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JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS

Dé Céadaoin, 25 Márta 2015

Wednesday, 25 March 2015

The Committee met at 9.30 a.m.

MEMBERS PRESENT:

Deputy Pearse Doherty,	Senator Sean D. Barrett,
Deputy Joe Higgins,	Senator Michael D'Arcy,
Deputy Michael McGrath,	Senator Marc MacSharry,
Deputy Eoghan Murphy,	Senator Susan O'Keeffe.
Deputy Kieran O'Donnell,	
Deputy John Paul Phelan,	

DEPUTY CIARÁN LYNCH IN THE CHAIR.

Context Phase

Dr. Julien Mercille

Chairman: As we have a quorum, the committee is now in public session and session 1 this morning is a public hearing with Dr. Julien Mercille, University College Dublin, on the role of the media during the property boom in Ireland in the banking crisis of 2002-07.

I welcome everyone to the 16th public hearing of the Joint Committee of Inquiry into the Banking Crisis. During our sessions this week we are hearing from a number of witnesses on the role of the media during the property boom in the lead into the banking crisis 2002-07 and any changes in approach after the crisis. At our first session this morning we will hear from Dr. Julien Mercille, lecturer at UCD's school of geography, planning and environmental policy. I welcome Dr. Mercille before the inquiry.

Dr. Mercille holds a PhD from UCLA and an MA from the University of Kentucky. His research focuses on global politics, international political economy, US foreign policy, media studies, and the war on drugs, from a critical political economy perspective. He has published extensively on those subjects in peer reviewed journals, book manuscripts, as well as in the media, and appears on television and radio regularly as an expert in current affairs. In addition to his academic writing, he is a regular analyst and commentator for publications such as *Asia Times*, *openDemocracy*, *Truthout*, *The Irish Times*, *The Sunday Business Post* and *al-Jazeera* among others. Dr. Mercille is also author of the book, *The Political Economy and Media Coverage of the European Economic Crisis: The Case of Ireland*.

Before I begin I wish to advise the witness that by virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to this committee. If they are directed by the Chairman to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and as they have been informed previously, the committee is asking witnesses to refrain from discussing named individuals in this phase of the inquiry.

Members are reminded of the long-standing ruling of the Chair to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official by name or in such a way as to make him or her identifiable.

With that said, I invite Dr. Mercille to make his opening comments.

Dr. Julien Mercille: I will read my statement and we can take it from there. The statement analyses the role played by the Irish media in the property bubble in the years leading to the banking crisis. It discusses also media performance in more recent years. In particular, the statement addresses the following points about which the committee wishes to hear my views: the role in the mainstream media for scepticism about the sustainability of the housing boom or the broader economy; potential conflicts of interest in news content associated with revenues from property sector advertising; consistent promotion of buying over renting in the media; and the prevailing view that there would be a soft landing in the property market. So much of the information presented in the statement arose in my book, as the Chairman mentioned, *The Political Economy and Media Coverage of the European Economic Crisis: The Case of Ireland* in which more detailed and systematic data may be found.

So for the property bubble before the crash, my overarching point is that news organisations largely convey the views of political and economic elites. It is true that there are many debates

taking place in current affairs reporting but they are mostly confined to the range of opinions within the establishment, and thus narrow in relative terms. Most research on the media focuses on journalists' herd mentality and reporters' lack of training in finance. However, I use a political economic framework and identify three main factors that account for the nature of coverage of the economic crisis. The first is the media's links with the corporate and government sectors, the second is advertising pressures, and the third is sourcing. I will take the three points one after the other.

With regard to the links between the media and the corporate and government sectors, both private and State-owned media organisations largely convey corporate and political establishment views, but for somewhat different reasons. Private media entities are large corporations embedded in a for-profit economic system and are thus part and parcel of the broader market economy. This has several consequences. First, in order to start and successfully run a media company with any substantial outreach, significant financial investments are necessary, which means that only wealthy individuals and corporations are able to do so. Second, media firms are integrated into the market and feel the pressure from bankers, shareholders and directors to generate profits. Links with the broader corporate sector, including political elites, are created and maintained through boards of directors, as well as general business and social interactions. Independent News and Media, which is arguably the dominant media conglomerate in Ireland, owns numerous newspapers, magazines, radio stations and websites here and abroad. Just like other news organisations, its board has included numerous individuals linked with the corporate establishment. The same goes for *The Irish Times*, whose board has included a CEO of Irish Life & Permanent, a bank deeply involved in the housing bubble, along with members of IBEC and other businesses. Third, the media have a close relationship with the Government. News outlets depend on the State for licences and franchises, and so the Government is in a position to exert some leverage over news coverage. Also, State-owned media are, by definition, controlled by the Government to a greater or lesser extent through funding and appointments of principal officers. During the boom years, RTE had as chairman a director of Anglo Irish Bank, which epitomised the excesses of the Celtic tiger and property lending.

Thus, because the housing boom was beneficial to key sectors of the Irish corporate and political establishment, it was never seriously challenged. Rising property prices directly benefited builders and developers, banks, the Government, property firms and, directly, the broader economy thanks to high growth levels. The Government was able to collect large tax revenues from the property boom through stamp duty, capital-related taxes, income taxes on construction workers and taxes on construction materials. For example, while total property-related taxes accounted for 4% of Government revenue in 1996, they accounted for over 17% by 2006.

My second point concerns advertising. Advertising revenues are crucial to today's news industry. They allow newspapers to be sold for a lower price, making them more competitive. This affects news content, because corporate advertisers tend not to subsidise television programmes or news stories that seriously question or attack their own business or the political and economic system of which they are a part, which would be directly contrary to their interests. One particularly clear example of the significance of advertising to the Irish media is the large amount of funding from property advertising received during the housing boom years. The Irish media went even further in benefitting from property advertising money. They became owners of property websites, acquiring a direct stake in the growing housing bubble. For example, in 2006, INM bought *www.propertynews.com* and the *Property News* monthly newspaper - the largest Internet property site in Ireland - and, in 2006, *The Irish Times* bought the website *www.myhome.ie* for €50 million, along with the website *www.newaddress.ie*, which

aims to make it easier for homeowners to move residences. Also, most newspapers published weekly supplements about commercial and residential property, glamorising the whole sector, while glowing editorial pieces about a new housing estate were often miraculously accompanied by a large advertisement plugging the same estate, in the words of Deputy Shane Ross, the former *Sunday Independent* business editor. Ross also stated that unfavourable coverage of developers and auctioneers in other parts of the newspapers was regularly met by implied threats from property interests that advertising could go elsewhere. Moreover, an Irish reporter stated that journalists were leaned on by their organisations not to talk down the banks and the property market because those organisations were heavily reliant on property advertising.

My third point concerns sourcing. Journalists depend mostly on mainstream institutions for their reports because of limited resources, time constraints and a competitive news environment. Reporters need to connect those institutions that provide a steady flow of news, which in practice means large organisations that have themselves the resources to produce and release such a stream of material. The Government and corporations are two such sources, with the result that their points of view are predominant in the media. They can also deny privileged information to journalists who do not adopt the expected storylines, as happened during the housing bubble in Ireland.

As will be seen, during the bubble journalists relied on numerous experts from the real estate and financial sectors for their stories. The media analysis that follows depends to some extent on whether the bubble could have been identified before it burst and whether the size of the crash could have been reasonably estimated beforehand. The answer is “Yes” on both counts, although the precision of the analysis is obviously greater in hindsight.

There are two main measures to determine whether property prices are in bubble territory: the price-to-earnings ratio and the price-to-income ratio. *The Economist* magazine used those indicators to warn about property bubbles around the world early on. In 2002, it stated that the Irish housing market had been “displaying bubble-like symptoms in recent years”, and, in 2003, it calculated that Ireland’s property market was overvalued by 42% relative to the average of the previous three decades. In Ireland, the economists David McWilliams and Morgan Kelly identified the problem and warned about it early on.

However, overwhelmingly, the Irish analysts and institutions, including the media, maintained that there was no bubble and that the boom would eventually end in a soft landing. Indeed, there is a clear discrepancy between coverage of the housing bubble before and after it burst. Before 2008, the media tended to largely ignore it, and it was only months after it started deflating that reality had to be faced. Once the housing market collapsed, the media simply could not ignore its downwards trajectory, hence the increased coverage. I have included two figures showing the number of articles on the housing bubble that appeared in newspapers by year. On average, *The Irish Times* had 5.5 times more articles on the bubble per year in 2008–11 than in 1996–2007. Similarly, the *Irish Independent* and the *Sunday Independent* had on average 12.5 times more such articles in 2008–11 than in 1999–2007. Moreover, the few articles published during the earlier period often denied that there was a bubble. For example, there were articles in *The Irish Times* entitled “Study refutes any house price ‘bubble’ “ and “House prices ‘set for soft landing’,” while the *Irish Independent* and *Sunday Independent* had headlines such as “NCB [Stockbrokers] rejects house value threat from burst bubble,” “House prices not about to fall soon, insist auctioneers,” “Price of houses ‘not over-valued’ says new report,” and “There is no property bubble to burst, despite doomsayers.” In particular, between 2000 and 2007, *The Irish Times* published more than 40,000 articles about the economy, but

only 78 of these were about the property bubble, or 0.2%. This is small coverage for what was the most important economic story in those years.

The residential and commercial property sections and supplements presented articles and glossy pictures encouraging readers to buy as opposed to renting. Stories described various properties on sale and were virtually indistinguishable from advertisements. One entitled “There’s a billion reasons to buy” introduced new luxury apartments by noting that they “feature quality designer kitchens with integrated AEG appliances [whatever that is] and stone worktops; top notch bathrooms with ceramic tiles, heated towel rails and chrome fittings”. Potential buyers should waste no time, though, as “numbers are strictly limited – you’d want to stake it fast”. Articles celebrated Ireland’s newly found pride in entrepreneurialism at home and abroad. One profiled the “ever-bullish Irish property buyer ... looking for the hot new property market”, wherever it is in the world. Another article stated: “[I]n Victorian times, it was fashionable for the British to suggest that ‘the sun never sets on our Empire’. Now the sun never sets on Ireland’s burgeoning property empire”.

