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THE U.S. PRESS AND THE FINANCIAL CRISIS

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The financial crisis of 2008 and 2009 came at a time when American journalism was already imploding. Beset by job losses and the migration of advertising revenue to the Internet, traditional media was in a decline that seemed irreversible. Major newspapers like the *Los Angeles Times*, *Chicago Tribune*, and the *New York Times* cut jobs and offered buyouts to many of their staffers.[1] Well-known magazines such as *Newsweek* changed their format in an effort to boost revenues but still shrank in size.[2] Condé Nast's glossy business magazine *Portfolio* and Dow Jones's *Far Eastern Economic Review* were shut down. Bloomberg bought *BusinessWeek* in the autumn of 2009, and then began to slash its staff, replacing the *BusinessWeek* writers with those from Bloomberg. Across the country, newspapers folded, including the *Rocky Mountain News* and the print edition of the *Seattle Post-Intelligencer*. Television stations struggled for ad revenue, and wire services cut staff. An estimated thirteen thousand newspaper jobs were lost in 2008 and fifteen thousand more in

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2009, according to Paper Cuts. Newspaper circulation continued the declines of 2007 and 2008, falling an average of 10.6 percent in a six-month period of 2009 as compared to the previous year. In the same period, advertising revenues showed their biggest decline since the Great Depression.[3] The *New York Times* called 2009 "the worst year the newspaper business has had in decades."[4]

"As almost everyone knows, the economic foundation of the nation's newspapers, long supported by advertising, is collapsing, and newspapers themselves, which have been the country's chief source of independent reporting, are shrinking—literally," wrote Leonard Downie Jr. and Michael Schudson in their report, "The Reconstruction of American Journalism," published on the *Columbia Journalism Review* Web site in October 2009. "Overall, according to various studies, the number of newspaper editorial employees, which had grown from about 40,000 in 1971 to more than 60,000 in 1992, had fallen back to around 40,000 in 2009."[5]

The problems that beset the industry took a toll on the reporting that took place during the crisis. Afraid for their jobs and struggling with fast-moving and complicated events, reporters struggled to keep up with the most complicated story that many of them had ever covered—all the while worrying about their own futures. Sometimes reporters were even personally involved, suffering from financial troubles while covering the story. The most famous case was that of former *New York Times* writer Edmund L. Andrews, whose book *Busted* chronicled his own troubles keeping up with his mortgage payments even while he was covering the economy from Washington, DC.[6] After the book appeared, Andrews was criticized for being too close to the story he was chronicling.[7]

As journalists were attempting to cover the collapsing economy, the pundits and the public criticized them for not seeing the crisis coming and for ignoring its warning signs. American journalists viewed the situation as unprecedented even though it was eerily similar to the one faced during the financial crisis that rocked much of Southeast Asia in 1997–98. That crisis, half a world away from the United States and less severe, was of only peripheral concern to most Americans, but it took a heavy toll on much of that region for several years. The experience of Southeast Asian journalists during that crisis was similar to what reporters would face in the United States a decade later—heavy declines in advertising, job losses, and pressure from sources not to write depressing stories that would undermine confidence in the economy.

This chapter is not an exhaustive look at the coverage before the crisis began (which we can date to the problems in the mortgage market in 2007). Nor will I provide a close textual analysis of the coverage during the crisis. Those subjects are covered in subsequent chapters by Dean Starkman and Ryan Chittum. Rather, I want to look at some of the broader research that has been done on the press, and in particular on the business press, and explain some of the larger themes that have been researched by media critics and academics. I supplemented my reading of the academic research with some of my own research—done with colleagues—on coverage of the stimulus package. I also interviewed some twenty-five working business journalists.

There has been very little academic research done on how business journalism fares during economic crises but what has been done suggests that during crises, reporters become more dependent on their "sources"—their contacts at the firms in key public and private institutions—for information. The pace at which the stories unfold means that reporters do not have the time to do broader investigative reporting, or to turn to academics or even former "insiders" for more analytic perspectives. At the same time, these sources dry up because they are afraid that publicizing bad news will make things worse. If the sources are available, their focus—even more than usual—is on "spin," trying to shape the coverage of the story as it develops.

One of the maxims of U.S.-style capitalism is that transparency is critical to well-functioning markets, but so is confidence. In this crisis, transparency and confidence came into conflict. Honesty in appraising bank losses from declining housing prices would have presented a bleak picture of the economy's prospects. That would undermine confidence, further freezing consumer spending and making the economy weaker.

