

A Media Failure Compounds The Financial Failure

The Press Is Still Missing The Story Of Fraud and Economic Decline Ahead

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We know that Wall Street has not learned much from the crash it helped instigate. We know that our government, whatever its stated desire to clean up the markets and reform the financial behemoths, lacks the willingness and perhaps the clout to rein in the real power centers. We are not sure if they have been “captured” by them, or just lack the guts to take on institutions and individuals that helped fund their rise to power.

But do we know that, even now, much of our media, despite the sheer volume of coverage may be missing the real story? Do we know that if we want to find missing facts and the real context we have to turn away from the failed media system that never really investigated the failed financial system

The Project on Excellence on Journalism that examines media trends released a study charging “that the gravest economic crisis since the Great Depression has been covered in the media largely from the top down, told primarily from the perspective of the Obama administration and big business, with coverage reflecting the concerns of institutions more than the lives of everyday Americans.”

Why is this? I asked several journalists in making a film and writing a book about the financial crisis as a crime story. A number agreed that the media itself is “embedded” in the culture and narratives of Wall Street, like reporters embedded in Iraq. They lack the ability to be critical of the sources they rely on. They bring little perspective and context to their work.

Max Wolff who works in the financial industry, and also teaches about it, shared his view as we stood outside the New York Stock Exchange:

“I think the media mostly did unpaid press releases for various businesses looking to sale financial products and while that made sense given the advertising driven the media, they became cheerleaders instead of critics and that took of the table out of the discussion a critical voice that would have help people realize what was going on, stop it before it got too big and deal with the crisis in a way that was relatively transparent, democratic and broadly beneficial as opposed to quite and partial and very muddy and unclear.

I pressed him to reflect on why, “It seems like there is still a tendency to amplify rumors on one hand, and then ttry to reassure that everything is ok while at the same time tell us that the world is about to end...”

“Well we get a wild volatility, with a blind set of stories, everything is fine, nothing to see here, remain calm or if you don’t do x,y and z or tomorrow life as we know will come to a stretching hold, water won’t come out of your fosse, electricity won’t come on, and you will live the rest of your life regretting that you just didn’t listen to me when I told you what I wanted. And that is a bad way conduct a social discussion. And it makes the public more scared and quite reasonably less confident in leadership whether that is corporative leadership, politicians or the media itself.”

The tendency on the left is to bash the frenzy of free market hype on Fox but not look to carefully at other channels and mainstream media outlets.

Often, even when they run good stories, they don’t probe deeply enough. The Naked Capitalism blog offered up one recent example in the New York Times:

“The New York Times features a generally very good piece, “Buyout Firms Profited as Company’s Debt Soared,” by Julie Creswell that falls short in one important respect: it fails to call a prevalent and destructive practice of private equity firms by its proper name....

George Akerlof and Paul Romer called that activity **looting** in a famous 1993 paper and depicted it as criminal: “Bankruptcy for profit will occur if poor accounting, lax regulation, or low penalties for abuse give owners an incentive to pay themselves more than their firms are worth and then default on their debt obligations....”

Conservatives like Peter Schiff who was literally laughed off Fox News when he warned of the coming meltdown in 2006—the year I did the film IN DEBT WE TRUST—says media institutions have centrist biases that genuflect to the status quo. A lot of the media I appeared on were kind of captured by the industries,” he told me. “You know everybody that comes on television is working for government or working for Wall Street. They all have invested interest. They are all trapped inside the bubble and so from their advantage point they don’t know they are in a bubble...”

Right now, many media outlets are reinforcing the idea that a recovery is underway pointing to a rise in the stock market and some signs of improvement, even as joblessness continues to climb along with bankruptcies and foreclosures.

The dissents of informed analysts like Paul Krugman, Nouriel Roubini and George Soros are heard but marginalized. The signs of another collapse tied to an insolvent banking sector are discussed in the financial blogs but not yet on TV.

And the crime angle that I investigate is still seen as minor, except in all the stories about Bernie Madoff or the corporate lawyer Marc Dreier just profiled by 60 Minutes which wanted to get him to be more “emotional” (ie cry for the camera).

These “poster boys” for corporate crime get the visibility while reports on pervasive “epic” fraud in our financial institutions are buried in trade outlets like Information Week which notes “Seventy percent of financial institutions in the past 12 months have had cases of insider fraud, new survey says.”

“Kelly Jackson Higgins reported, “A former Wachovia Bank executive who had handled insider fraud incidents says banks are in denial about just how massive the insider threat problem is within their institutions. Meanwhile, the economic crisis appears to be

exacerbating the risk, with 70 percent of financial institutions saying they have experienced a case of data theft by one of their employees in the past 12 months, according to new survey data.

“Shirley Inscoe, who spent 21 years at Wachovia handling insider fraud investigations and fraud prevention, says banks don’t want to talk about the insider fraud, and many aren’t aware that it’s an “epic problem.”

Epic problems are often buried problems. No wonder most of us don’t know about them and are not as outraged as we deserve to be.

Danny Schechter has made a film and written a book on the “Crime Of Our Time.” (News Dissector.com/plunder.) Comments to dissector@mediachannel.org

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