The media relied on so-called experts from the financial or real estate industry to describe the market, which thus received almost invariably upbeat analysis. For example, as late as November 2007, *The Irish Times* conducted a survey among “property experts” to predict how the market would evolve in 2008. The six experts selected all held high-level positions with property firms. Not surprisingly, their forecast was enthusiastic. A number of journalists simply acted as cheerleaders for the property sector. Many even persisted in rejecting the view that the market had been in a bubble months after it started collapsing. For example, in April 2008, the *Sunday Independent* conveyed the thoughts of a real estate agent who believed that “[T]he time to buy is now. There is certainly great value in the market at the minute but it doesn’t mean people can dilly dally.” Another journalist wrote a book entitled *The Best is Yet to Come* in 2007 and claimed that “Far from collapsing, our economy and property prices will do more than hold up.” All that was required to protect Ireland against a crisis was not to talk about it, because “unless we talk ourselves into one, an economic storm is not going to happen.” Television followed the same pattern as the print press. During the boom, RTE sustained a national obsession with houses by presenting programmes such as “House Hunters in the Sun”, “Showhouse”, “About the House” and “I’m an Adult, Get Me Out of Here”. Leading current affairs programmes such as “Prime Time” also sustained a housing bubble. Between 2000 and 2007, 717 shows were aired, of which only ten, approximately 1%, contained a segment concerned with the housing boom. These shows presented a total of 26 guests or interviewees of whom 11 came from the property or financial sectors, four were politicians from the main political parties, four were journalists, academics or researchers, and three were economic consultants. With respect to their views on the housing boom, only two interviewees said clearly that there was a bubble and that it would burst while the other 24 remained vague, argued explicitly that the housing market was and would remain strong in the years to come, or stated that a soft landing was to be expected if the boom decelerated at some point.

After the crisis, as the property market recovers, especially in Dublin, media coverage has essentially not changed. By this, I do not mean its content is the same as during the pre-crash years. The situation is different and we are not faced with a massive national bubble in the market. Rather, I mean that the media coverage points roughly in the same direction as before 2008. In general, it is the interests of elites that are mostly reflected in editorials and news stories, while those of ordinary people are often left out. This is not unexpected, given that the political and economic nature of the media industry outlined above is intact. News organisations are still corporate or Government-owned entities, advertising still plays a role in generating

revenues and journalists still source their stories overwhelmingly from establishment institutions and individuals. One can find a few articles of a more careful or sceptical nature relative to the ongoing real estate boom in Dublin. I surmise that the pre-crisis bubble and its negative consequences are still felt strongly, and this may lead to more balanced coverage, although in relative terms this is a minor trend and, overall, a significant amount of critical commentary is not appearing in the media. The election of a few Deputies with progressive politics has also resulted in more critical coverage when their views are reported.

The fact that media coverage still reflects elite interests may be appreciated by considering analysis and commentary on the following key issues in the housing market. Approximately 90,000 people are on the waiting list for social housing, and there has been a rise in homelessness. Austerity has reduced State investment in social housing as capital expenditure for social housing was cut by 80% between 2008 and 2013. Approximately 118,000 mortgage accounts, 15%, remain in arrears and a number of repossession procedures are ongoing. So-called vulture funds involving mostly foreign investors are buying up large chunks of the property market. The Government has facilitated this by encouraging the establishment of real estate investment trusts, REITs, via generous tax breaks. REITs buy, among other things, property portfolios from NAMA. Vulture funds raise rents to maximise their incomes before they leave the market, after approximately three years, or whenever their real estate assets have increased enough in value in order that they can sell them back to Irish people at a higher price. NAMA promotes a vision of property as a commodity, not as a social good, given that it needs rental growth and seeks to maximise commercial returns.

Media coverage of such issues has reflected elites' views and interests. Coverage has not been extensive and has not foregrounded analysis and opinion that would reflect ordinary people's interests. Relatively little attention has been paid to progressive strategies to address the problems, such as significant public spending on a social housing building programme, NAMA playing a role more directed towards providing housing as a social good, rent controls, making unfinished estates safe and attractive places to live, converting vacant properties into rental units, mortgage debt write-downs and dealing with the issue of homelessness through a redistribution of wealth and power in society. The problem is not that nobody has presented alternatives. The union, SIPTU, has made the case for establishing a social housing REIT. The youth advocacy group, We're Not Leaving, produced a report on problems faced by renters, including deposit retention and low standards of quality in rented accommodation. The Nevin Economic Research Institute has argued for establishing and financing an affordable housing strategy. However, such organisations have not been included in the media to any significant extent. Instead, we often hear the views of developers, bankers and real estate agents and companies that call on the Government to ease the cost burden of construction in order that more houses can be built by the private sector to allow the market allegedly to solve the problems. We also still see stories of buyers telling how they are being outbid when they attempt to buy property.

After the crash, the media also presented the Government's crisis resolution policies in a largely favourable manner, again in line with the views of Irish and global elites. The media enthusiastically endorsed a blanket guarantee and declared it the cheapest bailout in the world. NAMA was called "bold and imaginative" and the "holy grail", while *The Irish Times* claimed it was our "best bet". However, there were progressive alternatives. Strong conditions could have been attached to the nationalisation of banks such as firing their top management, cutting the salaries of top officials, requiring that investment decisions be made with socially useful purposes and establishing strict regulations on banks' operations. A good bank could have been established, as explained in detail by the economist Willem Buiter in the pages of the *Financial*

Times. After some hesitation, the media endorsed the EU-IMF bailout in late 2010. *The Irish Times* argued that:

On one level, intervention by the EU and the IMF is no bad thing. It means that rational decisions on how we can live within our means will now be forced down the throats of the competing interests who have stymied any genuine national response to the crisis.

The accumulation of sovereign debt in Ireland and Europe gave rise to the possibility of default and restructuring. However, the media described a potential default as a “cataclysm”, an “evil day”, an “unmitigated disaster”, “hugely damaging”, a “doomsday scenario” and likely leading to intolerable contagion effects throughout the eurozone. However, scholarship on sovereign debt restructuring reveals that countries that decide to cancel the repayment of their debts typically suffer only short-term economic costs and that long-term negative consequences are not significant so that, overall, defaulting often yields positive outcomes, for example, in Argentina and Greece.

The media has also strongly endorsed austerity since 2008. At the outset of the crisis, the media called explicitly for a campaign to educate the public about the need for austerity. *The Irish Times* editors complained that members of the public still did not appreciate the possible extent of the economic downturn and the editors asserted that the Government would have “a major job to do in educating public opinion about unpalatable economic realities and the need for civic discipline”. A study I conducted of more than 900 opinion articles and editorials in the five main newspapers between 2008 and 2013 found the following revealing statistic: only 11% of pieces opposed austerity while 58% supported it and the remainder were neutral. The articles’ authorship was also significant. More than 200 of the pieces were written by outside writers, not journalists. Of these, 29% were mainstream economists, 28% worked in the financial or corporate sectors and 20% were political officials in the three main political parties in power during the crisis, including only four from the Labour Party with the bulk from the two dominant right-wing parties. The overwhelming majority of writers, 77%, came from elite political or economic institutions. The remainder of authors comprised academics, members of progressive organisations and only 3% were trade union officials. Thus, a conservative cast of writers expressed their views and interests in the media.

Deputy Joe Higgins: I thank Dr. Mercille for coming here. In his opening statement, Dr. Mercille said, “my overarching point is that news organisations largely conveyed the views of political and economic elites”. When a person opens a newspaper, he or she is faced with a multiplicity of issues, articles, reports, etc. Could Dr. Mercille explain what he means by his assertion?

Dr. Julien Mercille: The views of elites are topics in the media. Some topics are covered more than others, especially business topics, while topics such as homelessness and deprivation do not receive the coverage they deserve if other views were included to a greater extent. The second part is that whenever a topic is addressed, whether it is homelessness, housing or the financial crisis, the way the topic is interpreted reflects the views of the establishment. That does not mean that the media just parrot whatever the Government says. It means that it reflects the diversity of views within the establishment. There is a diversity but it is relatively narrow. There are always exceptions. One can always find an article that contradicts what I said but there would only be a few articles. I am talking about general trends and that is very clear.

Deputy Joe Higgins: Beginning on page 1 Dr. Mercille said, “Private media entities are large corporations embedded in a for-profit economic system and are thus part and parcel of the

broader market economy.” He stated on page 2, “Media firms are integrated into the market and feel the pressures of bankers, shareholders and directors to generate profits.” Is he saying these factors affect how the media covers the issue and its attitude to the main issues of the day?

Dr. Julien Mercille: Yes, it affects it to a great extent. Media entities are large corporations. Like any other corporation, if they want to invest in a new project they will have to borrow money, they have to talk to bankers, they have to survive as economic businesses, they have to sell and they have to get advertising. That leads to a series of consequences for their reporting. There are many reasons for that but I shall deal with ownership first. It is owned by large corporations so they have specific interests. We do not have any problem recognising that. A trade union paper reflects trade union viewpoints because they are owned by the trade unions. The same thing applies for the corporate sector.

For advertising, I am not sure whether the Deputy wants me to talk about it right now. Advertisers will not support publications that are contrary to their interests, by and large.

For sourcing, journalists are under time constraints. It is much cheaper to send a journalist to a parliament to collect the views of TDs and other officials than to send a journalist for a one-month trip to rural Ireland to look at the effects of poverty which is much more expensive. By and large, journalists will go to the organisations that have a ready supply of press releases. Those are, by and large, in establishment institutions and that is what gets reported in the media.

Deputy Joe Higgins: In the lead-up to the crisis that developed, in 2008 particularly, we had the property bubble where the price of homes escalated massively and there were very large speculative gains made on land deals. Can Dr. Mercille relate what he has just told us to how the media covered those issues and covered the property bubble?

Dr. Julien Mercille: During the bubble years the Irish economy, to a great extent, grew through a housing bubble. A lot of people benefited from that, whether it was the banking sector or the Government through tax revenues or whatever. Corporate Ireland had a stake in that, so that includes the media for all the reasons I have talked about, whether it is through advertising or the simple nature of the corporate media, or the Government’s own media, the Government drew benefits from that, and so it led to favourable coverage in general.

Deputy Joe Higgins: Media organisations coming before the committee today and tomorrow will tell the committee that the advertising revenues from corporations and big business that they receive do not determine how they cover issues that might touch on the affairs of those corporations. Does Dr. Mercille accept that claim? Does he believe or not that advertising revenue from the property sector influenced how the property bubble was covered?

Dr. Julien Mercille: Yes, it did. As I said, Deputy Shane Ross said there were explicit threats that advertising would move elsewhere if coverage was negative. Shane Ross is not like a minor journalist. He knows what is going on. We had journalists, and there is a study that I cited, that said explicitly “Yeah, we had pressures from our bosses to give good coverage.” The thing is one does not have to find something explicit saying, “The boss made the phonecall to a journalist to tell him to do this and that.” It does not work like that. Journalists know very well. In any institution one has rules to play by. One does not need to be told every day by one’s boss that one needs to dress like this or that and not to do this and that. If one is in an institution for many years one understands perfectly well. One might not be aware of it but one certainly behaves in that way. If journalists, during the housing bubble, had consistently produced stories saying the bubble will crash and that it is a bubble and all of that, then they would have had a

lot of opposition from the media, as we saw with Morgan Kelly. In terms of a lot of those dynamics, it is not about finding a hidden e-mail or something that will say explicitly one needs to behave a certain way. It is just understood within the institution.

Deputy Joe Higgins: Dr. Mercille also said that newspaper supplements, in particular, for commercial and residential properties during the bubble “glamorized the whole sector” and that editorial comment, in effect, meshed or merged with the advertisements for property. I ask him to explain that a little.