Public officials often see part of their role as being civic boosters and glossing over problems as part of the job. When things are going well, it is an easy task that does not contradict the evidence that they see. But in a crisis, there is a need for obscurity, dissemblance, or dishonesty (with different public officials drawing the line differently). In retrospect, it's hard to know whether inaccurate official statements were deliberate attempts at manipulation or arose from genuine misunderstanding. In this respect, Fed Chairman Ben Bernanke's remarks are of particular interest, as he repeatedly attempted to reassure the nation that the problems of

the subprime mortgage market were contained and that the economy's prospects were positive. For example, with the economy on the brink of recession in March 2007, Bernanke testified before the U.S. Congress and portrayed the declining GDP growth rate as a sort of settling-in. "Economic growth in the United States has slowed in recent quarters, reflecting in part the economy's transition from the rapid rate of expansion experienced over the preceding years to a more sustainable pace of growth," he said. "Thus far, the weakness in housing and in some parts of manufacturing does not appear to have spilled over to any significant extent to other sectors of the economy." He went on: "Employment has continued to expand as job losses in manufacturing and residential construction have been more than offset by gains in other sectors, notably health care, leisure and hospitality, and professional and technical services, and unemployment remains low by historical standards."[8]

In November 2007—a month before the date that the National Bureau of Economic Research later identified as the beginning of the recession in the United States—Bernanke could still sound upbeat.[9] "Since I last appeared before this Committee in March, the U.S. economy has performed reasonably well," he testified before Congress. "On preliminary estimates, real gross domestic product (GDP) grew at an average pace of nearly 4 percent over the second and third quarters despite the ongoing correction in the housing market." Bernanke described the crisis as being of possible long-term benefit: "Recent developments may well lead to a healthier financial system in the medium to long term," he said, though he qualified that, in the short-term, "these events do imply a greater measure of financial restraint on economic growth as credit becomes more expensive and difficult to obtain."[10]

By December 2008, even as he acknowledged that the financial "crisis has become global and is now affecting a wide range of financial institutions, asset classes, and markets," Bernanke sounded a positive note in a speech about the government's efforts to lower the federal funds rate, saying that its "policy response stands out as exceptionally rapid and proactive." He predicted a gradual economic strengthening. "Although the near-term outlook for the economy is weak, a number of factors are likely over time to promote the return of solid gains in economic activity and employment in the context of low and stable inflation," he said.[11]

But if officials felt under pressure not to be too gloomy lest they contribute to a general loss of confidence, the same was true

of reporters. Their training requires them to cover the news no matter how bad it is. But they are afraid that their coverage will cause share prices to fall and consumer confidence to evaporate, and will push the economy into a downward spiral. Like journalists in China and Vietnam who have internalized government/Party instructions to write stories that will help promote economic growth, U.S. journalists were afraid of making things worse.[12] In March 2009, some cheery data gave rise to a series of articles about "green shoots" suggesting the economy was due to recover despite the fact that unemployment was still high and retail sales were still weak. When asked why subeditors kept putting optimistic headlines over stories that reported on gloomy economic news, one *Financial Times* reporter hinted that the editors had internalized the prevailing administration line and winkingly described them as "People's Daily headlines"—a reference to the cheery headlines often found in China's government-controlled media.

An article in the *New York Times* in September 2008 described the journalists' dilemma well. "We're very careful not to throw words around like 'meltdown' and 'free fall,'" said Ali Velshi, senior business correspondent at CNN. "If someone wants to say the markets are in free fall, we'll discuss it first," he said, and the outcome is most likely to be a change in wording. Marcus W. Brauchli, the new executive editor of the *Washington Post*, said that covering Wall Street differed from any other industry. "When financial institutions are suffering a crisis in faith about themselves, journalists are inherently a little bit more prudent and cautious."[13]

Just as the credibility of the administration and the Fed was undermined by their ever-rosy forecasts, so too for the media. Some reporters I interviewed said their in-boxes were full of angry e-mails from readers who accused them of putting air in the bubble as the economy grew throughout the nineties and then kicking the economy as it went down. Most of the journalists interviewed said the letters they got did not affect their reporting, but one said it did make him more careful about the words he used. One journalist shared with us some of the angry letters he received. Two of the letters are excerpted here:

> Your article . . . on worsening estimates of the US economy is unnecessarily alarmist. By all means, report the news, but in this time of difficult economic conditions, psychology is a critical part of whether the country can recover soon or not. In

> that setting, reporters such as yourself using overheated rhetoric become part of the problem. . . . This is serious. Please write in more neutral terms. It is going to be challenging enough to fix things as it is. We don't need journalists making it worse.
>
> The media and the President have turned this into a self-fulfilling prophecy. Who could possibly want to spend anything more than necessary when we are being told we are in an economic "catastrophe"? The people who do have jobs don't want to spend for fear of not having a job next week or next month. We need someone with some confidence out there telling us that we will get through this and that things will improve.

