MEDIA DISCOURSES ABOUT CRISIS

Editors:
VALENTINA MARINESCU
SILVIA BRANEA

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COMPARING CHINESE AND U.S. MEDIA COVERAGE OF THE GLOBAL RECESSION:
LINKING THE ECONOMY, NEWS, AND PUBLIC EXPECTATION

H. DENIS WU
DINO P. CHRISTENSON

The global recession that started in late 2007 is the most severe economic downturn in the U.S. since the Great Depression (Krugman, 2009). Given the interconnected economies and increasing globalization around the world, the U.S.-originated recession soon spread to other parts of the world, creating a global economic stagnation that has yet to see an end, as of 2012 (Mathews, 2012). Almost all the Western economies have suffered greatly from the last wave of recession. Despite some signs of relief in early 2011, the threat of another wave of recession to hit the U.S. seems real, which is coupled with the credit meltdowns in some European nations and drastically dissonant opinions toward the solutions of the global economic upheavals. All of these issues are enormously related to communication among the involved entities – governments, financial institutions, general public, and the media – to identify the key issues and to seek consensus to solve the problems. Therefore, mediated communication for sensible solutions about the ailing global economy should be considered as one indispensable aspect by key decision-makers.

News coverage about the volatile economic situation can be a major source of information for consumers, investors or even the average person to make economic decisions. Although informative, incessant bad news during recession can trigger deterioration of public sentiment toward the economy (e.g., Blood & Phillips, 1995; Wu et al., 2002) and even create panic effect on the stock market (Kaminsky & Schmukler, 1999), which subsequently can be

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1 They wish to thank Tianhao Yang for his coding assistance. An earlier version of this paper was presented at the WAPOR 64th Annual Conference in Amsterdam, the Netherlands, on September 22, 2011.
covered more extensively and make things worse. The historical black Fridays in Wall Street often were attributed to the spiral of negative coverage and declining confidence — therefore, it is perhaps counter-productive to see the front page of the *Wall Street Journal* (August 13, 2011) that prominently displayed the psychological ups-and-downs of the investors about the extreme fluctuation of the stock market with the tag line, “a week that toyed with investors’ emotions.”

While the West has been struggling with economic stagnation, China, the rising economic powerhouse and the factory of the world, seems to have experienced different problems of their own. For one thing, its economic growth rate during the Great Recession period has hovered around 9–10% – which, compared to other Western economies, is stunningly high. With eased access to finance and rapid economic expansion across the nation, China was actually observing inflation and overheated economy and concurrently mulled over the risk of having recession that may eventually come ashore. Thus, to the Chinese, it is an issue of recession threat rather than a reality.

The U.S. and China not only differ in their economic conditions during the time frame, their press systems are significantly different as well. Unlike the U.S.’s free press system that is market-driven, the Chinese press system is controlled by the government and/or the Chinese Communist Party, primarily producing and circulating information that upholds and bolsters the interests of the ruling entity. It is therefore interesting, and theoretically meaningful, to investigate how media of these two countries cover the dicey economic situations and whether the trend of economic coverage reflects, in one way or another, the state of the economy and/or public sentiment toward the economy. Thus it may also be fruitful to explore whether media can shape people’s views about the state of the economy and, subsequently, influence the economic performance during such an economically difficult period.

**Literature Review**

News media is supposed to provide accurate, objective information for its audiences. But when it comes to the economy, the task becomes almost impossible. The subject itself has recently been questioned for its scientific nature. *New York Times* veteran business and economics reporter Louis Uchitelle said that journalists tend to report on economics “as if it were a science” (Barber, 2000, p. 369). The recently emerged debate about the superiority contest between the Chicago School and Keynesian economics in dealing with recession is a case in point – there exists more than one treatment
to economic ailment. And judging from the adopted policies around the world, it appears the perspective of governmental intervention and planning seems to replace the laissez-faire, free-market mentality that dominated the past few decades (Nesvetailova & Palan, 2010).

