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What Are Financial Journalists For?[1]

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Damian Tambini

In order to understand why so little media attention was paid to risks in the banking sector in the run up to the financial crisis, we need to understand the framework of law, regulation, self regulation and professional incentives that structure the practice of financial and business journalism. This paper focuses in particular on what role financial journalists play in the system of corporate governance, the ways in which law and regulation recognize that role, and the extent to which this role is accepted and understood by financial journalists themselves. The first part of the essay reviews recent debate on financial journalism and investigates the role of financial journalism from a systemic perspective: looking at its role in corporate governance, and its impact on market behaviour. I develop the notion that financial and business journalists operate within a framework of rights and duties which institutionalize a particular ethical approach to their role. The second half of the article, which draws more extensively on interviews conducted with journalists and editors, asks how journalists themselves understand and describe their role and what they see as the key challenges they face as they attempt to perform it. It emerges that there is no consensus among financial and business journalists 1about their 'watchdog' role in relation to markets and corporate behaviour, and whilst the financial journalists interviewed tended to agree on the key challenges they face, they are uncertain how to respond to them.

KEYWORDS business; conflict of interest; ethics; financial; journalism; regulation.

Financial Journalism: the debate

Criticism of financial and business journalists is not new. They have faced their share of public criticism both before and since the 2007 credit crisis. The charge sheet is a long one: financial journalists are criticised for superficiality and for a failure to conduct investigations (Davis 2005, Wilby 2007, Doyle 2006), for inappropriate news values Doyle 2006). They are criticised for being insufficiently sceptical (Doyle 2006), and captured (Starkman 2009). The following passage, from Columbia Journalism Review (Brady 2003), focuses on the role of CNBC during the first dotcom boom and bust in the US:

> 'Critics claim that CNBC's on-screen personalities led the charge into the speculative stocks of the 1990s, stocks that eventually imploded. There are professional questions, as well, about the network's cheerleading coverage of Wall Streeters who were extolling stocks that those same analysts were privately calling "crap." The Merrill Lynch analyst Henry Blodget, for one example, had been a frequent guest on CNBC. His Internet stocks all came crashing down, and eventually it was learned that he'd been recommending stocks on-air that he privately called "junk." … Alan Abelson, the respected financial columnist of Barron's, comes down hard on the channel. "CNBC," he says bluntly, "was a product of the stockmarket mania. They contributed to it, and they ate off it.".' (Brady 2003).

Whilst questions should be asked about the complex ethical conflicts and more subtle conflicts of interest behind this 'bubble' journalism, most see financial journalism's weakness as cock up rather than conspiracy. Gillian Doyle (2006: 433) questions the level of training and skill among business journalists. Many of the financial journalists she interviewed said that as financial products become more complex it is difficult to find journalists with the expertise to adequately understand the material they are reporting on. Aeron Davis' research, based on interviews with fund managers, brokers, and other interested parties in 2002-2004 similarly reports perception of a lack of expertise and of critical reflection by journalists. (Davis 2007: 163-164).

Gillian Doyle argues that a lack of skills among journalists as markets become more complex undermine journalists' ability to hold companies to account. (Doyle 2006: 442). According to a news editor interviewed by Doyle: 'financial journalists are generally good at analysing companies and interpreting and maintaining companies at arms length. Where they are less good, however, is in pro-actively investigating stories – in stepping back to see the wider picture and spotting things that deserve a closer look. This is because they don't have the time and the opportunity and perhaps the education and training needed to be more pro-active.' (Doyle 2006: 442). Similarly, several financial journalists and editors I interviewed for this article raised the issue of the lack of specialist training for financial analysis. 'The people that are really skilled go and make loads of money working in the financial sector. Not writing about it' one respondent said.

The challenges faced by financial journalists were well illustrated during 2007-9 when only a very few individuals, notably Gillian Tett of the Financial Times, spotted the crisis coming. Financial journalism is accused of giving a partial view of the business world. But is it a distorted one? Do the financial media, as Peter Wilby (2007) asserts, 'present the world through a middle aged, middle-class prism'? Wilby's charge is that in reporting financial issues, for example house prices, there is a tendency to frame issues as though what was 'good news' was uncontroversial. As those who wish to buy, but not sell houses know very well, price hikes are not good news for everyone. For those journalists that aspire to 'public interest' coverage, just what interest should they serve is a very complex issue: should they serve investors? Or the 'rationality' of the market? Only exceptional individuals will actively want to be the one that burst the bubble.