While the top writers in the field rose to the occasion and produced a string of significant work as the crisis unraveled (more about them later), many others were simply overtaken by events and hesitant about how to report them. The U.S. business reporter in 2008 was exhilarated by the chance to cover such an important and dramatic story but also afraid and uncertain. No one knew for sure how bad the crisis would get. There had been coverage of a bubble in the housing market, but the world of credit derivatives and credit default swaps was largely unreported—beyond the occasional story of its immense size (in the trillions of dollars). Such numbers added mystery to what was going on. How could the value of this supposed insurance product come to exceed the world's entire GDP many times over? Who was buying and selling these derivatives? Were they really insurance products? If so, what reserves had been set aside? All that was clear was that these products were highly profitable—and that the industry players were so politically powerful that the sellers had managed to get legislation ensuring that the sellers would not be regulated (either as insurance products or as gambling products), and that they would receive priority treatment in bankruptcy.

While the usual "sources" became less available and/or less reliable, even those without self-interest became less helpful. Reporters and editors have no choice but to rely on the experts. But many of the so-called experts had failed to see the crisis coming. Lots of economists did not believe that things would get as bad as they did. And so, caught in the fog of events, the coverage reflected the confusion felt in the broader economy.

Many journalists feel upset and guilty about their coverage before and during the crisis. They knew they fell short and they agonized about it:

> The reality: We committed journalistic malpractice on a grand scale. We wrote glowing accounts of the heroic masters of the universe, epitomized by endless reverential profiles of the likes of Jack Welch of General Electric, and, until the roof fell in, Ken Lay of Enron. We asked far too few questions about derivatives and risky changes to the banking system, instead following mergers and slick new securities like star-struck sportswriters. We helped pimp the stock market as working Americans were giving up their pensions and embarking on a risky—and now ruinous—experiment.
>
> —Jon Talton, economics columnist for the *Seattle Times*, in a widely quoted blog post in March 2009[14]

The History of the Business Press

The difficulties journalists faced in reporting the Great Recession were a logical extension of the limitations of the entire genre of business reporting. Academics and journalists have long criticized business/economic reporting for its cheery, pro-business stance. Chris Roush describes the history of some of this criticism later in this book. Media critics on the left such as Rory O'Connor and Danny Schechter have accused business journalists of being "embedded" with the community they cover, pushing an ideology of U.S.-style free market capitalism.[15] However, although these criticisms have intensified over the last couple of years, they are not new. In his book on the history of the financial press, Wayne Parsons writes that even in the nineteenth century the business press helped shape public opinion in favor of the free market: "Clearly the historical importance of the financial press does not lie so much in its contribution to the development of a literary form as in its role in defining a capitalist language and culture: free markets, individualism, profit and speculation. Not only did the publication of information facilitate the growth of the internationalization of markets, it also assisted in no small way in the promotion of capitalist culture."[16]

Before taking aim at the business press, it's important to remember that the field was never really meant to provide public interest reporting. Rather, it is grounded in a historic tradition of

providing financial information to investors and business people. The establishment of the business press predated the establishment of political newspapers. Business news sheets have been around since the sixteenth century. They were published in Venice and Antwerp and provided information about "price currents, bills of entry and rates of exchange and marine lists."[17] In the eighteenth century in London, *Lloyds List* began publishing information on shipping and, not much later, newspapers began printing information to help British shareholders make investment decisions about their holdings in the colonies. These were notoriously unreliable and often pushed specific stocks. This lack of information led to many investors in the UK being cheated as it was hard to know exactly what was going on in the colonies. Information was critical but in short supply. As well as being unreliable, the early business press was ideological. *The Economist*, founded by James Wilson and shaped by editor Walter Bagehot, pushed the ideas of laissez-faire economics and Adam Smith, just as it does now. In the nineteenth century, Dow Jones and Reuters both founded business news sheets. The business press continued to grow throughout the twentieth century and expanded rapidly in the eighties and nineties as investment in the stock and other markets grew and investors needed more information.

Academics Describe the Business Press

The academic literature on the business and economic journalism of the eighties and nineties argues that—like its ancestors—it was mostly aimed at helping investors make business decisions. In trade and specialized business publications, explaining economics or the workings of business to the general public was not part of the mandate.

Of course, the general-interest newspapers and television/radio stations were aimed at a more general readership, and their coverage was broader and less technical. However, most business and economic reporting was done by the financial newswires and specialized news outlets. They developed their own vernacular, their own standards, and their own way of framing the issues. Share price was the most important indicator, and events were considered news if they were "market moving." Accordingly, news that affected corporate profitability, and therefore share price, was given top priority. Labor, the environment, and macroeconomic news mattered if those topics affected company earnings and share prices. It goes

without saying that larger questions such as fairness, corporate social responsibility, or even the desirability of the free market were not often covered by the average business/economic reporter. All of this was not the result of newsroom censorship. It was simply that these issues were viewed as marginal and largely irrelevant.