Dr. Julien Mercille: One just has to pick up a property supplement and read the pieces. Frankly, when I started doing so I was not even sure if it was a commercial advertisement or if it was meant to be a real article. One cannot really tell the difference and that happens almost every day. A week or so ago one of the headlines on the front page of the online version of *The Irish Times* was, “This mansion has added a new bathroom”. That was the news. Yes, it does influence. It meshes with advertising and reporting. In other words, if I had to write an advertisement I would not write it very differently from the actual article that appeared in the supplements, for example.

Deputy Joe Higgins: On page 5, Dr. Mercille said, “Television followed the same pattern as the print press.” I ask him to elaborate.

Dr. Julien Mercille: I looked much less at television because it is much harder to get an archive for that. Thankfully, “Prime Time” had all of its programmes online. It removed them after I carried out the study but I do not know if there is a link. At that time it had them so I looked at that in more detail. There were over 700 programmes but I did not watch them all. Thank God, at the beginning of every programme, they say, “We are going to talk about 1, 2 and 3” which meant one just had to watch the first bit. I saved time like that. There was very little coverage of the topic.

I wish to make an important point about the media. When one says that the media sustained the housing bubble, it does not mean that the media every day was saying “There is no housing bubble”. A lot of it is just not talking about it, closing one’s eyes and saying “Yes whatever. There is something going on.” “Prime Time” is a good example because it did not talk about the bubble too much. One had stories about health care, tragedies, political elections or whatever, but few news items on the bubble. When the bubble was covered, like I said, it was mostly by relying on experts from the financial sector, for example.

Deputy Joe Higgins: I am sure that “Prime Time” would say, I imagine, that it was even-handed and impartial during the bubble. In terms of the figures Dr. Mercille gave here in regard to the selection of commentators, where they came from or their viewpoints, does he contend that it conveyed a particular view that does not challenge the bubble? Is that what he is saying?

Dr. Julien Mercille: One could add, a real estate agent that comes and says “Look, I will tell you the truth. There is a housing bubble and don’t buy a house.” One could always imagine that. It does sometimes happen where one has people in institutions that break the rules. By and large, one can assume that they will talk for their own interests. One should not just assume that and one should just look at what they say. In the case of “Prime Time”, one can watch the video and see that they do not challenge. Either they say it is fine, there is no bubble or they just remain vague about it. There is an institutional association in what they say and it is very clear.

Deputy Joe Higgins: Dr. Mercille will be familiar with a study that has been quoted in a

number of introductions that we have received. The paper is entitled “From Boom to Bust: A post-Celtic Tiger analysis of the norms, values and roles of Irish financial journalists.”

It relates to interviews given, for example, by a former group business editor from decades ago of Independent newspapers. In essence, it is summed up in this way:

The commercial viability of virtually all media organisations depends on the smoozing of advertisers. The timid business hack finds himself regularly having to pull or pedal lightly on copy that would otherwise antagonise advertisers.

Is it the contention of the witness that the way the property bubble was portrayed was a factor? A major issue during the bubble was the inflation of house prices for ordinary people, as opposed to investors, that was incredible by any standards. Was that challenged in the course of the bubble?

Dr. Julien Mercille: Advertisers influenced the content. Usually it is not too hard to explain that to students or people in Ireland and it is pretty obvious because of property supplements. There are other examples. RTE has a radio show about banking sponsored by Ulster Bank. Do we really think there will be critical views on that show about banks? Maybe there will be a bit but one can listen to it. It is about dynamics. One must listen to the programme or read the article - that is about the dynamics - but the explanation is pressure from advertisers.

What was the other part of the question?

Deputy Joe Higgins: It concerned inflation in house prices that became a major issue.

Dr. Julien Mercille: It was discussed. When I say the media had very little coverage of the bubble, it is not that they were unaware of the rise in prices. There were terms such as “affordability is not very good right now” or indications that people are finding it harder to buy houses, or there is a boom. If one is to be serious about an analysis, one must say there is a bubble, which is a dangerous thing. One must go beyond just saying it is hard to buy a house these days. That is not real analysis and is rather superficial. Much of the media discussed the other aspects. In other words, there is no way one could really know there was a bubble by reading the media.

Deputy Joe Higgins: Perhaps I will be able to ask two questions in one as I will not be able to come back in. After the bubble burst, how did the mainstream media cover the aftermath and particularly the austerity programmes that were implemented as a result of the crisis? In his introduction, Dr. Mercille referred to vulture funds. He discussed the buying of tranches of residential developments and referred to NAMA. He indicated that “media coverage of such issues has reflected elite views and interests and has not foregrounded analysis and opinion that would reflect ordinary people’s interest”. I will conclude on those two points.

Dr. Julien Mercille: With regard to the housing market, right now we do not have a huge national bubble. The coverage cannot be analysed in the same way we did before. There is a spike in Dublin prices but it is not a national issue like before. The media, in general, is the same, as the structure has not changed. There is still advertising and it is still corporate and government-owned. There are more articles of a careful nature. When one sees a boom in Dublin, a journalist does not necessarily jump on it as much as before because of the crash. Perhaps they are a bit more careful. I have not looked at it in any systematic way.

After the crash, the other issues became more prominent, such as austerity. When I or others

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say the media is in favour of government views, it is not something pulled out of nowhere. The media is very proud about that and says so explicitly. *The Irish Times* indicated in 2008, right at the start, that it needed to educate the public about the virtues of austerity. There is no secret there and it was very successful in that task. The media performs extremely well in Ireland if it is judged from that standpoint. It has been very successful in telling people that austerity is the right way to go. There are crisis resolution points.

One can see reporting about vulture funds and other topics but not to the extent one would see if ordinary people's interests were considered to a greater extent. There is good reporting but that is a broader point. In the business press, for example, there is excellent reporting. *The Sunday Business Post* has done very good studies on vulture funds because those journalists speak to the business community. Those people need good information and it is not just a case of propaganda being out there. Otherwise, a decision as a business leader or Government leader could not be made. There is very good reporting out there but the twist will usually be written for the interests of the elites. That does not mean it is wrong but it is a particular viewpoint.

Chairman: In the opening statement and during the questioning from Deputy Higgins, Dr. Mercille referred to political and economic factors and the relationship with elites and so forth. I wish to briefly deal with the cultural aspect of this discussion. How does he view the Irish public's relationship with the ownership of property and particularly home ownership?

Dr. Julien Mercille: If the Chairman is implying there is a culture in Ireland of-----

Chairman: I am asking Dr. Mercille. Is there a particular culture in Ireland that is different or is it the same in other jurisdictions, particularly with regard to the desire to own one's home?

Dr. Julien Mercille: That is a good question as we hear it all the time. My view is that culture has nothing to do with any of that, or at least very little, as I do not want to exaggerate too much. It is not what drives anything. People react to economic and political incentives and that is what drives them. There has been less home ownership in Ireland, for example. To put it in culture terms is a way to normalise it. It is like saying that Americans are inherently violent because they go to war all the time. That is not right. Incentives were put in place for home buying, such as low interest rates.

Chairman: To use the Chomsky term, is the media involved in a manufacturing of consent around property purchasing? Is it not an Irish cultural thing but rather a media phenomenon that people buy homes disproportionately in Ireland compared with other countries?

Dr. Julien Mercille: That is certainly true. It is not just the media and it is not as if people listen to and do everything that the media says. There are also economic and political incentives, depending on how the market is structured, for example.

Chairman: If we had a different interpretation or narrative, would there be lower rates of home ownership and higher rates of renting?

Dr. Julien Mercille: A different narrative would help in dealing with those issues. The audience reception of media is not something that can be measured accurately, and one never knows how much people buy into it or not. It may just put doubts in minds but there would be certain influence, just as with advertising.

Chairman: Do you rent or own?

Dr. Julien Mercille: I rent.

Deputy Kieran O'Donnell: Perhaps I should ask what the witness had for breakfast. I welcome Dr. Mercille. The presentation indicates that the views largely conveyed are of political and economic elites. Who are they?

Dr. Julien Mercille: Political and economic elites have power to influence legislation and policy in Ireland. It is not always a precise term but we understand it as, let us say, corporate Ireland and political leaders, for example.

Deputy Kieran O'Donnell: Are they not democratically elected?

Dr. Julien Mercille: That has nothing to do with the fact that they are elites. You can vote for a king. You can vote for a rich person or a poor person, but they are elected.

Deputy Kieran O'Donnell: A king is not elected.

Dr. Julien Mercille: No, that is true.

Deputy Kieran O'Donnell: Or a queen.

Dr. Julien Mercille: One can vote for anybody, but that has nothing to do with his or her status as a member of an elite.

Deputy Kieran O'Donnell: Dr. Mercille's premise is that the media conveys the views of political and economic elites. The question I am asking him is with a view to backing that up. We are a democracy. People vote. They vote based on views put forward by various political parties. So, by definition, if the media reflects the views of the particular party in power at that time, at some stage does it not reflect the views of the people and, by definition, the readership?

Dr. Julien Mercille: Yes; that is a good question, because it is something we hear all the time. Again, it is a dominant view in media studies that media content reflects what its readers want to hear or want to read. That is a conservative interpretation of the media, and the reason is that there is a big discrepancy between the interests of elites and the interests of ordinary people. So, for example, one often hears that Irish people just wanted to buy houses in the housing bubble years. Well, maybe at a superficial level, because that has been heard about, but it is not true that what one sees in the media reflects the viewpoints of ordinary people. For example, people have an interest in having a good health care system or a good welfare state, and the media does not say that. People did not have an interest in building the whole economy on sand, based on a housing bubble, to make it very unsustainable.

Deputy Kieran O'Donnell: I have read Dr. Mercille's witness statement. Many of his views are personal. I will not go to that area because I regard them as personal views. What we are trying to extract from Dr. Mercille is how the media interacted in terms of our role here, which is the banking inquiry, and particularly in terms of the property bubble. What is Dr. Mercille's view of an alternative model for the media, specifically with regard to property and the banking inquiry, which would reflect a more balanced view in terms of the way the media presents things?

Dr. Julien Mercille: Does the Deputy mean a better way to organise the media?

Deputy Kieran O'Donnell: Yes. What model would Dr. Mercille like to see in terms of the way the media reports?

Dr. Julien Mercille: Well, there is the mass media, which is what my study is based on - the mainstream media, consisting of newspapers, radio and TV. There is also something called the alternative media, which is smaller. Much of it is based online. It is the same in every country. That is a good model, in my view, for the structure of the media. So they are not large corporate entities. They rely on advertising to a small extent or not at all, so they raise their funds, for example, from readers only. One can see very clearly the result of that if one reads the alternative media. In Ireland it is not that big, actually, but there are people like Michael Taft, let us say, who writes a blog. If one compares this with the mass media, the difference is like day and night.

Deputy Kieran O'Donnell: I do not want to mention Michael Taft. He would have a particular point of view.

