

The 2015 Bruce Jesson Lecture

Follow the Money: The future of New Zealand Business Journalism

By Rod Oram

*Maidment Theatre
University of Auckland*

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Synopsis

Business opportunities have never been greater. But turning them into good businesses has never been harder.

Every economic, environmental, consumer, financial, technological and political challenge, and more, for us in New Zealand is influenced by rapid changes abroad. There is no place to hide.

We're starting to see well-researched analysis of such transformation. One is Paul Mason's new book *Postcapitalism*. As economics editor of Channel Four TV in the UK and a *Guardian* columnist, he writes insightfully about the great financial and economic catastrophes of our time – and the seeds they hold for new forms of technology, business, economics, politics and society.

As it is for business, so it is for business journalists. Disruptive technologies, particularly the internet, open up ever greater opportunities for us. But they have destroyed our existing business model.

Some successful new models are emerging. But they depend on large audiences, nationally and internationally. In the UK, for example, the *Financial Times* was recently sold to Nikkei, the Japanese publisher, for £844m (NZ\$2bn); and 50% of *The Economist* was sold for £469m, with most of the shares bought by the trust that owns and controls it.

Yet, even the best resourced of business journalists worldwide are failing to keep up with issues they are covering. Swept along by a tsunami of events, they reveal far too little about this revolution, and offer even less advice on how to thrive in it.

The smaller the market, the harder it is to respond. Thus, in a very small country like ours business journalism is ever more constrained and compromised.

However, it might be possible to construct a different model in New Zealand to better serve business and the public.

The starting point is to grapple with the fundamental issues shaping our economy and business. The three biggest are:

Ecological: We are more dependent on our natural environment for earning our living than any other developed country.

Human: We are a nation of immigrants. This is an invaluable resource to help us earn our living in the global economy.

Financial: We are but a speck of flotsam on the floods of finance coursing through, and between, the economies of the world.

This new model for New Zealand business journalism would be built on three foundations: money, people and relationships.

Money: Earning good money for content, backed by strong rules for keeping separate its sources of content and revenue, is the core principle of a viable financial model for independent business journalism.

In a small country like ours, the most likely capital base would be a trust, open to public contributions. The trust would publish the name of every contributor, but not the sum they contributed. No individual or organisation could contribute more than, say, 0.5% of the trust's capital.

Such a mechanism would give this new type of business journalism the independent resources it would need to prove itself. Over time, growth in revenues and public contributions to the trust would enable the organisation to widen and deepen its range of journalism.

People: There are more than a few experienced, good business journalists in New Zealand very eager for the opportunity to do more and to improve. There are some too who are early in their careers, but there are far too few given the profession's currently limited prospects.

Plenty of other help is to hand. All good publications should give a platform for thoughtful and well-researched, constructive and provocative pieces by a diverse range of people who don't work as journalists.

Relationships: The new type of business journalism would require two new forms of relationship.

First, a relationship with a large media organisation overseas that was compatible in ethos and focus. This would go far deeper than the current practice of simply buying in content from overseas. It would be built on collaboration.

The NZ entity would work with its overseas partner on developing new journalism techniques such as data mining and citizen engagement; and it would contribute to the partner full stories, and contributions to wider stories.

We have some things worth reading about worldwide. Our local issues are global ones writ small. We can offer innovative solutions.

Good working relationships with other NZ journalists and media organisations would be vital too.

The second relationship is with society at large. New Zealand would progress faster, more powerfully, more confidently, on business and economic issues if we involved more of society.

So at the very least, our journalism has to be insightful and useful to the people involved in business, while simultaneously accessible and helpful to the public at large.

In many fields New Zealanders can be among the best in the world, despite their lack of resources and scale.

In business, for example, Air New Zealand achieves something very complicated – flying planes safely – and it is consistently rated among the best, and most profitable, airlines in the world.

It does so by running a very different kind of business. It has a far closer, more constructive relationship with its customers, and it operates very creatively and intelligently compared with its much larger international competitors.

In the spirit of such enterprise, I believe New Zealand business journalism can match that of the *Financial Times* and *The Economist*.

Rod Oram

Rod has 40 years' experience as an international business journalist. He has worked for various publications in Europe and North America, including the *Financial Times* of London.

Rod and his family emigrated from the UK to New Zealand in 1997.

He is currently a columnist for the *Sunday Star-Times*; a regular broadcaster on radio and television; and a frequent public speaker on business, economics, innovation, creativity and entrepreneurship, in both NZ and global contexts.



For more than a decade, Rod has been helping fast-growing New Zealand companies through his involvement with The ICEHOUSE, the entrepreneurship centre at the University of Auckland's Business School.

Penguin published in 2007 his book on the New Zealand economy, *Reinventing Paradise*. He was named the Landcorp Agricultural Communicator of the Year for 2009.

In 2010, Rod was the winner in the individual category in the *Vero Excellence in Business Support Awards* and was Columnist of the Year in the consumer category in the national magazine awards for his columns in *Good*, a consumer sustainability magazine.

Rod was a founding trustee, and former chairman, of the Akina Foundation, which helps social enterprises develop their business models in areas of sustainability. He remains actively involved with Akina.

Email: Rod.Oram@NZ2050.com

Phone: +64 21 444 839

Lecture text

Homecoming

Three weeks ago today I was in downtown Chicago in the newsroom of the Medill News Service, which supplies a wide range of stories to generally small publications.

Staffed by journalism students and guided by wise old journos at Northwestern University's Medill School of Journalism, it is one of the best in the US.

For the students, it was the first week of their Master's degree. It was the beginning of their journalism careers.

For me, it was the third week of a trip to Beijing, London and Chicago. I went walkabout because I was more puzzled, and disturbed, than usual by what is going on in the world.

On my journey I interviewed 45 people on the nexus of economy and ecology. The relationship between the two is the greatest challenge we all – not just business journalists – have to tackle if we humans are to have any kind of future.

Being at Medill was a homecoming for me. That week 41 years before I was starting my Medill Master's.

To catch up with the latest crop, I sat in on Ceci Rodgers' corporate reporting class. The story they were tackling was the just released quarterly earnings from Darden.



They had only three things to go on:

- An eight-page release from the Florida-based restaurant chain
- The company's webcast with stock market analysts
- And some snap judgments from the analysts

However, for all the complexity and might of US accounting standards and stock market regulations these were slim pickings.

- Eight-pages to report on 150,000 employees serving 80m meals in three months.
- From management, a webcast of PowerPoint and platitudes.
- From analysts, a slew of superficial judgments on whether the company had met its forecasts.

Essentially, the exercise was meaningless.

This is the everyday inanity of business journalism as it is practised too often here and around the world.

Though, of course, the students persevered. Mastering this task is an important step towards accomplishing much more meaningful work.

How would you tackle the story? an eager student asked me.

Much the same way, I assured her.

As it happened, I explained, later that day I was phoning in from Chicago to Auckland for Fonterra's year-end results press conference.

I too would be plied with PowerPoint and platitudes, in my case about billions of litres of milk and billions of dollars of exports. And I would be scrambling to meet my deadline for my *Sunday Star-Times* column.

Back to the future?

So, has nothing changed in business journalism in the past 40 years?

Actually, a very great deal has changed. To name six key factors:

First, complexity: Business journalism used to be one-dimensional about a product, company, market, industry or economy. Today, far too often it still is.

Yet we can't usefully write about any of those stories today without accounting for the intense forces -- environmental, population, social, cultural, scientific, technological, political and many more -- driving an absolutely unprecedented speed of change, scale of change and complexity of change...which is disrupting everything.

Second, interdependence: All our human activities have become extraordinarily interdependent. For example, environmental issues used to be local ones of pollution or degradation.

Now the biggest environmental issues are systemic, global ones such as climate change, ocean acidification, biodiversity loss and vastly excessive nitrogen and phosphorus flows, the latter because of the way we grow food.

Interdependence extends to finance and economics too, as we discovered during the Global Financial Crisis. A big, bad news story breaks one day, and the next we learn of completely unexpected, unintended consequences somewhere else in the world.

There is no place to hide. If a business fails, a community suffers. If a community fails, a country suffers; if a country fails, the world suffers.

Third, information: For the first 25 years or so of my career I needed to work for large newspapers with large library staffs. That was because information, almost exclusively printed, was so hard and expensive to collect and retrieve.

By the time I became a freelancer in 2000, the internet gave me largely free, direct access to vast quantities of information from around the world. I never cease to marvel at the reports, publications, regulatory filings, data, journalism and the like I can get...and ever more so.

This is handy since business journalism is the most data driven-form of journalism. The data on companies and economies, and proven forms of analysis of them, enable us to dig a little deeper, tell a more powerful and useful story than, say, opinion poll data in politics or match stats in sport.

But a big caveat: "Lies, damned lies and statistics" are just as much a danger for us business journalists as they are for anyone else in society. Beware spurious precision.