Overseas, business reporting was also rooted in support of the American free market system. U.S. reporters living abroad covered the ins and outs of trade agreement negotiations and privatizations and macroeconomic reforms often without questioning the broader social benefits. To a large extent, business reporters around the world adopted this attitude. Reporters from each country reflected the prevailing views of their country and represented back to those at home what was going on through a national lens: in a sense, American reporters described the world as it might be seen by the typical American, were she or he to be on the scene. But because American business reporters were reporting to the American business community, they typically became imbued with the same belief system that dominated that community. They did not attempt to reflect even the dominant perspectives within the foreign community. Localized political interests might be reported on, but mainly as they affected American economic interests, and with a presumption that when there was a clash, “we” were in the right, and “they” were either parochial or captured by “special interests.” The growth of the international capital markets and the spread of Washington consensus-style economic liberalization served to promote the free market gospel globally. It provided a framework within which journalists could assess “good” versus “bad” economic policy. Journalism training carried out by organizations like the World Bank Institute and the Reuters Foundation in places like Africa also inculcated these ideas even as it attempted to raise the standards of ethics, reporting, and writing.

Apart from the innate ideological bias in business/economic reporting, there were also a number of other limitations inherent in the genre, which gave rise to criticism of the job the media was doing. Some of these are inherent to journalism—a job that requires reporters to write about a wide range of topics on tight deadlines—and some of these are particular to business journalism.

Academics studying the profession have critiqued the firmly held convention in U.S. reporting that stories need to include “real people.” This meant that much of the coverage before the crisis was personality-driven. And because of journalists’ well-known procliv-

ity toward promoting mainstream thinkers and personalities, the press wrote mostly about those in power. The likes of *Fortune* magazine and *Portfolio* published profiles of corporate titans. U.S. Federal Reserve Chairman Alan Greenspan was lionized for a decade.

Columbia Journalism Review's Dean Starkman has collected a list of some of the most egregiously fawning press coverage of the U.S. banks and companies that later had serious financial problems. Among his favorites is a 2006 piece from *Fortune* magazine about Lehman Brothers' head Dick Fuld entitled "The Improbably Power Broker: How Dick Fuld Transformed Lehman from Wall Street Also-ran to Super-hot Machine." *Fortune*'s 2004 piece about Merrill Lynch CEO Stan O'Neal and a 2003 piece about Washington Mutual's plan to "turn the banking world upside down" are also on Starkman's list. Just a few years after these articles, Merrill and Lehman had collapsed, and Fuld was widely blamed for his company's shady accounting practices.

Says media critic Mark Frazier, "Even the quality press was in awe. . . . During the recent upward spiral, journalistic complicity and self censorship was compounded by an adulatory cult of the chief executive."[18]

While they often have the most knowledge, the dangers of relying on insiders is clear. These business sources who were profiled so glowingly were part of the financial community, and so the information they gave reflected their agendas and pro-market biases. A few well-known examples come to mind: the dot-com boom of the 1990s was hyped by the media, and then–Federal Reserve Chairman Alan Greenspan was described as the "maestro" who could do no wrong. Particularly telling was the press coverage of the repeal, in the late nineties, of the Glass-Steagall laws. These laws had been put in place after the Great Depression that began in 1929 in order to help prevent another crisis. The laws were aimed at preventing American banks from becoming too big and mandated the separation of commercial from retail banking. When the laws were repealed in the late nineties, the U.S. media heralded the change. Reporters invariably referred to the laws as outdated "Depression-era regulation." Little reporting was done on the possible dangers of doing away with Glass-Steagall. In fact, the end of Glass-Steagall ushered in the rise of the megabanks that took the risks that caused the collapse of the subprime mortgage market. As monopolies grew, competitiveness declined, leading to poor decision making and the erosion of quality in the banking sector.

In the years before the crisis, many journalists largely ignored the economists who saw the coming crisis and warned of a growing bubble in real estate, created in part by the Fed's interest-rate policies and failure to rein in the frothy housing market. After Greenspan's reputation collapsed and he apologized for his mistakes, reporters turned to his critics for guidance. A LexisNexis search of references shows that once the crisis began, bearish economists like New York University's Nouriel Roubini, Yale University economist Robert Schiller, and Nobel laureate Joseph E. Stiglitz were quoted much more often in the mainstream press as journalists gave more space to their disheartening opinions. However, the coverage often dwelt on the fact that they had predicted the crisis. Detailed coverage about macroeconomics—for instance, about why the bears had been right and the mainstream wrong—was still lacking. It is perfectly natural for journalists to pile on once an event has spotlighted the need for alternative views, but the sudden interest in these economists suggests that the press moved in a pack and failed to set the agenda before the crisis occurred.

As well as identifying the tendency toward groupthink, media critics and academics also argue that the time pressures and scoop-driven, short-term focus inherent in much of journalism often lead to incomplete reporting. After interviewing about twenty-five working business journalists, we found that nearly all felt guilty about how superficial their coverage was before the crisis.

