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The Revolution in America's Financial Industry:
How Well Is the Press Covering the Story?

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"Money enjoys a godlike status in our society. Its omnipresence is pervasive and generally taken for granted. Even though we chase it obsessively, we hardly ever question how it actually works. From the point of view of an individual consumer or investor, money appears as a given, its operation automatic, its force like natural law. Yet money is a social institution..."

--economist Robert Guttmann[1]

"Just as banks are where the money is, the media are where information about the economy is."

--political scientists Brandon Haller and Helmut Norpoth[2]

1. Robert Guttmann, How Credit-Money Shapes the Economy: The United States in a Global System (Armonk, NY: M.E. Sharpe, Columbia University Seminar Series, 1994), p. 17.

2. H. Brandon Haller and Helmut Norpoth, "Reality Bites," Public Opinion Quarterly Winter, 1997, p. 556.

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Introduction

Over the past quarter century, American financial institutions have found themselves in the midst of a revolution. That revolution, composed of several distinct (but intermingled) parts, is producing an epochal restructuring not only of the industry itself, but of the American economy, and how Americans live and work. As such, it is a central story (some would argue one of the two or three central stories) about our country's economy at the end of the 20th century--one which, by any measure, should feature prominently in the news.

On the one hand, the largest financial firms--through mergers and acquisitions--are growing larger and larger, as is the measurable size of the financial world itself, at what sometimes seems a geometric pace. Second, through relaxed regulation, firms are "cross-integrating" across what were once "prohibited" borders: banks are selling mutual funds, money markets compete openly with banks for interest-bearing deposits, commercial banks and investment banks are merging, etc. Third, advances in computing power, and simultaneously in sophisticated finance theories, have spawned not only new round-the-world 24-hour-a-day global trading markets but also complex new "hybrid" financial commodities such as derivatives that were unimaginable even a generation ago.

The changes are more than "technical" or esoteric, of interest only to financial specialists; to the contrary, they are already remaking the visible landscape of finance's role in modern economies at all levels. They bring with them enormous advantages to individual and corporate customers alike, but also bear dangers related to concentration, volatility, and even economic collapse that are even now only uncertainly understood by the most sophisticated specialists.

But how well is the press telling that central story? If news at its best is "the first draft of history" (and not just, as some cynics would have it, a disposable catalogue of car crashes, hold-ups, scandals, political contests, weddings, and weather reports), is the draft being written so that readers and viewers can make sense of this revolution?

Perhaps more important, is that draft being fitted into a larger sense of America's public purposes and democratic ideals, so that readers and viewers as citizens--not just as workers, savers, investors, and consumers--can relate those revolutionary changes to the nation's progress as well as their own?

To provide a preliminary assessment of these questions, the Shorenstein Center has undertaken analysis of a major sampling of general-circulation daily newspapers, newsweeklies, and TV news, and their reporting on financial industry changes today. By examining more than 6,000 articles and broadcast transcripts drawn from over a dozen different print and broadcast outlets during the past decade, this study attempts to document what, how, and how well the press is covering the dramatic changes that are sweeping the country's financial services sector.

The study raises a core set of questions: How much news about financial industry change is being delivered to the general public through these news outlets? How is such news being "framed"--that is, in what forms is it being presented? Are some segments of the general news audience better served than others, and if so why--and why is this important? Do the trends we identify in both the volume and framing of coverage represent specific weaknesses as well as strengths--for the industry itself, for journalism, and most important for the public, not merely as consumers of financial services, but as citizens of a democratic polity?

An Initial Summary of Our Conclusions

The conclusions we reach--developed in detail over the following pages--should be the cause of concern, we believe, for financial industry members, public regulators, and most importantly, the press and the American public. Although the volume of press coverage has grown enormously (measured both by the number of stories and number of outlets for those stories), we are concerned not only about its analytic quality but its assumptions about audience needs for financial market information.

Our research covers "general-audience" media--metropolitan newspapers, newsweeklies, and television, not the business press. As such, we are concerned with what a broad cross-section of Americans, and not a specialist audience of business and financial professionals, derives from such coverage.

The striking characteristics of that coverage over the past decade can be summarized in two terms: "personal finance" and "crisis." On the one hand, there has been an unprecedented explosion in financial coverage in a "news-you-can-use" format: mutual fund coverage, personal financial planning articles, and a constant flurry of investment-oriented corporate, sectoral and even macroeconomic articles that have in effect "re-conceptualized" traditional news formats from what social scientists refer to as "sociotropic" (or institution-oriented) news to "ego-centric" reporting that presumes to describe the complex world of economic relations in terms of "what's in it for me."

There are compelling reasons for arguing that such a reorientation is deeply positive, in that it theoretically gives the news audience a greater sense of control over one's own economic destiny. At the same time, the sheer volume of such coverage, its frequent simplicity--and what it often seems to "crowd out"--have caused a figure as distinguished as Newsweek's Jane Bryant Quinn, a doyen of the "personal finance" genre, to denounce her own field as increasingly a form of "soft pornography" within business journalism.

Set alongside the press's "personal finance" focus has been its incessant emphasis on financial "crisis"--from the savings and loan fiasco of the 1980s to the current spreading aftermath of the 1997 Asian financial debacle. Carrying news of "crisis" to its audience is one of journalism's oldest and most central functions, but in this paper we raise concerns about the actual learning effects "crisis" reporting has on its audiences when it involves such complex and elemental structures as financial systems.

"Crisis" reporting initially gathers audience attention, but its continued repetition--coupled with a lack of apparent systemic resolution--can also engender "crisis fatigue," and effective disengagement by the audience over time. The past thirty years have been a time of multiple economic crises, nationally and globally. They have also been a period of increased public disaffection and cynicism about large institutions of all sorts, in the public and private sectors alike.

This poses a problem for journalists that is not so readily apparent to economists. To economists, the presumption of individuals acting in a rationally self-interested form is the axiomatic core of the profession; it entails often only a minimal--or derivative--regard for institutions as such. For journalists, whose work is deeply embedded in portraying not only the working of institutions, but measuring their performance against community or collective standards on behalf of the audience and its values, loss of audience confidence and/or interest entails more than the "economic" loss of declining audience. It challenges the very professional rationale for democratic journalism's existence.

We examine, consequently, how much and how well journalism has covered "financial institution" stories in political, as distinct, from market terms. In the former, the audience is addressed as a citizenry; in the latter, as economic actors.

We find that--compared to both its "personal finance" and "crisis" framing, the press has done remarkably less to construct issues of financial institution change in terms that engage the audience as citizens with both oversight and choice about changes in so heavily-regulated an industry as finance. On the issue of financial deregulation, most of the coverage has been heavily influenced by "crisis response" framing, or by "political horserace" narratives that describe legislative or regulatory changes as competitive conflict between political parties or industries, in which the citizen is disengaged observer.

Similarly, we find that in traditional "consumer interest" or "community" issues related to financial institution, the press has done remarkably little to fulfill its traditional watchdog role. We look at the "ATM fees" issue and "redlining" as paradigmatic, and evaluate both the volume and character of coverage of each.

We also differentiate among various forms of the press, to highlight differences not only between genres such as newspapers, newsweeklies, and television, but to allow some sense of how individual papers or networks compare to competitors. As we make clear, the divergence is large and significant--with variation widely scattered within, and between, various segments of the news industry.

Finally, we look at various measures of audience interest in, and attentiveness to, financial news, and couple this with examination of the current distribution of various financial asset-holdings among American citizens. The data reveals a complex story of broad disinterest in much of the financial news now being presented by the press, but of deep underlying interest in the financial conditions underlying such news, and a complicated learning process by the public that suggests their expressed disinterest in currently-produced financial news is at odds with their fundamental concerns about economic and financial conditions and performance that the press apparently is not adequately bridging.

Whether it can if fact bridge such gaps--and what elements discourage and complicate such closure--will be the subject of further investigation. We close by emphasizing the need to undertake not only such research, but the attempt to achieve some sort of greater "closure" between the financial news as it is now produced and a better-understood sense of what it is Americans--as citizens as well as news consumers--want and need to know.

Chapter One:

The Press's Coverage of Money and Finance at First Glance

At first glance, it seems safe to observe that there's been no simple shortage of news about many elements of that financial industry "revolution" in recent years. In 1998, over just eight days in April, the mega-mergers of Citibank and Travelers Group, then NationsBank and Bank of America, then Banc One and Chicago First, became front-page news across the country, and featured prominently on the evening network news. A search of major US dailies alone found more than 700 stories on the mergers in just two weeks.

Since the fall of 1997, the press has also rushed to cover the "Asian financial crisis," which began unfolding a year earlier and now seems likely to keep unfolding in the months and years ahead. The immense number of press accounts has been matched only by their variety: stories not just about "crony capitalism" in the region, but the future of once-indomitable Japan, the often-mysterious role (to the public at least) of the IMF, and the crisis's complex global impact, including on the US economy.

As an example of just the latest in a series of "crisis" stories in the last two decades--Russia, Mexico, the US savings and loan industry, and the global debt crisis of the Eighties are all familiar antecedents--the coverage suggests that the press has hardly been inattentive to structural instability and institutional failure as another element in the larger "financial revolution" story.

Through the press, we've also followed the individual twists and turns (as well as the relentless progress) of mergers and acquisitions that have dramatically reshaped the industry, not only consolidating individual sectors (banking, brokerages, and insurance) but the new cross-sector integration that has effectively nullified Glass-Steagall, the federal act which has governed financial institution practices since the Depression.

And then, of course, there is the stock market, and its unprecedented 10-fold rise since the late 1970s--a rise that has not only doubled the number of American shareholders but created more than $12 trillion in new wealth (on paper, at least). Clearly the press has hardly ignored this story. Indeed, as we shall see, it has helped spawn a whole new genre of economic coverage: "personal finance reporting," with its endless advice about where to invest your 401(k) or IRA, which of 9,600 mutual funds to buy, and how to manage your portfolio for maximum gain.[3]

But out of each of these--and other--diverse elements of the financial industry's revolution a deeper question emerges: Has the press been able to create a fuller, more coherent picture for its audience--a guide to what has happened, what is likely to happen, and its larger meaning in Americans' lives?

As innumerable critics have reminded us, journalism, befitting not just its practice but its lexical origins in the French "journee" (or day), seems to focus us relentlessly on the breaking news of today--and not the "longer" view that helps us construct a deeper understanding of the powerful institutional forces acting on our lives.

Some journalists in response insist they are journalists, not educators--yet few Americans read the specialized business press, and even fewer follow academic journals on topics such as these. Without detailed, connected, and recurrent coverage of this immense revolution, how else are citizens expected to learn of--and evaluate--such fundamental forces affecting their lives?

How the Press Itself Has been Changing

This very question, though, raises a related one about the American press itself--and where it is headed at century's end. If the financial services industry has been undergoing a revolution, it's safe to say that the American press itself has been through its own set of "revolutions" in the past quarter century, in its own way at least as vitally important to American citizens and their democracy.

Journalism reviews and conferences abound today with discussion of the explosion of "new media," an accelerated daily "news cycle," the invasion of "infotainment" and "news you can use" values in news coverage,

3. On mutual fund growth, cf. Amy Kover, "The Best Mutual Funds," Fortune, August 17, 1998, p. 87.

an increased emphasis on shorter and shorter stories, and declining public confidence in and respect for journalism as well as other major institutions of the society.[4]

In the press's coverage of financial services, every one of these changes is starkly visible. For example, the proliferation of "new media"--a term that first referred to cable news operators such as CNN, then to a proliferation of specialized business and financial programs and networks (ranging from CNBC, CNNfn, and Bloomberg News to PBS's "Nightly Business Report" and NPR's "Marketplace"), and now most recently to the explosion of the Internet--has caused some to argue that the resources for citizen learning now abound.

In print there's been a parallel proliferation of publications, beginning with Money, but since followed by a host of competitors such as Worth, Smart Money, Mutual Fund Magazine, and the like. Finance-related newsletters likewise have proliferated.[5] With the arrival of the Internet, the sites offering business and financial news, financial planning and stock market advice, and the like has taken on the sense of an immense tsunami of information washing over the American public.[6]

None of this "new media" explosion has been lost on "traditional" news producers. As newspaper publishers have watched their circulations erode (just as network executives have faced the inexorable rise of cable), there've been a number of important (and sometimes controversial) shifts in news coverage. For the moment, most relevant here is that today more and more major newspapers are seeking to increase the "interpretive" or "news analysis" reporting they do, hoping to provide a context for traditional reporting of the day's events (television is another matter, to be discussed shortly).

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4. Cf., as one among many examples, Neil Hickey, "Moneylust," Columbia Journalism Review, July/August, 1998, pp.28-36.

5. Cf. Mark Hulbert, The Hulbert Guide to Financial Newsletters (Chicago, IL: Dearborn Financial, 1993), which tracks an extended list of more than 600 such newsletters, a small fraction--according to the directory--of the estimated total.

6. Type in the keywords "financial services" in Yahoo, a popular Internet search-engine, and the search produces more than 3,000,000 sites.

In encouraging reporters to interpret trends as well as cover breaking events, by increasing the number of such articles (including multi-part series on "significant" topics), newspapers have redefined an important part of their role in informing the American public. The shift is in no small part self-interest driven, since by expanding beyond traditional breaking news coverage into a "contextualizing" role traditional news producers hope both to protect their market share against new media challengers and grow their advertising base, but motivation--for our purposes here--is less important than consequent effects.[7]

Broadcasters too have allotted segments of their prime-time evening news shows--variously dubbed "American Agenda," "Eye on America," etc.--to offer "a closer look" at what they judge are significant issues of the day. Meanwhile, the number of "newsmagazine" shows has grown dramatically--from the original 60 Minutes to nearly a dozen such programs, each offering longer segments on what are considered "socially" important topics alongside patently entertainment or human interest features.[8]

Although such "interpretive news" and series-length coverage is by no means the only way the public acquires its own final interpretation of the economy's and society's changing fundamental structures, it is an index of the press's attentiveness and desire to "explain" such changes--and one this study will examine. But how well is it working--particularly in regard to the immense changes underway in the financial services industry? How much such reporting is there in contemporary journalism, and how well is it being done? Are important elements of the story being omitted, misinterpreted, or downplayed? Are there narrative assumptions the press makes that

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7. Advertising spending by investment companies, brokers, and by banks offering non-FDIC-covered products alone--this doesn't count traditional bank advertising--has risen from $359 million in 1992 to $869 million in 1997, according to New York-based Competitrack, Inc. Interview with author.

8. For a revealing dissection of network news magazines, cf. Project for Excellence in Journalism's content anaylsis of them, "Subjects of Prime-time Magazine News Stories, Fall 1997," in Brill's Content, September, 1998, p. 46. See also John McManus, Market-Driven Journalism (Thousand Oaks, CA: Sage Publications, 1994), esp. chs.1-2, and J.R. Dominick et al., "Television journalism vs. show business:a content analysis of eyewitness news," Journalism Quarterly v.52, 1978, pp.213-218.

complicate the telling of the story? Can the story-telling be done better? If so, by what standards should we judge it?

Chapter Two

What Are Financial Services?

Before we can answer these questions, though, we need a sense of what "financial services" or the "financial industry" are. By doing so, moreover, we can highlight differing perspectives and interests--those of the public, the press, and the industry itself (as well as subsegments within each group)--that will help underscore contentious issues in the nature of the press's coverage of the industry and the changes it is undergoing.

The Consumer's Perspective

Begin with the public: Most older Americans would probably name their local bank (or banking) first, asked what they think makes up "the financial services industry." After all, it's where they deposit their paychecks and pay their monthly bills by check, where they save, where they go for their mortgages and car loans, and (in recent years) where they acquire their credit or debit cards, and where they insert their ATM cards when they need ready cash.

But to highlight just one dimension of segmentation within that idealized "public," consider how a young professional in her early thirties might think today of "financial services." She'd think of the bank, to be sure, where her company direct-deposits her paycheck. But she'd then think of the bank's on-line computer services, where she logs in from home at night to pay her bills directly (some automatically), and where she transfers any surplus not to her savings account, but to her uninsured but higher-yielding money market account. The account might be operated through the bank, or it might be with a huge mutual fund such as Fidelity or Vanguard.

With a click of her mouse, she'd then take a look at her stock and bond portfolio (some of it in a 401(k) plan), showing how she'd done that day in America's capital markets. Tracking her gains or losses, she might choose to exit a mutual fund, and purchase an individual company stock, or government securities, or perhaps something more exotic.

Before making her purchase, though, she'd click a few more times to compare brokerage prices through her bank, her mutual fund family, and a host of discount brokers. Executing the trade online, rather than by phone, saves her a few extra dollars once she's made her choice.

She's been thinking for the past few months about buying a house or a new car. Thirty years ago, her father and mother would have gone down to their bank to discuss rates with a loan officer, but our young professional at her computer now clicks onto the Web to search for the best rates among banks, S&Ls, or mortgage brokers nationwide for her possible home purchase, or onto a host of auto-finance options for the car. Determined to do a little more digging, she clicks onto her three favorite financial news Web sites, to compare trends in interest rates, just to get a feel for whether now is the best time to buy.

With that finished, she decides to double back and take a look at her financial situation overall. She pulls up Quicken, and pores through her income and monthly spending, displaying the information both numerically and graphically. Can she really afford to buy the house or car? She pencils a few notes, then switches once again to the Web, and taps a few keys to see what auto or homeowner's insurance will cost from thirty or forty different sources. Then she incorporates the information into a ready spread sheet that calculates her monthly costs, and gives her options on a 15- vs. 30-year mortgage, and whether leasing the car might be better than buying.

It's the difference between our young professional and her parents that bespeaks--from the consumer side, at least, and looked at solely through a "generational" lens--the revolution that's been going on for the last quarter century in American financial services. It's a revolution that's bound to continue, and is based on singularly magnetic features, as both industry advertising and news coverage have underscored: choice, opportunity, and convenience.

The Institutional Perspective

But this change in financial services can be--and is, of course--also viewed institutionally, from the vantage point of industry members, regulators, policy-makers, and economists. As they have with the airline, telecommunications, electrical power, and shipping industries, the changes that have come to the once relatively placid and orderly financial industry have produced more than greater consumer choice. They have unleashed sweeping--sometimes almost chaotic, but never less than challenging--new forces on the scope and organization itself of the financial industry itself.[9]

To pick just one illustrative example, consider Figure 1. What it shows is the relative share of various financial service sectors in the total assets in the industry. In the 1960s, depository institutions (ie, banks, S&Ls, and credit unions) were clearly the dominant sector, with nearly 2/3s of all assets; today, that figure has fallen to 1/3, as other (and newer) institutions have increased their share.[10] But what's brought about such dramatic change?

(Figure 1 here)

How the Financial System's "Ancien Regime" Fell

About the time our 30-year-old professional was born, financial services in America still looked, organizationally, much as they had for decades: neatly structured, closely supervised, each of its several compartments sharply distinguished from the others.

Retail banks took in deposits from our future professional's parents and their generation, as well as from

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9. For excellent academic analysis of financial institution change, cf. James Barth et al., The Future of American Banking (Armonk, NY: M.E. Sharpe, 1992);also cf. Allen Berger et al., "The Transformation of the U.S. Banking Industry," Brookings Papers on Economic Activity, v2., 1995, pp. 55-218; for a more popular version, cf. Ron Chernow, The Death of the Banker (New York:Vintage, 1997).

10. On the issues specific to banking's share losses, cf. Franklin Edwards and Frederick Mishkin, "The Decline of Traditional Banking: Implications for Financial Stability and Regulatory Policy," Economic Policy Review (New York, Federal Reserve Bank), July 1995, pp. 27-45.

the great firms of the era, and then lent them out to individuals and enterprises for everything from homes and cars to new plant and equipment. Insurance companies offered life, accident, auto, and commercial insurance to customers, took in their premiums, paid out settlements, and invested the balance, most often in commercial real estate but also in the stock and bond markets. Wall Street brokerage houses bought and sold stocks and bonds for a mainly wealthy minority of Americans, while Wall Street investment banks helped large corporations raise capital, issue financial instruments, and arrange (generally friendly) mergers and acquisitions.[11]

Beginning in the early 1970s, however, a series of systemic shocks, policy and regulatory shifts, and technological innovations launched what has since cascaded into the "revolutionary era" that now defines financial services.

The first crucial systemic shocks came as America's great post-World War II expansion ground to a halt during the Nixon years.[12] Rising inflation, abandonment of Bretton Woods and fixed exchange-rates, and the first (and later the second) OPEC price hike lay at the foundations. With inflation, banks found their outstanding loans worth less each year, while simultaneously their depositors demanded higher rates for deposits. For savings and loans in particular--which relied on long-term mortgage lending-- the situation was especially burdensome, compounded because a combination of federal and state laws capped interest rates charged on mortgages, as well as limiting the rates payable on deposits.

When OPEC's 1973 price hike then effectively inaugurated America's "stagflation" era--a phenomenon (heretofore unimagined by economists) that mixed inflation with high unemployment, low demand, and falling business profits--the change deeply shook financial services, not to mention, obviously, the rest of the economy.

Retrospectively, the stagflation problem for the sector's dominant lending institutions is, in some ways,

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11. Cf. endnote 7.

12. For a detailed look at this early period, cf. Allen Matusow, Nixon's Economy: Booms, Busts, Dollars, and Votes (Topeka; U. Press of Kansas, 1998), for an insider's view, former Nixon CEA chairman Herbert Stein's Presidential Economics (Washington; AEI Press, 1996).

simple to describe: among traditional lenders, weakened demand for loans from an ailing non-financial sector left them with rising "surplus" funds on hand, plus a growing portfolio of non-performing loans. Meanwhile those funds' depositors expected to be paid interest that accounted for inflation. The squeeze began to badly erode the lenders' "spread" and ultimately their profit margins.

Simultaneously, the mid-70s collapse in stock market prices of ailing US corporations cut deeply into Wall Street's profitability, just at a time when new regulation was forcing competitive pricing on brokers and traders. By the end of the decade, as Figure 2 indicates, stocks had declined dramatically--and faced an uncertain future.

(Figure 2 here)

At the same time, new "players" began to appear in financial services, just as older, but once-minor, players began to take on more important roles--roles that began to take away market share from the traditional giants in the field.

Money markets, for example, first appeared in the early 1970s in states such as Massachusetts that relaxed their regulation of such uninsured deposits. These new funds offer the opportunity for their depositor/investors to earn interest rates higher than banks and savings and loans could legally offer. Mutual funds likewise began to burgeon, offering upper middle class Americans the opportunity to invest in stocks and bonds in ways heretofore limited to the wealthy. And pension funds, through their rapid growth in both the private and public sector, began to take on dramatic new significance in the stock and bond markets. By the end of the 1970s, Wall Street's new "powerhouses" were institutional investors, the driving newcomers in a world once dominated by wealthy individuals.[13]

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13. Two excellent and non-technical introductions to this period are Joseph Nocera, A Piece of the Action: How the Middle Class Joined the Money Class (New York:Simon & Schuster, 1994); James Grant, Money On the Mind:Borrowing and Lending in America from the Civil War to Michael Milken (New York: Farrar, Straus, Giroux, 1992).

These powerful shifts in a once-stable environment provoked often striking new responses. In banking, a race began to find new customers. "Global lending" suddenly acquired cachet, as major money-center banks, newly awash in OPEC deposits, sought customers abroad as surrogates for ailing domestic ones. Nations that once couldn't get banks to return their calls suddenly found themselves passionately courted to borrow. Countries such as Mexico, Brazil, Poland, the old Soviet Union, Nigeria, and Zaire--to name only the most prominent--overnight became unexpected recipients of hundreds of billions in new Western loans.[14]

At home, meanwhile, banks and savings and loans alike sought regulatory relief from their problems, with new powers to lend more broadly, with relaxed interest rate ceilings. At about the same time, in a powerful new marriage of lenders to Wall Street capital markets, bankers discovered "securitization"--the ability to "package" their loans, then sell them on Wall Street as pure financial instruments, tradable commodities for purchase by a broad array of individuals and institutions.[15]

The 1980s introduced a further round of dramatic changes. First, the "Volcker" recession of the early 1980s (America's worst since the Great Depression) struck hard at both savings and loans and the banks. For the S&Ls, the story is by now well-known, and ultimately resulted in a federal bail-out that cost taxpayers hundreds of billions of dollars.[16] For the banks, meanwhile, the recession brought an overnight end to "global lending" (at least to the Third World) as instead "global debt crisis" came to define the period.

Country after country in the 1980s either defaulted or came so close to default that central banks in the industrial world found themselves cast as emergency room doctors and nurses. Multilateral agencies such as the

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14. This period is colorfully described by one of its leading participants (and shapers), Walter Wriston, in his Risk and Other Four-Letter Words (New York: Harper and Row, 1987); for a more academic view, Thomas Cargil and Gillian Garcia, Financial Reform in the 1980s (Stanford, CA: Hoover Institution Press, 1985).

15. Peter L. Bernstein, Capital Ideas: The Improbable Origins of Modern Wall Street (Homewood, IL: Dow Jones-Irwin, 1984).

16. The best entry point to the now-vast literature is Pat Talley, The Savings and Loan Crisis: An Annotated Bibliography (Westport, CN: Greewood Press, 1993). The literature, of course, continues to grow.

IMF and the World Bank in turn replaced their own traditional lending policies with new "structural adjustment programs" that forced developing countries to slash social and infrastructure spending, dramatically hike consumer prices, and open their economies to foreign competition, in an effort to expand hard-currency export earnings that would at least partially repay the multibillion dollar losses of Western banks (and their central bank rescuers).

Yet at the very moment the traditional lender core of financial services seemed convulsed in problems, investment in American (and international) capital markets began to soar. Pension funds increased their equity investments dramatically. Then, with accelerating rapidity, upper and upper middle class Americans--whose incomes soared under Reagan even as average American's incomes stagnated--began to pour money into stocks, bond, money markets, and mutual funds, either directly or through tax-sheltered vehicles such as IRAs, Keoghs, and 401(k)s.

