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A Content analysis on the financial news reported on the October 19, 1987 stock market crash

Marcia Daszko
San Jose State University

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Daszko, Marcia J., M.S.

San Jose State University, 1989

U·M·I
300 N. Zeeb Rd.
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A CONTENT ANALYSIS ON THE FINANCIAL NEWS REPORTED
ON THE OCTOBER 19, 1987 STOCK MARKET CRASH

A Thesis

Presented to

The Faculty of the Department of Journalism
and Mass Communications
San Jose State University

In Partial Fulfillment
of the Requirements for the Degree
Master of Science

by

Marcia Daszko

May, 1989

APPROVED FOR THE DEPARTMENT OF JOURNALISM AND MASS COMMUNICATIONS

Dr. Serena W. Stanford

Dr. David L. Grey

Dr. Dennis E. Brown

APPROVED FOR THE UNIVERSITY

M. Lou Sawandowski

ABSTRACT

A CONTENT ANALYSIS ON THE FINANCIAL NEWS REPORTED ON THE OCTOBER 19, 1987 STOCK MARKET CRASH

by Marcia Daszko

This thesis addresses the topic of whether the press was responsible in its coverage of the 1987 stock market crash. It examines the content of the news of the crash and compares the reporting by the general business press and the key financial press. Because the financial press covers the specialized niche of business and economic reporting, responsible coverage demands its use of expert sources and interpretation of the facts.

Research on the tone of the stock market crash articles and the use of expert sources reveals that the key financial press reported with more balanced articles and used more expert sources. Its specialized news coverage was responsible and provided more depth and interpretation for its publics. The data analysis concludes that the relationship between the sources used and the tone of the articles is critical. Therefore, the general business press did a limited job in its coverage.

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CHAPTER I

BACKGROUND

On October 17, 1987, the Dow Jones industrials skidded a record 108.35 points, to 2246.74, while Big Board volume hit 338.5 million shares (The Wall Street Journal, October 19, 1987, p. 1). The one-day drop amounted to 4.6% of the Dow's total value; the Dow decline that week went to a record 235.48 points or 9.5% (San Jose Mercury News, October 17, 1987, p. 1).

One trader on the floor of the Pacific Stock Exchange commented, "I can't wait to see what will happen Monday." October 19, 1987 became known as Bloody Monday. The stock market crashed, and panic selling pushed the Dow Jones industrials down 508.00 points to 1738.74, a loss of 22.6%. The record decline far exceeded the drop on October 23, 1929, when the average slid 12.8% (The Wall Street Journal, October 20, 1987, p. 1).

Media coverage on the stock market escalated. More specifically, the business and financial press began in-depth coverage. But how much of the reporting was based on facts, how much was speculation or opinion, and how much was "analysis" or interpretation?

The media may have a great influence on how individuals and organizations in society react to an economic crisis. That is why they need to report responsibly. Some articles about the stock market crash were purely factual, emphasizing events and statistics; others presented background and opinion, speculated on the economy facing a recession or a depression, or said it was a long overdue adjustment of the stocks. While factual articles leave the readers to form their own conclusions, analytical or interpretative articles can offer much more context and perspective beyond pure factual reporting.

Providing these various types of reporting is important. Through facts, background, opinions, and interpretations, the media are informing the public about a crisis that may directly or indirectly affect them. The public may then make decisions based on that information. Therefore, balanced coverage--articles reporting both the positive and negative views on a controversial issue over time when informed sources are used to define and interpret what happened--reflects an objective and responsible press, according to social responsibility theory.

By determining the tone of the stories (positive, neutral, or negative), and the sources (such as academics,

financial experts, government officials) used by the media, the research reported here analyzed the news coverage by the financial press reporting the 1987 stock market crash. The financial press has steadily and progressively carved out a significant niche in readership over the decades. However, it is vital that this specialized press also report responsibly--through balanced coverage and informed sources. Testing the reporting of the 1987 stock market crash is an ideal opportunity to assess the responsible reporting of this specialized news coverage.

This study analyzed the content of the key general business press and the key financial media. The two print selections in the general business press chosen are The New York Times and Time. The two key print selections in the business and financial press chosen are The Wall Street Journal and Business Week. These publications were chosen because of their credibility and very high readership (circulation more than 1,000,000 each). A comparison of general business coverage and the specialized financial press permitted informed conclusions about the quality of coverage when a critical event such as the stock market crash created an urgent need for information by the public. Under this specific condition (the 1987 stock market crash),

this research addressed the question, "Did the press
report responsibly?"