"We spent so much time trying to explain what a CDO and the other derivatives were that we never actually stood back and said 'this won't work. You can't be leveraged thirty times.' Partly it's because you are not supposed to editorialize, so you write the story that explains what is going on and then the column that actually gives your opinion. Well, we wrote the stories, but somehow we never got to write the columns," said an editor responsible for bond market coverage at a U.S. financial newswire.[19]

Technical Knowledge

Academics and journalists alike have long commented that there is another weakness inherent in the profession of business/economic journalism; it is a field that requires a great deal of technical knowledge, with some notable exceptions, and few reporters have PhDs in economics or know enough to write insightfully on the subject. The massive expansion of business news in the 1980s and the 1990s meant that young reporters, who often didn't have much

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training, were sent out into the field without the ability to truly evaluate the subjects they wrote about. Instead, they wrote glowing articles about U.S. companies and focused on subjects that were relatively simple to cover: the rise and fall of the stock market and the latest economic indicators. In-depth pieces about macroeconomic policy were less common and alternative view points were often left out altogether. The problem was especially acute at the financial news wires and in the magazines and newspaper sections that focused on personal finance.

After the Enron collapse of 2001, it was widely observed that a close reading of the footnotes of Enron and Citigroup's financial statements would have revealed a number of red flags. And yet, with the exception of Bethany McLean's piece for *Fortune* in March 2001, many journalists didn't look or didn't understand what they had read.[20] Former *Wall Street Journal* editor Paul Steiger has defended the *Journal*'s coverage of Enron, noting that the paper ran very critical stories in October 2001.[21] However, those stories were the exception and were published just weeks before Enron, on November 8, filed documents with the Securities and Exchange Commission stating that it was revising its financial earnings over the last five years to show it had a loss of $586 million.[22] To be fair, Steiger has said that the reporters working on the story started in early 2001. In any case, such reporting was unusual. More typical was the coverage that lauded Enron for aggressively creating a new business model. In his piece for *Columbia Journalism Review*, Scott Sherman describes the favorable coverage found in much of the business press about Enron and about the climate of deregulation that allowed Enron to happen. Reading through back issues of *Forbes*, *Fortune*, *Business 2.0*, and *Red Herring*, Sherman said, was like entering a "parallel universe of cheerleading and obsequiousness, a universe where applause obliterated skepticism."[23] He points out that Bethany McLean got her information about Enron's problems from noted short seller Jim Chanos.

The glowing coverage of the dot-com era of the nineties, the massive expansion of personal finance news, and the nonstop market reporting of MSNBC left a legacy in the business press. As newspapers cut back their staff they became more dependent on wire copy, and this wire copy was often fairly superficial.

Presentation and interpretation of data present real challenges, especially when the economy is undergoing rapid change—as is typically the case when the economy is going into a deep reces-

sion. The U.S. press coverage of unemployment data in summer 2010 is one example. The Department of Labor provides a number of measures of unemployment. The standard measure asks what fraction of those actively looking for a job have failed to find one. But there is also another, broader indicator: a measure of what fraction of those who would like a full-time job can't get one. There are two differences. The first is that the broader measure includes workers who have stopped looking for a job because they have become discouraged after searching for months and not finding one. The second difference is that the broader measure counts part-time workers who would rather have a full-time job but can't find one. Normally, the two measures move in tandem. But as the economy sunk into the Great Recession of 2008, the gap between the two measures widened markedly, and the broader measure provided a more telling assessment of the weaknesses in the labor market. Moreover, the reported numbers are typically "seasonally" adjusted. In summer, and before Christmas, employment swells; but one wouldn't want to confuse these temporary movements with longer-term, more permanent changes. Again, normally, the adjustments are mechanical and of little interest to anybody but a small group of experts who worry about the right way to do these adjustments. But in a crisis, standard patterns may not prevail. One can't be sure. Thus, in July 2009, the U.S. Bureau of Labor Statistics estimated the actual job loss to be 1.3 million; but the seasonally adjusted job loss was only 247,000. Given that Obama's stimulus package had promised to create only 3 million jobs, the one-month job loss would have represented a major setback, if it were permanent. Articles in the *New York Times* and other publications often failed to explain how job losses were being measured or whether they were corrected for seasonal factors such as the entry of recent graduates into the job market. There were exceptions: David Leonhardt did run a piece in November 2009 explaining some of the numbers—and suggesting that real unemployment was closer to 16 percent and not the 10 percent typically mentioned. The *Financial Times* published a still higher number, without adequately explaining what further corrections they had made. Diversity of views is a good thing and it's reassuring that different newspapers often differ in their interpretations of economic data. But more explanation as to how they arrived at their analysis would have made the coverage less confusing.

Dependence on Sources

When journalists lack confidence in their own understanding of economics, accounting, and business, they often become overly reliant on sources who can—or claim they can—explain these matters. Public relations officers know this and take advantage of it. They put forward the corporate point of view, and business reporters who are on tight deadlines often rely on a quick call to the "flacks" they know for help with information and analysis.

