

EXTRACT

THE EURO CRISIS IN THE MEDIA

JOURNALISTIC COVERAGE OF ECONOMIC
CRISIS AND EUROPEAN INSTITUTIONS

Edited by ROBERT G. PICARD



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About the Book

The euro crisis has produced the most significant challenge to European integration in 60 years, testing the structures and powers of the European Union and the eurozone and threatening the common currency. This book explores how the financial and political crisis has been portrayed in the European press and the implications of that coverage on public understanding of the developments, their causes, responsibilities for addressing the crisis, the roles and effectiveness of European institutions, and the implications for European integration and identity. It addresses factors that shape news and analysis, the roles of European leaders, and the extent to which national and pan-European debates over the crisis occur. In doing so, it provides a clear and readable explanation of what the portrayals tell us about Europe and European integration in the early twenty-first century, which is especially timely given the turbulent issue of Greece's membership of the eurozone.

'Rigorous comparative scholarship shows how European media still overwhelmingly see even a shared European problem through national prisms'

Timothy Garton Ash,
Professor of European Studies, University of Oxford

'A fascinating and ambitious book ... Its outstanding feature is its extensive content analysis of how the eurozone crisis was covered in ten different countries across the European Union.'

Katrin Voltmer,
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What follows is a short extract from this book.

More information can be found at: www.ibtauris.com/reuters

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1

Understanding the Crisis

Robert G. Picard

The euro crisis produced the most significant challenge to European integration in 60 years by testing the structures and powers of the European Union and the eurozone and by threatening the common currency. Although the crisis is identified by a singular term, it was actually a group of interrelated economic crises that exacerbated fundamental differences in the EU and called into question its governance and common identity. The financial and political emergency was shaped by financial problems in the banking sector, national fiscal policies, and sovereign debt incurred by eurozone nations. Although those short- and mid-term challenges have now been partially addressed, the European and the global economies are still enduring the longer-term effects of the events and political divisiveness created by the crisis. These were evident in the 2014 elections to the European Parliament in which opponents to a strong EU garnered notable support and gained significant voices in the Parliament.

European news coverage since the emergence of the crisis in 2008 has played a central role in shaping public perceptions of the crisis and public reactions to the responses of policy makers. It has created highly mediated portrayals of Europe, European institutions, EU members and the euro, and Europeanness itself. The lenses provided by news organisations across Europe affected public understanding of the developments, their causes, the responsibilities for addressing the crisis, and the roles and effectiveness of European institutions, and these portrayals have significant implications for European identity and integration.

Coverage of Europe and its institutions has been criticised as highly limited, elite oriented, and subordinate to national institutions and politics (Lloyd and Marconi, 2014; Meyer, 2005; Trenz, 2004). Assessing European

news coverage presents particular challenges because European-wide news media effectively do not exist and coverage of European institutions and issues is refracted through the prisms of national media or English-language business papers and specialist journals that are read across borders. Europeans are thus provided with national frames from which news is constructed and perceived (Bryant and Oliver, 2008; Kopper, 2007; Scheufele and Tewksbury, 2007; Weaver, 2007). These national frames tend to emphasise domestic interests and address common European interests as secondary.

In doing so, news media rely on national leaders, symbols, and places in order to give an often inattentive audience some connection to the stories told. If it is true that all politics is local, so are all news media. Consequently, previous research has shown most coverage of Europe is routed through the perspectives of political and economic institutions of individual European member states (Adam, 2007; Gattermann, 2013; Machill et al., 2006; Trenz, 2004). The means and extent to which this coverage takes place is influenced by the national culture of journalism, so some media will do more than others in covering the EU and its institutions as a centre of power. There is some evidence that news has been somewhat more Europeanised in some media than in the past (Meyer, 2005; Peter et al., 2003).

The adequacy of the accounts news enterprises provide on major matters concerning citizens of Europe, how they attempt to make these interesting to a broad range of people, and how varied are the views on issues of the day, is crucial. The grand, enduring themes they convey about the EU and the European states are fundamental to understanding the development of the EU in the minds of its member states and citizens.

