Business media on the global financial crisis

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The so-called Great Recession the world economy is currently experiencing seems to have come without warning. The magnitude of the global economic crisis has apparently taken many by surprise. The international business media have been ticked off for failing to highlight the problem while it was unfolding, such that the world was caught unawares.

Media coverage in the early stages of the crisis, it is claimed, was limited to news of symptoms such as bankruptcies, corporate failures, market collapse and job losses, rather than the disease itself. Paradoxically, the media are also accused of talking down the world economy with horror stories of skeletons falling out of the closets in some parts of the world.

Such perceptions display a total misunderstanding of the role business media can play in today's world. Expecting the media to have discerned the crisis in the formative stages is tantamount to asking for the moon.

It is important to bear in mind that the current crisis is the worst in 75 years on a global scale, and that it has been in the making for several decades, too subtly and slowly for the media to take notice. What we are now witnessing are tectonic shifts in the global economy that become visible only after they have occurred. The media were understandably clueless.

Cyclical changes are easier to spot than structural ones because cyclical downturns are sharp, unlike the much less perceptible structural corrections. The crisis is largely the result of serious structural imbalances between production and consumption, saving and investment, imports and exports, and wages and productivity, to mention a few.

Growth becomes increasingly unsustainable, if not untenable, as such imbalances build up, but it takes time for them to boil over. It is beyond media capabilities to figure out what's shaping up beneath the surface. The crisis was hardly perceptible even to the experts in the initial stages.

Business media interests revolve around current events. It takes investigative journalism to probe and preempt events before they actually happen.

To be fair, the business media have not failed to do what they are good at, which is to highlight sensational stories relating to the financial crisis, such as fiascoes attributed to Lehman Brothers, Bernard Madoff and Alan Stanford. But, these are the outcomes, of the crisis, not the causes. Understandably, media attention was focused on the symptoms, not the disease.

Neither could regulators and watchdogs do a good job. It is mind-boggling how the failed Bear Stearns could have remained Basel-compliant even on the eve of its downfall or American International Group (AIG) enjoyed Triple A ratings from the rating agencies even when it was about to fall off a cliff.

A plausible explanation for all these - and an important lesson to learn from the current crisis - is that the lack of transparency at the firm level and insufficient oversight by regulators concealed the problem, which was allowed to grow until implosion, instead of being nipped in the bud.

The business media in Asia may also have been misled by the so-called “decoupling” theory, which had postulated that East Asia and other emerging economies would not be affected by the recession in North America and Western Europe, as they were on a very different growth trajectory.

However, short-term fluctuations in the United States and European Union in recent times have had discernible impacts on the economic performance of emerging economies, notwithstanding the fact they are on different long-term growth paths. This may explain why the media in East Asia were much less concerned than their Western counterparts.

None of these absolves the media of the blame for its failure to pay sufficient attention to the global financial crisis. The business media everywhere have always been preoccupied with ups and downs in the stock markets from New York to Kuala Lumpur, as if stock market movements and trends were the only thing that mattered. Nothing can be further from the truth. Stock market behaviour little or no bearing on economic realities, as it is driven largely by greed or fear rather than fundamentals.

Stock markets and the real sector can move in the opposite directions. Many a time the stock market had rallied when the real sector of the economy was slumbering and vice versa. The stock market is hardly a reliable barometer of the health of the real sector of the economy anywhere in the world. The media’s preoccupation with stock market movements is often misplaced.

The business media has often times been unfairly accused of “talking down” or “talking up” the economy or engaging in what is sometimes dubbed as “self-fulfilling prophecies”. Depressing stories of the crisis fallout were seen to be spawning more bad news, while the recent spate of reports of “green shoots” or “glimmers of hope” has been viewed as a deliberate attempt to halt the downward spiral.

No one would deny that the business media have an important role to play, reporting truthfully, so that the business community can make informed decisions.

Adapted from “Unfair to blame media for failing to forecast crisis”, New Straits Times, 11 June 2009