Fourth, obligation: Companies, organisations, governments and individuals are required by law to disclose far more now than in times past.

But another big caveat: we are all painfully aware of how easy it is for people and organisations, should they choose to do so, to evade those obligations, or at least meet the letter of those laws while scoffing at their spirit.

Fifth, engagement: Again thanks to the internet we have abundant and rich ways to find, meet and work with people on stories; and equally diverse and fulfilling ways to disseminate our work.

Sixth, money: To meet all of these demands on us, business journalists (or indeed any other kind of journalist) need money to pay for people and resources.

But the very information and communications technology that is making us better journalists is destroying conventional business models for journalism.

Some successful new models are emerging. But so far they only work at scale – with the very large, very international audiences that, say, the *Financial Times* and *Economist*, serve and prosper from.

Even so, I believe even the best resourced of business journalists worldwide are failing to keep up with issues they are covering. Swept along by a tsunami of events, we all are failing to adequately inform, reveal and enlighten.

I fear we are contributing to opacity, irrelevance and ignorance.

And, the smaller the audience, the harder all this becomes. Thus, in a very small country like ours, business journalism is even more constrained and compromised.

Following the money

If we are to offer any hope, it will be by following the money ever more assiduously.

Let me illustrate this with three shocks that are continuing to profoundly shape our world. On these I'll build my case for a new agenda for business journalism.

First, a Fiscal Shock: In 1971, the US suspended convertibility of the US dollar into gold. This was the beginning of the end of fixed exchange rates. It triggered the riptide of money coursing through the global economy – for good and ill. The latter included the Global Financial Crisis, which came perilously close to collapsing capitalism, at least in the narrowly financial way we practise it.

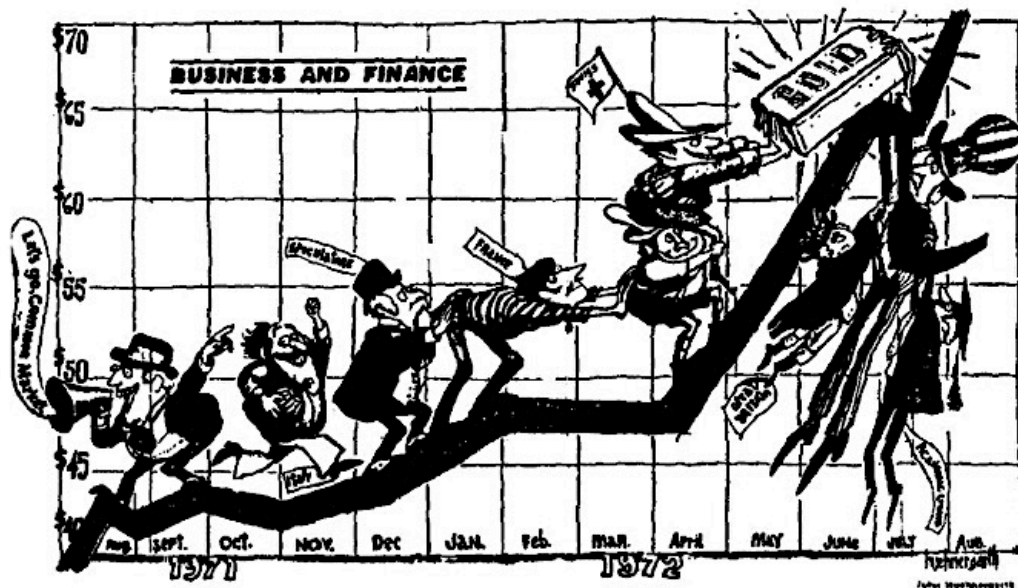
Second, an Eco Shock: In 1970, Earth Day was the first mass citizen protest in the US against economic activity's damage to the environment. In the years since, burgeoning economies worldwide have massively degraded the ecosystem. Consequently, we are now in the Anthropocene, the geological era in which human activity is changing the life systems of the planet.

Third, a Corporate Shock: In 2015, the Volkswagen emissions scandal is the biggest corporate environmental crisis to date, one that exposes the corrupt values and practices at the heart of our economic and political systems. It epitomises the intense conflict between the economy and the ecosystem brewing over the past 40 years.

1. Fiscal Shock

On August 15, 1971, President Nixon announced that the US was suspending convertibility of the US dollar into gold. This rendered inoperable the Bretton Woods Agreement of 1944, and thus the system of fixed exchange rates that had shaped the world's post-war economic recovery.

The US action was triggered by Germany's refusal to revalue the Deutschmark to reflect Germany's fast growing economic power.



The Gold Rush: What Price Money!

What has unfolded since has profoundly changed our world: floating foreign exchange rates, greater capital and trade flows, more market mechanisms, credit creation, faster technology transfer, stronger economic growth and wider, better human development such as more education, more economic freedom and longer lives, to name just some of the main effects.

Much of that has been, and will continue to be, for good. But too often the positives are swamped by extremes that do great damage. Such as highly speculative and hyper financial market trading, market manipulation, very volatile exchange rates, and huge and fickle cross-border capital flows that destabilise economies

Let's follow some of that money.

- US\$5.3 trillion was the average daily trading volume of currencies and derivatives in April 2013, according to a survey by the Bank of International Settlements.¹

In that survey, the New Zealand dollar was the 10th most traded currency, just one place behind the Chinese yuan.

- In current dollar terms (i.e. including inflation) global GDP grew from US\$3.4 trillion in 1971 to US\$75.5 trillion in 2013.²

- GDP per capita has increased 11 fold (including inflation).

But the Global Financial Crisis, and its continuing impact on the global economy, is the most intense expression to date of huge fiscal forces unleashed by the liberalisation of economies over the past four decades.

The pivotal moment in the crisis was 1:45am (New York time) on Monday September 15, 2008, when Lehman Brothers filed for Chapter 11 bankruptcy protection. It was the US's largest bankruptcy ever.

Panic swept the world in the hours and days following. Big institutions like Lehman were deemed to be too big to fail. But if the government couldn't save Lehman, which bank would be next? Trust, the lifeblood of the global financial system, disappeared.

All the human hardship, economic damage and wealth destruction this triggered had one core cause: the massive tide of highly structured financial products was sold as safe and profitable, particularly for the bankers who devised and pushed them. But they were extremely complex webs of debt that required only one link to break for the webs to unravel into highly devalued, or even worthless, assets.

Believing they had banished risk, bankers had built a multi-trillion dollar house of cards. It turned out they had embedded risk throughout the system. Risk was not removed, but concentrated in the banks and in insurers.

To cash in on these global boom times, banks had inflated their balance sheets with these assets, reducing their capital to very flimsy levels. This was a huge risk that paid handsomely in the heady days but it was disastrous in the subsequent crash.

Shareholders of banks pushed them to increase return on equity, so banks minimized capital, reducing their safety net for bad times. From the mid-1990s on, the banks were allowed by regulators to calculate their risks profiles, allowing further weakening of oversight and control.

¹ <http://www.bis.org/press/p130905.htm>

² http://kushnirs.org/macroeconomics/gdp/gdp_world.html

The banks had had a lot of support from politicians around the world who were keen to let the good times roll; and with inflation low, thanks, for example, to Chinese manufacturing, central banks could not use their very legitimate rationale of the past, control over inflation, to tighten discipline in banking.

Simon Johnson, a professor of entrepreneurship at the MIT Sloan School of Management and former chief economist at the IMF from 2007 to 2008, believed that the crisis was caused by powerful elites, what he called a banking “oligarchy”, that overreached in good times and took too many risks.

As he wrote in an article for *The Atlantic* magazine, “Elite business interests played a central role in creating the crisis, making ever-larger gambles, with the implicit backing of the government, until the inevitable collapse.”³

If regulators, with all their formidable powers of investigation, fail to see such crises developing or deal adequately with them when they erupt, then what hope do we journalists have of shedding any light along the way?

Usually, very little hope. Like the rest of the world we scramble just to keep up with events. The best journalism often comes later. For example, James Stewart’s *New Yorker* article “Eight Days: the battle to save the American financial system”⁴ tells the dramatic story of how the Federal Reserve, Treasury and major global financial firms tried to rescue Lehman Brothers.

Yet we journalists are worth nothing if we don’t try. As John Lanchester writes in his crystal clear, deeply insightful guide to the Global Financial Crisis, entitled *Whoops! Why everyone owes everyone and no one can pay*: “It’s difficult to accept the reality that in a downturn this sharp, in the face of an economic crisis so systemic, we are no longer in control of crucial aspects of our lives. One way to reassert a degree of control is to understand what happened.”⁵

When I met John at the 2012 Christchurch Writers Festival, I asked him how we journalists could help bring such understanding. He said his method with *Whoops* was two-fold.

He didn’t interview a single banker or regulator. He wanted to keep his distance, gain some perspective. Instead, he pored over articles and transcripts in which they featured.

He also wrote *Capital*, a companion novel about a London banker, to describe the world in which such people live. He was too modest to mention his third tool: he is a brilliant writer.