Dr. Julien Mercille: Who?

Deputy Kieran O'Donnell: Michael Taft.

Dr. Julien Mercille: Yes, just as *The Irish Times* and RTE have particular viewpoints. There is a problem with people's understanding involved in this objectivity thing. People say, "You have a viewpoint, but it is wrong." It is not wrong. A viewpoint is fine. It is very hard to write anything with no viewpoint. I have a viewpoint. The Deputy has a viewpoint.

Deputy Kieran O'Donnell: With due respect to Dr. Mercille, in his article he speaks about progressive viewpoints.

Dr. Julien Mercille: Yes.

Deputy Kieran O'Donnell: One man's progressive viewpoint might be another man's regressive viewpoint.

Dr. Julien Mercille: That is a pure relativist viewpoint, a viewpoint of philosophical relativism.

Deputy Kieran O'Donnell: Dr. Mercille's viewpoint is subjective as well.

Dr. Julien Mercille: Yes. Some people could say that, for example, invading a country based on no argument is a good thing. Yes, fine, but most people will not agree on that. So the point of the media is to tell the truth. That is it. It is not about balancing viewpoints and here and there. It is about telling the truth. If that was done in the media, one would not recognise the media we have here.

Deputy Kieran O'Donnell: What would there be instead, in Dr. Mercille's view?

Dr. Julien Mercille: There would be a media that does not say austerity is a good thing to revive an economy in a downturn, because we know it is not. There would be a media that says there is a housing bubble when there is a housing bubble. The last 15 years of media coverage would have been completely different if the media had just told the truth. It is not about being left or right or progressive or conservative. It is about telling the truth.

Deputy Kieran O'Donnell: In Dr. Mercille's view, if the media had told the truth, would the property bubble have arisen at all?

Dr. Julien Mercille: Much less so.

Deputy Kieran O'Donnell: So Dr. Mercille would put the media very much centre stage in terms of being-----

Chairman: That is a leading question.

Deputy Kieran O'Donnell: It is so obvious, Chairman, that I have to ask it.

Chairman: It is so obvious that the Deputy has a leading question. That is my difficulty. Do not ask a leading question and I will let you do your job.

Deputy Kieran O'Donnell: In Dr. Mercille's view, could one make the point that the media were a contributing factor in the property bubble, or not?

Dr. Julien Mercille: Yes, one could say that. The extent to which it was guilty compared with others is hard to debate.

Deputy Kieran O'Donnell: It played a role.

Dr. Julien Mercille: It was a factor, yes.

Deputy Kieran O'Donnell: Dr. Mercille made a very interesting observation that in 2006 - ironically, when the property market was in decline and the crash had more or less happened - both INM and *The Irish Times* bought property websites. Did Dr. Mercille do any study examining how a situation had arisen whereby two large media publications had purchased property websites when effectively the market had reached its peak and was on the way down?

Dr. Julien Mercille: I did not do any detailed study about that. It is just to show that the media had an interest in the property market.

Deputy Kieran O'Donnell: Did the purchase of those two websites manifest itself in any way in the media coverage of the property sector provided by both of those organisations from 2006 on?

Dr. Julien Mercille: Again, as I said before, it is not as though there is a particular article and one can see that it is directly influenced by the purchase of this website. My point is broader. On the one hand, there is coverage that is relatively positive, sustaining the bubble, and one sees those interests in the property market. One can conclude or make an interpretation that this would influence their coverage, because they have a direct interest in it. It is in that way. It is not the case that the property website manager calls the media organisation and says, "Can you cover me in that way?". Maybe that happens sometimes, but it is not what I am concerned with.

Deputy Kieran O'Donnell: How much time do I have left, Chairman?

Chairman: The Deputy has seven minutes.

Deputy Kieran O'Donnell: Dr. Mercille referenced an article in *The Economist* in 2002, which was followed up in 2003, which said that the Irish market had been displaying bubble-like symptoms in recent years. It calculated that Ireland's property market was overvalued by 42% relative to the average of the previous three years. There were also warnings from some Irish contrarian economists. Around that time *The Economist* published that article, how did the Irish media react to it?

Dr. Julien Mercille: To *The Economist*?

Deputy Kieran O'Donnell: Yes.

Dr. Julien Mercille: There were a few articles but, again, when one does a media study, it is about human affairs, so one looks for big trends. With any article, one can prove anything one likes. There were references, but the reporting that *The Economist* did - presenting data every few months - was very different from the type of reporting that the Irish media did, with articles saying something along the lines of "By the way, *The Economist*, this publication in England, had a little report saying we are overvalued, but there are other interests that contradict that." That is very different reporting. So there was a bit of that, but mostly I would say that the main factor, if I had to pick one, would just be that they closed their eyes. That is more-----

Deputy Kieran O'Donnell: Is Dr. Mercille saying it was a case of "See no evil, hear no evil, speak no evil," like the three monkeys?

Dr. Julien Mercille: If one does not want a viewpoint to be brought to the table, one way is not to talk about it. So there was not too much reporting about that. There was some. Again, *The Economist* is another good example of my point that it is not about left, right, progressive, or conservative. The Economist is a conservative magazine, but it was serious. It did its job and it provided good information. Every few months there was a follow-up on the bubble, not only in Ireland but elsewhere. That is serious business reporting.

Deputy Kieran O'Donnell: Does Dr. Mercille believe the Irish media did not do its job?

Dr. Julien Mercille: It is not a belief; it is just a fact. I cannot find the equivalent of *The Economist* in the Irish media. With the exception of David McWilliams, Morgan Kelly and a few others who had some views, this country did not have the same level of systematic analysis. Maybe that can be attributed to a lack of resources because this is a smaller country, but I suggest it was for the reasons I outlined.

Deputy Kieran O'Donnell: Does Dr. Mercille believe, on the basis of his studies, that media outlets were aware that there was a problem with property? Was it a sin of omission? Did they simply fail to report on it?

Dr. Julien Mercille: I do not know. I am not the head of the journalists and media owners. Some of them were probably deluded and said "no, there is nothing". Others who might have been aware said "look, it is going well now, let's go with it". I do not know. The question of whether they were disingenuous or just deluded is a separate one. It was probably a bit of both. I do not know.

Deputy Kieran O'Donnell: Thank you, Chairman.

Chairman: I call Senator O'Keeffe.

Senator Susan O'Keeffe: Could Dr. Mercille give us a little insight into the role of public relations companies in liaising between journalists and their clients?

Dr. Julien Mercille: It is not something I know a lot about, to be honest. I think there is a reference in the book to how they would link journalists with developers or construction businesses and make it clear that access would be cut if something not very nice was published about a developer or a company. I would not really know more than that about the matter.

Senator Susan O'Keeffe: According to page 2 of the statement that Dr. Mercille has submitted to the committee today, Independent News and Media "is arguably the dominant media

conglomerate in Ireland” and “just like other news organisations, its board has included numerous individuals linked with the corporate establishment”. Dr. Mercille might expand on that idea by commenting on those people and the role they played. What role did they play? Did the fact that such people were on these boards have an influence?

Dr. Julien Mercille: It depends on the media organisation. Boards mostly play a role in orienting the general direction of the newspaper. They do not do the reporting on the ground. If the board of a newspaper is filled with trade unionists, that newspaper’s coverage will probably be more pro-trade union. We would not have an inquiry about that because everybody would understand it. When the board of a newspaper is filled with people from the banking sector and other elite sectors, the newspaper’s coverage will be influenced in that direction. We cannot stay at that point, however - we need to look at the actual coverage. There are people in business and in the establishment who care about the truth. Such people exist. After we looked at the coverage and saw that the housing bubble was pretty much covered favourably, we examined the interests of the people on the board. It was clear to us that they drew benefits from the entire process. We were able to make an interpretation on that basis. That was one dynamic among others.

Senator Susan O’Keeffe: Having looked at the coverage and at the board, would Dr. Mercille’s interpretation be that this can be matched? Is that what he is saying?

Dr. Julien Mercille: Yes. There were directors of banks on the boards of newspapers when journalists were deciding what to write about housing. I do not think I have ever spoken to those people. Maybe I did; I am not sure. It is about making a connection. The committee has to rely on the actual coverage. Otherwise, it is a bit more speculative.

Senator Susan O’Keeffe: Dr. Mercille has spent time looking at coverage. He has cited the numbers of articles that were written by various people. Others of us have not done that. Is Dr. Mercille satisfied, having done that exercise, that there is a correlation between the profile of the boards of the main newspapers and the profile of their coverage of this issue?

Dr. Julien Mercille: Absolutely. Thousands of articles are published every day. It is not like every single article links to the interests of a certain guy. In general, we understand that this is what happens. If the board of a student newspaper was filled with students, student interests would come first in the newspaper. We would all understand that very clearly.

Senator Susan O’Keeffe: Does Dr. Mercille think the journalists who did not write at all about what was going on - he suggested that they ignored it - contributed more to the crisis than those who denied the bubble? People in the latter group could be referred to as the deniers. Which group was more significant? Did they have an equal impact or a shared impact on what happened? The groups are quite different.

Dr. Julien Mercille: Yes. It is a good question. Again, it is impossible to give a clear or precise answer. I would say that in the case of the housing bubble, people just chose not to talk about it. The “Prime Time” report is a good example. Not many of the shows that were about the bubble denied that it was happening. It is just that there were very few shows about it. The graph I have presented to the committee contains two figures that show the same thing. I think I have mentioned that a few articles about the bubble appeared before 2008. The articles in question were not necessarily critical of what was going on or warning about it. Many of them said “you may have heard there is a bubble out there, but it is not true - we talked to experts and rest assured it is fine”. This does not even mean they were talking about it. In most cases, I would

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say it is a question of denial. The same point applies to a lot of things. When was the last time it was on the front page that the US military has been using Shannon Airport for many years? It is not as if the media is saying “no, the US is not there”; it is just that we do not talk about it. The same point can be made about deprivation or about the health care system. We are never told that a great deal of money could be saved by having a public health care system. Much of it is just not addressed. When it is, the views of elites are usually taken as a driver. Again, this does not mean it is wrong or right - it just means this is the viewpoint that is being heard.

Senator Susan O’Keeffe: In Dr. Mercille’s experience and research, would he have spoken to people who offered evidence of journalists being subjected to strong or small interference from corporate types who were saying “that is not a great way to be going” or “actually, we do not want to use that story”? Did he experience any of that when he spoke to people?

Dr. Julien Mercille: I thought the Shane Ross evidence and the other article were very good. The job was done for that, so I did not talk to as many people. I will give another good example that is more about the passiveness. A senior RTE journalist who was trying to show me that it was not the media’s fault, and that it was the fault of the economists or whoever else, once told me how he works. He said that when he looks at his mobile after he comes back from lunch, he might have received 12 press releases from the banking sector. He said he just copies them down as his article and that is it. He argued that this shows he is not guilty, but is merely reporting the views of the banks. That is a very good example of passive reporting. It is actually a robot view of a media environment in which journalists do not even think, but just copy what they get on their mobiles. At one level, one could put the blame on journalists and others and suggest that they should think a bit. However, it is very rational for media organisations to behave in this way because it saves them a lot of money. As such organisations operate in a profit-driven system, they might go bankrupt if they do not act in this manner. There are rational reasons behind their behaviour.