As the decade proceeded, a second factor boosted Wall Street investment: thanks to federal regulatory changes, large companies dramatically restructured their pension obligations to workers. No longer would the companies guarantee retirement income levels; instead workers (partially "matched" by their companies) would contribute to new individual retirement accounts that the workers were free to invest in markets.

The combination of these new tax-sheltered investments plus this restructuring of corporate pension plans from what were called "defined benefit" to "defined contribution" plans expanded the pool of investors and the volume of investment dramatically.[17] Even as the wages of average Americans continued to stagnate (and those of poorer workers eroded), America's mutual funds kept growing--in their number of investors, in assets, and in the sheer number of funds themselves.

In the 1990s, as we shall shortly see, it is the rising stock market (and with it the growth of mutual funds) that in some sense has come to "define" much of the press's coverage of the larger, and now quarter-century-long,

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17. cf. James Poterba and Andrew Samwick, "Stock Ownership Patters, Stock Market Fluctuations, and Consumption," Brookings Papers on Economic Activity v2, 1995.

changes in America's financial institutions. Other aspects of financial industry change--whether the venture of banks into new fields, the battle among legislators and regulators over the place of regulation in the new system, or a host of consumer and community development issues--all have to a great degree lost ground in the new "framing" American journalism has brought to the field of financial services.

Whether this shift in coverage--this new "framing"--has served Americans better than more traditional types of coverage, and more fundamentally enhanced public learning about one of the most dramatic shifts in America's economic structure in this century, will be taken up shortly.[18]

18. For introduction to academic views on news "framing", see Shanto Iyengar, Is Anyone Responsible? How Television Frames Political Issues (Chicago: U. of Chicago, 1991).

Chapter Three

The Press's Multiple "Framing" of Financial Institution Change

"The press"--despite Americans' common usage of the term--is hardly a homogeneous body, about which we can make single and simple definitive claims. Yet, as our research will show, there are discernable patterns within press coverage of America's financial institution change, patterns which we can identify as "structural" or "recurrent."

First, though, we must qualify what this study here means by "the press." There is a significant "general business" press and a smaller and more targeted "financial industry" press, both of whose audiences are smaller numerically, as well as occupationally, demographically, and motivationally different from the audience for general-circulation newspapers or network TV news.

This study, as noted earlier, seeks to understand better how that larger newspaper and broadcast journalism informs its audience. To evaluate that general-audience market, we selected ten major newspapers, including the New York Times and Washington Post (which often exercise influence over other major papers' coverage through pickup of their wire services stories, as well as their agenda-setting coverage patterns)[19]. We also chose USA Today with its unique national circulation, as well as six major metro dailies chosen to reflect principal regions of the country.

In addition, we chose the three major US newsweeklies, plus as the three major TV networks and two

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19. A recent survey of Washington-based journalists asked, "In covering economic policy issues, how often is your news organization's reporting, story assignment, or story selection influenced by coverage in a national 'paper of record' such as the New York Times or Washington Post?" Forty-three percent replied "often," and 42% said "occasionally," while only 12% said "rarely or never." (Croteau,17)

cable news channels, to broaden our look at "national" patterns in coverage of financial institution reform. The three newsweeklies, though reaching a much smaller audience than newspapers, are vitally influential because they are closely followed by journalists themselves, as well as more affluent Americans who are the heaviest news consumers.[20] We chose the networks' news programs (despite declining audience) because television still remain, according to polls, most Americans' "primary source" of news. The cable networks were selected to examine the forms and frames of financial news coverage this "new media" presented in competition with the traditional networks.

Summary of Preliminary Findings

After drawing an initial sample set of stories from these media outlets (how we did so is explained in detail in our Methodology Appendix), our analysis of both the volume and content of those stories has led us to several broad conclusions about patterns in the general press's coverage of financial institution change.

The first is that those stories over the past decade have followed a "cluster" of topical characteristics. Second, in our print sources, those stories have been overwhelmingly located in the "business" section of the papers, not in the much more widely read front sections. When they have "broken into" the front section, by far the most common "frame" has been institutional crisis.

Third, when compared to the business press, we found that very little attention is given by the general press to creating a coherent picture or narrative for its audience of the financial industry revolution on a systematic and recurrent basis that numerous academic studies have shown best facilitates audience learning.[21]

Fourth, we concluded that major broadcast news reports relatively little that can be counted as

20. On what journalists read, cf. James Hamiltion and Joseph Kalt, "Report to the Foundation for American Communications and the Ford Foundation," (Cambridge, MA; 1987), Table 1.25.

21. Cf., for an excellent introduction, Russell Neuman, Marion Just, and Ann Crigler, Common Knowledge: News and the Construction of Political Meaning (Chicago: U. of Chicago, 1992).

"significantly informative" on any systematic basis. Fifth, although we found substantially more financial industry news in cable business outlets, we also found cable lacking in a number of specific regards related to content. Moreover, as we explain, its primary audience represents only a tiny fraction of the US population (though, through a "megaphone" effect on other journalists and elites, which we'll describe, its views do have a powerful secondary reach.)

Clustering of Story Characteristics

General-circulation news stories, we found, tended to "cluster" into what our research identified as five major story patterns or motifs:

A) Personal finance

B) Crisis and crisis response

C) Industry or corporate-specific reporting and analysis

D) Policy and politics related to financial news

E) Trend analysis

These categories, of course, are not uniformly discreet. Important overlapping occurs at different points, for various and often valid reasons. As we shall see, classification at times is also complicated by the fact that the first category--"personal finance"--is more than a category as such. Rather it has become a significant new trend in reporting on financial institutions and business generally (and even domains traditionally not framed as "business stories") that has, we believe, indelibly reoriented American news coverage in the field.

Personal Finance

Over the past 20 years, as our evidence will show, American newspapers have dramatically increased the volume of coverage devoted to "personal finance". As late as the early 1980s, most papers typically had business sections that carried stock and bond market tables, plus a mixture of national and international economic stories, corporation and corporate leader profiles, business "crime" or "conflict" stories, and columns that discussed national legislation, macroeconomic trends and policies, or local firms, the local economy, and government activity or national trends which affected them. In many ways, the sections had been roughly unchanged in their structure and story mix for decades.

Front-section coverage was reserved for far fewer financial industry (or business) stories, generally. As befitted a tightly-regulated industry, financial institution stories mostly lacked dramatic tales of system failure, large-scale corruption, massive consolidation, or technological innovation that might persuade editors to displace a tested formula of politics, war, crime, local issues, and human interest stories that made up much of the front sections at most daily papers. When big economic stories linked to finance made it to the front pages, they were most often related to Keynesian-style macroeconomic issues and trends--balance of payments, comparative currency positions, global trade and capital flows.

Today, in the business sections, those stock and bond tables have been joined by mutual fund tables that report the daily movements of more than 9,600 funds (up from fewer than 400 two decades ago). Moreover, all the papers we examined routinely carried a very significant volume of stories (as well as regular columns) related to personal finance.

The by-now-familiar list includes subjects from individual or group mutual fund analysis or the impact of tax code changes to retirement or college savings planning. Shifts in fund managers are now often as closely covered as are those of major corporate CEOs, and even stories that track industry or sectoral trends now frequently include mention of companies well- or ill-situated within those industries, and their stock price patterns, the better to allow readers to form judgments about possible investment options.

The growth in the number of such stories over the past decade is shown in Figure 3 below, which captures stories in which the words "mutual fund" or "personal finance" appears in a story's headline or lead paragraph.[22] Although the figures include some over-counting because a few stories are reporting on the mutual fund industry as a business sector akin to the auto, glass, paper, or steel industry, the trend line is the significant variable over time--and, as the figure clearly shows, it is ever upwards.

(Figure 3 here)

In striking ways, this growth of "personal finance" journalism has transformed business reporting and newspaper business sections, with several important implications for financial institution coverage.

For one, it has brought in significant new advertising revenues to papers across the country. Along with computer-related advertising, financial services advertising has grown fastest among national business-section advertisers over the past 20 years--and by one estimate now accounts for 30% of national newspaper ad revenues.[23]

Second, according to several studies, it has expanded readership of the business section among newspaper readers, as more and more Americans both have and monitor their stock and mutual fund investments. Today over 40% of households report owning equities--either directly or indirectly, through 401(k) plans, mutual funds, pension plans, and the like, up from 20% just two decades ago.[24]

Third, and perhaps most importantly, it has dramatically altered the "mix" of financial news coverage--by creating an entire new domain, as well as "shaping" news stories to include "news you can use" elements in the traditional text. The specifics of that shift will be detailed shortly, as we examine actual coverage.

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22. See the Methodology Appendix for a detailed description.

23. Advertising data

24. Data from Lawrence Mishel et al., The State of Working America, 1996097 (Armonk, NY: M.E.Sharpe), Chapter 5.

"Crisis"--and Crisis Aftermath--Stories

The single word "crisis", in almost any journalistic setting, occasions news coverage. Whether it's AIDS, crime, education, politics, or economics, the ability to frame a story as one of "crisis" draws both journalists and audience to it, however fleeting (or ultimately inapplicable) the term proves to be.

Financial institutions, and the financial system, have become a regular site for "crisis" reporting in the past quarter century--from the consequences of OPEC price hikes, to the savings and loan industry, to various nations' inability to meet assorted financial obligations, whether Mexico, Russia, or most recently Southeast Asia, Korea, and Japan.

This "crisis" framing of financial institution (and system) stories, in some ways, offers a powerful counterweight to the "personal finance" journalism that has grown so explosively in recent years. It is part of a traditional core of journalism: the reporting of news in its embedded historical and institutional context, not simply as a vehicle for personal financial gain.

Such reporting on financial "crises" was well established in European journalism by the late 17th century, and was a constant motif of American journalism from the days of the American Revolution on.[25] As such, it also draws deeply on journalism's historical mission to report "objectively" on the "world-as-it-is," rather than primarily viewing that world as an instrumental means to individual gain, as "personal finance" journalism does.

Yet as innumerable critics have observed, "crisis" reporting carries with it both benefits and liabilities. By drawing the public's attention, it may offer a platform for wider debate about the reasons for crisis--and possible systemic resolution. But "crisis" reporting can also serve to disempower and disengage audiences, especially when the scale or distance from the crisis leads audiences to believe either that the crisis has no effect

25. On financial crises in the early European press, see Wayne Parsons, The Power of the Financial Press (New Brunswick, NJ: Rutgers U. Press, 1980), esp. Chs 1 and 2; on 19th century American press coverage, see Michael Schudson, Discovering the News (New York: Basic Books, 1978).

on their immediate lives, or that--whether it does or not--there is little they can do about it, given other institutional forces outside their imagined control.[26]

Thus, even though policymakers and educated elites may express concern, say, about the dangers posed by Russia's ongoing financial problems, or the Asian financial crisis, many Americans turn past such news, and admit to paying little or no attention to it--a point we'll discuss later in some depth.

Even a domestic US financial failure on the scale of the 1980s S&L crisis--which certainly captured substantial public attention and concern--fell short of producing dramatic public outrage of the kind associated in earlier eras with financial system failures, in part because the scale of the problem itself seemed so staggering, and because--no small matter--federal deposit insurance (and ultimately the intervention of the Resolution Trust Corporation) "insulated" Americans from feeling directly the scale of the losses involved.

Although the S&L bailout ultimately cost several hundred billion dollars, and severely dislocated a number of regional economies, as Harvard polling expert Prof. Robert Blendon remarked, "If people had started losing their savings in the Eighties the way their grandparents lost them in the Thirties, there would have been blood in the streets."[27]

The fact that we found so many stories about financial institution change encased in "crisis" framing raises a series of questions about the frame's ultimate efficacy, which will be examined shortly.

Company- or Industry-Specific Stories

These stories are another staple of business reporting that, when covering financial services, most often focuses nowadays on what have become durable and recurrent activities of the past two decades--mergers and acquisitions, downsizing, firm failures (or expansions), industry-related computer and technology innovation (and

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26. See Neuman, op. cit.

27. Interview with author, August 25, 1998.

problems), consumer complaints, and crime or scandal.

Yet in another sense, we found that even this staple of business and financial reporting has changed--most dramatically in tone. If there's a prototypical term capturing this shift it surely is "hot"--as in "hot" new product, "hot" new CEO, "hot" new company. Terminology once reserved for the sports, entertainment, or style sections--"hot," "cool," "hip," and the like--now appear regularly in both corporate and individual profiles, clearly designed to impart a fast-paced, cutting-edge, street-smart savvy not only to the reporter, but the subject of the article.

In the early 1980s, as this new trend toward "stylish" business reporting was getting underway, TV journalist Jeff Greenfield remarked of the change that "economics reporting used to be the blind date of journalism; better than staying home, but not by much..."[28] No longer. But as the trend has continued, it has brought forth critics from the ranks of the business and financial press itself.

Earlier this year Newsweek's award-winning financial columnist Jane Bryant Quinn, for example, caustically observed in the Columbia Journalism Review that

> Many business journalists, I fear, have left home and joined a cult. Our Bo and Peep are Buffett and Gates...You know the stories: The Top Ten Mutual Funds to Buy Now, How to Double Your Money This Year, personality profiles that read like fan magazines...We've all done these stories, in one form or another. It's investment pornography--soft core, not hard core, but pornography all the same."[29]

Pornographic or not, the trend Quinn criticizes is by no means universal--just as the new "tone" is by no means universally present in all the coverage or at all the media outlets we surveyed. Yet at virtually all the sources we examined--most particularly TV, the newsweeklies, and USA Today--something like it is quite visible. At most of the other papers, this explicitly new hip-cool-hot "tone" is generally confined to the

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28. Greenfield, quoted in Matthew Miller, "The Case Against Ted Koppel," Washington Monthly, May, 1989, p. 35.

29. Jane Bryant Quinn, "When Business Writing Becomes Soft Porn," Columbia Journalism Review, March/April, 1998, pp. 48-50.

columnists, though even in news articles a subtler version is often conveyed through topic selection--the "cool" Gen-X computer multi-millionaire profile, the heavy new focus on advertising and marketing campaigns as important news, the coverage of new business "gurus" and consultants with their new "paradigms" as cutting-edge figures to be carefully followed.

In financial services--which had traditionally emphasized a durable conservatism appropriate to financial matters--much of the new tone appears most prominently in Wall Street coverage, especially in profiles of traders, raiders, arbitrageurs, and levered-buyout operators. But even banking--particularly as it has ventured into Wall-Street-type operations--has been portrayed in a growing number of instances, particularly when mergers or significant deal-making has been involved, more and more often in this new tonal register.

Policy and Politics

Stories in this domain possess a dual quality, at once about the subject (in this study, financial institution reform) and the intertwined fluctuations and melodrama of politics, policy, and macroeconomic performance. The decade-long negotiations over repeal of Glass-Steagall in the Congress, with its complex interplay of industry interest groups and lobbies, has been an evergreen in this category, as have a number of issues related to bank consolidation and financial market regulation.

"Crisis" stories often evolve into "policy and politics" stories, we found, as press attention to a crisis itself shifts to political maneuvering over alternative solutions. Recent debate over the role and funding of the IMF by Congress, for example, represents a classic of this "mixed" model, just as several phases of the savings & loan crisis did a decade earlier.

The characteristic problems, we found, with much of the press's work at this intersection of fundamental financial institutional change and politics are two. The first is that often the press doesn't give significant attention to key issues until they are in the final moments of public decision-making--a key legislative vote on a bill's passage, for example. This means that general news audiences are seldom prepared by earlier coverage to effectively evaluate competing claims about the bill's merits.

This problem is by no means unique to financial industry change--the political scientist A.A. Schattschneider identified it years ago as the problem of focusing the press's "kleig light" on matters that political elites may prefer to keep in the "news shadows" until viable consensus arrangements have been reached.[30]

The second is that most financial institution change stories--barring a large-scale crisis--seldom capture the interest, let alone play to the expertise, of the political reporters and editors who cover Washington, where so much of America's political news originates. As Nightline host Ted Koppel once remarked, "Financial stories bore me," an observation still widely shared by many of his colleagues.[31]

Too often reporters, uncertain of the issues involved in areas like financial institution change (and fearful that the topics are too complex to interest editors or audiences) opt for other, more familiar narratives. As a consequence, we found, "political" news coverage--so central to the public news narrative--seldom looks in depth or with recurrent focus at even monumental issues such as the restructuring of the American financial system.

Trend Analysis

As we noted earlier, there has been a broad increase in the number of "trend analysis" and "background" stories or series generally over the past two decades, as newspapers have sought to go beyond event-reactive reporting. Topics ranging from AIDS to campaign finance reporting, from corporate downsizing to fundamental changes in American income and wealth distribution, from airline deregulation to welfare reform, have earned multi-part--often award-winning--attention.

But to what extent have journalists for the general news audiences focused on the financial industry revolution, and using what frames for their analysis?

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30. Cf. E.E. Schattschneider, The Semisoverign People (Hinsdale,IL: Dryden Press, 1975)

31. Koppel, quoted in Matthew Miller, op. cit.

The evidence we found suggests, in general, very little. After examining our significant sampling of more than 6,000 stories, taken from across a decade of coverage at a dozen major news outlets, we found quite few examples of major "trend" reporting that attempted to present to news audiences how the complex institutional changes in the financial industry have occurred, how a combination of systemic shifts and crises, policy and regulatory changes, and technology have interwoven to produce those changes, or what challenges, dangers, and opportunities lie ahead.

The reasons for this aren't initially clear: given the manifest scale of change occurring in the financial sector, the frequent instances of change that would allow for deeper contextualization, and the obvious importance of the sector not only to individuals' but the nation's economic health, we were frankly surprised not to find more in-depth reporting. We'll examine some tentative hypotheses about why this may not have happened later in this paper, once we've presented our empirical findings.

Chapter Four

Looking at the Press's Coverage: Our Empirical Findings

To examine how the press has covered the financial industry revolution to date, we settled on seven prototypical issues, which have been recurrent themes within the industry and the specialist press that covers it. Our working question was, How well have those topics been covered by the general press for a broader, and mostly non-specialist, public?

In this chapter (Chapter Four), we will look first at the explosive new trend in "personal finance" reporting. In Chapter Five, we'll examine more traditional "institutional" coverage--of "crisis," mergers and consolidation in the industry, and the role of politics and policy. In Chapter Six, we will consider coverage of two prototypical "trend" topics, that highlight characteristics of such coverage, in terms of both its strengths and weaknesses.

Personal Finance Reporting in the Newspapers

To capture a sense of press coverage of this domain, we roughly used "mutual fund" and "personal finance" as proxies (see the Methodology Appendix for details). The clear evidence--shown in Figure 4--is of both already high and then consistently rising frequency of coverage over the decade, across almost all newspapers.

(Figure 4 here)

When we sampled texts of these articles, inductively we found that not only had such news coverage vastly increased, but that all the papers had introduced regular (often multiple) columns on personal finance during the period.

The New York Times, for example, in 1989 had two regular (and only recently-established) column features--"Personal Finance" and "Investing"; by 1997, at least six were running regularly ("Getting It," "Investing It," "Funds Watch," "Mutual Funds," "Off the Rack," and "Spending It"). Its Sunday business section (relabeled "Money & Business" to express its new, broader thematics) moreover now focused heavily on personal finance, as did thick regular quarterly sections on mutual fund performance, a special spring section on tax planning, and an even-thicker year-end wrap-up of investment vehicle performance and personal financial planning articles. Similarly at the regional papers, we found each of the papers had added regular columns, quarterly and year-end sections, and extensive Sunday coverage, albeit seldom in the density provided by the New York Times (and Los Angeles Times, its closest competitor in this category).

The news coverage itself also has tended toward a fascinating new "synthesis" of narrative frames. One type of story played the traditional "broker's" role, explicitly reporting on individual opportunities to invest and save ("New IRA opportunities in foreign market funds," "Top 10 Mid-cap Equity Funds," "Tech sector funds get red-hot"). A second type served the role of "financial planner," suggesting portfolio mixes, how to plan for retirement or education expenses, etc.

A third served effectively as "investor research letter," covering things such as changes in the mutual fund industry ("Fidelity appoints new bond fund head"; "Mutual fund inflows hit new highs") that help shape an investor's overview of market moods and trends, as well as individual investments. A fourth played "personal CPA," covering shifts in legislative and regulatory environments for mutual funds and investment generally, but in particular how these shifts and how various savings and retirement investment vehicles (401(k)s, IRAs, Roths, etc) were being treated ("Senate Debates....; IRS rules...").

The striking feature of all this reporting is, in a sense, not only its rapid growth, but this consciously "new" framing it has brought to financial market stories--and business coverage generally. The new framing makes two explicit assumptions: one, that the audience is large and growing for such investment advice, and two, that framing a great deal of information about the economy--and especially its financial markets--in "news you can use" terms somehow offers significant advantages over older frames that relied heavily on journalism's traditional "institutional" structures--Company A does X, Industry B does Y, Government Agency or Country C does Z.

It also makes a third assumption: that it has become appropriate, in effect, for journalists to play the roles of broker, financial planner, investment researcher, and CPA to their audience. Whether or not journalists should in fact have such a function is an issue to be addressed shortly. At this stage, one can merely observe that--whether or not one approves of it, whether it is disquieting or not, whether it breaks with traditional professional assumptions about the journalist's role in a democratic society--to some great degree, the transformation to all these new roles has already taken place.

USA Today--the country's largest-circulating paper--is not only a paradigm of the genre, but one of its pioneers. The paper's business section is titled simply "Money," signaling its break with the section as traditionally conceived. Its provides strategic, but succinct, coverage of numerous traditional "institutional" issues on its section front page (alongside both personal finance and marketing-analysis stories). Inside the section, however, the weighting turns more heavily in both columns and news items toward personal financial coverage, or "institutional coverage" that seems seldom without direct "personal finance" implications.

Moreover, the written content of stories is only one measure of how the paper has reshaped the traditional conception of a newspaper business section--and the structuring of financial industry information, amidst business information generally. USA Today has been a pioneer in a new set of "hybrid" narrative frames such as "marketing data" stories, accompanied by full-color graphics--as well as pioneering free-standing graphics that serve as traditional narrative-based stories substitutes.

Its "USA Snapshots," which runs daily on the "Money" section front page, is simply (and bluntly) subtitled "A look at statistics that shape your finances." In it one finds marketing-research-based polling and demographic data presented as colorful bars, tables, and pie charts. Accompanying it daily are feature pieces that draw on the same sorts of marketing-industry sources and graphics, with subjects that may range from US soft-drink consumption to Americans' summer travel plans. As one veteran business reporter put it, "We call them our 'business lite' pieces--you know, refreshing, but less filling."[32]

Throughout our research, we found a similar combination of "personal finance" and "business lite" frames playing prominent roles, particularly at the regional papers. In 1989, the Los Angeles Times offered two personal finance columns, by 1997, seven; during the same period, the number at the Chicago Tribune rose from one to seven; at the Boston Globe, from one to five; at the St. Louis Post-Dispatch, from one to six; at the Washington Post, from four to nine. Most of the papers (7 of the 10 we examined) now also produce year-end as well as quarterly special features on mutual fund performance and related savings and investment opportunities.

The non-column articles we tracked in this category also grew extensively, as well as in the relative "sophistication" of the financial advice they imparted--a sign the papers presumed a growing parallel sophistication among their readers. In 1989, much of the financial planning advice concerned home financing (or refinancing), how to set up simple wills, tips on buying simple financial instruments such as CDs and Treasury bills.

By 1997, it was more common to find stories about how to read the fine print in mutual fund reports, how to trade directly in overseas markets, uses of "hedging" strategies, financial planning for small businesses, tax factors in establishing children's trusts, and comparisons of Internet-based financial information sites.

We also noted a growing trend in stories profiling individual companies or CEOs that included discussion of the company's stock performance, its recent trading range, analysts' evaluations, and ticker initials--all designed to convert traditional profile stories, most of which lacked such precisely "cued" data in 1989, into "news you can use" personal finance pieces.

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32. Interview with author, July 7, 1998.

Personal Finance in the Newsweeklies

The newsweeklies--though with many fewer available pages per issue, and fewer issues per year--have nonetheless followed suit in the race to cover "personal finance" in their own ways, as Figure 5 indicates.

(Figure 5 Here)

Time, Newsweek, and US News & World Report all now feature regular "Wall Street" columnists, who offer analysis of market performance and investment prospects broadly, as well as observations about specific companies and industries, aimed toward helping investor/readers evaluate prospects.

The newsweeklies have gone further, reformatting themselves to much more explicitly express the new "personal" and "lifestyle" approach to news that has grown so prevalent. Much more than the newspapers, they've borrowed the "hip-cool-hot" language of modern-day advertising, sports, and entertainment to merge personal finance into a larger frame of "infotainment" that everywhere seems to blur the traditional edges between "hard" and "soft" news, the personal and the public, the opportunity for private gain and the obligations of national and community responsibilities.

In 1989, Time was still clearly experimenting with how to do "personal finance" as both a topic and frame. Among the 18 articles we identified that year, most actually didn't yet fit a strict version of the "personal finance" model. Andrew Tobias wrote an irregular feature (dubbed "Money Angles"), for example, but most of the articles discussed mutual funds in larger reports on stock market activity--a quite conventional "sociotropic" news viewpoint.

By 1993, Tobias' "Money Angle" pieces were running almost monthly, and Time was paying increasing attention to the stock market--and testing its new "tone" in pieces on the equities market with titles such as "They're Hot in the US, But Even Hotter Abroad" or "Warning: IPO Mania Can Be Costly," alerting readers that "the sizzling market in new issues is encouraging lots of companies to go public."

By 1997, however, Time had taken the full "personal financial" plunge. Tobias was gone, and its new Wall Street columnist now offered regular advice on broad market strategies (in July that year, it was time to cut back on stock purchases; in December, it was time to invest in Japan--both ideas, as it turned out, a tad premature).

Time also now had a back-of-the-book "Personal Time" section, with one of its three set features titled "Your Money." (This was in addition to the long-standing "Business" section, which now however regularly profiled companies, corporate leaders, and executives, in ways that frequently contained extensive "cuing" information about the companies' stock performance.)