³ Johnson, S, “The Quiet Coup,” *The Atlantic*, May 2009.

⁴ Stewart, James B., “Eight Days: the battle to save the American financial system” <http://www.newyorker.com/magazine/2009/09/21/eight-days>

⁵ Lanchester, J, 2010, *Whoops! Why everyone owes everyone and no one can pay*, Penguin Books, London, p xv

(My far more pedestrian account of the GFC and its impact on New Zealand can be found in the chapter I contributed last year to Oxford University Press' collection of essays on New Zealand politics and government.⁶)

Today there is even more we have to shed light on. Worldwide, governments and international agencies have significantly changed banking regulation, particularly to strengthen balance sheets and to try to curtail excessive risk-taking.

But many unsolved issues in financial systems and economies remain, Martin Wolf, chief economics columnist for the *Financial Times* of London, argues in his book *The Shifts and Shocks*. These are not inevitable but rather the predictable results of policy failures, and ones that will have long-term consequences.

Reviewing the book for the *Financial Times* last year, US economist Joseph Stiglitz wrote:

"Among the underlying problems are persistent global economic imbalances and growing inequality, the latter exacerbated by a financial sector that has become ever more dysfunctional since the mindless liberalisation that began in the 1980s...

"...the problem is not an excess of savings but a financial system that is more fixated on speculation than on fulfilling its societal role of intermediation between those with excess funds and those who need more money, in which scarce savings are allocated to the investments of highest social returns." ⁷

So, here's some more money to follow:

- So far the 16 largest banks in the world have paid US\$205bn in fines but only one person has gone to jail.⁸

- To try to repair the financial damage wrought by the GFC and to revive economic activity, central banks have created vast quantities of money through quantitative easing. The totals to date are: ⁹

- US Federal Reserve: US\$4.5 trillion
- European Central Bank: euros 1.1 trillion (US\$1.3 trillion)
- Bank of England: £375bn (US\$570bn)
- Bank of Japan: Y80 trillion a year (US\$665bn a year) on going

- The US recently joined the club of sovereign borrowers offering negative yields, a sign of the failure of this vast injection of money to stimulate growth or trigger inflation.

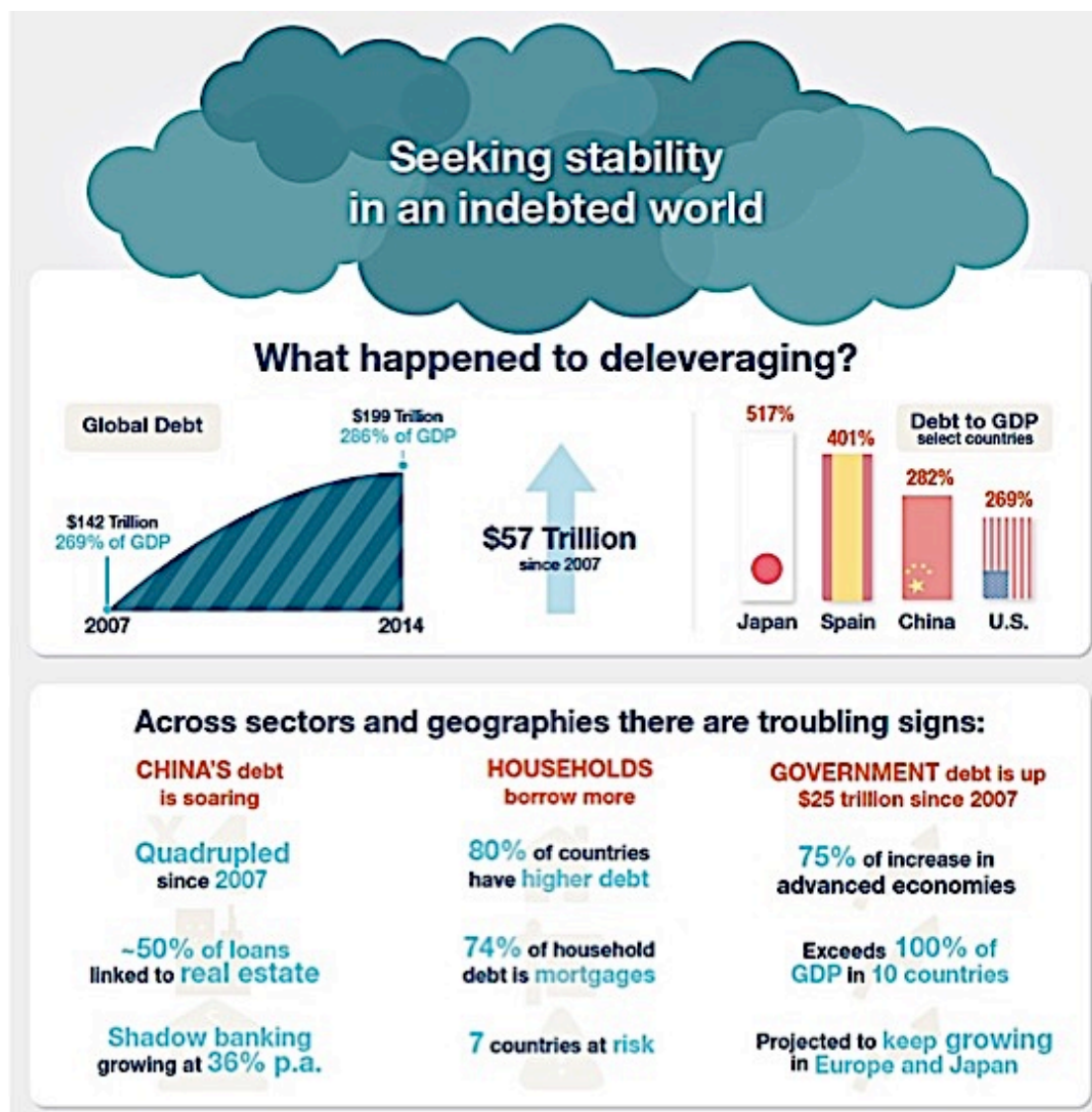
⁶ *New Zealand Government and Politics*, Sixth Edition, Edited by Janine Hayward OUP Australia & New Zealand, May 2015

⁷ Stiglitz, J, [Stiglitz reviews Wolf](#), *Financial Times*, August 29, 2014

⁸ <http://conductcosts.ccpresearchfoundation.com/conduct-costs-results>

⁹ http://en.wikipedia.org/wiki/Quantitative_easing

- In the past seven years, total debt worldwide has grown by 40% to reach US\$199 trillion, equal to 286% of global GDP.¹⁰



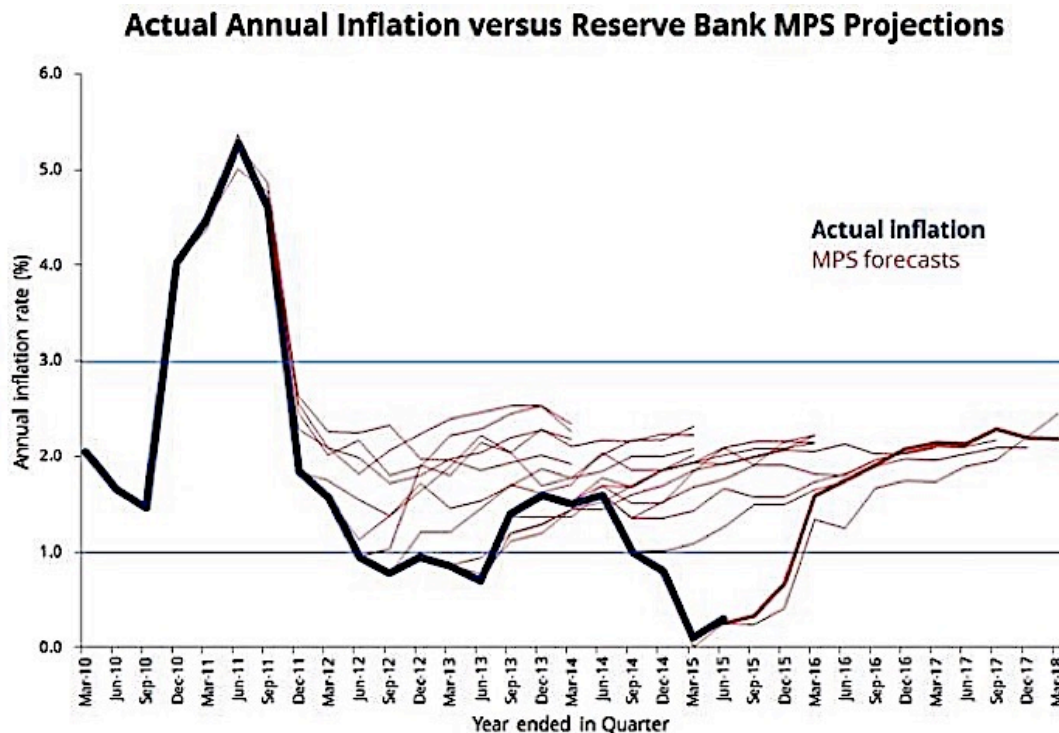
- Since the Fed began quantitative easing in 2008 global stock markets have doubled in value, to US\$69 trillion.¹¹ One factor has been cheap debt. Companies have used it to buy back their shares, thereby driving up share prices. Meanwhile they have record quantities of cash on their balance sheets but are reluctant to invest it in new ventures.

