

The Great Media Depression

News reports view economy far worse now than during the 1929 stock market crash

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The year was 1929. The decade of the '20s was ending – not with a roar, but with a whimper. Years of a sky-high stock market and speculative buying were coming to a close. The Dow Jones had peaked on Sept. 3 at 381.17 and then began to dive as unknown and prominent companies alike saw their values drop. In a little more than a month, the market lost 14 percent of its value.

Then came the crash. The Dow began six days of turmoil with a 6-percent loss on Oct. 23. The following Monday, Oct. 28, the market plunged another 13.5 percent and nearly 12 percent the next day. It took less than a week for stocks to lose almost a third of their value.

Nearly 80 years later, the crash and the Great Depression that followed are still etched on the American psyche. The mere mention of the term “depression” evokes images of food lines, Dust Bowl refugees and bank failures. Economist Murray N. Rothbard described 1929 in his book “America’s Great Depression” “as the great American trauma.”

But the daily news media of the time didn’t think the stock crash was quite so bleak, despite record selling and billions of dollars in losses. Words like “optimism” and “hope” shouted off the pages of major newspapers. The Oct. 31, 1929, New York Times summed up the devastating six-day decline as: “the market quickly regained its poise and stability.” The same day, The Washington Post discussed “the passing of the crisis.”

But economic disaster was just beginning. The Dow rebounded into April before collapsing. The market fell and fell some more, hitting bottom in May 1932 having lost more than 85 percent of its value. Unemployment soared to nearly one person in four. Those out of work relied on food lines and government relief in a struggle to feed their families. “Brother, can you spare a dime?” became a hit song and a sad anthem of the time.

At its peak, unemployment skyrocketed to more than 24 percent. Gross domestic product actually dropped four straight years – 1930-1933 – and took until 1941 to again pass 1929 levels. “It was the worst slump in history, and the most protracted,” wrote Paul Johnson in the introduction to Rothbard’s book. “At one point 34 million men, women, and children were without any income at all,” Johnson continued.

It was the darkest economic period in American history – yet consistently cited by the mainstream media as a point of comparison in 2008. Network news shows referred to the Great Depression 42 times in the first four months of the year, nearly three per week. When difficulties arose at investment giant Bear Stearns, the parallels took on a new dimension.

“Not since the Great Depression has the federal government stepped in to help a failing financial institution ...” began Brian Williams in his March 17, 2008, broadcast.

ABC’s “Nightline” made a similar comparison that night, complete with a clip from the movie “It’s a Wonderful Life” to illustrate a run on a bank. Anchor Martin Bashir was dramatic. “It’s been described as the most serious financial crisis since the Great Depression. And it brings with it grave dangers for all American families, threatening jobs, wages and in some cases homes too.”

Reporter John Donovan followed with a story describing what had happened to Bear Stearns but denying what Bashir had said about the depression. “No one is talking Great Depression, yet, but the piece of it that obviously worried everyone is the idea that one bank’s failure would spread to another.”

In the week of the Bear Stearns failure, the media went to great lengths to make the American economy look bad. The Dow had shot to a new high of 14,164.53 on Oct. 9, 2007, but had lost more than 2,000 points or 14 percent by March 13, 2008 – the day before Bear Stearns’ problems hit Wall Street. That next day, the stock market trembled as the Fed threw its support behind JPMorgan Chase & Co.’s purchase of Bear Stearns. This time, there was no crash. Stocks fell only a few points and quickly recovered.

But in contrast to 1929’s daily media, journalists in 2008 treated this crisis like a market apocalypse.

TV news, which had become the dominant medium in the intervening years, was overwhelmingly downbeat about stocks, the economy and all things financial. ABC called it a “bank crash” and asked is the “economy heading over a cliff?”

CBS’s “Early Show” co-host Julie Chen made the stock market sound like it was on the brink of disaster. She told her March 17, 2008, audience: “Breaking news this morning on the world financial crisis.”

On that show, Randall Pinkston put the fall of Bear Stearns in a historical context, albeit a frightening one. “Bear Stearns survived the Great Depression, World War II and more than eight decades of America’s worst financial crises. But it could not survive its investments in securities backed by shaky mortgages, subprime loans.”