The analyses in this book address the challenges posed by news coverage of the euro crisis. They explore how the European press addressed those issues, and the implications of that coverage for understanding Europe, its institutions and relations within the EU between 2010 and 2012, and its future development. That period of time was selected for the analysis because it marked a period of intense European scrutiny, action, and discussion of the crisis that informed previous and subsequent policy.

The scope and scale of the crisis produced opportunities for it to be framed and interpreted in multiple ways across Europe and for those descriptions to compete for attention and acceptance by the

public and policy makers. Multiple factors influenced that coverage, yet little comparative work has been undertaken to understand their influence on the press in different countries and ultimately the views of the crisis presented to the citizens of member states and Europe as a whole. Political and communication theory indicate that news coverage is shaped by opinions of domestic and international elites, leading news providers, and variations in national media systems and journalistic cultures. Such differences would be expected to produce differences in information and understanding of the crisis and perspectives on potential responses to the crisis across Europe. This book explores those factors and what the coverage tells us about perceptions of Europe and European institutions and the range, limits, and spheres of European political debate. It also addresses the adequacy of existing explanations for understanding the influences of media on public opinion and political action when multiple sovereign states and multinational governance are involved.

The central questions are how debates take place and are framed in the press and the extent to which domestic and European debate takes place.

What is the crisis about?

Before addressing the coverage, it is important that the context of the euro crisis be fully understood. The causes are complex, involving multiple European and national economic and political factors related to fiscal and monetary policies and structural abilities to influence those policies (Noord and Székely, 2011). Weakened banks and flawed banking systems, national sovereign debt and budgetary challenges, loss of confidence in government policy, and an emphasis on national rather than European political interests have all been shown to contribute to its development and response (Authers, 2012; Bastasin, 2012; Beblevy et al., 2011; Lapavitsas, 2012).

The proximate issues changed as the crisis unfolded and developed over time. In its initial stages, European banks and financial institutions suffered from the effects of generous domestic lending policies and then from the subprime mortgage crisis in the US because many had invested in derivatives of those mortgages. Local housing bubbles in countries such as Ireland or Spain only

made the situation worse. This destabilised banks, leading to bank failures and weaknesses and – despite state support for banks and nationalisation of weak banks – credit became harder to obtain, leading to a decline in production and consumption that pushed Europe into a recession. The national economies of a number of southern European countries soon became the focus of the crisis because the recession reduced governmental income and they lost the ability to service sovereign debt that had grown because they had fiscal policies that spent public funds well in excess of state revenues. Sovereign debt is money borrowed by countries, often to pay for construction of infrastructures and public buildings, but also to pay for government costs when tax revenues do not provide sufficient income. Southern European states had essentially expended all their abilities to borrow funds and could not maintain their existing budgets and debt structure.

States can use monetary policies to ameliorate the effects of such debt and revenue challenges by devaluing their currencies. This was not possible during the crisis because Greece, Italy, and Spain – the three largest countries with sovereign debt issues – had all adopted the euro. As they could not control monetary policy for the euro because it was used in 18 eurozone countries, the nations with sovereign debt issues were denied a traditional mechanism through which a state can influence its economy. The problems of the countries with sovereign debt issues did not remain in those countries, but spilled over to the entire eurozone, reducing global confidence in the euro currency, decreasing its exchange value, and pushing the economic effects onto other countries that used the euro but whose fiscal policies were more conservative.

Fundamental questions about the nature of the crisis existed during the crisis and remain salient today. It was debated whether the crisis was driven by externally economic and financial causes, national policies, the currency, structural conditions of the EU, or other factors. Even the beginning point of the crisis remains obscure because of contested views on its cause(s). Some argue it began with subprime mortgages in the US, housing bubbles in a number of countries, weak banking regulation, sovereign debt, government manipulation of economic data, and other factors. This volume is not intended to definitively answer those questions, but rather to reveal how news coverage in European nations addressed such competing interpretative frames and

the implications for public opinion, and what public responses they suggested to the crisis.