¹⁰ http://www.mckinsey.com/insights/economic_studies/debt_and_not_much_d_eleveraging

¹¹ <http://www.marketwatch.com/story/global-stock-market-cap-has-doubled-since-qes-start-2015-02-12> <http://www.iii.co.uk/articles/223331/what-worlds-financial-markets-are-worth>

- Global growth this year will be the weakest since 2009, the IMF forecast last week.
- To protect themselves against such volatility and shocks, governments have built up reserves of foreign dominated, external assets equal to 175% of GDP, up from 50% in mid-1990s.¹²
- China's domestic capital outflows were US\$500bn over the past year and US\$100bn in August alone, even though its currency is far from fully convertible.
- Deflation around the world could well be structural not cyclical.

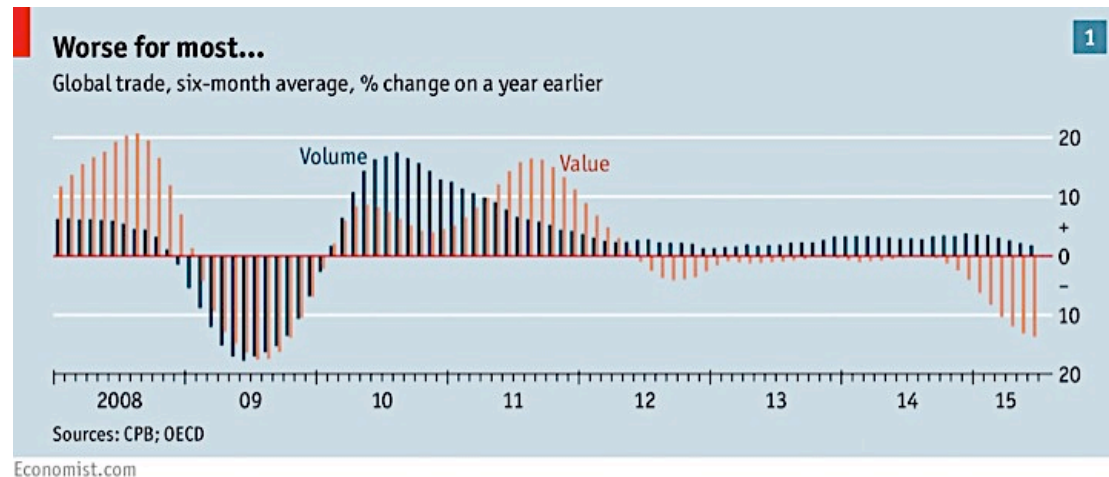
If it were structural that would help explain why our Reserve Bank, along with others, has comprehensively failed to accurately forecast inflation in recent years.



If deflation is structural, that is a grave threat. Central banks and governments have no tools to fight it, as the Japanese have demonstrated for the past 25 years.

¹² <http://www.economist.com/news/special-report/21668717-america-centre-global-monetary-disorder-thrills-and-spills>

The growth of international trade volume has slowed to a crawl, while the value is falling. This also suggests deflation. The impact of global supply chains and China's slowing economy are further signs of significant structural shifts in the global economy.



Yet, the conventional wisdom, the current narrative says (to use ironically two common, over-used phrases of false comfort), the Global Financial Crisis is over, the global economy is recovering. We're told we'll cope with the stress and strains in the system.

2. *Eco shock*

The first Earth Day was held in the US on April 22nd, 1970, to protest about deteriorating environmental conditions. Some 20m people were involved across the country in some 2,000 universities and colleges, some 10,000 primary and secondary schools and hundreds of communities.

A fast rising number of environmental incidents spurred the organisation of Earth Day and encouraged the high turn out of people. One of the most famous of these incidents was the spontaneous combustion of the highly polluted Cuyahoga River in Ohio in June 1969. The event was credited with triggering a wide range of water pollution control measures across the US.

Senator Gaylord Nelson, a Democrat from Wisconsin, founder of Earth Day, said in 1970: "The economy is a wholly owned subsidiary of the environment, not the other way around."

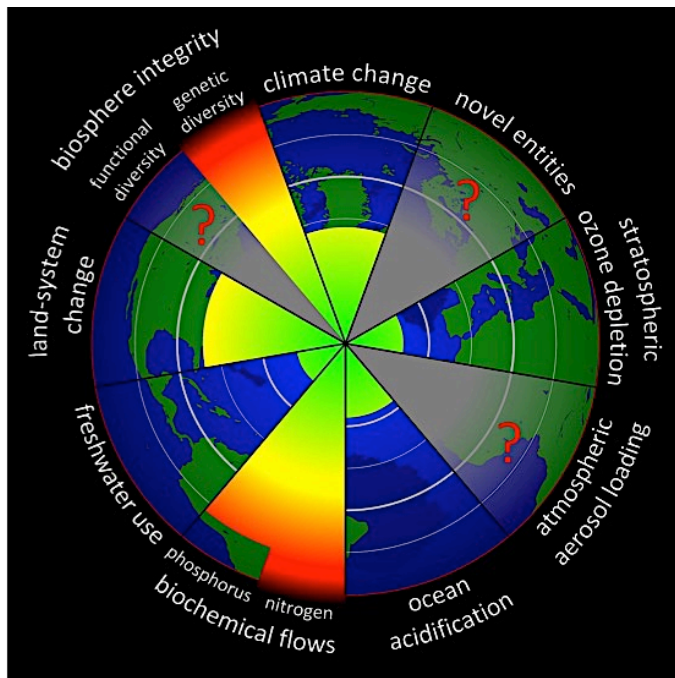


Over the following few decades, environmental issues were largely seen as local problems with pollution, such as dumping of chemical waste, tainting of soils or pollution of waterways. But in recent decades, many issues have become so widespread they have become global problems. Examples are land use change, freshwater shortages and pollution, and (thanks to heavy use of artificial fertilisers in farming) excessive phosphorus and nitrogen levels in land and water.

Other issues have become deeply systemic, global ones, such as climate change ocean acidification and stratospheric ozone depletion.

In 2009, Stockholm Resilience Institute published its framework of “The Nine Planetary Boundaries” which included many of the above critical environmental factors.¹³ These limits delineate the “safe operating space for humanity,” the centre says. According to its assessment, humankind has already significantly breached the boundaries on climate change, biodiversity loss and nitrogen flows.

¹³ <http://www.stockholmresilience.org/21/research/research-programmes/planetary-boundaries/planetary-boundaries/about-the-research/the-nine-planetary-boundaries.html>



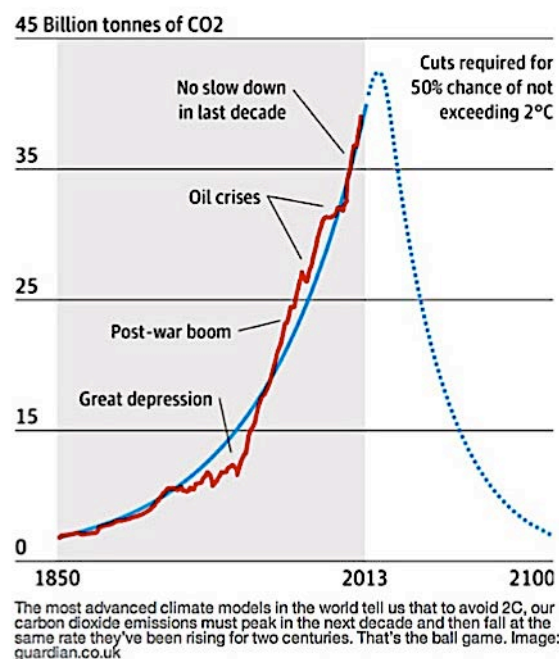
This underscores the stark contrast between local pollution in 1970 and global unsustainability by many measures today. Quite simply, population growth, economic expansion, resource depletion and pollution are deeply damaging to the ecosystem.

This is not an argument for reverting to some form of simpler, poorer society and economy. Doing so would be impossible for many reasons, not the least of which is a rising human population needing food, water and material resources to live by.

The only solution is radical change in technologies, economic models, business processes, social values, cultural norms and political agendas so human activity works with nature not against it.

One example of these many enormous challenges is the task of decarbonising the global economy. Only when carbon emissions plummet will we stand any chance of moderating climate change.

This represents only one of many ways business, and thus business journalism, has to increasingly grapple with ecological issues.