Critics of the current state of UK financial and business journalism thus tend to focus on the problem of a skills and resources gap. And whilst the shifting relationship of power between political journalists and politicians is much discussed, (See John Lloyd (2004) and Nick Jones (1999) the similar standoff that occurs between financial journalists and their sources has been subject to less discussion. One very real problem is that interested parties - including corporate executives and analysts - sometimes constitute the only repositories of relevant data and employ

the main experts. With the help of proactive PR, information can be controlled despite the fact that – as we have found – ultimately the financial system is a public matter that effects us all. Dyck and Zingales describe the relationship between financial journalists and their sources in terms of a quid pro quo situation: access to information is granted; but only on condition that stories are presented in the required manner. (Dyck and Zingales 2003: 1-6). Sources exert their control through granting/denying of access, the potential for treating, threat of lawsuits. '…Corporations vie with each other for the attention of a target audience mostly composed of investors. In so doing, they dominate or 'capture' business and financial news agendas to the exclusion of all other interests.' (Doyle 2006: 435; see also Davis 2005).

The charges levelled against current financial journalism: of capture and of superficiality, and of lack of skills, are of course based the assumption that financial journalists should play an independent, 'watchdog' role. Since this is not a consensus view, even among journalists, it is worth making this explicit. Might the problem not be that markets are increasingly complex, or that journalists are insufficiently funded? Perhaps business and financial journalists themselves don't see themselves as engaged in 'public interest' reporting in the same way that political journalists do.

The interviews conducted for this project, perhaps surprisingly, showed a large degree of dissensus on whether, and to what extent, business and financial journalists should seek to serve a wider public interest. One way of examining this question theoretically is to ask what it is that our corporate governance structure asks of financial journalism. Obviously there are no formal, legal responsibilities placed on journalists; but after high profile failures such as Enron and Northern Rock, we might ask how financial journalism fits in to a general framework of checks and balances on business.

Financial journalism and corporate governance

Joe, Louis and Robinson report a 2002 survey finding that US board members 'rank negative press as the greatest threat to corporate reputation, ahead of corporate unethical behaviour and litigation'. (Joe et al 2007: 4). Journalists thus have a potentially powerful position if they choose to hold companies to account. But whilst political journalists have a strong professional commitment to exposing wrongdoing and corruption, our interviewees reported that the notion of a watchdog role is less pronounced among business journalists, particularly where journalists see their main role as supplying investors with market relevant information.

Understanding the role of financial journalism in a broader system of corporate governance means understanding how financial journalism is involved in holding corporations to account, and informing the public about the risks of the financial system. Regulators of course hold businesses – including banks – to account, but they are the first to admit that they cannot regulate every aspect of corporate behaviour. They rely also on the public and the media working to expose wrongdoing and expose matters of public interest.

Michael Borden (2007) has analysed the role of financial journalists from the perspective of the overall system of corporate governance. His research focuses on the US but there seems to be no reason to expect the UK to differ. From this perspective, is has been argued (Klausner 2005, cit. Borden) that corporate law has inherent limitations and that in order to understand failures of regulatory systems, attention must turn to extralegal enforcement mechanisms. Borden's approach is to identify what he describes as 'gaps' in corporate law, arguing that the key issues of disclosure and investigation rely on the media. He sees the role of the media as: "Uncovering and deterring fraud, and acting as an informational intermediary that catalyzes and informs legal action by Congress, the SEC, the courts, shareholders, or private litigants". (Borden 2007: 315). As Borden points out, journalists encounter conflicts of interest and challenges in relation to each of these roles. I return to this issue below.

This functional, systemic view of the role of financial journalists may well be rejected by journalists who invoke a narrow or market-based notion of their responsibilities. Several of the journalists interviewed for this research simply rejected the notion that they had such 'ethical' or 'social' responsibilities. These ethical minimalists saw their ultimate responsibility as being to respect the law and serve the shareholders of their companies, not to plug gaps in the system of corporate oversight.

I will return to this disconnect between a systemic view of business journalism, and the reality of professional practice below. In the following section I shift perspective, looking at the direct and powerful impacts that financial news can have on market behaviour and the implications of this for the regulation, role and responsibilities of financial journalists.

The effects of financial coverage: reflexivity and market impact

> "Keynes compared financial markets to a beauty contest where the contestants' behaviour is based not only on their own beliefs but also on their expectations of the other contestants beliefs… accordingly… the media is likely to play a disproportionate role in asset pricing". (Joe et al 2007: 2).

One reason that a peculiar ethics and regulatory framework applies to financial journalism is that business news can have a very direct and powerful impact on market behaviour – with the 'city slickers' case the most pungent recent reminder. On one hand, the fact that journalists may be in a position to abuse their influence has led to detailed regulation, some of which will be examined in detail in the next section. On the other hand there is a more diffuse and less researched notion that journalists should avoid 'panicking' markets, or contributing to irrational behaviour, a notion much debated after the Northern Rock debacle.