Time definitively announced (in a cover piece) that America was now "Married to the Market," and that "Average Joes and Janes Have More Money, and Faith, in the Market Than Ever Before." It enthusiastically reported on "Hedge Funds--or, How the Rich Get Richer," and (exemplifying the "hip" new coverage style of the 90s), declared "It's the Taming of the Last Great Evil Bureaucracy, as the IRS Holds Its First Open House for Taxpayers."

In Newsweek, back in 1989, the magazine limited its "personal finance" coverage almost exclusively to a twice-monthly column by Jane Bryant Quinn. A few other stories that touched on mutual funds and personal investing did so almost exclusively through "sociotropic" overviews of market turns, including the mini-crash of October, 1989. By 1993, though, the magazine was--in addition to carrying Quinn--offering pieces with titles like "Investing: How to Retire Your Way," and "Get Ready, Set...Invest!," and "Dumping the Dow for Kuala Lumpur," on the "hot" opportunities in Asian equity markets.

By 1997, Newsweek's "Business" section carried not one, but two investment/personal finance columnists (the durable Quinn, and Allan Sloan). It was also running glibly-titled feature pieces, for example, "One, Thaw Turkey; Two, Buy Bonds," on hedging your year-end investments in the market. It also served up a regular "Focus on Your Money" feature, as well as short pieces in a new "Moneyscope" section. Moreover, the magazine was now framing much of its "corporate" coverage around Wall Street favorites, especially technology stocks such as Microsoft, IBM, Dell, etc., and profiling industries such as the media itself with breathlessly-titled pieces such as "The Info Moguls of the 1990s."

In US News, the smallest of the three newsweeklies, personal finance reporting had been a well-established staple much earlier than at either Time or Newsweek. Thus, in 1989, as the other two newsweeklies gingerly tested the waters, U.S.News ran nearly twice as many personal finance stories as its two competitors combined. There was a regular "News You Can Use" section, with a variety of subspecialized columns and articles on everything from "Tapping retirement savings now" to "Shock absorbers for small investors" to "A guide to investing guides." The magazine was already regularly reviewing mutual fund performance on a quarterly and sector-by-sector basis, and publishing thick special sections such as its "1989 Money Guide."

By 1993, story volume was stable, but the stories themselves were being played with much greater prominence. No longer content with running a back-of-the book section on personal finance, now U.S. News was running cover stories on "The Best Mutual Funds," with elaborate tables, charts, and accompanying articles. By 1997, story volume was up measurably, and so were the thick special reports and cover stories. Clearly seeking to add a younger audience, along with its regular "Best Mutual Funds" there was now a special report on "The Gen X Financial Guide," as well as new special reports on "The 1998 Career Guide" and "The Personal Finance Guide."

In the process of refocusing themselves on the world as personal investment opportunity, the newsweeklies have at times seemed intent on testing several traditional ethical borders in journalism with some regularity. A recent Time "Your Money" column heavily touted "undervalued" Internet stocks, for example. In the author's credit line at the end of the story it then mentions that the author himself holds investments in AOL, Cisco, Lucent, and Yahoo, and that his investing website, thestreet.com, did business with AOL and Yahoo.

Time's editors apparently saw no problem with this, or at least felt they had a solution. Although the article's headline boldly declared that "Despite their soaring prices, the best Internet stocks are still bargains. Here's how to pick 'em," the article's closing line assured readers that "nothing in this article should be taken as advice to buy or sell stocks."[33]

By 1997, the newsweeklies weren't simply limiting such "framing" to explicit personal finance sections--or even business sections--any longer. Coverage of topics such as the arts and entertainment now increasingly aren't simply considerations of artists, stars, or individual creations (such as a film, painting, book, etc.) but profiles of corporations in the field (the motion picture and recording companies, television, and computer firms), or the economics of the fields, that constantly interweave commentary about artistic and entertainment merits with financial analysis of corporate performance.

Similarly, coverage of new technologies increasingly focus not just on the technologies themselves but the financial dimensions of them: one recent Time cover story, for example, entitled "Kiss Your Mall Goodbye"--on the growth of Internet-based retailing--was accompanied by two pieces: one, a service article titled "Shopping: A guide to who's selling what and for how much," the other, a breathless profile of "New Rich: Who's making the really big bucks" in the nascent industry.[34]

As we'll discuss shortly, this explosion of "personal finance" journalism as a new cornerstone of business and finance reporting raises a host of intriguing--and at times troubling--questions.

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33. James Cramer, "Tulipmania.com?," Time, August 3, 1998, p. 77.

34. "Kiss Your Mall Goodbye," Time, July 20, 1998.

Chapter Five

"Crisis," Industry Consolidation, and Politics and Policy:

Financial Industry Reporting in an "Institutional" Frame

If "personal finance" coverage has become a defining feature of the mainstream press's business and financial reporting, it still nonetheless competes with more traditional frames that journalism has long used to report the news. These are the stories on "the world as it is," not the "world you can use"--what social scientists more formally call "sociotropic" versus "egocentric" information structures.

In covering the financial industry, as noted earlier, "crisis" has always been a venerable news "trigger" (as it is with other topics). And in fact, the financial industry--both in the US and worldwide--has hardly lacked its share of crises over the past two decades. A recent IMF study, for example, reports that three-quarters of all IMF member countries have experienced major banking crises since the early 1980s--a fact so striking in itself and so inviting for further investigation that we thought it would have surely captured wider journalistic attention, but which it did not, at least in the media we surveyed.[35]

"Crisis" reporting not only mobilizes journalistic effort, but galvanizes audience attention.[36] It gains that attention in two distinct ways. The first is simply by virtue of the claim of "crisis," which the audience must then evaluate, but generally won't initially ignore. Second, a "crisis" claim increases the density of coverage on a topic, by multiplying the number of press outlets and stories per outlet, that itself tend measurably to increase collective national audience focus.

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35. Cf. Gillian Garcia, Protecting Bank Deposits (Washington, DC: IMF, 1997), Economic Issues Paper #9.

36. For a discussion of media's effect on public economic knowledge and confidence, cf. Lawrence Jacobs et al., "Media Coverage and Public Views of Social Security," The Public Perspective, April/May, 1995, pp. 9-49.

As Figure 6 shows, "crisis" has been a constant of financial industry reporting throughout the past decade. But note also that the volume of such reporting fluctuates year-to-year--interacting with each period's particular set of crises (though often in different ways).

(Figure 6 here)

In the late 1980s and early 1990s, "crisis" framing was heavily and frequently invoked, reflecting (we found through content analysis) the lingering effects of the savings and loan crisis, and--to a much smaller degree--a partly-related, but more complex, crisis that hit the banking industry.

Yet even within this period, there was substantial variation among papers in the coverage volumes devoted to "crises". The New York Times, for example, reflecting its "paper of record" status (and its base in the nation's money center), consistently devoted a greater volume of coverage to financial industry "crises" than any other paper in our survey. By contrast, the "regional" papers (including the Washington Post, in this instance, for reasons we'll discuss in a moment) more often tended to show coverage volume fluctuations based on local, not national, market conditions.

Thus in the early 1990s, the Los Angeles Times ranked second behind the New York Times in total financial "crisis" story counts. But the stories focused heavily on California (and especially Southern California) financial institutions, especially when institutions failed or individuals faced civil or criminal charges.
The stories--particularly any over 400 words--typically made reference to the larger national S&L crisis within the body of the story, but the narrative focus was on the local institution.
(Even when its Washington-based reporters filed coverage of Congressional or regulatory action, the paper usually sought to "link" the federal actions concretely to their impact on the California S&L, banking, and real estate markets.)

Similarly, the St. Louis Post-Dispatch, which ran third in story numbers, also tended to heavily weight its coverage to local area S&Ls and banks facing financial crisis. Even the Washington Post, which one might imagine would focus most heavily on federal responses to financial crisis, nonetheless provided extensive coverage of local District, Maryland, and Virginia financial institutions in crisis. By contrast, the Boston Globe--based in a region of the country which escaped the worst of S&L default--did substantially less such reporting, and when it did, focused relatively more on national patterns than local ones.

"Crisis" reporting also appears to be influenced by the location of the crisis in a different way. Foreign economic crises--whether in Mexico, Russia, Japan or Southeast Asia--received more extensive coverage from the "elite" press with their own overseas correspondents. Major metro papers without such correspondents both printed a smaller number of stories on foreign crises, and also relied much more heavily on wire service (usually AP) or supplemental wire reporting.

As a consequence, readers in St. Petersburg, Seattle, Chicago, Boston, and St. Louis---metro areas whose combined population substantially exceeds that of New York or Washington--collectively were provided with fewer than half as many stories on foreign economic crises in our three sample periods.

"Crisis" Reporting and the Newsweeklies

As Figure 7 below indicates, the newsweeklies used "crisis" framing much less frequently than did the papers, and reserved it almost exclusively for international issues. Only U.S. News invoked the term in a domestic context with any regularity.

(Figure 7 here)

Time, in 1989, ran only two stories that invoked "crisis" terminology related to banking or finance. One was on the global environmental challenge that called for North-South cooperation (including Third World debt relief), and a second worried that if another severe recession hit the US, debt-heavy leveraged buyouts could be in danger.

There were no major Time "crisis" stories in 1993 on the topic, and the six in 1997 were--not surprisingly--all related to the Asian financial crisis, with four of the six taking a "personal finance" overview, such as "Why the Asian Crash Matters to You" and "Five Ways to Protect Yourself from a Meltdown."

Newsweek followed a roughly similar pattern, its three 1989 pieces focused on heavy government support for various programs, including financial institution bailout, as did its two 1993 pieces, though in fact only one of them focused exclusively on this topic. Its 1997 coverage, like Time's, was virtually all Asia-focused.

U.S. News in 1989 had two domestic and three foreign "crisis" stories, with both domestic stories focused on S&Ls--including a 5,000-word piece on federal handling the Texas S&L situation. In 1993, its three financial "crisis" stories were on Russia, the Middle East, and Japan. In 1997, virtually all of its eight "crisis" stories were Asia-focused.

Corporate and Industry Mergers and Consolidation in the Newspapers

"Profile" reporting--whether of a corporation, or a corporate leader, or a systemic issue--is a staple of all modern business and economic reporting. Grounding issues in concrete institutions or individuals is a baseline craft skill in journalism.

Traditionally, newspaper business sections relied heavily on corporate press releases to "initiate" stories, and even today--at a time when more resources are being poured into business reporting generally--they are still extensively used. Corporate earnings reports, personnel changes, mergers and acquisitions, new investment or product announcements all tend to be such "source-initiated" rather than "reporter-initiated" stories.

This pattern holds for financial services as extensively as it does other sectors of the economy. Short- and medium-length stories (those under 600 words), we found, were overwhelmingly lacking in "reporter-initiated" characteristics. Instead, they were drawn from either wire services that themselves relied on source-produced materials (for national and international topics) or from local, and directly-provided, source-produced information, when local-area firms were involved.

Longer feature pieces (obviously fewer in number, but usually more prominently displayed) may in fact have their genesis in corporate releases, but tend then to be much more heavily "worked" by the reporter, doing independent research, assimilating multiple sources, relying on multiple interviews.

Although much fewer in number, their greater length, accompanying headline size, and forward positioning (either in the business section, or on occasion in the front or "A" section of the paper) guarantee such stories much more notice. It is here that we expected to find a substantial number of stories that would help readers grasp the significance of longer-term and larger-scale changes in both the American and global financial industry.

In fact, what we found was more often characterized by a focus on individuals or single-institution performance that left questions about deeper structural changes either unaddressed or fragmentarily described.

Take the subject of banking industry merger and consolidation. As Figure 8 indicates, there has been a high volume of coverage of such activity throughout the past decade, befitting an industry that has radically reduced its number of players since the early 1980s.[37]

(Figure 8 here)

When the story numbers are examined more closely, however, the overwhelming majority prove to be short pieces (under 200 words) that report an individual merger, acquisitions, or consolidation. At the larger-circulation papers (the New York Times, Washington Post, and USA Today) the mergers reported may occur virtually anywhere in the country or overseas. At the regional papers, the number of reported mergers is both

37. Data on declining bank and S&L numbers can be found in Allen Berger et al., "The Transformation of the U.S. Banking Industry," Brookings Papers on Economic Activity, v.2, 1995, pp. 65-68.

smaller, and much more likely to be about institutions within the paper's circulation area.

Thus, in the New York Times, one finds articles in 1989 headlined "Great Western Expanding in Florida," "Banks Merge in Baltimore," "Talking Deals: Bank Merger Stirs Puerto Rico," or "Merger Effort Ends at Two Spanish Banks," or "Two Norway Banks Agree to Merger."

All of the articles are brief, and usually wire-service-generated; but they appear nonetheless, and numerically are a significant portion of all financial news coverage.

At the Boston Globe, during the same period, the coverage of mergers and consolidations is both much smaller (half the total number of stories), and much more focused on New England. The Bank of New England, Fleet Bank, Bank of Boston, and other local institutions garner the paper's attention, and even "systemic" pieces on the industry's growing merger phenomenon tend to stress the local region: "Are megadeals for state's banks in offing?," "FDIC praises Vermont banks," etc.

Even more strikingly, at the Seattle Times, which produced a tiny fraction of the stories found in larger papers, all of them focused on local region banking activity, and none contextualized the mergers within a larger national or international pattern of financial industry consolidation.

By 1997, with financial merger and consolidation activity reaching high levels again, a New York Times reader would have found an ever-increasing number (literally hundreds) of brief stories on such activity reported from around the world. But now there were a small (less than two dozen) but significant number of lengthier stories (1,000 words or more) that included reference to the larger systemic issues underlying these consolidations as part of their coverage of specific deals.

Articles such as "BankAmerica to Buy Robertson, Stephens Investment Company," "Swiss Bank Steps Up to Buy Dillon, Read on Rebound" and "Mergers Roil a Changing Wall Street" (on Travelers' purchase of Salomon), for example, all referenced--albeit rather briefly--the larger trend to growing cross-sectoral mergers that were allowing banks to take on investment bank and brokerage firm operations.

There was however one 800-word piece--"For Bank Mergers, Big Is Not Always Better"--that questioned efficiency gains brought about by such mergers (a question that some studies by both regulators and academics have raised), and two shorter pieces on the competitive institutional pressures encouraging banks to acquire securities firms and investment banks. Still, almost every single story on merger and consolidation remained confined to the paper's business section, rather than the much more widely read front section of the paper.

The Los Angeles Times in the same two periods produced substantially fewer stories on mergers and acquisitions. The volume difference, though, is in large part accounted for by many fewer brief pieces than in the New York Times, especially by 1997, accounted for a solid majority of its total story count.

The Los Angeles Times in fact produced a similar number of longer stories, that were also more often likely to include either an embedded reference to structural changes in the industry, or even took such changes as story themes. In December, 1989, for example, it ran a very long (3,700-word) piece that did a decade-long overview of the merger and consolidation phenomenon across American industry, with a significant section on the financial industry. The overwhelming majority of its longer stories, however, still focused on institutional restructuring of the S&L industry, not entirely surprising given that California had been (with Texas) the state hardest hit by the industry's failure.

By 1997, its longer stories proved to be a mix--some covering, on the one hand, the new financial merger wave that was hitting California (and the nation), while others in fact "pulled back" to explain to readers some of the significant structural changes that are transforming financial services.

Strikingly, some of these stories were even assigned front-page placement (a rarity we found in most other papers). The merger of two giant Swiss banks, UBS and SBC, for example, was used as a vantage point from which to look at the wave of financial mergers taking place both in the US and abroad. Signing of the GATT agreement on financial services likewise got front-page coverage, and helped readers see the move as part of a world-wide consolidation, and as an extension of Western financial services into the developing world. Two pieces, totaling 5,000 words, looked at investment deal-making in Southern California, and the legacy of Michael

Milken in training some of the area's top practitioners, that also gave readers a greater sense of the macro-scale changes occurring, albeit focused on the region, not the country as a whole.

Company and Industry Merger and Consolidation in the Newsweeklies

In 1989, none of the three newsweeklies paid measurable attention to consolidation within the US financial services sector, apart from their ongoing coverage of the festering S&L crisis, as indicated in Figure 9.

(Figure 9 here)

U.S. News--its audience is historically more heavily based in a male, business-oriented community--did in fact look at the rising power of NationsBank and other southeastern banks that were driving regional consolidation (in "Dixie's New Superbanks") and at PrimeAmerica CEO Sanford Weill's new visions of a larger national integration of the industry (in "Play It Again, Sandy Weill"). And the magazine's editor offered an editorial in support of lifting Glass-Steagall-era limits on financial services ("Time to Bank on the Future"), though legislation to repeal Glass-Steagall failed once again that year.

Newsweek that year gave the most extensive coverage of the S&L fiasco--and resultant clean-up problems--with more than a dozen articles and columns, but took no notice of the larger forces pressing consolidation in the broader financial industry. Time, apart from S&L pieces, focused on mergers elsewhere--not least its own rebirth as part of Time Warner.

By 1993, there was still virtually no mention of financial industry consolidation in Time; much more typical was its attention to merger and consolidation in the entertainment, publishing, and telecommunications industry--a partial signal of Time Warner's new "synergistic" focus on those industries. U.S.News uncharacteristically seemed to ignore the topic throughout the year, despite soaring banking profits and growing cross-sector selling of services, particularly by the banks.

At Newsweek, readers would have at least found one story on the fact that more banks were now being allowed to sell mutual funds to customers, as the magazine reported Mellon Bank's purchase of the Dreyfus Fund. The story--a synthesis of "sociotropic" and "egocentric" framing--assured readers that such cross-sector consolidation "will make things better for consumers," while warning that it would, however, require more investor effort in searching for "the best deals" among brokers, banks, and the mutual funds themselves.

Newsweek also produced one other "trend" story that year, that outlined structural problems in the banking business. "Lenders Out on a Limb," in 600 words, pointed out that banks--despite record profits after a series of lean years--faced "increasing irrelevance to American companies and consumers," and noted that this was leading to diversification in services and to increasing industry consolidation.

In 1997, all three magazines used the Travelers-Salomon merger as a narrative frame to tell readers about the rising tide of merger activity in the financial sector. Newsweek and Time, though, both did "CEO profile" stories, focusing their report on Sanford Weill, and his rags-to-riches career, subordinating the issues underlying the integration of the two companies--one an insurance and lending giant, the other a powerhouse Wall Street bond and securities trading house--and their larger meaning to the margins of the stories.

Only U.S.News chose to raise these underlying issues--their background in Glass-Steagall, earlier attempts at financial supermarket integration in the 1980s, and potential institutional conflicts. The story--unlike those in its competitors--contextualized the merger in the changing financial industry landscape, interviewed critics as well as supporters of industry consolidation (something Time and Newsweek overlooked), and tried to come to a prudential judgment about both the merger itself and the larger trends it symbolizes.

Politics and Policy: Financial Regulation and Deregulation in the Newspapers

Because financial services have traditionally been more closely regulated by state and federal authorities than

almost any other sector of the economy, the two-decades-long transition to lighter regulation has been a singular focus of the industry-based press (such as American Banker, etc.), and the general business press (Wall Street Journal, Businesssweek, Fortune, etc.)--while enjoying comparatively little attention, we found, from the mainstream press.[38]

When we searched for "regulation" and "deregulation" stories, as shown in Figure 10, we found that most of the regional papers gave the themes relatively modest coverage. Both the New York Times and Washington Post, by comparison, gave the topic more significant play, though the weight of framing devices differed markedly between the two papers.

(Figure 10 here)

For the regional papers, "regulation" and "deregulation" most often appeared only when intermingled with "crisis" framing. (Classification between these two categories of many stories was a challenge at times for our coding.) This proved particularly so in 1989 when the press was following the S&L crisis, and again in the second half of 1997, when the Asian financial crisis broke. Most aspects of financial system deregulation--whether in banking, insurance, or capital markets--rarely appeared in any of the regional papers without a "crisis" link. Readers of the Chicago Tribune, for example, would have found only eight stories in all of 1989 (out of 58) that dealt with systemic changes in the American financial industry that weren't directly linked to "crisis" reporting.

Moreover, of those eight only five exceeded 350 words, and even these were elusively linked with deregulation: the first covered Illinois' crackdown on mortgage banking practices (1785 words, in the Sunday Real Estate section); the second was on ATM-related crimes (466 words); the third was on pension funds

38. Several useful academic articles on banking deregulation include Jayanratne and Strahan, "The Finance-Growth Nexus: Evidence From Branch Banking Deregulation," Quarterly Journal of Economics, August 1996, pp. 639-670; Benston and Kaufman, "The Appropriate Role of Bank Regulation," Economic Journal, May, 1996, pp.688-697; Sheila Dow, "Why Banks Should Be Regulated," Economic Journal, May, 1996, pp. 698-707; and David Humphrey and Lawrence Pulley, "Banks' Responses to Deregulation: Profits, Technology, and Efficiency," Journal of Money, Credit, and Banking, February, 1997, pp. 73-93; George Selgin and Lawrence White, "How would the invisible hand handle money?," Journal of Economic Literature, v.22,1994, pp.1718-1749.

oversight (460 words); the fourth covered reforms in commodity futures trading oversight--although this actually followed earlier "crisis"-framed criminal investigations (1572 words); the fifth highlighted off-shore financial institutions, and related abuses (657 words). Moreover, all the stories appeared in the Tribune's business section; none found its way to the front sections of the paper.

In 1997, US financial institution deregulation again found itself playing a minor part in Tribune coverage--especially after the Asian financial crisis broke. In each of the instances we identified on US deregulation itself, the story "trigger" was a speech by a federal policy maker (Alan Greenspan, Robert Rubin, etc), a government study's release, or a government hearing. Arguably, the information provided to readers was often thin--"Greenspan Backs Plan to Reduce Regulation of Financial Futures" ran 218 words, while "Greenspan: Financial Lines Blurring" got only 66 words.

Financial regulation/deregulation--as an identifiable topic that reporters sought to investigate for readers--garnered even less attention in smaller regional papers. At the Seattle Times, of the dozen 1990 "regulation"-related articles we identified, the majority were features on bank mergers or restructuring; only one story during the year--497 words long, entitled "Preventing Disaster--Bad News and Tighter Regulation for Banks," briefly sought a broader context for the regulation issue.

In 1993, the majority of stories focused on the travails of the state's only black-owned bank, whose financial ills ultimately led to its failure and merger. In 1997, over half of stories were about local banks' operations--downsizing, takeovers, credit card loss problems, and minority lending practices; none sought to look at these issues in a larger structural context.

In St. Petersburg, a similar pattern obtained. The problems of Florida banks and S&Ls predominated in 1989, with systemic analysis--unless embedded well down in "crisis" stories--virtually invisible. Two articles which did speak to systemic reforms turned out to be syndicated columns, one by William Safire from the Times, the other by Hobart Rowan of the Post.

In 1993, with roughly the same low story count, the handful of stories that actually focused on industry-wide practices and changes was consumer-oriented. One piece noted that banks were recovering thanks to wider "spreads" between loans and low-rate deposits, another on home lending practices in the state.

By 1997, though the number of stories declined, they increasingly focused on merger and acquisition involving local banks ("Ohio bank to buy 60 Barnett branches"), as well as local legal/criminal issues ("NationsBank will pay $30-million fine"). Only one story that year focused on regulation and systemic change, and was done through a local angle: "States fear US plan for banks."

Politics and Policy: Regulation and Deregulaton

in the Newsweeklies

Throughout 1989, the newsweeklies (like the papers) kept their coverage focused on the S&L crisis and the clean-up aftermath, accounting for over half their articles on US topics. Two international issues involving financial institution regulation, however, also garnered several articles: money-laundering related to drugs, and the plight of several Third World countries gripped by hyperinflation and collapsing economies.

Time, on three occasions, at first seemed set to step back to look at structural patterns in the industry: in January, in an interview with Paul Volcker; then in an article on how "chastened economists have jettisoned rigid formulas and moved to a more pragmatic approach in order to fathom the boom-and-borrow Reagan years"; and then in late December, in a piece on potential future bailouts resulting from extension of $5 trillion in federal loan guarantees covering everything from student loans to bank deposits to Third World assistance.

The Volcker piece, however, turned out to be a largely personality-focused reminiscence; the review of economic theories proved to be more about debates among supply-siders, rational expectationists, and neo-Keynesians with little to say about the financial sector; and the federal bailouts piece focused entirely on government programs, not the private financial sector per se.

Newsweek and U.S.News likewise offered little apart from S&Ls, money laundering, and foreign market turbulence. U.S. News added to that list a couple of stories on scandals in Chicago's commodity trading pits, Newsweek a piece on the fall's downturn in stock markets.

In 1993, Time in fact produced two pieces we found directly relevant to financial institution reform--one a news report on the "The Siren Call of Mutual Funds," the other an overview article that asked "Are Banks Obsolete?" The first noted the growing role of mutual funds in stock and bond markets relative to individual investors, and the growing total numbers of investors and cash they were pouring into the markets. The second offered an informed look at the declining role of banks as business lenders, traced the growth of alternative sources, and reviewed reasons why government was seeking to bypass Glass-Steagall restrictions, citing permission to Chemical Bank to sell bonds as the latest instance of the trend. (In 1993, we found no articles in either of the other two newsweeklies that ultimately took explanation of structural changes related to financial regulation or deregulation as their core topic.)

In 1997, structural issues by mid-year increasingly focused on Asian financial problems, with secondary attention to the emergence of a common European currency, and growing concerns about equity market performance in light of Asia's crisis. None of the three magazines took up domestic financial system regulation as a thematic during the year.

Figure 11 summarizes these data:

(Figure ll here)

Chapter Six

Trend Analysis and the Financial Industry

Glass-Steagall in the Newspapers and Newsweeklies

Within the financial services industry itself, "Glass-Steagall" has been the password to debate over deregulation since the early 1980s--and as such an ideal "frame" in some sense for trend analysis of how financial services have been changing in recent years. Passed at the height of the Great Depression, the Glass-Steagall Act has since served as the symbolic cornerstone for the regulatory and business boundaries of American financial services.