Who are the players and what do they do?

The effects of the developments brought a number of European institutions into play, notably the European Commission and the European Central Bank (ECB), and it induced major eurozone countries to take action to protect the euro and their own economies and to stabilise the countries with sovereign debt issues through loans and compulsory introduction of austerity measures. A wide variety of institutions and individuals came to play roles in the crisis. Most had official positions, but some thrust themselves or were thrust into leadership positions addressing the crisis even when they were not institutionally placed to do so. Understanding their roles is fundamental in comprehending the news coverage of the crisis and its impact.

National governments played an important role in responding to the crisis, but most of the response was initially at the executive level, which then pushed parliaments to accept and implement policy responses. The European Commission, the executive of the EU, struggled to find a way to react because it had never faced such a significant challenge, lacked many powers of executive branches in member states, and its leadership was constrained.

National central banks and the ECB were active in the crisis. Central banks are national institutions that manage a country's currency, money supply based on the nation's monetary policy, and interest rates, and supervise the reserves and support liquidity of retail and commercial banks operating in the country. The powers of central banks of countries with the euro as their currency are limited because they cannot control monetary policy at the domestic level, even though they still have significant regulatory and interest rate influences. The ECB is an institution of the EU that acts as the central bank for the euro and implements monetary policy across states that use the euro as their currency. The bank operates independently of the EU institutions and national governments. The ECB traditionally supported states in the eurozone with collateralised loans to their central banks, but it had to respond to the crisis to shore up the euro and began making purchases of national government bonds to do so.

The International Monetary Fund (IMF) responded to the crisis to help stabilise national economies. The IMF is an intergovernmental organisation that works to create financial stability, improve economic conditions worldwide, and promote trade. It provides funding to finance balance of trade payments and to alleviate national economic crunches. During the euro crisis, it supported national governments by lending to governments with debt problems and other governments whose economies were affected by the crisis.

Private financial institutions holding governmental debt played significant roles relative to the countries with high sovereign debt. These institutions – banks, investment funds, and so on – purchase governmental bonds from national governments at specified rates of return, effectively lending money to governments to carry out projects and operations. They expect to make a profit on the activity and the amount is based on the degree of risk and return expected. Government bonds for European countries have traditionally been relatively safe investments. During the crisis, these financial institutions suffered from the subprime mortgage crisis, the banking crisis, and the recession, which led them to be highly demanding in dealings with governments that owed them money.

During the initial bank-related aspects of the crisis, domestic prime ministers and central bank leaders played significant roles. The response to the sovereign debt aspects of the crisis differed, however. Because of the lack of strong leadership in the European Commission, several European leaders – notably the Chancellor of Germany and the President of France – became de facto European leaders in attempting to resolve the sovereign debt and they aligned with bankers to force change in the nations with debt and budget deficit issues.

A variety of options for addressing the sovereign debt and budget deficits existed. In simplest terms, three approaches could be taken: austerity policies, economic growth policies, or a combination. Austerity involved profoundly cutting government expenditures – including social services – to balance budgets and reforming labour policies and structures. Growth policies would involve expenditures designed to spur economic development. The leaders responding to the crisis and bankers chose the first, which stabilised the euro and their national economies, but sacrificed the national economies of the nations with debt problems and pushed them deeper into recession with high unemployment and few social benefits for citizens.

Major developments in the crisis

The 28 member states of the EU were affected differently and in varying time frames by the crisis. Some were intimately involved; some only peripherally. Some faced domestic economic emergencies; for others it was an external issue. Some were involved in creating solutions; others were not. Two-thirds of the members used the euro; one-third did not. Nevertheless, all countries felt some economic and political effects.

