

MediaGuardian Edinburgh International Television Festival

Richard Dunn Memorial Lecture 2009: Robert Peston

It is an honour to be giving a lecture in memory of Richard Dunn. I never met him but he was – by all accounts – both an unusually charming man and a talented television executive who passionately believed in editorial independence, as he showed in his staunch defence of Thames's *Death on the Rock* Documentary about the shooting in Gibraltar of three IRA terrorists. And although as chief executive of Thames he confronted difficult issues, such as trade unions' resistance to change, ITV franchises were in his day advertising monopolies, licences to print bucket loads of money. In fact the one serious misjudgement he made was not to bid enough in the first ever channel 3 franchise auction. Yes there really was a time when the value of terrestrial commercial television companies was rising.

Today so much of the industry he knew is confronted by a crisis worse than anyone alive has witnessed. Now I'm going to be looking at just one part of the media industry, new journalism – which is struggling to cope with the combination of a collapse in advertising more serious even than the plunge of the mid 1970s and massive, disruptive technological change. It all feels as significant as anything the industry has experienced since the explosive growth of the great mass market newspapers in the early twentieth century or the creation of the BBC and the establishment of its principles of editorial impartiality.

Now it is probably worth pointing out at this early juncture that what follows are my reflections – albeit the reflections of a not particularly dispassionate observer since journalism has been my life for more than 25 years – rather than some kind of official BBC corporate view.

I will be looking at the future of our industry from the corner I know best, which is business and economics journalism. But what I have to say, I hope, has relevance for all news journalism. I want to make four points.

First that this is no ordinary recession – the traditional business model of traditional news providers is being wrecked and needs to be overhauled.

Second, in a globalised, 24/7 digital world, individual news organisation may be less powerful than they were, but stories – and to an extent the journalists who own them – shout louder than ever.

Third, I will argue – from my own experience – that the traditional distinctions between television journalists, radio journalists and print journalists are quite close to being obsolete. This has huge operational implications for all media companies and also for regulation of the industry.

Then I will make the case that the financial crisis we're living through – and the end of an era of what I call financial paternalism – shows that more than ever we need a choice of high-quality news providers which are confident in their ability to explain complex important issues in a clear and accessible way. And I will look at whether we can be certain that the commercial news sector's imminent revolution – in launching subscription or paid-for online news services – will meet that important need of any thriving democracy.

Now I wrote all this before hearing James Murdoch's passionate call in his MacTaggart Lecture for the dismantling of the BBC and the near total liberalisation of the media. But if there is a thread running through my lecture, it is this. Market-based democracies like ours need two kinds of essential infrastructure: robust financial systems, that transmit cash and allocate capital where it will be most useful; and competing independent news groups that distribute impartial information so that people can take control of their lives and rein in the over-mighty. Now we have just seen the near total collapse of our financial infrastructure, to a large extent because of misguided deregulation of banking; so we have to ask whether there is any rational basis for believing that withdrawing all regulation and subsidy from the news market would be any less costly to our way of life.

To state the obvious, and to move outside of the media industry for a moment, this has been no ordinary recession. It has been the worst global economic contraction since the Great Depression. And because the crisis had its origin in a glut of debt in the US, the UK and a few other economies, there are reasons to believe that – for the US and the UK at least – recovery may well be a rather long drawn out affair. As the economist Nouriel Roubini said just the other day, there is a significant risk that an insipid recovery could be fairly swiftly followed by another recession.

In the boom years, a massive rise in borrowing by households, companies, the public sector and (above all) by banks fuelled an unsustainable boom (from which the media industry was a massive beneficiary) and a bubble in assets, notably housing and commercial property.

Well the party is well and truly over. That said, there are signs that the recession is ending. However the fundamental problem has not been solved. We were living beyond our means and we are living beyond our means. We have to reduce our debts, but doing that in a fashion and on a timescale that doesn't tip us back into recession will not be easy.

Now there is one thing that is absolutely fundamental to an assessment of how long the UK remains in a period of low or non-existent growth – and that is all about why lending to businesses is so weak at the moment. If that is because banks remain too weak to lend, then that is more easily rectified – as and when banks accumulate vital capital for lending through a recovery in profits that will come in the next year or two. If however – as happened in Japan – the more fundamental problem is that businesses have become chronically averse to risk and have chosen to pay down debt and to invest less, well that would remove a vital component of any serious economic recovery.