But for nearly two decades, powerful--often conflicting--forces within the industry have sought its replacement with newer legislation that would allow for substantial integration of many of the services Glass-Steagall prohibits. Congress, caught between those colliding forces, has repeatedly failed to act--ten times in the last 20 years, in fact. But, by turning a blind eye to the legislation's non-enforcement, it has meanwhile allowed regulatory agencies to effectively dismantle many of the act's key features.

Within the financial and business press, this ongoing debate over Glass Steagall's future--and the intricate maneuvering by industries and companies, lobbyists, and key legislators--has been regularly and closely followed.

Indeed, among some financial reporters, the very idea that Glass-Steagall was up for replacement again now produces sly, knowing yawns. In 1998, for example, two Business Week reporters sardonically credit-lined their coverage of this year's battle over passage, "Gleckman and Foust have covered banking reform again, and again, and again."[39]

But what about the general press? Should we expect a non-business-press audience to know much about this ongoing, and monumental, battle, based on coverage it has been given?

We found that in fact a search for "Glass-Steagall" articles produced a steady, but quite minor, flow of coverage, almost all of it located in the business sections, and generally chronicling briefly the latest flurry of legislative negotiations, that seemed to wax and wane with inconclusive regularity.

(Figure 12 Here)

As Figure 12 shows, in fact, in the three years under study, many of the papers carried no articles making significant lead mention of Glass-Steagall. The numbers were so low in fact that we went back, and searched all years, 1989-1998. Even this expanded search, as the figure also shows, revealed strikingly little reference to "Glass-Steagall"---the New York Times, which carried the most stories, averaged fewer than five per year.

Similarly the newsweeklies found almost no occasion on which to explain Glass-Steagall to their readers. When they did so, it was either in brief passing (Time, in 1989 for example, ran a brief 300-word piece on big banks winning permission to engage in various "Wall Street" type operations, titled "One Toe Over the Line") or embedded in corporate profile stories, such as the 1997 Travelers-Salomon merger discussed earlier.

Evaluating why so few stories mentioned this cornerstone piece of legislation is complex. Part of the explanation no doubt lies in the fact that despite the legislation's existence, federal regulatory authorities have been for over a decade now steadily permitting activities the legislation seeks to prohibit through a web of rulings, exemptions, and classifications. With Congress seemingly unable to find legislation acceptable to all the major industry parties and Congress itself, a de facto repeal of Glass-Steagall has occurred even while the legislation

39. Howard Gleckman and Dean Foust, "Why Congress Can't Afford to Shatter Glass-Steagall," Business Week, March 30, 1998, p. 38.

remains on the books.

But should the press--in its traditional "watchdog on power" role--have done more to bring all this to the public's attention?

Arguably, the press has done so, by reporting various mergers over the years that exemplified the very kinds of limit-breaching that Glass-Steagall seeks to prohibit: banks' acquisition of securities firms, the selling of mutual funds, bonds, and stock through retail banks, the undertaking of various traditional banking functions by mutual funds and brokerage firms, the creation of national mega-banks, etc.

Throughout the coverage, however, reporters seemed to have accepted as fact three fundamental ideas: one, that "the times have changed"--ie, the prohibitions Glass-Steagall exemplified were antiquated; two, that in finance as in transportation, energy, and telecommunications, deregulation was to be preferred to regulation; three, at the macro-institutional level, that the "dynamism" of modern capitalist institutions could not actually in any case be blunted by public policy to any significant degree. Why these assumptions have been so widely embraced will be discussed shortly.

Trend Analysis and the Press's Traditional Watchdog Role: Consumers, Communities, and Citizens

Given the overall low level of broad-lensed deregulation coverage (especially in the regional papers), we selected two other topics--one a "consumer" issue, the other arguably rooted in democratic notions of "community or civic responsibility." The question was whether press coverage might use either of these as important frames for looking at longer-term "trend" changes in financial services.

Consumer Issues in the Newspapers

After some initial experimentation, during which we evaluated several presumably familiar "consumer watchdog" roles the press plays, especially at the local level, we discovered that the "consumer" issue of the past decade--in terms of press coverage of financial services--has been Automatic Teller Machines, or "ATMs," particularly for the regional papers.[40]

Since their introduction in the mid-1980s, ATMs have exploded in numbers--and are widely viewed today as a major convenience that technology has brought to retail banking. But ATM fees have proved a controversial topic--enough so that there have been repeated consumer protests, and recurring battles over legislative intervention.

Note in Figure 13 the steadily rising (though relatively low aggregate) number of stories on the topic.

In 1989, there were on average between six and 20 stories in all the sources (except the LA Times). Most of the stories sought to "introduce" the ATM to readers, outlining its features and convenience, as well as reporting on their rapid spread--and emerging ATM-related crimes.

(Figure 13 here)

A few papers even in 1989 sought on occasion to explain ATMs as part of, as one New York Times story put it, "Banking's High-Tech Retail Chase," and the search for a single credit/debit/ATM card that "would do it all." But we found the mixture of the Chicago Tribune's coverage by far the more typical: crime was the largest category ("Five Charged in ATM fraud conspiracy," "$38,000 Taken from Guard, Courier," "Woman is Robbed at Automatic Teller")--mixed with a scattering of early stories on fee controversies ("ATMs keep expanding--and so do fees," "How to Avoid the Downside of Teller Machines.")

By 1993, the story numbers ranged from four to 77 (again excluding the LA Times), with a median 25. Increasingly, the stories focused on novel criminal problems, the need for carefully guarding one's PIN code--and again the rapid ATM expansion trend. In the smaller regional papers, on average more than 80% of coverage

40. Other consumer concepts we examined were banking and mutual fund fees, finance-related consumer fraud, and credit cards--all of which received attention from the press, but at consistently lower levels than ATM related issues. For an overview of traditional consumer reporting's decline, cf. Trudy Lieberman, "What Ever Happened to Consumer Reporting?," Columbia Journalism Review, September/October, 1994, pp. 34ff.

was crime-related, and even at the larger papers, the largest single category of ATM stories was about crimes.

Again, though, there were occasional articles explaining to readers the place of ATMs in a larger technological transformation of banking. The Boston Globe offered, for example, 2,000 words on "How does an obscure networking technology become a full-blown phenomenon? ATM hopped a ride on the national data superhighway." USA Today had a 400-word piece describing how "ATMs are poised for 'Gee Whiz' revolution." The Washington Post did, as one of a handful of such stories that year, 1,000 words reporting that "More Retailers are Ringing Up Purchases on ATM cards."

By 1997, the numbers were up, and with ATMs now presumed (and likely) widely familiar, articles highlighted innovations in their use alongside the rising number of crimes reported at ATMs. By far though, the biggest topic was now the debate over fees charged, and the actions of legislators and consumer groups to roll back the charges.

"On the Up and Up? Senator, Banks Continue Battle Over Excessive ATM Surcharges," "Two Big Banks Forgo Fees on ATMs," and "Illinois Banks Charge Second Highest Fees for Checking" the Chicago Tribune reported to its readers, in three examples of "institution-oriented" coverage of the debate. Alongside these stories, of course, ran the "personal finance" pieces reframing the same issue: "Check It Out: Questions to Ask Your Banker During Times of Changing Fees," "How Savvy Are You on Typical Bank Rates and Fees?," and "Banks Making It More Difficult for Consumers to Avoid Petty but Costly Fees" (all stories, incidentally, done by a syndicated columnist, not a Tribune reporter).

By 1997, though, it also appeared that reporters and editors at some papers were tiring of simply reporting on the ATM fee controversy--and sought to increasingly incorporate the story motif of ATMs into the larger "technology-meets-commerce" narrative that has become so popular in recent years. Thus, at the New York Times, readers learned that "Talking ATMs may be coming soon to a gas pump or automated teller machine near you," or were asked "Is This an Honest Face? Use of Recognition Technology Grows in Everyday Transactions." (The Times, more vigilant than others for novel "tech-meets-commerce" angles, even gave 600 words to news that "Church Charity Begins at an ATM in Spain.")

At the Washington Post--though here again ATM crime was topic number one--editors similarly reduced the number of "fee fights" by substituting "tech-meets-commerce" reports. "Banks Branch Out Via Video; Crestar Experiment Aims to Speed Service, But Some Find It Impersonal," or--in a blend of ATM-fee-cum-tech/commerce--"Fed Up with 'Service' Fees? Try Banking Without a Bank" (on new electronic banking options) were two representative examples.

USA Today paid the same sort of rising attention to technological innovation ("Step Right Up, and Pay Your Taxes and Tickets: ATM-like Kiosks Save Your Time, City's Money", but well over half its stories stayed focused on the "fee fights," both reporting in an "institutional frame" that "Congress Joins Line of Critics on ATM fees," and through its preferred "personal financial" frame, that "Convenience Has a Price."

At the Seattle Times, "fee fight" stories, however, were an overwhelming first choice for editors--over 65% of the stories in 1997 were on the topic, with the majority of those focused in traditional institutional frames both about the banks' activities, and popular and governmental reactions against them. Similarly, at the Boston Globe, ATM fees formed by far the largest number of ATM stories in 1997--aided in no small part by the issue's envelopment in the "political" domain, as legislators, bank lobbyists, the Governor, and the Attorney General all battled over proposed legislation to ban or limit fees.

Consumer Issues in the Newsweeklies

As Figure 14 indicates, the newsweeklies showed almost no interest in ATMs in either 1989 or 1993, with no single story taking the ATMs' rise as a core narrative--mention in the few stories we found was always peripheral to other topics. In 1997, attention seemed to rise dramatically (numerically, by five-fold); it turned out that in most cases, though, the rise reflected a burst of new interest in "personal finance" themes (or new computer technologies related to them). At Time, it was part of "Picking the Right Plastic" (a consumer look at credit, debit, and ATM cards); in Newsweek, it was "Insert Card, Lose Shirt" (on the importance of prudential money management); in U.S.News, it was on "Debit Card Dangers" (again, money management).

(Figure 14 here)

Obviously, the newsweeklies ignored the local-crime stories that occupied the papers, for want of a national news hook. What's more interesting is why they chose not to cover the nationwide consumer outcry over ATM fees--we were able to locate only one U.S. News piece ("Paying the price of ATM convenience" in 1993) that even alluded to it, despite dense coverage of local debates in almost every paper we examined.

Community Responsibilities

The press has for some years taken reporting racial and gender discrimination as one of its core responsibilities. The "community responsibility" issues related to America's financial institutions we therefore chose (after initial evaluation of alternatives) were "community reinvestment" and "redlining".

The decay of America's inner cities, and racial and gender discrimination, have been high on the national (and press) agenda since the 1960s. Washington as well as numerous states have passed laws that now require banks and other lenders to monitor (and document for regulators) their lending, mortgage, and service practices to assure that older discriminatory practices based on race, gender, and geographic location no longer continue.

Within the banking community, the laws--most importantly, the Community Reinvestment Act of 1974--have been the topic of ongoing dense and controversial discussion.[41] Some of the controversy turns around intra-industry questions of arguably marginal interest to the broader public (details of data collection, evaluation criteria, etc.) The larger question--whether lending institutions practice discrimination against women, minorities, and low-income communities--is of much broader public and public policy interest, and inherently recognizable

41. When we refer to community reinvestment and redlining, in fact a number of federal laws cover this area: the Community Reinvestment Act, the Fair Housing Act, the Equal Credit Opportunity Act, and the Home Mortgage Disclosure Act are commonly considered the core legislation.

as worthy of careful press coverage.[42]

(Figure 15 here)

As Figure 15 shows, however, although stories on these "community responsibility" topics have been recurrent, they've usually been also the subject of infrequent coverage at all the papers--and they've almost never been as a result of independent press investigation. When they have appeared, they've been as reports on government (or nonprofit agency) studies of publicly-available data.

By itself, this is mildly surprising, given the increased emphasis on "computer-assisted reporting" that is in vogue in newsrooms around the nation nowadays.[43] Because the documentation on lending and mortgage practices is public, it would seem to provide ideal opportunities for papers to exploit their new computer-based reporting capacities. From the evidence, they have not.

We also noticed that the papers rarely did follow-up pieces on their own, after the iniitial articles, to investigate whether alleged discriminatory financial institution practices had changed--unless a new study was issued.

When, in a few instances, the story remained "alive" past its initial single-day publication, it was most often because political leaders chose to make the subject an issue. In Boston in 1993, for example, the state's Democratic Attorney General used a study of Federal Reserve Bank data on local lending patterns to launch an investigation that kept the issue alive and prominent over several weeks. In most other instances, however, we found that--absent such engagement by a major political figure--the story died after initial coverage (and, usually,

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42. For an excellent summary and useful bibliography, see Douglas Evanoff and Lewis Segal, "The CRA and fair lending regulations: resulting trends in mortgage lending," Economic Perspectives (Chicago: Federal Reserve Bank of Chicago, v.20, n.6, November 21, 1996), pp.19-49. For a detailed outlining of concerns CRA supporters have about deregulation (in particular, HR10), see John Taylor, "Testimony before the US House Banking Committee" (Washington, DC: Federal News Service), May 21, 1997.

43. Cf. Bruce Garrison, "Computer-Assisted Reporting," Editor & Publisher, June 21, 1997, pp. 40ff; also Rose Ciotta, "Baby You Should Drive this CAR," American Journalism Review, March, 1996, pp. 34ff.

an editorial lamenting such evidence of discrimination).

The figure itself seems to show an uptick of coverage in 1993 at about half the papers, but text analysis showed that the majority of these stories were being "driven" by banking merger activities. The Community Reinvestment Act requires that merger partners declare their intentions to fulfill public policy goals related to redlining and community development as a condition for federal approval of the merger. It was this surge in proposed mergers--not local papers' investigations of lending discrimination--that led to a number of stories about community groups using the proposals to get banks to go on record with their proposals for low-income lending and mortgages.

Thus, at the Los Angeles Times (which had the largest number of stories over all three time periods), we most often found stories such as "Washington Mutual Is Facing Heat from Groups Over Underserved Communities" or "Home Savings Makes $70 Billion Pledge: Thrift Says It will Follow Through on Half That Low-Income Lending Amount Even if Bid to Acquire Great Western Fails." In 1989, the relatively larger number of stories at several papers was similarly driven by community groups attempting to use pressure to affect the outcome of merged savings and loans.

Two features worth noting: first, when such stories did appear, editors often gave them relatively prominent attention, placing them in the front section (sometimes even on the front page) of their papers. Second, there was a precipitous drop in all discrimination-related financial industry coverage in 1997, for reasons that weren't immediately apparent to us--and that deserve further research. Whether the rising backlash against affirmative action in some way has played a part in this, or it can be explained by some extraordinary drop in reported redlining and discrimination, remains unclear.

Newsweeklies

At the newsweeklies, the subject seems to receive a regular, once-a-year visit. In 1989, Time discussed the issues in a cover piece on the rising black middle class, entitled "Between Two Worlds." In 1993, its "Gospel of Equity" explained how "a new generation of black leaders is preaching a monetary message: get capital and build wealth."

In 1997, there was a piece on a Kansas City Pizza Hut that refused to deliver pizza in certain low-income neighborhoods because of dangers to it drivers, and a lengthy review of Throwing the Book at Race, one of several recent books that have helped form a "revisionist" school on race issues that sharply critiques longer-standing civil rights groups' claims to significant ongoing racial discrimination in America.

Newsweek turned out to be uncannily silent on the issue in all three time periods, our search producing stories that only marginally discussed ongoing redlining and community investment issues. U.S. News, in 1993, however, did a 750-word look at "Inner-city Lending: Hits and Misses," that portrayed the subject as full of both promise and failure. Yet in 1997, we found the magazine making no serious attempt to follow-up its coverage, an especially interesting one in the wake of both welfare reform and massive cuts in federal subsidies to inner-city communities that arguably left private-sector lending more important than ever before.

Chapter Seven:

The Question of Television

In this paper's introduction, we promised to include television as well as print coverage of the financial industry revolution. The reason is fairly simple: any study of news in the late 20th century recognizes the centrality of television for the general news audience. Repeated studies over the years have shown that more Americans rely on TV news as their "primary news source" than they do print.

Those same studies, though, emphasize the demographic skew of TV news viewers: those who rely most on it tend to be older, less educated, and less affluent than the average American.[44] We also know that TV network news carries modest amounts of economic news of all kinds, that such news relies heavily on "data sound bites" ("the GNP rose X% last year," "the Dow fell X points today," "US unemployment fell/rose X% in the third quarter"), and that such news almost literally goes in one ear of the viewers and out the other, with few TV news watchers able to recall such information correctly even shortly after the broadcast.[45]

Within the television industry, moreover, there have been three complicating trends in recent years: 1) the growth of cable-based news channels and programs; 2) the sharp decline of network news viewing relative to

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44. Profile of the American News Consumer (Washington, DC: Radio-TV News Directors Foundation, 1996).

45. For a slightly dated, but informative analysis, cf. Stephen Reese et al., "Economic News on Network Television," Journalism Quarterly, Spring, 1987, pp.137-144; for a more theoretical approach, Hanna Adoni et al., "Television Economic News and the Social Construction of Economic Reality," Journal of Communication, Fall, 1978, pp. 61-70. More recent is Lee Huskey et al., "Economic Illiteracy and the Content of Television Network News," Social Education, March, 1991, pp. 182-187. On information retention of "sound bite" economic data, see Robert Sahr, "What People Understand from Television Inflation and Unemployment Reports," unpublished conference paper at International Society of Political Psychology, July, 1988.

local TV news; and 3) the rapid rise of prime-time network news "magazine" shows, produced by the network news departments, that offer new sites for the presentation of news.

For researchers, this means additional news outlets to examine that are often poorly documented. For this study, for example, we were severely restricted because no detailed data set exists for what appears on local TV news, and because transcript services for network news, cable, and newsmagazines are either recent or often incompletely indexed, or both.

We chose therefore to limit our television research to 1993 and 1997, and to a limited number of the topic categories we used for print analysis. What follows are the results of that research.

Personal Financial News

First, we were curious to discover whether the "personal finance" focus and frame--that we had seen grow so rapidly in our print sources--was also present in television news coverage. What we learned was that, at the very least, it is a clearly rising trend--though the story numbers for TV are much lower (predictably, given the respective size of the news "holes") than in newspapers, as shown in Figure 16.

(Figure 16 here)

Personal Finance News at The Networks

At the three major networks, we found that almost none of this news appears in the prime evening news broadcast, but rather on the morning shows (and very occasionally on the evening news magazines). At CBS, for example, out of 43 stories in 1997, only three stories loosely related to "personal finance" appeared on the evening news. Two related to the sharp October stock market drop, and looked at how small investors were reacting (and in that sense, qualified as traditional "sociotropic" rather than advice-giving "egocentric" news). The third story, using economics correspondent Ray Brady, described a new government study that showed "ATM fees were skyrocketing"--and thus could more easily be classified as a traditional "consumer" news story.

By contrast, the network's "CBS This Morning," on an almost weekly basis, was running 3-4 minute features on clearly "personal finance" topics. Typical among them were "Tips on getting your finances in shape for '98," "What to do if you have to file a claim with your property insurance," "Teaching your children about money at all ages," "How to correct mistakes on your credit report," and "Things a car buyer should know before facing a car dealer."

Two things are noteworthy here: first, within the personal finance category, almost none of the stories was exclusively investment or mutual fund oriented. Like much of the 1989 "personal finance" coverage at regional papers, these topics on TV were much more about simple personal finance management and planning, and made no presumption that viewers were financially sophisticated or heavily invested in Wall Street.

At ABC, a similar pattern of story distribution prevailed: almost all the "personal finance" stories were confined to "Good Morning America", with almost nothing on either the prime time news or the evening news magazines. On the morning show, once again, the number of stories was not large, averaging about one every ten days. But they clearly fit our "personal finance" profile when they did appear: "Making your money work" was a set feature, on a variety of topics from vacation budgeting, how to maintain important papers and records, to how to manage 401-K distributions. There also were interviews with people like Jane Bryant Quinn on "How to manage your money," or the Beardstown Ladies Club on how to handle the October, 1997 stock market drop.[46]

The only evening items we found were two identically-titled "Home buyer beware" pieces on "20/20" (one in February, and one in December--which may have been a rerun), and one in May titled "Shakedown on Wall Street," about an alleged invasion of mobsters and scam artists in the NASDAQ market. The only other evening piece identified was on "Nightline." It turned out to be an interview with TV investment guru Louis Rukeyser on "How safe is your money invested in a mutual fund?" shortly after the big October stock market downturn.

46. For more on the embarrassing Beardstown Ladies Club, see pp. 100-101 of this paper.

At NBC, the patterns of coverage were almost identical to those at the other two networks: virtually no "personal financial" coverage on either the prime evening news or the news magazines, but a steady, low flow (about one piece every week or ten days) on the morning programs.

At NBC, though, because it offers "NBC News at Sunrise," which airs before the "Today" show (and is focused on business news), we found a slight reconfiguration of news topics. "Today" followed the pattern of its direct competitors, featuring elementary financial planning information (though with a slightly higher proportion of features devoted to market investing). "News At Sunrise," by contrast, played to its much smaller, but more business-oriented, audience with pieces on investing over the Internet, how the rising dollar was reducing investor interest in foreign bond funds, and year-end tax planning for mutual fund owners.

Personal Finance on Cable Television

It's on cable, of course, that we expected to find a much larger volume of financial industry stories of all types. Several cable networks (CNN, CNN Headline News, CNNfn, CNBC, and MSNBC) broadcast news--some dedicated exclusively to business news--round-the-clock, and thus have much more airtime available than the networks (which broadcast entertainment programming predominantly.)

It's not surprising then that both CNN and CNBC both broadcast ten times the number of "personal finance" stories that appear on network news--about ten per week. (This figure accounts only for their original broadcast, and not repeat transmission on a subsequent daily "news wheel.")

At CNN, moreover, the stories appeared on a variety of different programs, although three programs--"Business Day," "Moneyline with Lou Dobbs," and "Your Money"--in particular accounted for over 80% of those identified. The story "frames" were "sociotropic" or "egocentric" or a mixture.

Much of the news, of course--given that a large portion of CNN's audience is business-based--is market-framed. During 1997, the Asian financial crisis spurred more than 100 stories on market risks and opportunities arising from the crisis. But CNN also provides a steady diet of "financial planning or management" stories. We found stories such as "Navigating the Shifting Landscape of Home Buying," "Holding Legal Fees in Check," and "Year-end Tax Tips" defined another quarter of the stories.

Leisure-time consumption advice for its affluent (yet apparently still bargain-hunting) audience also abounded--"Shopping malls often offer same savings as factory outlets," "Holiday wine tips," "The hefty cost of weight loss," and "Holiday video game guide" were all typical offerings.

At CNBC, patterns found at CNN largely repeated themselves. Three programs--"The Money Club," "Steals & Deals," and "The Business Center"--broadcast the overwhelming majority of the station's personal financial news. And like CNN, because of the audience orientation, much of that news turned around markets and mutual funds. Third, by the second half of 1997, the Asian financial crisis spurred intensive attention to the region's impact on other markets as well as its own.

We found that typical stories included "Funds suffer due to Asian market troubles," "Asia's woes hitting home in US mutual fund business" (both sociotropically-styled reports with extensive egocentric "cuing") to the more explicitly "news you can use" style of "How to diversify your portfolio using the international market," and "On learning not to panic when the market turns."

Compared with CNN, CNBC ran fewer "financial planning" stories (about 23% fewer), and appeared to use the interview format more extensively---"Don Phillips discusses investing in mutual funds" and "John Bogle discusses index funds" were examples, and were typically focused more on market investment strategies than financial planning per se.

The channel did however find time for non-work-related stories--the author of "The Spa Life at Home" was interviewed on leisure time activity choices, for example. It also offered slightly more (8%) stories that emphasized "consumer" framing, from various goods-purchasing tips to how not to fall prey to ATM scam artists.

<u>Financial Institution Reforms on Network TV</u>

As a guide to their sociotropically-focused news on financial institution change, we chose the "regulation-deregulation" issue.

Not surprisingly (not least because of the widely-documented shift toward "lite" vs. "hard" news in recent years)[47], we found the networks provided almost no coverage at all on the issue; what did surprise us was how little appeared on the cable channels, as Figure 17 indicates.[48]

(Figure 17 here)

On ABC, we found no coverage in either 1993 or 1997 that explicitly discussed financial sector regulation or deregulation. At CBS, we initially found a total of six stories for the two years. It turned out, though, that two were on the BCCI scandal, and one on Clinton's 1996 campaign fundraising coffees (at one of which a senior Administration bank regulator appeared with a number of banker-donors). The remaining three stories which discussed regulatory changes by the Clinton Administration turned out to all be 15-second news briefs.

NBC was listed as having four stories in 1997, but it turned out that (for reasons having to do with Lexis-Nexis) only two were broadcast stories, the other two on NBC's News Website.

What proved striking to us was that one of the NBC website's stories was a lengthy (7,500 word) transcript of a speech by Alan Greenspan that discussed in great detail financial institution modernization. In its breadth and succinctness, it was a speech that would easily serve as a basic tutorial guide for any journalist, at

47. Cf. Andie Tucher, "'You News," Columbia Journalism Review, May, 1997, pp. 26-38.

48. For discussion of TV's impact on viewers' perceptions of US economic performance, cf. Robert Goidel and Ronald Langley, "Media coverage of the economy and aggregate economic evaluations: uncovering evidence of indirect media effects," Political Research Quarterly, v.48, 1995, pp. 313-328. See also David Harrington, "Economic News on Television: the Determinants of Coverage," Public Opinion Quarterly, v. 53, 1989, pp. 17-40. Av Westin, Newswatch: How TV Decides the News (New York: Simon & Schuster, 1985), Herbert Gans, Deciding What's News (New York: Vintage, 1979), and Donald Kinder and Shanto Iyengar, News That Matters (Chicago: U. of Chicago, 1987) are the standard books in the field.

NBC or elsewhere, on the topic.