The major developments involving European governance and intervention occurred between 2010 and 2012. Eleven developments or developmental points are particularly noteworthy:

- The EU summit regarding the role of European governments and the IMF in crisis intervention on 11–12 February 2010.
- Eurozone members and IMF agreement for €100bn intervention for Greece on 2 May 2010.
- Changes to the EU Contract made 16 December 2010 that allowed establishment of an emergency fund for the eurozone.
- ECB requires Italy to implement increased austerity measures, 5 August 2011.
- Greek general strike against austerity measures, 5 October 2011.
- EU summit increases the stability fund, extends new aid, and requires banks to raise new capital, 26–27 October 2011.
- Berlusconi resigns as Italian prime minister and Monti appointed, 12–13 November 2011, and French austerity measures begin.
- European Commission issues Green Paper on stability bonds and proposes bringing national budgets under EC control, 23 November 2011.
- EU summit to boost economic growth and balance austerity measures, 23 May 2012, attention begins focusing on Spain's economic conditions, and the UK holds governmental meetings to protect its financial system.
- Spain formally requests assistance (25 June 2012); German Chancellor Merkel calls the eurobonds 'economically wrong and counterproductive' (27 June 2012), EU summit on sovereign debts (28–29 June 2012).
- Merkel affirms need for member states to adhere to budget targets and for European monitoring of compliance, 15 July 2012.

These developments are the focus of this book, but they occur within the wider context of developments between 2007 and 2013, such as the banking crises, implementation of austerity programmes in many countries, the fall of governments in some countries, and requests of governments for aid. The decision to look at the coverage surrounding these particular events was made in order to focus our inquiry into the issues of European identity and cohesiveness, and the roles of European institutions in the crisis.

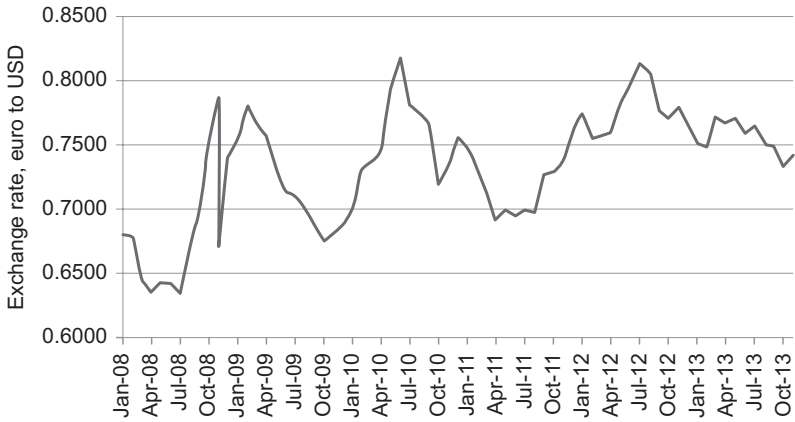
Economic evidence of the crisis

Regardless of what causes or beginning date of the crisis one accepts, developments in the crisis had clear effects on indicators of the economic and financial conditions of Europe and the euro. Although this book is not about economics and financial performance per se, it is important to recognise the effects as shown in important economic indicators: the value of the euro, gross domestic product, sovereign debt, labour costs, unemployment, and trade balances. These are the indicators that policy makers, economists, bankers, and the public used to assess the crisis.