Measurement of the impact of news on stock prices is a well established field of research which involves a number of distinct approaches. The research originates mainly in discussions about what makes markets move - rather than discussions about what impact changing media technologies might have. And there are specific literatures on policy issues such as central bank transparency (Connolly and Kohler 2004; Reeves and Sawicki 2007). Some researchers treat

events (announcements for example, release of information) as ‘news’, whilst others attempt to separate out the fact of coverage in news media as the key variable, asking whether the fact of coverage has an independent and measurable effect. (Connolly and Kohler 2004; Dyck and Zingales 2003: 2).

There is however a danger of media centrism: of prioritising the impact of media coverage beyond the range of other factors on market outcomes. (See Dyck and Zingales 2003). Barber and Odean (2006) find that individual investors tend to be net buyers of shares on ‘high attention days’. The important finding in this US-based research is that the tendency on such days is for institutional investors to be net sellers of those stocks whereas individual investors buy. The authors hypothesise that this is due to the limited information available to investors and ‘bounded rationality’. Other research into the relationship between reporting and market behaviour examined the market impact of a survey of the ‘Worst Boards’ published in Business Week in the US. Interestingly the results showed positive short term share price gains even among companies identified as the worst boards. The short term gains did subsequently reverse however (Joe et al 2006: 19). Other authors concern themselves with the problem of what influences investment decisions and the extent to which news reporting might be a factor.

It is useful to keep in mind these two systemic views of the role of financial journalists: first in terms of their role in corporate governance and secondly in terms of their role in relation to markets and particularly capital markets when considering the responsibilities of financial journalists. On one hand they indicate a wider watchdog role for journalists in the system of corporate governance; and on the other they show that the reflexive nature of the relationship with markets requires a particular ethical approach.

In the following sections I describe financial journalism as a combination of various hard won rights and privileges that are granted in recognition of the social role that financial and business journalists are seen to play. This approach draws on Osiel’s (1986) study of the

professionalisation of journalism in its understanding of the relationship between law, self regulation and professional practices. (See also Hallin and Mancini 2004) Whilst journalists themselves, particularly in the UK often reject the notion that they have institutionalized professional responsibilities, I argue that such a position is untenable as it is possible to demonstrate that the legal and self-regulatory framework within which journalists work sets out and reinforces such responsibilities. In order to understand current challenges in the profession, it is useful to consider the longer term context: business and financial journalism has evolved a clear set of professional rights and responsibilities which reflect (i) the macro role of financial journalism in the broader system of corporate governance; (ii) the reflexive relationship between news and markets and (iii) the codification of the resulting set of roles and responsibilities in law and self-regulatory codes.

Financial Journalism, Regulation and the Law. Formal Duties of Journalists

In this section I will look at duties that are much clearer and less disputed than the broader 'ethical' responsibilities discussed above. My concern is with the legal obligations of business and financial journalists. In the following section I outline the legal privileges that apply to financial journalists. Here is an incomplete list of the main duties of financial journalists relating to market abuse:

1. Insider Trading

Trading on the basis of information that is not in the public domain. Notoriously hard to define, this impacts journalists when they may be party to private information prior to publication, and may at that point take part in trades that would be illegal. Under the Financial Services and Markets Act: Market Abuse can involve ‘behaviour (that) is based on information which is not generally available to those using the market but which, if available to a regular user of the market, would or would be likely to be regarded by him as relevant when deciding the terms on which transactions in investments of the kind in question should be effected’ (s118.2.a).

2. Market Manipulation

One variant of this, known as ‘share ramping’ was at the heart of the Daily Mirror/ City Slickers case. Because of the strong influence that certain media can have on prices, it is possible for certain players to impact prices through recommendation and thereby profit by selling shares on in the short term. Readers who invest do so in inappropriately inflated stock and are likely to lose money when prices correct.

3. Conflicts of Interest

All journalism has to face issues of conflict of interest, but such issues are particularly pronounced in relation to financial journalism. The interest of the reader, investor or market may be in conflict with the private interest of the journalist if for example the journalist or an associate has a shareholding or some other stake in a company they are reporting on. The temptation may be to withhold information that could hurt the company in question or publish information that favours it, or engage in profit-driven market manipulation.

4. Non disclosure

Where journalists do have an interest, they are obliged under relevant codes (such as the Market Abuse Directive) to disclose the identity of the producers of the recommendation, and any interests that the producer might have in the recommended investment. Most established

financial news providers operate in addition a policy of *internal disclosure* whereby any stocks held are disclosed to a key manager or editor who can monitor whether the journalist is as a result placed in conflict of interest as regards stories that are covered by that journalist.

For each of these there are layers of overlapping regulation and self-regulation including:

-the Financial Services and Markets Act 2000

-Industry codes such as the PCC Code and Guidance on Financial Journalism

-The Investment Recommendation (Media) Regulations 2005. (Statutory Instrument 2005 No 382).

There are of course many other ethical issues. Some of these (such as accuracy, honesty) are covered by general journalism ethics codes, and some are contained within specialist codes such as the Press Complaints Commissions' (PCC) 2005 Best Practice Note on Financial Journalism. In addition, most established leaders in financial news have their own guidance and codes of conduct. These do cover issues relating to conflicts of interest, and independence of journalists, but also deal with other issues such as whether stock tipping is encouraged and working for other organisations.