When, three weeks later, President Clinton and Secretary Rubin announced their plans to move ahead with further deregulation of financial services as an Administration priority, we thus expected NBC --prepped by the Greenspan material--might recognize the scope and significance of the Administration's proposal. It did, but only after a fashion--by running a pre-dawn 300-word report on "NBC News at Sunrise," but making no mention of it on "Today," the evening news, or any of its news magazine programs. (Of course, to be fair, neither ABC nor CBS ran <u>anything</u> on the Administration's reform proposals either.)

<u>Financial Reform on Cable</u>

CNN in both 1993 and 1997, at first glance, seemed to produce about two stories a month on financial institution regulation and deregulation issues. However, almost a third of them tended to be reports on regulatory violations. That is, they covered individual lawsuits or administrative actions against individual firms--a suit against Prudential by the SEC for marketing practices, the BCCI trials, etc.

Among the rest, less than half--or about a third of the total stories--actually focused on institutional reform issues, reducing CNN's story frequency on the topic to about one every other month. Among these few stories, most were interviews with newsmakers, not news reports--and were reacting to an Administration proposal or action of one kind or another. In 1993, for example, the Treasury Secretary appeared to push an Administration plan to consolidate banking regulatory authorities, the new SEC Chairman came on to discuss his plans for the agency, etc.

Actual news reports on financial institution regulation or deregulation--other than interviews--totaled <u>fewer than ten in the two years combined</u>. Topics in 1993 included whether Congress might regulate check-cashing services (550 words), whether banks were starting to return to inner cities (360 words), and--a hybrid "personal finance" story--whether consumers were likely to save from new mortgage regulations (820 words).

In 1997, there were two stories on whether government should regulate ATM fees, a 400-word piece on the Treasury Secretary's proposal to allow banks to enter securities and insurance, and a story on the H.R. 10 debate in Congress, and whether Glass-Steagall would be overturned. There was also a brief interview with Secretary Rubin on his banks proposal (immediately after a longer one with Ralph Lauren, on taking his company public.)

If the number of stories seems small for a 24-hour-a-day TV news operation, consider that CNBC meanwhile produced <u>no stories</u> we could identify that focused directly on financial institution regulation or deregulation in the same period.

Television, in short, is not a place to look for news about sociotropically-focused financial institution news. Within the domain of "crisis" reporting, of course, it has a news-breaking advantage over print, but no one equates that time advantage with analytic superiority, or greater educative impact on its viewing audience.

In personal financial coverage as well, it would appear that television finishes well out of the running, in comparison to print (especially newspapers). Network TV seems limited to doing soft "finance" features only on its morning shows, and there at a level of complexity that is elementary compared to volume, variety, and depth of information available through print.

Were its evening news magazine shows interested in doing more, especially on sociotropically-focused topics--following in the legacy of the 1960s TV documentary--they could provide a venue for transmitting more information. But few critics of TV see the news magazines--or the rest of TV news--headed in that direction.

Cable, surprisingly, is doing much less than we'd imagined it might to fill the void left by the networks in supplying informative, interpretive news coverage for its audience. Despite a much smaller and more specialized audience, and despite many more hours per day to do the news, our evidence suggests that--at least to judge from their coverage of key regulation and deregulation issues in finance--they're doing no more than their larger-audience network competitors.

Chapter Eight:

How Financial Industry News Coverage Impacts News Audiences

An inevitable question hanging over this study of general-audience news media is what that audience in fact wants to know about financial industry change. That is, although there have been substantial shifts in the framing and subject matter of financial industry news--with traditional community and consumer issues decidedly undercovered compared to personal finance, and much of what the public is told about structural and systemic change conveyed through "crisis" reporting--is the audience more or less content with what it's receiving.

The question, it turns out, is not an easy one to answer.

First, fewer and fewer Americans seem to care about the news, financial or otherwise. Over the past two decades surveys of Americans, for example, show steady declines in the percentage who either regularly read a newspaper or watch network TV news. Second, there is evidence that within this declining audience, that what the papers, TV, and newsweeklies delivers is--though dramatically lower than information levels in the "specialty" press--in fact "about right."

For example, a 1996 survey, "Profile of the American News Consumer," powerfully underscores this view.[49] Like numerous other such studies, this one finds that both regular newspaper reading and network news viewing have declined dramatically in the last 30 years. For newspapers, the percentage who say they "read a newspaper yesterday" has fallen from 71% of Americans to 44% since 1965.[50] For regular network TV news

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49. Profile of the American News Consumer (Washington,DC; Radio and Television News Directors Foundation), 1996, xeroxed.

50. ibid, p. 23, Table 7.

viewing, the audience has fallen almost identically, to 42%.[51]

Important for this study, Americans as a whole moreover express low interest levels in business and stock market news generally: while 13% of US adults said they were "very" interested in such news, 37% said "somewhat," and 50% said "not very."[52] Even when the stock market plunges dramatically--as it did by more than 550 points in October, 1997--the same levels of interest seem to hold. Despite unusually extensive and repetitive news coverage of the drop (compared to normal coverage), just 16% of Americans said they followed the market news "very closely," whereas once again more than half said they followed it little or not at all.[53]

This relatively low level of interest in much of the public is reinforced by evidence of the public's use of supplementary sources of information beyond newspapers and television.

Queried about business news sources they read or viewed, only 3% of Americans reported reading the Wall Street Journal regularly. Asked about business magazines such as Business Week, Fortune, or Nation's Business, 78% said they never read them, 4% read at least one weekly, 11% one at least once monthly.[54]

Newsweeklies fared somewhat better, but hardly play much role as direct information sources for a majority of Americans. Over half of Americans say they never read Time, Newsweek, or US News, while only 10% say they read at least one every week, and 20% read one once a month.[55]

So Are Most Americans Simply Indifferent to Financial and Economic News?

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51. This TV viewing data comes from the Pew Research Center, "TV News Viewership Declines," May 13, 1996, p. 47. The percentage watching local TV news has remained substantially higher--at 65%--though also declining.

52. Profile of the American News Consumer, p. 109.

53. Pew Research Center, "Stock Market Down, New Media Up," xeroxed report, November 9, 1997.

54. Profile, p. 105.

55. ibid, p. 106

But does this alone indicate low public interest levels in economic news? Are business magazines and newspapers, or the newsweeklies, the best measure of where people now look for relevant business and financial news?

Some critics argue that increasingly Americans are replacing their reliance on "old media" for news--including business/financial news--with "new media" alternatives. But the evidence for such claims so far seems thin at best.

Cable TV-based business news watching--of CNBC, Bloomberg, etc.--scored, for example, even lower than business magazine reading, with three of four Americans never watching, and only 6% saying they watched such shows regularly.[56]

To date, the Internet seems to have made even less headway as a news provider--only 1% of Americans report using it as a "primary" source of information. Thirteen percent say they do, however, go on line regularly during the week--but 70% of this larger group also reports that they rely on TV news or newspapers as their primary news sources. Moreover, when asked if they go online for financial information such as stock quotes, corporate data, etc., nearly 60% replied they never did so, versus a quarter who did so weekly or more often.

But the same survey also poses an interesting conundrum: asked their interest in "news about the economy or business around where you live," 46% of Americans said they were very interested, while another 41% were "somewhat interested." Put slightly differently, nearly nine out of ten Americans expressed interest in knowing more about the local economy.

Not only is the "very interested" category more than double the number who expressed interest in "national" business issues, but is the highest-ranked of any category the survey found for locally-focused news, outranking interest in other local people, traffic conditions, entertainment, and sports.[57]

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56. ibid, p. 105.

57. ibid, pp. 111-112.

Similarly, national news polls over the past quarter century have consistently ranked economic issues--"the economy," "inflation," "unemployment"--at the top of issues which concern the public most (Get cite). "The economy"--economic conditions, opportunities, and dangers--it would seem are of major importance, whether or not one elects to gather economic information directly from the press or not.

Academic research also produces intriguing findings that bear on the question of the press, public interest, and economic information. Political communications expert Doris Graber, for example, argues that most Americans find themselves facing the immense volume of news and information today much as King Canute once did--and act not to absorb everything they encounter, but rather to "tame the tide" by selectively processing that immense wave.[58]

Political scientists Brandon Haller and Helmut Norpoth, in a similar vein, by carefully examining the University of Michigan's Consumer Survey data, conclude that in a number of ways people who say they have no interest in "business and economic reporting" nonetheless share surprisingly similar evaluations of America's overall economic performance with those who say they carefully follow such news.[59]

That doesn't however mean that these individuals are well-informed about specific economic issues, terms, or trends. Repeated research shows how little most Americans--whether heavy or light news consumers--can recall for interviewers about current GNP, unemployment, or inflation numbers, for example, when asked.[60]

But it does suggest that crucial economic information does actually reach a broad public--certainly broader than those who say they follow such news "carefully"--on a routine basis, though not directly from the

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58. Cf. Doris Graber, Processing the News: How People Tame the Information Tide (White Plains, NY: Longman), 1984.

59. H. Brandon Haller and Helmut Norpoth, "Reality Bites," Public Opinion Quarterly, Winter, 1997, pp. 555-575. See also Roy Behr and Shanto Iyengar, "Television News, Real-World Cues, and Changes in the Public Agenda," Public Opinion Quarterly, v.49, pp. 38-57.

60. Cf., for example, Richard Morin and John Berry, "A Nation that Poor-Mouths Its Good Times," Washington Post, October 13, 1996, p. 1.

press. And that in turn raises several important questions about how the press is currently delivering such information to the public.[61]

The rise of "personal finance" journalism--by far the most striking trend in business and economic reporting in recent years--is coming under increasingly withering fire even from some of its most prominent practitioners.

Figure 18 looks at two groups' evaluation of current economic performance nationally, across a 12-year period:

(Figure 18 here)

The first group tells pollsters it follows press-based economic news closely; the second says it pays little or no attention to such news. What's quite striking is, however, how closely the two groups correlate in their assessment of how the US economy is doing. As the two researchers observe,

> It goes to show that when informed people see bad times, uninformed people do so, too; and when informed people see good times, the same is true for the uninformed....Having economic news does trigger a more pronounced assessment compared to not having economic news. No doubt people following economic news get something about the economy that those without news do not. But the similarities between those two groups is also striking. What is most astonishing here...is how well a large number of people manage to draw a picture of the economy without hearing news about it.[62]

Explaining how this learning mechanism works--how millions who pay no or little attention to economic news nonetheless form reasonably accurate assessments of the economy's condition and performance--is not

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61. Cf. Jeff Dominitz and Charles Manski, "Perceptions of Economic Insecurity," Public Opinion Quarterly, v.61, 1997, pp.261-287 for discussion of analytic issues about how such perceptions are formed.

62. Haller and Norpoth, p. 565.

clear.[63]

One theory presumes a "percolation" or "trickle-down" effect: people who don't follow economic news in the press nonetheless come in regular contact with those who do, and thereby acquire "condensed analyses" or "pointers" that help organize their own assessments.

Households are likely a good example of this: men as a group report following business and economic news at twice the rate of women. The family then becomes an important learning-exchange point, where in effect a "delegated" news-gatherer shares information. Worksites are another important exchange-point, via the "water-cooler" effect, where again those who follow press-based economic news exchange key pointers or cues with fellow workers that in effect provide highly-condensed summaries and assessments of economic conditions and trends.

The other learning path--no doubt complementary to "trickle-down" learning--is direct observation of local economic conditions. Price changes at the supermarket, frequency of store "sales" at the mall, local unemployment and hiring, wage and benefit changes at work, change in local housing prices and visible turnover--all serve as important informal indices of market information that people incorporate into their stored understanding of the economy. If then in fact the public is constantly absorbing, and evaluating, economic information through complex channels, are journalists in turn structuring economic news in ways that are most useful--and assimilated--by that public, whether directly or indirectly?

The Audience and the Issue of "Personal Finance" Journalism

For example, is the immense increase in "personal finance" coverage in recent years a significant

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63. The subject is also subject to wide debate among academics. See, for various views, Larry Bartels, "Messages Received: The Political Impact of Media Exposure," American Political Science Review, v.87, 1993, pp. 267-285; Michael MacKuen and James Stimson, "Peasants or Bankers? The American Electorate and the U.S. Economy," American Political Science Review, v.86, 1992, pp.597-611; and Diana Mutz, "Mass Media and the Depoliticization of Personal Experience," American Journal of Political Science, v.36, 1992, pp. 483-508 for an introduction.

contribution to broad-based public knowledge of the immense changes financial institutions are undergoing, as it's presented by journalism? The answer is more complex than one might imagine.

In theory, all of us should want practical information about managing our financial affairs. The conventional economist indeed would be aghast thinking we wouldn't. The very cornerstone of economics, after all, is that we are all individuals who rationally seek to maximize our self-interest.

But how then explain the loss of a third of regular newspaper readers over the past quarter century--at just the time when the "personal finance" information it delivers (at a fraction of the cost of traditional financial advisers) has exploded? Or the fact that among the steady newspaper readers who remain, only 13% say they're "very" interested in such news, while half pay little or no attention to it whatsoever?

One underlying (though controversial) answer may lie in the distribution of wealth and income of Americans, a matter to which "personal finance" journalism pays scant attention. It is true that the percent of US households directly or indirectly owning stocks has increased dramatically in recent years--from about 20% a quarter century ago to over 40% by the mid-1990s. The jump alone, on the one hand, would seem to validate the increased "personal finance" coverage.

And indeed "personal finance" journalism has gone to great lengths to stress (even celebrate) this new populist, or "democratic," character to stock ownership--an image that regularly now spills over onto newspaper's non-business pages as well.

In "Keeping Up With the Dow Jones: From Streets to Suites, More Eyes Are on The Stock Market," the New York Times, for example, glowingly reported in its "Metro" section on two blue-collar New Yorkers--one a UPS truck driver, the other a cabby--both of whom are active stock market players. Both trade apparently on an almost daily basis, and each carries with him an electronic quote machine, the better to track minute-by-minute his investments. According to the Times, moreover, both were doing quite well--the UPS driver's gains had let him recently buy an expensive new sports utility vehicle, the cabby well enough to invest in a cousin's small restaurant, and dream some day of taking it public in a stock offering.[64]

But to what degree is this accurate "social trend" reporting softened and made more accessible by adding "human faces"--or is it something more akin to that other journalistic evergreen: the "man-bites-dog" tale? And does the story itself let us know the difference?

A closer look at the data on the number of stock-owning households suggests something closer to "man-bites-dog." Among the 40% of all US families that report owning stocks, for example, half own less than $5,000. And among blue-collar American families--the social class to which the Times' two happy stock-pickers belong, and who overwhelmingly earn at or below the median US income--fewer than 10% own any stock at all. These data, however, escaped the Times article, although they're readily available through easily-accessed Federal Reserve studies.[65]

This idea of a gigantic new "democratic" stock-owning class, so widely presumed in "personal finance" journalism, can be looked at in another way, that tells an important "sociotropic" tale (albeit with controversial conclusions). According to the Federal Reserve, while the total number of stock-holding households has indeed doubled in recent decades, the number holding anything reasonably considered significant in wealth terms has not changed. Indeed, as Table 1 shows, even as the total number of stock-owning families has doubled, the concentration of stock-holding (measured by dollar values) has remained heavily weighted to the top 1% and 10%, ie, the very wealthiest households. According to a recent study by economist Edward Wolff, the wealthiest 10% of American households today, for example, own six times the value of stock that the bottom 90% owns, including the roughly 20 million new investors who've been added in the latest bull market. And as Wolff notes, the richest one million American families controls as much stock as all other households combined.

64. Leslie Easton, "Keeping Up With the Dow Jones," New York Times, August 23, 1998, p. 29.

65. Data from Arthur Kennickell et al, "Family Finances in the US: Recent Evidence from the Survey of Consumer Finances," Federal Reserve Bulletin, January, 1997.

(Table 1 here)

There's a second factor at work among millions of "new" stock-owners today that, from our study seems routinely overlooked in "personal finance" journalism: they're not investors by "choice"--at least in any conventional sense. Since the late 1970s, millions of American workers have found that their employers have shifted company pension systems from "defined benefit" to "defined contribution" plans, such as 401(k)s.

As a result, it falls to the employee to make informed decisions about investing the (hopefully) gradually-rising pool of capital that will form a cornerstone of his or her retirement years, along with Social Security and whatever other savings might be accumulated along the way. Painful investment errors now will reap long-term consequences, especially when workers find themselves too old to be viable members of the paid labor force.

Many of course celebrate this new-found "independence" for American workers, arguing that it is precisely such "choice" that will make American business more competitive globally, make workers more responsible for their futures, and ultimately strengthen the American economy by increasing aggregate private savings.

But how well "informed" are most small American investors about the stock market--despite the dramatic doubling of such investors, and literally hundreds of thousands of "personal finance" stories that have appeared in newspapers and magazines over the past two decades?

Several studies suggest not very. One study of mutual-fund owners, for example, found that 85% could not accurately describe the difference between a "load" and "no-load" fund, and 62% didn't know the funds charged annual management fees.[66] (This, to underscore, is a survey of mutual-fund investors who presumably should know something so elemental, <u>not</u> the population at large, most of whom own no mutual funds.)

Another study last year of small investors found that a majority expected the stock market to rise annually over the next decade at a rate of 34% per annum. Most Wall Street analysts and financial economists

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66. Cf. Jonathan Harris, "Investing in the Dark," <u>Maclean's</u>, January 27, 1997, p.50.

were aghast, because the stock market by 1997 was already in an historically-unprecedented fourth year of double-digit expansion--and the long-term growth rate of stocks has historically been closer to 10% than 34%. Clearly small investors were optimistic; whether they were in any sense "rationally informed" about their portfolios' future performance was another matter.[67]

Based on the stories we reviewed, though, "personal finance" journalism for the most part has done at best an uneven job of describing precautionary dimensions associated with the rise of the stock market. We searched almost literally in vain for stories about small investors who had been wiped out, or suffered substantial losses, through their investment choices; by contrast, "winners' tales" abounded. Even allowing that <u>on average</u> stock market investors have done exceedingly well in the long bull market of the last fifteen years, something so elemental as standard deviation predicts that not everyone's been a winner. Yet the fact that losers were almost entirely absent from the thousands of stories we examined seemed utterly peculiar.

Journalism, in other contexts, searches out even relatively marginal dangers, as part of its "watchdog-on-power" role. Whether the issue is auto or food safety, pharmaceuticals, or environmental pollution risks (to choose topics almost at random), journalism historically has never lacked for willingness to expose perceived public danger. The business community, of course, rails endlessly against such exposes, feeling itself abused by journalists--but to little effect.

Yet when it comes to critically examining actual investors' real returns experience--versus company, fund, or market returns--the coverage has been almost non-existent, unless as a rewarding tale of success. In the wake of the Asian market collapse, when Jakarta or Bangkok dropped by more than 70%--and clearly pounded hundreds of thousands of small US mutual fund investors, we found no examples of enterprising reporters who could find anyone willing to talk in detail about his or her losses. Yet three or four years earlier, when those same markets were riding high, interview pieces with happy investors abounded--and drew surging new interest in

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67. The survey is reported in Edward Wyatt, "The High Hopes of Investors in Stock Funds," <u>New York Times</u>, October 10, 1997, p.D1.

Southeast Asia as the next big boom in emerging markets.

In 1997, US mutual fund Lexington Troika Dialog proudly touted its better than 65% gains in just one year of investing in the Russian market. It advertised heavily, and was the subject of dozens of enthusiastic articles that included interviews not only with the fund's directors but (obviously) happy investors. This year, with both the Russian markets and Lexington Troika in free-fall, the fund had by mid-1998 lost its entire 1997 gains--and then some. But journalists who rushed last year to find happy investors, seemed not to think interviewing some obviously unhappy ones now merited serious attention.

And of course, on some occasions, reporting successes has fallen prey to embarrassing, but elementary, errors. Several years ago, the Beardstown Ladies' Club was lionized by the "personal finance" press: this small-town, down-to-earth group of Midwestern women had a little investment club that seemed to yield big stock market gains. It seemed, in the telling, as if Norman Rockwell characters had played Wall Street's game in a major way--and won.

But to the chagrin of the ladies' (and their adulatory press), it turned out that when a financial analyst checked their claims to 23% annual returns over 10 years, he realized that the ladies had miscalculated, wildly overstating their actual 9% stock-picking gains--a bit of precautionary fact-checking the "personal finance" press hadn't bothered to do. The analyst's news was eventually reported (though not nearly as widely)--and well after the Club had been feted on dozens of TV shows, been profiled endlessly by papers and magazines, and co-authored a book that sold 800,000 copies.[68]

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68. On the Bearsdstown Ladies' problems, Daniel Kadlec, "Jail the Beardstown Ladies!," Time, March 30, 1998, p. 54.

Chapter Nine:

The Audience and Covering Traditional Sociotropic News--

From Financial Crises to Regulation and Reform

The difficulties we saw repeatedly in reporting "financial crises" were of several kinds. Some emerged from the nature of complex financial crises, and the nature of the news routine. Although there are occasionally news "moments" which "capture" a crisis in vivid relief, the more common nature is of an unfolding that occurs over weeks or months, sometimes years. This was certainly the case in the savings and loan crisis of the 1980s, and is proving to be so with the Asian financial crisis, as its impact appears to be moving around the globe.

News focuses on the immediate, relies on rapid documentation of relevant actors and events, and turns to often well-established "authorities" to provide explanatory framing. But authorities disagree, events may not be fully understood in terms of their depths or long-term consequences, and in both the savings and loan and Asian crisis may cover a large geographic expanse that makes the work of a single reporter exceedingly difficult. Often key information is not systematically available when needed--unassembled, withheld, or only partially revealed by relevant authorities in a position to evaluate the situation.

All these "normal" impediments to reporting a comprehensive interpretation of complex situations, though, in recent years have been further compounded by what, in our research, rarely seems to be a willingness to stand back once more information is known, and the crisis better understood, and then to offer readers and viewers a detailed evaluation of the systemic issues that led up to the crisis.

In the case of the savings and loans, very little reporting in the early or mid-1980s seemed to capture the breadth of the crisis, or clearly unravel the interaction of economic pressures to loosen regulation on the S&Ls

with legislative and regulatory missteps along the way that repeatedly compounded the problem. Instead, much of the "framing" of the crisis was based either on a simple macro-economic explanation that stressed "collapse" of economies in states like Texas, or more colorfully focused on egregious acts of criminality on the part of colorful S&L owners, such as Charles Keating.

Similarly, when the Asian crisis first unfolded in mid-1997, there was much reporting on "crony capitalism," fraud and corruption, and the non-transparency of Asian banking and equity markets that, it was said, made foreseeing the crisis all but impossible. Yet any veteran economic or political correspondent in the region obviously knew all these problems had been in place for years. "Crony capitalism" a shocking new discovery about Suharto's Indonesia? Insider lending to powerful generals and politicians, and reckless real estate overexpansion novel in Thailand? To imagine surprise here is to recall the feigned shock in the movie "Casablanca" when the corrupt French police captain "discovers" that gambling is going on in Rick's bar.

Likewise, to learn that Russia now teeters again on the verge of economic collapse--after more than $100 billion in Western financial aid--leaves at least some observers of the Russian scene all the more incredulous, given the ongoing corruption, mismanagement, and gross resource misallocation that has characterized the system since the old Soviet Union collapsed. To be sure, there has been no dearth of reporting on Russian corruption, its new financial oligarchs, and the mismanagement. But what most often characterized such reporting--up until recently--was a steadfast belief that the reforms and mass privatization were "working," and that it was only a matter of time before Russia resembled a modern Western democracy and market economy.

Reporters, of course, are obliged to report these matters--not solve them. The fact that financial crises have recurred again and again across the globe in the past quarter-century does not mean that reporters must everywhere and always give up reporting immediate news in favor of the longer, analytic "background" piece or series that would try to help readers understand why there have been such a consistent pattern.

Yet without finally providing something akin to such pattern-naming in a deeper sense, journalism does in fact fail its audience. The troubling question that remains for us as academic researchers--after examining more than 6,000 print articles and broadcast transcripts--is why the paucity of such in-depth, analytic journalism that would attempt to help readers grasp the scale and turbulence of the modern financial sector's transformation in a clearer way.

Whether it is in describing the underlying structural shifts in power and assets among traditional actors in the sector, the reasonable apprehensions and skeptical questions about the industry's mega-mergers and cross-sector consolidation, the dearth of careful independent reporting about ongoing problems of redlining and inner-city community investment--all these remain challenges for modern day reporting on the financial industry's monumental revolution.

The information on which to base such in-depth analysis is hardly lacking: we found much of it widely available in the business press, academic and government studies, and books far from impenetrable to the layperson, once suitably organized. In The Economist--to pick just one among many examples--we found more than half a dozen lengthy "special reports" on global finance, the impact of technology on financial markets, the growth of mutual funds worldwide, etc. during the same period when we found no similar reports in the American general-circulation press, let alone American television.

To be sure, especially at the larger papers, we found examples of more modest attempts, though frankly they were rare enough. At papers that have devoted lengthy series to subjects ranging from AIDs to campaign finance reform, from global poverty to the complexities of modern-day technology, we never identified a multi-part series done on America's financial revolution. Instead we found individual pieces, most often in business sections, that attempted to stitch some of the elements together, but by doing so in 1,000 or at most 1,500 words.

By comparison--to pick just one example--last year when the debate over Social Security privatization began, papers all over the country gave the issue front-page lead coverage. The New York Times in fact not only gave it front page coverage, but then ran dozens of articles (including one over 6,000 words) in the span of less than two weeks on Social Security's future.[69]

Later in the same year, we found the Los Angeles Times running a six-part series on global hunger and food production that brilliantly explained the issues involved. On a variety of other subjects, we found similar in-depth series at virtually all the other papers we examined--but not on the immense financial revolution which is doing so much to remake America and the world.

Money, and the financial system in which it is embedded, are central to the lifeblood of modern markets. What this report suggests is that the press--much more than it has to date--needs to pause, step back from its "personal finance" and "crisis" reporting modes, and set out to explain to the American people how that system is working and changing, and how it will impact all of us in the years and decades ahead, in all of its economic, political, and social dimensions.

