hit but I mean, in defense who write stories for a living, it's not as if the people who were running and regulating the financial system were in any position to piece the whole thing together too. I mean unless we are willing to alledge that Alan Greenspan and Ben Bernanke and Hank Paulson were involved in some sort of elaborate con game to try to win market confidence when they knew the whole thing is collapsing, then we have to assume that people who actually had access to data in real time, just didn't get it. The conventional view was wrong, which is that again, subprime was a small share of the overall mortgage market, the overall mortgage market was big, but it wasn't the whole financial system and they just sort of looked and "what's the value of subprime even if we write all this off. We'll all survive, some of these people will lose money.' I mean you had people like Ben Stein essentially saying that people who were freaking out over subprime are going to look silly in a few months when opportunists step in to buy all these mortgages and it all comes back. People did not understand the degree to which seemingly discreet markets were linked. Obviously we've all been here before, historians said 'Well, we understand this. This is exactly what happened in the run-up to the Great Depression.

The banking crisis of the late 20s and the bank runs into the 30s.' Once confidence is gone, then people just pull money out of the system on mass so you have a panic and that was not something that was sufficiently appreciated going in. Now there were clearly a lot of people who made their living on Wall Street who for many years, had essentially been engaged in a game of preventing anybody from seeing that through all the stuff that we now know about: the credit rating agencies effectively doctoring the goods they were looking at to make stuff look healthier than it actually was, the risk managers at the banks, who very systematically made their balance sheets look better than they were and prove their capital ratios.

So there were people involved in what in retrospect was clearly a fraud, but in terms of the totality of the systemic problem, I think it's fair to say that we didn't understand that. There weren't lots of people standing on tops of building shouting 'The world's on fire.'



Nouriel Roubini saw it and was treated as a hysterical character until pretty late in the game. There were people who saw it, by enlarge, my profession didn't see it but the idea that this represents some sort of systematic failure, I mean there is a lot of complexity. It's definitely something we've got to reflect on and we've got to be learning the lessons for the next go, and I am not so sure that we are, and that's another thing we can discuss. But it's not as if it was so easy to have figured this out.

*Let's talk about the change. To what extent do you think journalists have retained the knowledge from the lessons learned during the crisis? (10:00)*

There are plenty of individual journalists who came through the financial crisis, who have learned some things that we will retain for the rest of our careers and we will be more suspicious and less credulous the next time we get assurances from a Fed chair or a head of the Treasury telling us not to worry. That said, I think that's a structural problem, I'm not sure if that's part of your research or not, which is the numbers of people in a position to do real digging into the overall health into the financial system are diminishing. The breakdown of the old print media business model has been tough on investigative reporters and while we've got people like Steiger and ProPublica, they do terrific work. There are some outlets that are adding pieces, I think it's fair to say, overall there are now fewer people looking around at signs of danger than before. So even if in the best scenario, those of us who came through the crisis and got all those lessons for applying them for future endeavors: one, the business model has deteriorated to support that kind of journalism and secondly, there is something about journalism that is just a reality and we have to reckon with, which is when a plane crashes we suddenly get interested in aviation, and when planes aren't crashing we don't send a lot of people to dig into the nitty-gritty of how wings work and who built that engine and who's expecting them.

That's just the reality of our profession. We run after disasters and we try to figure out what happens and it's much rare and tougher to look for the disasters that are hidden inside something that on its face looks functional and beneficial and that's just a structural program that affects journalism. I don't have any magic solutions to that one. I do think in our day to day financial coverage, we ought to chip away at the biggest questions over and over again and the biggest questions for ordinary people are: have we learned the past lessons? is there sufficient regulatory scrutiny? have the incentives changes sufficiently to mitigate against the temptation of people running publicly traded corporations and who might not be around when the disaster comes but are very much around when they manage to inflate earnings and make earnings look great and make their stock options worth more money, have we learned these kinds of lessons? I think that sense is out there but there are just not enough people on the beat to do that as well as we would hope. I can't say that I am enormously optimistic that we'll do better on the next one. (14:24)

*What have you learned personally and how has that changed the way you do your job today?*

I learned what you just hit on with that quote, I mean for me, the biggest lesson of that entire period is that if people are not earning enough through traditional ways of bringing an income or getting a paycheck then we are going to have credit bubbles. People are not going to sit in developed countries that have developed capital markets and just watch their living standards do down the drain while profit-making companies are offering them credit and if we don't have adequate wage growth, if we don't have quality jobs, if real measures of employment are not sufficient to cover the costs of middle class life, then people are going to tap into exotic instruments of credit and if the regulators aren't there to keep an eye on how that goes down, eventually it's going to end badly. I'm perpetually on the lookout for ways in which people in vulnerable situations are prone to getting fleeced by sophisticated vendors of credit who will find ways to either get the taxpayer to pay for the stuff they are paying for directly, look at how GI bill money is getting vacuumed out by for-profit colleges, that's a classic example.

Or they'll move their means of monkeying around with the credit system to new areas. We now have subprime auto loans, means here's an area that wasn't sufficiently policed. It's much harder to engage in funny business in the mortgage market -- the money's just not available then it was before the crisis -- but so the same cast of characters were good in figuring out how do you get your hands on somebody else's money and lend it to people who are in a tough spot, they'll move into other areas. At the end of the day, we gotta focus like a laser on real measures: wages, employment and that's not good, we are going to have a problem.

*How has that changed that since before the financial crisis? What indicators were you watching then as compared to now? (17:07)*

Again, I mean, I started covering the national economy in the fall of 2007. It's harder to answer that personally, it's easier to answer that system-wide. I mean at that point, you had smart people who have been writing about the economy for a long time. The realization that I've had, and I think it's been widely shared. You have to look at the U6 number in the labor -- the underemployment -- you have to look at labor force participation, you have to look at the employment to population ratio.

The headline unemployment number can be flashing when what's happening is large numbers of people who used to have full time jobs are now working part-time. Large numbers of people who have full time jobs are now learning less in real terms than they were ten years ago, or where they haven't gotten a raise that keeps pace with the cost of housing and education, of healthcare. And that's where the action is. The action is not what's the stock market doing, what's the unemployment rate telling us. These are not adequate measures of real health and functionality in the economy. You've gotta look at measures that give you a sense of how good are the jobs, do the jobs pay for people's needs?

*You went from a reporter to the editor-in-chief so you can compare the two perspectives. What did you think your editors at the Times doing wrong at the time back then that you retained and changed in your position as an editor now? (19:30)*

That's a really good question. I think there was a tendency, I think two things. I think editors at the Times like editors at most large important institutions were too caught up in official sources and the official sources in the fall of 007 were essentially saying 'Well, we might have a mild recession but things don't look too bad.' But editors were not too prone to trust their own experiences. So if you were taking the Acella going down to Washington, riding in business class out to LA, you can come back with stories of like 'Well, it's still really hard to book a dinner table in Beverly Hills. Boy there are still plenty of people doing business deals on the Acella in Philadelphia on the way to Washington, so how bad can it really be? I think, these sorts of personal limitations.. Personally, as an editor, this underscores the need for diversity in the newsroom.

When you've got to have racial diversity, gender diversity, class diversity, you've gotta have people out in lots of different communities, because when you don't have a diverse newsroom, you simply don't know what's going on. I'll give you a classic example: I remember talking to an African American assistant city editor at the LA Times shortly after the Rodney King riots and she said 'For years, we meaning other African American journalists at the LA Times tried with lack of success, to get the senior editor interested in doing a deep dive into problems with race in the LAPD,' and for years they were told from white-suburban-dwelling senior editors 'Well, you know, every city has its problem in the police department, we're always going to find malcontents and bad cops. Essentially there's nothing too special going on here.' Of course, we now know that that's ridiculous, and if only that particular editor had been listened to and taken seriously and her experience, which I assume it's drawn from talking with people living in black communities about what they were dealing with in their communities in terms of the cops, had they listened to, maybe e could've gotten ahead of some of this stuff that broke later in the wake of the Rodney Kind riots. There is a parallel with finance. personally I want a diverse newsroom for that reason.

And I want a newsroom that's full of generalists along with specialists. It's a great thing to have people who can dive into a Fed flow of funds spreadsheet, who can read an earnings report, who are literate in the language that stock analysts, people who work on Wall Street, speak and it's also good to have people who plunge in from outside are asking common-sense questions. I am not sure that somebody who has been on the beat for a hell of a lot longer that I've been would've been the rhino story that I just described to you. That might've seen obvious 'Well all know home equity lines of credit are drying up. We all know that that can hit consumer spending but that was new to me, so I was asking the question that I think an ordinary person would've asked that in fact helped us get to the place of truth.

I'll give you another example. I pitched a story on welfare reform in the fall in 2007, I pitched it as a political story. Hillary was running against Obama and wanted to know what Hillary had to say about welfare reform in 2007 because of course, if you were

paying attention, you can see that it was already very tough for single moms who were limited in their cash assistance grants when things were great. Now that things were not so great, it was going to be hard for a lesser skilled mom of small children go out get a job that was going to keep her sitting under a roof somewhere and the response I got from my editor at the Times was 'well, problem with that story is that everyone know that welfare reform's a great success.' Really, every knows that? By what measure? 'Well, the welfare rolls have plummeted.' you can make welfare rolls go to zero, would that be great progress? We can just eliminate it, hey we can eliminate unemployment insurance, does that mean that we solved unemployment because does not need unemployment insurance? Don't we actually have to look at the experience of the people in the field.

Now, it's since become conventional wisdom that even proponents of welfare reform say that single moms are in a tough spot and eventually levels of poverty rose nationally and this became a story but again it was an article of faith inside my newsroom in the fall of 2007 that welfare reform worked out great so you can't do a story that examines that vulnerability. I mean I do think that's a function of talking to too many think tanks, reading too many reports, not doing enough field reporting. So that's another think I've taken away, diverse newsroom but also field reporting. When you got to get out and talk to people and unemployment officers, you got to talk to people who are in communities that we don't ordinarily cover to help give us a sense of what's really going on.

One of the most instructive cases was a woman who became a major character in my book, a woman named Dorothy Thomas, I met her in an unemployment office in Oakland and she was in a credit counseling workshop and I remember at first being really confused 'Why are you talking a credit counseling class?' She was living in a homeless shelter, she didn't have a job. She'd ended up in a homeless shelter because she didn't actually have a decent job in medical billing and then her car broke down and then she couldn't afford to fix her car and she couldn't get to her job, without a job she couldn't pay rent and now that she's in a homeless shelter she's taking a credit counseling class and it turned out that her situation was quite typical. If you had bad credit, you can't get a job.

Here you are actually trying to do the thing that society say you ought to do 'Work for a living' and you can't get a job because you have bad credit. And that was not just a one off, that was a situation experienced by large numbers of people and I don't think I would've found that out short of going out talking to somebody sitting in an unemployment office, somebody who's surprised talking to a reporter. So when I counsel my reporters again and again is 'Make sure you are talking to large numbers of people who's job description does not involve talking to people like you.'

*You mentioned bringing diverse people in the newsroom. How are you actually doing this?*

I'm looking for talented people who can ask big questions and go out in the field and find characters who can turn important thematic areas into real stories and I am not real hang

up on what's specialist credentials they bring to the table. Now, I've only been in my current job for 18 months so no, I am not shuffling beats like that, but I like non-traditional moves. I think when you put somebody in a whole new area, provided you give them time to learn the basics, if you are dealing with talent and curiosity, you will learn stuff that you would not have otherwise learned. I think when you get pure specialists who pursue the same beats for years and years, the questions they pursue tend to become narrower and narrower and things that would strike another person as interesting, tend to strike the specialist as 'Eh, everybody kind of knows that already.' Well, no, not everybody knows that, you know that or you think you know that and the thing you think you know might not even be right but in the small circle of people that you deal with, that's commonly understood.

*How has your understanding of the global financial system changed after the crisis?  
(29:17)*

Before the crisis, I did not understand how quickly contagion can spread and how sophisticated large financial institutions are at masking trouble until they are way too late. I didn't understand that. Well, there are so many think that I see differently. To your question about global finance. I didn't understand how seemingly discrete markets were directly connected the minute panic set it and suddenly people in charge of money, just withdraw it from everywhere they can. That got brought home pretty vividly. Also, didn't understand the degree to which the incentives that work on Wall Street make the interests of executives directly counter to the interests of systemic health. This is still a somehow controversial view. I actually think the biggest criticism of my colleagues is that there is this tendency to assume that 'Boy, those guys at Lehman they are just so sad, they see this such as a failure. That was such a disaster.' of course, it was a disaster, for the real economy and for all sorts of investors but awful lot of people made a lot of money while it was working. Dick Foul, the former CEO of Lehman, I don't think he's sleeping under a bridge tonight. I think he's doing alright. So what the crisis brought home for me, was this sense that we can't really look at, we talk about the 'banks', we talk about these rational institutions that maybe capable of like any other institutions can make the wrong decisions, can pursue the wrong policies, but ultimately motivated, uniform rational actors to keep themselves in business and do right by their shareholders and I don't believe that anymore. I think you have to reckon with the fact that there were individuals at all those financial institutions who were directly incentivized to cook up volume, through any means necessary and as long as the whole place didn't burn down before they got their money out, then 'mission accomplished.' This was the story at Washington Mutual, the story at Country Wide, I mean you can argue that this was the story at Goldman, where loan volume went up and markets rewarded you with higher stock valuations that you can cash in and sell your own insider grants and options. And hey, if it all goes wrong one day and the taxpayer has to pick up the damage and the real economy is damaged. Don't get me wrong, I am not saying that this is sort of a conspiracy. I am just saying that the incentive for individual executives to look away from systemic risk was there, because they were directly being incentivized to make the stock price go up in the short term and when the incentives is to make the stock market go up in the short term you are not worried about the long term and that can cause you to do stuff

that can be very damaging for the long term and we could be here again, I don't think there's any question about that. (33:00)

*Looking at business journalism and how it has changed after the financial crisis. Do you see any changes?*

There are certainly more people out there who are writing about finance who are skeptical and that's healthy. Unfortunately, the story's now kind of a dull story. Unfortunately booms attract talented curious people, Fortune magazine puts people on the cover when they are doing seemingly amazing things that they haven't done before or there are performing some kind of financial alchemy. There isn't a tremendous pool of talent to areas that are quiet. It was exciting to write about the debate over Dodd-Frank when that was a live debate. It's not so exciting to write the latest take on 'Are these rules being implemented? Are they being effectively blunted by lobbying and the financial services industry?' That's seen as an unsexy, tedious, deep-in-the-weed story, it's not getting out on the front of your website or your newspaper, that's not getting you airtime on TV, so I feel that's more meaningful.

The people actually writing about finance and asking these questions are now smarter, more sophisticated, more skeptical, that's all to the good, but there are fewer of those people and the incentives for more talented people to come and do that work, again, what I said about the plane crash. There are going to be more aviation reporters asking skeptical questions the day of the crash, there are going to be fewer three years later when we haven't had a crash and that's a problem. I don't know how we reckon with that problem.

*In terms of what you see in the works of your reporters? What do you see as the biggest changes? (35:00)*

I think there is a healthy skepticism now. There is a built-in inclination to look for where somebody might be pulling a fast-lane here or where the regulators are not sufficiently engaged. There is a healthy skepticism about the system and I hope that endures.

*To what extent do you think business journalists are more prepared today to anticipate another meltdown? (36:00)*

I mean I think we are more prepared in that there are larger numbers of people now who get the interconnectedness, and the fact that trouble can pop up very quickly with seemingly little warning and spread to some wholly unexpected area and because we know that we are looking out for it more but I wish I saw more attempts to really X-ray finance than I really do. I think the legacy brands that have done that sort of work for years are still doing that work and I'm grateful for it. The WSJ's in the game, Bloomberg's in the game, the FT is in the game but so much of journalism now has turned into aggregation.

Partially there is a problem in terms of the incentive, like how much do you want to talk about business and financial journalism as to journalism more broadly? So much of journalism now is people essentially sitting at a computer terminal and surfing the web and looking for something somebody else did more quickly than some other person that does derivative work and then slap in a good headline on it that's built for social and then congratulating themselves when they get a lot of FB shares. That does not take us where we need to go. That poll is in the opposite direction and the worst part of it, is that there are shops now that are branding themselves 'the fearless diggers who ask the questions that non answers.' I mean, it's just a talking point. There are digital shops where that is the mantra and yet there is nobody in there who knows how to do any original reporting and there are no incentives for original reporting. And original reporting can weigh in as a lack of productivity in a shop that's totally metrics-driven. I mean it you live under the tyranny of the page view and the unique visitor then it's very hard to find time, to get an editor to give you potentially weeks to dive in into something that might not even pay off, that's a hang of where the problem might be in the financial system and you're competing against reporters who aren't reporters at all, who are just quick at spotting something that somebody wrote that's on Twitter and finding a slightly original angle and saying something snarky and suddenly having that thing go viral and like your work, as an investigative reporter, is in that same market place. That's a real problem.

*How are you addressing that in your newsroom?*

I de-emphasize metrics for the sorts of people I want doing our most ambitious work. Ideally I want all of our stuff to find an audience but there's lots of stuff I commission where I don't care how long it takes and I hope it turns into something that gets a lot of traffic but it doesn't I don't see it as a failure and people are not assessed as failures. There are some jobs we have where the point is to drive traffic and those people keep the lights on for everybody else but you gotta have a culture in which people are incentivized to ask the biggest most important questions and devote the time and the resources to get to the bottom of those questions without worrying about clicks and numbers of bylines and I think we're pretty rare in that regard, we are like an island.

*Who is a business journalist? (40:06)*

Well it depends on what publication are you working for. You just finished your tour at Bloomberg where y en large, you are serving the interests of investors right? And that's the job. That's a perfectly notable job, it's an important job. I think for general interest publications, the business journalist has to be concerned with serving the kind of translation layer for lay readers who understand, especially now, that whether we pay attention or not to financial workings or economic workings, this stuff has direct bearing on every aspect on our lives, every aspect of our lives: environmental, family time, the nature of leisure, the kind of houses we live in, whether we are going to have a job, whether as tax payers we are going to be ponying up vast sums of money to bail out people who've done reckless stuff right?

So it's our job to constantly show those linkages and effectively pursue the public interest. That's our job, to be looking out to the interests of taxpayers, working people, to be writing for families trying to figure out how to send their kids to college, how to live in a decent place, how not to be victim to various forms of pollution by various industries, be they financial pollution in the form of financial crisis or environmental pollution from manufacturers. We got to be looking out for the interests of regular people while we are getting deeply into how business and finance actually works.

Interview with Christine Harper, executive editor at Bloomberg News

*Christine, you played a big role in covering the crisis, you covered the big banks. Can you tell me a little bit about the challenges that you've experienced?*

Sure, what was a challenge I think was many people who were writing about banking or Wall Street at the time, were not necessarily focused on some of the issues of the plumbing of the financial system as much as they should've been and so as things started to unravel both our sources and we, kind of became more knowledgeable as it happened about what can go wrong at banks. Even though I've been covering financial banks for a while, it wasn't really the issues of what would happen if a financial company's commercial paper was defaulted upon and how that would reap through the system and never really been front of mind for people and none of my sources talked about that and going into the weekend when Lehman went bankrupt, people were very fixated on what's going to happen to the derivatives market and the much more sort of esoteric parts of the market.