"If you have five hours to write your story and you need information quickly, then who is going to be quoted? The companies that have entire PR machines aimed at putting across their point of view in a very short time," said a senior *Wall Street Journal* reporter.[24]

In his classic work, *Deciding What's News*, sociologist Herb Gans spent several years in the newsrooms of network television stations, including the CBS *Evening News*, NBC *Nightly News*, and *Newsweek* and *Time* magazines, and wrote about how very conventional television reporters were when choosing which sources to quote in their reports. In his taxonomy of how sources are chosen, Gans includes sources who are reliable, can provide the sort of information reporters need, are nearby, and are articulate. A symbiotic relationship develops in which reporters rely on their sources for information and become afraid to alienate them. Gans writes:

> Being on the inside enables beat reporters to gather information that lends itself to dramatic inside stories; but at the same time, they must concentrate on stories that please their sources since angering them may endanger their closeness or rapport, thus ending the reporter's usefulness on the beat. As a result, beat reporters are drawn into a symbiotic relationship of mutual obligations with their sources, which both facilitates and complicates their work.[25]

If the world that Gans describes sounds cozy and insular, then this is even truer for business journalism. It's hard to generalize about the tens of thousands of articles that have appeared in the last two decades, and there is a difference between the business sections of general-interest newspapers, television, and specialized publications. Magazines like *BusinessWeek* prided themselves on covering labor and critiquing big business. Many of the major labor stories on companies like Nike, Liz Claiborne, and Wal-Mart's Kathie Lee Gifford clothing line, as well as the corporate responsibility

stories about companies such as oil giant Shell, were published in the business press or the business pages of the mainstream press. The *Wall Street Journal* was awarded a Pulitzer Prize for public service journalism in 2007 for a series on the misuse of backdated stock options. The *Charlotte Observer* was a finalist for a 2007 investigation of the mortgage and housing crisis in North Carolina. In 2008, *Forbes* published an exposé of child labor in India. Bloomberg did a piece on slave labor in Latin America that was published in 2006. Some of these pieces did a tremendous amount to raise awareness about labor conditions in developing countries and, along with efforts by labor activists, involved shareholders and student groups and did a lot to help the corporate social responsibility movement.

However, studies of the business press have repeatedly found that ordinary people are excluded from many of the bread-and-butter stories that compose the daily news diet. Stories about economic indicators, corporate earnings, the financial markets, and banking focus on short-term news, not on the larger social implications of the events being described. For these kinds of stories, the sources that journalists call upon and quote are traders, fund managers, government officials, analysts, businessmen, and endless PR people, often referred to derisively as flacks. Occasionally, an academic or a representative from a trade union or consumer group is included, but that is the exception.

The relationships journalists cultivate can and do lead to scoops and exclusives. But the need to keep supply lines of information open as part of the news-gathering process also breeds a coziness that naturally inhibits hard-hitting, critical reporting.[26] This pro-market mind-set usually leads to the kind of market-rally cheerleading for which television personalities Maria Bartiromo and James Cramer have been so criticized, after both the bursting of the Internet bubble and the most recent crash.

Of course, much of journalism is based on getting access to sources. Sources tell journalists things and journalists report them. Trafficking in information and building up lists of reliable sources is part and parcel of the news business. Even so, media critics and academics have long noted the risks. The danger of dependence on sources is twofold: (a) the risk of being given incorrect information and (b) the risk of becoming dependent on access to sources.

There is an inherent paradox in journalism: journalists depend on sources for access, but any information that is given to them from sources is inherently slanted in some way because usually the

person talking to them has an agenda. Sources speak to journalists because they want to influence coverage and hope the reporter will communicate their point of view.

In describing the difficulties he faced writing the biography of economist John Maynard Keynes, Robert Skidelsky, quoting Virginia Woolf, refers to the fact that family members—often widows—control access to important historical papers.[27] These family members only want to release the papers to biographers who will write favorably about their subjects. Because of this, favorable biographies are the norm. The exceptions—such as the Patrick French biography of V.S. Naipaul—generate quite a bit of attention.

In order to get information, journalists sometimes mislead their sources by giving the impression that they are more sympathetic than they really are.[28]

But more often, reporters shy away from endangering their source relationships and report on them uncritically. This uncritical reporting is endemic to much business writing. There has not yet been an in-depth study of the relationship between sources and reporters in the world of business journalism. But a recent example of the dangers of trusting unreliable sources was described in a series of articles by Jack Shafer at *Slate* and Michael Massing in the *New York Review of Books*, who described how Judith Miller, the senior *New York Times* reporter, pushed for the U.S. invasion of Iraq in part because she uncritically repeated what her sources in the Iraqi exile movement told her. *New York Times* business reporter Andrew Sorkin, who reports on Wall Street, has also been accused of being too supportive of his sources.[29]

Over and over again, business journalists say they feel the same pressures as do political reporters.