69. Cf. Richard Parker, "As America Sets Out to Reform Social Security, What Role Does the Press Play?" (Cambridge, MA; Shorenstein Center, Kennedy School of Government, Harvard University, 1997), unpublished research paper.

Chapter Ten: Conclusions

The performance of American financial journalism, in the midst of profound and diverse change in America's financial structure and institutions, has been the subject of this study.

We focused not on the specialized "financial press"--whose audience is arguably much more technically sophisticated and intimately acquainted with many of the issues involved in the current financial revolution--but on the "general press" for clearly-stated reasons. This "general press"--newspapers, newsweeklies, and TV--plays the central role in informing the majority of Americans about the news of the day, including the changes in both national and international financial institutions and markets which have measurable consequences over all our lives.

Analyzing both the quantity and content of news produced by a major sampling of this "general press" during three separate years over the past decade, we sought to assess how--and how well--that press informs and educates its audiences about several dimensions of the ongoing revolution in modern finance.

Several features of that coverage dramatically stood out:

First was the immense growth of so-called "personal finance" news, or "news-you-can-use." Amidst the growth overall of financial coverage generally (measured both by the number of news outlets, and by the percentage of financial news in existing news outlets), this was the most striking shift over the period. Coverage of mutual funds, personal financial planning, and a constant stream of market investment advice and analysis have fundamentally "re-conceptualized" traditional news about finance. Political communications theory refers to this shift as one from "sociotropic" or institution-oriented coverage to "ego-centric" reporting that presumes to describe the complex world of economic relations in terms of "what's in it for me."

There are, many argue, deeply positive features to such a shift in coverage--not least that it gives the news audience a greater sense of direct control and involvement in one's own personal financial destiny. And clearly, as measured by the increase over the same period in the proportion of American households which invest in the stock market (from roughly a fifth twenty years ago to two fifths today), there is a steadily-rising audience for such news.

But even those most involved in production of such news nowadays have drawn attention to its limits--the "oversupply" of such news relative to traditional "sociotropic" coverage, the unsupported assumption that "everyone wants to know" about such issues (when in fact survey work indicates that barely a fifth of the news audience closely follows such market-oriented news), and the often uncritical celebration of individual investment opportunities and strategies (given the compelling evidence of minimal sophistication at best among new investors), are among the most prominent issues cited.

Newsweek's Jane Bryant Quinn, herself a doyen of "personal finance" reporting, now publicly critiques her field as "the soft pornography" of business reporting--an important measure of the growing concern among those intimately acquainted with the field.

The second striking feature of contemporary "general press" reporting is its reliance on "crisis" as the other predominant "framing" structure of financial news. Here, the news is traditionally "sociotropic"--ie, focused on large, publicly-visible institutions and actors--rather than the new "egocentric." Historically, "crisis" has always been the primary audience-mobilizing "frame," and to be sure, modern financial news has not lacked for its share of crises, from the global debt collapse to the savings and loans debacle to the "Asian" financial crisis, and its myriad spillovers, whether in Russia or Latin America.

But "crisis," this paper argues, also carries costs with it--not least the de-sensitization of news audiences not only to the phenomenon reported, but what can arguably be called underlying structural, political, and policy issues with which, in a democracy, the public audience as well as leaders need to be concerned.

We explore, to offer a comparative evaluation of several topics, coverage of industry "deregulation" and "consumer and community" issues, and find there to be decidedly less detailed and systematic press attention to these issues than those framed either by "personal finance" or "crisis." On the vital issue of financial industry deregulation, we conclude that much of the coverage is dominated by either "crisis response" or "political horserace" framing, and that the volume of coverage itself is decidedly smaller. In the coverage of "consumer and community" issues, we find that the press has done remarkably little to play an aggressive "watchdog" role, confining itself heavily to discussion of either ATM fee debates or redlining issues, and in neither case systematically initiating in-depth coverage rather than relying on studies generated either by government agencies or public-interest non-profits.

Additionally, we find that there is wide variation across news outlets--from elite to regional metro papers, and between print and television, for example. This variation also suggest the broad range in depth and quality of news available to different news audiences, based on their geographic location in the country, and the media forms on which they rely.

The questions raised by this study are exactly that--question--rather than definitive conclusions. It is, however, apparent that broad segments of the American public are not being served as well as they could by the general news industry. The issue of what must change to improve that knowledge level remains an open challenge, but one which we believe cannot be ignored.

Methodology Appendix

To evaluate newspaper coverage, we selected ten major newspapers including the New York Times, the Washington Post, USA Today and six major metro dailies reflecting principle regions of the country (LA Times, Chicago Tribune, Boston Globe, Seattle Times, St. Petersburg Times and the St. Louis Post-Dispatch). In addition, we looked at three major newsweeklies (Time, Newsweek, and U.S. News and World Report), and six broadcast and cable sources (ABC, NBC, CBS, CNN, CNNfn, and CNBC). For the newspapers and newsweeklies, we analyzed coverage of topics in three years: 1989, 1993, and 1997. (Data for 1989 was not available for the Seattle Times, so 1990 was substituted.) Less data was available on Lexis-Nexis for broadcast and cable sources, and the alternative – the Vanderbilt Archives – proved to have a search engine we deemed too limited for our purposes. We collected ABC, NBC, and CNN stories for 1993 and 1997. Data for CBS, CNNfn, and CNBC was only available for the last of our search years.

All of the data for this study was collected using Lexis-Nexis. Newspaper, broadcast and cable television, and radio sources were searched with the web-based Lexis-Nexis Academic Universe. Lexis-Nexis Academic Universe identifies stories by searching the headline, lead paragraph and Nexis-added subject terms. The 1989 search results for the St. Louis Post-Dispatch differed, however, because stories for that year were up-loaded to Lexis-Nexis without paragraph breaks. Thus, the entire story was searched as the lead paragraph, overstating the story counts relative to other newspapers in the study. We found that the non-Web version of Lexis-Nexis, which searches full story texts, provided more reliable results for the newsweeklies, and substituted it.

For each of our topic domains, we spent considerable time experimenting with different combinations of search terms and syntax. The exact searches we used in each case are described below. In most instances, the searches cast a wide net, including in the results some stories unrelated to the desired topic. While this is obviously not optimal, we believe that the searches provide a fair representation of the topic coverage for each source and generally avoid systematic bias between sources in the numbers of unrelated stories in any search topic.

Still, two potential sources of bias in relative story counts should be noted. The first is the problem with the 1989 St. Louis Post-Dispatch searches discussed above. The second arises from the subject terms which Lexis-Nexis adds to each entry. Unfortunately, these subject terms do not seem to be standardized across news sources (i.e. subject terms used to code New York Times stories are not necessarily the same as the subject terms used to code LA Times stories). We were not able to exclude subject terms from our searches, nor were we able to obtain a list of the subject terms used for various sources. Where possible, unrelated stories were excluded from the search by altering the search syntax for all searches in that topic.

1) "Personal Finance, Investment and Mutual Funds" (Figure 3, 4, & 5): The search terms and syntax for newspaper, newsweekly, and television coverage of "personal finance" was:

> ((personal or your or individual) w/1 (finance or invest! or money or saving)) or (mutual fund or financial planning or investment planning).

The 'w/1' term in the first half of the search tells the search engine to find stories where words in the first set of parentheses are within one word of words in the second set of parentheses. In addition, this search returns any stories containing the three search terms in the third set of parentheses.

2) "Banks and Crisis" (figure 6) The search terms and syntax for coverage of banks and crisis were:

> Bank! W/5 crisis.

This search is quite narrow, returning only those stories with the word 'crisis' within five words of a word containing 'bank' in its root (this includes banks, banking and, unfortunately, bankruptcy). The reason for this narrow search is that wider searches returned many unrelated stories, most combining 'bankruptcy' with 'crisis'.

3) "Mergers and consolidation" (figure 8): were identified with the search terms and syntax:

(bank! and not bankruptcy) and (consolidation or merg!).

4) "Regulation and Deregulation" (figure 10): The search terms and syntax used to identify newspaper stories on banking reform, regulation and deregulation were:

(((bank! and not bankruptcies) or (financial w/s (industry or market))) and ((regulat! or deregulat! and not (util! or airlin! or tele! or water)) or reform!)) and not (school or amtrak or welfare or IRS or S&L! or thrift or lincoln).

Even with this complicated search, the results still overstate the amount of coverage on these topics. The search identifies stories with the terms bank (or banks or banking) or financial industry or financial market(s) and terms with regulation or deregulation in the roots (this includes regulator(s), regulation(s), etc.) or reform.

The long list of "and not" terms were included to reduce the number of irrelevant stories. The final three "and not" terms in the search ("S&L! or thrift or lincoln) were part of an attempt to identify stories directly about industry regulation and reform rather than about the S&L crisis. In fact, numerous S&L stories still appeared in the search results, despite the inclusion of these final terms. That this is the case demonstrates the massive quantity of crisis driven coverage. A modified version of this search, with less "and not" terms. was used to search newsweekly coverage (figure 11) as well as for television and radio coverage.

5) "Glass Steagall" (figure 12): The Glass Steagall search used the search term:

Glass Steagall.

Though there is not much room for unrelated stories in this search, we were disappointed to find that many of the stories included only passing or incidental reference to Glass Steagall.

6) “ATM” (figure 13) The ATM search was similarly simple. The search terms and syntax were:

ATM or ((automatic or automated) w/1 teller machine).

Nearly all of the results were somehow related to the desired topic.

7) “Redlining and Community Reinvestment” (figure 15) The search terms and syntax for redlining and community reinvestment stories were:

redlining or lending practices or ((community development and (loans or lending)) and bank).

Again, the stories in this search were almost all relevant to the topic.

Once these essentially "mechanical" searches were done, we printed out story summaries of all the stories and broadcast transcripts (over 6,000) that allowed us to evaluate how closely each story fit the broader search critieria.

Stories were then "manually" eliminated by the researchers when they seemed to bear little or no relevance, and those remaininng were then coded as appropriate by dominant type of story, along with notation of length and story placement.

When stories were either ambiguous or seemed centrally relevant, full-text copies were pulled for further review, and then classified.

Because of specific problems related to Nexis, readers should note two features about the data: first, the Seattle Times data is for 1990, not 1989, because Nexis did not begin carrying the paper until then. Second, the gross numbers for the St. Louis Post-Dispatch in 1989 are an overcount, compared to other papers that year because Nexis followed a full-text formatting for that paper in that year alone, rather than the h-lead system used elsewhere. To adapt for this, we developed a discount estimate to bring the paper's numbers in line with others that year, based on nth-story sampling.

Acknowledgements

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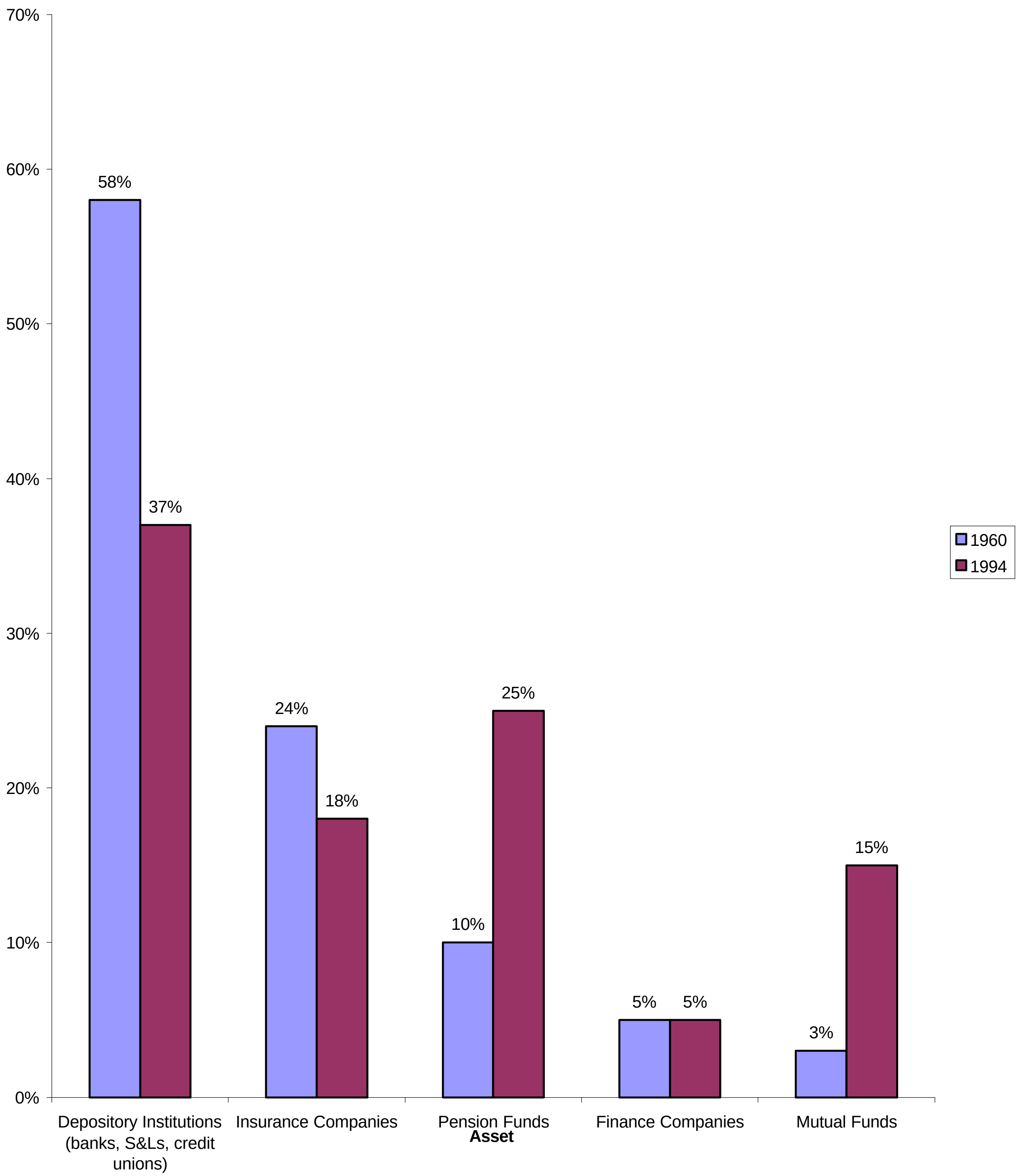
Table 1. Percent of Total Assets Held by Wealth Class, 1992

Asset Type	Top 1%	Next 9%	Bottom 9%	Total
A. Assets Held Primarily by the Wealthy				
Stocks	49.6%	36.7%	13.6%	100.0%
Bonds	62.4	28.9	8.7	100.0%
Trusts	52.9	35.1	12.0	100.0%
Business Equity	61.6	29.5	8.9	100.0%
Non-Home Real Estate	45.9	37.1	17.0	100.0%
Total for Group	54.4	33.3	12.3	100.0%
B. Assets and Liabilities Held Primarily by the Nonwealthy				
Principal Residence	9.0%	27.1%	63.9%	100.0%
Deposits*	22.4	37.3	40.3	100.0%
Life Insurance	10.0	35.1	54.9	100.0%
Pension Accounts**	16.4	45.9	37.7	100.0%
Total for Group	12.9	32.3	54.8	100.0%
Total Debt	13.8%	23.8%	62.5%	100.0%

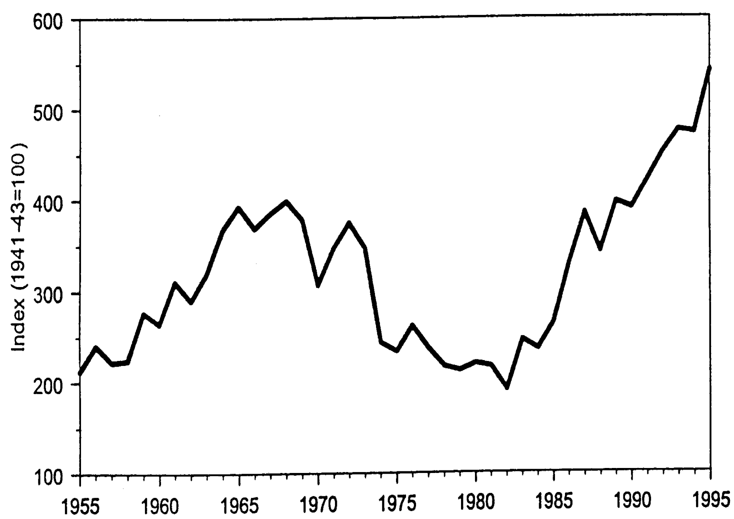
*Includes demand deposits, savings, time deposits, money-market funds, and certificates of deposit.
**IRAs, Keogh plans, 401 (k) plans, the accumulated values of defined contribution pension plans, and other retirement accounts.
Source: Edward Wolff, “Trends in Household Wealth During 1989-1992.” Paper submitted to the Department of Labor. New York, NY: New York University.

Figure 1. Relative Shares of Total Financial Intermediary Assets



Source: Board of Governors of the Federal Reserve System, Flow of Funds.

Figure 2: Growth of U.S. Stock Market, 1955-95



Source: Mishel, Lawrence, Jared Bernstein and John Schmitt. The State of Working America, 1996-97. (Economic Policy Institute) New York: M.E. Sharpe, 1997.

Figure 3. Topics of Financial News Stories: Newspapers

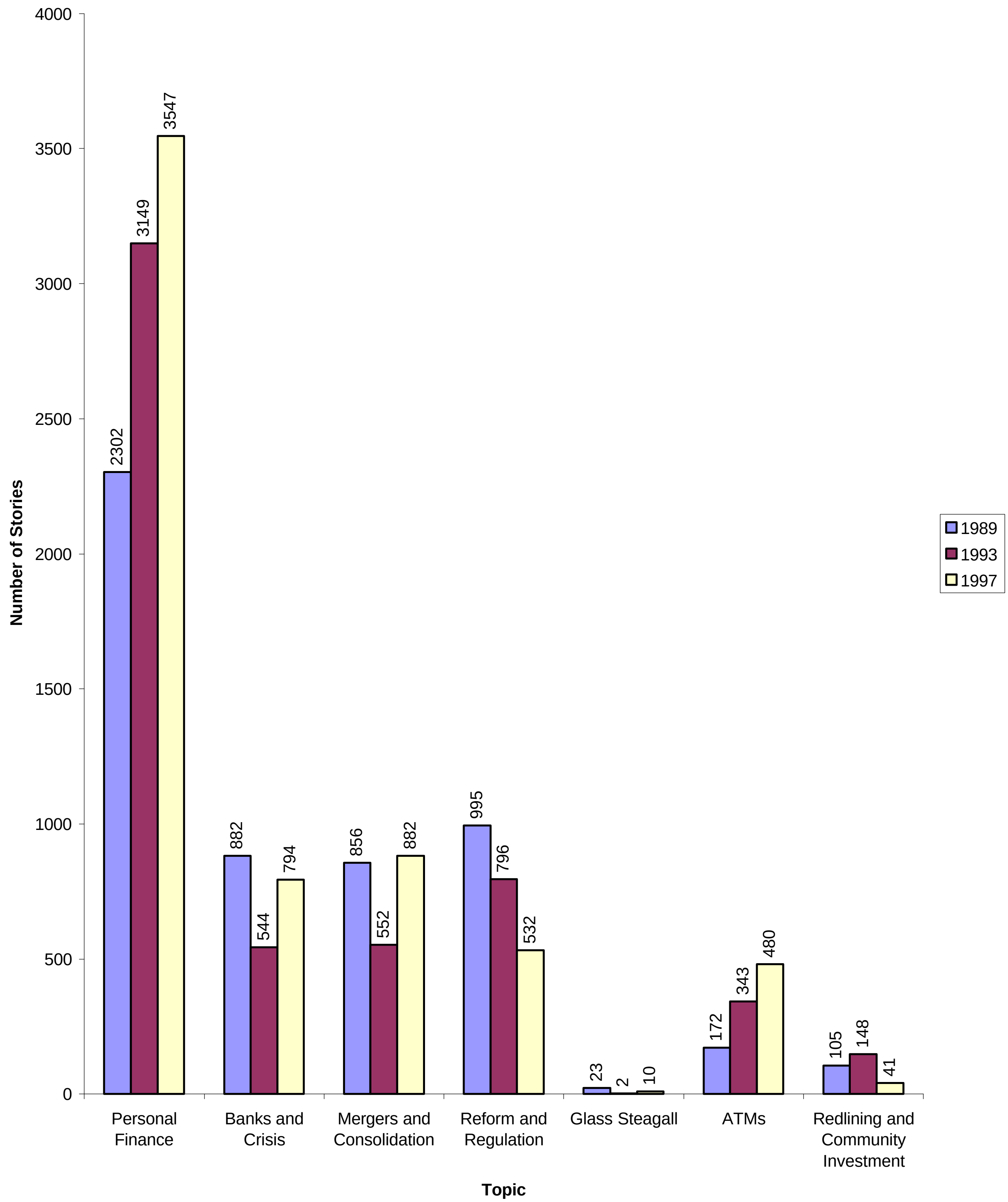


Figure 4. Coverage of Personal Finance, Investment, and Mutual Funds in Newspapers

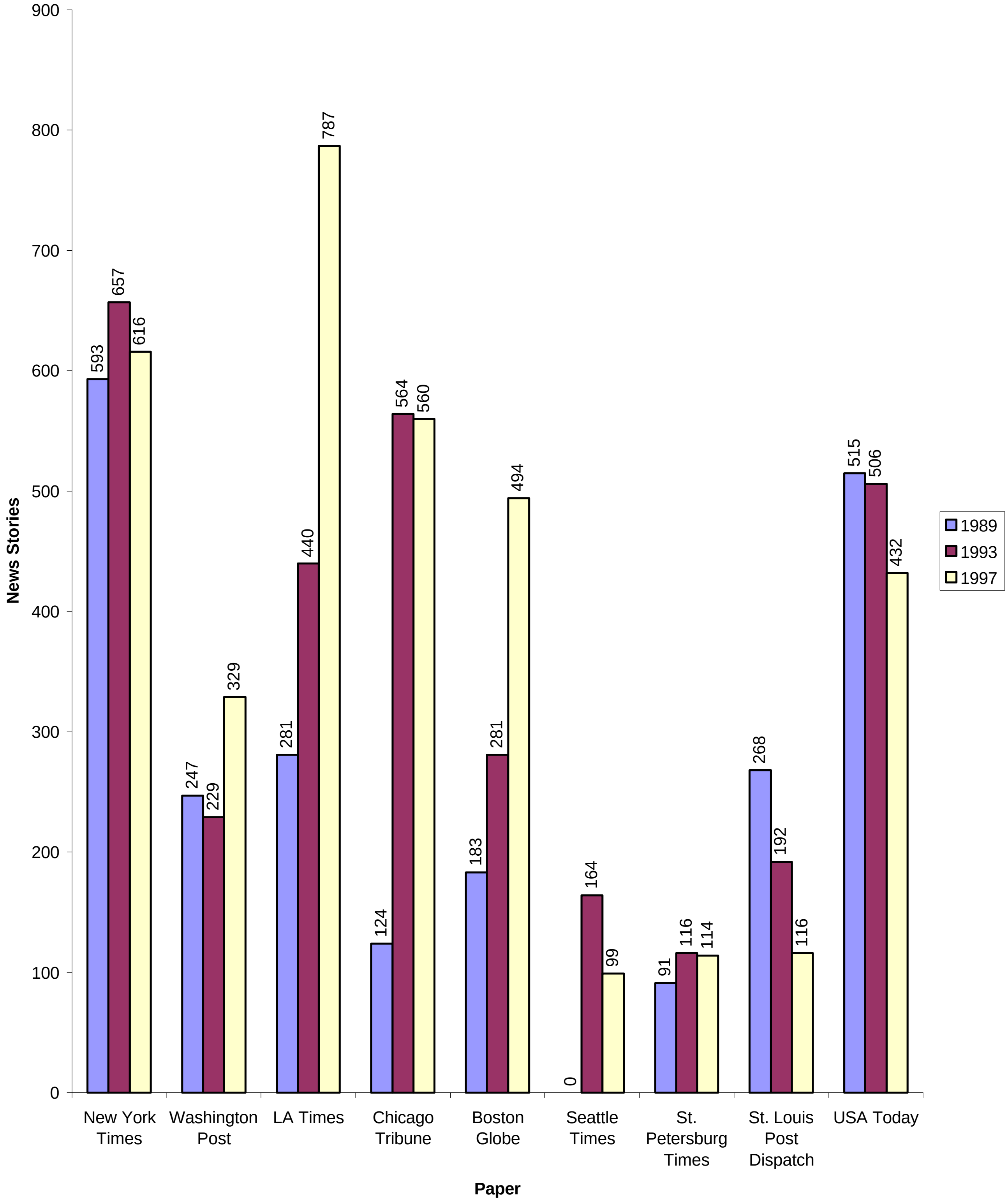


Figure 5. Coverage of Personal Finance, Investment, and Mutual Funds in News Magazines