CHAPTER II

REVIEW OF LITERATURE AND HYPOTHESES

This review highlights mass communication theory as it is relevant to the role and functions of the news media and the content of the news. It specifically examines the literature that addresses the press and the "social responsibility" theory, media sociology, and the content and nature of the news. This review also focuses on how all of these are linked. In addition, the literature describing the financial press and its responsibilities to its publics is addressed.

Mass Communication Theory and Media Sociology

DeFleur (1970) observed that social scientists have paid relatively little attention to the patterns of growth of the media in terms of their broader implications for the study of social change. While Tunstall (1970) confirms that the media have an unusually broad mixture of goals and that the media are saturated with social values of every conceivable kind, Sandman, Rubin, & Sachsman (1972) describe the four basic functions of the mass media as to entertain, to inform, to influence, and to make money.

In this research, the media's responsibility to inform and the power of its influence on society was critically analyzed by its use of sources and the direction of the articles. Winston (1973) asserts that mass communications' systems are studied because they are all-pervasive and the crucial clue to understanding our society. He defines mass communications as "those technological systems invented over the course of the last century to distribute a message from a single source to millions of receivers . . . but there has been no general agreement on how best to approach the study of how the media has evolved, how they presently function, and what their effect on society has been" (p. 12).

According to McQuail (1976), major functions of the press are to increase integration and consensus in a society, to bridge social gaps, and maintain continuity over time. In addition, the press enables change to occur in an orderly way. The press interprets events which cause change and occasionally proposes directions or models that ought to be followed. The relationship of the press to social change depends a good deal on political and economic circumstances and on the nature of social theory or press ideology in force.

The event of the stock market crash of 1987 presented a potentially severe economic change that would have a direct effect on society. It was imperative for the press to report and interpret the crash in an orderly way. The press holds a social obligation to responsibly explain the content of the news. Blumler (1978) credits Professor James Halloran's statement when he expressed, "To understand the part played by the media in our society, we must study the whole communication process within those appropriate (economic, legal, technological) contexts ... the mass media function essentially as agencies of social legitimation--as forces, that is, which reaffirm those ultimate value standards and beliefs which in turn uphold the social and political status quo" (p. 222). The content of the news is influenced by internal and external pressures. Media sociology seeks to explain why the content of mass communications is as it is (Davison, Boylan, & Yu, 1982). Mayer (1987) contends that "the problem is context . . . the social function of the news is to give the world coherence" (p. 308).

Media organizations can and do define their own purposes, but often purpose is given outside the public or community which the media were ostensibly supposed to serve. In this study, we find that a responsible press

is expected to serve society and report with interpretation the stock market crash of 1987.

Social Responsibility Theory

"The social responsibility theory of the press was first enunciated in a coherent fashion by the Hutchins Commission and laid down a new agenda for the press: the press ought to provide a truthful, comprehensive, and intelligent account of the day's events in a context that gives them meaning . . . the press must serve as a forum for the exchange of comment and criticism . . . the press has an obligation to project a representative picture of the constituent groups in society . . . the press ought to provide full access to the day's intelligence" (Schmuhl, 1984, p. 41). The Hutchins Commission became known as the Commission on Freedom of the Press and was established to analyze the nature of the news.

After the Commission on Freedom of the Press (1947) called for adequate news presentation, the news process took on a modified definition: the gathering of facts about an event; the encoding of this information for transmission; the entrusting of the news to ink; and, the reception of the news by the public (Brown, 1957). McQuail (1976) argues that the central issue of social responsibility is the appropriate relationship between a

press institution and the rest of society: the press should be primarily related to society through its readers and clients; in responding freely to their aggregate demands the press will necessarily perform an effective role in society.

Social responsibility theory obliges the press to serve society and to present a true and balanced report of all noteworthy aspects of our environment (Rivers, Christians, & Schramm, 1980). Its major premise is that it is an improved version of free press theory; the shift is away from an exclusive emphasis on the right to free expression toward acknowledging a series of rights which the public as readers or as a society might have (McQuail, 1987; Siebert, 1956). Social responsibility theory in this study therefore demands that the press serve society by presenting a balanced report of the 1987 stock market crash and by reporting the facts with meaning.