But simple things like Lehman Brothers like a lot of financial institutions used commercial paper as a financial mechanism, which was very old, very normal, very unsexy, nobody was looking at that. And it surprised the people we talked to, and it surprised us and what was great as the journalist who is always trying to learn more about the world I live in and the subjects I write about or edit stories about, it was like an instant tutorial you know. I think it made everybody who was involved in writing about much smarter and clearer understanding of what capital is and why it is needed, what liquidity is and why it's needed and how the plumbing of financial, where the different linkages are between financial institutions.

*Your case is very interesting because you've been a reporter and you are an editor now. From that perspective, to what extent do you think reporters understand those complexities of the financial system today? You mention and other people have said it in my literature review, then that was basically impossible to know what's going on in these companies from reading balance sheets on things that are so complicate. To what extent we have improved our understanding of these things today? (05:02)*

I think our understanding of a type of thing that could go wrong and sources of contagion got better. I think people are going to be looking out to things like defaults and how they can ripple through the system, I think that there's always new risks being developed where the ways in which it could go wrong aren't clear to people until they actually



happen and it's not clear to the people who are in the industry, it's not clear to the people who are the so-called 'experts' that we are talking to all the time to try to understand what is happening and how it will work. Obviously in the wake of the crisis, there were a number of people that I always knew or that I thought before anybody, but really at the time there were really smart people, very highly paid, very sophisticated, who just didn't see it. Journalists have to rely on these people in the business they write about to learn about it and so while we are talking a lot to people and they were pointing to different things, they are not always pointing to the right things and so learned new things to look at but I have no doubt that next time around while will be more sophisticated than we were few years ago, there are always innovations in this business and there are new sources of risk that we, like the people who created these things, are only going to learn about them as they happen.

That said, I think one difference today is that for people who lived through the crisis it's hard to take on face the people of the industry understand things as much as we might've done that before. I certainly felt that I believed that executives at all these banks knew their stuff pretty well and I'm sure they know a lot, and more than I did, but there's a lot they didn't see and just realizing that having covered it and realizing all the important things that they've missed, makes you more aware of the fact that everybody is fallible and even the so-called experts don't see what's about to go wrong.

*In what other ways has that experience has really changed the way you do your job today? (07:42)*

Well, it doesn't fundamentally change the way I do much job. I think the job of a reporter is kind of, well, at this point I'm an editor, I'm an executive editor so my job is actually quite different. I manage editors and team leaders and a group of people around the world, but the job of being a financial journalist hasn't really changed. It's just that when you are a little smarter, you do it a little better I guess than you do when you're younger, you're newer, you're a little more innocent. I think I am a little more skeptical of easy answers which of course is the job of a journalist always but I'm much more cognizant how wrong the so-called 'experts' can be and so I'm less willing to buy there arguments about how the system works and how it should work and how it will work and I think that's healthy.

Is there something that you can recall from working with your editors back then, that they did or didn't see... Is there something you approach differently because of that now that you are overseeing the global coverage of news? (09:19)

No, I've always been lucky here to have really some exceptional editors and managers and I've learned a lot from them. It's very clear to me that I get very excited when big news is breaking and I think that we all should be, and I think it's important to be able to sit back and say 'Ok, what is the meaning of all this? How can we explain now just the tick-tock day-to-day developments but how we can we put it in a larger context?' and I had some really smart managers and leaders who've been really god at shepherding those kind of stories.

And I would like to think that going forward there would be some value that I would say in not just say 'Hey, let's break each piece of incremental news as it happens but let's make sure that when the time is right, that we actually pull it all together and tell a bigger story, a narrative about what this means and why people should care.'

*Are there any other indicators that you are watching now that are different from you were watching then? That could be also of economic health or the entire financial system (10:36)*

I think everybody is watching different things all the time and today, people are paying much more attention to China and the emerging markets than they were eight years ago when the focus was on the U.S. housing market so there's different areas of focus all the time. But I think one thing that really was clear to me from the financial crisis, which is a lesson that I take very seriously, that it always comes down to basically the debt markets so it doesn't matter what happens to stock prices too much at all, there are kind of a symptom, there are not the cause of anything.

The real plumbing and underpinning of everything is whether people and companies can borrow and that when they stop being able to, then that's when you really need to start paying attention. So stock prices are (inaudible) less tutored people they seem like an indication and seem like a sign of something going wrong but where you really want to focus your attention is how much is costing these companies to borrow, are they able to borrow at all? What's happening to the people who've lent them money as a result of having trouble getting their money back?

*Is that something you learned during the crisis and has that changed at all after the crisis? (12:18)*

No, it's something that I understood in theory before the crisis but it was really demonstrated so viscerally in the crisis that as soon as you saw some company start to have trouble borrowing, it was very difficult for them to recover and I think now I understand that much more than I did eight years ago when I sort of knew it in theory but I've never seen it play out this way and people in the market didn't actually see it play out. It's hard to believe now that it's seems so obvious but it was in its own way, so unthinkable, it was like the way which we now look at 9/11 and sort of seem inevitable 'Oh, yeah, that happened. We know it. That's a part of history.'

But of course when it happened it was unbelievable that it happened, just amazing that such a thing could happened. Nobody would've believed it the day before and that's how that's felt with the crisis. You've said to people 'Lehman it's going to go bankrupt, Merrill will have to be sold, Morgan Stanley and Goldman are going to have to convert. All these banks have to be bailed out.' Nobody, it just seems so incredible and now we know.

*You bring up this point and this is something other authors talk about, there were people sounding the alarms but there is this argument that people were not paying too much*

*attention or some other times there is the risk of overshooting. There are publications reporting on stories and authors have said that when you say things are going to go wrong, they are going to do wrong. So my question is, how can business journalists raise a red flag without spooking the markets and precipitating more bad events? (14:08)*

I think it's absolutely our responsibility to raise the red flags, that's what we do for a living, we have to do it. There's an important calculation about how you do it to make sure that you're not overstating it and you're not causing a panic that's something you're warning about. So it's basically to make sure that the reporters who are doing the work fully understand if this is something that hasn't happened yet or is it something that's already happened. What is it that we are really saying? And make sure to stick to what we know and what are pretty comfortable we can say and avoid over speculation.

There've been so many times since the crisis, because people get a little bit accustomed to imagine crises around the corner after one happens that lots and lots of people are warning about different crises to come over the last few years and if you've written everyone of them as like it's about to happen, you would look kind of silly. The best thing is just avoid kind of imagining things and writing things that might happen but really about what is happening and describe why that matter and that may lead people to say 'Oh, this matters because down the road, if this continues, here's the bad thing that will result and that's responsible but if you're telling everyone 'Bad things are coming' that might be overstating what you actually know.

*Another argument stressed in my literature review is that journalist rely on a number of sources on Wall Street and official sources in the government who tend to have an interest to shape the media's coverage. And this is the case at Bloomberg and other business news publications who rely depend on their sources to report on the companies. So question is: how do we balance access reporting with accountability journalism? (16:28)*

Well, I mean, access reporting is not something that I believe in or I think anybody at Bloomberg believes in. I mean, if I understand how that term is used that's often is used to describe just writing things the way a source would want them to so that you can maintain access to that source and I don't think that's a service to the reader. I think we always, and I certainly do and my colleagues here do, always keep the reader paramount in our mind. Our mission is to serve the reader, are we informing them? Are we giving them the best information we can possibly give them? You make the point, it's true, that sometimes comes at the detriment of access because sometimes sources want to iterate things a certain way and if you don't think that's fair to your reader you don't do it, and then they get upset and give it to other people. So it can be frustrating as a journalist to deal with that but I think in the long run, I'd rather win on the stories that matter and tell them well than lose on lots of little access stories because access stories tend to not to be the ones that rely are important.

*Looking at the works of your reporters everyday and you are in the newsroom everyday, to what extent do you think business journalists are more prepared today to see the crisis*

*coming? You've gone through so I'm just curious to see if you see an improvement in understanding certain things or is it just a learning curve? (18:38)*

I mean, I think it's a learning curve. There are new journalists starting everything who were in high school or whatever during that crisis but it's something that's in history to them and they don't really get it. So that's going to happen over time. This financial crisis which I remember living through will just be something that is kind of as a memory and it will be harder for people to bring those lessons to their reporting just like I've had sources over the years talk to me about what happened in the crash of '87 and I wasn't working as a journalist in 87 so it doesn't have the same memory for me so obviously as this new generation of journalists comes in it will be more and more distant for them. Hopefully enough people stay in the business who have been through it that they can pass on the lessons and there were definitely some seasoned people here at Bloomberg who helped a lot as I mentioned earlier during the crisis and helped bring some perspective to it and that's essential. I think it's sort of my duty I do that now where we are really watching the right things and not being too credulous about how good everything is all the time because sources in the financial markets often want you to believe that things are rosy than they are but also not be overly hysterical about potential crises because you don't want to be the boy who cried wolf but just be smart and fair and accurate and a source of reporting where our readers feel they get a straight story.

*I saw you also worked in London, and I'm curious to know about the perspective there about the American coverage of the financial crisis. (21:13)*

... From what I could see here, was that I looked like in some respects you know, the backlash was even tougher over in Europe, they were even more outraged, the public. In Britain the entire banks were nationalized, nothing like that happened here. And in some other countries as well, the sort of anti-finance feeling is held even more deeply there as a result but I could recommend some other people you could talk to about it.

*You also mentioned that now we are paying attention to what's happening abroad than we did before, I was wondering to what extent is this is a result of the financial crisis? (22:15)*

No, I don't think it's a result of the financial crisis. I think it's a result of the interconnectedness of the world markets has gotten ever more pronounced and what happens in China now affects the markets far more than it used to because the Chinese economy is so big, their role in markets is so big and so when we see big news out of China or obviously the European developments over the last few years with the European problems with banks and stuff, so really captured people's attention because everyone is sort of aware how that could cascade through the markets all around the world as the financial crisis that kind of started here – did in 2007-08 the financial crisis really was mostly about it least it had the beginnings in mortgage debt created her — but unfold everywhere and there were all this other ways that penetrated through the financial system. The entire market went on strike regarding credit but if there's a big seize up in China, that could affect us a lot, so I think that's sort of the new fixation and Brazil as

well. So I think now journalists are smart if they pay attention to more than their little area they cover.

*You know Bloomberg has done a lot of investigative reporting during the crisis and everyone mentioned that in the literature review. I was wondering how has that changed since then and in what ways? (24:13)*

Well, I mean we tried a lot of different models of doing it. We have people who continue ... I've been lucky enough working a bit with a couple of guys in London who helped break the story of the foreign exchange manipulation which I think you've probably seen quite a lot of money paid by banks in fines for that in the last year. They weren't part of any sort of official projects and investigations team or anything. They were just good beat reporters who happened upon a great story and had excellent managers who helped them make the most out of it. I mean, if you think about Watergate was found by a couple of police reporters who happen upon a good crime story like a breaking and ended up with a huge Pulitzer-prize winning story. So we also have dedicated investigative reporters who've done great work, you know, but I think all great investigative reporting really begins with people who are really good beat reporters, who are looking and asking hard questions of the things that people take for granted and we have a lot of people like that. So I think we continue to do a lot of great investigative journalism and I am not sure where our nice prize-winning thing will come from but there's a lot of work going on which could do it so I'm pretty optimistic about what we're doing here in that regard.

*As a last question, what defines a business journalist? To what extent do business journalists have a sense of responsibility toward the wider public? (26:14)*

I think all journalists have a responsibility toward the wider public, I don't think business journalists are an exception at all. I think in some way we have more of a responsibility because in my view, the world of business and the financial markets, are so essential to the way the modern world operates and so many people don't have the first clue about it that it's really up to us to make that clear to our readers, whoever they are and help them kind of navigate this incredibly complex and important world that affects their lives more than they might realize. I remember during the financial crisis that I worked incredibly long days and be going home quite scared about what was going to happened next because really at certain points it looked like anything could happen. And just walking home and looking around at people on the streets and wondering 'Do they even realize how bad things could get?' and kind of being aware that they might not and that part of what I was doing everyday was make sure that I was doing stories making it really clear what was going on and so I think it's an immense responsibility. I think there was another part of the question that I might have forgotten.

*That sort of wraps it up but the argument in the lit review goes that since business journalism started, it was also accused to cater to a very niche audience, to Wall Street and investors and they tend to forget about the wider public and that's where the social responsibility comes from and I was curious to know to what extent do you think business journalists should have that responsibility? (28:23)*

I think all journalists come to their jobs with sort of a sense of mission. Very few of us get into the mind of work because we want to make a lot of money. If we wanted to make a lot of money there's other careers that tend to be known for their huge paychecks. I think people get into journalism care about something a little bit different and that's usually about doing something that matters and I think being really good at this and making it and making the world of business, like I said, there's nothing that's not connected to business in some ways, so the better we all understand it, they better off we all are and it's essential to a successful society.

Interview with Paul Steiger, chairman of ProPublica's board of directors and former managing editor at the WSJ

*As the gatekeeper of the news, what factors determined how you allocated reporting resources at the Journal and how has that changed at ProPublica?*

The two challenges were very different, because the scale and missions of the two newsrooms were so different. The WSJ mission was to cover news and trends, with an emphasis on finance, economics, and business, for a worldwide audience, using a global staff of more than 600 people. ProPublica's mission was to spotlight abuse of power and failure to uphold the public interest, primarily focused on the US, with a news staff at the time of roughly 25-30 people (it is now closer to 50). As the financial crisis began to explode in 2008, we did not have an experienced financial reporter on our staff. We converted Jake Bernstein into a banking reporter and were able to recruit a star markets and finance investigator in Jesse Eisinger. The goal with this team wasn't to cover the news, but to dig into the misbehaviors that led to or contributed to the economic and financial collapse of 2008-9. Eisinger and Bernstein did just that, and their 2010 stories were awarded a Pulitzer Prize for National Reporting in the spring of 2011.

*What lessons have you learned from the financial crisis?*

As a reporter early in my career and as an editor since 1978, I've been involved in coverage of many financial crises. They have all contained various manifestations of what are essentially the same lessons: If investments seem too good to be true, they are. Devices to ensure against loss work only until the risk of loss gets very large, at which point the insurance devices fail disastrously. If people start saying, "This time it's different," it is time to run for the nearest exit. When CEOs and lions of Wall Street start to become profiled as heroes, and when college kids announce they are going to business school and plan to be billionaires by age 30, that is time to batten down the hatches.

*How has that knowledge changed the way you set the tone and editorial direction at ProPublica?*

I tried to encourage an attitude of skepticism, though not cynicism, about the claims of people touting various financial schemes. Rule of thumb: the more dramatic, the more

dangerous. Steve Engelberg, one of the co-founders of ProPublica and my successor as editor-in-chief, shares that view.

*Can you elaborate more on the cynicism part?*

I believe in skepticism but not cynicism. Cynicism is a belief that nothing has value, everything turns bad, this sort of mock and scorn, everything and trust nothing and I don't feel that way. I feel that skepticism is you know, is something seems to good to be true it should be examined carefully, because it probably is. And using the template of the past to remind us of the dangers we can get in.

*To what extent is there cynicism in the business press now and how has it changed?*

I am just not sure. Cynicism has always been around and I have always done my best to try to make sure to embrace skepticism and not cynicism but it does rear its ugly head. And whether people are more cynical now than in 2005, I don't know.

*In terms of other lessons learned. In my lit review, there is the argument that journalists have done a bad job at looking at the big picture and connecting the dots of what was happening in the mortgage market with what was happening in the banks and how that relates to the economy. To what extent do you think journalists today understand these things better about the system and how these different sectors can be connected?*

Well, first of all, whenever one has a crash or a meltdown, there is always breast-beating and recrimination, and this has been true not just with the recent crisis but with others in the past. The point is that there were lots of people writing about the problems in the mortgage market, lots of expressions of excessive risk that people were taking more mortgages that they couldn't repay, that the ratings given to mortgage derivatives were excessively bullish and the problem is that there were also people speaking on the other side and you know, in retrospect of people who were sounding alarms, both vigorously and before 2008, look good. But there are also people who sound alarms when nothing bad happens so I think that to say that you'd expect all journalists to unite and say 'the crisis is coming' is probably asking too much and to ask no journalist to say that 'the crisis is coming' when it does come, you are asking too much. There are always signs that are hard to read.

*To what extent do you think the understanding is there?*

With each crisis there is one learns stuff. Business and financial journalists I think were overly focused on the equity markets and did not pay attention to some of the bad stuff that was happening with bonds and particularly derivatives and there were people who did call attention to the problem of derivatives. I think that the fixed income markets and currency markets are bigger than the equity markets and they should get more attention and they will, than 2008.

*What indicators of economic health are you watching now and how has that changed*

*after the crisis?*

The particular benefit, if you can call it that, of the 2008-9 collapse has been for me to encourage people around me to pay more attention to fixed-income securities – bonds and certain kinds of derivatives – and not just stocks. For the first time in a while, bonds were the culprits of this crisis.

*How do journalists raise a red flag without spooking the markets and precipitating more bad events?*

Journalists should never worry about spooking the markets. If they see a risk, they should call it.

*Another argument in the paper says that there was a lack of sustainable accountability reporting before the crisis happened and that brings us to this debate over how to balance access reporting with accountability journalism. How do you think journalists can do that? You could maybe refer to your experience at both the Journal and ProPublica.*

I think it's always better to lean in favor of accountability reporting as opposed to access reporting. Maybe I am spoiled from my time at the Journal, where we always had very good access but I think that not to be.. its important to resists to be seduced by the offer of access. But again, the folks who say there should've been more sustained journalistic assaults on some of the worst practitioners of the junk is relatively easy to do and I'd love to see examples from those folks of what they did that they regarded fulfilling that objective. Clearly, there should've been more focus on the derivatives side and the so-called insurance and you know, these contracts like AIG provided that they were unable to back up and when the crisis hit they were billions of dollars behind and only the intervention of the federal bailout kept him from collapsing, so certainly there should be more attention paid to that, but there was tons of attention paid to the excesses of the mortgage market both direct mortgages and the derivatives markets.

*Speaking from your perspective as an editor, how did you address these issues in the newsroom, balancing access reporting with accountability journalism?*

You know, I just don't think that it's a close call that accountability mission is more important than getting access and it's easy for somebody who was working at the Journal to say because we've had plenty of access but I don't think one should sacrifice skepticism and tough reporting for access.