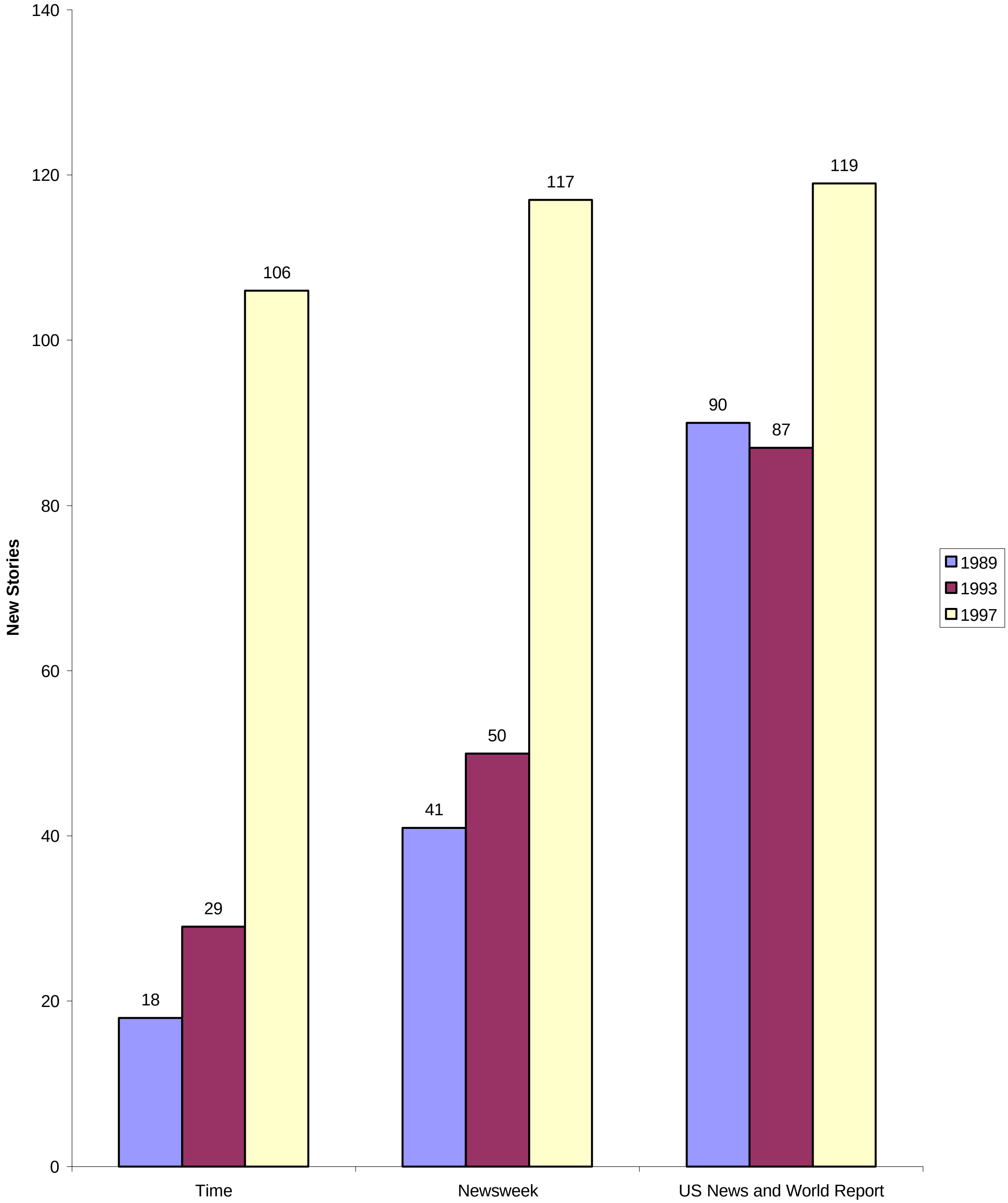
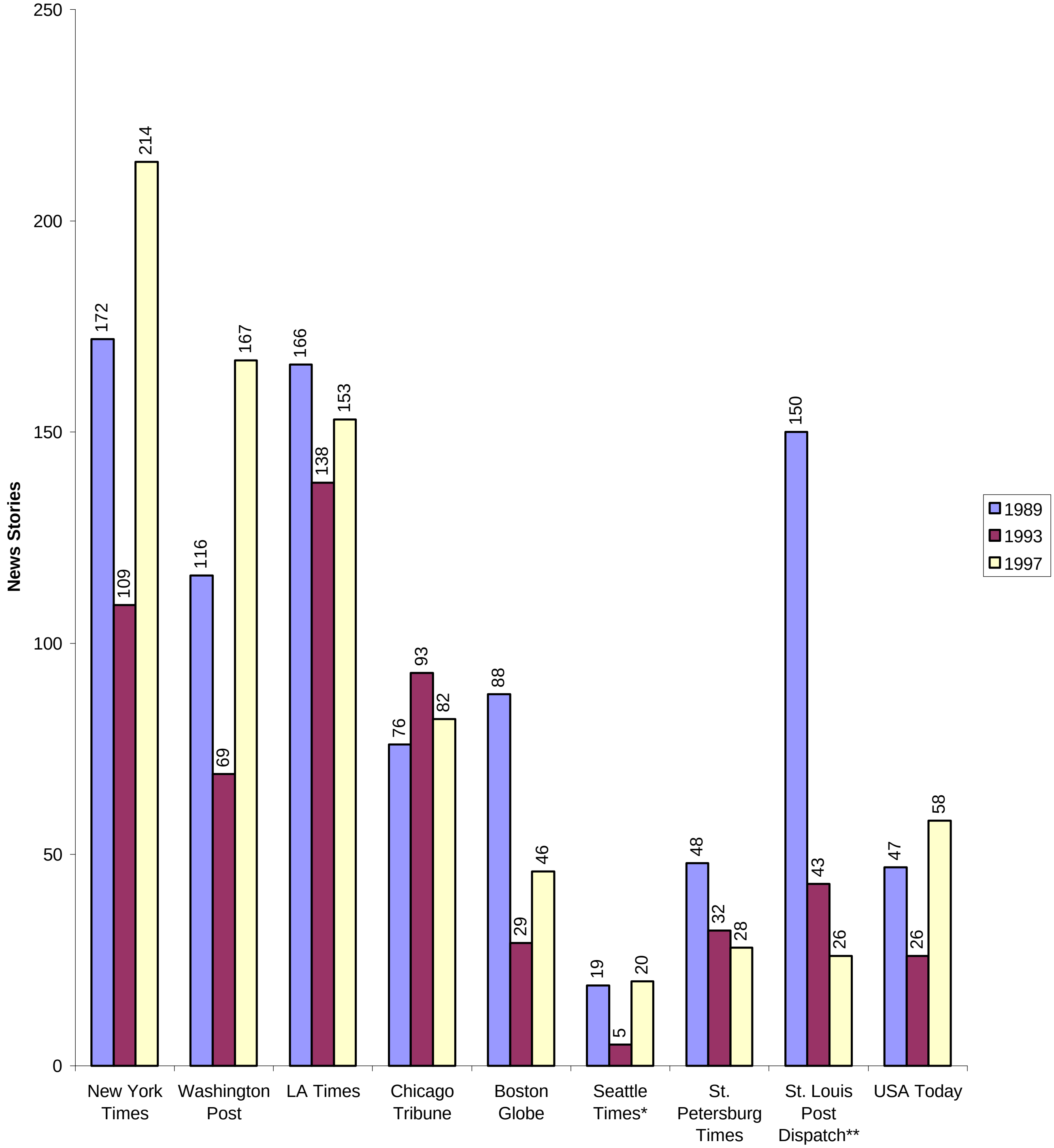


Figure 6. Newspaper Coverage of Banks and Crisis



*1990 substituted for 1989 (See Methodological Appendix for explanation)
**Full text search (See Methodological Appendix for explanation)

Figure 7. News Magazine Coverage of Banks and Crisis

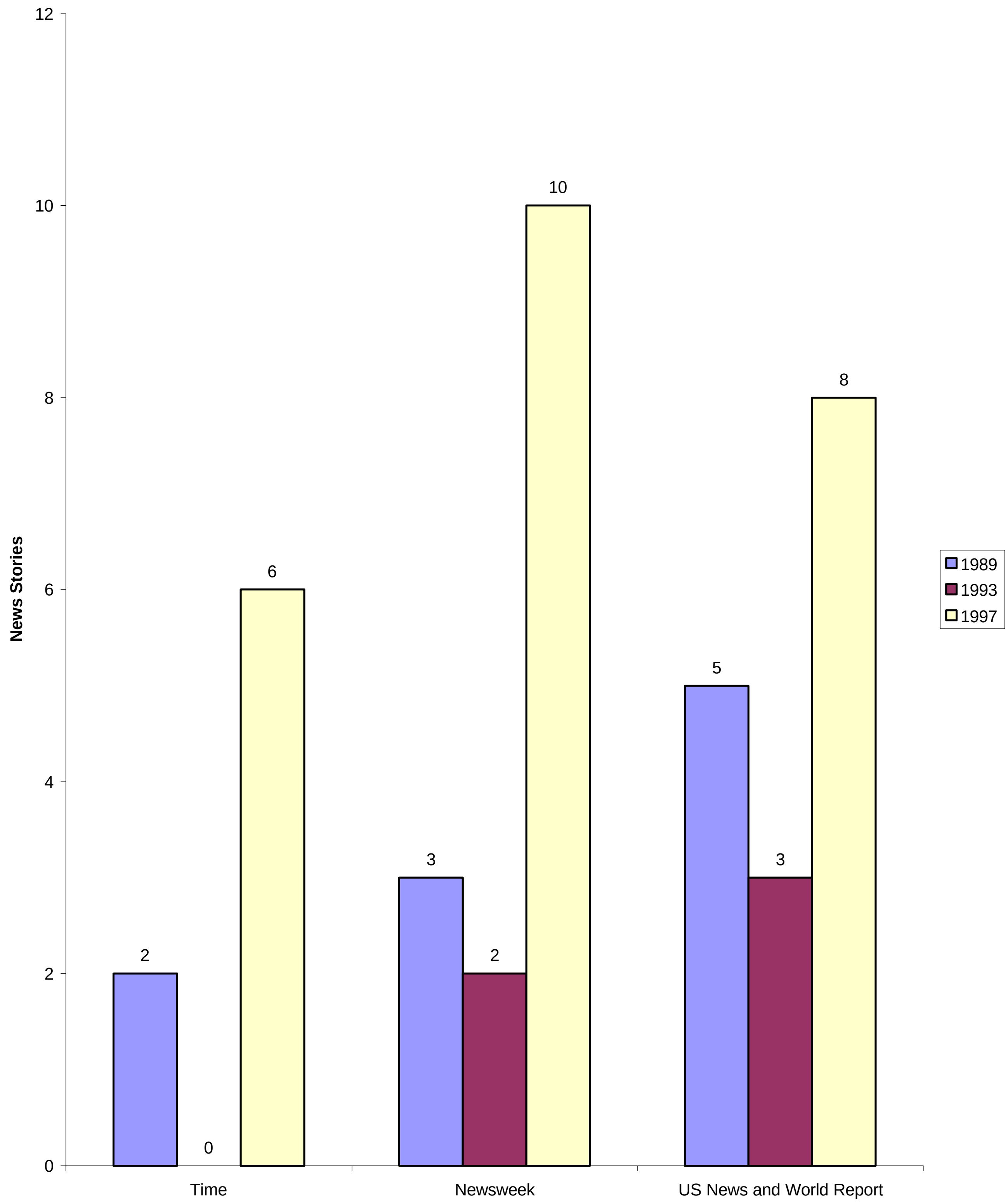
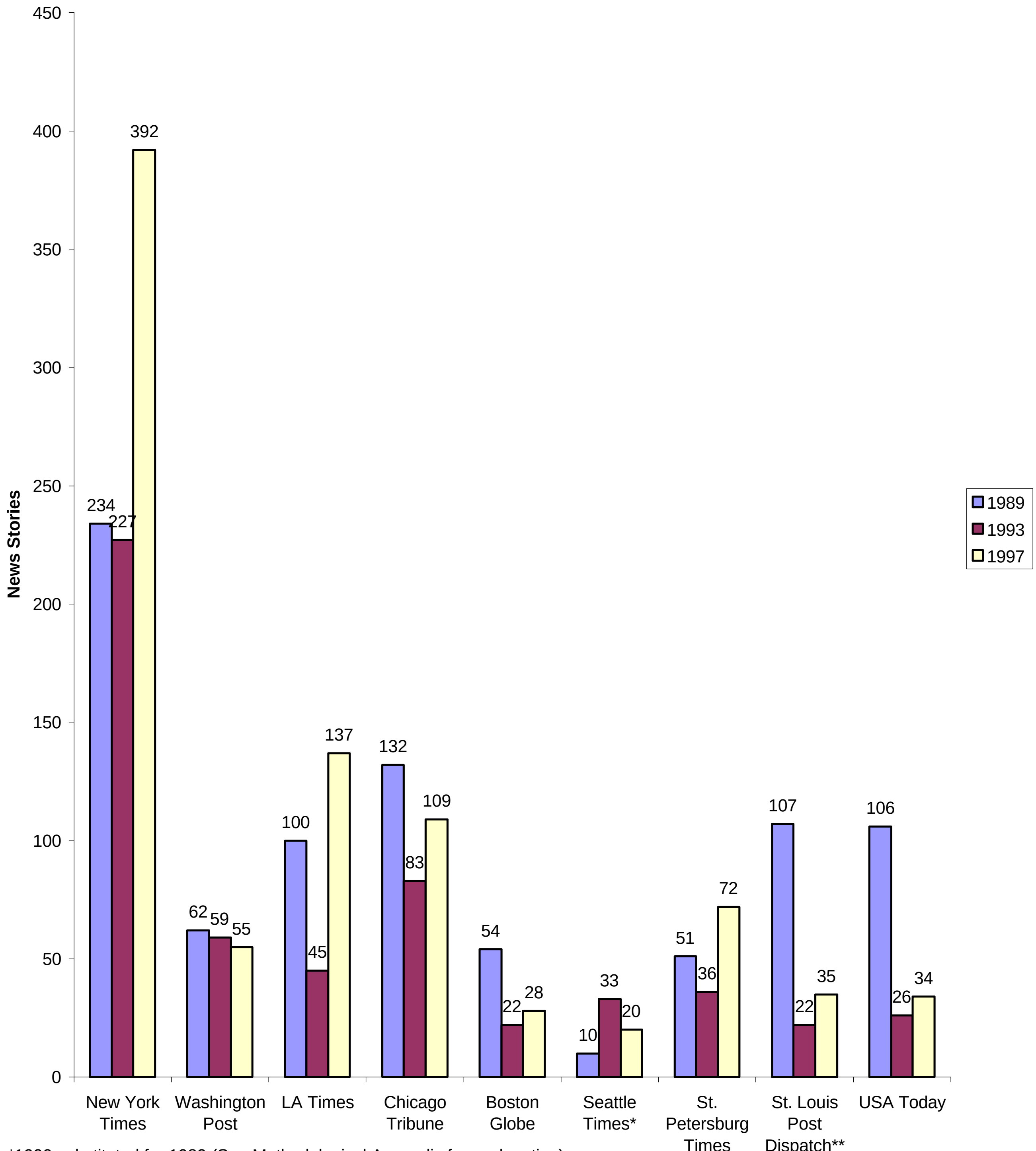


Figure 8. Newspaper Coverage of Banking Mergers and Consolidations



*1990 substituted for 1989 (See Methodological Appendix for explanation)
**Full text search (See Methodological Appendix for explanation)

Figure 9. News Magazine Coverage of Banking Mergers and Consolidations

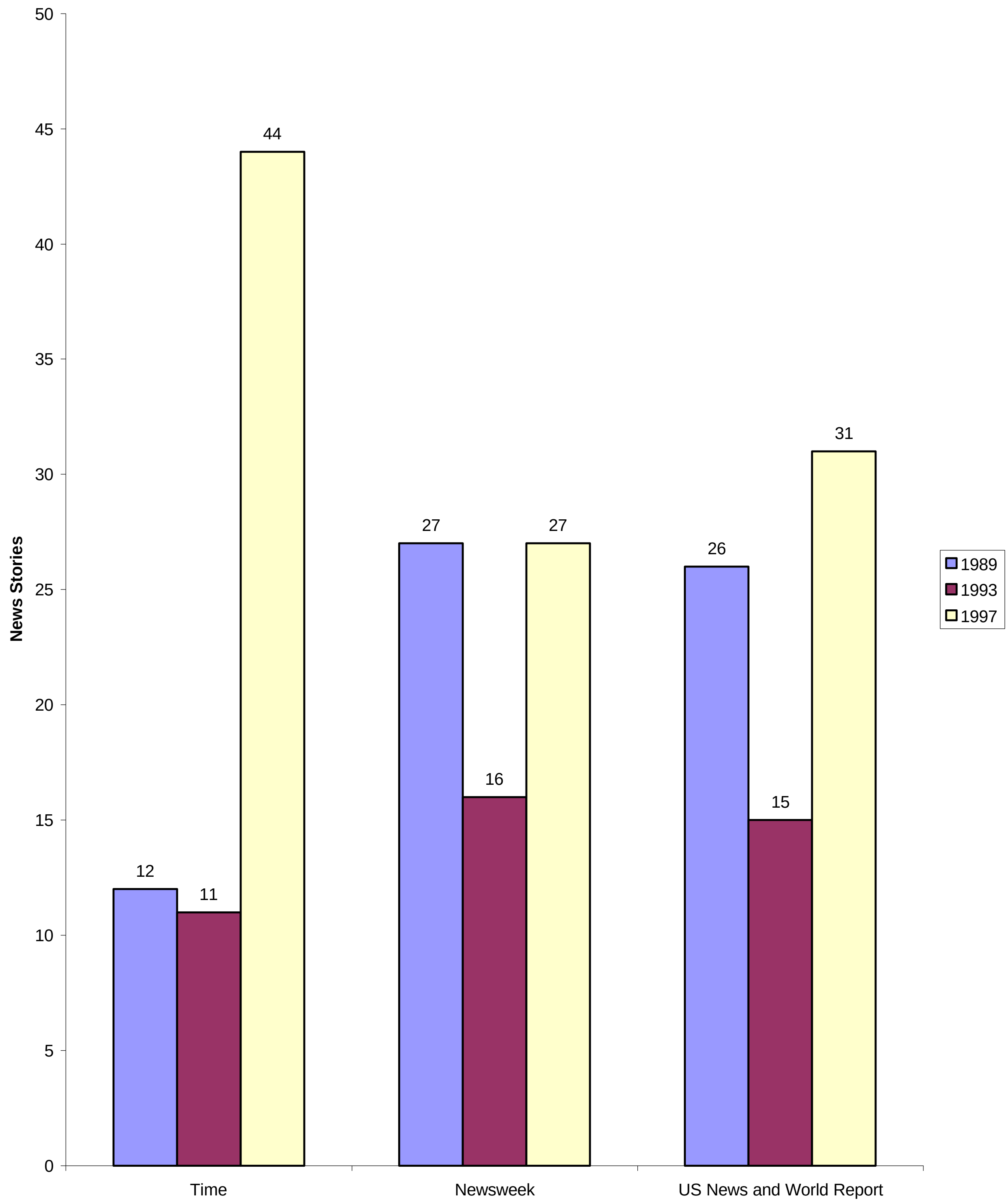
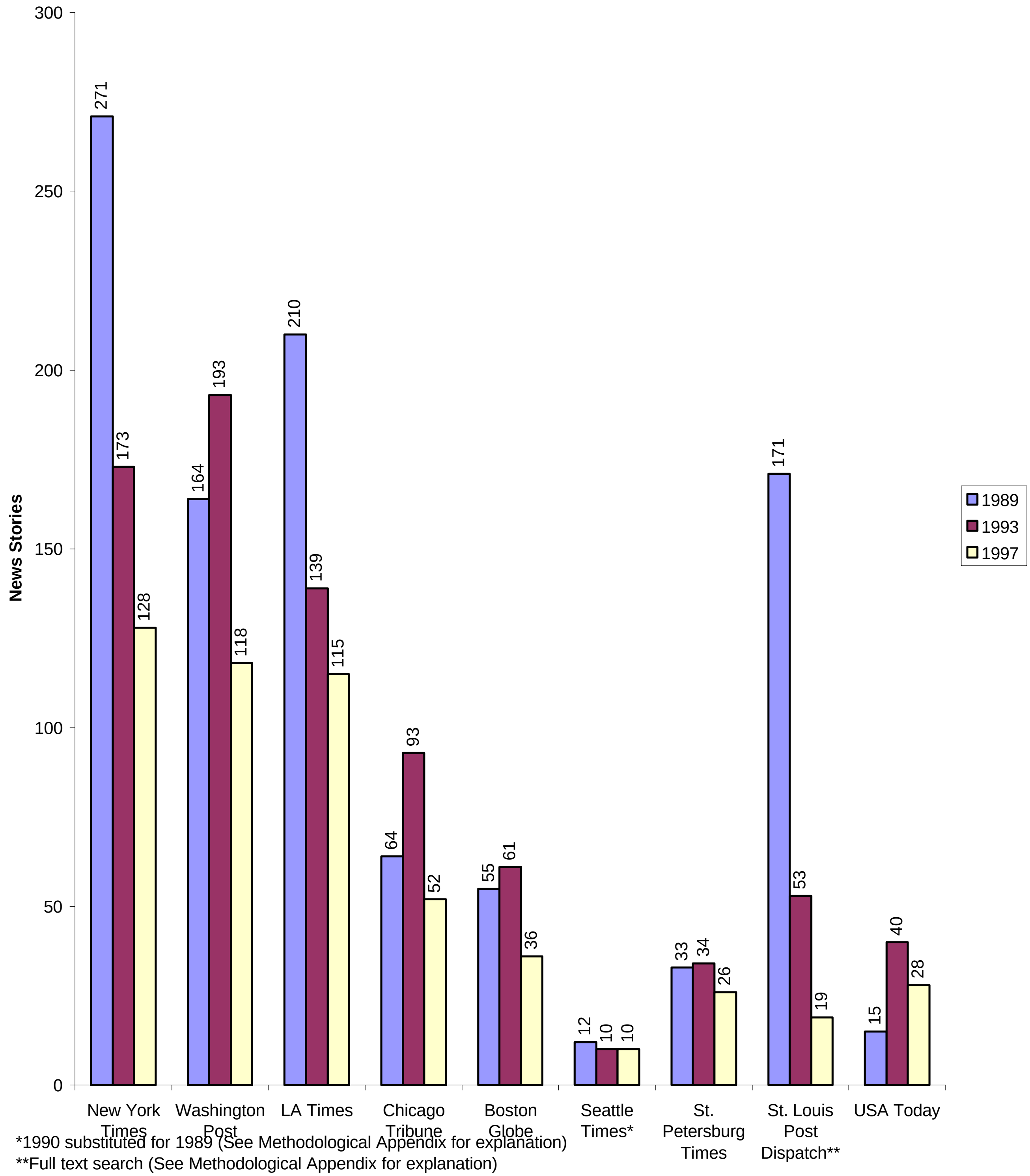


Figure 10. Newspaper Coverage of Banking Reform, Regulation, and Deregulation



*1990 substituted for 1989 (See Methodological Appendix for explanation)
**Full text search (See Methodological Appendix for explanation)

Figure 11. News Magazine Coverage of Banking Reform, Regulation, and Deregulation