"Pressure against negative reportage can take many forms—journalists and publications whose views are critical, may, for example find they receive less favorable treatment in terms of access to leaked data about the economy or to exclusive interviews with ministers. Whilst such pressure may be seen as an occupational hazard, the consequences of it in terms of an informed citizenry and democracy are worthy of further research and analysis," Professor Gillian Doyle wrote in a paper published in 2006.[30]

Journalists, even senior writers, are sensitive to pressure from sources even if the threat of losing access is only implicit. "When they lean on you, you think twice about what you will write," said one very senior business columnist.[31]

In *Deciding What's News*, Gans writes that in the newsrooms he observed, reporters who covered specific agencies or beats became "ambassadors" to the newsroom as well as to the public, explaining the agendas of their sources to both their editors and colleagues as well as to their readers. Each time a reporter is given interesting information that reflects unfavorably on the beat she covers, she has to decide whether to use the information or whether to discard it in the hope of getting a better story later. The fear of being scooped by the competition means that sometimes the reporter has to break the news because the wrath of the source is less important than the wrath of the editor. Sometimes, reporters band together and all release the same story, as described so well in *The Boys on the Bus*, the famed account of the 1972 primary campaign involving Hubert Humphrey, George McGovern, and Richard Nixon. In this book, author Timothy Crouse details the pack-journalism mentality, with all the campaign reporters clustering around the veteran AP and UPI reporters to see what they filed before they wrote their stories. Reporters whose stories differed from the rest of the pack got phone calls from their editors asking why they didn't have the same perspective.[32]

During the current crisis, many journalists believe the tendency to groupthink has been exacerbated. There are a few reasons for this: (a) in uncertain times the fear of standing out from the pack is especially acute; this was true as the story unfolded; there was so much uncertainty that it was safer to run with the pack; (b) the need for technical information from government and bankers was greater than ever and reporters didn't want to run the risks of alienating sources and thus falling behind the competition; (c) there was a new administration in place and so opening up supply lines of information was critical (this was not true at the end of the Bush administration—by this time the press coverage was often very critical);[33] and (d) reporters were afraid of losing their jobs and so didn't want to stand out as having different views from their colleagues. There was a very real fear that losing one's job would mean never working in journalism again. In this climate, journalists naturally gravitate toward the center and toward mainstream coverage, which is biased toward Wall Street views. "We are afraid to stick our necks out," said one magazine writer.[34]

But, of course, as anyone who has worked at major news organizations can attest, rank-and-file reporters are hardly autonomous and take their cues from the senior editors. Here it must be said

that news management failed in its chief function: to provide the leadership necessary to encourage journalistic risk-taking, to clear space for dissident voices, and to back the badly needed muckraking investigations into major financial institutions.

The cutbacks in newsrooms throughout the country meant that there were fewer people to investigate the crisis as it hit, and senior reporters and editors who remembered previous downturns were put out of work, taking with them valuable institutional memory. Instead of covering breaking news, many magazines began to fill their pages with columns written by government officials and corporate titans. *Newsweek* and *Time* followed the example of *Far Eastern Economic Review*, which cut back on news coverage and expanded columns by experts and government officials. Relying on big names for much of its copy brought about a new dependency on sources. Not only did reporters need access, but the production of their publications depended on getting cooperation from people in government who were writing for them. "We've become much more dependent on our sources," said one senior editor.[35]

Human Interest Stories

While most *business* reporting on the crisis was done from the perspective of how businesses were affected, and most *economic* reporting was done from the perspective of how the *macroeconomy* was (and was likely to be) affected, as the crisis dragged on, more and more "human interest" stories were presented. Accompanying a report on the rising foreclosure rate would be a graphic story of someone who had been preyed upon by a mortgage broker and was about to lose her home and her life savings. In this crisis, finding such moving stories was not difficult. (See, for example, Peter Goodman's chapter.) For many readers, they were more effective in conveying what was going on than the cold statistics.

The Stories Not Written

There was another area that was typically well covered: the politics behind the economics. Would the stimulus package be passed? Who was against? What did it say about the power of the president? Like stories of the big personalities and the poor home owner losing his home, these were part of the drama of the crisis. But between the cold statistics of declining share prices and rising unemployment and these dramas is an analytic wasteland, the key

accounts of how the cold statistics become human faces, the interpretations of the facts.

Occasionally, newspapers have gone beyond simply presenting the stories—they have been at the center of the analytics. An example of such coverage was Louis Uchitelle's coverage of the 1993 "jobless recovery" for the *New York Times*. He presented an original analysis of "displacement" statistics—broad measures of job losses which suggested a transformation of the economy, one which did not bode well for those losing their jobs. Many faced long periods of unemployment and, when they were re-employed, it would likely be at much lower wages.[36]

As the 2008 crisis continued, it became fashionable to look at earlier crises to depict where we were—and where we were likely to go. For a normal recession, such an analysis might have made sense. But this was no normal crisis—it was the worst crisis in three quarters of a century. It was not an inventory cycle. It was not the result of the Fed stepping on the brake too hard. It was a financial crisis. These distinctions were critical. A small economics literature had made a great deal of these differences, but such distinctions proved too subtle for most reporters.