3. Corporate shock

On Friday September 18th, 2015, the US Environmental Protection Agency announced Volkswagen had used an engine software “defeat mechanism” to fool emissions standards tests.

It had deployed the mechanism on 482,000 cars it had sold in the US since 2008. Its potential liability in US fines alone is US\$37,500 per car, for a total of US\$18bn.

But external estimates of the cost to Volkswagen of cleaning up 11m affected cars worldwide, plus lost sales, plus many other factors such as higher finance costs could run as high as euro 100bn, or US\$115bn.

So far its share price has fallen 35%, wiping US\$35bn off its market capitalisation. Its brand value has lost US\$10bn, or one-third of its value, and the German national brand has lost US\$191bn, pushing it out of the top 10 most powerful country brands, according to calculations by Brand Finance, a UK consultancy.¹⁴



¹⁴ <http://brandfinance.com/news/press-releases/vw-risks-its-31-billion-brand-and-germanys-national-reputation/>

To recap very briefly on Volkswagen and its car industry colleagues: they have long faced intense economic and environmental pressures. The first is from the growing technological capability of lower cost competitors overseas. The second is from the global push to reduce noxious emissions and to tackle climate change.

Volkswagen was triply vulnerable. It was hell-bent on becoming the world's largest carmaker. It was an also-ran in the US market. It believed it could meet both challenges by dint of its technology. So Volkswagen touted its "clean diesel" engines, thus sharply improving its sales in the US, Europe and China.

But its rivals, who used different technology to try to meet emissions standards, couldn't see how Volkswagen pulled off the "clean" feat.

Easily, it turned out. The software fix enabled engines to run clean during testing. But back on the road, they emit up to 40 times the legal limit for nitrogen oxides, pollutants highly damaging to human health.



Consequently, thanks to all diesel cars – obviously not just Volkswagen's - some 200,000 people a year die prematurely from fine particulates in their exhaust gases, the World Health Organisation estimates.¹⁵

Yet, there was nothing new about defeat mechanisms. The EU had warned heavy truck makers against using them back in the late 1990s.

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http://www.healthdata.org/sites/default/files/files/policy_report/2014/Transport4Health/IHME_Transport4Health_Full_Report.pdf

Second, the global car industry is failing to meet the emissions and fuel efficiency standards set by national laws. In Europe for example, average fuel use is 40 per cent higher on road than in lab tests, up from a gap of 10 per cent in 2003.

This was the finding of tests on 600,000 vehicles, from nine manufacturers in six countries done by the International Council on Clean Technologies. It worked with the US Environmental Protection Agency to expose VW's astounding illegality.

But most governments have succumbed to lobbying by carmakers to let them self-test. Quite simply they don't want to confront the economic, health and environmental damage high emissions are inflicting, or the economic power of the car and oil industries.

By escaping liability for such environmental and health costs, plus winning other economic benefits, energy industries receive US\$5.3 trillion a year in subsidies, the IMF concluded in a study it released in May. Virtually all the subsidies accrued to oil, gas and coal companies.¹⁶

Thus, the Volkswagen story is critically important. It reveals in an integrated, comprehensive way many of the inter-connected economic, health, environmental, energy and corporate issues that are going seriously wrong.

No previous corporate scandal has been so revealing. Yet, as is so often the case in hindsight, many pieces of evidence were in plain view waiting for some one, or some event, to link one with another to give us the full picture.

A business journalism agenda for the 21st century

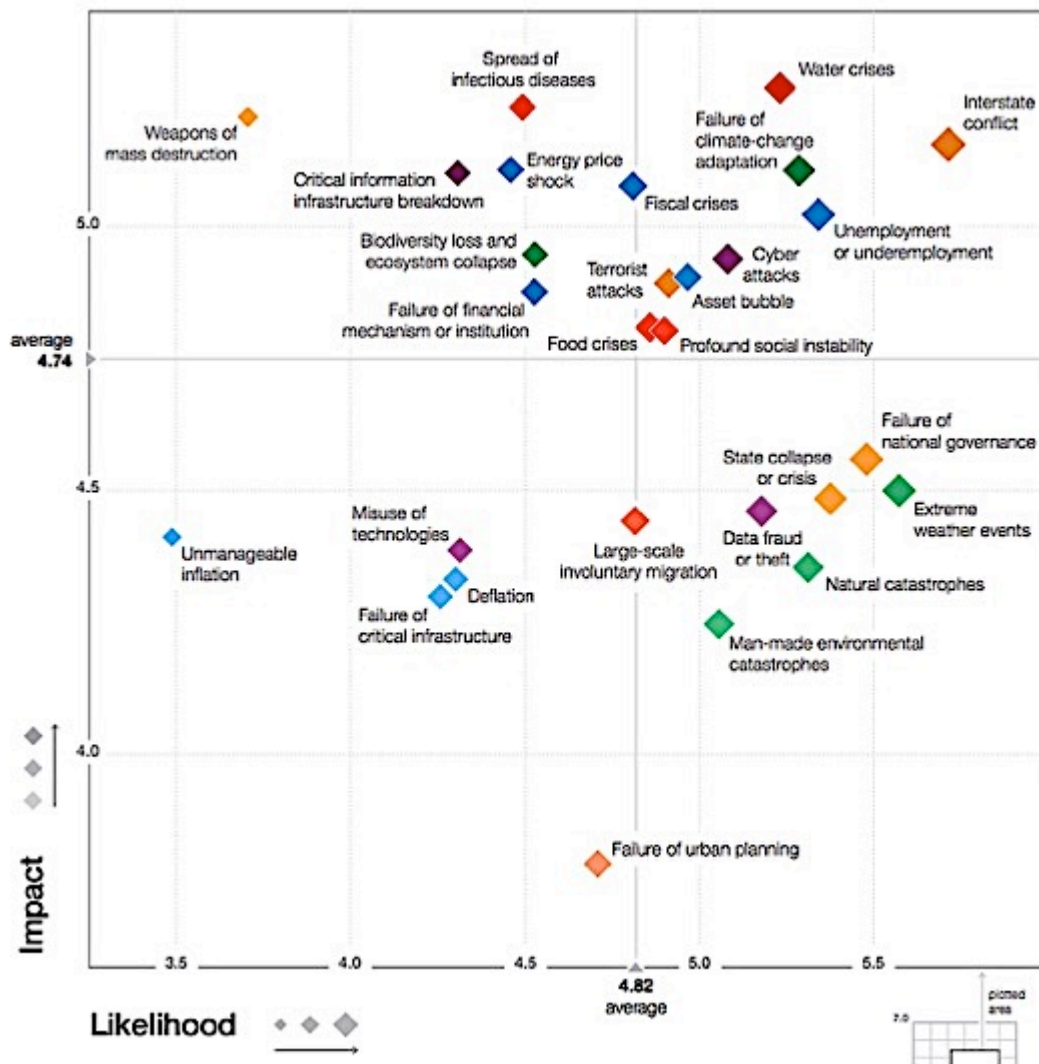
So, what must our agenda be if we business journalists are to be relevant and useful in the 21st century?

Handily, the World Economic Forum offers us a reasonable guide, complete with an annual update. Yes, that is the Swiss organisation that brings together the economic and political elite of the world in Davos each January.

The document is the Forum's annual risk assessment. Over the page is the 2015 edition of the chart that lays out the main risks, their impact and probability of happening.¹⁷ But only the top right hand corner of it – that is the most likely risks that carry the greatest impact. We can ignore all the less likely, less damaging ones that populate the other three-quarters of the map.

¹⁶ <http://www.imf.org/external/pubs/ft/wp/2015/wp15105.pdf>

¹⁷ http://www3.weforum.org/docs/WEF_Global_Risks_2015_Report15.pdf



The three shocks I've discussed so far are examples of three major risks on this map:

- Fiscal crises (...like the Nixon Shock)
- Asset bubbles (...like Lehman Brother's bankruptcy)
- Failure of climate change adaptation (...like the Volkswagen scandal)

Most of the others on the map are also critical business issues, such as:

- Energy price shocks
- Unemployment or underemployment
- Failure of financial mechanism or institution
- Water and food crises
- Biodiversity loss and ecosystem collapse
- Cyber attacks

No doubt many people feel those are theoretical risks, or at least distant in time and place. Or if they are present now, issues that will have no impact on them.

[illegible]

If humankind were to do something useful on even some, let alone all, of these issues, it would amount to radical change.

Change of unprecedented speed, scale and complexity. Change humankind has never come within cooee of achieving in its short history to date.

My hunch is change will come because these powerful forces will force it on us. We can't stand Canute like against them.

Old orthodoxies will die. Old polarities will implode. Old labels will be meaningless. For example:

Economics: No more free markets on one extreme, and state ownership on the other.