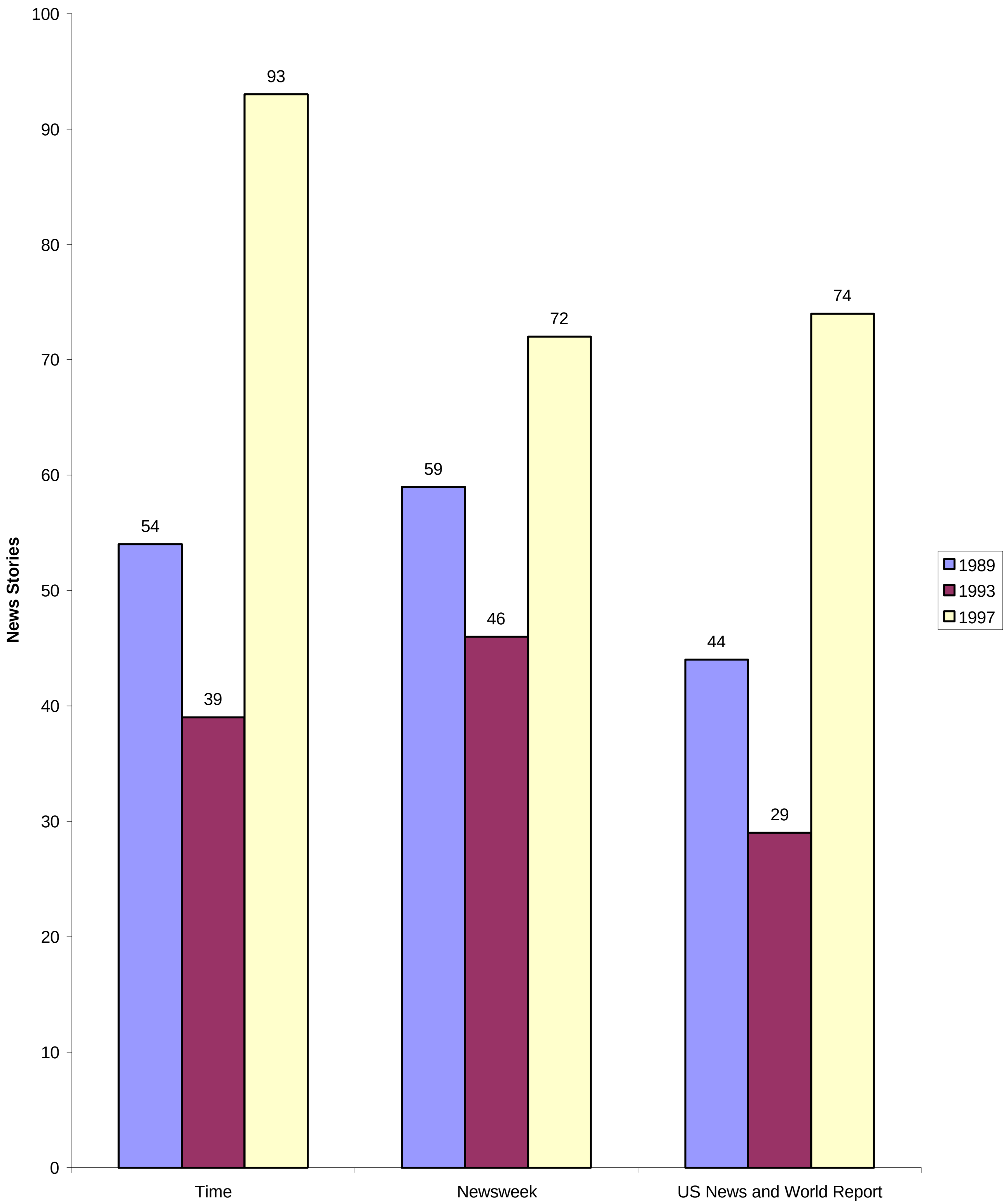
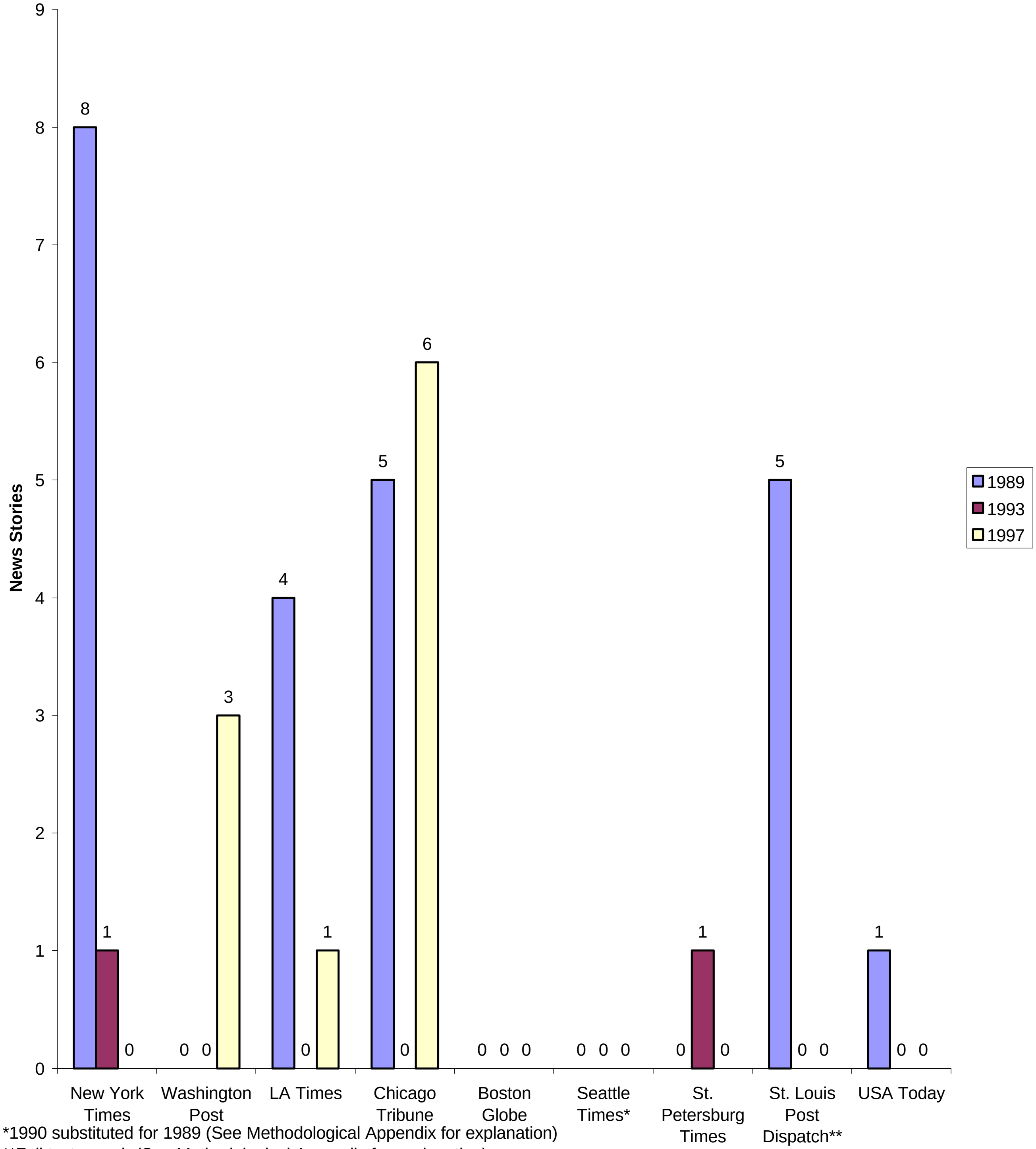
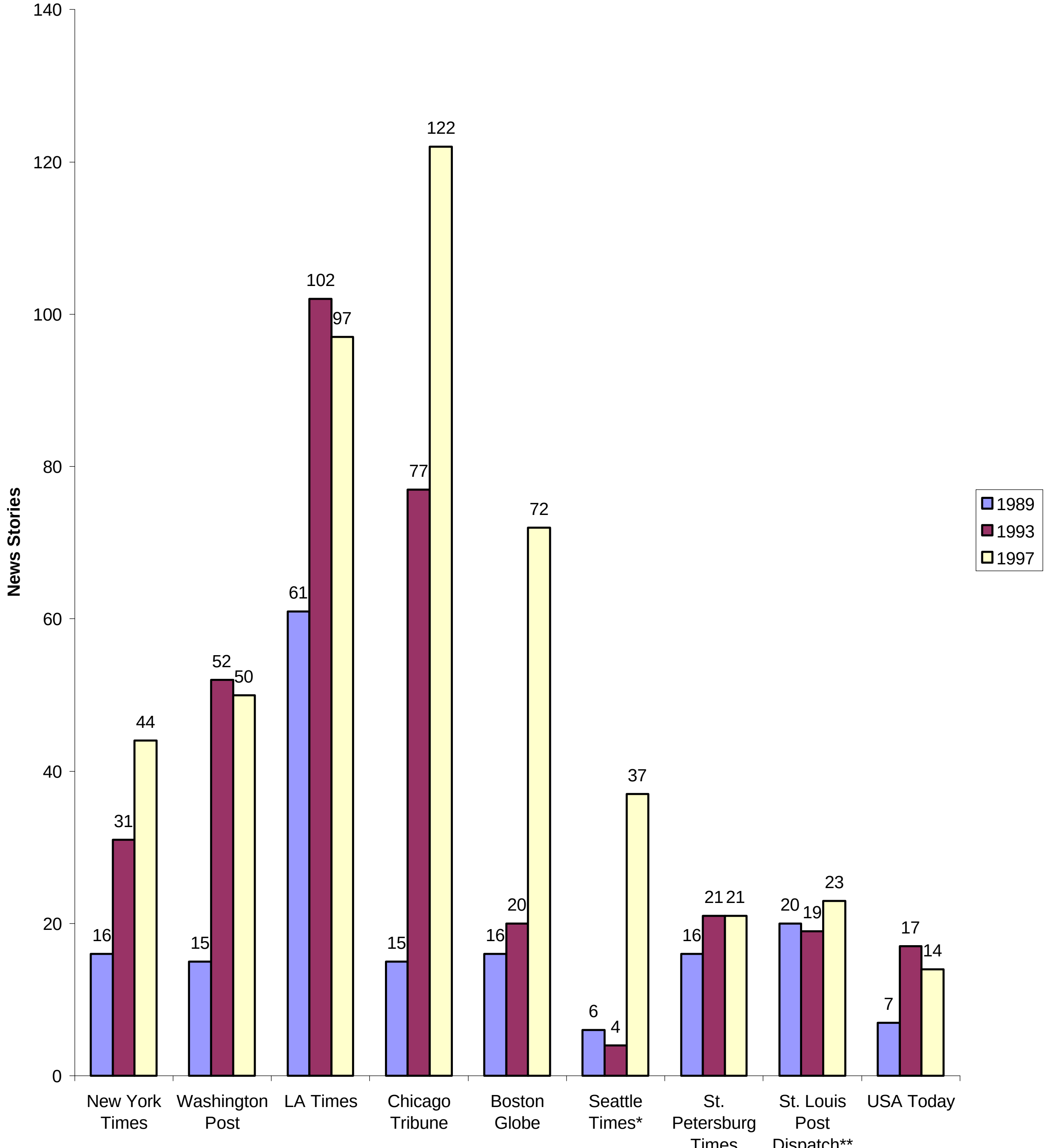


Figure 12. Newspaper Coverage of Glass Steagall



*1990 substituted for 1989 (See Methodological Appendix for explanation)
**Full text search (See Methodological Appendix for explanation)

Figure 13. Newspaper Coverage of ATMs



*1990 substituted for 1989 (See Methodological Appendix for explanation)
**Full text search (See Methodological Appendix for explanation)

Figure 14: News Magazine Coverage of ATMs

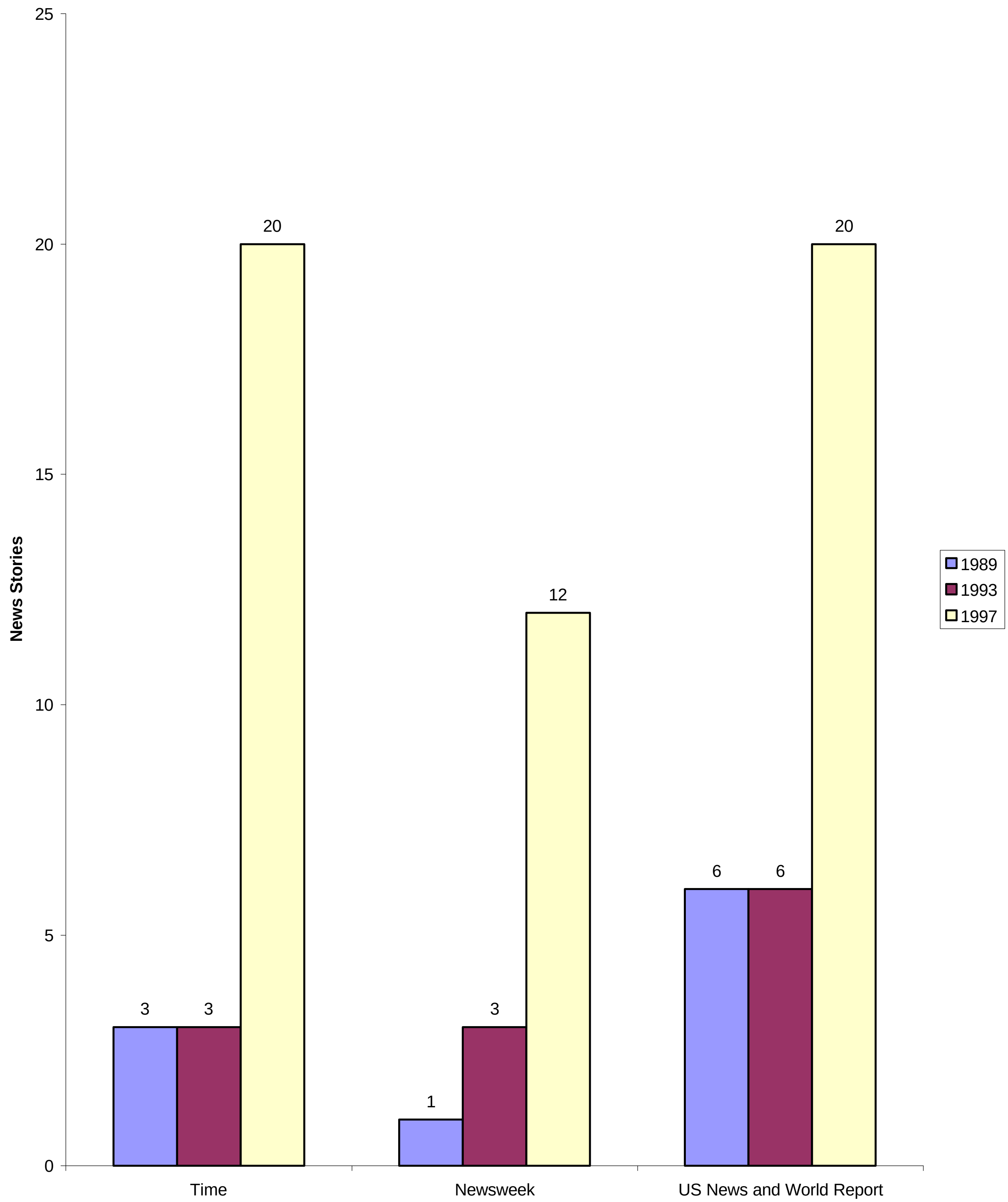
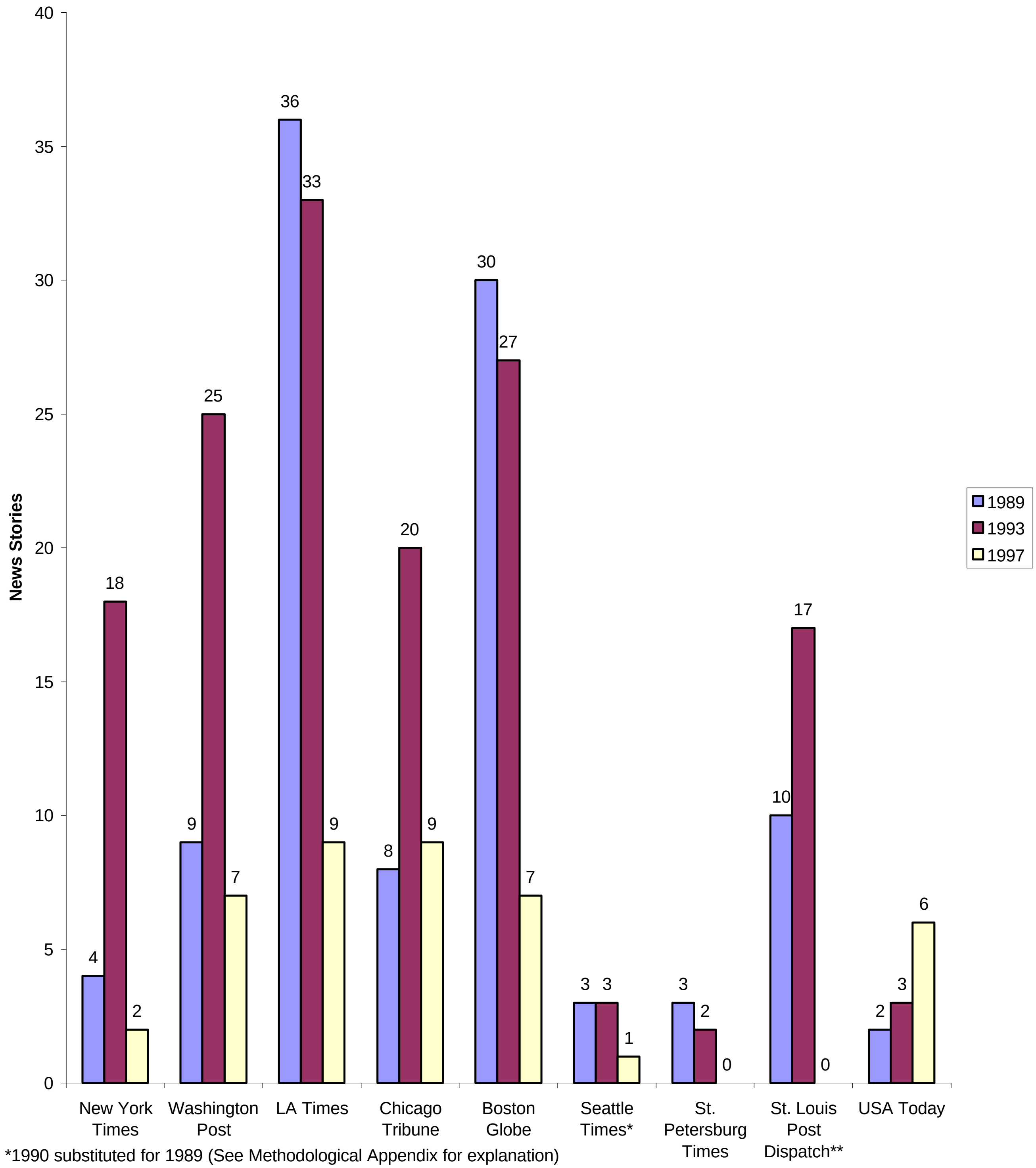


Figure 15. Newspaper Coverage of Redlining and Community Investment



*1990 substituted for 1989 (See Methodological Appendix for explanation)
**Full text search (See Methodological Appendix for explanation)

Figure 16. Television News Coverge of Personal Finance

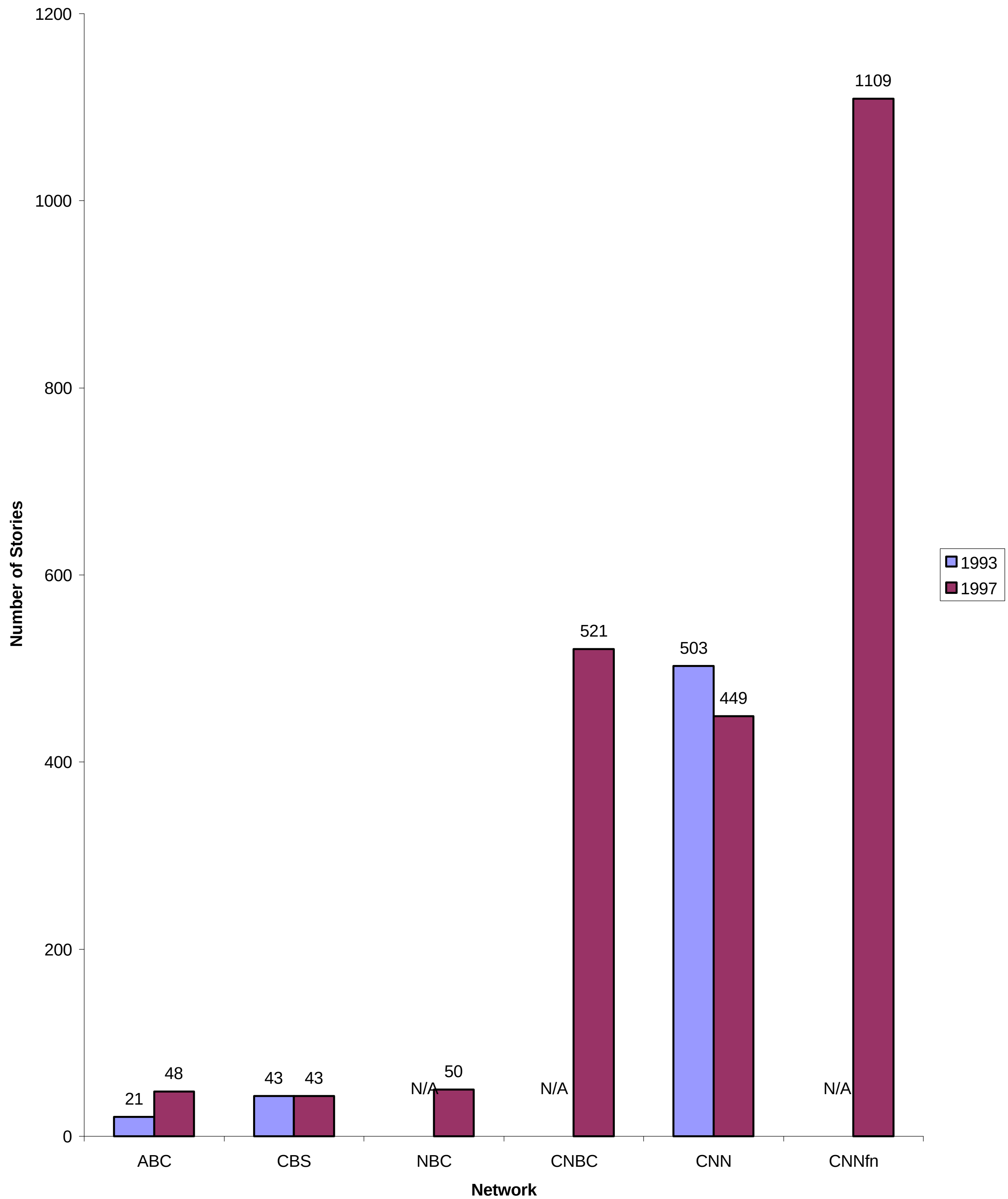


Figure 17. Television News Coverage of Bank Regulation and Deregulation

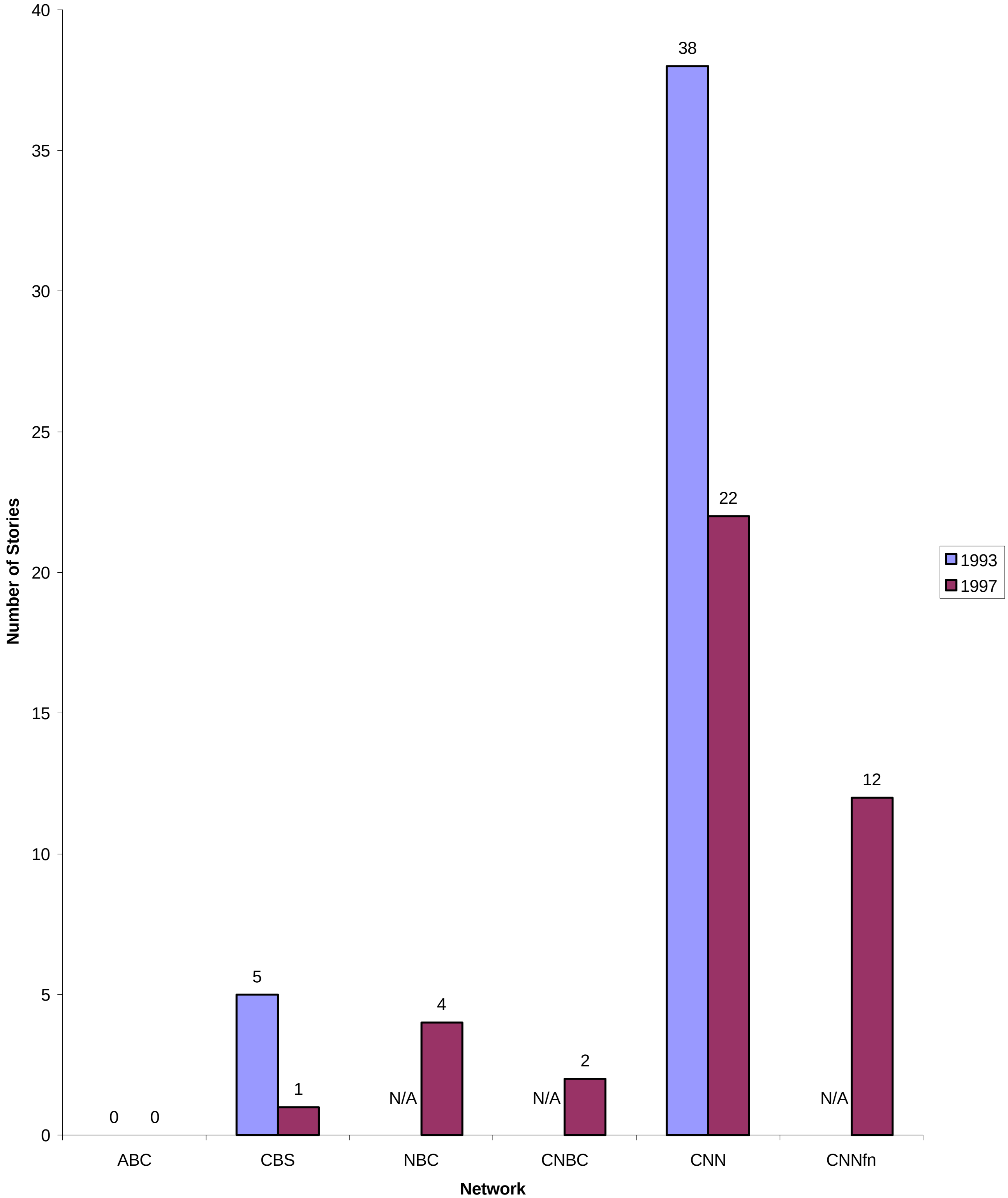
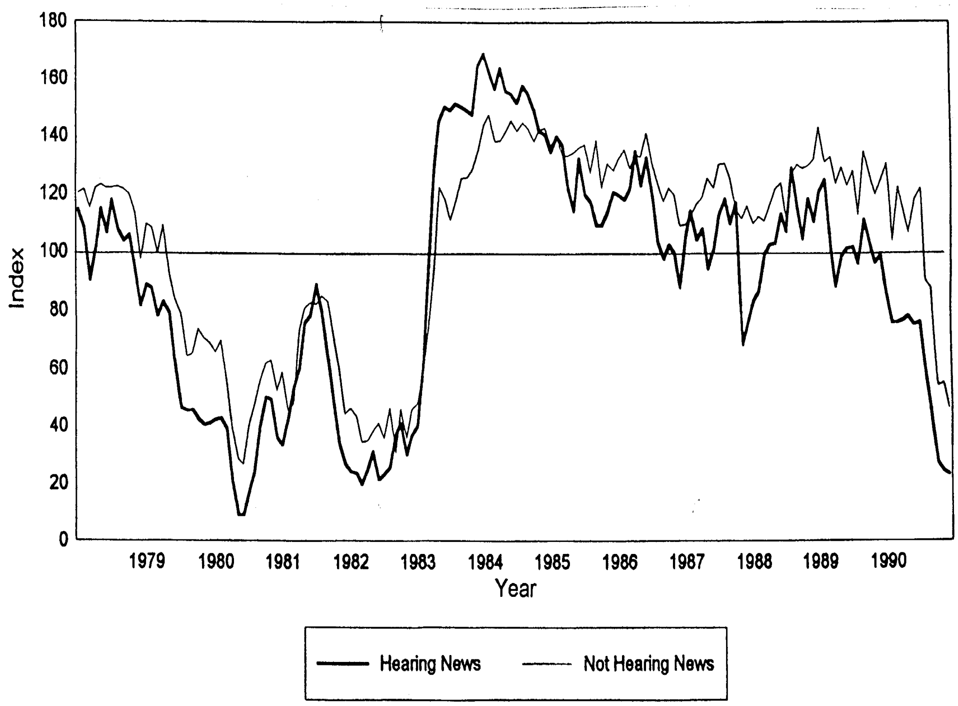


Figure 18: Monthly index of economic evaluations, 1978-90



Source: H. Brandon Haller and Helmut Norpoth, "Reality Bites," Public Opinion Quarterly. Winter, 1997, p. 556.