*We have institutions like ProPublica doing great investigative journalism and as many have argued, it's just not enough. Why do you think that is and how can we fix it?*

Just look at the arithmetic, ProPublica has a budget of \$12 million a year, the amount of revenue and profit that has vaporized in the news industry is in the billions so the scale is not comparable. Secondly, there are more avenues for shenanigans now than ever before



and more avenues to pursue them. That means that we don't need to have as much accountability reporting as we've had before, we need more. And I see it coming from multiple sources: non-profit investigative reporting is an important one but so is legacy media, some of whom are still staying strongly in the game. If you look at the NYTimes, Washington Post and Wall Street Journal and lots of other institutions are still devoting significant effort to accountability journalism and then outlets like Huffington Post and particularly BuzzFeed are making major investments in accountability journalism. I think there are places where it will come from, but you know, we need to pay attention. People on the non-profit side need to keep aggressively raising money and doing better work. People on the new media side, where they can incorporate accountability reporting in their business plans, that's very useful to the extent that legacy media can adopt their models to the new environment and include accountability reporting, that's an important source as well.

*What did you mean by more means for shenanigans?*

Blogs can be part of it, but I pay more attention to what reasonably- funded growing outlets can do than purely independent bloggers.

*Given the changing media landscape today, where newsrooms are shrinking and a vast majority of media outlets live under the tyranny of clicks and 24/7 news, to what extent do you think business journalists are more prepared today to anticipate the next financial collapse?*

The famous economics textbook writer, Paul Samuelson, used to joke that the stock market had predicted nine out of the last five recessions. That is also true of some journalists. The danger signs are always there, and there are always some journalists pointing them out. Trouble is, there are always voices proclaiming that we shouldn't worry, that, as I mentioned above, "this time it's different." The fact is, sometimes it IS different – a crisis is deflected or delayed. But the longer the delay, the worse the collapse is likely to be.

*What defines a business journalist? To what extent do business journalists have a sense of responsibility toward the wider public?*

At root, all journalists share the same fundamental goals. We are seekers of truth, explainers of facts, and, in some cases, investigators of misbehavior. Business journalists are different in that they care more about jobs and money, financial success and failure, and business leadership than do other reporters and editors. Whatever our specialty, we have a responsibility to the public to find truth and be fair.

Interview with Adam Davidson, co-founder and contributor to Planet Money, NPR and columnist for The New York Times Magazine.

*Adam, NPR did a great job at explaining the crisis and how all the dots were connected. When you set out to do this project, what do you think was missing in the business press? (01:15)*

At the time? Like in 2007, 2008?

*Yes.*

I think that then and I would say, still, business and financial news have been largely covered as like a technical topic of interest to people who are already experts and so I think what's missing is more substance to business, economics, financial news or the late person, even the educated person. My career in the last 20 years has been NPR and NYTimes and you know, both institutions have a very smart and educated audience, an audience that is curious about the world and wanted to understand it and I would say, even for that audience, aside the mass audience, there's just not enough, and I am not saying it's none, but it's not enough reporting on financial, economic, money issues in a way that brings them into the topic so that they can understand it well.

So my friend and colleague Alex Blumberg talked about it as second-reference journalism, that the first reference is when you actually explain the thing, and the second reference is you are just referring to the topic without explaining it and I think in my experience, even the most educated people they never got the first reference, they don't actually understand what the Federal Reserve does or the various theories of central bank policy. They don't understand financial markets, they don't understand financial products. As a general rule, they don't understand how financial products integrate into their own lives and impacts their own lives. So what we are trying to do at Planet Money and certainly think there are others who are trying to do this over the years, but not enough, it's trying to engage that audience on a sophisticated level, not to make this sound stupid. I think a lot of what I see especially what I see on TV news for the general public, is just stupid, it's not making complex issues clear, it's making them.

I remember during the housing crisis, on CNN or wherever you'd see pictures of a family who lost their house and try to get an emotional story but it wasn't helping you understand how did it happen, how does money flow around the world, how does the way it flows around the world impacts people decisions to buy house and spend money, etc. That's what I would say was missing and definitely what my career has been about, what I try to do.

*If can look back and talk about the challenges that you faced. some of these issues, as you mentioned, were complicated to understand? (05:40)*

There are challenges you face internally but then an organization trying to create a new way of doing reporting but then the greatest challenge is that understanding this stuff well enough to explain to a general public and what I've certainly learned is that you need to understand it very well and deeply before you're able to make it simple and clear. And you know, you talk about the financial crisis, it's touching on some many complex areas so there is the immediate financial product, what is CDO, what is a CDS? How do these instruments work? Who buys them, who sells them? How are they designed? That's one area. Then there is the area of the institutions that buy them, the investment banks, the pension funds, etc. that's a huge area. There's the kind of allied industry, the mortgage industry, understanding that broader market structure, understanding all the people involved, the homebuyers, the construction workers everything. But then there is the other level is really understanding the world of money, of capital flows around the world, that you need to understand the central bank of China, you need to understand European and Japanese growth rates, you need to understand the euro so it's all coming at you. These are huge areas that took me.. you know, anyone of those topics you can easily devote an entire life reporting on it and thinking about it, many people have. So on top of that, juggling all those pieces and learning enough to be credible and to have something to say but not learning so much about any one topic that you're not learning about the other things as well. On top of that, I think what you want to do is to advocate, if you want to engage the audience, there is a risk of becoming too technical, too focused and too aware, you're excited about the insider information that you kind of forget what the audience is. I don't know if there is a solution to all that, but those were the challenges and continue to be the challenges.

*If you could elaborate more on the lessons learned and how has that changed the way you do your job today? (09:15)*

I think the big lesson for me, and increasingly so and maybe permanently for the rest of our lives, global economic and financial issues are going to be central to understanding the world, politics, war and own lives and day to day existence. We as a media need to do a better job conveying that to a broad audience. That's the top lesson and to do that, I think we need more capacity, more people in newsrooms, who can do two things at the same time, one thing would be understanding the technical aspect, understanding the actually economic, financial and monetary issues but then also understanding the storytelling and engaging the audience and translating complex issues into ways to be clear to the average person and so I think there are just not enough people who have these two sets of skills. To me the major takeaway if I can change the world, it would be that.

Another major takeaway is you know, this financial crisis represented a huge failing of all the gatekeepers and watchdogs of our financial system including the media, including myself. Very few of us saw it coming, very few of us understood enough to issue the right warning and to give the right context. One lesson might be 'so let's be better at warning people' but I think we are never going to be great so it's just very hard to know what's going to happen in the future, so having more modesty would be really helpful.

I think the classic voice of business news is a very assertive person talking about numbers with a sense of authority and certainty that I think it's frankly absurd. It was absurd 20 and 10 years ago, but it's really absurd now, and so I would like to view a lot more modesty in business reporting and I think that modesty can help in engaging a broader audience. And I think that's a major lesson of Planet Money, that if I am an expert who knows everything and I'm telling you the things that I know, that's not a very engaging way to engage an audience. But if I am someone who's kind of figure things out and I'm learning things and it's interesting and exciting and I'm sharing that with you, you are on a journey with me -- that's a much better way to engage people. I also think it's more honest. One takeaway that I have from this financial crisis is our global financial system is an active experimentation, it's an active ongoing creation and re-creation and it's not built on a handful of geniuses that know everything, it's built on a lot of people who are kind of making it up and I think we can acknowledge that.

*You also hit on that and that's one criticism in the literature review that journalists did a good job covering the housing market but did a bad job at covering the banking crisis and seeing what's going on so not many got to the bottom of the story. So to what extent do you think you've improved your understanding of the financial system and about how different sectors of the economy are connected? (06:03)*

I think that's very important. I think it's unrealistic to expect that we are going to call the next crisis. I think it's just in the nature of these things that it's very hard. Nobody calls this crisis, lots of people call pieces of it and lots of people saw more piece than I ever did, but never called it exactly as it happened. It's an incredibly chaotic system. I think you're right and I attribute that to a lack of capacity. I think interest rates and bonds are really important and they impact how the world works in fundamental ways and I think most high-level editors at general audience papers don't know that and don't care about it, they put that kind of coverage in a corner and you know, I think that's not good.

*Why is that you think? (07:38)*

Part of it is particularly in the U.S. we have a pretty benign economy from 1945 to 2008 and we have healthy growth and relative brief and sharp recessions and it wasn't essential, we had bigger fish to fry. We had the Soviet Union, changing sexual politics and there are a million things going on with the Vietnam War and we had other things to cover. But I think we are entering a world, and the newest was largely a closed economy and it was not yet a financialized economy. I think it made sense in 1955 and 1985 to think of business and especially financial market as kind of a specialty area but it's now everywhere, it affects everything. I don't know how you can possibly cover the White House or Congress or ISIS or inequality without having at least some grounding in the financial context. For general interest publications that really has to come from the top. My fear would be that the people at the top there already knew about the crisis and the business desk covered and we're done now. I would want to see it integrated in the coverage everywhere. It puzzles me it isn't.

*How has that changed how the mainstream media covers business news now? Do you notice any changes? (09:59)*

I'm sure there are changes. I think there's more volume of financial and economic news and you know, it's more likely to be on the front pages and on broadcast TV and stuff. I remember in 2005 if the Federal Reserve did change interest rates, it wasn't a guarantee that that would be on NPR's main shows and now the Fed Reserve not changing interest rates can be the major story of the day. There is certainly more coverage of finance as a topic but I don't know if there's been an injection of finance into our overall coverage. I think there is a vague understanding that China is important and matters but I don't think there is a deep grounding and understanding how China constraints US choices around the world, the importance of the Iran deal, that kind of thing. And I am not saying every article should be a finance article, or that every article should be an economics article but I do think that you would want that as a central part of the story. It would be impossible to cover, it would be seen as irresponsible to cover the military, a military conflict, without having someone near the top who has some grounding and understanding of what Middle East history and politics. But I don't think finance has reached that level. And I would guess that if you would hold the top-level editors of any major mainstream broadcast outlet I guess you'd have much deeper knowledge about Israel than you would about global finance. And Israel is a tiny, little country and global finance affects everything that happens in the world, so that shouldn't be the case and if you want to be like a top or high-level reporter, spending some time in the Mid East, is seen as a really good thing to have done. But spending time on the business desk and covering financial markets is seen as like you are choosing a different career path, you are leaving mainstream journalism, so I think that's not good for America.

*Just to go back to the Why again? You talked about a lack of capacity in the newsrooms? (14:15)*

You know I think the crisis is and I am just guessing here, I don't know. I cover the Iraq war, covered hurricane Katrina, I covered the financial crisis and my sort of general feeling about how the media and many of the audience deal with this kind of -- and I covered the major crises in the last 20 years -- and what strikes me is that people these things happen, they kind of upset our sense of order and wellbeing and there's enormous hunger and interest and then you know, it's not clear to me that people actually learn anything like that people, I don't know how many Americans understand Iraq or have a deep appreciation of Haiti but they sort of say 'Ok, my life is OK, I don't need to know about that.' And I think people have that feeling about the financial crisis that it's sort of this one-time event, it really seemed for a while there that it will ruin our lives and you know, then we are still struggling but 'I don't need to really care that much about Goldman Sachs or Greece' and I think that misses that the financial crisis coincided with an overall shift in how the world works to a more global and financialized economy so that means this stuff is always with us.

Unfortunately maybe, Haiti is far away, we don't care that much about it if we don't want to. Most Americans don't know people who served in Iraq, and certainly most Americans

aren't going to serve in Iraq themselves but they don't have to worry too much and for the financial crisis, the finance and economics in general, that's what's going to determine if your kids are going to have better or worse lives than you do. That seems to me something you'd want to know more about so I think, I don't know whose fault it is, both the media itself and the general public, so think of it as the one-time event that has passed.

*What indicators of economic health are you watching now and how has that changed after the crisis? (18:06)*

I think I pay a lot more attention to fixed income and the bonds and a lot less attention to stock. Not that I paid a lot of attention to stocks anyway but I think that the bond market, the public and private debt, that to me, that is the thing that matters and that is what I pay a lot of attention to. That wraps what really matters.

*How has that changed? (19:06)*

Definitely paid less attention. I would've thought bonds were kind of boring, who cares about them? Now I think that's where the action and the crucial information.

*You mentioned China, Greece and the coverage of international news. To what extent do you pay more attention to what's happening abroad now? (19:45)*

Well, before I was International Business and Economics correspondent so my job is to travel the world and report on the global economy so for me personally I actually pay less attention to the rest of the world that I used to. You know frankly, before 2007, I found America really boring – steadily growing, healthy economy – and as reporter there is a lot more action overseas. For me personally, I probably pay way more domestically than I used to but that doesn't mean ... Americans to me are shocking uninterested in the rest of the world, it really confuses me. Even the kind of audiences that I am able to reach out to, it really is a bit of a puzzle.

*To what extent do you think journalists are paying more attention to that? (21:12)*

I think as a general rule in the mainstream press, foreign desks and foreign reporters pay way too little attention to economics and I think a lot of coverage is done by people who actually don't know that much about the economy. Their work is not. I personally try to the professional, the AP, I turn to Bloomberg, I turn to maybe the Journal. I think it's rare that I'm going to find a general media article about global economics and financial issues all that interesting. And that's a shame, I wish that wasn't the case and I am not saying there's nobody good, there's plenty of good people. The general rule for foreign reporters, it's just a different crowd. They are more likely to be people who see the world in the political, geopolitical terms and think about ancient ethnic rivalries and strongmen and refugees and these are all important, interesting things, I am not saying they shouldn't be covered, it's just their training and background doesn't lend them to think about global financial markets. Obviously, I am taking in gross generalizations, but there is plenty of

great people. That would be my take. Although, I don't know if there is a market for it. Probably most people don't particularly want to read about financial markets, etc. It's a major area of undercoverage which is economic development in general. I think it's hard for me to think about a place, Somalia or Nigeria without thinking about deep economic issues and those really are very thinly covered, very little.

*I'm asking because from I've got from the lit review is that understanding every part of the big puzzle helps so I am trying to understand to what extent are we paying more extent more to what's happening beyond America's shores or if that hasn't changed. (24:53)*

And I'm not sure, I don't know, but I would guess there is more coverage of global financial markets just an absolute number, but the rise is not keeping with the rise in importance. Like we probably still cover Kim Kardashian way more than we cover global markets. and then, the way we cover the globe isn't on markets or capital growth. Again I'm not trying to say in absolute, I am just saying we need more.

*Got it. Another argument in my lit review talks about accountability journalism and there is one author Dean Starkman who claimed that there was a lack of sustained accountability reporting in the business press that contributed to the media's failure to see the big crisis coming. That brings me to the question: how can journalists balance access reporting with accountability reporting? As you know people who cover business news, they get a lot of their info from inside sources on Wall Street so a lot of them are afraid to lose access to their sources. (26:40)*

I never really used access journalism, never been that kind of reporter. I've never had particularly good access and I've never pursued it. So I think in my experience there's plenty people out there who want to talk openly and frankly about financial markets. Either highly scrutinized industries, there's people doing analyses with different investment banks, there's people of every type of financial instrument. For me there's too much information. The last thing I needed is more information and the very last thing I needed is some kind of official information, so I find that very confusing. I don't know why, of all the fields you could cover, it seems like this is last one where access would be a high priority. Building sources who you trust in life but I wouldn't call that access. There's so many market participants, there's analysts, there's traders, there's lower-down people in a bank or an institution who are very skeptical, there's academics, there's community groups. I think absolutely, we should cover these industries more skeptically, and if I were just covering a major investment bank, talking to the CEO or some high-level person, I don't even know why I would do that, I mean I run the story by the PR department and make sure they have a chance to respond, that to me is just a puzzle. I don't get that, why do you care? I guess that people who really want to know about mergers and acquisitions and stuff but that just strikes me as confusing, it seems like a bad strategy.

*That's very interesting and brings a new perspective to this research. The majority of people in the industry say this is a priority. (29:41)*

I would just say that another way to say what I said earlier is there's a lot of focus on incrementalism, like being the first one to find out that Apple is going to buy the company and the this CEO is leaving. Who cares? Nobody cares and the number of people who care they are going to find out. And I call that, minor incrementalism. If there is fundamental discussion to be had about how our economy works and the players of our economy, you don't need access to that, it's the last thing you need. So, I think it speaks to a fundamental misunderstanding of what the audience wants and what the potential is. Maybe, I guess, but it's hard for me to think about as anything as more than (inaudible) but when you're talking about these companies, sure, there are some people on the inside... I love media gossip, I love reading about who gets fired and who got promoted at different media companies, that's fun for me because that's my field but I wouldn't call that a major priority of American journalism.

*The argument on that goes that the business press caters to investors and they need that information to make investment decisions. But it's a different story for the mainstream press. (31:38)*

If you focus on the general public and you focus on what their needs are, you are going to be more famous, you are going to make more money, you are going to have a more interesting career, more opportunities... I could be wrong, but I think access journalists are making the wrong call for the most part, making a bad... They might be following the specific incentives of their current jobs but they are not thinking big, about what journalism can accomplish and what their audience needs but they are also not thinking big about their own self-interest. It just strikes me as a mistake if some young person came up to me and said 'Oh, my uncles works at Goldman Sachs and he's going to introduce me to everybody.' I mean, some people I guess describe that their fame and good jobs but it's a big world out there of books and movies and podcasts, there's a lot that you can do in business journalism. We have an oversupply of narrowly-focused technical access journalists but we have an undersupply of people who tell compelling stories about business and economics to a broad audience. You can open an Apple stand where all the fans are, but you know, and I don't know what metaphor to use but I think it's a mistake. I've never worked for the business press and I probably don't know what I am talking about.

*I think it's a very interesting perspective and a big contribution to this project. As a last question, wanted to ask you how would describe a business journalist and what defines a business journalist? (34:18)*

I don't know if I consider myself a business journalist. I think of myself as a writer and reporter who covers economics, so when I hear business journalist I think of a narrow technical-specialist who reporters on and to a very narrow community, that's sort of comes to my mind. I think it can be very narrow, like an industry publication that serves some small sections of an events industry or something or it could be fairly broad like the FT or the WSJ but that's what comes to my mind.



*To what extent do you see a difference between a journalist and a business journalist and to what extent do they need to have a sense of responsibility to a niche audiences of investors and the wider public? (35:45)*

I mean I think the niche audiences is going to be served. They know what they want, they know how to have it, they are going to be served. And that's fine but to the extent that we have a public service mission, it's the broad audience that needs more. That's what I think about and worry about, it's the broad public, I don't find a niche market personally interesting. I read them and they can be interesting to read, I am in that niche, I am a specialist so I am part of the target audience, part of the group of people who want that. That's what I would say. And there are great people who serve that niche, there's wonderful people but ... yeah, anyway.

Interview with Bob Ivry, editor at large at Bloomberg News

*How would you describe Bloomberg's coverage of the financial crisis?*

If you had read the Bloomberg terminal religiously you would've known about the financial crisis before it happened and I think that there's been a friend of mine wrote a book called 'The Watchdog that Didn't Bark' it's about how the financial press fumbled it and I didn't think it was entirely fair, I loved the guy who wrote it -- he's a friend of mine and we can debate about it -- but I don't think it was entirely fair. I think that Bloomberg really tried, whether Bloomberg's audience was a more general interest audience is debatable. I think that most of Bloomberg's audience were investors. I think that Bloomberg's gotten a more general interest audience since then because of the financial crisis, so people come to Bloomberg because of the quality but they also are not hard-core business people or investors that would need that news on a daily basis to make investment decisions. I thought Bloomberg did a great job. I feel like I'm blowing my own horn because I was part of it but I had colleagues who just were unbelievable and I can name them for you but it might get a little too detailed.

