
An Honors Thesis (ID 499)

By

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I would like to thank the following people:
   Dr. Meyer for his guidance
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   Dr. Lynch for stirring my interest in economics.
This paper attempts only to observe the practices of economic reporting
and offer some possible explanations and solutions in the hope of en-
couraging intelligent discussion.
It is essential that a majority of the American public have a basic understanding of the economy. Unfortunately, many people appear to be severely lacking in their knowledge of this area; and little is being done to rectify the situation. In fact, some of the country's most highly regarded information sources have actually helped to preserve this state of ignorance. One such "keeper of our country's conscience" is the popular CBS television program "60 Minutes". An example of their less than complete understanding of economics was provided by Fortune columnist Daniel Seligman.

Quick - what's the main reason for the high cost of apartment dwelling in our cities? Is it (A) because demand for apartments is growing more rapidly than supply? Or is it (B) because greedy businessmen, up to their old tricks are once again sticking it to the nice people of America? If you never took Economics 101 and therefore believe everything you hear on "60 Minutes", you are obviously checking proposition B.

The program set out a few weeks ago to explain the condominium business to its audience (ordinarily approaching 40 million people), but as usual forgot to mention supply and demand. Harry Reasoner's closet brush with economic logic came in his reference to a letter he'd received from American Invesco, a company that specializes in converting rental properties into condominiums; the letter asserted that condominium prices are set by impersonal market forces. However, the shrift accorded this assertion was pygmoid in the extreme. It was surrounded on one side by extensive references to the nobility of the people forced to move when their apartments are "condoed"

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and on the other by dark hints about the rapacity of the condominium converters and their evil allies.³

Examples of such inobjectionable reporting are far too numerous. Improvement in the situation can only occur as the result of a knowledge and analysis of its importance, severity, and causes. The purpose of this work is to encourage such understanding through a look at the impact of television and why some of its presentations are less than desirable.

A brief examination of the economic attitudes and beliefs of the public should prove helpful in accomplishing the goals of this paper. Most people don't even understand the basic principles upon which the economic and business communities operate.⁴ This situation is allowed to exist because a vast majority of the population simply doesn't realize that understanding economics would make a difference in their lives.⁵ Such an information deficiency increases an already strong susceptibility to emotional but illogical arguments and a feeling of helplessness.

The primary and secondary school systems are where most people receive all of their formal education⁶, but few of these schools have offered basic economics. Thus the majority of the population is greatly


⁵ Dr. John Sapinsley, Executive Director of the Rhode Island State Council on Economic Education, as quoted in The Orlando Sentinel, "Nation's Schools Score Low on Economic Education," December 29, 1982.

⁶ The Research and Policy Committee, p. 11.
affected by an economy which they know little or nothing about.
While most parents feel that it would be good for their children to
receive such training, it has not been made a priority item. In-
sufficient funds and inadequately trained teachers inhibit any ad-
ministrator who might wish to offer such a program. 7 The pressure
and support for these courses must come from the public, but the
general educational background of most Americans indicates the un-
likelihood of this.

The average adult also received no training in the use of a
computer, but a large increase in funding for such education has
occurred. This has been the result of the increasing public aware-
ness of the important role which the computer will play in the future
of our society and the need for their children to be prepared. This
trend is directly traceable to the television set where both home
video games and newscasters have clearly indicated the coming of
the computerized age. Economics has not had this kind of propulsion
into the spotlight, the opposite has been true. Instead of stressing
the importance of knowledge in this area, the family television seems
maddeningly ignorant of it. The effects of this are not evenly
distributed throughout the population.

Groups with lower levels of education tend to hold a higher
opinion of television programming than do those with higher levels,
they also tend to earn less income. 8 The major attempts at educating

7 The Orlando Sentinel, "Nation's Schools Score Low on Economic

8 Robert T. Bower, Television and the Public, (New York: Holt,
the public about the world around them have been made by public stations. These channels are usually not accessible to the less educated. This means that, for the most part, those people with at least some understanding of economics receive educational programming while those who have the greatest need for such information are forced to rely solely upon network and affiliate offerings. The treatment of economic and business news by these members of the media is an important source of attitudes and ideas for a large percentage of the population.

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Now that the need for responsible treatment of economic views by the major networks has been established it is time to examine more closely the actual presentations and impacts.