If economics were not science, then its coverage could be even murkier and shakier. Apart from the complexity of economical information, whether business or economic journalists can systematically and timely reflect the economic situations constantly is doubtful. As Walter Lippmann (1997) keenly observed in the past, reporters have no means or capacity to truthfully mirror everything that takes place on earth; their roving eyes usually are caught with novelty, deviance, or “an aspect that has obtruded itself” (p. 216). With that in mind, one cannot argue that economic news can truly monitor and reflect all economic facets at all times. Therefore, how the media report on the economy front during crises is vitally important, because it can directly link to the public’s attention, sentiment, and decision-making.

Whether media can generate impact on the public’s perception about the economy has been the focus of communication scholars who examined the past recessions (e.g., Blood & Phillips, 1995; Wu, McCracken, & Saito, 2004) and concluded differently due to varied situations. Even though economists may have different views about the forces that drive the economy, there seems to be a consensus about the impact of the sentiment – from consumers, executives, or investors – on the economic trajectory (Katona, 1959, 1964). Historically speaking, low confidence is associated with long-term economic downturn, such as the cases of the Great Depression in the U.S. in the 1930s and the Lost Decade of Japan during 1988–1999.

The influence of the public sentiment on the economic performance has called for attention on the media by the Wall Street as well as the political arena. Business leaders as well as public office holders at all levels endeavor to put the most positive messages in the media to boost confidence, hoping to prevent or reverse the downturn spiral. On the other hand, media scholars have long noted the negativity tendency of the news (Galician & Vestre, 1987; Wu & Day, 2005) and are concerned with whether the extensive coverage about recession may have actually hindered the recovery process, creating a “media malady” scenario. Political scientists have already concluded that negative news draw more attention and generate more impact on the electorate than the positive counterpart (Geer, 2006). With regard to economics, Goidel and Langley (1995) and Ju (2008) both have demonstrated that American and Korean media tend to cover negative economic news more than positive counterparts.

China’s media system is substantially different from the above two countries in that its media practitioners do not enjoy the same level of freedom
(see Karlekar, 2010 for Freedom House press freedom report) and its operation and ownership are tightly managed by various levels of government and party (Hachten & Scotton, 2012; Merrill, 1995). Not only would so-called sensitive information be likely blocked and positive information purposively publicized, the Internet is also closely monitored and censored with the most advanced mechanism available. It would be interesting to see if this tendency of covering more negative economic news holds true for the Chinese media. This present study is probably the first endeavor to systematically examine the economic coverage of Chinese media.

Also worth investigating is whether the valence and the quantity of economic news play any role in shaping public opinion about the economy in this recession period, particularly between Americans and the Chinese. The existing literature seems to only include recession news (i.e. negative news) in their research models and fails to take the entire spectrum of economic news into consideration (Goidel at al., 2010). It is also common to only analyze one country’s data; rarely has any comparison of media reception been implemented between these two major economies concurrently.

The aim of the present study is to gauge media effects with regard to the economy under varied media systems. There are only a handful of empirical studies that directly address the issue of economic coverage’s influence on economic evaluations and these studies have concluded with different magnitudes of news influence on people’s appraisal of the economy. For example, Blood and Phillips (1995) examined the impact of recession headline news during the recession in the early 1990s with time-series analysis and found significant support for news effect. Haller and Norpoth (1997) took a slightly different approach – with a longer time frame – to study economic news impact on public evaluation and found that news only played a modest role. They also found that news did not improve people’s capability in assessing the economic situation. Wu and his colleagues (2004) studied the Japanese recession during the 1990s and also did not conclude similarly with Blood and Phillips. Different durations of recession were attributed to the difference of their findings. And this present study, with two countries’ data, would provide a needed update for the scholarship of economic communication.

Given the current state of the existing literature, we focused on the following questions to investigate the relevant dynamics at play in both China and the U.S.

RQ1: How did the media cover the state of the economy during the recession period? In particular, did the media closely follow the Leading Economic Indicator (LEI)?

RQ2: How did the media coverage differ between China and the U.S.?
RQ3: Did the media coverage affect people’s expectations about the economy in China and the U.S.?