“Really troubling times,” was how “Today” host Matt Lauer described it on March 17, 2008. That evening, “Nightly News” anchor Brian Williams warned things might only get worse. “A big New York City bank has effectively gone under, and other banks are under close watch. This started as a result of bad mortgages. It could be the first loud signal of some very bad times ahead,” he predicted.

Network reporters highlighted almost countless economic ills – gas prices, a credit crisis, stock market concerns, unemployment, recession, travel costs and food prices. ABC’s Bianna Golodryga echoed that position March 18 on “Good Morning America” in a discussion of interest rates. “Some say the economy is like a house of cards,” she said.

But the comparison to the Great Depression stands out as the most blatant attempt by the media to portray an economy in chaos.

And that negative reporting has an impact. CNBC’s Maria Bartiromo warned repeatedly that such talk could harm the economy. “We could talk ourselves into a recession,” she told NBC’s “Today” Feb. 6.

On March 17, 2008, USAToday.com reported the majority of Americans thought a new “depression” was likely. “Asked if the nation could slip into a depression lasting several years, 59% said it was likely, and 79% said they were worried about it. A recession is an economic downturn that usually lasts at least six months; a depression is longer, deeper and more broadly dispersed.”

Americans weren’t just feeling the pain of an economic downturn. They were repeating what they were told in the mainstream media.

Down Market, Upbeat Media

It’s easy to find a few points of comparison between the week of the stock market crash and the Bear Stearns collapse. In both cases, the market had already lost 14 percent from its high. Both were closely watched by investors and the media.

But the media coverage in those two weeks was wildly different. The Business & Media Institute analyzed the week of the stock market crash in 1929 and the week of the collapse of Bear Stearns in 2008. BMI looked at the major daily news reports in both cases. During the crash from Oct. 28 to Nov. 3, 1929, BMI analyzed stories in The Wall Street Journal, New York Times and Washington Post. Those were compared to daily reports in the most popular news media of 2008 – ABC, CBS and NBC – from March 13 to March 19, 2008.

All three major daily newspapers studied – The New York Times, Wall Street Journal and Washington Post – looked at the crash as a difficult time that Wall Street overcame. As the Oct. 29, 1929, Wall Street Journal explained, “the market decline has rendered good stocks more attractive for long-term investment.”

Headlines declared “market orderly,” “bright future,” fear waning,” and “officials are optimistic.” All three papers took a similar tone – that the market loss was huge and painful, but business was still sound.

Overall, the three papers took an optimistic view in nearly three-fourths (73 percent or 36 out of 49) of the front-page financial stories. That was more than four times as often as they took a negative view (16 percent or 8 out of 49).

Contrast that with the 2008 Bear Stearns coverage. Where the 1929 reporting was positive, the 2008 TV coverage was negative – in almost identical percentages. Seventy-four percent of all network stories were negative (86 out of 116).

The media referred to the financial situation as the “perfect economic storm,” “bleak” or a “growing economic meltdown.” On March 18, 2008, CBS “Early Show” co-host Russ Mitchell remarked that “We seem to get more bad economic news with each passing day.” He didn’t acknowledge his own network’s responsibility in causing that. CBS was the worst of the three networks – 83 percent (34 out of 41) of its stories were negative.

Anchor George Stephanopoulos of ABC’s “World News with Charles Gibson” made a similar statement on March 13, 2008, before the Bear Stearns crisis had occurred. “And everywhere you look, it’s bad news,” he said, foreshadowing how his network would cover the bank’s collapse. ABC wasn’t as bad as CBS, but ABC reporters and anchors used the most dramatic language to detail how close events came to being “apocalyptic for the economy,” as reporter Dan Harris put it.

A Crash, but Chance for ‘Long-Term Investment’

It was easy to find good news amidst the market chaos in 1929. Even in The New York Times, the most downbeat outlet studied from that era, positive stories still outnumbered negative stories by nearly a 3-to-1 ratio. The Times summed up its own outlook in an Oct. 30, 1929, story that highlighted the negatives and then put a positive spin on events: “Despite the drastic decline, sentiment in Wall Street last night was more cheerful than it has been on any day since the torrent of selling got under way.”