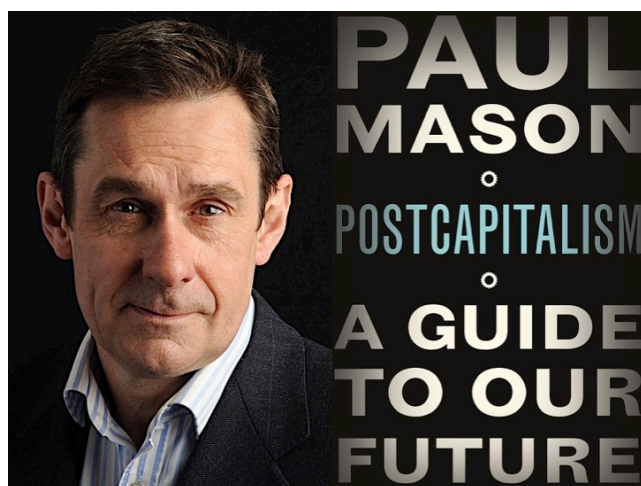
Ecosystem: No more exploitation on one extreme, and preservation on the other.

Society: No more individualism on one extreme, and collectivism on the other.

Politics: No more Far right on one extreme, and Hard Left on the other.

This does not mean some sweet sort of balance in the middle. Rather, entirely new conceptions, philosophies, organisations and territories are emerging. One small but fascinating US example is the birth of the Green Tea Party, as described in the *New Yorker* on February 17th, 2015.¹⁸

We're starting to see well-researched expressions of these transformations, such as Paul Mason's recently published book *Postcapitalism*. As economics editor of Channel Four TV in the UK and a *Guardian* columnist he has written with insight on the great financial and economic catastrophes of our time...and the seeds they hold of new forms of technology, business, economics, politics and society.



¹⁸ <http://www.newyorker.com/tech/elements/green-tea-party-solar>

Rather than the one-dimensional financial capitalism we've been practising, with massive crises and inequities undercutting genuine progress, we might even achieve three-dimensional capitalism in which Ecological Capital, Human Capital and Financial Capital thrive and prosper, sustainably by working together.

What's holding us back? *Breakthrough Capitalism*, the ongoing work of John Elkington and his colleagues at Volans in London, describes the tasks to hand for business:

Breakthrough Criteria A Breakthrough solution meets the following criteria Key Concepts			
Future-Ready	Ambitious	Fair	Disruptive
Works well in a world of 7-going-on-9 billion people, providing affordable access to needed products or services, while respecting planetary boundaries. ³⁵	Aims to transform key aspects of capitalism—and drive radically better outcomes across the triple bottom line.	Helps tackle critical equity issues, including the transfer of intergenerational debt created by public borrowing, natural resource extraction and environmental destabilization.	Promises (or threatens, depending on your viewpoint) to disrupt the current economic or governance system, moving the needle from incrementalism to system change.
Ecological Footprinting Global Footprint Network ³⁶	Environmental Profit & Loss PUMA/PPR ⁴¹ The B Team ⁴²	Access to X Where X might be medicines, clean water, renewable energy, education or finance	Biomimicry B Corporation ⁵² Biomimicry 3.8 ⁵³
One Planet Living Bioregional ³⁷	Impact Investment Global Impact Investing Network ⁴³	Fair Trade Fairtrade International ⁴⁹	Circular Economy Ellen Macarthur Foundation ⁵⁴
Planetary Boundaries Stockholm Resilience Centre ³⁸	Zero Interface Mission Zero ⁴⁴ Zero Discharge of Hazardous Chemicals ⁴⁵	Social Innovation / Entrepreneurship / Investment Skoll Centre for Social Entrepreneurship ⁵⁰	Cradle-to-Cradle Design MBDC ⁵⁵
Stranded Assets Carbon Tracker ³⁹ Generation Investment Management ⁴⁰	'X' The X Prize Foundation ⁴⁶ Solve for X ⁴⁷ Google X ⁴⁸	Sustainable Living Unilever ⁵¹	Sharing Economy / Collaborative Consumption Oxfam / Marks & Spencer ⁵⁶ Mesh ⁵⁷ yerdle ⁵⁸

The four greatest barriers their analysis identifies are:

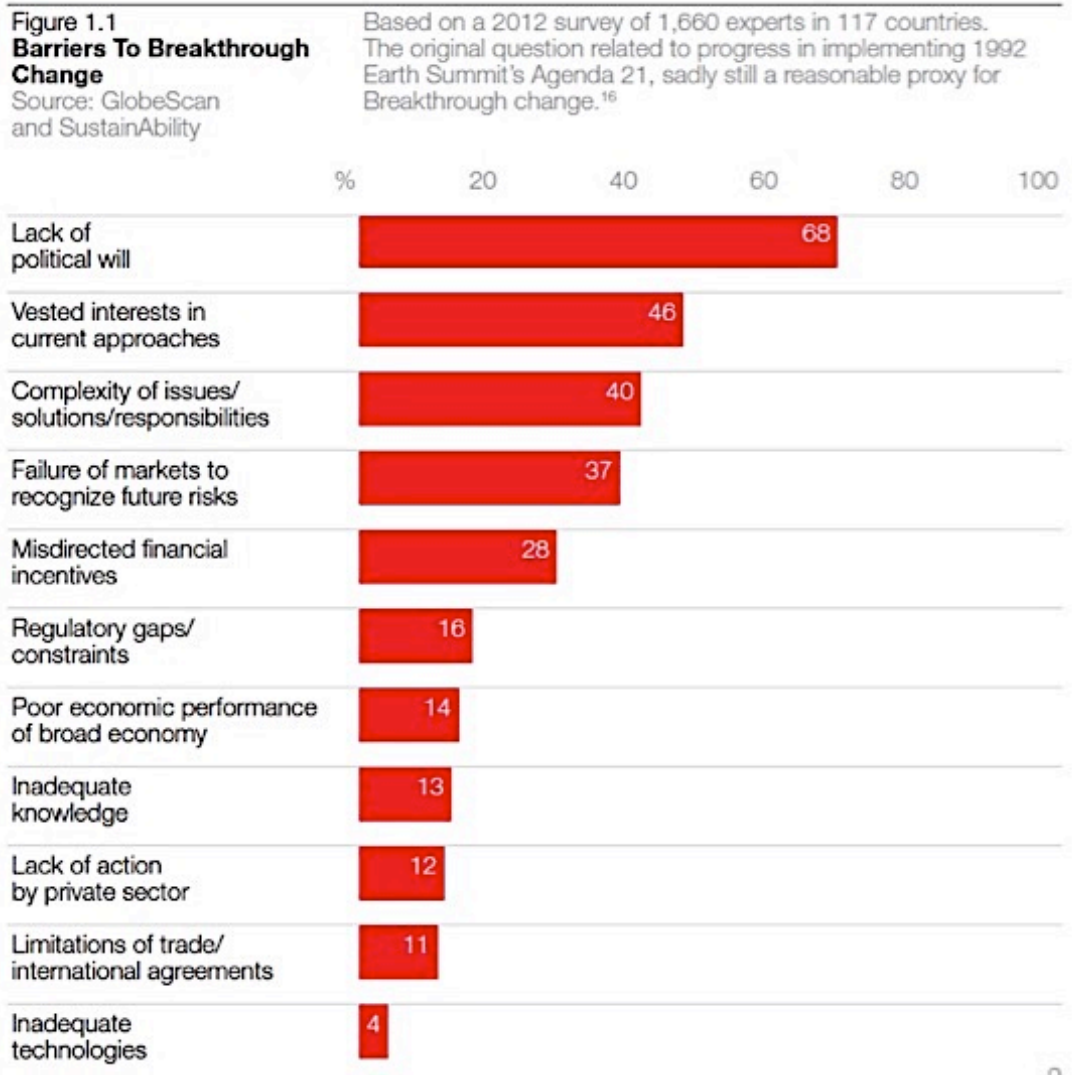
- Lack of political will
- Vested interests in current approaches
- Complexity of issues / solutions / responsibilities
- Failure of markets to recognise future risks

The least barriers of all are:

- Inadequate technologies
- Limitations of trade / international agreements
- Lack of private sector action

...although the ones in the middle are very noteworthy too:

- Misdirected financial incentives
- Regulatory gaps / constraints
- Poor economic performance of the broader economy
- Inadequate knowledge.



We would greatly enliven business journalism, and make it vastly more relevant, if we tackled even just the top four of those.