The Content and Nature of the News

So what becomes news in the context of social responsibility theory? Walter Lippmann's (1922) classic approach to defining the nature of news is to focus on the newsgathering process, which he sees as a calculated search for an event. A more complete analysis of news by sociologist Robert Park (1940), himself formerly a

journalist, treated news as a distinctive form of knowledge with these main characteristics: it is about discrete events; it is unsystematic; it is concerned with the present; it is perishable; its function is to direct attention; it is dependent on news values; it is predictable because the events that have made news in the past are actually the expected things. Breed (1956) lists the following descriptive terms applicable to news: saleable, superficial, simple, objective, action-oriented, interesting, stylized, and prudent.

Several studies of the flow of news from an event through various stages of its processing and dissemination have shed some light on the question of news values and the criteria which are applied in selection (Breed, 1955, 1958; Cutlip, 1954; Gieber 1960; White, 1950). Ostgaard (1965) discusses several factors which play a part of news content as it is processed: simplification, identification, sensationalism, conflict, discontinuity, and misleading information.

MacDougall and Reid (1987) say the newsgatherer does not ponder what the use or effect of his information will be or how many gatekeepers will handle it; his or her sole duty is to concentrate on discovering as much of the truth about a matter as is possible in the time available. While the newsgatherer

may not ponder the effects of the information he is gathering, McQuail (1987) does believe that the content of the news will have some "cultural meaning." He explains,

'cultural meaning' certainly offers a way of describing content: it can shed light on those who produce and transmit a set of messages; it is potentially as useful as conventional content analysis in predicting or explaining effects; it has a special application in certain kinds of evaluative research, especially that which is directed at uncovering the latent ideology and 'bias' of media content . . . the stability of news content is often quite remarkable to those who argue that the content of the news is very much determined by a variety of external, political, ideological, and cultural constraints and by internal organizational and technical requirements (p. 207).

The stock market crash of 1987 was extensively reported because not only was it an important event with the facts readily available, but it became relevant because it was compared to the stock market crash of 1929. McQuail (1987) expounds on the 1965 work of Galtung and Ruge that defined the three main factors influencing the selection of news as organizational factors. "News media prefer 'big' events, events which are clear and unambiguous, events which occur in a time scale which fits the normal production schedule, events which are easiest to pick up and report and which are easily recognizable and of accepted relevance (cultural

proximity) . . . among genre-related factors are a bias towards what is unexpected and novel within the limits of what is familiar; a wish to continue with events already established as newsworthy; a wish for balance among types of news events . . . this framework tells a certain amount about the kind of event that will tend to be reported ... thus it is predictive of a pattern of one general kind of news 'bias'" (p. 207).

McQuail (1987) further explains that "the characterization of news does not place great emphasis on objectivity and its correlates, truth and accuracy . . . there must be strong elements of subjectivity . . . journalists do not usually claim to tell in the news what is objectively most important, significant or relevant for their audiences since, in the dominant western liberal tradition, there are no criteria for objectivity in this sense" (p. 208).

The social responsibility theory of the press, by contrast, demands that the content of the news be balanced and objective. Therefore, the press should have been responsible to its audiences to report the 1987 stock market crash with balanced and objective coverage. The media's ability to report responsibly was analyzed by reviewing both the tone of the articles and the sources used in the research reported here.

Objectivity

There has been much debate about objectivity and the content of the news and whether objectivity even exists. The questions then arise: "Is the news distorted and biased?" and "Is an objective press possible and necessary?" Lippmann (1922) said of news that it was not a mirror of social conditions, but the report of an aspect that has obtruded itself.

While factualness is an important aspect of objectivity, Jolliffe (1956) points out that objectivity cannot be equated with giving the bare/bald facts, since all facts require or imply an interpretation. He suggests that there can be relatively objective or subjective ways of linking facts with interpretation.

The theory of objectivity--in the sense of impartial and unbiased presentation of the news--has been held to be one of the glories of American journalism (Brown, 1957). But increasingly in recent years, it has been subjected to scrutiny. Objectivity has been blamed for the superficiality of much news reporting. A Gerbner (1964) study concluded, "all news is views" (p. 501).

The limits of objectivity should be acknowledged. It is clear enough that objectivity has several components; one is the notion of accuracy. A study by

Berry (1967) found that the main problems of accuracy turned out to concern differences in interpretation of events between reporters and those reported on, and showed up as misquotations and omissions. Apart from factualness and accuracy the idea of balance or fairness is a common requirement of objective reporting (Kerrick, 1964). Scanlan (1972) points to the need for reporters to concentrate on getting the significance of an event right.