That comment was typical for the paper. “Although the close of the day found Wall Street shaken by one of the most drastic declines in its history, there was no denying the increased optimism with which leaders of the financial district viewed the situation,” the Times reported.

The Washington Post and Wall Street Journal took a similarly upbeat view at the end of the week. On Oct. 30, the Post detailed the strong outlook of the business community in a story headlined: “Bright Future Seen By 98 Business Men.” The next day, the Post declared an end to the crisis. “Fear was transformed into confidence and confidence into cupidity in Wall street today, bringing to an apparently definite conclusion the greatest securities panic in the history of the world.”

The Journal described plans to close the market because of the “physical strain” on employees, but used the opportunity to indicate the problems were fixed. “With the situation appearing well under control and the tide turned, Stock Exchange authorities” moved to close the market, the paper reported on Oct. 31, 1929.

Even before the crash had truly ended, the news media were emphasizing optimism and good business conditions. The Oct. 29, 1929, *Journal* explained, “Officials were persistent in the view that business is good and even turning up in some branches.”

That same day, the *Times* declared bargain levels for stocks. “Prominent financiers asserted that many stocks had reached, at yesterday’s close, extremely attractive levels, gauged by any yardstick,” they wrote.

That didn’t mean the papers ignored the problems or acted irresponsibly. On the Monday after the first day of declines, the Oct. 28, 1929, *Times* told of Wall Street as a tourist attraction. “Sight-seeing buses made special trips through the district and the passengers, mostly from out of town, had a first-hand view of the place, as the conductors graphically pointed out, ‘where all that money was lost last week.’”

When things went worse, the *Times* was frank about the losses: “Stock Prices Slump \$14,000,000,000 In Nation-Wide Stampede,” but included a slightly upbeat note in another headline from Oct. 29, 1929: “Bankers To Mobilize For Buying Today.”

Afterward, wrote Rothbard, “the Great Depression struck, heralded by the stock market crash.” President Herbert Hoover readied “an unprecedented program of government intervention for high wage rates, public works, and bolstering of unsound positions that was later to be christened the New Deal.”

Hoover relied extensively on government intervention and “as a direct consequence, America was brought to her knees as never before,” concluded Rothbard.

Bank Failure or Economy Failure?

Bear Stearns predated the 1929 crash and was one of the most reliable names on Wall Street. While 2007 had been a solid year for the U.S. economy, Bear hadn’t done well. Nationally, jobs grew throughout the year and third-quarter GDP growth was a surprising 4.9 percent. But problems with subprime loans had taken their toll on some firms more than others, and Bear Stearns was one such company. The problems at Bear had been going on for more than a year. In early 2007, the stock was trading near \$170 per share. In a little more than a year, it had lost two-thirds of its value to close at \$57 on March 13, 2008.

Then the bottom fell out and a buyer had to step in and rescue the wounded investment bank. As the March 15 *Washington Post* described: “The Federal Reserve took the extraordinary step yesterday of providing emergency funding to one of Wall Street’s venerable firms, Bear Stearns, after it ran out of cash to repay its lenders.” In one day the stock went from \$57 to \$30. Then news reports described a buyout offer initially pegged at just \$2 per share, though that rose to \$10 later.

Network coverage went from bad to worse. ABC wasn’t the most negative, but it was the most hyperbolic. The network reported 74 percent negative stories (25 out of 34) during the week and used extreme words to describe the economy. Reporter John Berman used his March 14, 2008, “World

News with Charles Gibson” segment to link the Bear Stearns situation to the Great Depression by mentioning the time period, not the economic crisis itself. “George, the Federal Reserve hasn’t pulled this kind of maneuver since the 1930s. And now many people are wondering if the economic environment has shifted from a mood of concern to one of calamity.”

On Sunday, March 16, the media made it clear that the market would be rough the following day. The next day, “Good Morning America” anchor Diane Sawyer detailed “a 24-hour mad scramble to save the economy.” Then she asked: “Is your personal bank at risk? Is the economy under control?”