*If you are comfortable.*

The name that will always come up is Mark Pittman, he was the best, one of the best journalists in the world not confining it to finance. He had stories years, two years ahead of time, that were calling out the problems that caused the crisis and during the crisis he and I tried to track all the money that was going in and out of the government. Nobody else was doing that at the time.

Christine Harper did a great job. Christine was covering Goldman Sachs and Morgan Stanley at the time and she did a terrific job. And then Martin Braun and Bill Selway were municipal bond reporters but they showed how circumstances tricked down to everywhere in our society. Even as later as a couple of years ago, reporters that Esme Deprez wrote how the recession that was caused by the financial crisis was still affecting people, still affects people to this day and we are in August 2015, I don't think that our

country... If the country ever fully recovers from it, it will take years more. So I think that Bloomberg had a wealth of people and I'm sure I'm leaving out many other people: Brad Keoun, Phil Kuntz with data. We were there with data that nobody else had. Craig Torres, Alison Fitzgerald covering the Federal Reserve, John Gittelsohn on mortgages, Jody Shenn on mortgage securization, all the stuff and much much more than that. But we were there, we did a good job.

*One of the criticism is that nobody wasn't able to fully see the big picture and connect the dots. What's your take on that?*

I think that when you have people who are perceived to be the smartest people in the world, Alan Greenspan, Ben Bernanke, Henry Paulson, the financial leaders of this country and you can go to Wall Street, Charles Prince, Lloyd Blankfein, John Mack, Stan O'Neal who are the CEOs of these Wall Street firms, every single one of them opted for happy talk over any kind of grand vision of 'Jees, we can be in trouble,' the kind of unified narrative that you are talking about. That what the press was up against was people who were perceived to be the financial actors in both government and private enterprise talking about how the problem was 'contained,' and a few bad mortgages wouldn't matter.

And you had John McCain on September 15, 2008, candidate for president saying 'Nothing's going to happen. We are the most resilient, powerful economy in the world.' That was the day that Lehman Brothers declared bankruptcy so you have very strong bias towards optimism among people who oversee and whose fortunes were built on the financial system the way it was, telling us over and over again that the press was hysterical, that press reports were irresponsible, that the press were stupid and had no idea, that they alone could tell us that everything's fine and these are very isolated setbacks.

So I would rather look at what we in the press were up against during that time and if anybody is going to be pointing the finger at the press and say 'You didn't give us everything, you didn't give us a unified narrative that would send everybody screaming to the sell button, well perhaps that's true but every time that we would write a story that was in any way critical and saying that it's going to get worse, we were up against an army of people who were paid very well to believe the opposite and that had the gravitas to battle up to a draw.

Yeah, I think there is no grand narrative told that made everybody believe us but there could've been, there wasn't one, there was not one narrative. There have been dozens of folks writing about it and each described a different part of the elephant and none of them has ever been able to tell. I wrote a story in August 2007 and the lede was 'Ben Bernanke was wrong,' and I was just starting at Bloomberg. I was here less than a year and we had a conference call in the morning and were said 'We want the story for tonight. Matt Winkler wants the story for tonight, can you write it?' I was like 'Are you freaking kidding me? This would be the only time when I could say in my career as a journalist that the Federal Reserve chairman is wrong in the lede, that was my lede: 'Federal

Reserve chairman Ben Bernanke was wrong.’ And he was but he didn’t even figure it out himself until August of 2007. The rock was already rolling down the hill by that time, it was over.

*How can journalists report on big stories like this without overshooting? There was a lot written about CNBC’s coverage on Bear Sterns and how that contributed to precipitate its collapse. (09:00)*

That’s bullshit. I mean if you have a company that’s cratering of course it wasn’t you that caused it. It wasn’t your overzealousness, it wasn’t your greed, it wasn’t your mismanagement and people will always blame somebody else, it’s human nature. Very few people stand up and say ‘You know what? We were too greedy and we overshot and we didn’t do enough to reign ourselves in and we got caught up in this moment and we had our fun. We had the party, now we have the bangover.’

But it’s bullshit to blame short sellers and it’s bullshit to blame CNBC and it’s bullshit to blame Kate Kelly and it’s bullshit to blame Mark Pittman but they do it all the time, so on the one hand we were criticized but not doing enough and then we were criticized for doing too much, so I think like Goldilocks, the truth is somewhere in the middle, the truth is just right, how can people do it? I think that, maybe I’m answering a question that you are going to ask later, but I’ll dive in anyway. I think that the thirst and greed for clicks is extremely damaging. Don’t get me wrong, I click on ‘Ten Things I Never Knew About Scarlet Johansson’ and I’m usually disappointed because what could possibly be interesting other than that cute portrait of her that I’ve clicked on and I succumb to that and that’s part of having fun, it’s part of life too.

I think that along with this greed and hunger for clicks you can’t forget the responsibility, because government has basically abdicated its position as a watchdog of the financial system because most politicians are bought and paid for and this is common knowledge now. I am not saying anything that’s even controversial. The Senate Banking Committee or the House Finances Committee you can just go down the list, how many Wall Street firms, big companies have paid for these people to be where they are? In the absence of a government watchdog, we have the press. And we have a grave and serious responsibility, an adult responsibility to look after what government does because government is compromised by money.

We have to do this because there is nobody else to do this and we will have another financial crisis if we don’t. I really think the press has a huge responsibility, more than it ever has in my life times because you can also count on some governmental agency or some politicians to be there to look out for the little guy, it’s simply not there anymore, simply not there, so the press has to do it. If the press is obsessed only with clicks and getting sensational eyeballs on things it’s only doing part of its job, the other part of its job is making these stories that you refer to, calling attention to all the flaws and the possible collapse of the system, making them palatable, digestible, understandable, almost even fun to read for general audience. It’s a huge, huge challenge and we as the press don’t do it that well but I think that we get distracted by this thirst for clicks and we

forget the harder stuff that we have to do.

*Do you think we see some of that with explanatory journalism? Do we see any change since the crisis? (13:20)*

I don't know, I think there is always a certain segment of journalists and the general public and investors as well, looking at with suspicion and with skepticism on the financial system. I don't think that's gone away but I'm not necessarily convinced that has grown. So in other words, you have what was the biggest upheaval economically in this country arguably since the 1930s. It will play out when we'll be able to look back in a few years and say maybe ever, and all it's really happened it the people who perpetrated this horrible crime against their fellow citizens have not only gotten off without punishment, they have been rewarded for their scoundrelry, they've been rewarded for their misdeeds.

This is really a moral dilemma and it's hard to journalists to get moral because we are not preachers. I am not a guys who wags his, who likes to wag his finger at my fellow citizens and say 'You are doing bad things,' I much rather catch them violating the law. Then it's easier, it's not a moral question: if you violate the law, you go to jail. But in this case, and in so many cases, you have laws which were basically written by people who are now violating them. If you write the law or pay for the law to be written in a certain way, you are going to make sure in such ways that you don't go to jail. Then we have this post-crisis crisis, it's a moral one. You are not putting anybody in jail because the lacks are stacked in favor of people with money so then you're set up to fail because all you're doing it tisking. Tisk tisk, bad bad bad. And you are setting up this impossible situation where journalists – we are not preachers, we are not mommies and daddies of adults – having to set forth these arguments that only work on a moral level. They don't work on a legal level because there is now law against ripping off widows and orphans, there's no law against stealing money from your company, there's no law against blaming somebody else for it and having them be prosecuted. There's two people who I can think of who've been prosecuted for what they did during the financial crisis and both of them are middle managers. (16:44:97)

They don't work on a legal level because there is now law against ripping off widows and orphans, there's no law against stealing money from your company, there's no law against blaming somebody else for it and having them be prosecuted. There's two people who I can think of who've been prosecuted for what they did during the financial crisis and both of them are middle managers. (16:44:97) Did these people perpetrated the financial crisis? No, no, their bosses did. Their bosses are richer than ever. Did that answer the question?

*How do you think the press can change it? (01:07)*

I don't know if the press can change it. I don't know. I always thought, I'm a reporter, I don't deal in solutions, I deal in problems. The people who write the editorials are the ones that deal in solutions. I've always seen it as that. I never thought... People come to

me and they go 'Well, you see the problem. What's the solution?' and I always say 'My function in society is not necessarily to offer solution. My function in society is to tell you what's going wrong.' Now maybe my function is to offer solution but my solution would be things like the repeal of the Citizens United, you know, it would be getting money out of politics because money is what is corrupting the entire society. It's not only corrupting Wall Street, now it's also corrupting Washington. So what do we do? What can journalists do? Continue doing what we are doing. There's been some chipping away, but we have a Supreme Court that's hardly reactionary, that it's one step forward and two steps back.

*How has the crisis change the way you do your job today? (02:31)*

Well, because of my exemplary work on the crisis, I'm carried into my job on a Sedan chair, and I'm fanned with palm leaves by beautiful young women. And then the grapes are peeled and I lay down and accept peeled grapes. How is my job different, how do I do it differently? I don't, I think that my frustration level is higher because I think that all journalists should be skeptics. I don't think there's one thing that anybody says to them that shouldn't be checked or challenged. Wall Street has a really good term for it, it's called 'talking your book.'

Everyone is talking their book, it means that they are playing up their own investment and stake. If a guy who's heavily into oil is called by a reporter 'What do you think about oil? Oh, oil is going to be great, it's going nowhere but up.' And politicians do it too, politicians are talking their time all the time. There's very few people out there who'd just give you the straight stuff because they have no money, what's the expression? No dog in the race. I think my frustration level is higher now because I don't see reporters exercising that suspicion that they ought to be. We should've learned at least that in the financial crisis that if the Federal Reserve chairman says 'Oh don't worry about it, everything is fine.'

That even she or he in this case should be challenged on that because they are human and they are not always right. So I think I come to work with a greater frustration with the press, especially after reading the NYTimes or some articles that we write on Bloomberg that we accept certain fallacies as true. This guy or this woman must know what she's talking about because of her position. And I am not saying anything personal about Janet Yellen but I think that it's a real mistake to re-write press releases and I mean that literally as well as metaphorically. We have to challenge everything.

*How is that possible given the environment of the newsroom churning out news all the time? (05:31)*

Well, what's the use of churning out news all the time if we do it uncritically, then we are just masturbating. So I think the priority has to be that suspicion, that probing curiosity. You know it's funny. What's the weather going to be this afternoon? Well, it's going to be sunny and warm, most people would respond that way. I say and this is an extreme, I am not saying that's the way to do it, this is how extreme I am: 'Well, the weatherman says it's going to be sunny and warm this afternoon.' You trust the weatherman to tell you are

you going to go to the beach tomorrow or are you going to cancel that because the weatherman says there is a 40% rain tomorrow morning or just doing to continue with your plans. Well, it depends on how much you depends the weatherman. Do you trust the weatherman? Of course you don't because he never gets it right or very rarely. So why would we trust anybody in finance to tell us what's going to happen tomorrow or next year? They don't any freaking clue. Because they have a CFA charter or an MBA, or they run a Wall Street bank for two years? Maybe they have a better idea, maybe the meteorologist on channel 7 has got a better idea than I do what the weather is going to be like but they don't know.

*That bring me to my other question on sources and how has that changed since then? Another argument was that the business journalists are inside a closed world talking to analysts, investors and rarely go outside that bubble. How has that changed since the financial crisis? (07:55)*

I don't know that it has changed or it hasn't. I kind of feel like if you've been covering stocks for five years you should cover bonds. I am real big believer in fresh eyes, I am a real big believer in somebody coming in fresh, seeing everything completely differently than somebody who's been doing it for a few years. You know, I wrote a book, it's called the 'Seven Sins of Wall Streets' and one of the sins is the capture. And I talk a lot about the government being captured by Wall Street because of the money. But there is also, the capture of rich people, that middle-class, working people look up to rich people for some ungodly reason that I've never known why as somehow having answers that they don't have and being much worthier of respect and deference.

And I talk about Jamie Dimon, the CEO of JP Morgan Chase, going to Washington to explain why his bank lost at least 6 billion dollars of depositors money on a very risky trade and ends up giving investment advice to Senators who ask for it. This is something that happens I think if you have certain temperament. There is a book written after the financial crisis called 'Too Big To Fail' by Andrew Ross Sorkin, which I think did more damage to the country perhaps even than the financial crisis did because it cast the criminals as heroes. And this uncritical worshiping of wealthy people, who are very smart and very good looking and for the most part charitable and well-spoken and hard working and deserving of how far they've gotten in life, but not deserving of idolization, of uncritical positive regard.

I think it's something that you're born with. Are you born with a skepticism that says? Just because these people are really smart about this, about ETFs, are they smart about mortgage backed securities? Do they have really the knowledge about the whole system that perhaps a journalists has? They are looking through weeds, the journalist is looking through weeds, that's where fresh eyes come in because fresh eyes will see above the weeds and you can see the world anew and ask really stupid questions, really primary basic, fundamental questions that people might not be able to answer because nobody has ever asked them because their work is based on certain assumptions.

In 2006 if you had said 'Housing prices in the US always go up.' If you had said that everyone would say 'Yeah, yeah, yeah, yeah.' In 2006 if you had said 'You know what? What comes up, must come down. Oh common, you are urinating on the parade. You are a horrible person, you are a pessimist, you are a naysayer, people are getting rich hand over fist, shut up. But you know what? if you had said that and acted on it you'd be billionaire today if you had shorted the housing market. So conventional wisdom is stupid usually, sometimes is a blind squirrel finds an acorn once in a while, conventional wisdom can be right on, but if you don't have the distance and the fresh eyes, then you ought to change your rankings and it's up to the editors and reporters to do it themselves.

Somebody covering the same company for 15 years, they start writing, you don't have to write the press release and send it to the reporter. They'll write the press release. It's a natural, it's a human thing, that's why we have to keep switching around and keep things fresh. Either that, or come with your guillotine sharp every morning. There's lots of bastards out there that need to be hanged.

*So you are saying that you don't know if it has or has not changed? (12:59)*

I am not if it's changed. I think that the whole idea of journalism is you hang the bastards, that's why you get into it, right? What's the cliché? You afflict the comfortable and comfort the afflicted. Isn't that why people get into journalism, what reasons are there? You don't get rich, right? I mean I am not rich. I've done pretty well at journalism but I am not rich. Not even close. So I don't know, what is the satisfaction? I would ask journalists who got in for different reasons to become lawyers.

*Maybe on that note, I can ask you, who do you think is a business journalist? What defines one? (14:01)*

I don't think it's any different from a journalist really. I think you have to be willing at some point in your career to actually add and subtract, divide and multiply, but you can't be afraid of numbers. You can feel like you are not very good at numbers, but you can't be scared of them. I think that's what sets financial journalists apart from journalists. I think journalists as a whole have to be the most important quality and this is something that Rick Green who works here at Bloomberg, once said to me: 'I don't care what the subject matter is, I can teach the subject matter. But you have to have the eye of a tiger. If a reporter comes in with skills and the eye of a tiger meaning the desire to fair that wrongdoing and call people being chumps then the subject matter works out.' The right attitude is first, there's bastards out there that need to be hanged. That comes first. I became a financial journalist at the age of 46 having zero experience at it. And I learned pretty well, enough. So I think that most people can do that. You don't need to be reading about corporate finance when you're 8 years old.

*How do business j-s perceive their responsibilities toward the wider public and specific niche audiences? Like here at Bloomberg, the audience is pretty niche, as a journalist*

*here how do you perceive your responsibilities toward the public and maybe you can speak for your reporters? (15:57)*

My reporters they have to talk to investors but I am an enterprise editor which means that I am lucky that my audience is a wider audience, that I would never narrow purposely my audience by using jargon or insider information kind of information. Not insider information but terminology but I would also trying to make it easier for the general interest reader, I would always try to broaden the scope of the article. How it affects them, their neighbors and their livelihoods? I think there is a really grave responsibility for financial journalists to make the information accessible for a wider audience.

I didn't come to Bloomberg ... I wasn't born and come into this career to make wealthy people wealthier, that's not my goal. If it happens, it's fine. Nobody ever has enough money, actually I think a lot of people do but nobody thinks they have enough money and they make the right bet, I tap them on the back, shake their hand and congratulate them, but I want to be able to tell what the wider impact is so I would say that I am trying to do that everyday.

*What economic indicators are you watching now compared to what you used to watch before? (17:51)*

One, do I have a job? That's my jobs report every Friday. Yes, one, I have a job. Am I putting enough money in the bank for my retirement? I have three children, do I have enough money in the bank for college their educations? The answer to those question is 'No.' Why not? let's see. Why not? I think we make the mistake of talking about other people all the time. Well, consumer confidence, I cover retail therefore consumer confidence is a really good indicator. And I am not saying its not and I am not saying that people who think it is are stupid because they probably know a hell of a lot better than I do. But I think that once you put yourself in the place of the reader and you say "its important to me. I wanna keep my job, I wanna put more money away, I wanna enjoy a nice vacation. I am not a greedy person but I'd like to have a few dollars in my pocket at the end of the month, maybe I want to buy myself a soda or get my shoes shined, or splurge on a taxi cab - which I've never done - instead on the subway.' What's stopping me from doing that? those are the financial indicators that I look at.

*How has that changed though? (19:29)*

It hasn't. But you know what, being a financial journalist makes you more cognizant of what you do as a consumer, as an investor as a financial actor. I think that when I first got a mortgage I didn't give a shit what the mortgage rate was or what the housing market was doing. I needed a place to live and I needed to borrow money to get that place to live right then, It wasn't that I wanted to wait 6 months because they market's going to change. Now, I know all about the mortgage market, maybe I will wait 6 months to get my mortgage refinanced or to look for a new house? Back before I was a financial journalist, I didn't think that way and I don't think a lot of people do. And I think that we are financial journalists make a mistake when we think that everyone out there makes logical, well-informed financial decisions based on macroeconomics because they don't/



They make it based on immediate need. That's what being human means and if you are a welder or a Uber driver or you own an ice-cream shop you are not necessarily thinking about the housing prices, the Case Schiller Housing Price Index, or Freddie Mac's weekly survey or mortgage rate. You are saying 'I've got new baby on the way and this house looks affordable. How do I get my family into that house?'

*How has that changed the way reporters cover stories today assuming that readers know or don't know that based on the financial crisis when everyone started reading business stories? To what extent do you think readers have a better understanding of this now? (22:00)*

This is how I feel about it. What financial crisis? Let's say you are 32 years old in 2015. What year were you born? 1987. Let's say you graduated high school in 2005 and were in college in 2007 and 2009. What were you majoring in? Let's say Art History because you like art, you can't really do it but you like it. Maybe you'll get a job, you don't really care, you just want a degree. Let's say you took a year off and got out in 2010. You are 32 years old, let's say you majored in business. You got out in 2010 and say 'you know what? Job prospects suck, I'm going to get an MBA.' Get out in 2012, I am doing the math right? I am getting out in 2012, I am trying to get a job and I get a job as a research analyst at Morgan Stanley. Wow. 2012 is four years after the financial crisis, do people around me talk about it? No, because they are younger than me. Does my boss talk about it? He got clipped a little bit on the bonus that year, but you know what? Three years later he is getting 3 million-dollar bonuses, he's got a nice place in the Hamptons, he's got a nice care, his children are going to a boarding school up state.