In the mainstream commercial media industry, many big businesses are conspicuously choosing as their priority a Japanese-style reduction of their excessive debts, by slashing costs and investment. And it is easy to see why. Depending on which segment you look at – television advertising, national newspapers, regional newspapers, display, classified – advertising is down by between 15 per cent and more than 50 per cent. Worse still, many of the media executives to whom I talk don't expect any serious recovery over the coming few years – because for the best part of a decade there has been a partial decoupling between the performance of the economy and advertising revenues. Google's income has gone through the roof, but advertising revenues for traditional TV, newspaper and radio companies have risen more slowly than the economy in the upturn and have fallen much faster in the down turn. Enders expects newspaper advertising revenues to be £3.9bn in 2013 – a staggering 48 per cent or £3.5bn less than in 2007. If that's right – and it is supported by what media executives say to me – newspapers will over five years lose advertising revenues equivalent to the entire annual income of the BBC. Which is why they need to find new revenue – and it is why charging for online news will become the norm. Television advertising is expected to suffer a bit less – falling from £3.6bn in 2007 to £2.9bn in 2013 – a loss of £700m of revenue. But – as has been widely noted – the aggregate revenues of ITV, Channel 4 and Five (perhaps £2.7bn) are significantly less than the BBC's and about half that of James Murdoch's British Sky Broadcasting. On the broadcasting side – if classifying a section of the industry in that way makes sense in this digital world – there are a pair of giants and some minnows with loud voices, strong brands but depleted resources. All of which – to state the obvious – makes the large and protected revenue of the BBC and Sky's monopolistic control of satellite distribution much more contentious than would be the case if the rest of the sector was booming. And, of course, it raises the question to which I will return of whether the BBC is the invaluable defender of impartial, public-service journalism, at a time of a massive squeeze on the resources of commercial news providers, or the monstrous squisher of private sector rivals.

To revert to the wider economic picture for a moment, there are two further relevant things to say. First that if there is a widespread trend of British companies paying down debt, as they did in Japan for a decade from the mid 1990s, then that will make it much harder for any new government to cut public spending next year without tipping the UK back into recession. And it would be unrealistic to expect heavily indebted consumers to pick up where they left off two years ago and spend the UK into a new era of growth. On my own estimates, consumers may seek to reduce their debt relative to income by 30 or 40 per cent. Which has negative implications for all businesses depending on consumer spending – and media companies are among those, par excellence.

How consumers and businesses behave depends on what the great economist Keynes called animal spirits – which as Bob Schiller and George Akerlof have recently pointed out was an important insight that was disastrously ignored by mainstream economists for 60 years. Most economists took it for granted that participants in a market will always behave rationally – which in view of the recent behaviour of bankers would be funny if it weren't tragic. So much greater account of psychology, of how humans actually behave, must be built into models of the economy and the rules that constrain the activities of banks.

Our viewers, listeners and readers believe that the media has an impact on those animal spirits, on their own mood and actions. When BBC polled them in April, 63 per cent thought there was “too much doom and gloom” in the media. As you would imagine, I would disagree that we have been too gloomy, but of course I would acknowledge that news stories can have a significant influence on people's psychology and actions. And that influence has increased very significantly as news has gone digital and global – as the run at Northern Rock may remind us.

Those queues outside the Rock's branches on Friday September 14 2007 came as a shock to me. But as the Governor of the Bank of England has said, the behaviour of Northern Rock's savers in asking for their money back was rational. Northern Rock made lethal mistakes in both the way it borrowed money and the way it lent – and it was several days before the Chancellor of the Exchequer made an unambiguous statement that depositors would not lose a penny. The incident shows how loud a voice a journalist and a media organisation can have and what a heavy responsibility there is to get the facts and context right.

What this story brought home to me was how – in a broadband, always-on world – the media influences animal spirits unbelievably quickly and on a global scale. The images of the Northern Rock queues were distributed within seconds all over the world, as stills and as video. They came to symbolise the vulnerability of the banking system around the world. And in a UK context, they raised

questions for investors and creditors from Boston Massachusetts, to the Emirates to Tokyo about the viability of other British banks that had many of the same characteristics as Northern Rock, such as Bradford & Bingley and HBOS. Ultimately those banks too would have to be rescued.