RQ4: Did the media coverage help drive the Leading Economic Indicator (LEI)? That is, is the hypothesis of “media malady” supported in either country?

RQ5: Did the people’s expectation about the economy lead to the Leading Economic Indicator?

Data

Economic news from mainstream newspapers from China and the U.S. between December 2007 and December 2010 were gathered and content analyzed. The sample from China includes the People’s Daily, Southern Metropolis Daily, and China Business News. The People’s Daily is the Chinese Communist Party’s organ, which, despite its uncertain circulation number, remains an important medium for obtaining party policies and official announcements. Because there are no truly nationally circulated newspapers in China, two regional major papers were selected. The Southern Metropolis Daily, based in Guangzhou (a major metropolis near Hong Kong and capitol of Guandong province), is known for its investigative journalism and provocative commentary and boasts the largest circulation in the province. The other regional paper selected for this study is the Shanghai based newspaper, China Business News. Its coverage focuses on business and economic activities and can reach readers in the most influential business circle of China.

The U.S. counterparts of this study are the New York Times and Wall Street Journal. The Times is an elite press of the country and is probably the most influential newspaper that not only impacts the general public but also influences other news media’s agendas (Reese & Danielian, 1989). The Wall Street Journal, also based in New York, is the primary U.S. paper for business, finance, and other economic activities. It is a must-read paper for any American involved in business in the U.S. and overseas.

All the news stories during the three-year period that dealt with any aspect of the economy on the headline or lead paragraph were selected and coded. A graduate student identified and coded all of the stories in the selected media. The coding items include date of publication, focus of the story, word count, topic, valence, and source. The intercoder reliability test was conducted between the primary coder and another graduate student who coded 10% of the news stories. The test results of all coding items – with Holsti’s formula – are over 80%, indicating the overall reliability of the coding. Figure 1 plots the overtime dynamics of the media coverage measures for the U.S. and China.
Figure 1. Media Dynamics in the U.S. and China

The economic indicators used in this study were obtained from two separate sources and graphed in Figure 2. The Leading Economic Indicators (LEI) of the U.S. and China were purchased from the Conference Board, a non-for-profit, non-advocacy organization based in New York. The LEI is widely used in the business circle for its indicator of the nation’s overall state of the economy. It is a monthly index with year 2004 as the basis (100) for estimate of economic performance in other years. It is composed of six factors, of which the primary factor is 5000 industry enterprise diffusion index (raw materials supply index). Also obtained from the Conference Board is the “expectation index” of the Chinese, which is gauged with a regular survey conducted by the China’s National Bureau of Statistics. The U.S. expectation index was obtained from the University of Michigan survey center, which also provides the monthly index for the American consumer sentiment. Because of the trends in both series, the natural logs of the LEI variables are used in the models below. Figure 2 plots the overtime dynamics of the economic expectations and LEI variables.
Method

We begin by comparing descriptive statistics of the content analysis of media coverage in the U.S. and China. In addition we conducted chi-square tests of differences across the kinds of economic coverage in the two countries. We then use vector autoregression (VAR) models (Freeman et al., 1989; Sims 1980) to evaluate the causal directions of the dynamic relationships between media coverage, public economic expectations and economic indicators. We conduct distinct VAR models for each of the three media coverage variables, due to the high correlation among them.

VAR is a particularly useful method when there is no clear theory regarding the directional association of the related variables; i.e., when imposing structural restrictions on the model cannot be easily justified. Such is precisely our case, as we are primarily interested in comparing the U.S. and Chinese systems; that is, how the potentially endogenous variables interact with one another. Furthermore, little theory comes to bear on dynamics at play in the Chinese media system, which has been qualitatively described as very different from that of the U.S. (Hachten & Scotton, 2012). To that end, we choose to make few directional
assumptions, and instead use VAR modeling to tell us which parameter restrictions are appropriate for each system.