The Dow defied expectation. It dropped during intra-day trading and, by the close, had actually gone up 21 points that day. Reporter Dan Harris seemed puzzled during the March 17, 2008, broadcast of “World News with Charles Gibson” when he asked: “The sky is not falling. Why not?”

That night, “Nightline” anchor Martin Bashir depicted an economy heading the wrong direction – fast. “Tonight on ‘Nightline,’ bank crash. As a huge bank dramatically collapses, the dollar falls to a record low. And recession looms. Is the American economy heading over a cliff?”

The very next morning, ABC’s Golodryga used a scary mixed metaphor on “Good Morning America.” She described a Fed move on interest rates as the “latest in a series of extraordinary moves to shore up a faltering credit market and a teetering banking system threatening to send the entire economy into a tailspin.”

When the Federal Reserve cut interest rates, the market shot higher – much higher. “The stock market staged its biggest rally in five years, with the Dow Jones industrial average rising 420 points,” reported The Washington Post the following morning.

CBS was nearly as strident in its comments as ABC and more negative overall. The “Early Show’s” Julie Chen led into one March 17, 2008, story with the description: “More now on the growing economic meltdown caused by the subprime mortgage crisis.”

The very next day, as stocks were poised to jump, CBS’s Anthony Mason argued that the “meltdown” Chen described wasn’t just in the United States. “After the Federal Reserve narrowly averted a global financial meltdown with its weekend rescue of the country’s fifth-biggest investment bank, Bear Stearns, Wall Street will be watching to see what the Fed does for its next act.”

NBC delivered the most balanced approach by far. It had the highest percentage of positive stories – though just 14 percent (6 out of 42) – and highest percentage of neutral stories at 21 percent (9 out of 42). That reflected the impact of CNBC’s financial journalists crossing over to the parent network to report on Bear Stearns.

CNBC anchor Maria Bartiromo helped NBC provide a bit of economic balance. She delivered a March 17, 2008, piece on how the Fed was “taking drastic steps and basically telling the investment community the Fed is here as a lender of last resort.” Then Bartiromo ended it with: “This is very, very positive.”

One day later, she told “Today” that things had gone well on Wall Street. “The market was resilient, staving off what some thought would be a Black Monday on the heels of that historic Bear Stearns collapse,” she explained.

That didn’t mean the reporting took on an upbeat tone. “Today” anchor Lester Holt introduced a March 15, 2008, story saying: “Now to the bleak state of the U.S. economy.” Meredith Vieira described “the crisis on Wall Street” two days later on the same show.

Lauer told the March 17, 2008, “Today” audience that “most people are trying to struggle right now to make ends meet and to pay their mortgage.”

On March 18 alone, Lauer told “Today” how the Fed rate cut was to “keep the economy above water.” Reporter Chris Jansing interviewed a “pawnbroker to the stars.” Even in ritzy California, Jansing found bad news. “Beverly Hills, California, synonymous with glamour and wealth. But these days, even the rich and famous are feeling what much of America has known for a while now: times are tough.”

That night, anchor Brian Williams explained the Fed interest rate cut came “in the wake of the failure of a big investment bank yesterday and amid fears of a severe recession.”

The negative view on the networks crept into numerous other news stories from airlines to diet stories, especially on “World News with Charles Gibson.” ABC’s Dan Harris called California “ground zero of this economic slowdown” during the March 16, 2008, evening broadcast. “The Golden State’s economy has sailed into the perfect economic storm” that included high gas prices, said reporter Mike Von Fremd. A pedestrian interviewed called the situation “an absolute nightmare.”

It wasn’t just the reporters who took a negative position. It was the people they chose to put on TV. The March 18, 2008, “Good Morning America” raised the specter of a failing economy with the two experts it picked to comment. Paul A. McCulley, managing director of the investment firm PIMCO, cited the Great Depression. “You could have the Fed with great intentions but still a downward spiral in property prices that would give you a modern-day depression,” he said.