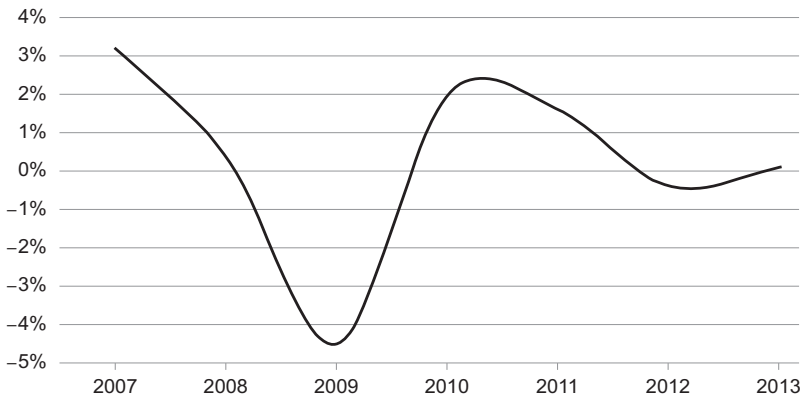
The performance of the euro as a currency provides a palpable view of the perception of its strength and stability held by active traders, financial institutions, and investors, but it also vividly illustrates the volatility that created the currency aspects of the crisis. Two indicators provide this perspective: the exchange value against another currency and the price of a valuable commodity. The euro value against the US dollar has varied considerably since 2008, with particular volatility in 2009 and 2010. If the euro is strong, it will require fewer euros to purchase dollars; when it is weak, it will take more. Thus, upward peaks in the exchange rates indicate lowered confidence in the euro. Figure 1.1 reveals evidence of the crisis is seen in the volatility of the exchange rates and the peaks in rates in late 2008/early 2009, mid-2010, and mid-2012.

Gross domestic product (GDP), the primary measure of economic growth or decline, fell from 3% to below -4% in the 28 EU countries between 2007 and 2009, rising in 2010 but declining again in 2011 and 2012 (Figure 1.2).

Economic performance varied across Europe, as shown by the variations of the countries reviewed in this book (Figure 1.3). The differences were caused by the extent to which national banking

Figure 1.1 Monthly average exchange rates of the euro to the US dollar

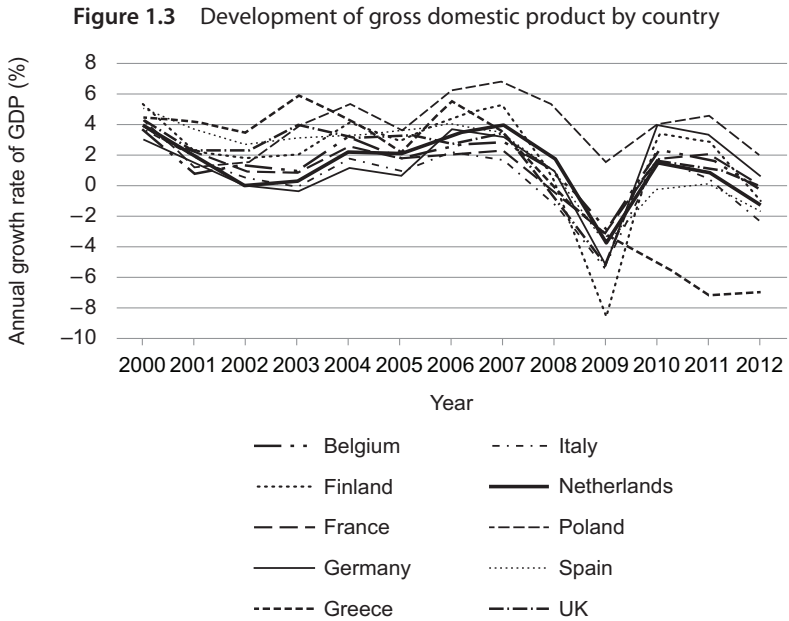
Source: <http://www.x-rates.com>.

Figure 1.2 Gross domestic product in the European Union (EU 28)

Source: Eurostat.

institutions were affected by the banking and subprime mortgage crises and then by austerity measures instituted in response to sovereign debt problems. Such national differences would be expected to influence how the crises were viewed domestically.

The levels of national debt varied by time period and country, as well. Figure 1.4 shows that the effect of debt acquisition overall raised indebtedness as a percentage of GDP to high peaks in Greece and Italy, well above those for other countries.