The mass media has a very great effect upon our society, in fact, they actually "create the intellectual, emotional, and political climate in which the nation lives." 11 The everyday decisions which people make are based upon the facts presented by the press. No other segment of the press approaches television in terms of wielding this type of power. This is because visual presentations are important to people, they trust their eyes. 12 The result of this great influence is that "every newsman is (in effect) practicing psychiatry without a license. He's manipulating the mental state of thousands of his fellow citizens every day." 13

Obviously, the news reporting by television could have frightening consequences, but we need to examine how economic matters are presented. Historically, economics received very little coverage by newsmen because it wasn't visual. 14 Coverage has been increasing recently because new developments in graphics have made it possible to visually display


14 Harry J. Skornia, p. 29.
financial information. In addition, public interest has been stirred by the introduction of Reagonomics. Unfortunately, an increase in quantity does not necessarily mean an improvement in quality.

Although the number of financial stories has increased, they are being covered by fewer reporters. Full-time consumer reporters have been cut from 500 to 200 in recent years, and most of these are bogged down in routine coverage. The resulting work load is enough to hamper the efforts of even the best of reporters and can easily bury the average ones. Most local reporters are poorly trained in economic matters, tending to be more concerned about showing film than presenting information. Any economic news which is presented is probably taken directly from public relations releases. Very little thoughtful editorializing occurs on local stations, the usual statements appear to be based upon the assumption that profits are ill-gotten gains.

The major networks tend to be better in their coverage of monetary items than the local stations, but they are still far from commendable. Full time network economics reporters have increased from five to nine since 1980, but the growth of economic stories has outpaced this expansion

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16 A. Kent MacDougall, Ninety Seconds to Tell it All; Big Business and the News Media, (Homewood, IL: Dow Jones - Irwin, 1981), pp. 4,8.
17 Harry J. Skornia, p. 7.
19 Harry J. Skornia, p. 209.
20 De Von L. Yoho, Director of the Center for Economic Education at Ball State University, interview granted March 29, 1983.
of the specialty staffs. The assistants move through so quickly that they can't even obtain an understanding of the basics which need to be applied before they are replaced.\textsuperscript{21} The networks have been attempting to improve their reporting, but many problems remain.

Television news has historically provided very little information on the economy, and some feel that "editorial and analytical content seem to be increasingly inadequate"\textsuperscript{22} in spite of the recent efforts by the networks. One specific complaint is that time is not taken to fully present a story from all major points of view.\textsuperscript{23} The usual presentation is simplistic and reactionary in nature, a tendency which is reflected in the types of stories aired. Reports "purely about business other than news items on layoffs or bankruptcies are still infrequent."\textsuperscript{24}

Reports on the economy and related issues often imply that a group or individual is responsible for a specific problem.\textsuperscript{25} The "truth" is that in economic matters it is very unlikely that any single group or specific problem can reasonably be singled out. Unfortunately, newsmen do not seem to realize this; the time slots which they have available to explain how and why things work as they do are spent not


\textsuperscript{22} Harry J. Skornia, p. 63.


\textsuperscript{24} William A. Henry III, p. 70.

\textsuperscript{25} Harry J. Skornia, p. 16.
on analysis but on soapboxing. 26 Reporters have not yet learned, or accepted, that not all individual events can be reduced to simple cause and effect. 27

Often the media indicates that businesses, especially big businesses, are to blame for the latest problem. 28 Probably the major reason for this is that reporters do not understand the business world. There are many examples of reporters who "didn't know the difference between a stock and a bond, much less how to read a balance sheet or understand the complexities of interest rates." 29 Business stories tend to be lacking in depth, a conflict between an interest group and a business is more likely to be news than is information on why the clash is occurring. 30

If a newsman does attempt a thorough investigation the resulting story may be of lower quality than a simple overview. Reporters are often quick to point toward the social injustices of high profit margins, but they often must calculate these percentages themselves and they are not noted for their accuracy in such matters. 31 Occasionally, a newsman gets so carried away by his pursuit of a big story that he will lose all sight of objectivity and fairness. One of the more publicized of these cases involved Brian Ross of NBC Nightly News. He was found

26 Ibid, pp. 35-6.
27 William A. Henry III, p. 70.
28 Alvin P. Sanoff, p. 58.
29 A. Kent Mac Dougall, p. 2.
31 Ibid, p. 76.
guilty of biased and deceitful reporting in a suit brought by Shell Oil.\textsuperscript{32} While this case struck a blow for responsible journalism there are many people who feel that much more needs to be done.