The practice of selecting events according to unformulated criteria of relevance and interest to readers has been shown to have a potential for bias since the criteria tend to put an emphasis on action, personality, and conflict (Fathi, 1973; Ward, 1967). The application of such values to the advanced definition of an event and the planning of its coverage has been shown by Halloran, Elliott, & Murdock (1970) to distort the eventual report.

Some studies imply that higher standards of objectivity are attainable and this aim justifies attention to the question, either for reasons of public good or for the improvement of journalism (Benet, 1970; Roshco, 1975). Hess (1976), in a search for the qualities which should be attributed to a good newspaper, found "accuracy" and "fairness" as the most

frequently mentioned.

Objectivity enables the practices of news story selection, treatment, context, and display to become a largely implicit foundation for the interpretation of public events (Chaney, 1972; Gerbner, 1969). On the other hand, Schiller (1981) believes that objectivity undergirds the basic cultural role that the news media take as theirs, that of natural or unbiased reporting of what often seems to be naturally occurring events. Objectivity facilitates the otherwise difficult belief that the newspaper "mirrors" or "reflects" reality.

Similar to Roshco (1975), McDonald (1978) says that how the institution uses its reporters, the working conditions it has set up for them, the news policies it has established, the extent to which the commercial and profit issues influence its communication performance all determine whether the journalism produced will be objective.

While the literature on objectivity shows skepticism about any attainment of absolute objectivity, it does indicate some rather important steps that can be taken to improve the value of news as information and combat some of the pressures to distort. According to Burge (1979), it is necessary for journalists to be diligent in pursuing objectivity, accuracy, balance, and

completeness in reporting, even in the single article. Therefore, an objective press must report the facts in balance, accurately and completely. A responsible press pursues objectivity in reporting the facts. One step further, however, is the need for a responsible press to interpret those facts. The stock market crash of 1987 called for the press to not only report the facts, but to interpret them.

Interpretation

When the Commission on Freedom of the Press (1947) asked for a "truthful, comprehensive and intelligent account of the day's events in a context which gives them meaning" (p. 28), it understood that interpretation is not incompatible with objectivity. Interpretation requires reporting and research to uncover the facts. Time is needed to study the information to decide what is important, and conclusions must be the product of logical thinking.

Before the 1930s, the press focused on reporting the facts. The average reporter usually wrote straight news stories by formula. Explaining why the event had occurred and what should be done about it was the task of columnists and editorial writers. A few reporters had license to interpret news and to explain complex events.

In the 1930s, the press modified its role to serve the public. It was the coming of the New Deal in 1933 and its complexity that motivated reporters to interpret (Rivers & Schramm, 1969). In 1933, the American Society of Newspaper Editors passed a resolution at its annual convention that urged editors to devote a larger amount of attention and space to explanatory and interpretative news and to presenting a background of information (Roshco, 1975). The increasing complexity of public affairs inspired the shift to explanatory or interpretative journalism (Atkins, 1987). New approaches in news writing matured in the 1930s, and in the 1980s it is common to deliver a full-dimensional story, one that presents the facts as well as enough additional interpretation to assure understanding. Therefore, with the stock market crash of 1987, the press needed to report this complex event so that their audiences understood it.

For decades, the most widely understood standard of truth and fairness in journalism was that news reports must be clearly separated from commentary; today, however, there is widespread confusion about the role of news and the role of opinion in all the media. The problem is to define the role of interpretative reporting. The structure of interpretative reporting is

developing. Some call it "depth-reporting" or "backgrounding"; others, subjective (Rivers & Schramm, 1969).

Interpretive reporting and the definition of news are related to each other. Interpretation has earned a secure place as an accepted member of the journalistic family. Few editors deny the need for reporting that goes beyond the immediate event, adding meaning to complex news situations. "Journalistic excellence in the 1980s combines devotion to the factuality of objective reporting and recognition of the need for interpretation. It rejects the ritualistic model of journalistic objectivity that grew with the rise of scientific method . . . rejection of the pure objective model, however, does not mean approval of subjective reporting . . . the happy marriage of objectivity and interpretation demands factual observation along with a balanced presentation of pertinent background and contextual information" (Hage, Dennis, Ismach, & Hartgen, 1983, p. 14).