VAR has a number of benefits beyond its structural flexibility. Foremost, it provides strong coverage of the history of the time series via multiple lag specifications across all the variables in the model. Thus VAR is related to the original Granger causal approach (1969), where each variable is regressed on lagged values of itself and lagged values of the other variables in the equation. We can then evaluate the causal dynamics in the equation via Granger causality, which tests the joint hypothesis for blocks of lags for each variable.\(^2\)

The Granger causality results can be unpacked graphically with simulated impulse response functions (IRFs). Here, a shock to a single variable is introduced to the system, and the resulting wave of change in estimates for the remaining variables in the VAR equation is plotted. While Granger causality is easy enough to interpret on its own, these impulse response functions help illustrate the longevity and magnitude of the dynamics in the model. Specifically, each variable is given a one standard-deviation shock and the response among the remaining variables is traced over the next several months. We use Choleski decomposition to orthogonalize the IRFs, such that both the instantaneous and lagged responses of the variables are traced. We also provide 95% confidence intervals, calculated via Monte Carlo simulation, on the response functions.\(^3\)

**Results**

The first finding from the economic coverage is the significant difference of the sheer volume between the two countries. The U.S. papers delivered more stories (and more words) about the state of the economy than the Chinese counterparts (1254 vs. 365) – although it is unclear how and whether overall available newshole plays a role in the difference. Regarding news topics, the press foci of the two countries look different too. For the Chinese media, government policy and financial plan occupied about one fifth of the news space, followed by stock market performance (12.1%), general economic situation (9.9%), official statement (8.8%), foreign exchange rate (6.8%), and commodity price (6.6%).

\(^2\) Despite inconsistent evidence of nonstationarity in the economic expectations and LEI variables, we follow Sims et al. (1990) and choose not to difference the variables in the VARs. The VARs below also use a small-sample degrees-of-freedom adjustment and \(t\) and \(F\) statistics to account for the small sample size.

\(^3\) Because it is hard to compare units of measurement of economic indicators, economic evaluations and media coverage – particularly when one of them is logged – the impulse response functions below are plotted on different scales. Such allows for easier comparison of the magnitude and duration of the shock.
U.S. papers focused to a greater extent on government policy/budget (26.6%), then on unemployment (9.6%), general economic situation (8.7%), performance of individual companies (8.5%), and stock market performance (8.5%). It is interesting to note that the front-page stories from the Chinese papers differ substantially from the stories inside, suggesting a governmental intervention in the editorial decision on news placement.

Also worthwhile to point out is the different angles of the economic coverage. Both countries' press focuses more on domestic angles. The U.S. press overwhelmingly covered the economy from the domestic angle (76.4%), leaving 23.6% of the available newshole to foreign economies or international issues. The Chinese press seemed to be even more domestically oriented, devoting 83.3% of its space to covering various economic issues at home and only 16% to economic issues that involved other countries ($X^2 = 8.3, df = 2, p = .015$). The coded valence of economic news also indicates an interesting pattern: the Chinese economic stories are slightly less negative than the U.S. counterpart (35.9% vs. 57.8%) and also more likely than the U.S. press to be positive (49.3% vs. 20.2%) ($X^2 = 122.68, df = 2, p < .001$). This phenomenon could be accounted for by the difference in the respective economic situations and also by editorial intervention by the concerned Chinese authorities. More investigation will be executed later to see whether the varied news coverage is linked to public expectation toward the economy. The monthly opinion polls about the Chinese economic expectation conducted by the Conference Board and U.S. consumer expectation conducted by the University of Michigan will be incorporated into the time-series analysis. We expect our investigation to shed light on the intricate relationship between economic coverage and public opinion about the economy.

We report the results of the VAR models in terms of Granger causality tests. We begin with the U.S. case before turning to that of China. As both systems include the same set of variables, we conclude by contrasting the dynamics in the two countries.