There are several cases of biased and irresponsible reporting which go totally unquestioned. One example of this type of reporting can be found in the treatment of the gasoline supply situation. The networks all pointed out the evils of "price gouging" and long lines, they all "disproved" oil companies claims that decontrol would lead to lower prices by coining the new phrase "windfall profits". History has shown that these respective stories were not exactly accurate, but instead of correcting past mistakes the reporters have been ignoring those developments which run counter to their original claims.\textsuperscript{33} Instead another industry (natural gas) is being greeted the same illogical assumptions and the same type of irresponsible attacks, especially here in Indiana. The fact that such public and political fever has been raised over the issue gives some indication of the power of the media to shape public opinion.

Even in stories which are not meant to specifically point a finger of blame at business "there's always a subliminal anti-business tone."\textsuperscript{34} This prevailing attitude reflects in the types of stories which normally receive air time. Joseph Dominik surveyed the presentations of the various networks to determine the validity of claims that business receives unfair treatment from the media. Of the 499 business items included in

\textsuperscript{32} Ibid., p. 49.


the study, 270 of them were determined to have presented a negative view of business, and another 179 considered neutral. While it is true that, by its very nature, news tends to be negative, the "data suggest that the coverage of business is even more negative than the general coverage of all news topics."\(^{35}\)

In stories relating to the economy in general, the reporting may become even less objective than in those specifically aimed at business. The networks have treated the recent drop in inflation, from 12.4\% to 5\%, merely as figures to be presented. At the same time, the increase in unemployment from 7.4\% to 10.8\% has been greeted with "anecdotes and dramatic interviews with the jobless."\(^{36}\) Apparently, the newsmen feel that the more visual item, unemployment, is also more reflective of the condition of the economy. These practices of emphasizing one story more than another of equal merit occur far too often.

A practice which is even more common is to briefly summarize news releases without understanding or explaining their meaning. This was brought to my attention as I walked through a department store. Two men were standing in front of a television set, casually watching a sporting event while their wives shopped, when a newsbreak came on. The announcer said, "... meanwhile, the overvaluation of the dollar continues to hinder the economic recovery." At this, one man turned to the other and said, "I remember when the dollar was devalued a few years ago, they claimed that caused problems with the economy, I wish they'd decide which way is the problem." I understand why any less than realistic valuation of the dollar is undesirable, but I could

\(^{35}\) Ibid., pp. 183-5.

\(^{36}\) William A. Henry, p. 68.
also understand the man's point. Since no one bothered to explain why the situation had such an impact he knew only that he had spotted an apparent contradiction.

There are many reasons why television's financial news is poorly presented. Many of them are, more or less, inherent to the medium, but others need not exist. Obviously, a newscast can allocate only a small amount of time to any story. This means that a thorough explanation of an economic matter cannot be attempted on a conventional half-hour broadcast. However, there are other methods for providing such information, such as special programming or on an "investigative" program like "60 Minutes". The time limitation can't be eliminated from a newscast, but its impact could easily be reduced.

Special shows are beginning to find their way into network lineups. ABC profiled the Federal Reserve System and the impact of its monetary policies on the economy. CBS aired an exploration of the friction between businessmen and reporters, and NBC has discussed the competition between Japan and the United States.37 These programs, coupled with regular business shows and investigative programs provide the basis for a system of supplying the public with more, and better, information. These channels still need to be fully developed and properly utilized.

One problem associated with television news and the alternative programs available stems from the fact that it is a visually active medium. Even newly developed graphics projected behind a reporter cannot be as exciting as a fire or demonstration. I really can't think

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of any legitimate way to make an economically illiterate public view
numbers as lively. It is quite probable that the only way to overcome
this obstacle is to fight the natural tendency of television to present
action.

Other barriers which help to prevent television from painting a
realistic picture of the economy could be overcome with less difficulty.
Most reporters don't understand the operations of a business and most
businessmen don't understand those of a newscast. A little training
and exchange of ideas and concerns should alleviate this to the point
where the two groups can cooperate enough to adequately inform the public.
Reporters also tend not to be any better educated in economic matters
than does the general populace. This also could be overcome by an in-
crease in education.