In general, interpretative reporting has been widely accepted, but there are continuing concerns about its distinction from opinion. Sandman et al. (1972) assert that newspapers are profitable little monopolies, moving toward interpretative news. And, not every one

is confident in a responsible press interpreting the news. Merrill & Lowenstein (1979) argue that "there is a trend toward 'many voice' advocacy journalism spurred on by the existential spirit nurtured largely in our high schools and universities . . . unless a large scale reaction sets in against press freedom and advocacy journalism . . . the traditional objective journalism will give way to clash-of-opinion journalism" (p. 213). Burge (1979) agrees that journalists often feel obligated to interpret news events in order to provide understanding where the facts do not seem to speak for themselves. Thus, the thin line between interpretative journalism and advocacy journalism is often crossed.

MacDougall & Reid (1987) feel that the content of American newspapers is changing dramatically. Journalists are trying, to the extent that time and their capacities allow, to make their interpretation of the news intelligent. Says New York Times editor Lester Markel, "There is a vast difference between interpretation and opinion. Interpretation is an objective judgment based on background knowledge of a situation. Editorial judgment is a subjective judgment. Opinion should be confined to the editorial page; interpretation is an essential part of the news" (1987, p. 187).

"To interpret the news, it is necessary to understand it . . . which involves recognizing the particular event as one of a series with both a cause and effect . . . to depict the trends and currents of the present . . . and be aware that an item of news is not an isolated incident but one inevitably linked to a chain of important events" (MacDougall & Reid, 1987, p. 17).

The public, no doubt, needs interpretation about an event, but it must be informed interpretation. In the case of the stock market crash, the financial media was reporting on a specialized event that required specialized news coverage. Therefore, the media's use of credible sources is key to the intelligent interpretation of an event and to responsible reporting.

Business and Economic Reporting

Specialized news coverage is growing in America. For example, mass media pay an impressive amount of attention to the world of business and finance. Why? Business news has a long tradition in the mass media; the audience for business news is very dedicated; media owners are businessmen; and business news is cheap and easy to gather. However, good business reporting is extremely difficult. Few subjects are as complex and hard to understand. (Kohlmeier, Anderson, & Udell, 1981;

Sandman et al., 1972).

How shall a logical, workable, and productive concept for reporting business and economic news be applied by newspapers and their reporting staffs? The job is to get facts and information, make sure that they are right, and produce a fair, understandable, and readable report. There are many ways in which news can be placed into context and perspective without slant or distortion. In business and economic journalism, it is also necessary for the writer to explain the meanings of terms that may be unfamiliar (Aronoff, 1979; Kohlmeier et al., 1981). For example, in the case of the 1987 stock market crash, the function of the media was to provide the facts and background of the crash and give it meaning. Through the use of expert sources, the media needed to substantiate its reporting because it might influence the public.

Responsible business and economic reporting requires considerable expertise, energetic digging, and a sensitive interpretative touch. For example, financial reporters have the responsibility to seek reasons for important stock fluctuations. Stocks have been traded, and their fluctuations keenly observed, for more than 200 years. A 1983 New York Stock Exchange survey showed that about 42 million Americans owned

individual stocks or stock mutual funds in U.S. corporations (MacDougall & Reid, 1987). According to Kohlmeier et al. (1981), stock market price trends are of public interest because they represent a composite judgment of millions of people concerning the fortunes not only of corporations but of the economy as a whole. A rising or bullish market is said to indicate optimism and a falling or bearish market reflects economic pessimism.

These authors also presented a case study that was hypothetical at the time, but turned out to be a real event, the stock market crash of 1987. In their presentation, they assumed that the journalists were aware that the readers would have some recollection of the 1929 stock market crash and would wonder if 1987 would be a repeat. Therefore, the journalists would have to consider the effects a panic resulting from that recollection could have on the financial situation nationally, and therefore be cautious in interpreting what happened on Wall Street. It would be imperative for the journalists to qualify the sources they would use in their reporting. Responsible interpretation of the stock market crash of 1987 is a prime example of why there is a unique requirement for the use of well-informed sources in business reporting.

Sources

According to Gans (1979), the media's function to inform is no easy task at times; therefore, it is critical that it pursues the use of credible sources and reports objectively. A journalist's work to report the facts objectively and to provide some interpretation many times requires the use of informed sources. McQuail (1976) found that most accounts of the journalists' work make it clear that sources and personal contacts are very important.

Epstein (1978) asserts that "journalists generally lack the technical competence to evaluate evidence with any authority; they must also rely on reports of authoritative institutions for their facts . . . the important question is not whether journalists are deviously manipulated by their sources, but whether they can exert any real control over disclosures wrenched from contexts to which they do not have access or with which they are unfamiliar" (p. 166). As Kohlmeier et al. (1981) add, there are at least two sides to every story. Secondary sources are important for verification and for balance.