Senator Susan O’Keeffe: I thank Dr. Mercille.

Chairman: The next questioner is Senator Michael D’Arcy.

Senator Michael D’Arcy: I welcome Dr. Mercille. If he was to classify himself on the political spectrum, would he put himself on the left, in the centre or on the right?

Dr. Julien Mercille: I would say I am progressive - not progressive in the sense of the Progressive Democrats, but progressive in the American sense. Does Senator D’Arcy want me to explain that?

Senator Michael D’Arcy: Is Dr. Mercille sure he would not like to come over to this side of the House and ask the questions?

Dr. Julien Mercille: Is the Senator suggesting that I should ask questions of all of you? What I mean is that the left-right thing can be misleading. A journalist on the right like David McWilliams is not a Marxist. He is maybe more on the right. He is a very serious analyst. The same thing applies to Morgan Kelly. He is a very serious analyst. Someone might be on the left, but that does not mean he or she knows anything. I would rather go with looking for the truth and being progressive. It is a safer answer here.

Senator Michael D’Arcy: Dr. Mercille has said that media outlets are there to tell the truth.

Dr. Julien Mercille: Yes.

Senator Michael D’Arcy: He wrote previously on a blog that newspaper outlets have financial and property sections, but no poverty or homelessness sections. How many newspapers would be sold if a homelessness section existed?

Dr. Julien Mercille: People would be interested in it.

Senator Michael D’Arcy: Would their circulation go up or down, in Dr. Mercille’s opinion?

Dr. Julien Mercille: If they had a poverty section they would sell more, depending on how it was covered. If it was covered in a progressive way, mentioning, for example, that this is a very unequal country, it would threaten the power structure in Ireland. Someone who is interested in maintaining the unequal structure of power here and elsewhere, and who is not irrational, will not want everybody to have all the information they want about it.

Senator Michael D’Arcy: Are media outlets not also going concerns - businesses - that have to pay wages and employ people?

Dr. Julien Mercille: That is why some people would say journalists are incompetent. For me, it is a more structural issue. As the Senator said, these are businesses which have to raise money through advertising. There are not many other options. If one wants another system with alternative media, then it is a completely different thing with different reporting, not the same pressures such as advertising and, more than likely, journalists will be paid less.

Senator Michael D’Arcy: What about inconsistent positions by commentators to which Dr. Mercille referred over a period?

Dr. Julien Mercille: At one level, a journalist is under time constraints. A few inconsistencies are not a problem. One cannot expect someone to have 1,000 articles all sharply in line with the same position. I do not have a problem with any viewpoint, be it conservative or progressive, as long as it is serious, has quality and is trying to find out something interesting. In the Irish media one has pub talk discussions or just fillers for the newspapers. One could have the same conversation with a friend anywhere and it might not be very relevant. One sees inconsistencies because there is not really a clear viewpoint. They will just talk randomly with people shifting their views pretending they said that.

Senator Michael D’Arcy: Should financial and property sections be excluded from the print media?

Dr. Julien Mercille: Excluded from an actual newspaper?

Senator Michael D’Arcy: Yes.

Dr. Julien Mercille: No, not at all. Again, it depends on what one wants to do. One could have amazing articles about finance, banking and business. They should be there. It is how they are treated. One can have very different viewpoints on finance.

Senator Michael D’Arcy: What is Dr. Mercille’s opinion of the media’s reporting of elites referring to talking down the economy as being like borderline treason?

Dr. Julien Mercille: We heard that message of do not talk it down and if you do so, it is your fault if it collapses. The economy is not determined by talking about it. You might expose an inconsistent message. However, someone writing about the housing bubble will not result in

it suddenly crashing. We had one before and it was bound to collapse. It is called flak. If one has a viewpoint that challenges power, then one will get a lot of criticism from people in power.

Chairman: I want to reshape things for a moment because we are falling into a general discussion. The lead-up to the property crash and the financial and banking crash happened over a good number of years and was multifaceted with many dynamics. The period of the guarantee, however, is a very significant period in terms of a timeline. How does Dr. Mercille view the media's coverage of the guarantee in the lead-up to it, the day it was announced and the period afterwards?

Dr. Julien Mercille: The guarantee was received favourably by the media. This is the overarching point because, again, it was a decision of most of people who had a say in this such as decision-makers. The media rallied towards that. It was one of the most aggressive measures in Europe to deal with the banks and the media thought it was great. Some people said Ireland would become a model of financial innovation for others to follow.

Chairman: I remember driving up to the Dáil on the morning of the guarantee, listening to RTE's 2FM and the late Gerry Ryan dealing with the issue. This was not the normal subject matter of that station. Did Dr. Mercille do an examination of the various shows during the two-week period of the guarantee and the proportion of those which were in favour or against it?

Dr. Julien Mercille: No, I did not. I remember when the guarantee came in, many of the global bankers were in favour of it. Those viewpoints were reported a lot such as, "The guarantee is the best thing ever says Deutsche Bank".

Deputy Michael McGrath: Dr. Mercille went to a lot of trouble to analyse the various articles and editorials across the main newspapers and arrived at certain conclusions about the balance of coverage in the lead-up to the crisis in particular. Is there evidence that those with contrarian views who could see the crash coming could not get such articles published?

Dr. Julien Mercille: The main two were Morgan Kelly and David McWilliams. There were a few others who were not systematic enough to be analysed. In the case of Morgan Kelly, the story goes that before publishing his first article, it was rejected by a few newspapers and he had to do a bit of work to get it out finally. On "Prime Time", he was shown on one side of the table and the flak was coming from the other side. Even if Morgan Kelly had been wrong, that would not be the point. At least he tried to do something serious and it turned out he was right.

Deputy Michael McGrath: He was heard but Dr. Mercille is arriving at conclusions which are critical of the media because of what he regards as unbalanced coverage in the lead-up to the crisis. That presupposes there were voices that were contrarian in nature but could not get a platform. Is there evidence of that?

Dr. Julien Mercille: Is there evidence of systematic blocks of contrarian views?

Deputy Michael McGrath: Maybe the media were reporting these views.

Dr. Julien Mercille: They were not. *The Economist* was across the Irish Sea and its article on the bubble was ignored mostly. That raises another question about the economics profession in this country. How many economists seriously looked at the housing bubble? I know Morgan Kelly and a few others did. It is not just the media but academia.

Deputy Michael McGrath: How can one criticise the media if there is not any evidence

that they denied a platform to people with alternative views who saw the crisis coming? Who are they and what is the evidence that they could not get heard?

Dr. Julien Mercille: Morgan Kelly is a good example.

Deputy Michael McGrath: He got heard.

Dr. Julien Mercille: If one gets heard after working on it for some time, it is not the same as being welcomed and actively sought. The media could have reprinted the article from *The Economist* or quoted Dean Baker, one of the top economists in the world, who called the bubble in 2002 very systematically and precisely. He has never been mentioned anywhere in the Irish media. Why would the Irish media not do a bit of work to find those few analysts? The Deputy is correct that there were more people among the experts saying there was no bubble. That is because they are also part of elite institutions, and the media is just one factor in that.

It would not have been hard for the media to do their homework, however. If it had been a one-time event over six months, one could have argued there was no time. However, this was over several years and there is no excuse for not having enough time. If you did not know what a housing bubble was in 2001, you had a few years to learn about it. Journalists are not just recorders of others' views. They have to think on their own.

Deputy Michael McGrath: Has Dr. Mercille any examples of articles that were rejected and simply could not be published?

Dr. Julien Mercille: Again, that is the Morgan Kelly story. He was rejected by a newspaper first and he had to use other outlets.

Deputy Michael McGrath: Is it Dr. Mercille's opinion that the mainstream media organisations which he examined have a corporate view on these issues and do not just see their role as reporting the news and providing fair and impartial analysis? Does he believe they are pursuing an agenda?

Dr. Julien Mercille: Of course, which is why there is a business section, a finance section and a property section but no poverty section. If we say the media do not have a corporate view point we must say a trade union newsletter does not have a trade union viewpoint, which is a bit hard to sustain as an argument. It does not mean it is wrong; it just means it is the corporate viewpoint. Sometimes it is right.

Deputy Michael McGrath: Is it Dr. Mercille's view that the commercial interests of the media organisations influenced their editorial policy?

Dr. Julien Mercille: Of course.

Deputy Michael McGrath: Where is his evidence for this?

Dr. Julien Mercille: If one looks at austerity, approximately 10% of articles were against austerity and the rest were in favour or did not know. If one looks at the housing bubble-----

Deputy Michael McGrath: Why would it be in the media's commercial interests to advocate austerity?

Dr. Julien Mercille: Austerity is about making labour more flexible, raising regressive taxes and cutting welfare spending to the benefit of elites. It does not have to be like that all the

time but it is what corporate Ireland-----

Deputy Michael McGrath: On page 1 of Dr. Mercille's opening statement he makes the point that private media entities and large corporations were embedded in a for-profit economic system and thus are part and parcel of the broader market economy, and he outlines the consequences as he sees it of this. What are the alternative economic systems to which he refers implicitly when he states they were embedded in a for-profit economic system and the broader market economy? What is the alternative in his view?

Dr. Julien Mercille: In terms of the broader economy or the media?

Deputy Michael McGrath: Specifically the issue of a for-profit economic system as opposed to what?

Dr. Julien Mercille: We can talk about socialism or whatever and that is fine, but we could just have capitalism with a human face which is what some people talk about. We could reduce the profit incentive. We could go much further, to the progressive end of the spectrum and be more decentralised, with a deep democracy as opposed to voting for the same two or three parties every four years with not much input from popular opinion. One could take a greater part in the economic decisions which affect one's life. It is about democratising the country.

Deputy Michael McGrath: They are called elections.

Dr. Julien Mercille: Elections are a very superficial form of democracy because one votes only once every four years for two parties which are essentially the same. It is a very limited form of democracy. There are other forms of democracy where one can have more of a say in economic terms and political decision-making. This is drastically different and has nothing to do with electoral democracy.

Senator Sean D. Barrett: Dr. Mercille is very welcome. According to an earlier article he wrote, only two of the journalists who wrote about the crash in Ireland were qualified in economics. Was this part of Dr. Mercille's studies or have I mistaken him for a different author?

Dr. Julien Mercille: I mentioned it. The claim is the journalists were not well qualified to cover financial or economic issues. If they were better trained or went back to school they would have been better. I would downplay it as an explanation. Of course the more knowledge one has about economics the better one is at understanding issues and that is fine, but journalists are generalists and cannot be expected to be experts on every topic they cover. They know enough to study and have a good grasp of some issues and maybe get the right expert to explain to them what is going on if they do not understand. If all Irish journalists were retrained and made do a PhD in economics in a university anywhere it would not have helped that much because much of the economics profession was not active in warning about the bubble.

