

Witness Statement

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This statement analyses the role played by the Irish media in the property bubble in the years leading to the banking crisis. It also discusses 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 mainstream media for skepticism 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
- The prevailing view that there would be a soft landing in the property market

Much of the information presented in this statement draws on my book *The Political Economy and Media Coverage of the European Economic Crisis: the case of Ireland* (Routledge, 2015), in which more detailed and systematic data may be found.

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: (1) the media's links with the corporate and governmental sectors, (2) advertising pressures, and (3) sourcing.

(1) Corporate and governmental links

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 pressures of bankers, shareholders and directors to generate profits. Links with the broader corporate sector and political elites are created and maintained through boards of directors as well as general business and social interactions.

Independent News & Media (INM) is arguably the dominant media conglomerate in Ireland and 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 the CEO of Irish Life & Permanent, a bank deeply involved in the housing bubble, along with members of IBEC (Irish Business and Employers Confederation) 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 and property firms, and indirectly, 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 and income taxes on construction workers, and VAT on construction materials. For example, while total property-related taxes accounted for 4 per cent of government revenue in 1996, they accounted for over 17 per cent by 2006.

(2) Advertising

Advertising revenues are crucial to today's news industry. They allow newspapers to be sold for a cheaper 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 economic system of which they are 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 than benefiting from property advertising money: they became owners of property websites themselves, acquiring a direct stake in the growing housing bubble. For example, in 2006, INM bought PropertyNews.com and the PropertyNews monthly newspaper, the largest internet property site in Ireland. In 2006, the Irish Times bought the website MyHome.ie for €50 million, along with the website newaddress.ie, which aims to make it easier for home owners to move residences.

Also, most newspapers published weekly supplements for commercial and residential property, ‘glamorizing 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 Shane Ross, former Sunday Independent business editor. Ross also stated that ‘Unfavorable 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 have a heavy reliance on property advertising’ (Fahy et al., 2010: 15; Ross, 2009: 157-58).

(3) 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 with 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 below, during the housing 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 or not the bubble could have been identified before it burst, and if 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 over-valued by 42 per cent relative to the average of the previous three decades’. In Ireland, economists David McWilliams and Morgan Kelly identified the bubble and warned about it early on.

However, overwhelmingly, 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 is only months after it had started deflating that reality had to be faced. Once the housing market collapsed, the media simply could not ignore its downward trajectory, hence the increased coverage.

Figures 1 and 2 show the number of articles on the housing bubble that appeared in newspapers by year.