What financial crisis, what happened? Nobody remembers it. It's ancient history. It's not going to be like that again, that was the worst financial crisis since grandpa was a little kid. It's going to happen again, you mean the lightning is going to strike in the same place twice? NO. It's not going to happen. What we have now is a culture for better or worse and my generation made is, I am not blaming the young generation, I am actually blaming baby boomers for building this culture of society of 'I got mine, fuck you!' And that's what we got. (24:48) Did people in this country after 9/11 suddenly become empathetic towards people who get bombed all the time by the US? No, they doubled down on bombing them back.

Did people in the financial crisis learn empathy? Did they realize that maybe \$5 million without ripping people off is better than making \$7 million and ripping people off and making it much worse for whole neighborhoods to survive? No, no, no. So I would say no effect that we've continued this train ride towards maximum greed, it hasn't stopped. It slowed down a little bit but it slowed down so long ago that people in the business now not even remember when it slowed down, they want to go faster.

*Going back to my questions about the reporters... (26:01)*

What do the reporters know from it? They don't remember. We had a meeting every morning about subprime here at Bloomberg News, every morning. We brought bagels and that's how we attracted people. We had like 6, 10, 12 people sometimes, what are we going to write about today? Who is full of shit today? Couple of people in the corner 'This subprime thing, you are making too much out of it. OK, maybe we are, but you know what? I don't think so.' Everyday we are thinking about subprime, and everyday we are talking about every weekend another bank teetering on the edge, Wachovia goes down, Washington Mutual goes down, IndyMac goes down, Country Wide gets bought.

Do you know the scene at the end of Fight Club the movie, where he's sitting in the chair and he's watching the skyscrapers go down? This is a good metaphor for 2008. If you weren't there, you didn't see it. If you weren't there you just see what's sprouted up in its place. It's perfectly natural to move on, it's a human thing. If we forget the lessons, we are going to do it again and I think we are headed in that direction and I think that's the problem. Is there anything that journalists can do about it? I don't know, I gave it a shot. I tell young journalists all the time 'it's going to happen again. Don't sit back and say what they are doing is fine because they've doing it.' It's wrong, it's bad, it's gotta stop, you gotta write about it.' And sometimes that doesn't help and that's the most frustrating thing, is were you nail something, and somebody and you've got it and then nothing happens.

*So you think business journalists are not better prepared in any way today to prevent and anticipate a new crisis? (27:58)*

I don't know, I don't know if I am qualified to say what other people are looking out for. I think that there is some really good journalists here, Sik Fox??, Lisa Abramowicz, those type of people, Esmé, who are always sounding the alarm, always pushing the button, saying 'these people are out of control and this must be stopped.' So they are there, and that's a new generation and these folks were too young, I don't remember them during the crisis, maybe they were a little too young or maybe they are just starting out, maybe they were still in school. These are really good journalists and they are doing a great job at it.

*What can you say you learned during the crisis and how has that changed the way you do your job today? (29:12)*

The financial crisis made my career, without the financial crisis I'd just be some bum writing about office buildings being sold, it's true. And if you can say that I am not a bum, which some people wouldn't and some people might, it's because of the financial crisis. So has it changed me?

*In the way of thinking about the news, in any way? (29:50)*

I always think I've been skeptical especially about what powerful people say because powerful people just want to stay in power, that's their motive. I am able to look at motive now in a more confident way. I am also older so I am more confident. When I was younger 'I think there's a certain way, I am pretty opinionated but maybe I am wrong because I don't have the experience.' But now that I have a little bit more experience, I

am 55 years old, if I haven't figured out something and that just.. I am just more confident because I feel like powerful people had it wrong during the financial crisis and I, who was a relative novice, not a relative novice but a total newbie, had a better idea of what was about to happen than they did. That kind of gives you confidence and you say 'OK, there is always talking their book, they're always selling their bill of goods.' So now I have more confidence and I have examples that I can give. If my boss starts arguing with me I can always say 'Well, this is what happened 5, 10 years ago' and it backs up my argument, so I have more confidence but I've always been suspicious of people in power because all they want to do is stay in power for the most part.

*So has the crisis changed your understanding about the global financial system? (31:35)*

I am not sure I had much of a conception of it before. Like I said, I came to Bloomberg in October 06 and six months went by and I was writing about mortgages because mortgages the huge huge thing and I was finding out things about mortgages that were really thought that people know about but my boss kept telling me I was breaking news. I didn't know I was breaking news, I seriously didn't. I'd go to a woman and say 'Well, there are all these liar loans. Well, what a liar loan? I say 'these mortgage guys are talking about liar loans like they are standard things. You don't think what one is? No, no, what's a liar loan? Well, liar loan is when they just write in any kind of income that they possibly can. It has nothing to do with their actual income, they just write in 'this is what you make \$10,000 a month' because that way you can afford the mortgage that they are selling you.' I think that I underestimated as much of a jaundiced eye as I have about my fellow person, I underestimated how lousy can people with one another and how one person can without any hesitation can take a weaker person, throw them to the ground and step on their throats in order to gain basis points, \$15. I think to this day still underestimate the greed craviness and insanity, suicidal insanity, because we live in a culture, we live in a society, we need one another. Henry Ford said 'You know, I am give my workers a good wage because I want somebody to be able to afford to buy the product that I make.' If you scorch entire communities in the country with poison, just completely rip them off, and make sure that they are not coming back maybe ever, you are shooting yourself right in the heart. Much better to be a little bit more humane and moral about your... so I think that I come to that, it might sound bitter what I said earlier 'I got mine, fuck you' but it always surprises me that that's actually going on on a grand scale. I got mine, fuck you is kind of the society we live in today and that still surprises me and it shouldn't but it does, because I don't believe. I am not that way myself so I think that that hard truth is what I came to reporting and the financial crisis and after, I came to the realization that this is really the dominant theme, it's not just a bunch of guys in a boiler room somewhere, it's really a dominant theme.

*To what extent do you keep an eye on what's happening abroad? (35:53)*

I am an America, I don't give a shit about anything else. I am just kidding. I don't know if the financial crisis really changed... the financial crisis was born in America, it was made in America. I think now in kind of an election year we are trying to assert how important America is overseas and they're saying our foreign policy in the Middle East has to be

more muscular, they have to stand up to... but the fact of the matter is that it all plays out economically. we see how important the US is when a bunch of single moms in the US can't pay their mortgage and banks in Germany go under and it's self-evident. I think that my assignments have gotten me looking into international more, I became an editor for the international markets team so I had to figure out what the corn crop in Canada had to do with the wheat crop in Russia had to do with uranium mining in Australia. I don't know if the crisis did anything about that, I still think that any ... I think that china should've learned something from the financial crisis here in 2008 because I think that they will probably go through something similar there.

*Is that because you don't think that events abroad could trigger something deeper here in the US or just because you are too focused on the US than internationally? (38:01)*

I think that the US is still the biggest and most dominant economy in the world and China can go under in some deep dark horrible way and our prices for plastic crap could go up in consequence. But I think if you are really going to have the kind of worldwide financial crisis that will have our grandchildren studying it, it's going to originate here in the U.S. I still think that. Is that too chauvinistic?

*Another argument was that people broadened their understanding of that so I was wondering if that is the case with you? (38:57)*

I have broadened my understanding but it wasn't because of the financial crisis but because of the nature of the work that I do. but I am still skeptical that another economy is big enough and influential enough to fuck things up as badly as we do. Brazil is going through a hard, hard time right now, Russia is going through a hard, hard time now, how does it affect me? I still have a job, I am still making mortgage payments, I am still putting some money away every month, you know? But the stock market here goes down 60%, yeah, then I am starting to feel it. The mortgage bond market explodes, I am going to feel it. I know it's chauvinistic but I'm answering honestly.

*As an editor at large what factors determine how you allocate resources and what content you approve? (40:25)*

I joke that I don't run happy stories, I don't write positive stories, I'll do maybe one or two in a calendar year and usually I'll have that done by April. I have two or three happy stories by April and then say 'Don't bring me any more happy stories ever again until January.' I mean they are fine for other people to do, I don't want to do happy stories. I have a very clear sense of what I want to waste my time on and happy stories are not it. I am always going to be the person who looks out on a beautiful landscape and sees the one beer can sitting in there that ruins it. And that 's my thing and I've recognized that and I am going to use that in a field that really needs to point out the beer cans. I'll leave it to other to point the beautiful clouds, the mountains, the stream and the birds.

I enjoy them too but professionally I am going after the beer can, so I will tell you that any story, like I tell the reporters, I say 'Does this story put anybody in jail?' 99 of 100

they say No. OK, that's the first level. Second level is 'Does this show people doing something wrong?' They say 'Yeah yeah yeah'. Ok, now we are going to work. That's it. You might think I am some sort of negative bastard because of this but I am not, do you think I am? I don't think so. I have a horrible view of the world but that doesn't mean that I get up every morning and come to work, it just means we have more work to do.

*Anything else you want to add in here? (42:44)*

I am always looking for journalists, reporters, that will on their own get out and get something really hot, like are hungry to do that, have that need, they need to get something good, some juicy bit of stuff. I am not talking about Kim Kardashian did this, I am talking about 'Oh the Federal Reserve is really screwing up on their mortgage backed securities, their purchases.' Or 'Hey this hedge fund is going really heavy into oil and oil is just about to go down' I think the systemic things too. Insider trading - great stories and great people doing them - but not necessarily for me because I like stuff that points out how the system is flawed. Insider trading is something that will always be with us and has always been with us with its petty criminals that take advantage. And those are perfectly fine stories and I follow them just like everybody else and I respect the people that work on them very very much but I want to see where the Fed has never given permission to JPMorgan to buy a string of aluminum warehouses because it's against the law, but JP Morgan went ahead and did it anyway. That story I am interested in because it shows corruption on a big level. It's not just a couple of guys sitting around at the 21 Club and go 'I'll wink at you when you should sell Goldman stock.' You know what I am saying? Grand conspiracy stuff or corruption.

*And has that changed because of your coverage of the crisis? (44:53)*

Yeah, because you know, you get a taste of the big story and you don't want to ever not be eating the big story. And I used to joke to people and said 'If the word trillion isn't in the story, I don't do it.' I was joking but it's a big story right? If there is a trillion in it, right? Don't reporters want to be on the big story? Don't they want to make it? If they don't make it, they want to run over there and start covering the story. Let's cover the big story, let's see if we can break some ground on a big story. Let's be involved in this, let's make an impact, let's do stuff that changes people's lives or at least makes them stop for a second and go 'Whoa'. Corruption on a grand scale, insider trading is fine. Give me the Federal Reserve is doing something against the law, thumbs up.

*In light of the lessons learned...*

Or not.

*Or not and in light of your observations in the newsroom, what needs to change in order for business journalists to anticipate that next crisis and we are looking at a majority and not just a small minority in the newsroom that will sound the alarms? (46:26)*

That's hard one. I've got many ideas. I am not sure I want to share a lot of them but I will give you the overview and that is, if you are a journalistic enterprise there has to be a public service component to what we do. You have to have a certain group of people that are working for... and it's sounds arrogant and megalomaniacal, but like I say, I think we live in times when nobody else is doing it, journalists have to do it. So you have to have a certain group of people who are toiling for the common good, however, that can't be necessarily ruled by clicks.

Clicks are fine, clicks are great, clicks keep us in business but we should be a well-rounded organization, well-rounded journalism organizations that have breaking stories, that have explainers, that have investigative stories, that have beat-oriented enterprise stories, that have a mix, a tossed salad of different offering so you can provide to the reading public any number of different.. listicles are fine, charts are fine, photo essays are great, everything is fine but everything has to be part of a mix and I think that the first place to cut in many organizations is investigative. Wtf? No. I think it's a mistake. Does it bring in money? I don't know. Does it bring it prestige? Sometimes. But it's almost that if you have the resources, you kind of have to do it. A lot of the life-changing journalism won't necessarily be investigative, it will be somebody with an amazing group of charts, it will be somebody with breaking news on a beat, it will be somebody with an enterprise off of a beat that will give you something that 'Oh, this really strikes a nerve and comes at the exact right time and it has impact for people.' So I think you need a mix of different things and if you lean too far over and trying to get clicks, that's too far. If you lean in the other direction and you re trying to do this long boring investigative stories, not so good either but you need a full complement of all of those things. That's just me, that's what I think.

*And at the organizational level, looking at how well we communicate with each other and work together, what needs to change here? (49:32)*

At Bloomberg?

*Yeah and in newsrooms in generally. (49:34)*

I think we don't talk at all with each other. I think the executive editors talk. I don't talk to anybody practically, unless I go over there and talk to them. There's no forum for me to do that, there is no easy way, no institutionalized way for me to talk to anybody unless I get off my ass and walk over to that person's desk. I think that at a certain point you just forget about email and you just hang out with somebody for a few minutes. It sounds really simplistic and kind of stupid but.. I mean I think the sitting charts are very important. I do. I love sitting with the emerging markets people. I love sitting with the corporate finance people. For years, I was upstairs with the investigative team, it was horrible, it was like a monastery. I was just like us, people were fine don't get me wrong and I still love them but you got to be mixing up and when we were mixed with the emerging markets people I loved it. I got to hear stuff, I know more about Venezuela now that I've ever in my life.

Corporate finance people, what do I know about credit default swaps? Now I know a little bit about it. I thought it was great. Now, today is the first day, I am with all the editors on the hub that are my peers. I don't know, I am not enthusiastic about that. Those are all great people, don't get me wrong. I really like them, everyone of them but while we are sitting together we all do the same thing. We should be sitting with people that I don't necessarily do the same thing. I should be sitting with emerging markets, or corporate finance or stocks or municipal bonds or something, company news. I should be sitting with breaking news people.

*So you think there is room for more? (51:39)*

I think that we need to comingle more. I think that we try really hard and at Bloomberg we are pretty good at, comparatively speaking, but I think that we can always do better at that. And I think that getting up off your desk, not using email all the time, it's a start.

## **APPENDIX C: PROJECT PROPOSAL**

Running head: HOW CAN BUSINESS JOURNALISTS SPOT AN ECONOMIC  
CRISIS

### **How can business journalists anticipate the next economic meltdown?**

What we've learned and have still to learn.

Tatiana Darie

MA Journalism

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#### Author Note

Tatiana Darie, Missouri School of Journalism, University of Missouri

Tatiana Darie is now a graduate student at the University of Missouri.



## **1. Introduction**

My passion for business and financial journalism started back in high school when I discovered the world of investment. Learning that you can put your savings to work and earn as much as 10 times more the amount in a couple of years without much effort was fascinating to me. Gradually, I started paying more attention to how business and economics touched almost every single aspect of my daily life. My first Econ class later confirmed most of my observations and shed light on how countries and economies work. I soon realized that understanding economics and business means understanding the world better. I also realized that with my journalism background and passion for storytelling, I could make a much bigger impact by reporting on the worlds of business and finance. This is why I decided to become a business journalist.

“There is no more important work in today’s media than that of the financial journalist,” wrote Martha Steffens (Roush, 2004, x). Business reporters and editors carry the enormous responsibility of informing investors and the general public about their money and their coverage can deeply impact billions of lives across the world. Yet as Steffens points out, accounting or statistics classes are not really enough to allow general assignment journalists to make sense and unveil the inner workings of big corporations. This is why specialized training and education are vital to advance their knowledge and prepare them to be the main watchdogs of corporate America. My business reporting classes at the Missouri School of Journalism served as a crash course to understand why and to whom numbers matter. My mentors Martha Steffens and Randy Smith taught me about the art of storytelling and the human faces behind the numbers.

As part of my assignments, I reported on top business stories from across the state for the digital publication Missouri Business Alert and the local radio NPR station, KBIA FM. I also worked as a reporter for the local NBC affiliate in Mid-Missouri, where I had the chance to experiment with telling business stories in a visually appealing way. My jobs at these outlets gave me the unique opportunity to immerse myself into the beat and report on challenging and controversial stories that matter to the community, from infrastructure projects to renewable energy to environment protection and the local economy and politics.

The next step in my career is to take all the valuable skills that I've learned from the world's best professionals and experience firsthand what it takes to cover today's most important financial and economic stories.

## **2. Professional Skills**

I truly believe my experience at Bloomberg News this summer will bring me closer to my professional goal of becoming a great business reporter. I will have the amazing opportunity to cover the financial markets, companies, governments and economies for one of the world's leading financial sources. While in New York City, I will focus on breaking news and beat reporting for Bloomberg Terminal readers as well as work on longer enterprise projects in collaboration with other Bloomberg media platforms. Although I have not yet been assigned to a beat within the newsroom, I am aware that my work will be mainly focused on reporting daily stories, pitching and writing enterprise features, developing sources and conducting exclusive interviews as well as closely working with other Bloomberg platforms. I plan on having a good number of daily stories on file at the end of my program as well as a few enterprise, long-form

projects on Bloomberg.com. Once I get more details about the team I will be working with, I will proceed with identifying an on-site supervisor, who could guide me in my work this summer. Besides, I will continue to work closely with my committee during the summer, sending weekly field notes and exchanging emails and phone calls when challenges arise.

My professional project will run for a period of ten weeks from Monday, June 8, 2015 to Friday, August 14, 2015. Due to strict company rules, I am expected to work full time, up to 40 hours a week. In order to complete the requirements for the professional project, I plan to work overtime or weekends for an additional 20 hours, which would bring the total up to 420 hours of journalistic work. Besides, I will split my time between doing work on site and complete my academic research after my journalistic work experience is over. I intend to conduct in-depth interviews for my research with sources based in New York City. In addition, I plan on spending more than 10 hours a week for research for a period of 11 weeks from late August to early November to complete the research component of my professional project before applying for graduation in December 2015. The proposed timeframe should allow me to successfully complete my project and graduate on time.

I strongly believe my undergraduate and graduate degrees in journalism as well as the invaluable guidance from my mentors have prepared me well enough to succeed in one of the world's major business news organizations. During my studies, I also gained international experience during my internships at CNN in New York, Thomson Reuters in Brussels, NBC News and BBC World Service in London. Besides, multiple training seminars and workshops with the Society of American Business Editors and Writers

(SABEW) and Investigative Reporters and Editors (IRE) not only helped me learn more advanced data skills but also get mentoring on how to put these skills in practice and help people understand the importance of data. Finally, I believe my hands-on experience at Bloomberg will help me meet my career goals and my research topic will complement the scant body of literature on business journalism. My research findings could potentially serve as publications for the Columbia Journalism Review, American Journalism Review or the Society for American Business Editors and Writers.