Senator Sean D. Barrett: Does the lack of training about which Dr. Mercille has spoken not leave them hugely vulnerable to the PR sector? Not knowing the stuff they reproduce the PR handouts after lunch, like Dr. Mercille said in an earlier example.

Dr. Julien Mercille: There could be a situation where one could say if journalists were trained they would be more sceptical, but it could also be the other way around that if journalists were trained in finance they may internalise the views, just like stockbrokers who are trained in finance who internalise them. It depends on the type of economics they learn. If they learn progressive or alternative economics from Paul Krugman or David Harvey it would be very

different from learning from more mainstream economists. It depends on what is learned as supposed to learning something.

Senator Sean D. Barrett: In his studies of the articles, did Dr. Mercille ever come across any article which stated house prices were lower which was really good news?

Dr. Julien Mercille: When was that?

Senator Sean D. Barrett: I am asking whether in all of his studies in this period did anybody say low house prices means they are more affordable which is good news?

Dr. Julien Mercille: They did not say that in 2006 because prices were very high, but they might have said it in the beginning or in 2010.

Senator Sean D. Barrett: Is there a danger that we are taking this topic too seriously? If, on the advice of a racing correspondent, I continuously back slow horses do I blame him or her, the media or myself for not absorbing information and deciding to go for faster horses? Should I decide correspondent Bloggs is unreliable in my investment policies with regard to going to Leopardstown?

Dr. Julien Mercille: I did not look at racing but at housing.

Chairman: It is an analogy.

Dr. Julien Mercille: If one assumes people should make their own decisions and cut through the propaganda in the media then what is the purpose of the media? Is it to confuse issues so people can practice their critical thinking skills and decide to take five hours in a day to uncover the truth? One cannot blame people to the same extent as the media, for the simple reason those who have a job work 40 hours a week and cannot be expected to spend so much time digging into every issue. That is my job, so I could be taken into account and journalists are also paid to do so. For other people it is different.

Senator Sean D. Barrett: On page 6 Dr. Mercille criticises real estate investment trusts, REITs. They were also heavily criticised in the Seanad debate on the Finance Bill. What would Dr. Mercille do about them?

Dr. Julien Mercille: They could be regulated much better. I do not know about all the legal issues involved, but how easy it is for outside investors to just buy up chunks of the market could be restricted. They could be held to the same regulations and have the same safeguards for people in their homes. It is about regulating.

Senator Sean D. Barrett: Dr. Mercille started his career in *Magill*, and several times during these hearings we have examined Canada as an example of a country which did not have a banking crisis. It also seems it did not have a public finance crisis. Are there any lessons from Dr. Mercille's studies in *Magill* and watching this environment?

Dr. Julien Mercille: Canada had a more regulated banking system; certainly that is one lesson and perhaps the most important. Now it is very big on austerity, but this is not a lesson as it would be looking at Canada making the same mistakes again. There is a housing bubble in Canada. I have not looked at it in any detail but analysts state it is growing and unsustainable.

Senator Marc MacSharry: Dr. Mercille motioned RTE had a chairman who was a director of Anglo Irish Bank. Is it his contention this had an impact on the editorial policy within RTE?

CONTEXT PHASE

Dr. Julien Mercille: It does not work like that in real life. It is not that a director calls a journalist or editor and states he or she had better do it like that. Perhaps this happens sometimes, I do not know. It is an institutional analysis. If an institution's board of directors is filled with people with affiliations to the banking sector and other sectors one can really see it will influence their decisions in the same way as if it were filled with 12 Marxists. You could probably say that a newspaper could be Marxist in orientation and nobody would ever even question that. Again, just to remain at that is not enough because it is an interpretation, but when you look at the coverage that matches those interests, then you can see they made the decisions on orientating the broad guidelines of the media content.

Senator Marc MacSharry: Would it be Dr. Mercille's view that in the newsroom in RTE, if a journalist was considering what to write about a bank, they would say to themselves "John, whatever you do, do not-----"

Chairman: That is quite leading. The Senator cannot ask the witness his view. He can ask for an opinion upon something, but you cannot preface it with "Is it your view". That is a very leading question.

Senator Marc MacSharry: On the basis of what the witness said about the complexion, for want of a better word, if the director of bank A was also the chairman of news agency B, would there be an innate, unwritten policy or action of journalists in that organisation to reflect copy that would be other than negative to that bank? Is that correct or is it incorrect?

Dr. Julien Mercille: It is correct but I want to emphasise that it is not as if the journalists are thinking: "Oh my God, I wish I could report this but my director would not be happy." There might be some of that in any institution, whether it is the media, the military or a political party. Anybody who has been in that institution for a number of years is very well aware of the rules, where you can go, where you cannot go and how far you can criticise this person or that person. We all know that in our working lives. Some journalists might be completely comfortable with that and never even realise there are constraints because they agree with them all. Other, more critical journalists are well aware of that. They know where the line is and know how far they can go and what the repercussions will be. I am not in their heads, so I cannot give specific examples of thinking like that, but it is the same in any institution. There is nothing special about the media in that.

Senator Marc MacSharry: When Deputy McGrath was seeking examples of people who were suppressed, the witness mentioned Morgan Kelly as an example. Could Dr. Mercille outline which news agencies specifically suppressed Morgan Kelly?

Chairman: No, he cannot.

Dr. Julien Mercille: I cannot?

Chairman: No, we are not going into the specifics of that. It is an allegation. I do not know if the witness can even answer that. I ask the Senator to be general.

Senator Marc MacSharry: The allegation was not made by me.

Chairman: You made the allegation.

Senator Marc MacSharry: No, I did not.

Chairman: We will clarify the situation. Is it your belief, Dr. Mercille, or can you explain

to this committee, where views were edited, censored or suppressed, which were contrary to what was considered to have been the mainstream view of the sector at the time? I will give Senator MacSharry back some time later.

Dr. Julien Mercille: The story about Morgan Kelly is that he tried to publish his article and it was rejected and he then went elsewhere. Beyond that, on television, I think it is RTE, there is a classic clip of him getting a lot of flack and criticism for saying there is a housing bubble. Many real estate agents were given voice to contradict what Kelly was saying. That is the way the censoring worked, not just by saying: “No you cannot do anything.” He was brought in and then there were a lot of articles saying he was wrong. That is how discourse works.

Chairman: Is this research you have done or just anecdotal opinion you are giving to the committee this morning?

Dr. Julien Mercille: About what I just said?

Chairman: Yes.

Dr. Julien Mercille: If one watches a YouTube clip and sees Morgan Kelly-----

Chairman: So this is an observation of yours. You have not researched this.

Dr. Julien Mercille: I do not know what the difference is to be honest.

Chairman: When I asked you the question earlier about the guarantee and the media coverage, I would have an opinion about that but I would not have actually researched it. I would have listened to different shows. There is a difference between researching something and the empirical evidence that underpins it and coming before this inquiry and giving an opinion on something. I am asking if is this an opinion or if it is something you researched.

Dr. Julien Mercille: It is something I researched.

Chairman: Okay, thank you very much.

Senator Marc MacSharry: I do not want to upset the Chair, but perhaps he could bear with me on this. If this inquiry were different and we were in a position to name names, would the witness clearly have a name to give?

Dr. Julien Mercille: To what?

Senator Marc MacSharry: An organisation or individual who specifically blocked the publication of Morgan Kelly.

Chairman: Please, Senator MacSharry, I will give you as much time as you like but do not create an impression here this morning. When we move to the nexus phase of this inquiry, names will be used and they can be used quite explicitly and in detail. We have a very experienced and expert research team working on our behalf which is preparing us for the nexus phase where we will be dealing with names. In this part of the inquiry, which is the context phase, which the members decided to do to give a broader context, we as a committee agreed we would not name individuals as we would do so in the nexus stage. I would not be trying to create by the back door any illusion that there is a restriction on this committee in not being able to name individuals. We will be able to do so in the nexus phase. I would certainly not be putting witnesses in a position this morning and inadvertently trying to tease that out of them

when they were forewarned that they would not be doing that this morning.

Senator Marc MacSharry: I understand.

Chairman: Nor would I be creating an illusion for the public either that this committee will not be able to name names.

Senator Marc MacSharry: Of course. I look forward to us being able to name names.

Chairman: Just make sure when you are speaking that you are aware of the terms of reference and that you are not accidentally creating that impression.

Senator Marc MacSharry: No. I do not want to create the illusion either, that there is not a clear fact for the record here today, that this witness would say a journalist would block-----

Chairman: Yes, but he is not a nexus witness and his testimony is outside that scope. If he is asked to name any person at this stage, he should say it was dealt with in his opening statement this morning.

Senator Marc MacSharry: Can we name an organisation?

Chairman: No. I am asking that there would not be naming for the moment. I ask the Senator to please return to the line of questioning that we have.

Senator Marc MacSharry: Am I allowed to ask for a yes or no?

Chairman: You can ask any question that is the same for any other member of this inquiry. That is in the terms of reference.

Senator Marc MacSharry: Just so we are crystal clear, was Morgan Kelly's article blocked by somebody, yes or no?

Dr. Julien Mercille: To my knowledge, yes. I might be wrong. You will have to ask him if you want a better answer.

Senator Marc MacSharry: That is good. Does the witness have any evidence to suggest that Government agencies or the corporate world lifted the phone to the editor of a news agency to say, "Do not print that, do not follow that line, or we will pull advertising"?

Dr. Julien Mercille: The best is the one I wrote about in Shane Ross's book and in the paper by academics who interviewed journalists - Shane Ross was a journalist himself - who said that there were clear warnings by agencies and by advertisers. They interviewed journalists who said they were aware that if they did this, then they could not do that, and I thought it was a good illustration.

Senator Marc MacSharry: I have a quote from *The Bankers* by Shane Ross: "Unfavourable coverage of developers and auctioneers in other parts of the newspapers was regularly met by implied threats from property interests that advertising could go elsewhere." There is, however, no example in the book. Has the witness an example?

Dr. Julien Mercille: No.

Senator Marc MacSharry: We are talking about implied threats. Without naming names, are there any examples?

Dr. Julien Mercille: No.

Senator Marc MacSharry: It is accepted then. It is a rumour. There is no hard evidence, is there?

Dr. Julien Mercille: It is what?

Chairman: You are leading. The question you want to ask, Senator-----

Senator Marc MacSharry: Is it true or false?

Dr. Julien Mercille: When one does not want to have evidence, one tactic is to push back the questioning. If I told the committee a name, it would ask if I had seen them in person, how long was the meeting, did I ask two questioners to make sure, did I verify the facts and did I look at phone records?

Senator Marc MacSharry: Is the only evidence the Shane Ross quote I just gave?