It became even harder for journalists to be narrating bystanders, the chorus, rather than protagonists and participants after the collapse of Lehman Brothers, which created panicked hysteria among even the biggest and sophisticated financial institutions. Again, when I disclosed that Britain's biggest banks had been told by the government that they needed to raise £50bn of additional capital, which meant in the case of Royal Bank of Scotland and HBOS that they would be semi-nationalised, I was staggered when the share price of RBS fell 40 per cent within minutes on the morning of Oct 7 2008. But this fall in the share price – and whatever impact there was on the confidence of the banks' creditors and the urgency with which the Treasury then organised a rescue of the banking system – reflected the painful financial reality. It was plainly in the public interest to disclose the weakness of our banks. And the primary justification – for me – of this kind of story is to democratise information that matters to all our livelihoods, which would otherwise be available simply to a few bankers, hedge funds and government officials. That said, no responsible journalist would fail to acknowledge that it would be wrong to weaken such important financial institutions though an exaggerated account of their vulnerability.

In general I would say that the media has had a more distinguished record than governments, central bankers, regulators and bankers in both seeing the risks that were being accumulated in the economy during the boom years and spelling out its implications after the summer of 2007, which is when the credit crunch began. But that would be to argue that the media was myopic while the authorities were blind. And some parts of the media did their bit to pump up the bubble.

Newspapers' property supplements and televisions' property shows, for example, illustrate the greatest risk for the media in reporting so many issues, but especially business and finance. How do we have the courage and the insight to go against the mainstream and against powerful vested interests? Let's be under no illusion: the media did too little to challenge the consensus that the world had entered an era of continuous low-inflation growth – or at least not until it was too late.

To be clear, our frailty is not in the loudness of our voices it is in our determination to probe and to challenge orthodoxy. It may be a cliché to point out that there has been a massive fragmentation of news suppliers between the traditional media outlets and a new digital species – many of them highly specialist – with news you can use on everything from the number of potholes outside your front door, or what's going on for hedge funds, plus blogs, Twitter and so on. But although individual news organisations are probably in general weaker, facing both greater financial pressures and more

competition than ever, the power of individual stories – and I suppose of journalists, from time to time – has increased. When a story takes off on the internet, as they have many times in respect of the credit crunch over the past couple of years, it's a massive worldwide explosion. But it's not just business or economic stories. Think about how TMZ's disclosure of the death of Michael Jackson went from internet scoop to global TV news within minutes – or how the Telegraph's website became the primary source on the biggest political story of the year, the revelations about MPs' abuse of their expenses. Which brings me to the associated changes in the way that hacks like me work.

For men – usually men of a certain age – there is no greater pleasure than watching the Dutch football team of the 1970s, total football. The point about that Dutch team, but especially the inspirational captain, Johan Cruyff, is that all of them could more or less play in every position. And my argument is that hacks like me increasingly have to become total journalists. When I started in journalism, I wrote one or two stories a week on a clunky mechanical typewriter – it was the last century but it really wasn't that long ago. Now I write up to five or six blogs in a single day, I broadcast on the Today programme, the Ten O'Clock, as the broadcasting pillars of my output – and up to 20 or so other channels and programmes in a single day.

Rather than total journalists, perhaps we are becoming Denis Waterman journalists as per "Little Britain", ie we write the theme tune, sing the theme tune, and so on. Certainly my strong advice to any young person thinking of becoming a journalist is to acquire all the skills, don't think of themselves as wanting to be broadcast journalists, or radio journalists or print journalists: increasingly it's all the same thing. What matters is what has always mattered – the facts, the story. The skill for a journalist is unearthing information that matters to people and then communicating it as clearly, accurately – and if possible as entertainingly – as possible.

For me, the blog is at the core of everything I do, it is the bedrock of my output. The discipline of doing it shapes my thoughts. It disseminates to a wider world the stories and themes that I think matter. But it also spreads the word within the BBC – which is no coincidence, because it started life as an internal email for editors and staff. It gives me unlimited space to publish the kind of detail on an important story that I can't get into a three minute two-way on Today or a 2 minutes 40 package on the Ten O'clock News.

It connects me to the audience in a very important way. The comments left by readers contain useful insights – and they help me understand what really matters to people. That is not to say that I give them only what they want. I retain an old-fashioned view that in the end the licence fee pays for

my putative skills in making judgements about what matters. Most important of all, the blog allows me and the BBC to own a big story and create a community of interested people around it. Sharing information – some of it hugely important, some of it less so – with a big and interested audience delivers that ownership and creates that committed community.