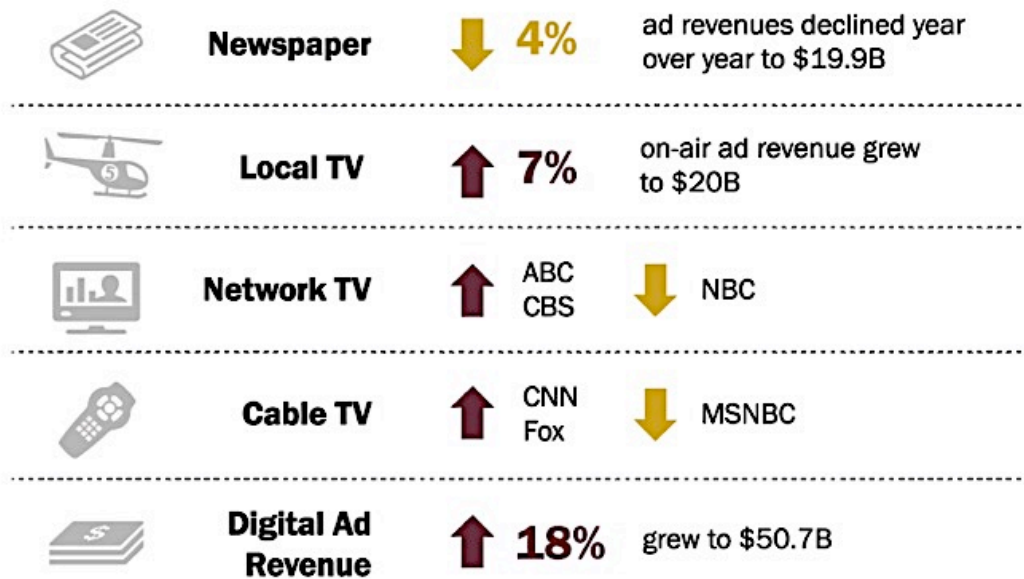
How much more interesting *Breakthrough Capitalism* is for the people we serve, rather than our efforts to regurgitate an eight-page press release or a year-end PowerPoint; and how much more fulfilling for us business journalists.

The viability of business media

Are business media in the great capitalist countries of the world equipped to do this?

Superficially, yes. In the US, for example, most media in general continue to make progress on developing new business models to sustain them, as the Pew Research Center's *State of the News Media 2015*, shows.

Key Economic Trends



Source: BIA/Kelsey, Kantar Media and eMarketer

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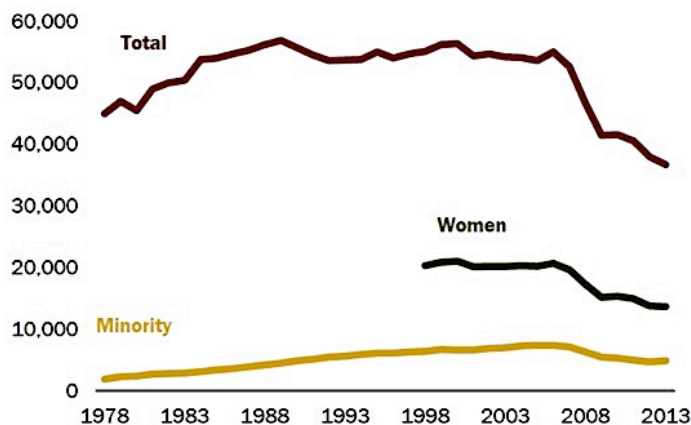
In the UK, the *Financial Times* was recently sold to Nikkei, the Japanese publisher, for £844m (NZ\$2bn); and 50% of *The Economist* was sold for £469m, with most of the shares going to the trust that already controls it. Clearly, those two publications are examples of how to prosper in this new media age.

People are the worrying trend, though. The number of journalists is falling in many countries. In the US, for example, Pew tells us the number of newsroom employees fell from around 55,000 at the height of the bubble that gave birth to the Global Financial Crisis, to about 35,000 in 2013.

However, now that media organisations are learning to make a bit more money from new media, we might see some renewed growth in numbers.

Newsroom Employment Continues Falling

Total number of newsroom employees



Source: American Society for News Editors Newsroom Employment Census, 1979-2014.

PEW RESEARCH CENTER

But here's the far bigger people worry. The balance of power, the share of voice, is shifting dramatically.

"For every working journalist in America there are now 4.6 PR people, up from 3.2 a decade ago," Andrew Edgecliffe-Johnson, the FT's US news editor, wrote last year citing US Bureau of Labor statistics.¹⁹

The trends are playing out in the same direction, but at a different pace, in the UK. The number of journalists is down only slightly since 2008. They still outnumber PR people, but the ranks of PR people have grown by some 75% since 2008.



¹⁹ <http://www.ft.com/intl/cms/s/2/937b06c2-3ebd-11e4-adeb-00144feabdc0.html>

A number of factors drive these trends, such as better pay and career prospects for PR people than journalists. This is self-reinforcing. The more we let journalism atrophy in scope and vigour, the harder it is for media organisations to make money and thus to invest in scope and vigour. Emaciated, we become more and more dependent on the work of PR people.

I'm arguing, though, we can turn this around. We business journalists can make – we have to make – business and economics much more accessible and useful to a far wider audience.

Then perhaps with more of society engaged, we might help to broaden the debate, stimulate solutions and fast-forward change. Then perhaps business journalism might deepen its capabilities and improve its prospects.

Is a business paper such as the *Financial Times* capable of such a role, I asked Lionel Barber, its editor, when I was catching up with him in London last month.

Yes, he said, the *FT*'s journalists have the breadth of intellectual skill and interests to embrace this bigger agenda.

Here is one example. Three weeks ago, Mark Carney, Governor of the Bank of England, told a City of London audience of investment managers that stranded assets were a potential risk to the economy's financial stability.²⁰

The issue here is that the fossil fuel companies of the world have far more proven assets on their balance sheets than could ever be burnt if we are to stand any chance of limiting climate change. Thus, there is the potential for the economic viability of those companies to plummet, doing damage to their share prices and reducing their capacity to honour their debts.

This was not the first time Carney had raised the issue. This was not the first time some fund managers told him this was none of the Bank's business. It should stick to its remit on growth, inflation, financial regulation and conventional issues of financial stability.

The *FT* ran pieces ranging from news, analysis, and an editorial in support of Carney, to counter-views from the energy industry and even a satirical piece by a senior *FT* journalist. This is just the latest tranche of on-going coverage of this important subject:

- Editorial: Carney's warning on carbon's financial risks²¹

²⁰

<http://www.bankofengland.co.uk/publications/Documents/speeches/2015/speech844.pdf>

²¹ <http://www.ft.com/intl/cms/s/0/7be03478-676c-11e5-a57f-21b88f7d973f.html#axzz30Iewwxmx>

- Carney on climate: central bankers stray from mandate²²
- Mark Carney's climate warning splits opinion ²³
- 'Fossilist' finance blocks 'clean trillion' ²⁴
- Mystic Mark Carney, the Bank of England's new seer ²⁵
- Almost US\$1bn wiped off the value of UK pensions' coal investments ²⁶

Here is an example of that last story. The stock market capitalisation of Peabody, the largest US coal companies, has fallen 95% since 2011.



This issue applies to the New Zealand Superannuation Fund too. This year I've asked it several times for information on the subject. Each time I was told it's too complicated to extract such specific information from the analysis of the Fund's investment performance.

²² <http://www.ft.com/intl/cms/s/0/3ac7e22c-6782-11e5-97d0-1456a776a4f5.html#axzz3oIewwxmx>

²³ <http://www.ft.com/intl/cms/s/0/edc9bae6-678f-11e5-97d0-1456a776a4f5.html#axzz3oIewwxmx>

²⁴ <http://www.ft.com/intl/cms/s/0/dc5d09d2-6b65-11e5-8171-ba1968cf791a.html#axzz3oIewwxmx>

²⁵ <http://www.ft.com/intl/cms/s/0/95a6cdac-682c-11e5-a57f-21b88f7d973f.html#axzz3oIewwxmx>

²⁶ <http://www.ft.com/intl/cms/s/0/cb6adb90-6e7b-11e5-aca9-d87542bf8673.html#axzz3oIewwxmx>

Impact on New Zealand

The global issues good business journalism must deal with, which I've touched on above, have particular power and importance to us as a tiny, distance country trying to make its way in the world.

Overall, our local expression of these global issues is about our connection with the world, in three broad ways:

- Ecological: We are more dependent on our natural environment for earning our living than any other developed country.
- Human: We are a nation of immigrants. Specifically in our largest city, 40% of us Aucklanders were born outside New Zealand. This is the sixth most immigrant-intensive city in the world; and economically we depend on trade with other countries.
- Financial: We are but a speck of flotsam on the floods of finance coursing through, and between, the economies of the world.

All manner of stories arise from these themes. We could all name dozens we'd love to read, or work on.

Of course, we also need to do much more traditional business journalism, which is covering the day-to-day workings of the economy and business. I believe we could do more of that, with more insight and relevance, by building up our audiences and revenues.

And we could build them by telling people more interesting, useful and crucial things along the themes above.

To these three broad themes I must add one more issue that permeates and influences all of this.

Transparency International continually rates New Zealand as one of the least corrupt countries in the world. Indeed, we rarely find evidence of bribery or ill-gotten gains. When we do, it is revealing how small the sums are, how cheap it is, apparently, to benefit.

If we aren't corrupt, though, we are certainly cozy. As in any small country we have simply too few people, too few resources. We're all very tightly stretched doing our bit towards making this a good, full-service country.