NBC turned to publisher and real estate magnate Mort Zuckerman to give a negative outlook for its March 17, 2008, “Nightly News.” Reporter Mike Taibbi also inaccurately claimed Zuckerman “has been saying for months we’re in the worst economic downturn in his lifetime.” Zuckerman, who was born during the Great Depression, didn’t say that. Instead, he explained specifically that he thought current conditions made for “the strongest downward pressures on the economy we’ve had since the Great Depression.”

Conclusion

George Santayana once said “Those who cannot remember the past are condemned to repeat it.” That isn’t the case with journalists. The mainstream media neither recall the past accurately, nor do they cover the stories in the same way many years later. The message changed more than the medium

in 80 years. Reporters still covered the news – though now on TV – but how they looked at the world had shifted more dramatically.

Modern journalists didn't view the economy or stock market in the same light as their predecessors. They invoked the history of the market with little understanding of how journalism had covered it. Journalists compared current economic circumstances to the Great Depression more than 40 times in the first four months of 2008 and had made similar comparisons in 2006 and 2007.

As economist Gary L. Wolfram explained, "These numbers are so far afield from what we are experiencing today that it is difficult to comprehend their magnitude." Wolfram, a Business & Media Institute adviser and the George Munson Professor of political economy at Hillsdale College, explained that the Great Depression had a sweeping impact and wasn't just a U.S. event. "The Great Depression was a period of decline that involved not just the economy of the United States but that of the entire world. The economy began to falter in 1929. When it hit bottom in 1933, world production had fallen by one-half, with the United States economy declining by 29 percent."

At its peak, unemployment skyrocketed to more than 24 percent. GDP actually dropped four straight years – 1930-1933 – and took until 1941 to again pass 1929 levels. "At one point 34 million men, women, and children were without any income at all," wrote Paul Johnson in the introduction of Murray N. Rothbard's book "America's Great Depression."

Somehow journalists took those statistics and used them as a baseline for current economic events. U.S. GDP wasn't strong in 2007 – a middling 2.2 percent average growth for the year – but it didn't even decline in the first quarter of 2008. GDP in the first quarter of 2008 still managed a steady 0.6-percent gain. Unemployment was a mere 5 percent as of the most recent numbers (April 2008). Before January 2008, the United States had had positive job growth for 52 straight months.

Dr. Donald Boudreaux, chairman of the economics department at George Mason University and another member of the Business & Media Institute Advisory Board, said there are "a few big differences between today's situation and that of the 1929-1940 period."

"First and foremost is the fact that nationalization of industry and socialism aren't in the air as they were back then," he said. "Although the U.S. never went very far down that road, the threats of doing so in the 1930s were real. That threat really scared away investors."

The news media certainly did not scare them. The Nov. 1, 1929, New York Times included a headline more optimistic than any that might grace the paper's pages in 2008. "Day's Market Developments All Encouraging," it read.

The 2008 coverage was never that upbeat. Some business journalists took pains to balance their stories with good news and bad news. Several came out and warned about the impact of negativity in the news, including Maria Bartiromo of CNBC and Neil Cavuto from competitor Fox Business Network.

Cavuto and TheStreet.com's Charles Payne debunked the Great Depression comparison on the April 5, 2008, "Cavuto on Business." After Britain's Independent paper was headlined "The Great

Depression,” Cavuto asked: “Are we really going to see bread lines again, or is that ‘doom-and-gloom’ headline just a great big lie?”

Payne underlined the differences between then and now, saying such articles are “divisive” and “designed to create tension to cause problems.” “The disparity is huge: 5 percent versus 25 percent [unemployment]. Nine-thousand banks went under during the Great Depression. Life expectancy in 1932 was 59. It is bordering 79 years old now. I mean, it is totally night and day,” explained Payne.

Bartiromo warned repeatedly negative news had an impact. “We could talk ourselves into a recession,” she told NBC’s “Today.”

Fed Chairman Ben Bernanke similarly warned of mass hysteria when he described a run on a bank in his book “Essays on the Great Depression.” Bernanke said that a mindset takes hold and impacts borrowers. “The need to liquidate hastily, or to dump assets on the market when other banks are also liquidating, may generate losses that actually do cause the bank to fail. Thus the expectation of failure, by the mechanism of the run, tends to become self confirming.”