In order to properly specify the lag order in the VAR model, we used the final prediction error (FPE), Akaike's information criterion (AIC), Schwarz's Bayesian information criterion (SBIC), and the Hannan and Quinn information criterion (HQIC) for the vector autoregression models up to a full quarter, 3 months, of lags. When the different criteria suggested different lag specifications we relied more heavily on the AIC due to the monthly nature of the data (Ivanov & Kilian, 2001). The results strongly suggested the use of three lags for the equations. We subsequently tested each model with 1 to 3 lags with little change in the substantive results, suggesting robust results.
### Table 1

Granger Causality Tests of U.S. VARs

<table>
<thead>
<tr>
<th>Equation</th>
<th>Block of Coefficients</th>
<th>F</th>
<th>DF</th>
</tr>
</thead>
<tbody>
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<td>Expectations</td>
<td>LEI</td>
<td>0.933</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Front Page</td>
<td>1.033</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>All</td>
<td>2.396*</td>
<td>6</td>
</tr>
<tr>
<td>LEI</td>
<td>Expectations</td>
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<td>3</td>
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<tr>
<td></td>
<td>Front Page</td>
<td>1.233</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>All</td>
<td>1.097</td>
<td>6</td>
</tr>
<tr>
<td>Front Page</td>
<td>Expectations</td>
<td>3.831*</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>LEI</td>
<td>7.503*</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>All</td>
<td>4.259*</td>
<td>6</td>
</tr>
<tr>
<td>Expectations</td>
<td>LEI</td>
<td>0.330</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Word Count</td>
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</tr>
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<td></td>
<td>All</td>
<td>2.339*</td>
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</tr>
<tr>
<td>LEI</td>
<td>Expectations</td>
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<td></td>
<td>Word Count</td>
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</tr>
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<td></td>
<td>All</td>
<td>0.804</td>
<td>6</td>
</tr>
<tr>
<td>Word Count</td>
<td>Expectations</td>
<td>3.238*</td>
<td>3</td>
</tr>
<tr>
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<td>LEI</td>
<td>7.425*</td>
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</tr>
<tr>
<td></td>
<td>All</td>
<td>4.167*</td>
<td>6</td>
</tr>
</tbody>
</table>

Reports F statistics and degrees of freedom for pairwise Wald tests for each of three VARs. Monthly observations run from December 2007 to December 2010. * indicates p < .1, two-tailed test.

The results of the Granger causality tests of the U.S. system for each of the three media coverage variables are presented in Table 1. Looking at the first block for each of the three media measures, the hypothesis that the coefficients on the three lags of the endogenous variables on economic expectations are jointly zero is rejected. In other words, the test statistics show that the expectations of the U.S. economy, while unaffected by either LEI or

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4 We only provide the Granger causality tests here. The three lag VAR models that the Granger causality tests are based on are available in an online appendix.
media coverage independently, is jointly affected by them. To elaborate, and while there is only preliminary evidence of this intriguing finding here, expectations in the U.S. are somewhat responsive to this combination of forces, though either force alone is ineffectual. That change in public opinion takes more than media coverage and more than real economic change alone – that is, a combination of both – suggests a powerful role for the media in validating the public’s perceptions of economic change.

The LEI is unmoved by media coverage or economic expectations, independently or jointly. As we noted above, it plays a role in moving public expectations, but it also affects media coverage, as we discuss below. Indeed it is the only variable in the U.S. models that appears exogenous. This finding should not be completely unexpected, as the LEI is comprised of various economic indicators that are unlikely to follow public opinion or media coverage, like goods reports and the unemployment rate.

Contrarily, the U.S. media appears to be very responsive to both economic perceptions as well as the LEI. Across all of the media measures we see that expectations and LEI work jointly to drive media coverage. The LEI also demonstrates independent effects on all three media coverage measures. In addition, in all cases but the valence model, we see expectations working independently on media coverage as well. Thus, perhaps more than anything else, these models suggest the U.S. media is highly attuned to both subjective expectations and more objective indicators of the state of the economy.

Moreover, looking across the blocks of coefficients we note a feedback loop in the U.S., in so far as we have seen that expectations affect media coverage and media coverage (at least when combined with changes in LEI) affects expectations. In the context of a recession when both sentiment and coverage are likely to be negative, this provides mixed support for the media malady hypothesis. Though the media is unable to drive the LEI in this period, we find that it does work with it to affect public expectations.