The journalist strives to report the news responsibly through his use of sources. As McQuail (1987) describes, "The balance and equality lies only at the

point of contact between receiver and media content

. . . the media do tend to serve as coordinator and common point of reference for the various pieces of separate experience and specialist knowledge . . . they provide a massive supplement of vicarious experience and interpretation" (p. 57).

Interpretation requires that the facts be presented in some context and be supported with background information. In order to present a complete and balanced report, journalists must dig beyond the facts and use various sources to bring credibility to the story. As MacDougall & Reid (1987) state, a newspaper's reputation for credibility is the best guarantee a reader has of the reliability of the news.

Nevertheless, the most authoritative publications are the most careful to attribute every important fact to some source. In highly specialized areas, such as business and financial reporting, the selection of appropriate sources is critical.

Summary

The literature has shown that the reporting practices of American media have evolved from a position of reporting the facts of an event to a position of reporting and interpreting those facts to meet the demands of social responsibility theory of the press.

To meet society's demands, specialized reporting, such as business and economic reporting, has developed. Reporting news demands that a responsible and objective press provide balanced coverage and the use of informed sources. Therefore, to answer the basic question in the analysis of the reporting of the stock market crash of 1987, "Did the press report responsibly?" the tone of the articles and the sources used by the press were examined.

The Research Questions

What was the tone of the financial reporting of the stock market crash on October 19, 1987? What sources did the financial press use to report the stock market crash?

Hypotheses

H1 There will be more neutral and positive articles than negative articles in the financial press, providing more balanced and responsible coverage, compared to the general press.

Social responsibility theory argues that a responsible and objective press must provide balanced coverage of a controversial issue. In the event of the stock market crash of 1987, there would be a significant number of neutral articles and positive articles

reported because the specialized press would use expert sources to intelligently interpret the news of the crash.

H2 There will be significantly more expert sources used in the financial press, providing more responsible reporting than in the general press.

Using a source(s) for facts as well as interpretation is common and necessary, especially in specialized reporting (Epstein, 1978; Kohlmeier et al., 1981; McQuail, 1976, 1987). As McQuail (1987) states, the sources provide the media with "separate experience and specialist knowledge" (p. 57). The financial press should use expert sources more often, "The business reporter's writing differs from other journalistic writing because it imposes special demands for clarity. Even more than general assignment reporters, business and economic writers must use analogy, anecdote, personification to convey the essential reality of the subject they are covering" (Hage et al., 1983, pp. 268-269). The financial press has the luxury of focusing on its expert sources for reporting the business and economic news in-depth while the reporters in the general press are working under tighter source, time, and space restrictions.

Based on the literature review, a responsible press reporting the stock market crash of 1987 must inform with facts, background, and the use of credible sources to substantiate its reporting. The specialized business press has developed its sources, and hence, the direction of its reporting would be more positive. If the hypotheses in this research are supported, it can be concluded that the business press acted responsibly in its pursuit to report and interpret the facts by providing articles with a neutral or positive tone and by using expert sources. Because the reasons for and the results of the crash were controversial, it was necessary for the media to provide balanced coverage, both the positive and negative views of what happened. However, the public also wanted to know if the crash would lead to a depression or if it was an adjustment of the stock market. To further interpret the stock market crash and meet society's need for information, the responsible financial press would report, with the use of well-informed sources, the news with the positive tone.

CHAPTER III

METHODOLOGY

The purpose of this study was to analyze the content of the news coverage of the stock market crash in 1987 by the financial press. Content analysis is a research technique for the objective, systematic, and quantitative description of the manifest content of communication (Berelson, 1952). It allows for a quantitative expression of financial press performance.

The print media used in this study were The Wall Street Journal (Western Edition), Time, The New York Times, and Business Week. These media were chosen because they reflect the most credible representatives from the general and financial press, each with a circulation of more than 1,000,000. A composite two-week sample from the time period October 19, 1987 through December 31, 1987 was taken from the newspapers. The random sample included October 20, 21, 22, 23, 26, 27, November 4 and 18, December 7 and 23. Half of the 10 magazine issues were randomly selected; they were November 2, 9, 16, 23, and December 21. These dates were chosen because the Dow Jones industrials fell 508 points on October 19, and the media actively covered it

for the next few months. Coverage still continues, but to a much lesser degree. All articles and editorials relating the stock market crash in these selected publications were analyzed.