### **3. Theoretical Framework**

This research project aims to explore what lessons business journalists have learned from covering the biggest story of the decade: the financial crisis. The most asked question in the aftermath of the financial crash was: “How did we miss it?” How was nobody able to waive the red flags and lead people’s attention to the things that mattered the most? While there were economists and reporters sounding alarms for years, as the literature review will emphasize, the general consensus is that from economists to regulators and the press – nobody was able to grasp the enormity and depth of the economic meltdown. The worst financial crisis since the Great Depression also reminded everyone about the importance of business and financial journalism as well as raised new questions about the quality and purpose of such reporting. Probing top editors and reporters who were setting the agenda seven years ago, this study wants to investigate the following research question: How has the economic crisis changed the way business journalists do their jobs today? Much has been learned since the crisis began in 2008, but to what extent has that knowledge translated into real changes within the industry? Moreover, based on a series of in-depth semi-structured interviews, this research seeks to

investigate the following question: How can business and financial journalists spot the next crisis? An answer to this question would identify what tools and indicators are journalists watching now to be able to anticipate the next economic collapse. Probing theories of gatekeeping and social responsibility, this paper sets out to determine how the recession has changed the roles, duties and constraints of business journalism.

### **Theory Review. Gatekeeping**

One of the oldest and most applicable theories in mass communication research relevant to this study is gatekeeping, a concept that describes how media organizations filter information for publication (Shoemaker & Vos, 2009). Mass audiences rely and trust journalists to scan the billions of events and stories happening around the world into digestible snippets of information that would make sense to them. Gatekeeping explains how and why certain stories make it out in the public while others are rejected (5). The theory is vital for journalism as gatekeeping constructs what later becomes an individual's social reality (3).

So who is a gatekeeper? The theory of channels and the concept of *gatekeeping* was first developed by the German psychologist Kurt Lewin, who was focused on exploring group dynamics or how an individual's behaviour changes as a result of interaction with the other members of a group (Shoemaker et. al, 2001, 234). He described how wives and mothers act as gatekeepers who control what goes on a family's dining table based on their decisions on what to buy and how to store food. The gatekeeper, in his perception, was the person who decides what passes through certain gates at any given stage of a process and how external forces shape those decisions, (Lewin, 1947, 144). The psychologist then pointed out that the theory goes beyond food

and could be used to understand how a news item travels through communication channels (145). This concept was further elaborated by David Manning White, one of Lewin's assistant at the University of Iowa. He spent a summer watching how a news editor, dubbed Mr. Gates, selected the stories for publication and realized that the daily news was heavily influenced by the editor's experiences, attitudes and expectations (White, 1950). A later study on the same Mr. Gates done by Paul Snider found that after 17 years his story selections was still largely based on his personal preferences and understandings of what audiences wanted (Snider, 1967 cited in Shoemaker & Vos, 2009, 16).

Other studies came to contradict White's findings and concluded that editors are "caught in a straight jacket of mechanical details," that offset the personal value influence, (Gieber, 1956, 432). Gieber identified that structural factors such as deadline pressure, the limited amount of news items as well as the organization and its routines were more important than personal subjectivity. Westley and MacLean (1957) shared some of those findings and emphasized that journalists collectively acted like one gatekeeper, following the same set of rules (35). Through their model of communication, scholars also pointed out that what does not go through the gates deserves equal attention to what gets published (35).

Later studies focused on the outside forces that influenced gatekeepers. Gandy (1982) described how public relations play a huge role in shaping media content. Because most of the process of gathering and processes happened before the press releases is sent out to journalists, press releases will be more likely to pass the media gate, therefore allowing interest groups such as government officials or PR practitioners to influence the

news content, the author notes. Ultimately, scholars realized that the process of gatekeeping can be analyzed at five different levels: the individual level, the communications routine level, the organizational level, the institutional level and the social system level (Shoemaker & Vos, 2009, 31). This study aims to look at three main levels: individual, organizational and institutional. The individual level is concerned with the how the journalist's own judgments, knowledge and behavior affect the gatekeeping process (33). Analyzing concepts of thinking, second guessing and decision – making helps us get a better understanding of how events get covered and stories get published (42). Moreover, as White (1950) concluded, Mr. Gates based most of his decisions on his own preferences and attitudes, therefore a close study of the journalist's personal background, values and role perception would help us how their individual characteristics shape content (Berkowitz, 1993; Johnstone, Slawski & Bowman, 1976).

On the other side, Bruce (2000) points out that journalists' attitudes and values might not shape news content as much as the limitations imposed on them at the organizational or institutional level (7). The way a newsroom operates influences the news coverage to a greater extent. Shoemaker and Reese (1996) used a hierarchical model, visualized as a series of concentric circles, to describe how personal characteristics as well as other forces exert influence on media content (64). The authors contend that journalists are more constrained by forces such as their routines or organizational issues. Demers (1995) found that ownership of the publications is a big factor and concluded that content in organizations owned by big corporations was much more controlled and edited (106). Shoemaker and Vos identified that groupthink and peers have a powerful ability to pressure journalists into how to cover the stories (72).

Authors also point out that management, editors, the culture and routines of the newsroom are also important factors that shape what ends up getting out in the public (Bantz, 1990; Shoemaker and Vos, 2009; Whitney, 1981).

The institutional level is concerned with outside institutions such as markets, audiences, advertisers, sources and PR practitioners that might affect what passes through the gates (76). Shoemaker and Vos emphasize that the number of players in the market is an important characteristic, which directly controls the competition and the level of content supply (77). Another significant institution in the gatekeeping process is the audience (78). Gieber (1963) suggests there are *introjective* journalists who will change its perceptions based on what the audience wants and *projective* journalists, who assume that the audience would agree with their judgments (9). This was also identified in another study, which looked at how differently network and local journalists perceive international news (Kim, 2002). The paper concluded that local journalists would only pick events relevant to their communities (449). Advertising is another factor that shapes decision about what goes into print or on the air (Shoemaker and Vos, 2009). The economic reliance of trade publications has been well documented before and proved that advertising has a significant impact on editorial content (Hollifield, 1996; Milavski, 1993). Finally, sources are also crucial in how content is created, scholars note. Sigal (1973) found that the big majority of journalists rely on a set of elite sources such as government or corporation officials, press releases, press conferences, events and others. Gans (1979) added that because economically and politically powerful sources have more access to the media, their messages have more chance of getting through media channels. Koch (1991) argues that the more journalists rely on elite sources, the more vulnerable



they get at gatekeeping their own agendas. It is worth noting that the public relations engines behind them also play a huge role in what messages get media attention (Sallot & Johnson, 2006, 156). Surveys of journalists and PR practitioners found that as much 44 percent of news content is influenced by PR (154).

Gatekeeping theory has been used in other similar studies on business journalism. Bruce (2000) used the theory to study the characteristics, roles and working conditions of the business press and how they differ from the mainstream press. The scholar found that business journalists are more commercially-minded and feel more pressure from advertisers (222). However, the study also found that business journalists views facts as sacred and perceive factual content as the “paramount tenet among the profession,” (224). Qian (2013) used the gatekeeping theory to explore how social media was changing the way business journalists get their sources. The scholar found that while social media helps journalists find more sources and facilitates interactions with audiences, it does not change the traditional sourcing process of business journalists (66).

### **Social Responsibility**

The gatekeeping process and the editorial decisions made by business journalists are closely related to how they perceive their responsibilities (Tambini, 2008). Historically viewed as informants for the worlds of business and finance, few business journalists recognize their role as serving the general public (Schiffrin, 2011; Doyle, 2006, p.450). The aspect of “social responsibility” in business journalism was studied by various scholars before and after the financial crisis. In the wake of the Enron collapse in 2001, British scholar Doyle questioned the efficacy of financial journalism. Complimenting a scant academic literature on the topic, the author reiterated that while

the pressure and constraints of financial and economic journalists are the same as for many other beat reporters, there are more challenges that arise from working closely with big financial corporations and technical material. The author claims that the lack of education and expertise also make it harder for journalists to hold companies accountable and see the wider picture. In her exploratory research, Doyle confirmed that financial journalism is reluctant to step outside the worlds of “pro-market and pro-capitalist thinking” (446). Her findings come in line with earlier findings that the majority of the story ideas were coming from a stream of corporate and economic press releases and rival publications (Roush, 2004). Doyle concludes that although the depth and high quality critical expertise of the field is admirable, financial journalists in commercial institutions fail to understand their responsibilities concerning civic empowerment in a democracy society (450). Other studies also found that business and economic coverage is dominated by shortsighted reports on economic indicators, markets and corporate earnings and less by longer-form stories on the social implications of certain developments (Schiffrin, 2011).

The idea of *social responsibility* in journalism goes back to the early voices who introduced the theory in 1956. In their classic “Four Theories of the Press,” Fred Siebert, Theodore Peterson and Wilbur Schramm describe it as a concept that gives the press full freedom but also calls for a degree of responsibility and self-regulation (74). First put forward by the Commission on Freedom of the Press in a report in the mid-1940s, it emphasized the idea that the press had a social responsibility to its citizens to provide trustworthy information that would empower them to live in a democratic society. Nerone (1995) points out that the Four Theories only focused on the idea of classic

liberalism, which assumed that “we have freedom of the press if we are free to discuss political matters in print without state suppression” (22). When the press has later become an institution itself, it became more adequate to talk about “the public's rights—the right to know, the right to free expression—rather than the press's rights. The press had responsibilities; the public had rights,” the author notes (6). He goes on to point out that in a new world order, the definition and presentation of the news also evolved. Fairness and balance and factual reporting came to be the rule, overwriting opinion and rhetoric and thus set the standard for *responsible* journalism, where the public had a right to be served with factual information for its decisions on public affairs (83).

Voakes (2000) explains that this interpretation argues that freedom of press is not “an end in itself” but it is “a means to a fully functioning, free and democratic society,” (31). Moreover, the theory goes to stress that in this social exchange setting one cannot have rights without responsibilities. The concept is rooted in the theories of great philosophers like Aristotle, Immanuel Kant and J.S. Mill, who stressed the importance of “humanity” in people’s professional roles. Kant’s principle of humanity argues that people should treat each other as an end in itself and never as a means to an end (Plaisance, 2014, 76). Mill’s utilitarian principle highlights that people’s actions should promote the greater good for the society (32). Mill also argues that before being professionals, people should remember that they are human beings and have a fundamental role of being responsible selves first of all, therefore journalists, advertisers, government workers should always operate “with a sense of collective responsibility” based on their humanity (cited in Nerone, 1995, 89).

Where to draw the line between freedom and responsibility has been a long-standing subject of debate within journalism at large. Journalism code of ethics such as the Society of Professional Journalists (SPJ) aim to offer some answers to moral dilemmas while protecting the First Amendment. Nonetheless, many journalists and scholars have questioned whether business and financial journalists should abide by a special set of rules and principles due to their ambiguous degree of commitment to public interest (Doyle, 2006; Starkman, 2009; Tambini, 2008). Tambini suggests that business and financial journalism is more than a job, “it is a set rules of thumb and an ethical attitude that varies in some respects between outlets,” (27). Other studies also concluded that truth is never independent in financial news and that’s because of the relationship between reporters and expert sources (Thompson, 2015, 169)

Another aspect of the social responsible theory applied to business journalism warns against rumor or speculation (Tambini, 2008; Goodman, 2011; Schiffrin, 2011) “It means you have to be 100 percent squeaky clean. Because people can automatically believe you can be guilty of manipulating the stock market. So you can to be completely open. You can to write your doubts in the story,” notes an editor in an interview with Tambini. Scholars and journalists also stress that in times of crisis, business and financial journalists have a heightened sense of responsibility (Stiglitz, 2011, Goodman, 2011; Schiffrin, 2011). Scholars explain that journalists should be really careful to not scaremonger or anticipate calamities before they happen (Goodman, 2011; Schiffrin, 2011). “I'm not suggesting for a moment that journalists shouldn't be aggressive. But journalists, like markets, tend to overshoot. You don't want to go overboard and celebrate the downturn.” (Interview with M. Brauchli cited in Roush, 2009).

The social responsibility theory has been used in previous studies to examine business journalists' ethical responsibilities. Tambini used the concept to seek answer to the question of what defines a business journalist or who is a financial journalist? The author found that business and financial journalists feel a sense of responsibility that goes beyond serving their companies and the public in the short run. The scholar notes that there is "a new stress on the role of financial journalism in the corporate governance framework and a sense that journalism can do more," (30).

#### **4. Literature Review**

##### **The business press in the U.S**

To better understand the criticism of business journalism it is worth looking back at the early roots of the profession and analyze how the industry and its values have changed over time. Roush (2004) notes that the business press dates back in the 16<sup>th</sup> century when the early settlers in America would rely on the first newspapers to get crop and livestock prices and find out what goods were contained on the ships that had entered the port (5). In the late 80s, publications like the *Journal of Commerce* and the *Wall Street Journal* came along and were later followed by *The Economist*, *Dow Jones*, *Reuters* (Schiffrin, 2011, 8). Schiffrin points out that it's good to remember that the business press was never meant to provide "public interest reporting" (7). Rather, its history is rooted in a tradition of informing investors and supporting the American free market system, (Parsons, 1990, 41). The industry grew quickly with the expansion of the stock markets, technology and the increasing need for more information. News that affected companies' share price would take priority and the news agenda would be set around "market-moving" stories (Schiffrin, 2011, 8). As business journalism moved

forward, the criticism grew louder. In the 1920s business reporters were accused of taking checks and other monetary rewards from stock market promoters in exchange for writing stories that would help them sell stocks at inflated prices (Henriques, 2000, 118). Other scholars noted that the business press was always seen as a vehicle for free advertisement for the companies they cover (Bruce, 2000; Enders, 1995). In the mid 1930s, Carswell, a writer for the *World-Telegram*, argued that business papers were out of touch with the public. He noted that there was too much Wall Street on business pages and an exaggerated focus on the New York Stock Exchange (1938, 614). He said that the news had become boring, lacked “popular interest” and was questionable from a broad “social and public policy” standpoint, (617). Roush (2004) writes the rise of PR in the 1930s had a significant influence on the performance of business journalism. As journalists gained more experience, however, in the 1980s the quality of their stories improved. Yet they still missed some big stories, like the collapse of Enron, Schiffrin (2011) points out. Analysis of the coverage before the company’s collapse shows little but praise for the company and its staff, the author notes (9). Thompson argues that the shortcomings of the media’s coverage of the latest financial crisis should not be seen as an exceptional case but as a continuation of a systematic problem between business journalists and Wall Street (174).

On the defense side, Henriques (2000) argues that compared to the old days where journalists were taking bribes and writing biased stories, there has never been a time in history where business journalists had higher standards (118). She goes on to emphasize that it is important to understand that America has gradually experienced a “business coup” over the past decades and big corporations have risen to power unchallenged and

unquestioned (119). Henriques claims that business journalists have the unique role of holding them accountable and its failures to do so, could also be attributed to senior editors or news directors, who often times fail to grasp the importance of business and financial stories. The author claims that reporters do not enjoy the time and resources they need to cover important financial and business stories accurately, largely because of a widespread ignorance of business and finance in the American newsroom. And that's because most people at general-interest news publications think that "business is boring," (121). A research survey in 2002 conducted by Seltzer & Company for the Reynolds Foundation and the American Press Foundation echoed her view and found that business desks were indeed a low priority for newsroom executives and did not get much resources and attention, (Roush, 2004, 11).

That was no longer true in 2008.

### **The Financial Crisis**

On September 15, 2008 the U.S. Treasury Secretary Hank Paulson arrived at the White House to inform President George W. Bush about the unavoidable financial collapse (Halm-Addo, 2010, 1). Lehman Brothers, one of the five investment giants on Wall Street, filed for bankruptcy and its shares were worthless by the end of the day. Markets plummeted and within days the Dow lost more than 770 points, its biggest closing point drop in history (CNBC, 2010). Panic ensued on Wall Street amid a global mortgage meltdown that almost pushed the financial system to the brink of collapse. Merrill Lynch, another investment giant, was quickly sold to Bank of America, people flooded money market funds with massive redemptions requests and the nation's largest insurance companies, American International Group (AIG) lost billions of dollars in

assets (FCIC, 2011, 351). Amid this chaos, Congress allocated almost \$700 billion to bail out banks and financial institutions and get the economy out of the recession through a program known as the TARP (Troubled Asset Relief Program), (McLean & Nocera, 2010, 359). Fannie and Freddie Mac, the home finance institutions, were taken over by the government after becoming insolvent. As the financial crisis intensified, the U.S. was hit by its worst recession since the Great Depression (Williams, 2012). \$15 trillion in household savings have vanished, including the pensions and college savings of the American people, nearly 9 million workers lost their jobs, 9 million people were pushed below the poverty line and almost 5 million homeowners lost their homes (Geithner, 2014).

The federal deficit soared from \$456 billion in 2008 to \$1.4 trillion in 2009 and to an estimated \$1.6 trillion in 2010 (FCIC, 2011, 400). As of 2015, the Federal Reserve has a balance sheet of more than \$4 trillion in assets (roughly equal to Germany's GDP) after pumping easy money into the economy since 2009 through an once-in-a-lifetime program known as "quantitative easing." (Bloomberg, 2015; Federal Reserve, 2015).

How had this happened? Before answering the question, it is worth pointing out that in the early 2000s, the financial industry in the U.S. grew more powerful than ever before and was dominated by a few players: five investment banks (Bear Stearns, Goldman Sachs, Lehman Brothers, Merrill Lynch, Morgan Stanley), two financial conglomerates (Citigroup, JP Morgan), three security insurance giants (AIG, MBIA, AMBAC) and three rating agencies (Moody's, Standard & Poor's, Fitch) (Ferguson, 2011). Now let's roll the clock back to when it all started. In a letter to the Federal Reserve Bank of San Francisco, president John Williams recalls how amid another slow recovery from the dot-com



bubble burst after 2000, the housing market was starting to take off, providing a boost to the economy. Some economists said it was mainly driven by an accelerated increase in house construction (Glaser & Sinai, 2013, 16). They went on to explain that buyers rushed into buying new homes on the assumption that prices would continue to go up. On the other side, lenders had the same predictions and did not see any risks of major downturns in the bullish housing market (Williams, 2012). That led to more easy access to loans and an overvaluation of paired sub-prime mortgages, which financial experts sliced and dices into securities and products that few could understand (McLean & Nocera, 2010, 52). Business scholars explain that the pooled mortgages were used to back securities known as CDOs (collateralised debt obligations) and were sold by banks to investors around the world, hungry for higher-returns at a time of low interest rates, maintained by the Federal Reserve (Kolb, 2010, 147). J.P. Morgan was one of the institutions that hired mathematicians and physicists to create new securities that would spread the risk from one firm's books to another based on the modern portfolio theory that diversification reduced risks, (McLean & Nocera, 2010, 52). The products, known as derivatives, quickly spread on Wall Street and shortly got completely intertwined with subprime mortgages. One type of derivatives, known as credit default swaps (CDS), were sold to domestic and foreign investors to protect them against the default or decline in value or mortgage – related securities (Harrington, 2009, 787). As the housing bubble kept growing, everyone was happy and banks made plenty of money. Until few years later, when the housing market turned at its peak in 2006 and unravelled a whole new world in the financial system (The Economist, 2013). Those mortgage-backed securities, whose credit ratings were inflated by agencies like Moody's and Standard and Poor's,

lost their value and it became extremely difficult to sell similar financial products and use the funds as collateral for short-term funding that the banks relied on (The Economist, 2013). Williams explained that financial institutions became reluctant to borrow from other institutions and that affected their ability to finance their daily operations. Other non-financial companies did no longer have access to credit to pay suppliers and workers, cut spending in order to save cash, which in itself paralyzed the entire economy. On the other hand, insurers like AIG, which sold protection to investors, could no longer meet its obligation and had to be rescued by the government (Harrington, 2009, 790) A public inquiry into the crisis found that the amount of debt in the financial sector spiked from \$3 trillion to \$36 trillion from 1978 to 2007 (FCIC, 2011, xvii). The same paper notes that in 2007, the five major investment banks faced a severe capital shortfall and were operating on leverage ratios of 40 to 1, meaning for every \$40 in assets, there was only \$1 in capital to absorb losses. (xix). The gamble on borrowed money turned out a nasty downturn into a deep recession that destroyed some of the biggest banks on Wall Street and came very close to bringing down the entire global financial system.