Now because of my own indifference to how I communicate a story, whether by video, audio or in writing, I regard the competition as the Telegraph, the Times, the FT, and so on, just as much Sky and ITN. And what's more for much of my output the competition is not just from UK-based organisations with UK audiences. The Wall Street Journal, CNN, the New York Times and the Washington Post are very much direct rivals.

Also, it is increasingly clear that much of the audience doesn't care whether they receive their information via the blog, some other internet channel, the TV, newspapers or radio. We did a survey in February of where British people get their information about the economy. 84 per cent still turn to television first, but 53 per cent used the internet, as opposed to 52 per cent who go to a newspaper, and 37 per cent radio. For young people in the ABC1 category, 61 per cent turned first to the internet – although even for this group TV was out in front with 74 per cent. The point is that in national and international news, convergence has in a very fundamental sense already happened for TV, radio and newspapers. We all do video, audio and the written word. Digital is our primary distribution network, even if it is a digital link to the micro-printing site in Southern Spain. We are all in the same market.

Here's an odd thing. Technology, working practices and consumer behaviour are all manifestations of the creation of a seamless digital news marketplace. But that is not how regulators or politicians see the news media – or at least not as manifested in the regulations that apply to the market.

Here's a tricky question. Are the rules restricting cross-media ownership fit for a digital world? Are the distinctions those rules draw between television, radio and newsprint companies relevant any longer. Is there industrial logic, for example, to the prohibition of a merger between a channel 3 franchise and a national newspaper with more than a 20 per cent market share? Are those rules promoting diversity, choice and competition, or are they preventing a much needed rationalisation of the way that news is provided which is neutral about the digital method of delivery or distribution – video, audio, written – but releases vital resources for what really matters, the journalism, the investigations, the gathering of information?

Which is not to say that there is overwhelming commercial logic for the merger of a newspaper group with ITN or ITV. In a world where channel 3 and national newspapers are in dire straits,

arguably such a merger would create as many problems as it solves. Two weak companies combined often create one much bigger but still weak company. And, as it happens, I do feel uneasy about the idea of a newspaper giant owning ITN, for example. But my uneasiness may not be rational. Are we sure that such a merger would any longer represent a grave threat to democracy? What I am saying – and there is nothing particularly original in this – is that we need to come up with a robust new way of measuring market share in news, one which properly captures both the rise and rise of Google in the advertising market and also doesn't seek to treat a television viewer, a newspaper reader, an internet user and a radio listener as though they are different customers of different industries. They should perhaps be seen, within the news market at least, simply as consumers of news.

But lest anyone should think I am arguing that choice in news provision no longer matters, I am in fact arguing the opposite. In fact more than ever we need a choice of providers of high quality, authoritative news. The question is how to ensure there are enough competing groups with the resources to invest in news – because it is far from cheap to supply people with the information they need to take control of their lives and hold big institutions to account.

In my area, of financial journalism – but I think this argument can be extended – there is more-than-ever a requirement to fulfil that traditional purpose of serious journalism, to empower people to participate fully in democracy. The reason is that for the past 25 years or so we have seen the slow and lingering death of financial paternalism, partly by design of government policy, partly by accident. There was a time when jobs were for life and a decent income in retirement was guaranteed by a benign employer, with the welfare state rescuing the unlucky or feckless few. Those were the days. Whether it's pensions, or buying a house or acquiring new skills so that we can remain in gainful employment, the onus has been put much more on individuals to make decisions that will determine whether they'll be prosperous or paupers. But are we equipped to make those life-determining decisions?

In that poll of earlier this year, the BBC asked those surveyed whether they were confident of explaining some basic concepts to a friend. The best result was for interest rates. But only a quarter of the poll was confident they could explain interest rates to a pal. 22 per cent felt they knew what the credit crunch was (I'll bet they were wrong), 20 per cent said they understood inflation, and just 11 per cent said they knew what GDP was. Which makes me a bit depressed, given that I have been explaining this stuff for most of my adult life. But my goodness they have a hunger for information. 41 per cent of our poll said they accessed more news as a result of what was going on in the economy. And never in my wildest dreams did I think that my blog would get more than 700,000 hits

in a single day. People are desperate to know more. Out of 208 stories covered by BBC journalism between May 07 and 2009, news about the state of the British and global economy stood out more than any other for our viewers – the election of Obama was placed only 8th, the start of the Beijing Olympics on 16th.

