News media and the stock market: Assessing mutual relationships

An interdisciplinary multi-method study of financial journalism, news media, emotions, market events and the stock market

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Chapter 2

Financial Journalism in the Post-Crisis Era

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Abstract

This study relies on 22 expert interviews and a survey among 40 financial journalists in the U.S. to reassess the role of financial journalists for financial markets in the post-crisis era. Findings point to a discrepancy between the ideal active watchdog role journalists picture for themselves and their actual role enactment. Furthermore, the process of constructing and distributing financial news has been found to be self-referential within the financial system, leaving little room for alternative voices. In this sense, the influence of regular financial reporting in driving stock market prices has been found to be limited, but contingent on various factors. Eventually, facing the proliferation of online news, journalists have raised a general concern regarding the loss of journalistic values, but also see potentials for their discipline in light of automated reporting and online publications.
Introduction

Recent discussions about fake news (Carlson, 2017) and accusations against financial journalists in having failed to comply with their watchdog function during the Global Financial Crisis 2007-2008 (GFC) (Manning, 2012; Starkman, 2014) raise questions about the role of financial journalism for financial markets in the post-crisis period. More specifically, invested interests (Thompson, 2013) and an overall decline in journalism standards in financial journalism since the eighties (e.g., Knowles, Philips, & Lidberg, 2017) are causes for concerns that the profession of financial journalists is losing ground. Furthermore, in an era in which automated news production (e.g., Blankespoor, deHaan, Zhu, 2017, in press) and high frequency trading based on algorithms (Lewis, 2014) have entered the stage, one starts to wonder how financial journalists contribute to today’s financial markets, how they interrelate with other financial actors in the production, construction and dissemination of financial information and how they perceive their role in the post-crisis period.

In fact, after more than ten years the GFC hit global markets, journalism and communication scholars are still seeking for “more thorough, comprehensive, and empirical research into financial journalism” (Knowles et al., 2017, p. 323; Ragas & Tran, 2015). Current developments, such as the increasing dependence of financial media on Wall Street sources (Thompson, 2013) as well as growing financial pressure within the news industry (e.g., Witschge & Nygren, 2009) demand a more recent assessment of the role of financial journalism (cf. Lee, 2014). In addition, an upheaval in the news industry that has questioned journalistic practices in the U.S. after the election of Donald Trump as the new President of the United States (Rutenberg, 2016) calls for a reassessment of various formats of journalism in recent times, and particularly financial journalism. Hence, with regard to financial journalism, the following overarching research question shall be answered in this study: (RQ1): What is the role of financial journalism for the financial markets in the post-crisis era?

Theoretical Background and Research Gaps

While the practice of financial journalists has not attracted much scholarly attention before the GFC, since then, scholars in communication science and journalism have increasingly been questioning the role of financial journalism. In the following, an overview of four research areas on financial journalism and research gaps that have evolved therewith over time will be outlined in more detail.

Role Perceptions

Opaque financial reporting and ongoing fraud in the corporate and financial sector require a critical voice that questions these practices and behavior (Doyle, 2006). Therefore, financial journalists take a crucial societal role in acting as watchdogs for the corporate and financial sector. However, these watchdog role perceptions and enactment can vary greatly across outlets (Usher, 2012). In fact, acting as a watchdog could mean 1) transmitting information to the public, 2) providing guidance for acting upon this information, 3) the way journalists work (e.g., investigative journalism vs. daily journalism), or 4) the focus on results and to what extent journalistic work has yielded people or the government to take action (Usher, 2012). Similarly, more general research on journalistic role perceptions distinguishes between passive role perceptions (e.g., passive mirror, public forum) and active role
perceptions that also include the watchdog role as well as the public mobilizer role (Skovsgaard, Albaek, Bro, & Vreese, 2013).

One area of research on financial journalism that deals with such role perceptions has been focusing on the responsibilities of journalists with regard to the reporting of the GFC. Usher (2012) has talked with business journalists in the U.S. to understand how they perceive their responsibilities in reporting on the crisis in retrospect, pointing to a “serious lack of media accountability” (p. 191). Recently, by conducting ethnographic research at The New York Times, Usher (2017) concluded that the watchdog function of financial journalism was mostly absent there and that structural problems inhibit journalists to act differently. Similarly, Tambini (2010) finds various opinions and perceptions among financial and business journalists in the UK regarding their watchdog function vis-à-vis the financial markets and the corporate sector. Considering these conflicting findings, it becomes thus questionable whether the traditional understanding of the watchdog role still holds today. Thus, this study aims at reassessing the watchdog role of financial journalism to provide practitioners and academics with a more timely and appropriate understanding.