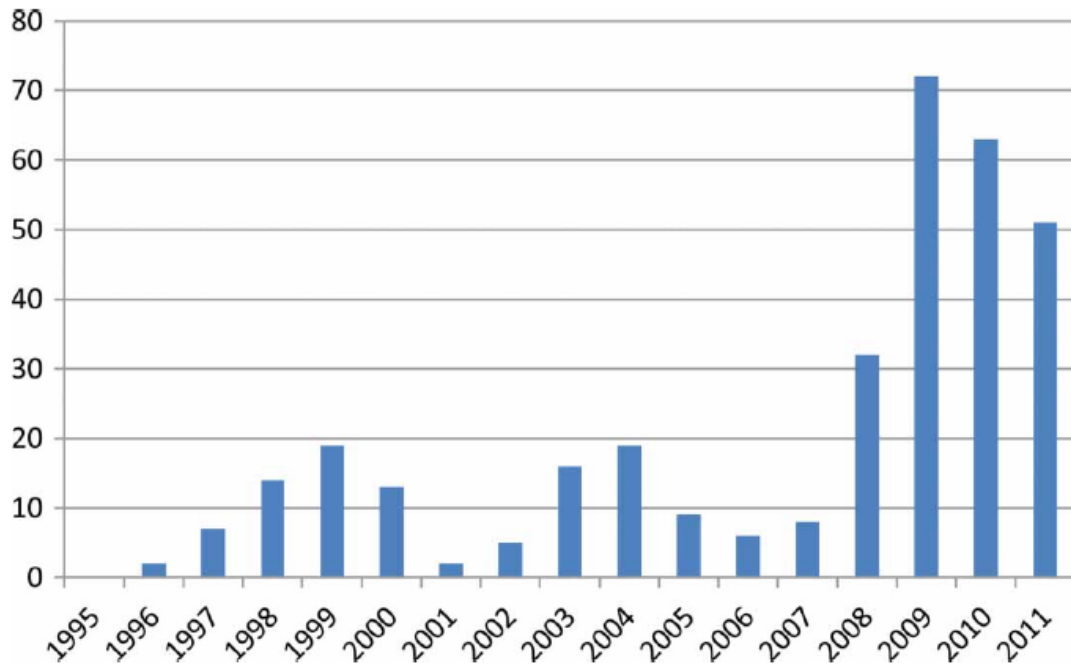


FIGURE 1. Number of articles on the housing bubble in the *Irish Times*

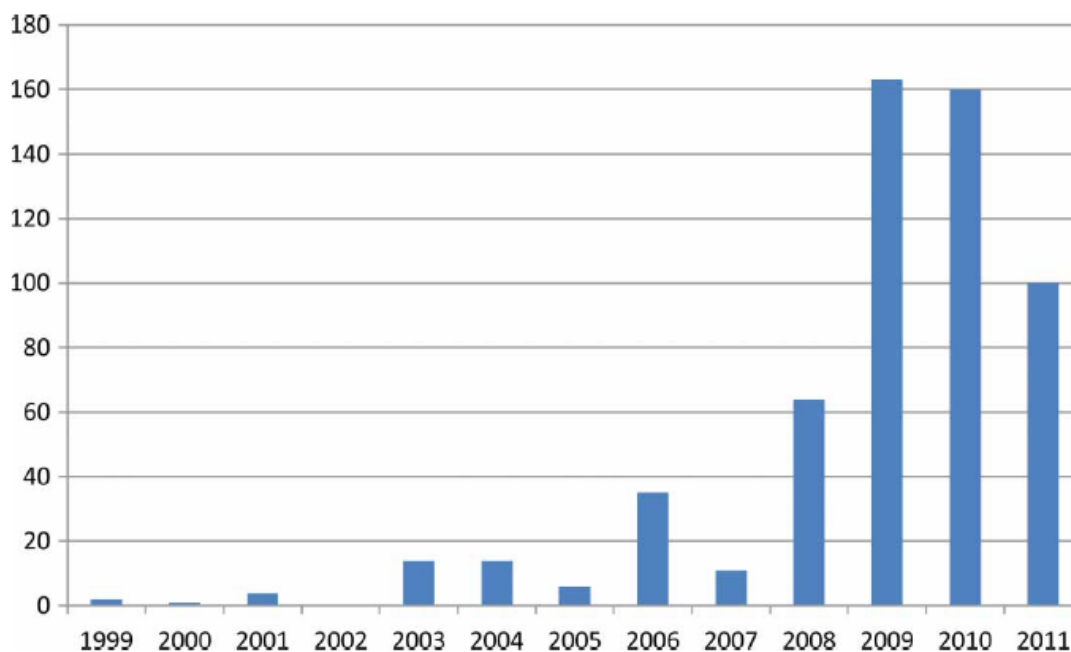


FIGURE 2. Number of articles on the housing bubble in the *Irish Independent/Sunday Independent*

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/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, *Irish Times* articles' were entitled 'Study refutes any house price "bubble"', 'House prices "set for soft landing"', while the *Irish Independent/Sunday Independent* had headlines like '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’, ‘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 were about the property bubble, or 0.2 per cent. 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 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: in ‘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 ‘the 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, RTÉ sustained the national obsession with houses by presenting programmes like *House Hunters in the Sun*, *Showhouse*, *About the House* and *I’m an Adult*, *Get Me Out of Here*. Leading current affairs programmes like *Prime Time* also sustained the housing bubble. Between 2000 and 2007, 717 shows were aired. Of those, only ten, or about 1 per cent of the total, had a segment concerned with the housing boom. These