Dr. Julien Mercille: No, there are the journalists who were interviewed in that paper, I do not know how many there were. A few journalists who were interviewed were asked the questions the Chairman raised, including whether they felt any pressures and so on. It is not as if one needs 200 journalists to say that. It is already very good to have a few who say something very important and go against the grain. That is how research is done.

Chairman: Is there a difference between hearing what might be a contrarian view in the mass media and the manufacturing of consent, which is the Chomskyite term? Dr. Mercille will be familiar with the term “manufacturing consent”. Chomsky’s theory is that the mass media takes a position and moves the public from one position to another. Is there a difference between the publication of a Morgan Kelly article, so that a newspaper can say, “Well, we published that,” and what might be considered the manufacturing of consensus, or a broader narrative editorial position that is not reflective of views such as Morgan Kelly’s?

Dr. Julien Mercille: The idea of manufacturing consent does not assume anything about audience reception. It could be the case that the media are really putting a viewpoint but nobody is buying it, or it could be the opposite, with everybody buying it. It has nothing to say about the audience; it just looks at the media. We are talking about human affairs, so one always has contrarian views, either whistleblowers or exceptions. There are critical people in the Irish media, but it is about looking at the trends. That is what my argument is about and what we based our study on.

Deputy Pearse Doherty: Cuirim fáilte roimh Dr. Mercille. On page 19 of his book, *The Political Economy and Media Coverage in the European Economic Crisis: The Case of Ireland*, he states that the media also have a close relationship with Government, which is able, to some extent, to pressurise them to conform to its viewpoints. Will Dr. Mercille give the committee his opinion in regard to that relationship, with specific reference to the banking crisis? Was the Government able to pressurise the media to conform to its viewpoints?

Dr. Julien Mercille: For the State-owned media entities, the Government has a role to play in appointing officers and funding the media organisation, so it is in that way. In my study I did not really look at RTE, because it does not have a printed archive. The general principle is that any Government regulation or legislation surrounding media activities is related to that as well. I re-emphasise that it is contextual. The Government will set in place certain contextual

constraints or whatever. It is not that the Prime Minister calls some journalists to say they had better report on him really well. If the Prime Minister did that, the media might do the opposite, just to show the politicians that they are autonomous and warn them not to push it too far. That is not to say there are no calls or informal conversations in that regard.

Deputy Pearse Doherty: Dr. Mercille spoke to the committee about the reliance among sections of the media on official reports from the Government and larger organisations. He talked about why some journalists have relied on such reports. How best can one prevent that type of reliance on State information in the media in the future, if that is a concern?

Dr. Julien Mercille: One could always talk about micro-solutions like training journalists not to do that or to do more investigations, but that will not work unless we change the structure of the media. It has to be more democratic, in a way. There are alternative media, and the comparison with the coverage in the mainstream media is like day and night. That is true in any country. If one had an ideal media structure in the mass media, it would be closer to the alternative media, with no or little reliance on advertising, for example, or funding through foundations as opposed to commercial interests, with the size of organisations kept small as opposed to having big corporations. All of that would lead to better coverage automatically. It is much more about the structure. “Diversity of the media” is a phrase we often use. The more diverse the media is, the more likely it is that one will hear different viewpoints.

Deputy Pearse Doherty: In his book, Dr. Mercille talks about a Celtic tiger discourse. What does he mean by this phrase? Does it have any relationship to the Irish banking crisis? Will he tell us what he means by that phrase?

Dr. Julien Mercille: It was the idea that the Celtic tiger was positive and that the housing boom was great. There was an over-reliance on the banking sector. It was about positive renderings of the political economy of the country in those years.

Deputy Pearse Doherty: Dr. Mercille also said in his book that he rejects the idea that there was a conspiracy at the heart of the way things worked in relation to power and the media. Instead, he said that his conclusions depended directly on the normal workings of the corporate world and not a conspiracy subverting it. Will he explain that? I know he has touched on this. I think Dr. Mercille mentioned that it is not necessarily bosses telling their employees what they can and cannot do. Will he explain what he means when he says it is not a conspiracy?

Dr. Julien Mercille: That is a good question, because one often hears that it is a conspiracy. A conspiracy is a few guys in a dark room who take decisions outside the normal channels. The media are not a conspiracy but are institutional. If one asks any corporate leader, he or she will say what I said - that we have a structure, we have to increase market share, we have to raise revenues and so on. That leads to certain incentives. For example, if someone wants to cut costs in a newspaper, will he send his journalists for an hour to the Parliament to collect press releases and write a few articles very quickly, or will he send them to rural Ireland for a month? It is much more expensive to do the second. If he did not work in an environment based on profits he could do the second, but if he is competing with other organisations that will cut costs in that way, it leads to a reliance on organisations or the establishment.

Deputy Pearse Doherty: Dr. Mercille states in his book that in general elites act rationally and the decisions they make reflect their own interests. What does he mean by this statement? Are elites rational or irrational in the crisis? Will Dr. Mercille give reasons for his answers?

Dr. Julien Mercille: We often hear in Ireland and elsewhere that the Government is crazy, does not take the right decisions and so on. I do not believe a word of that. For example, the media were very rational in their coverage, according to their own interests. If one judges them from the interests of ordinary people, it is a different thing. They took the decisions they took because there was a benefit in that; people drew benefits from the housing bubble and from austerity. It is a very rational thing. It is not that people are running around like headless chickens and taking measures. There are some irrational decisions but they are more anomalies. By and large, it is rational. People in power would not be there if they were not rational; they would be elsewhere.

Deputy Eoghan Murphy: I thank Dr. Mercille. It is one thing to feel pressure as a journalist or to believe something has been implied to a journalist, but it is another thing for the journalist to actually act on it. Does Dr. Mercille have any specific evidence of a journalist changing what he or she was going to write or report based on the threat, either specific or implied?

Dr. Julien Mercille: By property interests or something like that?

Deputy Eoghan Murphy: By any interests.

Dr. Julien Mercille: It goes back to Shane Ross and the article-----

Deputy Eoghan Murphy: Does Dr. Mercille have any evidence himself?

Dr. Julien Mercille: My evidence is just what I read.

Deputy Eoghan Murphy: From any information given to him or from his research, directly interviewing people, have journalists said to him-----

Dr. Julien Mercille: Journalists?

Deputy Eoghan Murphy: Yes.

Dr. Julien Mercille: I am sure that was the case, but in regard to the housing bubble, I do not remember a specific one. I relied more on that study, which I thought was pretty good.

Deputy Eoghan Murphy: In Dr. Mercille's own study, with regard to discussions with journalists or investigations into how journalists can be affected by elites, he does not have an example of that.

Dr. Julien Mercille: No, not that I recall. Again, the point is not that every journalist is called every morning by Sherry Fitzgerald and told to report properly. It is not that, and for the same reason that the leader of a political party does not have to call every member every day to direct him or her to vote with the party. The members understand what is required because they are part of the institution. A journalist who does not understand this will not last long in the main media sector.

Deputy Eoghan Murphy: Is Dr. Mercille speaking about implied rules of the game within a profession?

Dr. Julien Mercille: Yes.

Deputy Eoghan Murphy: Dr. Mercille believes that ownership of media impacts upon editorial decision-making and media coverage. Does he have any evidence of a media owner interfering with an editorial decision or reportage by a media organisation?

CONTEXT PHASE

Dr. Julien Mercille: No. Again, an owner will hire people who are like-minded, so that he or she does not need to call them every day and interfere. That is the whole point of it. An owner would not hire an editor whom he or she felt they would have to interact with every day. No owner would waste their time doing that and so he or she hires like-minded people.

Deputy Eoghan Murphy: Can I take from what Dr. Mercille just said that editors are not independent-minded and exist only to impart the views of their owners?

Dr. Julien Mercille: I understand what the Deputy means but that is not the right way to put it. The right way is to say there will be an alignment of interests of people working in the organisation with that organisation's interests. If those are their views, one could say they are very independent in terms of those views. They are not constrained every day.

Deputy Eoghan Murphy: So, a business owner leads to an editor with business interests or interests in terms of reflecting the business community or a certain industry in a particular light.

Dr. Julien Mercille: Something like that, yes.

Deputy Eoghan Murphy: In terms of different types of ownership, for example, State broadcasters, is it the case that the persons in charge within the State broadcaster reflect the Government point of view?

Dr. Julien Mercille: Yes.

Deputy Eoghan Murphy: Would that stand up to scrutiny, in terms, for example, of coverage by RTE of the Government over a range of issues?

Dr. Julien Mercille: Absolutely. In terms of the housing bubble, the Government had an interest in sustaining it and that is what it did. "Prime Time" never talked about it. That is direct correlation.

Deputy Eoghan Murphy: In terms of Government's attempts to achieve certain policies, Government representatives and politicians are challenged robustly every day by RTE on television and radio as to their viewpoints in that regard, often to the point that it undermines the Government.

Dr. Julien Mercille: That is a good question. Again, there is challenge and challenge in relation only to tactics. If Government is being challenged about its spending cuts and the point is made that instead of particular cuts, taxes should be raised, that is not a fundamental challenge. It is akin to the US military wondering whether it should invade Iraq with the air force or by way of boots on the ground. It is a very tactical debate among elites. It is not a fundamental challenge.

Deputy Eoghan Murphy: It is not for me to disagree. I cannot go there. I have one final question in relation to other forms of ownership, such as trusts. We are all familiar with trust ownership of a media organisation, as is the case in respect of *The Irish Times*. How are we to understand that a trust has an influence over editorial decision-making when a trust is made up of a number of different people?

Dr. Julien Mercille: The trust represents the commercial interests. *The Guardian* in England is also owned by a trust. It is not the only factor. Sometimes it does not correlate perfectly. One could say that *The Irish Times* is more liberal on social issues and that this could be linked to the fact that it is owned by a trust. Again, that is only one factor in a range of factors. If one

wants to have a drastically different media organisation, the alternative media provide a very different example. It is easier to contrast because there is less-----

Deputy Eoghan Murphy: By way of clarification, I take it Dr. Mercille is not implying that because *The Irish Times* might take a socially liberal point of view on an issue, its ownership is a better model and is not influenced. Is he making a correlation between the political viewpoints and then drawing the conclusion that, therefore, it does not have a negative influence on how it is edited?

Dr. Julien Mercille: What I am saying is that with a less commercial, profit-driven political economy of an organisation, one would expect viewpoints that are less in line with, say, the corporate communities. There are other factors that could cancel or reinforce that. It is a bit of a picky dynamic. A clear opposition in two systems in the form of alternative media versus normal mass media would ensure different views.

On the Deputy's other question of trust or non-trust ownership, the differences are smaller.

Chairman: We need to move on. I call Deputy John Paul Phelan.

Deputy John Paul Phelan: I welcome Dr. Mercille to the meeting. I have a couple of questions for him arising out of his statement in which he criticises very strongly the Irish media for its opposition to default on sovereign debt. What in Dr. Mercille's view are the immediate consequences for a country that defaults on its national debt?