Privileges of Financial Journalists

The law applied to journalists is in many respects the same as that applied to anyone else. But in some respects the regime for journalists is different. On one hand, the courts rely on the self regulatory bodies such as the PCC to implement the rules, and this raises questions about the level of oversight and enforcement, particularly in the light of the extremely low level of PCC activity in this area, and the fact that it is almost always complaints-driven.[2] n the light of the exemptions for journalists by the Market Abuse Directive and the lack of PCC activity in this area, ethical responsibilities lie with journalists and their employers. Journalists were placed outside of the scope of some key aspects of the EC Market Abuse Directive- in recognition of the role they play in corporate governance - and the fact that they operate their own codes of conduct. And on the other hand journalists do have some informal immunities (for example in terms of their ability to protect their sources) in the light of the role they play in corporate governance.

Journalists are therefore treated as a special case, and in the UK they enjoy a system of formal and informal regulatory and legal privileges. On one hand, because of the particular role that news reporting plays, journalism is recognised in European Convention on Human Rights jurisprudence as worthy of special protection. (Castendyck et al, 2008, p46). Whether the fact that courts tend to afford a lower level of protection to commercial speech than political speech may be relevant to the framework for financial journalism: it may be that journalists who are obviously fulfilling a public interest role are more protected by free speech rights. Where issues of free speech are likely to arise, in the UK as in the U.S, is in relation to source protection. (Osiel 1986). UK financial regulators have developed informal and formal procedures that go beyond the protection afforded buy the European Court in terms for example of the protection of sources. This means that whilst non-journalists (and we might include bloggers in this category – though this is less clear) could be obliged to reveal sources to a regulator, professional journalists under the PCC or Ofcom regimes are much less likely to be. Research on the historical emergence of these privileges and duties is the subject of another paper, but it is useful to note two cases which illustrate the slow formalization of journalistic privilege in respect of one journalistic privilege: the right to protect sources.

Following a 2006 dispute with the Wall St Journal over a case relating to Overstock.com, the U.S. regulator formalized its approach to working with journalists. Policy Document SEC 34-53638 sets out a set of rules and procedures that the SEC should follow before they subpoena a journalist to force her to reveal her sources. SEC officials should: try to obtain information first from alternative sources, determine if the information really is essential to the case, and should contact the journalist's legal counsel in the first instance rather than the journalist directly, in order to ascertain how important the information is, and the extent to which other sources have been exhausted. In announcing this new doctrine the SEC director was quick to point out that the SEC strongly supported freedom of the press. Cox argued that his agency "relies on aggressive investigative journalism to uncover wrongdoing in companies. Therefore, the SEC should do nothing to chill that work." Cox said "Financial journalists need to understand that the SEC considers them vital partners in our mission." (Orange County Register March 6 2006).

In the UK, the equivalent moment in which a line in the regulatory sand was drawn was in relation to the Interbrew case, in which The Guardian found itself in contempt of court after refusing to hand over documents relating to a leaked story about a merger involving a large drinks company. In this case too, the regulator (UK regulator the FSA) established a doctrine relating to protection of sources, but, in the case of the UK, this remains informal and unwritten.

Both regulators, in establishing these doctrines, recognised the public interest functions that journalists can play, such as holding companies to account and investigating illegal behaviour. Insofar as they do provide these benefits they should be helped by regulators rather than hindered, for example, by scaring off potential sources; hence journalists are granted privileges of source protection.[3]

Protection of sources is only one aspect of the privileges that are extended to financial journalists in recognition – and this is the crucial point – of their role in corporate governance and the wider public interest. The majority of privileges that financial journalists enjoy are in fact those

enjoyed by all journalists, and include the notion of qualified privilege as reflected in the 'Reynolds defence' in defamation cases. In a defamation case brought by the Prime Minister of Ireland against the *Sunday Times*, it was established that journalists should be permitted protection of speech if they worked ethically: if journalists work without malice, on a matter of public interest and were not reckless. Lord Nicholls set out a ten point test of privilege, adding that: "The press discharges vital functions as a bloodhound a well as a watchdog. The court should be slow to conclude that a publication was not in the public interest and, therefore, the public had no right to know especially when the information is in the field of political discussion. Any lingering doubts should be resolved in favour of publication." Whilst judges do tend to err on the side of free speech, the key implication here is whether financial journalists that reject both bloodhound and watchdog roles should enjoy privilege, and whether bloggers and others might also benefit.