presented a total of 26 guests or interviewees: 11 came from the property or financial sectors (banking, insurance or stockbrokers); four were politicians from the main political parties (Fianna Fáil, Fine Gael and Labour); four were journalists; four were academics or researchers; and three were economic consultants. With respect to their views on the housing boom, only two stated clearly that there was indeed a bubble and that it would burst. The 24 others remained either vague or argued explicitly that the housing market was and would remain strong in the years to come, or 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 that its content is the same as during the pre-crash years, because the situation is different in that we're not faced with a massive national bubble in the market. Rather, I mean that the trends in media coverage point roughly in the same directions as pre-2008. In general, it is still 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, because the political economic nature of the media industry outlined above is intact. News organisations are still corporate or government-owned entities, advertising still plays a crucial role in generating revenues, and journalists still source their stories overwhelmingly from establishment institutions and individuals.

This being said, one can find a few articles of a more careful or skeptical nature relative to the ongoing real estate boom in Dublin. I would surmise that the pre-crisis bubble and its negative consequences are still felt strongly and that may lead to some more balanced coverage, although, in relative terms, this is a minor trend, and overall there is not a significant amount of critical commentary appearing in the media. The election of a few TDs 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:

- There are about 90,000 people 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 per cent between 2008 and 2013 (from €1.3 billion to €275 million).
- About 118,000 mortgage accounts (15.5 per cent) 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 Irish property market. The government has facilitated this by encouraging the establishment of REITs (real estate investment trusts) via generous tax breaks. REITs buy, among other things, property portfolios from NAMA. Vulture funds raise rents to maximise their income before they leave the market in three years

or so, or whenever their real estate assets have risen enough in value so 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, as 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 (national) 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 writedowns, and dealing with the issue of homelessness through a redistribution of wealth and power in society.

The problem is not that no one has presented alternatives. The union SIPTU 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 Institute has argued for setting up and financing an affordable housing agency. But 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 so that more houses can be built by the private sector to allow the market to allegedly solve the problems. We also still see stories of buyers telling how they are being 'outbid' in attempting to buy property.

Finally, after the crash, the media also presented the government's crisis resolution policies in a largely favourable manner, again in line with Irish and global elites' views. The media enthusiastically endorsed the blanket guarantee and declared that it was the 'cheapest bailout in the world'. NAMA was called 'bold and imaginative' and the 'holy grail' while the *Irish Times* claimed that it was our 'best bet'.

However, there were progressive alternatives. For example, strong conditions could have been attached to the nationalisation of banks, such as firing their top management, cutting top officials' salaries, requiring that investment decisions be made with socially useful purposes, as well as establishing strict regulations on banks' operations. A 'good bank' could also have been set up, as explained in detail by 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 at 'one level, intervention by the EU and the IMF is no bad thing' because '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, as in Argentina and Greece.

The media have 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 general public still do not appreciate the possible extent of the economic downturn’ and editors thus asserted that ‘the Government will have a major job to do in educating public opinion about unpalatable economic realities and the need for civic discipline’.

A study (Mercille, 2015) of 929 opinion articles and editorials in the five main Irish newspapers (*Irish Times*, *Irish Independent*, *Sunday Independent*, *Sunday Times* and *Sunday Business Post*) between 2008 and 2013 found the following revealing statistic: only 11 per cent of pieces oppose austerity and 58 per cent support it (the remainder do not express a clear viewpoint). The articles’ authorship is also significant. Of the 929 pieces, 223 are by outside writers (i.e., not journalists). Of these, 29 per cent (65 pieces) are mainstream economists, 28 per cent (62 pieces) are working in the financial or corporate sector (including three in law), and 20 per cent (44 pieces) are political officials in the three main political parties in power during the crisis (Fine Gael, Fianna Fáil, Labour), but of these, only four are from the Labour Party, so that the bulk is from the two dominant right-wing parties. In short, the overwhelming majority of writers (77 per cent) come from elite political or economic institutions. The remainder of authors is composed of academics (9 per cent) (excluding mainstream economists), members of progressive organisations (7 per cent), and only 3 per cent are trade union officials. It is thus a conservative cast of writers who express their views and interests in the media.

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