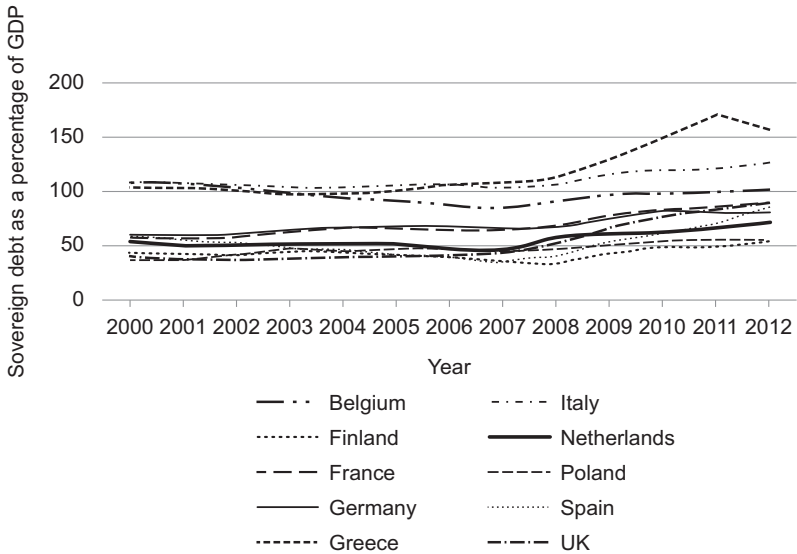


Source: OECD, retrieved from <http://stats.oecd.org/index.aspx?queryid=26646#> (17 September 2014).

The combination of poor exchange rates, declining GDP, and rising debt generally increased unemployment across the nations during the crisis, but Spain and Greece were affected by rapidly rising unemployment in those two countries as a result of the crisis and its remedies (Figure 1.5).

Why and how the euro crisis was studied

It is widely recognised that functioning polities need information flow to engage citizens and that information is now created, largely, by the mass media and then redistributed and commented upon in social media. In democratic societies, these media can be abrasive, revelatory, and demanding: but they convey a sense of the main events, of the main characters, and of the themes and issues with which the society must grapple. The media thus serve important functions in terms of directing citizens' attention to issues and creating pressures of policy responses (Castells, 2009; McCombs, 1994, 2004; Princen, 2009).

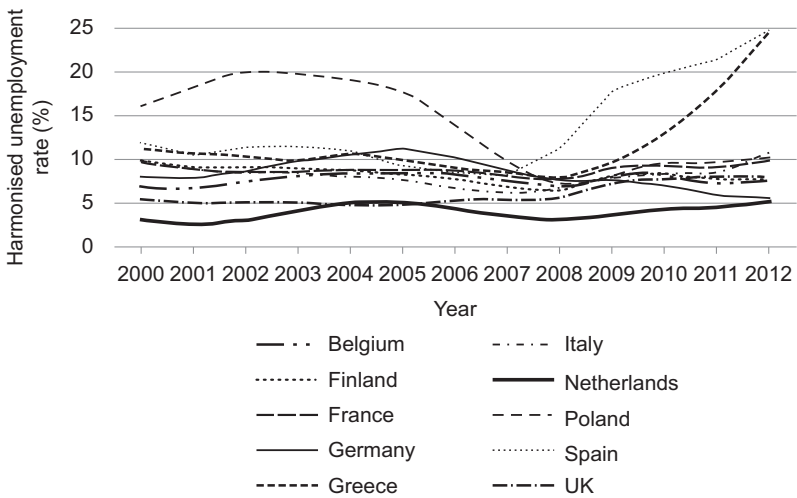
Figure 1.4 Development of sovereign debt by country

Source: Eurostat, retrieved from <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do> (17 September 2014).

Considering the press coverage of the euro crisis is important because there is a link between how news reports, editorials, and columnists frame issues, emphasise certain sources, and portray institutions and how audiences perceive events and form their opinions. These relationships have been well formulated in agenda-setting, framing, and priming theories and approaches in media effects theory (Dearing and Rogers, 1996; McCombs, 2004; McCombs and Shaw, 1993; McCombs et al., 1997; Scheufele and Tewksbury, 2007; Shoemaker and Vos, 2009; Weaver, 2007).