There are workshops which are being held to make reporters more
aware of economic matters. The Ball State Center for Economic Education
is sponsoring one of these for the printed media, and had planned another
for television until funding for it fell through. The basic format
includes: an overview of national goals and economic choices, the
proper way to decide upon the contents of a story, how to interpret
markets, and how to write economic news objectively. The workshops
which have been held were reasonably well attended, reflecting an aware-
ness by the industry of their weaknesses.39

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38 A. Kent Mac Dougall, p. 4.
39 De Von L. Yoho.
There is one barrier which may well be insurmountable, the attitudes of the news media. A very strong case could be made for the claim that, at the present, it is in the best interest of the networks to paint a gloomy picture of the economy. Both NBC and CBS are related to major defense contractors and would obviously like to see increases in the spending and recruitment of the military. Public support for such actions is more likely to be strong when the country is perceived as weak. The networks are also large employers and taxpayers. The management would be understandably prone to favor stories which presented labor in a negative light and encouraged corporate tax cuts. Considering the magnitude of these conflicts of interest the reporting which is done becomes almost commendable, but these conflicts must be removed before the basic attitudes of management can be expected to change greatly.

The poor presentations by the media have a very definite impact on the country. They affect voting, buying, and investing habits because these decisions are based upon the facts as the public perceives them, and if improper or insufficient information is provided the public will react in an undesirable manner. The prejudices of the network executives and anchormen can easily become the basis of public opinion; or, if the public remains totally uninformed then confusion and a susceptibility to reactionary suggestions results.

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41 Harry J. Skornia, p. 52.
42 Ibid., p. 13.
The actual long-term impacts of reporting are impossible to measure, but the stock market provides a very clear indication of the potential power of television. A stock which is featured on one of the weekend business shows will jump in price on the following Monday, then return to a more realistic level once the rush has subsided. Television can obviously cause unrealistic fluctuations in the economy. Even worse is the fact that an investor with the proper connections can find out who the guest will be before the show airs. They can then buy the stock at a lower price and sell it during the ensuing rush. The potential impacts of the abuse of this power are amazing, and definitely undesirable. 43

If television were to present adequate information it is likely that the public would make wise decisions. Studies have indicated that informed people discuss matters openly among their own groups. When the announcer encouraged such interchanges of ideas the people tended to think through the details of the situation, sort out facts from opinions, and then form their own opinions. 44 This suggests that, if television were to behave responsibly, a great deal of problems would be solved.

Unfortunately, the chances of television presenting such information are not good. Economic stories have increased in number, and attempts have been made at improving the quality. However, the attitudinal problems cannot be so easily eliminated. At the beginning of this

43 Dr. Grant J. Wells, Professor of Finance at the Ball State University College of Business, during an interview granted April 5, 1983.

paper there was a review of a story which was aired by "60 Minutes".

The remainder of the summary points out the underlying problem quite clearly.

By way of easing you into condominium economics, Reasoner first focuses on some people forced to move when their apartments go up for sale. Predictably, the people brought onstage seem not to be wifebeaters of Trotskyists. Deponent No. 1 states that he worked for 42 years, is now 82, has a wife who is 80, and had "expected to live my years out in this place here." When Reasoner asks the wife how she would feel about moving, she sorely disappoints the long-shot players by asserting that she would find moving traumatic.

But why should anyone, of any age, have a right to go on living in an apartment that he doesn't own and that someone else will pay more for? Why, in fact, should such folks get two years to relocate (which is what Invsco is giving the tenants in question)? In order to avoid confronting any such difficult questions, "60 Minutes" labors to leave you thinking that the higher prices being paid for condominiums these days are somehow fraudulent. Representative Benjamin S. Rosenthal of New York, chairman of a House subcommittee on consumer affairs and a veteran free-lunch salesman, is brought aboard to blather about Invsco people who've created "a fever of speculation." He adds: "I mean, there is a Klondike mentality in this kind of a thing, and the speculation, I think, is just driving this inflationary engine beyond acceptable limits." The solution envisaged by Rosenthal appears to involve extensive public hearings in which his own role would be rather pivotal. He and Reasoner also seem to favor a ban on conversions unless these are favored by a substantial fraction of the tenants.

They might also consider a ban on Economics 101.45