So whilst interviews for this project uncovered a somewhat patchy notion among journalists of any social or ethical responsibility to act in a watchdog role, it is in recognition of this role that journalistic privileges have been granted. What is implied in this: whether rights and duties might be conditional on one another for example is a question that is too broad to be addressed in this short article. The interviews conducted for the project took sought to elucidate exactly how journalists viewed their role, and the challenges they faced in the attempt to fulfil it. It is to this material that we now turn.

Key challenges for financial Journalism

Between September 2007 and July 2008 researchers conducted more than 30 in-depth interviews with leading business and financial journalists, their editors and their lawyers[4]. The research focused primarily on the UK, with some US material included for comparison. The aim was to investigate the ethical and professional concerns of financial and business journalists, and the views of professionals on the key challenges facing the profession. The following sections of this paper report on the journalists' views of these key challenges.

Some of the challenges facing financial journalism are not new. The need for enhanced training and skills for financial journalists, and the unremitting daily struggle to treat stories with appropriate scepticism are the enduring themes of the trade, dating back to the emergence of financial journalism in the mid 20th century. But according to those interviewed for this report, new communications technology adds to these pressures and poses new challenges.

Speed

Pressure for increased productivity has led to journalists writing more stories in less time than before. Some things have got easier, such as the availability of data online and accessibility of sources, but, on the other hand, the expectation is that material will be published as soon as possible, regardless of print deadlines or broadcast bulletins. Most journalists agree that this leads to intense professional pressures: both in terms of the degree of senior editorial oversight before publication and in terms of the extent to which additional sources can be accessed and verification standards maintained. Many respondents claimed that journalists were forced as a result to rely on a narrower range of established news sources such as PR companies.

According to the editor of a web-based business news service: “our readers want information at 6.00, 7.00 or 8.00 in the morning. … On the newspaper the moment when a piece of news has been delivered to, say, the news editor, it’ll go through the whole process of … news editing, sub editing, copy proof, whatever, go through that process and sending to the print site, put it on the page. That’ll take 2, 3 hours, OK (on our site), because we’re a very small team using quick, light, web-based technology, the production process takes about 2 or 3 minutes. So, it’s fast, ultra-fast. That again changes the way you write.”

The processes through which facts are verified, judgements of news value reached, and reports are selected for publication are likely to have significant consequences for individual companies, investors, employees and potentially for the broader economy. There is a trade-off between speed and attention to ethics and it is one where financial journalism has yet to find a new equilibrium of accepted practices. Getting the balance wrong could lead to Financial Journalism as a profession becoming irrelevant. According to a leading Fund Manager: “There is this … vicious downward circle: you have fewer journalists paid less with less time and they don’t have the luxury of spending the time you need to come up with information that is required. So it becomes less useful to people like me. We ignore it increasingly and it becomes sort of marginalised.” These pressures of time are not peculiar to business journalists, but are of course widely noted tendencies of contemporary journalism. Coupled with some of the other trends reported by interviewees however the increased pressures on journalists’ time may be undermining the ability of business and financial journalists to fulfil an effective public interest function.

Complexity

Financial stories are more complex and specialist than ever before. In the hand wringing following the collapse of Enron, some journalists admitted that the degree of complexity in the structure of Enron's business baffled them. Those covering the Credit Crunch and the Northern Rock stories also required specialist knowledge if they were to form an independent view. The lack of skills of this type among journalists adds to the reliance on intermediaries and news professionals to 'interpret' and explain stories for journalists.

According to BBC Business Editor Robert Peston, the financial media could have done more to foresee some of the problems resulting from the credit crunch and complexity is part of the problem: "The financial press has typically focused too much on equity markets and not enough on debt markets... For many months, I was very concerned about the explosive growth of CDOs (Collateralized Debt Obligations) and I tried to explain them through my reporting. Doing so was a challenge, when even bankers creating the CDOs were unable to describe them in terms that make sense to non-specialists."[5]

Whilst non-journalist stakeholders agreed that complexity was a problem, there was some dissent from this view in the interviews conducted with journalists. Perhaps because of professional pride, they tended to point to some of the strengths and successes of the profession. Others were more ready to argue that the complexity of business and financial markets is putting a strain on reporting.

Strategy

Increasing pressures of speed, complexity and productivity add to the constant challenge for journalists: namely to ensure that they are not used in the service of someone else's interests, but report in the public interest or at least the interests of their readers. Business and financial PR has become much more important in the field in recent years.

Professional strategy advice, in the form of financial PR has become a high margin, rapid growth industry in recent decades. In 1986, British companies spent £37m on financial PR. A decade later the annual figure had risen to £250m. (Michie, 1998: 26). The evidence is that the past decade has seen similar or perhaps larger rates of growth. Industry sources estimate that financial PR consultancies can command fees up to 1 percent of the bid values in M+A deals (Miller et al. 2000).