Newspaper coverage is especially important because it is used in deciding what stories should be covered by television news, but newspapers are not alike; large-scale differences exist between general circulation newspapers, tabloids, and financial/business papers, for example, and there are differences among countries in the ways journalism is practised and how newspapers behave. Thus, one would expect differences in the ways they cover the euro crisis and portray the actors and institutions, and comparative analysis is necessary to establish similarities and dissimilarities.

Figure 1.5 Development of harmonised unemployment rate by country



Source: OECD, retrieved from <http://stats.oecd.org/Index.aspx?DatasetCode=STLABOUR#> (17 September 2014).

In addition to these fundamental differences in media systems, journalistic culture, and audience expectations, one would expect differences in newspaper coverage of the euro crisis related to the extent to which a country was involved in the crisis. Differences would be expected in coverage of northern, southern and central European newspapers; domestic factors would be expected to influence presentation of news in different countries; variations would be expected in coverage of papers in countries that are part of the eurozone and those that are not; countries with sovereign debt issues would be expected to cover stories differently than those without debt issues.

Media coverage of the crisis has been criticised as shallow and not reflecting its complexities, reflecting narrow national interests and perspectives, and allowing media outside of the eurozone to exert powerful influences on decision-makers (Authers, 2012; Corcoran and Fahy, 2009; Guerrara, 2009). This book illuminates those allegations. It also addresses the extent to which coverage reflected domestic and European perspectives, whether a European or domestic identity was conveyed, how European and national political and financial institutions were portrayed, and the range and quality of the debate.

This book is based on data from a large-scale internationally comparative research project that examined how Europeans understand

the challenges facing the euro and workings of the EU and ECB through the news media of their countries. It was directed by Reuters Institute for the Study of Journalism at University of Oxford, which oversaw the work of partners studying coverage in Belgium, Finland, France, Germany, Greece, Italy, the Netherlands, Poland, and Spain, and the UK. Partners include the Institute for Media Studies at KU Leuven, Belgium; the Centre de Sociologie et de Science politique de la Sorbonne Université Paris 1-Panthéon Sorbonne, France; the Institut für Publizistik at Johannes Gutenberg University of Mainz, Germany; Department of Journalism and Mass Communication Studies, Aristotle University, Thessaloniki, Greece; Dipartimento di Scienze Politiche at the University of Perugia, Italy; Communication Research Centre, University of Helsinki, Finland; Institute for Journalism and Social Communication, University of Wroclaw, Poland; School of Communication, University of Navarra, Spain.

In carrying out the research, more than 10,000 articles from 40 newspapers in ten countries were analysed. These included the leading business/financial paper, the leading conservative and liberal papers, and the leading tabloid in each country. The full list of papers is included in Appendix 1. A content analysis was undertaken to identify main themes in coverage, choices of sources, the extent and nature of the coverage, and the scope and balance of the opinions expressed. The research focused on the 11 critical points of time discussed above between February 2010 to July 2012. Full details on the methods, sampling, the coding instrument, and other scientific information about the study are included in the appendices to this book. Core funding for the research was provided by the John Fell OUP Fund at the University of Oxford.

This book is not meant to report full data from the project and does not contain individual reports about domestic coverage in the countries studied. Those can be found elsewhere (see appendices). The focus of this book is on how the fundamental issues of the crisis and its participants were portrayed across Europe and the implications of that coverage for public understanding of the developments and events. It thus focuses on the extent to which newspapers addressed their readers as Europeans and on how they viewed the roles, functions, and effectiveness of European institutions. These are critical to the future of the EU and the extent to which it will be given powers to continue integration.

This approach is important because it will reveal whether the social construction of Europe in the coverage is one of elites or citizens, the

extent to which common European debates are carried out across Europe, how European issues are addressed in national discourses and how those debates converge and diverge.