Dr. Julien Mercille: The literature on sovereign debt default is pretty extensive. The consensus is that for a country that defaults on sovereign debt, there are negative impacts in the short term, although not nearly as many as people tell us. However, the same does not apply in all cases. There is no magic rule. I gave the example earlier of Argentina, which did default. According to the literature, while the initial impact of that was negative, it was followed by good growth. Does this mean Ireland should have defaulted? Default is a broad term. One can default a little or completely. Again, Ireland is different from other countries. The point I was making is that if there is good evidence that the consequences of default would not be that bad, then the idea should at least be up for debate. It does not mean that default should be called for all over the place, rather it means that it should be considered.

Deputy John Paul Phelan: My second question relates to the point made by Dr. Mercille in his statement that scholarship on sovereign debt reveals that countries that decide to cancel the repayments of their debt typically suffer only short-term economic costs. Does Dr. Mercille think that people in Argentina and Greece believe they have typically suffered only short-term economic costs?

Dr. Julien Mercille: In Greece, there was a default but also a great deal of austerity. Whatever was good about the default was cancelled out by the austerity, as the people of Greece would know well.

Deputy John Paul Phelan: What about Argentina?

Dr. Julien Mercille: The situation in relation to Argentina is interesting. Growth there was very striking. The European media and, in particular, *The Irish Times*, reported it in a very biased way. Default by Argentina occurred in 2001. On the tenth anniversary of that default *The Irish Times* report in that regard referred to people running around the streets of Argentina with machetes full of blood, which they had used to slaughter cows because they had nothing

to eat. Thus, the image we have of default is blood in the streets and people running around with knives.

Deputy John Paul Phelan: It is a serious image.

Dr. Julien Mercille: That is not how one analyses the political economy of a country. Reports of people running around after cows is not serious analysis. Argentina grew by approximately 8% every year for eight years. Even half that level of growth in Ireland would ensure re-election of the party in government for the next 20 years. People would be very happy. That is not to suggest that because that is what happened in Argentina, the same would happen in Ireland. However, the issue should at least be on the table for discussion.

Deputy John Paul Phelan: Fair enough. I grew up running around after cows in Kilkenny, although not with a machete. In Dr. Mercille's view, what section of Irish society would have suffered the most if we had gone the Argentinian route?

Dr. Julien Mercille: Sorry?

Deputy John Paul Phelan: On what section of society would default by Ireland have impacted most?

Dr. Julien Mercille: I do not know.

Chairman: Dr. Mercille is not an economist.

Deputy John Paul Phelan: His statement contains extensive quotations about economics.

Dr. Julien Mercille: It is counter-factual as Ireland did not default. In the case of default, the people who are hit most are the creditors.

Deputy John Paul Phelan: My question is what section of society would have been impacted most?

Dr. Julien Mercille: Usually when there is an economic disturbance, people at the bottom will suffer more because they have less to start with, but, if for the next eight years they benefit, then that is not to say that it is a magic solution at all. There are costs but it is more about the positive impacts after that.

Deputy John Paul Phelan: Is Dr. Mercille an economist?

Dr. Julien Mercille: No, I do not have an PhD in economics.

Deputy John Paul Phelan: Has Dr. Mercille any qualification in economics besides political economy?

Dr. Julien Mercille: I have no formal degree. That might be a good thing.

Chairman: How does Ireland rank comparatively with other jurisdictions in examining, monitoring and reporting on different aspects of society in a balanced way?

Dr. Julien Mercille: In the media?

Chairman: Yes.

Dr. Julien Mercille: Again, one significant fact here is that we do not have a left of centre

media outlet in the mainstream. We do not have the equivalent of *The Guardian* in London, for example. Many other countries have something like that so, in that way, Ireland would be more conservative in the media landscape and perhaps a little more like the US in that regard. We hear all the time about balanced reporting and fairness and that is what people learn in journalism school but that is not the way to put it. It is about reporting the truth. To give an example that is a little out there, one could report in one's article that there are very good things about Nazi Germany and the reasons. However, if some people do not like it, it would be weird. It is about telling the truth as far as one can determine it. Sometimes it is a grey area. There are various viewpoints and, therefore, it is not just about being balanced. It is more about telling what people care about and the media are good at that. When we talk about the influence of readers, the media pays attention-----

Chairman: I would like to bring Dr. Mercille back to the comparative aspect rather than having a general discourse about the media. There is *The Guardian* in Britain and further to the left, there is *L'Humanité* in France, which has a strong connection with the communist party there and so forth. By Dr. Mercille's admission, it does not matter whether a newspaper is left or right wing; the issue is whether the reporting is accurate and logical. How does Ireland compare on the accuracy of its reporting as opposed to the blend of ideological positions in the mass media?

Dr. Julien Mercille: It is not very accurate. I will give two examples from the past 15 years. The housing bubble was not identified very clearly and austerity was seen-----

Chairman: That happened in the US and Britain as well.

Dr. Julien Mercille: Exactly. I see more similarities between Ireland and elsewhere, although there are exceptions such as *The Economist* in Britain, which was more accurate. I would not say Ireland is here and everybody else is there.

Deputy Joe Higgins: One of the studies Dr. Mercille relies on, as well as his own study, was published in the *Irish Communications Review*, Vol. 12, 2010. It was conducted by three academics from Dublin City University and was entitled, "FROM BOOM TO BUST: A post-Celtic Tiger analysis of the norms, values and roles of Irish financial journalists". What was the importance of that study? What were the findings of the academics based on what the financial journalists told them?

Dr. Mercille will be familiar with another study by Mr. Bourke in 2008 entitled, "Ethical Trends and Issues in Irish Journalism 1973 to 2008". In that study, a former group business editor of a major newspaper in the 1980s is quoted regarding the issues touched on by Dr. Mercille in his presentation and discourse with the committee. He said:

Behind every organ of media, there is an owner, manager or agent who seeks to protect an interest. When those interests become wide ranging and extensive, the scope for comment on these and parallel interests of proprietors becomes increasingly restricted.

Does that sum up what Dr. Mercille has said? Would that be an accurate reflection?

Dr. Julien Mercille: It would. One can always add detail to that but the study the Deputy mentioned was good because it answered all the questions I was asked this morning about giving examples of journalists or editors who felt constrained by property interests or advertisers. That is why it was very good. It is rare that one can get insiders who will say how it works in reality and be critical.

Deputy Kieran O'Donnell: Dr. Mercille referred to property-related taxes in the context of GDP in his statement. Did he get an opportunity as part of his research to examine the growth in advertising expenditure as a proportion of total income of newspaper outlets and how much of that was property-related?

Dr. Julien Mercille: Yes. The data are a bit secret for that but it followed the housing market so as it was rising between 2000 and 2007, there was an increase in property advertising money going to newspapers. Then the bubble crashed and the advertising money crashed as well.

Deputy Kieran O'Donnell: Does Dr. Mercille know by how much it increased based on his research?

Dr. Julien Mercille: The way the data are reported is one has direct advertising revenues. The main part of that based on my understanding is property. It is not the only one but it is the main part. That dropped from €160 million in 2007 to €65 million in 2014. The property element would be smaller than that but it is the main chunk of it from my understanding.

Deputy Kieran O'Donnell: What was the figure in 2002?

Dr. Julien Mercille: I have it on my laptop. It would have been about €100 million. It grew from that. It follows the housing market.

Deputy Kieran O'Donnell: So it increased by at least 60% or 70%.

Dr. Julien Mercille: I have the data on my laptop but it is hard to tell precisely. One cannot because it is part of an aggregate.

Deputy Kieran O'Donnell: Did Dr. Mercille review the coverage of property in individual newspapers and other publications between 2000 and 2007? Was there a difference in the way they dealt with the issue and the Irish market?

Dr. Julien Mercille: As it goes back to 2000, the databases are a bit restricted. *The Irish Times* and *Independent News and Media* have the good databases. One could do it manually and flip through other newspapers but I did not do that. It was essentially the same. I did not look at newspapers-----

Deputy Kieran O'Donnell: Was the research restricted to *The Irish Times* and the *Irish Independent*?

Dr. Julien Mercille: And the *Sunday Independent* for the housing bubble.

Deputy Kieran O'Donnell: So Dr. Mercille just looked at *The Irish Times*, *Irish Independent* and *Sunday Independent*?

Dr. Julien Mercille: Yes, for the housing bubble.

Deputy Kieran O'Donnell: Did Dr. Mercille find a difference in their approaches?

Dr. Julien Mercille: No. One can always find small differences but they were not significant or relevant and I did not look, for example, at other newspapers that had less advertising money from the property sector because the database is not there.

Chairman: Dr. Mercille's graphs are explicit and they highlight the mirroring between

different news agencies in respect of advertising revenue. While the revenues fell in 2010 and 2011, they seem to be significantly out of scale with revenues prior to 2008. The turn in property values took place in or around 2009.

Deputy Kieran O'Donnell: In the articles.

Chairman: In articles, okay. There seems to be quite significantly more coverage from 2009 onwards, even though, according to Dr. Mercille's theory this morning, there is a particular position that people had around property. In the 2008 to 2011 period, what was the key message coming out of the media? Was it that they were reporting on the crisis or that it was business as usual and there would be a soft landing? Dr. Mercille is quite explicit in his graphs. There is a flow along and all of a sudden, there is a volcano of reportage taking place. According to Dr. Mercille's examination, what is the overall message that was coming through in the media?

Dr. Julien Mercille: It is interesting. As the Chairman stated, it started deflating in 2007. It took the media quite a few months, even a year, before catching up with that. Of course, when the bubble burst, in 2009 and 2010, one could not really deny it. In those reports, in 2009, 2010, 2011 and after, they are not denying there is a bubble. They are saying, "The market crashed", or whatever.

The interesting part relative to the Chairman's question might be 2008, when it is deflating but people are still saying, "No, no, no, it is just temporary and it will rise back up". At one point, in 2012, in all that, of course-----

Chairman: Does Dr. Mercille's examination of media behaviour in his book *The Political Economy and Media Coverage of the European Economic Crisis: The case of Ireland*, which I referenced in my opening comments today, extend up to 2008 or 2011?

Dr. Julien Mercille: Up to 2013.

Chairman: It goes up to 2013. It goes beyond that period.

Dr. Julien Mercille: Yes.

Chairman: Is there anything further Dr. Mercille would like to add before we bring matters to a conclusion this morning?

Dr. Julien Mercille: No.

Chairman: I thank Dr. Mercille for his participation with the inquiry today. It has been an informative and valuable meeting which has added to our understanding of the factors leading to the banking crisis in Ireland.

I propose that the committee suspend until 11.55 a.m. at which time we will resume with the next session, which is with Mr. Harry Browne. Is that agreed? Agreed.

Sitting suspended at 11.42 a.m. and resumed at 12.07 p.m.

Mr. Harry Browne

Chairman: The committee of inquiry into the banking crisis is now in public session for