The current credit crisis is considered to be the greatest challenge of the industry and the professionals predict that the merger business will pick up only at the end of the decade. Even so, the financial PR industry as a whole managed a revenue increase in 2007. On PR Week's top 150 UK PR consultancies league, listed companies' fee income saw an average 22 percent increase (PR Week, 2008). The industry is dominated by a few agencies. Brunswick tops the league in Mergermarket's 2006 table of pan-European PR advisers after advising on 146 deals worth £177.8bn. Brunswick, the largest financial PR company in the UK had almost a third of FTSE

100 Companies on its books. Finsbury, Financial Dynamics, Citigate and Maitland hold the spots from the second to the fifth, all advising on deals worth over £100bn.

One Editor with a long experience in the UK saw the rise of financial PR as the single most important change to have taken place in recent years:

"In the last ten, twenty years I suppose the biggest change has been the rise of the financial intermediary, financial public relations services. They are putting up barriers to information. I think they were always around but they've developed and become much more sophisticated. When I first came across them they were really kind of press cutting services. But now they are really strategy advisors. And there are some company directors that do not talk or answer phone calls without consulting them. And they have enormous power. In many ways, they set the agenda. They are the access point. They are making these people available for interviews or they don't make them available for interviews. They release information in a, what's the word, in a way which is carefully orchestrated to happen. […] Things are very controlled in a way compared with the way it used to be.... 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."

One former Financial PR professional claimed that there was increasing co-dependency between PR and journalists, as journalists are under time pressure to get stories, and PR now controls access to the larger companies that control most of the larger stories: "the papers couldn't exist without financial PRs pushing stories to them everyday because they just don't have many stories."

Journalists are of course aware of such strategies. The business editor of a national newspaper admitted: “I love the leaks. Some of the leaks are obviously done to protect insider shares or to manipulate the share price. There is no question in my mind about that. But it is much more difficult to do today than ten years ago”. There is a clash here between different aspects of professional and ethical responsibility on the part of the journalist. The journalist must get the story, and the leak is great news from that point of view. Presumably, if the story is big enough, who cares that the journalist is being put to instrumental use. In that context, the journalist may reason, perhaps the fewer questions asked about why the leak has been made, the better.

The more seasoned journalists reveal a distaste for dealing with PR when pressed on the matter. “Because if PR give it to you it means they want something. I don’t particularly like it. If people give me stories I will be happy but I will stand them up. I try not to be used or manipulated. I don’t want to be used. A lot of PR companies try to trade with journalists so it is always very subtle. They say ‘we will give you this now’ then they might want something nice written about their clients. It does happen. But I don’t like it.”

According to one former editor of a national newspaper: “some financial PRs simply tell whoppers. … Friendship is a potential corruptor so PR must be kept at arms’ length.” London financial news is particularly susceptible to capture by PR according to one financial journalist who had worked in several countries “people are spoon-fed here in London. The financial PR

industry is very developed. In Hong Kong journalists have direct access to people operating in the market" … "PR can be a big problem for journalists. They [PR] selectively release information and then can block any further access. They can deny access to company briefings, AGMs and profit warning briefings"

This would seem to support Gillian Doyle's description of business news production: '…corporations vie with each other for the attention of a target audience mostly composed of investors. In so doing, they dominate or 'capture' business and financial news agendas to the exclusion of all other interests' (Doyle 2006: 435; see also Davis 2005).

Whilst problems of spin and bias do create challenges for journalists; one very real problem is that interested parties - including corporate executives and analysts - do sometimes constitute the main repositories of data and the main experts. Dyck and Zingales describe the relationship between financial journalists and their sources in terms of a quid pro quo situation, and one analogous to recent critical views of political journalism: Access to information is granted; but only on condition that stories are presented in the required manner. (Dyck and Zingales 2003: 1-6).

The combination of increasing complexity and increasing impact of communications professionals is a powerful double whammy for financial journalists. According to a leading business editor:

“ Well, I think, you know, there is a risk that any journalist can swallow lines from the […]public relations people and so on but you need to be sceptical. But you know it’s about picking all the information hopefully from the source, and not to take it all so seriously

Interviewer: With all the complexity you talked about, has it become more difficult to do that?

Editor: It is more difficult. Yeah. But, you know, there is a lot of going on which you don’t understand and which we can’t get at because of that complexity. That does make it a bit harder. But you know, what we are reporting on most of the time is takeovers, and companies’ results, regular trading statements, and so on. We are all writing about the same statement. You need to ask all the right questions. […]”

Sustainability: Business Models for Financial and Business News

Many interviewees harked back to a golden age of financial journalism in which a few players (the *Financial Times* in London; the *Wall St Journal* in New York) enjoyed a privileged monopoly provision as specialist business news providers. Supported by ‘tombstone’ announcement advertising by large corporate clients and steady sales, with little serious competition, times were easy. In the protected environment the professional ethics and

responsibility of the profession were fostered and there was the financial stability to fund more investigations and longer term risks.