Unit of Analysis

The unit of analysis for Hypothesis 1 was the article. Each article was read and, based on the operational definitions that follow, was categorized by its tone. The unit of analysis for Hypothesis 2 was the source.

Operational Definitions

Terms used in this study and not specifically defined in this section can be generically defined. Tone and sources were coded using the following operational definitions:

1. Tone: the direction of an article's content.

a). Positive Direction: a favorable presentation, those articles that report an optimistic outlook on the state of the economy and its future, a bull market, an adjustment of the stock market.

b). Negative Direction: an unfavorable presentation, those articles that report a pessimistic outlook on the state of the economy and its future, a bear market, "doom and gloom," possible recession and depression.

c). Neutral Direction: presentations involving

neither favorable nor unfavorable aspects, those articles that present facts with no commentary or present neither positive nor negative directions, those articles that addressed both the positive and negative directions and provided a balanced report.

2. Sources: status/credibility of sources cited in each article.

a). Expert Sources: those people who have a particular economic expertise or position, academic or organization affiliation or government committee membership (e.g., officials from the New York Stock Exchange, stock market analysts, economists, business and economy professors, corporate CEOs).

b). Other Sources: those people who have a particular interest in the stock market (e.g., businessmen, brokers, or finance managers or those people who are asked for their opinions "on the street").

Intercoder Reliability

Because of the subjectivity that is bound to enter any study, and particularly one that is studying latent content, two coders (researcher and one assistant) were used. The rating scheme was tested between the two coders, using articles from January, 1988, which are not a part of this study. Intercoder reliability of .80 was

determined by computing the percentage of the number of articles agreed on, for both tone and classification of sources, (4) divided by the total number of articles read (5).

CHAPTER IV

RESULTS

This study has analyzed and compared the content of the general business press and the financial press in both newspapers and magazines. The study investigated the reporting of the stock market crash of 1987 by comparing the tone and sources used between The Wall Street Journal and The New York Times; Time and Business Week were also compared.

From all four publications, a total of 429 articles were read and coded as being positive, neutral or negative in tone: 84 were positive, 303 were neutral, and 42 were negative. Table 1 shows that 82% of the stock market crash articles in The Wall Street Journal were neutral; 73% were neutral in The New York Times. The Wall Street Journal reported 16% of the articles in a positive direction and only 2% in a negative direction. However, The New York Times reported 14% as positive and 13% as negative. In summary, 98% of The Wall Street Journal's articles were in a neutral or positive direction while 87% of The New York Times articles were. ($\chi^2(2, n=344)=17.47, p<.05$).

Table 2 shows that Business Week printed 45% of its stock market crash articles in the neutral tone, as well

as 45% in the positive direction. In total, 90% of its articles were neutral or positive. Time reported 30% of its articles in the neutral tone, and only 18% in the positive direction, for a total of 48%. Half (52%) of its articles were in the negative direction.

($\chi^2(2, n=85)=17.14, p<.05$).

This study also found 1,735 sources in the coverage of the stock market crash: 73 sources were from the academic community, 176 were in government, 1,146 were financial experts, and 340 were classified as "others." (The "others" category was very large because many articles covered reactions from "people on the street." As many as 10 to 15 non-experts would be quoted in one article about their reaction to the stock market crash).

The analysis did not show a significant difference in the use of expert sources between The Wall Street Journal and The New York Times ($\chi^2(3, n=1366)=6.32, n.s.$). Table 3 shows that 84% of the sources used in The Wall Street Journal were expert sources; in The New York Times, 79% of its sources were expert sources. There was a significant difference in the number of expert sources used between Business Week and Time ($\chi^2(3, n=369)=11.55, p<.01$). Table 4 shows that 78% of the sources used in Business Week were expert sources while Time used 70% expert sources.

Table 1

Tone of Stock Market Crash Newspaper Articles

	Positive	Neutral	Negative	Total Articles
<u>The Wall Street Journal</u>	16%	82%	2%	194
<u>The New York Times</u>	14%	73%	13%	150
Total	15%	78%	6%	344

$$\chi^2(2, n=344)=17.47, p<.05$$

Table 2

Tone of Stock Market Crash Magazine Articles

	Positive	Neutral	Negative	Total Articles
<u>Business Week</u>	45%	45%	10%	58
<u>Time</u>	18%	30%	52%	27
Total	36%	40%	24%	85

$$\chi^2(2, n=85)=17.14, p<.05$$

Table 3

Sources Used for Stock Market Crash Newspaper Articles

	Academics	Government	Financial	Other	Total Sources
<u>The Wall Street Journal</u>	3%	9%	72%	16%	893
<u>The New York Times</u>	4%	7%	68%	21%	473
Total	3%	9%	70%	18%	1366