That is what negative coverage can do to an entire economy – in effect create a massive run on the bank. The week of the Bear Stearns collapse, the network news reports helped undermine how ordinary citizens and investment professionals viewed the economy. In the weeks that followed, consumer confidence continued to slide.

The Oct. 29, 1929, New York Times attributed the crash to “a general loss of confidence in the market.” Nearly 80 years later, NBC’s Meredith Vieira ended a March 17, 2008, “Today” report on Bear Stearns with this about the market: “Yeah, a real lack of confidence, at least for the moment.”

It is said generals often plan to fight the last war, not the next one. Some media defenders might argue that philosophy is partially to blame here. Journalists burned by their failure to predict the recent dot-com collapse might have become overly negative to compensate, assuming that good news is never as upbeat as it seems.

Chris Roush, a business journalism professor at the University of North Carolina, said part of the problem is that current journalists have grown cautious. “I think as business journalists have been burned so many times for not sounding the alarm before previous drops in the market or big corporate failures, that many of them now bend over backwards” to avoid being wrong, he explained.

Roush, the director of the Carolina Business News Initiative and a BMI adviser, said journalists also missed the 1929 market and that “the coverage before the 1929 stock market crash was overly positive except for the New York Times.” “I think I could easily make the argument that everyone but the Times got it wrong for not sounding the alarm,” he added.

But the Times still covered the crash itself in a highly optimistic fashion – nearly three times as many positive front-page stories as negative ones. Journalism experienced a dramatic sea change in outlook from 1929 to now. All three network newscasts were overwhelmingly negative during a difficult but not cataclysmic time in the 2008 markets. It is almost impossible to imagine how

economic reporting could be more negative if today's journalists had to report on a crisis like the Depression.

When journalists warn that the economy has nearly fallen off a cliff, the only place such reporting can go is up.

Methodology

The Business & Media Institute analyzed the week of the stock market crash in 1929 and the week of the collapse of Bear Stearns in 2008. BMI looked at the major daily news reports in both cases. During the crash from Oct. 28 to Nov. 3, 1929, BMI analyzed stories in The Wall Street Journal, New York Times and Washington Post. Those were compared to daily reports in the most popular news media of 2008 – ABC, CBS and NBC – from March 13 to March 19, 2008.

During the week of the 1929 crash, BMI's analysis included all front-page stories related to the economy or finance. Stories about the Smoot-Hawley Act were not included, however. Many economists cite the increased tariff as one of the reasons for prolonging the economic downturn, but journalists of that era treated it as a political story, not financial.

During the week of the Bear Stearns collapse, BMI looked at all news stories on the three broadcast news networks related to the economy or finance. Those included the evening and morning news shows, as well as news magazine programs.

Stories were assessed to see how they ranked overall positive or negative. Each story was broken down into its component parts, and each positive or negative statement was tallied. Stories had to achieve a ratio of more than 1.5-to-1 either direction to be counted as either positive or negative. Stories where the ratio of positive to negative statements was less than that were counted as neutral.

Recommendations

BMI has three recommendations to keep the media from making the same mistakes in future economic coverage:

- **Avoid Shallow Sound-Bite Reporting on the Economy:** The economy is too complex for shorthand descriptions. Typically, economists disagree about how good or bad the U.S. financial picture truly is. Modern-day journalists have no trouble including the negative, but need to make an effort to give audiences a more balanced view.
- **Find a Middle Ground:** One can argue that daily news media in 1929 were too boosterish. In the midst of a stock market collapse, journalists took an incredibly positive position. In 2008, journalists have gone too far in the other direction, emphasizing only the negative. Somewhere between lies appropriate news coverage. Journalists need to work toward finding that middle ground.

- **Learn – and Report – History:** Anyone who compares today's economy to the Great Depression knows nothing about either. Today's America isn't like the America of the Depression at all. Unemployment is vastly lower. The stock market has seen comparatively minor losses, and numerous government regulations have been created to prevent a repeat of Depression-era economic problems.