A public financial crisis inquiry concludes that the crisis was avoidable (FCIC, 2011, xxvii). It notes that there were plenty of warning signs out there, from the explosion in subprime lending and securitization to clear indicators about the housing boom and shady lending practices, mortgage lending increase and the growth of unregulated financial products such as derivatives. The paper blames the deregulation and self-regulation policies that lasted more than 30 years and were pushed forward by the Federal Reserve and supported by various administrations and Congresses. The inquiry goes on to conclude that the main causes of the crisis were the systemic failures and risk

management practices of corporate governance at important financial institutions on Wall Street (FCIC, 2011, xviii). “It is really quite astonishing that none of this people have been put in jail,” filmmaker Charles Ferguson points out. He stresses that this is a deeply troubling sign, as in the 1980s, during the savings and loan crisis, several thousands of financial executives were arrested for stealing from their companies (Ferguson, 2011).

### **Global Financial Crisis**

The crisis had a domino effect around the world, hitting European banks, which were also loaded with bad debt (Williams, 2012). One of the main problems, scholars note, is that European universal banks combine investment and commercial activities within the same organization, therefore increasing their exposure to toxic assets on Wall Street (Carmassi et al, 2009, 988). That is in part due to relaxed regulation, encouraged by Basel capital rules, authors add. The crisis in Europe later evolved into a euro crisis because European banks borrowed greedily from American markets and used the funds to finance its own shady securities (Economist, 2013). It was August 2007 when the French bank BNP Paribas spooked the markets by telling investors they will not be able to withdraw money from two of its funds because of a lack of liquidity in the market, therefore signaling to the rest of the market that banks were no longer able to lend to each other (HSBC, 2012). Northern Rock, a British mortgage lender was one of the first institutions to fall (Economist, 2013). Shortly after, the inter-bank lending rates or LIBOR (London Inter-bank Offered Rate), rates at which banks are prepared to lend to each other in the short-term, had suddenly skyrocketed to almost 100 basis points (Kwan, 2009). That resonated among the world and the European Central Bank was forced to inject around 95 billion euros to help markets, setting a new record for the biggest cash

injection in its history (FT, 2007). In the U.S., the Fed put \$24 billion into U.S. markets and in Japan, the Bank of Japan, injected about \$8.5 billion in its market operations. The Bank of Australia also pledged about A\$4.5 billion through repurchase agreements and the Bank of Korea said it was ready to inject funds if need be (FT, 2007). As governments around the world introduced emergency measures to rescue their banks, one country was particularly hit hard due to the large size of its banking sector. After the interbank market froze following the collapse of Lehman Brothers, three big banks in Iceland were taken over by the government after liquidity tightened significantly and credit ratings dropped (Iceland Chamber of Commerce, 2013). The Icelandic government then created three new banks to overtake domestic deposit obligations and assets from failed banks. As a result, public debt more than tripled and the country received a bailout from the IMF (Ministry for Foreign Affairs of Iceland, 2011).

Yet the global credit crunch spread even further. Dubai, the land of extravagance and luxury, was drowning in debt after its real-estate market collapsed because no one wanted to buy or rent (BBC, 2009). The resulting fear that Dubai will not be able to pay its bills sent a wave of uncertainty through world markets. Investors became more worried about other hidden debt bombs in other parts of the world and raised questions about the financial stability of the EU states, some which had substantial operations in the region. In November 2009, Greece admitted its sovereign debt reached its highest point in history, amounting 113% of GDP back then and nearly 175% today (BBC, 2012, 2015). That raised concerns over other heavily indebted countries in the EU – Portugal, Ireland, Spain and Cyprus – which suffered devastating banking and real estate collapses, and had to be rescued by the eurozone and the IMF (BBC, 2012). Although some

countries have since slightly recovered, Greece is still flirting with default after struggling to repay its debt. That raises fears of a potential ‘Grexit’ or Greece leaving the eurozone since a new anti-austerity leadership took over (Bloomberg, 2015).

The consequences of the global financial crisis are steep. Among many other losses, the global equity markets lost more than 50 percent or around \$31 trillion in market capitalization in one year (Savona, 2011, 20). Unemployment in the euro area skyrocketed and stands as high as 11.3% in 2015, with rates as high as 25.7% in countries like Greece (Eurostat, 2015). Although the crisis was felt in many parts of the world, Japan and China largely escaped the global problems due to various reasons (p.22). For one, Japan was more cautious with sub-prime related financial securities after its own financial bubble burst in the late 1980s (p.22). On the other hand, China’s ‘lack of mature, integrated financial market’ helped it avoid some of the problems. However, both China and Japan heavily rely on U.S. markets for their exports and the sharp slowdown in America sent Japan into recession and cut China’s growth rate by almost half from 12% (p.22).

### **Who is to Blame?**

Some scholars still blame the Fed for the global economic crisis. Scholars claim that the central bank kept interest rates low from 2002 to 2005, which was a big deviation from traditional Fed monetary policy since the stagnation in the 1970s (Taylor, 2009, 6). The argument goes on to explain that the unusual low interest rates led to monetary excesses and that in turn, led to the housing boom. Moreover, other scholars (Carmassi et al, 2009) claim that because the Fed has mainly domestic goals, it has overseen the international dimensions of its policy (979). The authors explain that the U.S. monetary

policy has a dominant role over the global liquidity due to the dollar's role as the main reserve currency (979). Thus, the lax monetary policy after the dot-com bubble led to widespread foreign exchange interventions to balance the depreciation of the greenback. In line with the Fed defenders, the authors claim that it was the world's savings glut, especially in China, that pushed interest rates down in the U.S. as capital flooded into safe U.S. bonds (Economist, 2013). Carmassi et al. go on to argue that the explosion of financial activity build on the vast flows of abundant liquidity in world markets into the U.S. has historically proven as one of the main elements of bubbles (978). However, some economists refuted the claim and proved later there was actually a global savings shortage, based on numbers from the IMF (Taylor, 2009, 6). Carmassi et al. conclude that one of the big causes of weakness on both sides of the Atlantic was the weak capital requirement for every loan issued (p. 989).

### **“The Watchdog Didn't Bark”**

After the financial crisis imploded the hunt was on for culprits. Journalism scholars note while bankers, regulators, economists were the ones to blame, there were not the only ones to bear responsibility (Chittum, 2011; Starkman, 2014; Manning, 2012). Central bankers and regulators were accused of falling asleep at the wheel and failing to keep economic imbalances in check, but so did the press, authors note (Starkman, 2014, 2). Amid crisis and uncertainly, everyone from bankers to media critics took shots at journalists for failing to anticipate the imploding crisis. “How could an entire journalism subculture, understood to be sophisticated and plugged in, miss the central story occurring on its beat?” (1). In an effort to explore why the mainstream business press did not blow the whistle earlier, Starkman undertook a project at the Columbia Journalism

Review and analyzed more than seven years of coverage prior to the crisis across nine major business publishers: *the* Wall Street Journal, the New York Times, the Los Angeles Times, Financial Times, the Washington Post, Bloomberg News, Forbes, Businessweek and Fortune. The study found that although there is evidence of hard-hitting investigative journalism in the early years between 2000 and 2003, coverage later slipped into what the author calls “CNBCization” or the production of a high quota of consumer and investor-focused stories (246). Starkman concluded the press missed the most important stories related to Wall Street’s powerful financial giants during the most critical years (4). And there were several reasons for that, the author notes. First, the financial crisis came at a time when American journalism was really struggling. With the growth of the Internet and the flow of ad dollars to new online companies, newsrooms saw their revenues plummet at levels not seen since 1965 (242). Less revenues eventually led to smaller staff and less time to cover stories, which in turn unleashed a tug of war between depth and speed, a phenomenon coined by Starkman as the “Hamster Wheel” (301). To its disadvantage, the period when the newsroom culture shifted from one of “confidence, swagger, muckraking and storytelling to keeping one’s head down and career survival,” coincided with the rise of the super powers on Wall Street (245). Schiffrin (2011) shares some of Starkman’s findings and notes that nearly 30,000 newspaper jobs were lost in 2008 and 2009 (2). The limited resources, the time pressure challenges left many news organizations more dependent on wire copies, which she notes, were highly superficial. In her interviews with 25 journalists, the author found that nearly all the journalists felt guilty about their “superficial” reporting before the meltdown (11). Schiffrin and Starkman among many other journalists interviewed by them concluded that the business

press got stuck in the old model – focused on personality-driven stories and stock markets and less on balance sheets and complicated financial products such as derivatives.

Chittum goes on to stress that business journalists simply failed to connect the dots (2011, 79). The author notes that besides the mounting pressure to distill sophisticated information in a limited amount of time, there is also “an institutional barrier” among beat reporters, which does not allow them to step on each others’ territory (80). For example: the bank reporter cannot meddle in the Fed’s reporter coverage and vice versa. The scholar goes on to suggest that it takes a great deal of leadership to manage the collaborative work and editors should take most of the blame for their reporters’ failures (80).

Peter Goodman, former national economic correspondent and now global editor-in-chief at the International Business Times, writes that it is important to take a step back and reflect on the root causes of the economic meltdown and understand how we got there before assessing the media’s role in it (2011, 96). The author notes that many business journalists missed seeing that there was a whiff of concern long before the bubble burst in 2008. While being too busy writing about technology, real estate wealth and American prosperity, journalists did not notice that wages were stagnating and costs were rising for the middle class long before the banks collapsed (101). Goodman calls it the “quiet crisis” which affected the ordinary people, most of who were usually ignored by the business media and many of whom had nothing to do with loans and mortgages (95). “One enduring question is whether we manage to retain the knowledge that wages and incomes for working people are the crucial indicators of economic health, not the wonders of some new technology or another investment fad,” Goodman notes (121).



## **“Had They Only Paid Attention”**

Top business news professionals quickly jumped in to defend their profession and the industry’s performance before and during the crisis. “Anybody who's been paying attention has seen business journalists waving the red flag for several years,” writes Roush (2009) in the *American Journalism Review*. According to him, the public and government were the ones not paying enough attention to what journalists were writing about. He cites a variety of sources, from the *Wall Street Journal* coverage on Freddie Mac and Fannie Mac to *New York Times* articles on risky mortgages and dodgy accounting practices, to *Washington Post* columns on the credit market. Headlines and book titles such as ““Wall Street Versus America: A Muckraking Look at the Thieves, Fakers and Charlatans Who Are Ripping You Off,” (Weiss, 2007) ““Mortgages May Be Messier Than You Think,” (NYTimes, 2007) and “Credit Markets' Weight Puts Economy on Shaky Ground,” (Washington Post, 2007) and many more cited in the article, are clear evidence that the warning signs were plentiful, Roush argues. At a 2009 SABEW conference in Denver, hundreds of business journalism professionals gathered to discuss the coverage of the meltdown. There, notable editors such as Larry Ingrassia of the *New York Times* and former managing editor of *Wall Street Journal* and now CEO of ProPublica, Paul Steiger, both mentioned their special coverage and front-page stories on home equity loans, housing price bubbles and heated mortgage market in the early 2000s. “I think the record shows that the press was there and ringing the alarm bell,” Ingrassia said (SABEW, 2009). Many other journalists agreed. In numerous accounts, which studied the coverage before and during the crisis, a couple of names stand out in the list of journalists who sounded the alarms early (Starkman, 2014; Goodman, 2011, Stiglitz,

2011, Tett, 2009). Bloomberg reporter Mark Pittman was applauded for anticipating the crisis and gained a reputation for being among the few people who challenged the Fed (Bloomberg, 2009). The financial journalist submitted a Freedom of Information Act request to disclose what securities the Fed was accepting as collateral for the \$1.5 trillion dollars of loans it was giving out to banks, in addition to the \$700 billion bailout program (Pittman, 2008). Pittman was also one of the first reporters to expose the toxic mortgages securities exported overseas and Treasury Secretary Hank Paulson's role in creating some of those assets while he was at the wheel of Goldman Sachs as well as details about how federal bailout loans to AIG has gone to investment banks, including Goldman (Bloomberg, 2008).

Gillian Tett, an editor for the Financial Times and former social anthropologist, was another journalist who spotted a mismatch between the business press coverage and the stories unraveling in the world of finance. While on her first week as editor of Capital Markets at the FT, Tett said she felt she wanted to learn more about the investment banking "habitat" and culture (Ferguson, 2011). That is why Tett went to an investment banking conference in Nice, where she heard a lot of debate on CDOs. Upon her return to London, she published her first story on CDOs on April 29, 2005. "Clouds Sighted Off CDO Asset Pool" featured a lawyer who had just sold one of those complex products to an Australian charity (Tett, 2005). Soon, Tett started to warn that the CDOs were far more risky than regulators and investors thought, but most business journalists were too concerned with covering the high-glamour financial district in London, the stock and equity markets and M&As (Barton, 2008). After winning a few international accolades for her reporting, Tett admitted that the business press "had missed one of the biggest

stories of the decade,” (Starkman, 2014, 223). The journalist said she was able to spot warning trends based on her ability to understand how the finance world operates and how societies and cultures interact, something she had learned during her PhD in social anthropology at Cambridge. Starkman points out that it is notable that Tett, a generalist with an anthropology background, was able to sense danger and see flaws that other expert beat reporters could not (225). Tett confirmed that being an outsider certainly played a huge role and allowed her to operate free of preconceptions and peer pressures (225).

The component of ignorance about warning signs and the failure or refusal to act upon it was studied by Davies and McGoey. The scholars conclude that the financial crisis was an example of “strategic ignorance” (McGoey, 2007), which served those who had an interest in ignoring the knowledge and the scale of the risks (Davies and McGoey, 2012, 66). The authors stress that instead of focusing on the limitations of ignorance, attention should shift on the “exploitable nature” of ignorance, which serves as a powerful political and commercial tool in their view (81). One example, presented by Jeffrey Friedman notes how the press failed to take notice of a 1975 SEC ruling that technically banned small credit rating agencies from competing with Moody’s, Standard & Poor’s and Fitch. In translation, that meant that the agencies were given the green light to be corrupt or inaccurate because no competitor could challenge their mistakes (Friedman, 2009 cited in Davies and McGoey, 2012, 77). N.N. Taleb, a risk analyst and former derivatives trader, writes in his book “In the market there is a category of traders who have inverse rare events, for whom volatility is often a bearer of good news. These traders lose money frequently, but in small amounts, and make money rarely, but in large amounts. I call them crisis hunters. I am happy to be one of them” (Taleb, 2004 cited in

Davies and McGoey, 2012, 79). In his documentary, Charles Ferguson makes the case that some bankers and some regulators knew the problem well enough. But “as long as there was room for the bubble to grow,” he goes on, “Wall Street's overwhelming incentive was to keep it going,” (Ferguson, 2012).

## **Values and Challenges**

### ***Biased Sources***

The Nobel laureate economist Joseph Stiglitz approaches the problem from the perspective of economics of information, a theory that suggests that there are strong incentives that hinder the media's ability to serve its watchdog role (2011, 24). Because of the wide reach of the mass media and its power to influence perceptions and sentiments, there are plenty of outside forces such as markets and governments that have an interest to shape the media coverage. Besides, journalists are also looking to fulfill their own self-interests in the process (24). The Economist points out that the business press heavily relies on business sources from the companies they are reporting on (25). European scholars Fengler and Ruz-Mohl (2008) echo the same thoughts and emphasize that the market tension and increased competition pressure journalists to take a “market approach” to their work (675). They identify two main resources (time, limited resources) and categories of rewards and incentives that journalists might have: material (money) and non-material (reputation, influence). In achieving one or the other, journalists engage in transactions with their sources. In such a setting, the journalist saves time by getting PR information and research in exchange for offering public attention. At the same time, sources might also leak information for a positive spin on the news or to promote a certain agenda (676). As businesses are mainly concerned with selling products, their

employees will try to present good news and convince investors to pay more for shares, the authors explain. Manning (2012) adds that overall the “mutually shared understandings” between the two parties contributed to the failure of the press to grasp the enormity of the story and provided no incentives for journalists to take a more critical stance and anticipate more than a market correction (183). Schiffrin notes that although there is not a wealth of literature on how journalists cope with financial crises, it has been noticed that during that time reporters become even more dependent on their sources, who have an incentive to shape the angles of the coverage (3).

### ***Complexity***

So why wasn't anyone listening if the evidence was there? One reason stated by another panel member of the 2009 SABEW conference said that journalists did not dig enough and were overwhelmed by the complexity of the financial products. “I never heard of the credit default swap until all of the sudden it was hitting me in the head,” Quinn, a columnist for Bloomberg News and Newsweek, recalled at the conference (SABEW, 2009). This is a view echoed by many other professionals and scholars in both the media and business industries (Goodman, 2011; Kolb, 2010; McLean & Nocera, 2010, Williams, 2012;). Charles Gasparino, a former reporter for CNBC was one of the reporters who spread the news about Bear Stearns' problems, added that it was almost impossible to realize what was going on inside these companies from reading balance sheets on things that were so obscure and difficult to understand (Delevingne, 2009). Indeed, one of the causes cited by a government inquiry into the financial crisis was the lack of transparency within the financial system (FCIC, 2010, xx). The paper notes that key information such as the multi-trillion repo lending market (repurchase agreement

where the dealer sells securities to investors and buys them back at an agreed price at a later day), off-balance sheet entities and derivatives were hidden away and very difficult to grasp. In an interview with Chris Roush, former Wall Street Journal editor Marcus Brauchli went on to point out that even when journalists did spot some troubling signs, it was very hard to capture people's attention around complicated subjects about financial risks when the stock market was booming. In the same paper, Roush cites Andrew Leckey, director of the Donald W. Reynolds National Center for Business Journalism at Arizona State University, who added " it wasn't loud enough to alter anyone's behavior," (cited in Roush, 2009).

