

Opening statement to the Joint Committee of Inquiry into the Banking Crisis

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Thank you for your invitation to discuss the role of the media during the property boom in the run-up to the banking crisis and also any changes in approach adopted after the crisis. I am speaking here as the former Editor of The Irish Times. I retired in June, 2011, having been appointed editor in October, 2002.

Specifically, you have asked me to address the paper's editorial policy on the economy and the property boom (2002-2007): the approach to reporting on the property market and the Irish economy; and the contribution of the media to public understanding and debate around fiscal/budgetary policies and their implications.

You have also asked that I cover the business model and sources of revenue and I will deal with that below.

I will be as helpful as I can in answering your questions. In the limited time given to me to make this submission, however, I have been unable to review every single aspect of the newspaper's coverage in news, analysis, comment, Opinion Page, Letters to the Editor etc. You have asked me to account for coverage over six years – 52 weeks a year, six editions per week, adding up to 1,872 publication days. It was impossible for me to read and review all the material in every single issue of The Irish Times published in that period. Unfortunately, the archive does not easily facilitate such a detailed analysis.

By way of introduction, I should first provide some background on how The Irish Times operates since it may be helpful in our discussion. Unlike most other newspapers, it is owned by a trust. There are only a handful of newspapers owned by trusts in the world today.

The main object of The Irish Times Trust Ltd (and the company which manages and operates the newspaper, The Irish Times Limited) is: *“to publish The Irish Times as an independent newspaper primarily concerned with serious issues for the benefit of the community throughout the whole of Ireland free from any form of personal or of party political, commercial, religious or other control”*.

The Memorandum and Articles of Association set out the policy principles of the paper: the support of constitutional democracy through governments fairly elected; the progressive achievement of social justice between people and the discouragement of discrimination of all kinds; the promotion of a society where the quality of life is enriched by the standards of its education, its art, its culture, and its recreational facilities, and where the quality of spirit is instinct with Christian values but free from all religious bias and discrimination; the promotion of peace and tolerance and opposition to all forms of violence and hatred so that each man may live in harmony with his neighbor considerate for his cultural, material and spiritual needs; and, finally, the promotion of understanding of other nations and peoples and a sympathetic concern for their well-being.

The objects of The Irish Times require that, in its journalism, news shall be as accurate and as comprehensive as is practicable and be presented fairly; comment and opinion shall be informed and responsible, and shall be identifiable from fact; and, that special consideration shall be given to the reasonable representation of minority interests and divergent views.

(See Appendix 1: Memorandum and Articles of The Irish Times Trust and The Irish Times Limited)

Following from the above, The Irish Times has a structure where the Managing Director and the Editor each report independently to the Board. It is designed to ensure the effective management of the paper’s strategic and commercial functions and the independence of the Editor, working within the paper’s editorial policy. There is a partnership of equals with different responsibilities.

It seems appropriate, therefore, that I would address Section 1 of your questions and the former Managing Director, Maeve Donovan, Section 2 because of our separate roles.

Context of banking crisis:

Let me put the reporting of the economy and the property market in the context of some of the other major news events at home and abroad that we covered in *The Irish Times* between 2002-2007. There were two general elections; the invasion of Iraq; the introduction of the euro; changes in the leadership of Fine Gael, Labour, the Progressive Democrats and Fianna Fáil; ten new members of the European Union; Mary McAleese's election as President; the deaths of Pope John Paul II, Liam Lawlor and Charles J Haughey; the historic meeting between Dr Ian Paisley and Taoiseach, Bertie Ahern in Dublin.

There was also *The Irish Times* story in September, 2006, that Taoiseach, Mr Ahern, was receiving monies from businessmen while he was Minister for Finance which was to lead to the newspaper's appearance before the Mahon Tribunal and costly challenges in the High and Supreme Courts to establish the journalistic right to protect sources.

(See Appendix 2: Major news events 2002-2007)

However, and admittedly, with the benefit of hindsight, the boom and bust in the economy was the major event that spanned all of those years.

Editorial policy on the economy and the property boom (2002-2007):

Editorial policy, by definition, is found in the leaders that express the views of the newspaper as determined by, or on behalf of, the Editor every day.

I was able in the limited time available to review the editorials/leaders published in *The Irish Times* over the 1,872 editions that are the subject of your inquiry.

