

Media Slant in Economic News: A Factor 20

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Abstract

We reviewed all articles reporting on job creation and job destruction by companies in Germany between December 2000 and September 2008 in one of the leading German newspapers, using experiments to test our selection criteria. There is a large difference in coverage of job creation and job shedding. Despite the fact that the economic situation in Germany improved over the period, more than ten times as many articles report on negative employment news compared to positive news. On a per-job basis, the slant to downsizing even amounts to a factor greater than 20. Additional tests indicate that these effects are similar in other leading German newspapers.

Keywords: Media economics, rational ignorance, negative news coverage

JEL Codes: L82, D83

1. Introduction

An often heard complaint is that mass media reporting is slanted towards “bad news” and that this contributes towards biased public perceptions. Biased perceptions on the economy may influence investor decisions, company strategies, stock market behavior, employment choices, investment in education, and voting (Abo-Zaid, 2014). Perceptions on the economy are a prime factor in voting behavior in elections, probably best reflected in Bill Clinton’s 1992 election “war room” slogan: “It’s the economy, stupid!”. On the other hand, bad news may serve as a signal to inform risk-averse people, entrepreneurs, or politicians about potential dangers and negative effects on their welfare (McCluskey et al, forthcoming).

Despite these well-known claims, there is surprisingly little empirical evidence whether such slant exists in economic reporting and, if so, how large it is. We use an elaborate and carefully constructed dataset on economic reporting, including more than 7,700 newspaper articles appearing in a time span of almost eight years. Our dataset is an extended version of the dataset used by Friebel and Heinz (2014) who analyze economic xenophobia by comparing media reporting on downsizing of domestic and foreign firms.¹ We use lab experiments to check and test the robustness of our selection of words and concepts to identify good or bad news. We find that more than ten times as many articles report on downsizing compared to upsizing in one leading German newspaper. On a per-job basis, the slant increases to a factor greater than 20. Additional tests indicate that these effects are similar in other leading German newspapers.

The paper most closely related to ours is Harrington (1989) who shows that US television networks gave greater coverage to unemployment, inflation or growth when the statistics were worsening than when they were improving. He assumes that reporting is either positive or negative while in reality positive and negative reporting and events may occur

¹ We have extended the dataset by analyzing the coverage on upsizing in *all* leading German quality newspapers.

simultaneously. In our study some firms shed jobs and others create jobs at the same time. Thus, our study provides arguably a much more accurate measure of media slant in economics news.²

2. Data

Using the data base *Nexis*, we identified all articles reporting on up- and downsizing from companies between December 2000 and September 2008 in *Die Welt*, one of the leading German newspapers. We only record articles that mention the creation (shedding) of jobs by a firm in Germany. Articles reporting about upsizing (downsizing) in general or in whole sectors are not recorded.

We utilize the following approach to identify all articles reporting about downsizing. Firstly, we read thousands of newspaper articles in order to identify German synonyms for the term “downsizing”. There are some words that are direct synonyms for the word downsizing. However, there are many other terms that without the right context would not be immediately identifiable as a synonym for downsizing (e.g. the word “Restrukturierung” (restructuring) can be used for financial restructuring but also for reporting about job destruction).

Secondly, we conducted two laboratory experiments with twenty participants to ensure that we had not missed synonyms and to verify our understanding of terms related to downsizing.³ In the first experiment, participants were asked to create an own list of German synonyms of downsizing. In the second one, participants were confronted with 40 words. 8 were synonyms for downsizing, 17 were terms where depending on the context would suggest a downsizing event. 15 words did not concern job destruction at all. Using a scale from “by no

² For reporting about non-economic topics, authors find negativity slants regarding media coverage of nuclear power risks (Cohen 1983), radiation as a risk for cancer (Koren and Klein (1991), biotechnology risks (Kalaitzandonakes et al. 2004), trade and globalization (Swinnen and Francken 2006). However, in those studies, there are measurement problems due to the lack of good data, low number of observations and the difficulty in identifying “positive” and “negative” impacts. Moreover, “good” and “bad” events rarely occur at the same time.

³ The participants received a fixed wage of 5€.

means” (1) to “by all means” (5), participants were requested to state to what extent these terms relate to downsizing. The synonyms had a mean score of 4.43 (standard deviation 0.24), the context-dependent 3.61 (s.d. 0.45) and the words that we deemed not to be related to downsizing 2.19 (s.d. 0.56).

Thirdly, based on the list of synonyms, we identified and checked all articles in *Die Welt* which contained any of our downsizing terms. In total, 498 different firms are mentioned in one or several of these articles. Next, firm by firm, we checked in detail *all* articles in *Die Welt* in our period of observation in which the companies are mentioned. In total we read around 40,000 articles.