There has been another manifestation of the death of financial paternalism. We have also learned at great cost – from the worst financial and economic crisis since the 1930s – that we can no longer blindly delegate to a technocratic elite, a financial priesthood, vital decisions about how the global economy operates. We were, for example, wrong to allow a self-selecting international elite to set the rules for how our banks – the bedrock of our economy – are prevented from taking excessive risks. These rules – that conditioned how much banks can lend and to whom – were decided completely outside of the normal democratic decision-making processes by a group of central bankers and regulators, the priesthood, gathered together in Switzerland in what's called the Basel committee on banking supervision. This may sound tedious and abstruse but it was those rules which allowed banks from Switzerland, to the US to the UK to lend more than was sensible or safe relative to their capital resources. The severity of the global recession is directly related to the chronic misjudgements made by the priesthood. It was the system they designed that took the world to the brink of financial Armageddon last autumn. As a banking editor in a past life, I was a rare breed of journalist who took an interest in what they did. And I have to say that I would like that bit of my life back. Because it is perfectly clear to me that I was wasting my time taking them seriously. They weren't simply rearranging the deckchairs on the Titanic, they were actually steering the Titanic – our financial system – towards the iceberg.

And what worries me is that we are trusting these unelected officials from regulators and the central banks – like the Financial Services Authority and the Bank of England – to take these decisions on our behalf all over again – without any serious popular debate about what kind of banking system we want. Unless media organisations are prepared to tackle these unsexy complicated issues, how on earth are we going to foment a national debate, how are people going to have a voice on issue that probably affects their prosperity more than whether the tax rate rises or falls by a few percentage points.

What I am talking about here, as you know, is the importance of public service journalism, about informing and educating the public so that there is democratic participation in big decisions about the future of capitalism. Now at a time when the future of the financial underpinning of the economy is in question, so too is another part of the fabric of our society – the part that transmits not money but the news and information we need to hold powerful institutions to account. And for

me, the issue is all about securing the greatest access for the greatest number of people to a diversity of competing high quality news sources.

Against this backdrop the certainty that commercial news groups will start charging for online access is relevant. We should be in no doubt about this. Every news organisation – with the exception of the BBC – will start charging very soon for any information that has any proprietary element to it at all. As I explained at the start of this talk, there is no way for these groups to survive unless they can generate this additional income. Against that backdrop, much of what the BBC does for free – especially the stuff we do online – may look like unfair competition. And as someone who worked in the private sector without a break from 1983 to 2006 – and who rather assumes that he will return to the private sector one day – I completely understand why James Murdoch has argued that the BBC's online news service looks like state-subsidised unfair competition. Much of the private sector sees the BBC as crowding out legitimate commercial players. I feel the private sector's pain on all this – although there is a counter argument.

With financial paternalism in its death throes, just as we are being forced to take control of our financial lives as never before, are we sure that a wholly liberalised commercial news market would ensure that everyone has access to the kind of news and financial information they need and deserve? There already appears to be a consensus that in the provision of regional news there has been a massive market failure that will require state intervention and subsidy to rectify. But is that market failure limited to regional news?

Will the new paid-for online model inform and educate on hard issues – financial matters, but also medicine, the environment, education and so on – that matter to us, or will it concentrate on the more sensationalist and titillating bangs for the buck? And even if paid-for online services do endeavour to fill the gap created by the death of financial paternalism, will millions on low incomes be excluded from access to this information? Should we be relaxed if can't pay means can't know.

There is a debate here about two kinds of fairness. There is the fairness of ensuring a level playing field for players in a commercial market. And there is the fairness of the distribution of information and knowledge to all who need it, irrespective of their material circumstances. These are two different kinds of fairness. They are apples and pears of social justice. But having just lived through the greatest failure in history to distribute financial resources in an efficient and equitable way, we certainly shouldn't assume that a commercial digital market in news will distribute information in a way that would support a healthy democracy. Walter Bagehot – as luck would have it the greatest ever writer on banking – defined democracy as government by discussion. But you can't have a

decent chinwag without having the facts. And the big question – one which perhaps Richard Dunn would have relished – is whether the incipient structure of our new digital news industry will promote or undermine the healthy discussion that is necessary for democracy to thrive.