The Irish Times wrote 289 leaders expressing editorial policy on the economy and the property boom between 2002 and 2007. They were a major issue of concern in the editorial columns in those years.

There were 38 leading articles in 2002; 73 in 2003; 56 in 2004; 52 in 2005; 31 in 2006 and 39 in 2007.

I am taking a narrow view of what the Committee means by "the economy and the property boom".

Throughout those years, I think it is fair to say that the policy of *The Irish Times* was critical of both the establishment and operation of the Financial Regulator and IFSRA, believing that they were not independent of the Central Bank; concerned about the erosion of competitiveness and critical of benchmarking in the determination of public sector pay; and cautious about the banks' lending policies and the scale of the property market.

(As an aside, the Chairman of the Board of The Irish Times Ltd was the Financial Regulator between 2002 and 2008)

(See Appendix 3: Editorial policy on the economy and the property boom 2002-2007)

From 2003 onwards, the newspaper was warning that trends in the mortgage market were a cause for concern. This policy was consistently expressed in editorials in the following years. By way of illustration, in 2006, the paper was calling on the Central Bank and the Government to analyse the risks the property market posed to future financial stability. ("Rate change cause for moderation", March, 3).

In case I could be accused of being selective, I am presenting all editorials to your Committee for your perusal. I have also written a short summary of the policy positions relevant to your Banking Inquiry.

- **Approach to reporting on the property market and the Irish economy**
- **Contribution of the media to public understanding and debate around fiscal/budgetary policies and their implications.**

In their book, "The Fall of the Celtic Tiger", the authors Donal Donovan and Antoin E Murphy, identified four separate but related crises that resulted in the collapse of the Irish economy which required an international financial rescue. These were: first, a property crash – as the housing price bubble burst. Second, a banking collapse where banks – carrying too many non-performing property loans had their solvency questioned. Third, fiscal failure, as the economy contracted and tax revenue from property collapsed leading to the fourth crisis, sovereign debt.

The Irish Times covered all four crises in detail as these stories unfolded in stages over the years to the best of its ability. The coverage involved detailed news and analysis by reporters, specialist correspondents in the finance and business fields and the Economic Editors of that decade.

In effect, Simon Carswell became a full-time specialist in covering the banking crisis. Extra resources and pagination were provided to the newspaper during this period.

In addition to reporting, *The Irish Times* commissioned articles about the banking crisis and the property market from specialists and noted academic economists. Its Opinion pages were the platform for divergent views and public debate. They often set the agenda and contributed to the national debate.

The Irish Times was the only newspaper to publish the article by Morgan Kelly, Professor of Economics in UCD, predicting there would be a property crash with prices falling by between 40% and 60%. (December 28, 2006)

Other noted contributors to the debate in the newspaper included the current Governor of the Central Bank, Patrick Honohan, then Professor in TCD; Professor Karl Whelan and Ray Kinsella, both UCD; Brian Lucey, lecturer in finance, TCD; and Alan Ahearne, Professor of Economics, NUIG. He later became an adviser to the late Brian Lenihan, Minister for Finance.

The same editorial standards applied in the property supplements as elsewhere in the newspaper. There was no trade-off between editorial and advertising. Advertising features were clearly signposted. Advertisers did not write editorial copy.

The Irish Times had occasion, late in 2007, to make a complaint to the professional bodies of auctioneers and valuers that some estate agents were providing the property supplement with misleading selling prices. The paper took the view that if agents were unwilling to supply accurate information, or if the vendors were reluctant to disclose the true selling price, then it would be damaging to the credibility of the newspaper to carry the results.

The introduction of the National Property Register in 2012 was a consequence of this discovery in *The Irish Times*.

Conclusion:

This review of editorial policy and the approach to reporting on the property boom in the run-up to the banking crisis proved to be a very interesting exercise for me. I am challenged to consider whether, in my then role as Editor of The Irish Times, journalists could, or should, have foreseen the multi-faceted nature of the financial crisis, including the property crash and the banking collapse.

I don't know what we could have done differently to put ourselves in the position to predict the magnitude of the fall. We reported the news forensically. We challenged the consensus and canvassed all views and published them.

The media, as always, was reliant on reporting the views of the specialists, be they government, the Central Bank, the regulator, or the profession of economists. Journalists were less well-placed than others to make an accurate assessment.

3rd March, 2015.