The book is divided into four sections. The first addresses national and European discourses found in the news coverage (Chapters 2–4); the second looks at characterisations and interpretations of the crisis conveyed (Chapters 5–7); the third section focuses on factors that influenced coverage (Chapters 8–10); and the final section addresses the question of where coverage is taking Europe (Chapters 11 and 12).

The initial section explores the discussion in articles revealing how the roots of and solutions to the crisis were presented, national differences in what was covered, and expectations and trust in European institutions portrayed. Heinz-Werner Nienstedt, Hans Mathias Kepplinger, and Oliver Quiring show in Chapter 2 that coverage in most countries presents national economic policies as the roots of the crisis but that European institutions are often seen as responsible for addressing it. Hans Matthias Kepplinger, Christina Köhler, and Senja Post then show in Chapter 3 that news coverage in different countries is characterised by different dominant views of the origins and causes of the crisis, and that these dominant views in most cases remain unchanged, even as events pile up and the crisis unfolds over time. In Chapter 4, Giovanni Barbieri and Donatella Campus note that while centre-left and centre-right tabloid and financial newspapers cover the euro crisis differently, there is considerable intra-country homogeneity, with otherwise different newspapers from the same country often sharing an overarching consensus in terms of how they cover the European institutions.

Chapters in the second section investigate the national and European sources relied upon for information in stories, importance given to the range of issues and ideas about developments, and the language used to describe the crisis. Nicolas Hubé, Susana Salgado, and Liina Puustinen focus on the actors and sources featuring in coverage of the euro crisis and show that leaders of national governments and a few prominent heads of European institutions loom large, especially and far more than anyone else the German Chancellor Angela Merkel, who appears in the news across the continent. In Chapter 6, Susana Salgado, Heinz-Werner Nienstedt, and Lennart Schneider use statistical techniques to identify a similar pattern of considerable internal consonance, in terms of how the causes of and possible solutions to the crisis are covered in different countries, but considerable differences in terms of the internal and

external plurality of the coverage from country to country. Willem Joris, Liina Puustinen, Katarzyna Sobieraj, and Leen d'Haenens identify five different metaphorical framings in Chapter 7, showing that the crisis was portrayed as (a) a war, (b) a disease, (c) a natural disaster, (d) a problem of construction, (e) a game – with the war frame most frequently used across the ten countries analysed.

The third section examines the extent to which factors such as the type of newspaper, country involvement in the events, and media systems and journalistic culture were meaningful in explaining coverage of the crisis. In Chapter 8, Ángel Arrese and Alfonso Vara analyse similarities and differences between different kinds of newspapers within each country and show not only that popular, up-market, and financial newspapers have covered the crisis differently, but also that financial newspapers have far more similarities in terms of their coverage across countries than other kinds of newspapers. Paolo Mancini and Marco Mazzoni investigate the idea that a common, Europe-wide event – like the euro crisis – could help create a shared European public, but their work in Chapter 9 reveals that the discussion throughout the crisis has remained primarily national and is far more ‘domesticated’ than ‘Europeanised’. In Chapter 10, Robert G. Picard and Susana Salgado compare the results from the extensive cross-country content analysis conducted here with existing frameworks for comparative media research and find that existing typologies of ‘media systems’ and ‘journalism cultures’ only to a limited degree help explain the patterns identified in this book, suggesting we need a more dynamic approach, with more attention to strategic actors and to contextual factors including economic differences.

The extent to which a European sphere was evident in the crisis and overall conclusions are reviewed and discussed in the fourth section. In Chapter 11, Juha Herkman and Timo Harjuniemi show that, though no clear European public sphere appears to have formed, there is some degree of ‘vertical Europeanisation’ of discussions around the euro crisis, where largely domestic political debates are linked to Europe-wide discussions via coverage of leaders of other governments (especially Merkel), of select European institutions, and in the emphasis on Europe being part of the solution to European problems. The final chapter then shows what the research in aggregate tells us about the contemporary nature of news coverage of European issues and European institutions and its implications for a common identity and locales in which to connect and interact as Europeans.

EXTRACT

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