It is important to note that the results in the U.S. models are generally consistent across the different media coverage measures, which simplifies the interpretation of the relationships among media coverage (however measured), expectations and LEI. That is, the results from the media word counts and valence measures largely bolster the front page results. Other than the insignificant effect of expectations on valence – the pattern of dynamic relationships evident in the front page model are virtually the same as the other media coverage measures.
Figure 3. Orthogonalized Impulse Response Functions for U.S. Front Page VAR

Figure 3 unpacks the results from the VAR model with front page media coverage in terms of impulse response functions. As evident from the diagonal of the graph, the economic evaluation, economic indicator and front page coverage all exhibit strong inertia. Each of these variables’ current values is responsive to their own previous values. We also see that most of the impulses die out quickly, meaning that even the significant shocks to the system do not last much longer than a month or two for most variables. The exception appears to be the effect of economic indicators on front page coverage, wherein an impulse in the former is felt in the latter in both the first and third lags.

Table 2 shows the results of the VAR Granger causality tests for the same model specifications as above but this time for the case of China. We find that the economic expectations respond to media coverage – both front page and word count measures – and the LEI. Contrary to the U.S. case, these relationships are significant both independently and jointly. However, Figure 4, which graphs the related impulse response functions, shows that the response to the front page or to the LEI, independently, is not large, pales in comparison to its own inertia, and appears to have a larger effect at higher lags. Despite the significance then, the expectation results may not be that different from those of the U.S. case, such that
the bulk of the effect appears to come from a combination of both the LEI and the media. Regardless, the IRF suggests a very short-term effect for each of the variables independent effects on expectation.

\[\text{Table 2}\]

Granger Causality Tests of China VARs

<table>
<thead>
<tr>
<th>Equation</th>
<th>Block of Coefficients</th>
<th>(F)</th>
<th>DF</th>
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</thead>
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<td></td>
<td>All</td>
<td>3.989*</td>
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<td>LEI</td>
<td>Expectations</td>
<td>2.570*</td>
<td>3</td>
</tr>
<tr>
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<td>Front Page</td>
<td>1.598</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>All</td>
<td>1.688</td>
<td>6</td>
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<td>Front Page</td>
<td>Expectations</td>
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<td></td>
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<td>Word Count</td>
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<td></td>
<td>All</td>
<td>3.061*</td>
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<td>LEI</td>
<td>Expectations</td>
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<td></td>
<td>Word Count</td>
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<td>Valence</td>
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<td>2.141*</td>
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<td></td>
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<td>1.490</td>
<td>6</td>
</tr>
</tbody>
</table>

Reports \(F\) statistics and degrees of freedom for pairwise Wald tests for each of three VARs. Monthly observations run from December 2007 to December 2010. * indicates \(p < .1\), two-tailed test.

Most noticeably, the dynamics of the media coverage in China is unexplained by the rest of the factors in the model. Front page, word count and valence in the media are unmoved by changes in the leading economic indicators and economic expectations. Not even working jointly do these forces affect media coverage of the recession. The IRF's in the second column of Figure 4 drive home this point. Only previous lags of China’s front page media coverage have any sort of lasting effect on its front page coverage. In China we find media coverage to be independent of expectations and LEI.
The VAR models also show that the leading economic indicators respond (albeit somewhat irregularly) to expectations about the economy. We note a feedback loop in China, insofar as economic expectations respond to the leading economic indicators and the leading economic indicators respond to economic expectations – for both the front page and the word count models. Figure 4 suggests that the effects in both directions take a while to get going but then increase over time. The economic expectation causes a movement in the LEI to start immediately and become larger over the subsequent steps. Similarly, changes in the economic indicators begin to change economic evaluations quickly but the gain over time begins to diminish after the 4th step.