Coverage of the Stimulus Package

We decided to put some of the critiques of business journalism to the test by studying press coverage of the stimulus package signed by President Obama in February 2009. Obama had campaigned on the promise to act quickly to stop the U.S. economy from collapsing. As soon as he took office, he put through a $787 billion package aimed at creating jobs and getting the U.S. economy out of the recession. The bill was arguably one of the two most important pieces of economic legislation in the United States in eight years.

We analyzed three months of press coverage, coding 718 articles to see if there was any bias in news articles and op-eds; what the difference was between the different newspapers, magazines, and newswires we covered; and whether they focused on the economics of the package or the political processes, such as whether it would be passed by the Congress and Senate. We also measured the kinds of sources used to see which categories of people were quoted the most often.

Our results were consistent with the academic literature on business journalism. We found that the *Wall Street Journal* and

Chicago Tribune were consistently opposed to the stimulus.[37] They showed a marked preference for tax cuts (as opposed to expenditure increases) and argued that the "Buy America" provisions would lead to more trade protectionism. The weekly *Barron's* (which, like the *Wall Street Journal*, is owned by Rupert Murdoch) was also against the stimulus, but there were only eleven articles published in the time period we looked at. (The result was that the sample was too small to be statistically significant.) The *New York Times* was the most supportive, both in news coverage and in editorials/op-eds. Before the stimulus was passed, much of its coverage was focused on who would get funds and how the money would be spent. In general the press did not look much at alternative ways of stimulating the economy, alternative designs for the stimulus package, or the effectiveness of the stimulus.

However, in July 2009, when the economy did not show much sign of improvement and more articles began suggesting that a second stimulus might be needed, the press began to present more alternatives. But the criticism was not well informed, for example, by the long-standing debate between Keynesian economics and "Hoover" economics. Rather, we noted a rise in the use of business/market sources in the July articles. These sources tended to be critical of the stimulus.

We found that the newswires rarely discussed alternatives to the stimulus (more rarely than did other parts of the media). We also found that wire coverage generally showed the least signs of bias. The exception was the AP coverage, which showed more bias against the stimulus than other newswires but was less biased against the stimulus than were some of the newspapers.

Consistent with our view that "sources" drove stories, across the board, government officials were quoted the most (69 percent of the time), followed by businessmen and market sources (19 percent of the time). Economists were quoted only 14 percent of the time. Interestingly, a Media Matters study in 2009 found that economists made up only 6 percent of guest appearances on cable news programs and Sunday television talk shows about the economic recovery legislation.[38]

The choice of sources affects the bias of coverage. Businessmen who were quoted were largely against the stimulus. As expected, the economists and academics quoted imparted opinion or commentary rather than breaking news.

Conclusion

While the business press did not do a good job in "calling the recession," defenders of the business press have many strong arguments. They point out that there was a lot of good reporting that was ignored. They did no worse than many others, including the Fed. They further argue that the central role of all journalists is to report the news rather than pass judgment on the events that take place. As Dean Starkman points out later in this book, journalists are dependent on information from others—for instance, from government or from regulators and investigators—and since these sources abdicated their responsibilities during the recent boom, there was less information available to journalists.

A lot of very strong reporting has come out of this crisis. Peter S. Goodman has written on the human aspects of the crisis. Gretchen Morgenson warned early in 2007 of the problems at the mortgage lenders Fannie Mae and Freddie Mac. Rick Schmitt uncovered the story of the role of Lawrence Summers, Robert Rubin, and Alan Greenspan in suppressing the regulation of derivatives, overcoming the valiant efforts of Brooksley Born, the former head of the Commodity Futures Trading Commission and a vigorous advocate of regulation.[39] The *New York Times* and Bloomberg have done an impressive job of uncovering the scandals associated with the AIG bailout, despite attempts by the Fed and the Treasury to suppress the public disclosure of this information. Bloomberg's Mark Pittman was another tenacious reporter. In 2007 he tallied the increasing value of the collaterized debt obligations and blasted the rating agencies for downplaying the dangers of the mortgage bonds. *Financial Times* reporter Gillian Tett's coverage in 2007 about the people at J.P. Morgan engineering complex derivatives is worth noting. She also warned in January 2007 about the mispricing of debt and in April 2007 about the role of heavily leveraged U.S. hedge funds in European markets. Alex Blumberg and Adam Davidson at *This American Life* on NPR also did a series called "Giant Pool of Money," explaining the financial crisis in terms that ordinary people could understand. David Faber won awards for his CNBC piece "House of Cards."

Much has been learned since the crisis started, and journalists have had a crash course in recession economics, along with the rest of the country. Whether this will produce long-standing changes within journalism is questionable.