Actually, we do a good job. This is a more effective and functional country than many. But along the way, too many people represent too many interests. There is insufficient competition of ideas and the research to promote them. Accommodations, tacit as much as agreed, are the way we try to keep things sweet.

Culturally, we prefer to sweep issues under the carpet rather than deal with them. There they fester until later, inevitably, they erupt and do great damage to the people and organisations involved.

This cozyism, as it were, is a kinder, gentler, more acceptable culture than cronyism. But it is ultimately just as corrosive as cronyism, just as detrimental to progress.

New Zealand business media

I'll confine myself here to business journalism, though the issues I'll raise apply across the field.

First, mainstream media, which are essentially Fairfax and NZME. They are locked in a death spiral because they won't charge the public for their online content. NZME wants to. But it has yet to do so because Fairfax says it won't. Instead the two chains eke out their meagre media revenues by selling things to people such as goods, services and events.

NZME's owners want to float it on the stock market. But it is unfloatable until it can show investors it can make more money directly from its online content. That has to be at the heart of any business model for an independent media company – by that I mean a journalistically independent media company. There is one exception to this model, to which I will return soon.

Both media chains seek to build their audiences. But stressed by inadequate revenues, they are trying to capture more content with fewer resources. So, in common with most media companies they are seeking to diversify their revenues and their sources of content.

As a result, there is a growing, and unhealthy, symbiosis between content and revenue, such as special sections funded by the industries and organisations being written about, and native advertising in which the content follows the form and function of the media's journalistic content.

This symbiosis makes it harder for journalists to be critical of the people, organisations and industries they write about.

Conversely, if, for the sake of argument, a website or columnist launches a blistering attack on someone or some company, there is rarely any transparency as to the relationships that might lie between interested parties.

Moving on to the one specialist general business publication in New Zealand: In the past few years under a new owner, the *National Business Review* has been investing in staff, and in new delivery such as *NBR Radio*, an online audio channel. There is some useful content. But, at least for my tastes, the *NBR*, for example, takes an excessive interest in court cases, many of them of limited consequence.

The far bigger weakness of the *NBR*, though, is its narrow focus on near-term, narrowly defined business issues. It seems semi-detached from society and the great disruptors of it. These, though, are the very issues thoughtful business people wrestle with in the hope of sustaining, or bettering, their enterprises.

In this, the *NBR* keeps company with the likes of Rupert Murdoch's *Wall Street Journal*.

Then, there is mainstream television and radio. Their coverage of business and economics is sparse and superficial.

International wire services provide very limited coverage of New Zealand.

There is also, given the size of our country, a surprisingly large community of trade and professional publications. But understandably their independence is limited.

Thankfully, this conventional business media landscape has gained some new participants in recent years. Four notable ones are:

- Interest.co.nz, a website focused on the financial markets
- BusinessDesk, a news service that supplies content to many mainstream publications. Without it, business coverage would be even slimmer.
- The stock exchange's NZX Agri suite of publications that dominate the primary sector
- Idealog, which covers innovative companies in a lively way

Keeping them going isn't easy. For example, one of BusinessDesk's products for its media clients is content it writes, which is paid for by Callaghan Innovation, the government's main agency for dispensing taxpayer funded R&D advice and grants to companies.

Doing more and better

How might we business journalists do more, do it better and differently?

At the outset, I said my suggestions were sketchy. Here they are, focused on money, people and relationships.

Money: I said earlier that earning good money for content, backed by strong rules for keeping separate its sources of content and revenue, was the core principle of a viable financial model for independent business journalism.

I also said, there was one alternative. That would be a trust, open to public contributions.

The trust would publish the name of every contributor, but not the sum they contributed. No individual or organisation – alone or in concert – could

contribute more than, say, 0.5% of the trust's capital, to be policed by the trustees.

One authority on how such trusts are structured and run, and might evolve, is a book Gavin Ellis, a former editor-in-chief of the *New Zealand Herald*, published last year - *Trust ownership and the future of news*.²⁷

Such a mechanism would give this new type of business media organisation the resources it would need to prove itself, and thus start to develop ways to earn money from its content. Over time, growth in revenues and public contributions to the trust would enable the organisation to widen and deepen its range of journalism.

People: There are more than a few experienced, good business journalists in New Zealand who are very eager for the opportunity to do more and do it better. There are some too who are early in their careers, but far too few given the profession's currently limited prospects.

Plenty of other help is to hand. All good publications must give a platform for thoughtful and well-researched, constructive and provocative pieces by a diverse range of people who don't work as journalists.

One useful guide to what constitutes journalism, and differentiates it from other forms of communications, is offered by the American Press Institute on its website.²⁸

Relationships: The new type of business journalism I'm advocating would require two new forms of relationship.

First, a relationship with a large media organisation overseas that was compatible in terms of culture and focus. This would go far deeper than the current practice of simply buying in content from overseas. It would be built on collaboration.

The NZ entity would continually learn from its overseas partner, while also contributing to the partner full stories, and contributions to wider stories. We have some things here worth reading about around the world, given local issues are increasingly global ones writ small. Subjects such as the nexus of economy and ecology, or journalism techniques such as data mining to generate stories. The relationship would not necessarily involve a financial investment by the overseas partner.

²⁷ Ellis, G. (2014). *Trust ownership and the future of news: Media moguls and white knights*. Palgrave Macmillan

²⁸ <http://www.americanpressinstitute.org/journalism-essentials/what-is-journalism/>

Good working relationships with other NZ journalists and media organisations, would be vital too.

The second relationship is with society at large. I argued earlier that we would progress faster, more powerfully, on business and economic issues if we involve more of society.

So at the very least, our journalism has to be insightful and useful to the people involved, while simultaneously accessible and helpful to the public at large.

But building direct involvement is crucial too. Here's an example of how that might work. As a country we have daunting challenges on freshwater allocation and quality, and developing regulatory and other mechanisms to improve them.

For example, under the imperfect new regulatory framework the government introduced last year, stakeholders (very widely defined) in every catchment in the country will have to work out over the next few years what water standards they will work to and how. Councils will offer some help, but they say they can only afford to monitor a limited number of places on waterways in their catchments.

But citizen science could come to the rescue. Reliable water testing kits are inexpensive, a good few people would be keen to use them, and there are some scientists who want to help them do so.

The new type of business media organisation I'm advocating could be the platform for establishing a network of citizen scientists across the country, to collect and analyse their data, and to give voice to their stories and issues.

I'm putting all this out there – from the big issues of how radically the world is changing, to business journalism and how we might tackle the issues better – to see who might be interested in testing, improving and adding to the ideas....and perhaps, even, working on bring them to life.

Meanwhile, I intend to keep going as a business journalist for at least another 20 years or so, God willing and the creek don't rise.

As I long have, I will keep seeking advice and inspiration from many sources. Here are some journalistic ones that mean the most to me, reflecting where I have spent, or I still am spending, very formative stages in my career:

In the US, the muckrakers, as investigative journalists were known in the late 19th and early 20th century. This was a crucial period when, like now, business and technology were running far ahead of society and politics, with calamitous consequences.

Some of my heroes are people such as:

- Ida Tarbell, who laid bare the abuses of the Rockefeller's oil empire, thereby helping to pave the way for proper competition laws
- Upton Sinclair, whose expose of Chicago's meat packing industry led to the creation of the precursor of today's food and drug regulation
- Samuel McClure, publisher of *McClure's Magazine*, which was the home for such powerful, long form journalism.



Ida Tarbell



The story of them and others, and their relationship for good with politicians, is grippingly told by US historian Doris Kearns Goodwin in her 2013 book *The Bully Pulpit: Theodore Roosevelt, William Howard Taft, and the Golden Age of Journalism*.

In the UK, *The Economist* lives today by the credo its founding editor, James Wilson, articulated in 1843: To "take part in a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."

Likewise in London, the *Financial Times* has published since 1888 under the ethos of its founders, which they articulated as "Without fear and without favour".

In New Zealand, I offer one of the past, many of the present, and one of the future.

Of the past, Bruce Jesson with his books such as *Only Their Purpose is Mad: The Money Men Take Over New Zealand*.

Of the present, friends and colleagues who, despite the fierce constraints, keep delivering business journalism in New Zealand. For example, Rebecca Macfie's book *Tragedy at Pike River Mine* laid bare the corporate, regulatory and market failure that killed 29 men. It has become required reading at many companies seeking to change their work cultures.

Of the future, though the future is now - Generation Zero. They don't quite meet the strict definition of journalists and journalism I quoted earlier. But they exhibit many of the greatest journalistic qualities, namely:

- Identifying big, complex, epoch changing issues
- Researching them assiduously to shed new light on them and new solutions for them
- Finding fresh ways to talk about those issues and solutions to help participants and to mobilise the public.

One last person, Johnny Rotten:

"You'll have no future, if you don't make one for yourself."

Thank you.