

Can you bank on the media?

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The Northern Rock [debacle](#) has the papers in Wall Street Crash mode: “Bank Savers Panic” says the [Standard](#) and even the sober [FT](#) headlines with “Banking Turmoil Hits The Streets”. They are all right to get very excited. This could end up being Gordon Brown’s Frightful Friday, the moment when the debt-ridden British economy starts to unpick – or not. So how has the media fared? POLIS cares about this because – with impeccable timing – we are launching a major research project to examine global financial journalism: email me at polis@lse.ac.uk if you want to get involved.

It’s too early to judge how the media has covered this complex and important story. It will effect macro-economics as well as the pound in your pocket. So it is important that we know what is happening and why. I once had a spell as an economics producer and what struck me was how it was a completely different world where no-one told anyone anything unless they could profit from it. All financial news is mediated through a vast array of public relations companies and the money-people are largely protected from the kind of journalistic pressure that politicians have to deal with in the open. It is a secretive and unaccountable environment. The Economic Editor of the Sunday Telegraph, Liam Halligan, has been writing about the hazards of sub-prime lending for several years – this is what he told me about the reporting of the Rock:

This Northern Rock episode is a perfect illustration of the huge gulf between business and economics journalism on the one hand and mainstream journalism on the other – and the dangers of that gulf. The UK’s best business and economics commentators have seen the sub-prime crisis brewing for a long-time. Proof of that is in the clips. But the mainstream media doesn’t take much notice of the business sections until a crisis has hit. That’s a big problem – because it means very little pressure is brought to bear, on either regulators or politicians, to rein banks in until it’s too late. And then, when a lender like Northern Rock does get into difficulties, the mainstream media goes into panic mode, completely over-blowing the story – which means people unnecessarily queue up to pull out their money, making an avoidable situation even worse.

Wise words from Liam. A few other thoughts occur to me about the reporting of the present crisis:

- If this started in July and if Northern Rock say the killer date was August 8th, then why did we not know about this crisis at a major bank until Friday 14th September?
- Why is everyone allowed to blame the problem in the States with sub-prime mortgages? surely top global financiers would have been aware of the potential blow-back here? ditto top financial journos?
- On a procedural level – why was the last word from FT.com last night at 20.40pm? surely this is the kind of story where their website should extend the six-day newspaper to go “7/7”?
- Well done to Robert Peston of the BBC for his scoop on the Rock story – but why wasn’t the Bank of England’s actions announced formally to everyone? The fact that it came out from a former political journalist who has written an approving book about Gordon Brown lends weight to the theory that this is all very political

POLIS will be monitoring this financial story and others as part of our inquiries into financial journalism – your thoughts are welcome.

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