Fourthly, to verify the robustness of our approach, we conducted two further experiments. A first group of twelve participants was presented 40 articles.⁴ 20 articles reported on downsizing (according to our dataset) at two randomly chosen firms – thus ten articles per company. Another 20 articles on the same two firms were not included in our data set as we deemed them not related to downsizing. Participants state for each article to what extent they report on job shedding. We end-up with a 96.2% congruence between our and participants’ classifications excluding the “do not know” and “no statement possible” answers (including them: 90%). In the second experiment, twelve participants were presented with a package of 40 randomly chosen articles regarding various companies which emerged during a randomly chosen fixed time span. 20 were deemed related and 20 as unrelated to downsizing. Excluding the “do not know” and “no statement possible” answers, we end-up with a congruence of 93.6% between the participants and our own classification (including them: 82%). Thus, both experiments verify our algorithm to identify the downsizing articles.

⁴ The participants received a fixed wage of 10€.

For the identification of the upsizing articles, we used the same algorithm,⁵ with one exception: we did not conduct the third and the fourth experiment, as there are no reasons to believe that our algorithm works better for downsizing than for upsizing.

3. Results

In total, we found 666 articles in *Die Welt* about upsizing, covering 112 companies. However, we found 7,065 articles about downsizing, covering 498 companies. Thus, there are 10.60 times as many articles reporting on negative employment news from companies compared to positive news. The asymmetric coverage about employment changes of firms is surprising, given that the economic situation in Germany improved over the period. The unemployment rate fell by 2%, the number of regular employees paying social insurance stayed constant (27.98 vs. 27.96 million). Interestingly, the monthly unemployment rate is positive correlated with the total number of articles per month reporting on downsizing (correlation coefficient: 0.293), while the quarterly employment growth rate and the total number of articles reporting on upsizing are almost uncorrelated (coefficient: -0.051).

One possible story explaining our result is that there are less jobs created in an upsizing event than jobs are getting lost in a downsizing event. Moreover, the data presented so far include also announcements of upsizing (downsizing) without real consequences and purely speculative reports. To control for this, we identified the total number of jobs created (shed) in each upsizing (downsizing) event. For most events, the total numbers are mentioned in *Die Welt*. To be sure that this is the “correct” total number of affected jobs, we checked the reporting in other prestigious newspapers, in agency reports and with information from the *Amadeus* dataset from *Bureau van Dijk*. In case of doubts, we omitted all articles reporting about a particular event.

⁵ In the second experiment, the upsizing terms had an average score of 4.75 (s.d. 0.69), the context-dependent 3.95 (s.d. 1.06) and the terms not related to upsizing 1.95 (s.d. 0.98).

We end-up with 452 articles on employment creation, reporting about 100 upsizing events and 5,394 articles about downsizing, reporting about 651 events. Thus, there are 11.93 times as many articles reporting on downsizing compared to upsizing. Upsizing firms create on average 1,484 (s.d. 3,525) jobs in each upsizing event. In comparison to that, the downsizing firms shed on average 824.64 (s.d. 2,070) jobs in each event. The difference in the total number of affected jobs is significant (two-sided t-test, p-value: 0.004). This implies that, on a per-job basis, the slant to downsizing increases to a factor greater than 20: upsizing firms get on average 4.52 articles in the newspaper for 1,483 jobs, while downsizing firms get 8.28 articles for 824 jobs.

To check how other newspapers report about positive and negative employment news from companies, we randomly selected five months from our period of observations and identified all articles about up- and downsizing in the six other German leading national quality newspapers. We used the same algorithm as for the initial data set.

We find that all quality newspapers report substantially more about downsizing than upsizing. Around ten times as many articles report on negative employment news compared to positive news in *Die Tageszeitung* (86 vs. 8) and *Frankfurter Rundschau* (129 vs. 13), seven times as much in the *Süddeutsche Zeitung* (144 vs. 21) and *Handelsblatt* (192 vs. 28) and five times as much in the *Frankfurter Allgemeine Zeitung* (150 vs. 30) and *Financial Times Deutschland* (210 vs. 40). While the different magnitudes between newspapers are interesting, these have to be taken with care, as the number of observations are quite low.

4. Conclusions

We reviewed all articles reporting on up- and downsizing from companies in Germany over a period of almost eight years in one of the leading German newspapers, using experiments to test our selection criteria. We found a huge difference in coverage of job creation and job shedding: more than ten times as many articles report on negative employment news from

companies compared to positive news. This is surprising given that the economic situation in Germany improved over the period. On a per-job basis, the slant to downsizing increases to a factor greater than 20. Additional tests for other newspapers (covering around 90% of the German newspaper market) indicate that these effects are similar in other newspapers.

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