It is important to note here that while the impulse responses appear short, usually lasting less than a full step and rarely more than one or two, such is not the case. Because the data is monthly any noticeable response in the system is worthy of consideration. The substantive significance is that a change in one variable’s monthly value affects the monthly value of another variable. The month-long measures are especially interesting in terms of the media coverage, for which any effect is unlikely for a full month, given the typical weekly news cycles. The evidence of a movement here is thus especially impressive as it suggests a
relatively long effect – or alternatively, the media is slow to adjust its angle in covering the economy.

From a comparative perspective, which is our primary consideration here, we note some substantial differences between the U.S. and China. First and foremost, the U.S. media appears very responsive to both economic expectations and leading economic indicators. Furthermore, given that media coverage in combination with the LEI also affects expectations, there is some feedback in the system as well. The Chinese media, on the contrary, appears strongly insulated and independent. Thus, the media in China appears to act entirely different than the media in the U.S. Of course, the differed economic situations in which China and the U.S. were in could very well be the key contextual factor. For the Chinese media, only the threat of recession was on the horizon; yet for the American media, their entire country was mired in economic contraction. Regardless, the relationships examined here suggest strongly different dynamics at play across these countries in this period.

In addition, we have found that in the U.S. the LEI does not respond to changes in economic expectations or media. In fact, economic expectations and the leading economic indicators appear to be totally unrelated in the U.S., which is an unusual scenario that merits further investigation. However, in China economic expectations appear to Granger cause the LEI, and the LEI cause economic expectations as well. Thus in both the cases of the U.S. and China there is evidence of endogeneity in the system, though in utterly different manners. We speculate further on the cause and nature of these dynamics below.

**Discussion**

This study unveils the different patterns of economic coverage between China and the U.S. They differ in topic, focus, volume, as well as valence. While these two countries might have faced different economic situations and had different issues to cope with, the intricately intertwined global economy forced both to face the recession – either the threat or the reality. It is plausible that the varied press systems might have been attributed to the difference of coverage. This finding seems to lend support for the argument that economic news is far from scientific and comprehensive; it has something to do with numerous human factors – press system, editorial judgment and resources, and government policy toward the media. It is also interesting to note that the economic news in China did not follow the leading economic indicator or the public sentiment, suggesting that news coverage in China is still controlled and manipulated by the authorities to advance their interests and goals.

The U.S. media appear to do a better job in following the economic condition and reflecting the public sentiment. But, ironically, U.S. economic news
— together with the economic reality — also led to economic expectations; in other words, news coverage about the economy did affect the perception of it. Given this, U.S. media simply cannot shrug off the accusation of “media malady.” As Wu and his colleagues (2002) found in the last recession, media coverage can indeed affect people’s assessment, especially when the economy heads south. More research on this condition-linked media effect should be implemented. But the U.S. media would need to be more forward looking, internationally focused, and avoid sensational, micro-level centered reporting, which could be at fault.

The finding, unique to China, of the economic indicator being affected by the public expectation is similarly intriguing. This evidence supports Katona’s thesis about the impact of public sentiment on economic performance, at least in one economy in one period of time, lending support for behavioral economics. Adding the source that drives expectation — economic news — completes the picture, which makes one wonder if government-backed propaganda does stimulate economic growth. It is unlikely that the U.S. media would be thrilled to cave in to government pressure; but the lesson of it seemingly suggests that the government may need an effective communication strategy to boost its economic performance, particularly during contraction period. Perhaps it is an area that the U.S. government would need to work on to get the country out of the risk of double-dip recession. In fact, the repeated appearance of this exact phrase in the media may have some impact on Americans’ confidence.

While the results above are novel and suggest various avenues for future research, there are a number of potential shortcomings of this study that should be kept in mind. In particular, this study’s sample size is small for time-series analysis. Thus an increase in the number of years would be helpful in making more generalizable arguments. On a related note, as with any monthly data, the interval is not as sensitive to short term fluctuations as more frequent units of observation (e.g., week or day), which may suggest an underestimation of some of the relationships described above. Lastly, the study may suffer from a bias associated with print media; Internet-based and electronic media, for example, may be more powerful in facilitating economic communication than print media, an undoubtedly interesting question for future research that is beyond the scope of this chapter.

References