The contemporary scene is quite different according to those interviewed. Competition from new entrants, some driven by new technology, and specialist subscription news and information terminals such as those provided by Bloomberg and Reuters have long ago upset the comfortable monopoly of the business press. Increasingly, previously bundled services providing data, information, news, analysis and comment are unbundled. Much of the value derived in financial and business news, particularly in the press, is now in analysis and comment rather than data, information and news, as updates are provided around the clock and, increasingly, as a free service online. Many of the journalists interviewed stressed that there is still considerable doubt about the sustainability of new business models for financial journalism in the new competitive environment. Intensified competition leads to questions about what in fact the market will provide. Whilst demand for quality business news remains high and business news readers' demographics are valuable to advertisers, some aspects of business journalism may suffer. In particular, expensive and risky ventures such as investigations are seen as increasingly difficult to fund:

'The huge investment of energy and uncertain outcome associated with investigative reporting means that, for most financial media in the UK at least, this is supported only on an occasional basis rather than as a routine activity. So long as this remains the case, the opportunities for media to play a role in uncovering frauds such as Enron will be limited.' (Doyle 2005: 443).

A senior editor of a national UK Financial news outlet agreed that:

"Putting two or three people onto a project for a month where at the end of it you might get nothing in terms of material is something that we would think very hard about doing, because it is expensive. (…) We used to have a small investigative unit, we don't really anymore."

A lack of resources would seem likely to impact quality and, in particular, accuracy. Standards of verification and sourcing vary outlet by outlet. Very few outlets will commit to the industry gold standard of two named sources for each story – for the simple reasons that sometimes one person in the right position is enough to verify a story, particularly if it involves that person - and time is scarce. It appeared that journalists are aware of the market impact of their reporting – both its impact on individual companies and on market sentiment more broadly. When journalists were questioned about whether this would effect their verification of a story there was a mixed response. Some indicated that they might be less inclined to publish a story at all until they were very sure of its veracity if they thought it may have an immediate impact on job losses for instance. Others admitted that they might be inclined to adopt higher verification standards if the story was likely to have an immediate market impact.

Regulation and Information

Defamation law was singled out as a key problem by several of those interviewed, as was the problem of the lack of publicly available information. Reform of the UK's plaintiff-friendly

defamation law is a demand made by all journalists, not just business journalists. But many argue that business journalism faces particular challenges, in part, because of the imbalance of resources between struggling media companies and large companies with larger budgets for legal fees.

The law impacts not only in relation to structuring the profile of liability risk for publishers. It also structures the access to the basic materials that journalists transform into news. According to one interviewee, “one of the key challenges for financial journalists is access to information”. In the view of these journalists “what is publicly available information in the UK that journalists can get hold of does not compare well to the US or any other country. That surely has a role to play in relation to financial journalism.” Whilst freedom of information law has had an impact on access to data held by public authorities, journalists need better access also to that held by private bodies.

Professional Closure: Who is the Financial Journalist?

To claim that the status of the business journalist comes with rights and responsibilities begs the question “who is a financial journalist”? Whilst in the past it was relatively clear who was a financial/business journalist since they worked for the established news media, the rise of bloggers, social media, new kinds of newsletters and other news services, undermines the informal professional definitions. There has always been pseudo journalism in the form of tip sheets, rumour reports, and newsletters, and many bloggers do aspire to being financial

journalists, describing themselves as such, but existing outside the ethical and professional – and to an extent, legal - constraints of the profession. The results of the interviews suggest that financial and business journalism is more than a job, or an activity. Like other specialist beats it is a set of rules of thumb, formal rules and an ethical attitude, albeit one that varies in some respects between outlets and a great deal between countries.

Online financial news should be separated between online versions and initiatives of old media – which tend to observe the same codes and standards; and pure play online financial news and information. This latter group appears to exist outside the existing framework.

Where broadcasting and newspapers once were the crucial media in terms of their market impact, new media now play a significant part. One editor recounts the case of a report on a rumour on his purely online news messaging service:

"There are rumours of private equity interest in a company called X. Now if it was true that the private equity group was going to buy X it would be on the front page of the newspaper because it would be confirmed, checked news. It would be a big story. But at the moment it is just among the market chatter. So, traditionally, this sort of information would be within the market reports. … Because we are working online in this IM format, we print the same material but it HAS instant effects. Normally, the story which comes to the newspaper is printed in the middle of the

night, turned over by the news wires. By the morning, people can take a view, a quite leisurely view on whether it's true or not true. Or the story might have moved on in some way. When you print it live in IM conversation, nobody has anytime to check. And so the story can have a sort of exaggerated effect in terms of moving the prices. That brings with it huge responsibilities. Because if the story is wrong you can be moving prices falsely. If you say something is true which is not true. (…) And it means you have to be 100 percent squeaky clean. Because people 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. (…) You have to be make it very clear to the reader what sorts of information you are talking about, how firm the information is and literally you have to tell the reader everything you know. If there's any sense you're holding back the information you immediately look like you are manipulating the market in some way. You might be actually doing anything bad but the perception would still be there. That means we could never be seen to have any investment of our own.