 $\chi^2(3, n=1366)=6.32, n.s.$

Table 4

Sources Used for Stock Market Crash Magazine Articles

	Academics	Government	Financial	Other	Total Sources
<u>Business Week</u>	8%	12%	58%	22%	190
<u>Time</u>	6%	21%	43%	30%	179
Total	7%	17%	51%	25%	369

$$\chi^2(3, n=369)=11.55, p<.01$$

CHAPTER V

SUMMARY AND CONCLUSIONS

The purpose of this study was to determine if the press was responsible in its coverage of the 1987 stock market crash. The financial press covers the specialized niche of business and economic news. As discussed in the literature review, there is a trend in journalism for interpretative reporting. For the financial press to report the stock market crash responsibly meant it had to report the facts and background--and report them objectively. Responsible coverage also demanded that they use informed sources and interpret the facts.

The first hypothesis of this study was supported. In both comparisons (The Wall Street Journal v. The New York Times, and Business Week v. Time), the financial press had more articles devoted to the positive or neutral direction over the negative direction.

The tone of the stock market crash articles in newspapers also supported the hypothesis that there would be more positive and neutral directions in the financial press than in the general press. The Wall Street Journal reported 82% of its articles as neutral,

and 16% positive, for a total of 98%. Only 2% of its articles were negative. In The New York Times, 73% were neutral, 14% were positive, for a total of 87%. However, 13% of its articles were negative. Therefore, The Wall Street Journal was less negative in its reporting than The New York Times.

The findings show that the positive (45%) and neutral (45%) directions of the articles in Business Week made up 90%, while Time reported 48% with a positive (18%) direction and neutral (30%) direction. Business Week had 10% of its articles in the negative direction; Time had 52% of its articles in a negative direction.

The direction of the articles of the two magazines studied was more diverse. With 52% of its articles being negative, Time was much more pessimistic about the stock market crash. The majority of its articles did not provide balanced coverage or a realistic outlook on the crash. In this case, the general press did not interpret the facts and present complete and responsible reporting.

A responsible press reports with facts and background. In addition, it must use credible, informed sources to substantiate its reporting. This study's second hypothesis was not supported in one comparison

(The Wall Street Journal v. The New York Times) and was supported in the other (Business Week v. Time).

The Wall Street Journal (84%) did not use significantly more expert sources than The New York Times (79%). However, The New York Times used more "other" sources (21%) than The Wall Street Journal (16%). Further analysis of the sources that The New York Times used in its negative articles found that while more than half (56%) of its sources were financial, one-third (29%) of its sources were "others." Both newspapers were quite responsible in using sources. However, based on the critical relationship between sources and the direction of the stock market crash articles, we might assume that if The New York Times had used fewer "other" sources, the direction of its articles would not have been as negative.

Business Week used significantly more expert sources (78%) than Time (70%). The difference lies in the distribution of the experts. Time used more government sources (21%) in its reporting, while Business Week used financial experts (58%). A further analysis revealed that when government sources were used more than financial sources, the articles had a negative tone. Time also relied on "other" sources (30%) more than Business Week (22%). Therefore, the major use of

"other" sources (non-experts) and heavy reliance on government sources as experts led to reporting the stock market crash with a negative tone.

Further analysis of the negative articles in Time found that "others" (43%) were the most frequently used sources. Expert government (24%) and financial (25%) sources were equally used. Therefore, Time did not use a significant number of credible sources to responsibly report the stock market crash.

We can conclude from the data analysis that the relationship between the sources used and the tone of the articles reporting the stock market crash is critical. The use of non-expert sources generally led to negative articles. Also, the use of government sources led to reporting the crash in a more negative tone than when financial sources were used.

The overall findings of this study show that the specialized financial press provided more in-depth reporting than the general business press. These conclusions should direct a reader to a specialized publication that has more focus and resources to interpret the facts and background and uses informed sources. For general news, the general business press does perhaps an acceptable, but more limited job. The conclusions drawn in this study are based on the

limitations of its operational definitions.

Implications for Future Research

While analyzing the content of the four publications mentioned above, the observation was made that although the headline of an article was negative or pessimistic, the tone of the article itself was neutral or even positive: To determine whether a sensational headline intrigued someone to read an article would be a topic for further research.

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