The complexity of the financial crisis was also closely studied by an array of academic economists and finance scholars. Richard Caballero of MIT notes that the crisis was a severe blow to the reputation of macroeconomists particularly because of their "inability" to comprehend the enormity of the issue and predict the meltdown (2010, 85). The author goes on to stress that in turbulent financial times is it indeed difficult to foresee what other surprises might arise. While market participants and policy makers understood the situation at their local levels, understanding "all the possible linkages across these different worlds is too complex," the author notes (94). Mathematician Benoit Mandelbrot, father of fractal geometry, once explained that economics are in a way similar to storms, which can only be predicted after they form (Hudson & Mandelbrot, 2008). He said that weather forecasting can see a storm coming but it cannot predict when and how it will happen with precision. Economics, he mentions, is way more difficult to understand than storms (248). The public financial crisis inquiry goes on to state that policy makers and regulators were caught off guard and did not have a

strategic plan to respond to the developments because they also “lacked a full understanding of the risks and interconnections in the financial markets,” (FCIC, 2010, xxi)

### ***Overshooting***

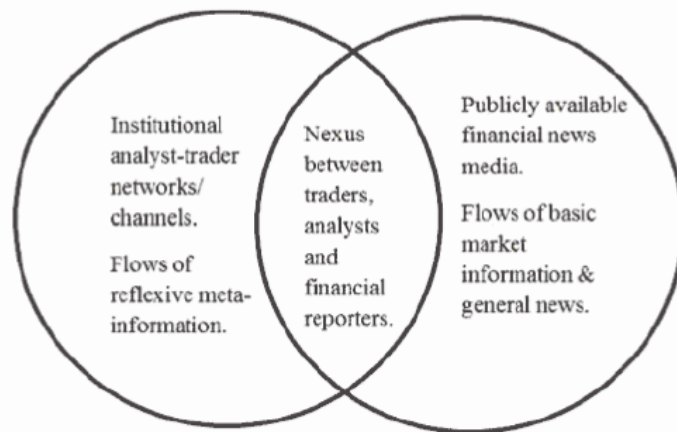
Another important fact that makes covering stories in times of crisis even harder is overshooting, because more bad news could make things even worse (Goodman, 2011, 111). An investigation by Vanity Fair, looking into the collapse of the investment bank Bear Stearns, elaborates on the argument against overplaying the gravity of the situation. In a detailed account with in-depth interviews, the article describes how CNBC’s speculation over Bear Stearns’ failing liquidity inflicted panic into the markets, thus leading to more rumors and negative stories about the investment giant (Burrough, 2008). The SEC also acknowledged the negative press coverage on the bank but stressed that Bear’s liquidity reserves were stable, (FCIC, 2008, 1). While the bank was repeatedly issuing public denials to refute the rumors, its public statements continued to be perceived as confirmations on Wall Street. Despite numerous assurances that it had plentiful liquidity assets, the aftermath was inevitable (Burrough, 2008). The bank collapsed and was forced to sell to J.P.Morgan for \$10/share, which was 13 times less than its peak price before the crisis (155). Other scholars also acknowledged CNBC’s role in the dot-com boom (Brady, 2003).

Stiglitz goes on to elaborate on the question of responsibility when it comes to reporting on a company on the brink of collapse. Announcing inaccurate information that a firm is on the verge of bankruptcy when in fact it is not, the author notes, can precipitate a collapse “when without that ‘information’ it would not occur,” (25).

Schiffirin (2011) adds that during the crisis a lot of journalists were indeed afraid of not using overheated rhetoric that could've diminished the customer's confidence and pushed the economy into a downward spiral (5). Goodman (2011) reiterates that journalists were certainly aware that every single word they write or say could potentially move markets and consumer sentiment, as people would move their money according to what the media would report on (110). The author goes on to mention that there has also been criticism that business journalists have intentionally manufactured fear to support the government's bailout of the financial system (118). The author dismisses the claim noting that fear and panic was indeed pervasive among people and the media has to react as panic was spreading quickly. "Had we in the press chosen to consciously not broadcast fears out from the government, we would have been censoring ourselves and depriving readers of a full sense of what was actually going on," (p.119). The media has also been accused of sensationalism (FCIC, 2010, 253).

The way markets react and how consensus changes during crisis times has been a topic studied by many scholars. One of them, the political economist Peter Thompson, looked at how information travels from institutional analyst-trader networks into publicly available financial news. The author identified that there is point of interaction of the two or a *nexus* through which privately held information passes into public media, (180).





**FIGURE 12.1** Financial information flows between institutional and public channels

(Thompson, 2015, 181)

That nexus, Thompson goes on to note, becomes a channel “through which market rumors or shifts in market perceptions circulating through private institutional networks can become public, triggering a sudden shift in market expectations and valuations,” (181). Once those shifts become widespread and the consensus begins to change, the author goes on, investors become cautious at the fact that market expectations might change. That is because investors make their decision based on the “majority view” or how they think other investors would pay for shares (Davis, 2005, 314). And this is why the media plays a significant role because it acts as the primary ‘consensus indicator’ (314). Thompson concludes that while it does not mean that the media is responsible for causing crises, the reporting of privately held information “is likely to accentuate any shift in consensus,” (183). However, the author goes on to note that the problem does not lie in the failure of journalistic values, but in the “structural relationship” between journalists and market sources. Davis (2005) also looked at how the media influences investor behavior and concluded that while the media has a limited ability to influence

the daily decision-making process, its coverage “can lead to more extreme price and market movements,” (321). The authors found that the financial media serves as one of the main indicators of how the majority perceive the market, which in turn leads investors to act in anticipation of how they think the consensus will change after media announcements (315). The consensus and anticipatory effect was also previously observed by other financial studies (Keynes, 1936; Shiller, 1989; Soros, 1994).

### ***Globalization***

In his analysis of the state of the financial journalism at the time of the financial collapse, Tambini (2008) also identified source accessibility as one of the challenges for the business press. Although he did not find any serious malpractice or questionable ethical standards in financial journalism, the scholar notes that there is clear consensus that the profession is being shaped by technological, legal and commercial challenges (29). Among them, Tambini identified another factor that has intensified over the past decades: globalization. The phenomenon not only entitles an expansion of trade between countries, but also the global movement of capital and technology (Kunczik, 2001,1). Kunczik explains that perceptions and images of foreign nations have a strong impact on the flow of capital (3). The author points out that most of those images are pictured mainly by the news media, which most often controls what kind of image predominates. He goes on to claim that it is hard for the media to capture a realistic picture of foreign countries because most of the world’s attention is mostly focused on higher-ranking countries. Coverage of Third World countries on the other hand, has an emphasis on short-lived events and negative developments such as protests, revolutions or natural disasters (4). That in turn affects people’s perception of those specific countries, which in

the business world equates with money and investment because it reflects confidence in the economies and stability of currencies as well as creditworthiness (6). The way an image is formed, Boulding (1967) notes, is through a combination of historical perceptions and scientific learnings, which he described as *literary images* (5). The author argued that these images are deeply flawed because it is extremely difficult to capture a realistic image because of the complexity of the international system. Manheim (1991) shared his findings and added that even American political leaders get most of their information from media reports and know “just a little more” than the public knows (130).

Tambini explains that the coverage of global issues depends on the journalist’s perception of his/her role and responsibilities (2008, 26). For example, those reporters focused on investors portfolios which might include assets abroad, feel the need to report on international affairs (26). The author goes on to stress that it is yet unclear how the globalization trend will affect the norms and standards in business journalism, because it is more difficult to draw the line between “public interest” and “national interest” given the global nature of the investment markets (26). Concepts such as transnational, multinational and global often overlap (Kunczik, 2001, 2).

### ***Rise of PR***

Another big challenge that most scholars identified is the rise of public relations, which is often times manipulating the agenda and controlling the reporters’ access to certain information. “In many ways, they set the agenda. They are the access point,” said an editor quoted Tambini’s analysis. “The consequences are the free flow of information has been interrupted and the kind of information we get can be very sanitized. It’s very

hard getting to the bottom of a story.” (2008, 22). Manning (2012) argues that most financial and business journalists failed to report much of the emerging evidence of the financial crisis in part because of the manipulative power of PR consultants, who now have more control over the flows of information and the kind of information that gets out in the public (173). Schriffirin (2011) echoes those thoughts, noting that the lack of technical expertise and the pressure of tight deadlines, often times leaves reporters heavily dependent on PR sources for quick quotes (14). The increased dependence on sources is not unique to business journalism but it is particularly concerning, scholars points out.

## **5. Methodology**

To illustrate how the theoretical framework may be applied on exploring how journalists can spot the next economic meltdown, this study sets out to conduct a series of semi-structured interviews to investigate what has changed in the workflow of business journalists after the financial collapse. By conducting semi-structured interviews with top editors and reporters, this study aims to explore to what extent are they more prepared now to predict a similar situation.

### **Interviews**

This research aims to conduct personal semi-structured interviews with editors and reporters in seven different newsrooms, which will be conducted during a three-month long work experience in New York City. The coverage of the financial crisis has been previously studied by Starkman (2014), who conducted a content analysis of articles published between January 1, 2000 and June 30, 2007. The author wanted to capture the early days of the housing bubble and the aftermath of the Bear Stearns collapse. He

focused his research on what he identified as the nine most influential business press outlets: the Wall Street Journal, the New York Times, the Los Angeles Times, the Financial Times, the Washington Post, Bloomberg News, Forbes, Businessweek and Fortune. Starkman also conducted personal interviews with three journalists that he believes sounded an early warning about the financial crisis. Another study by Tambini (2008) looked at the state of financial journalism and analysed its journalistic responsibilities. The scholar interviewed 24 journalists over a nine-month period in London and New York. Drawing on both research projects, this paper aims to recruit a total of about nine editors and journalists using a series of purposeful sampling approaches to maximize the quality of the results. A combination of snowball and opportunistic sampling approaches should allow for easing the process of finding recruits from selecting people who know people who have been covering certain issues or involved in the editorial decision-making at their company. Based on previous research, this study will also identify a number of key senior editors and reporters who covered the economic crisis seven years ago. Interviews will follow a semi-structured format lasting between half an hour and one hour. One potential discussion starter could be about their general understanding of a recession. Interview questions for editors should include but not be limited to the following:

1. How would you describe your publication's coverage of the economic crisis?
2. As the gatekeeper of your organization, what types of stories did you prioritize before, during and after the financial meltdown? How has that changed over time and why?

3. What were the most undercovered stories at your publication during the financial crisis and why?
4. What factors determined how you allocated reporting resources before, during and after the financial crisis and how has that changed over time?
5. How much of your coverage before the crisis was investigative reporting compared to short-form reports and what factors determined that?
6. What were some indicators that sounded early alarms for you? What indicators of economic health are you watching now?
7. To what extent do you keep a close watch over what's happening abroad?
8. How has your knowledge of the global financial system changed after the financial crisis?
9. How do reports and editors raise a red flag without spooking the markets and precipitating more bad news or events?
10. To what extent do you think you could've done more to anticipate the economic meltdown?
11. What did you learn from reporting on the crisis?
12. What else should business or financial editors learn to be able to spot the next financial collapse?

Research questions aim to gather more qualitative information, probing the theories presented in the literature review, and enrich the knowledge on industry practices in general. The questions will be open-ended, probing and explanatory and aim to gain knowledge about the beat's challenges and commitment to social responsibility.

1. Who is a financial journalist?

2. Who are you serving as a business or financial editor?
3. What are your responsibilities toward the wider public as a business or financial editor?
4. How has the economic crisis changed the way you do your job today?
5. What are your biggest challenges as business or financial editor?
6. How has your coverage of business and financial news changed since the crisis?
7. How prepared do you feel in anticipating a looming crisis now?

Interview questions for reporters would also include but not be limited to the following:

1. What type of stories were you covering before, during and after the economic crisis?
2. What were the biggest challenges in covering the economic crisis?
3. What indicators of economic health were you watching then and now?
4. What were your main sources before and during the financial crisis? Who are your main sources today?
5. How often did you pursue long-form investigative projects before and during the crisis? How has that changed after the recession?
6. How has your understanding of the global financial system changed after crisis?
7. How do you report on a big, sensitive story without spooking the markets and precipitating more bad news?
8. To what extent did you collaborate with your peers during the recession?

9. To what extent do you feel you could've done more to anticipate the looming crisis?
10. How has the crisis changed the way you do your job today?
11. What did you learn from reporting on the crisis?

Research questions will focus on advancing the knowledge of business journalism and draws on the literature review to gain knowledge about the reporter's challenges in the field and commitment to social responsibility in the reporting process.

1. Who are you serving as a business or financial editor?
2. What is your role in society as a financial or business journalist?
3. What are your responsibilities toward the wider public as a business or financial reporter?
4. How has the financial crisis changed your job/reporting?
5. How has your understanding of the global financial system changed after the meltdown?
6. How prepared do you feel in anticipating a looming crisis now?

This research also aims to conduct around nine semi-structured interviews with various journalists and top editors who were in charge of setting the agenda for their publications and allocate resources according to priorities. The number derives from reviewed academic literature and various media accounts. This study wants to look into what have business and financial journalists learned since the financial collapse, what has changed in their workflows and whether they are in a better position today to anticipate a looming economic collapse. Based on academic research, this study will also focus on seven top powerful players in business journalism: the Wall Street Journal, the New York



Times, the Financial Times, the Washington Post, Bloomberg Business (as Businessweek and Bloomberg News merged their websites), Forbes and CNBC. This study aims to apply a theoretical sampling and will adopt semi-structured interviews, mixing conversations with discussion and questioning to get a closer look at the journalists' perception of their role in society. This research will benefit from an open-ended format because it will allow more room for flexibility in the way questions are asked and answered. Although it wants to capture precise data about expertise and editorial approaches, this study does not aim to alter the field of inquiry with pre-established questions and a restricted set of response categories, most commonly found in structured interviewing (Fontana & Frey, 1994). Unstructured interviews would not be suitable for this study either, as open conversations will to some extent risk deviating from the main topic by letting personal feeling get in and hence interfere with rational thinking. (Malinowski, 1989) cited in Fontana & Frey (1994). The semi-structured interviews will use open-ended content mapping questions such as: What are the biggest challenges as a business reporter? Why do you think journalists missed the big story? What was your understanding of what a recession looks like before the crisis and how has that changed now? How well do you understand the complexity of certain financial products such as CDOs today? How prepared do you feel in anticipating a looming crisis now?

The choice of methodology was made on several grounds: first this research does not aim to conduct a content analysis of the business media coverage on the real-estate bubble or murky practices on Wall Street. Second, the goal of this research is to advance our knowledge about business and financial journalism and capture a qualitative understanding of how the newsroom cultures have shifted after the economic crisis and

what journalists have learned and still need to learn to be able to capture the different complexities and aspects of an enormous story such as an economic crisis. The study wants to capture as many variations as possible and look for deviant cases if the results are suspected to be biased or spurious (Silverman, 2013, 292). By adopting a constructivist approach of interviews and moving from the “what” the “how” question, this study aims to identify meanings and understanding the different ways and contexts of the protesters’ experience. (Gubrium & Holstein, 1997 cited in Elliott, 2005).

In addition, this study aims to stay transparent to all sorts of phenomena that might arise on the ground and plans to include any occurring alternative interpretations and negative responses in order to enhance validity (Silverman, 2013, 285). Furthermore, it will continue to collect findings until no new knowledge is gained. Besides, the paper aims to strengthen the reliability of its results by conducting more interviews if certain patterns are noticed in the data analysis. It will look for deviant cases to increase and strive to find other new sources to get more comprehensive data sets. Also, this paper will attach field notes capturing any natural occurring interactions as well as provide transcripts of all the interviews to allow readers to look at the data and test variations (Silverman, 2013).

## **6. Conclusion**

In the wake of the economic crisis, business journalists have been blamed for having fallen asleep at the wheel. While many professionals (Roush, 2009) defend their industry and their ability to shed spotlight on the serious issues that the U.S. financial system faces before 2008, there is no clear evidence that business journalists have learned the lessons in the wake of the mortgage crisis and are better equipped today to anticipate

the next economic meltdown. With the rise of the new media, the increased productivity demands and fierce competition among business news providers, powerful forces continue to threaten the industry. In newsrooms where reporters are judged by whether they break news, there is a troubling culture emerging that alters the incentives for journalists at influential publications. Starkman notes that as the industry moves forward, the Digital First mindset now adopted in most newsrooms, will only lead to more quantity and less quality in news coverage. Moreover, the author goes on to say that this model cannot support the Great Story, “the one that holds power to account and explains complex problems to a mass audience,” but it is exactly that kind of accountability reporting that the public needs to be an informed citizen (310).

Drawing on findings from case studies and content analysis on media coverage of the 2008 financial crisis, this research will add a qualitative understanding of previous findings based on quantitative mechanisms. Various existent studies have analysed content through coding various sets of stories and grilled seasoned financial journalists. Scholars cited above have come up with several main reasons of why the financial press was not able to thoroughly investigate financial institutions during the bubble period as well as identified key challenges that financial/business journalism faces today. This qualitative research aims to test some of those preliminary studies in the content analysis and advance the knowledge about the state of business and financial journalism today.

This study acknowledges that limitations of time and unexpected events on the ground could obstruct or delay the completion of the research. Besides, this research could be hindered by the researcher’s journalism background, but it will aim to avoid journalistic questions and answers as well as closely study the data and not jump to

unsupported arguments, but instead focus on thoroughly examining the data and looking for variation. It intends to apply critical thinking and rely on participants' answers to address the issues raised in this paper. If final results prove to severely contrast or argue existent claims about business and financial journalism, further research needs to acknowledge that there remain large gaps in our knowledge.

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## **APPENDIX D: CHANGES FROM ORIGINAL PROPOSAL**

One change from my original project proposal concerns the methodology section. Originally, I sought to interview about nine journalists and ask them roughly the same questions. Using a combination of snowball and opportunistic sampling approaches, this research identified ten senior editors and reporters who were directly involved in covering the financial crisis in 2008 and continue to work in the newsroom. Even though I prepared a set number of questions, some answers led to more questions, so I started exploring new themes in following interviews.

During my research, I also realized that I only interviewed men and needed to have more diversity among interview participants. I then started looking for top female editors or reporters who've been involved in covering the crisis yet discovered a disappointing reality. I found a handful of female journalists who were suited for this project and decided to only talk to those who were a good fit. In addition, I also attempted reaching out to journalists in Europe to get an international perspective, but my interview requests were rejected and ignored.

Another change is that this study has deviated from the original list of business news institutions and drew insights from journalists at the following outlets: Bloomberg Business, CNBC, International Business Times, the New York Times, the Los Angeles Times, ProPublica, NPR and the International Consortium of Investigative Journalists. Using a series of purposeful sampling approaches led me to more qualified people at different organizations than originally planned.

The third change from the original proposal is that initial study design called for all face-to-face interviews, however, a combination of face-to-face and telephone interviews were used. It became necessary to conduct more than half of the interview by telephone because of time constraints on the ground. Some respondents were also located in different parts of the country and did not have the opportunity to speak via Skype. Although telephone conversations are seen as a less attractive alternative to personal interviewing, as scholars point out, telephone interviews are an accepted and well-documented method for qualitative data collection (Sturges & Hanrahan, 2004).