Interviewer: So you have to be very clean.

Editor: One hundred percent, squeaky clean.

Interviewer: That means you don't own any stocks.

Editor: No. I only have debts."

The site being discussed is in fact subject to the PCC code as these kinds of sites are operated by a national newspaper. Others are not, and as the interviewee acknowledges, this could lead to

pushing the regulatory and ethical boundaries. “We abide by all the values which go with this newspaper…. Yet at some point, somebody… if (the site) sat under someone else’s umbrella, we could be abused because the technology allows you to speak to a lot of people.” The implicit assumption here is that the (self) regulatory framework that professional print and broadcast journalists are subject to is an effective foil against abuse of journalistic power, for example through market abuse. There is a need for more clarity about who is operating within the professional and ethical framework of financial journalism, particularly with regard to internet content.

Conclusions

Financial and business journalists, like other journalists, sometimes deny that they are part of an organised ‘profession’. But this paper has sought to show that whilst financial journalists are reluctant to accept it, they do have a clear institutional role in the broader financial system. A simple way to understand this role is to see it as a framework of rights and duties that have been developed in the context of legal and regulatory disputes and which form the institutional framework which governs and shapes professional practice. In return for the social function they perform, financial journalists are granted professional privileges.

Interviews conducted for this research support the view that many financial and business journalists lack awareness about the professional and institutional framework they operate within. They hold a range of opinions about their ethical responsibilities and broader governance

role. Interviewees' responses also show that financial journalism is under intense pressure because of the challenges of increased complexity of financial and business news, together with industry changes that put pressure on the funding of investigations and the time available to professionals in fulfilling their duties. The powerful role that strategic PR has come to play in the financial and business journalism sector constitutes another key challenge. And in addition the profession faces two key strategic questions. One is how to respond to the question of professional closure as bloggers and other new media services compete with established financial news sources. Another is the question of what role financial news journalism seeks in the broader settlement for corporate governance. As the regulatory response to the financial crisis of 2007-9 is designed, debate on the appropriate balance between legal and extralegal enforcement will entail a debate about the role of public – and therefore journalistic - oversight. The privileges extended to financial journalists – and the duties that are expected in return –should be part of that debate.

This could be an opportunity to revisit a broader debate about what role journalists should play in the overall framework of corporate governance: not only unearthing cases of fraud, but providing the balanced and sceptical news and comment that deflates bubbles and helps avoid market irrationality. In the current environment, pressures of time and resources are in danger of undermining business journalism in general, and the ability of financial journalists to find a way through the current impasse. The long-standing pressures on business journalism, such as sustainability, source dependency and pressure from PR, are exacerbated by the economic pressures that undermine risk taking, together with the increased complexity of financial markets

and the pressure for rapid publication. The response to this impasse was beyond the scope of the interviews conducted for this phase of the research, but we might speculate about possible ways forward. Journalists could respond by seeking regulatory support to enable them to fulfil their role – for example by reducing defamation risk. Radical solutions are being discussed about new ways of funding journalism, and these will inevitably entail judgements about what constitutes good journalism, and whether business journalism qualifies. Given the range of the challenges they face, journalists will need to work together and pool resources if they are to strike a new compact about their rights and duties in the new environment, and to whom these rights and duties should be extended.

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[2] Interviews were carried out with the PCC director and data on official complaints reveals a lack of complaints against this article of the code. In the first 10 Months of 2007, there were two complaints: one did not breach the Code and the other was dropped by the complainant. In 2006 there were 3, of which 2 did not breach the Code and 1 was dropped. In 2005 there were 4, two of which were not pursued by the complainant while 2 accepted some offer of action by the editor. (Information supplied by the PCC).

[3] I am grateful for information provided by former Wall St Journal general counsel Stuart Karle and Howard Davies, Director LSE and former Director, Financial Services Authority.

[4] Methodological note: Semi- structured interviews were conducted mainly by the author, and some were conducted by researchers working with him according to a semi structured interview guide focusing on the role of the business journalist and challenges faced in performing that role. They lasted between 30 and 65 minutes and were recorded and transcribed. Transcripts were analysed for the main themes they focused on, and the key challenges identified form the structure of the following report. Interviewees consisted of the most senior financial and business journalists in the UK, some of whom requested anonymity which has been granted to all interviewees for consistency. The list of interviewees is available from the author. (Additional comparative material has been provided as background from interviews conducted with financial journalists in New York and Hong Kong which will be published separately).

[5] Robert Peston quotes are from an interview conducted by Terence Kiff for an MSc dissertation, Department of Media and Communications, London School of Economics. July/August 2008. I am grateful to Terence for supplying the transcript.

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