**News Production Process**

Financial markets are constitutive of information flows and communication among market participants (Thompson, 2013). As Thompson states: “the financial media and the news services they provide cannot be regarded simply as external and independent observers of market events” (p. 209). Instead, media are considered to reflect and at the same time constitute financial markets (cf. Knorr Cetina & Bruegger, 2002a). In this vein, previous research showed that financial journalists depend on elite sources and expert knowledge from the financial sector, which raises concerns about the authenticity and efficacy of financial journalism (Davis, 2000; Doyle, 2006; Knowles et al., 2017).

Research on financial journalism dealing with the interrelations of financial media and the market is looking at the self-referential and constitutive characteristics of information processes on financial markets. Not only anthropologists and sociologists have conducted insightful ethnographic research in this regard (e.g., Knorr Cetina & Bruegger, 2002a), but also media scholars such as Aeron Davis. By means of interviews with fund managers, Davis identifies “‘limited’ media effects” (2005; p. 308) on investors’ trading behavior on the one hand but a “‘consensus media effect’” (p. 321) on the other hand, implying that investors actively consume information and trade in anticipation of the broader mass. More recently, Thompson (2013) has identified a strong interrelation between reporters and analysts with regard to information exchange, leading to a dangerous reflection and reinforcement of the market consensus.

Related research has particularly been interested in understanding why financial journalists have failed to uncover frauds on the financial market before the GFC. Manning (2012) identified four reasons that have contributed to the failure among financial journalists to spot the roots of the financial crisis (e.g., influence of financial PR, the complexity of financial topics). Taking a long-term perspective, Knowles et al. (2017) have investigated how journalistic standards in financial reporting have developed over time and have given empirical evidence that there has been a considerable decline since the 1980s. However, while the studies reviewed above have particularly been focusing on journalistic practices before the GFC and in an era where electronic information exchange has just emerged (e.g., Knorr Cetina & Bruegger, 2002a), there is no recent assessment of financial journalism practices available. Yet, particularly with regard to the public and academic criticism expressed toward financial journalism with reference to the GFC (e.g., Manning, 2012; Robert Peston’s reporting on Northern Rock), the question arises whether financial journalists have changed their practices in the past years. Hence, this study aims to...
investigate how financial news gets constructed and distributed in the post-crisis period and how financial journalists intervene with other market actors.

**Financial Journalism and the Stock Market**

There is consensus among scholars and practitioners that information and the financial press have an impact on stock market prices, political discourses and economic ideas (Dyck & Zingales, 2003; Parsons, 1989; Shiller, 2005). What is less clear, however, is the peculiar impact that news media, and particularly financial and business reporting, has on financial markets and the stock market respectively. Previous research has found that negative news (Tetlock, 2007), emotions in newspaper articles (Strauß, Vliegenthart, & Verhoeven, 2016), or economic tweets (Strauß, Vliegenthart, & Verhoeven, 2017, *in press*) are related to stock market movements. However, while some research suggests that news media contribute to market panics (e.g., Kleinnijenhuis et al., 2013), Scheufele, Haas and Brosius (2011) have identified the German news media to mirror the stock market.

However, answers from empirical research regarding the ostensible impact of financial news on the stock market remain unsatisfied in light of the complex interaction between events, news and communication on the market (Dyck & Zingales, 2003; Thompson, 2013). Yet, particularly when considering re-emerging market panics, irrational exuberance (Shiller, 2005) and prices that sometimes do not reflect true value anymore, it is important to know how financial news and information influence the financial markets. Hence, this study will shed more light on this matter by talking to financial journalists and financial market participants about their experiences and observations regarding the relationships between financial markets and financial news.

**Economic Pressures and New Developments**

Lastly, it is well known that the newspaper industry is undergoing a crisis (e.g., Blumler, 2010; Siles & Boczkowski, 2012). Tremendous declines in advertisement and subscriber revenues in the past came along with the dismissal of many journalists and editors, the closing of news rooms, mergers of news outlets, and the move toward cheaper, online news distribution channels (e.g., Schlesinger & Doyle, 2015). While these developments can be found across the entire news industry, it appears that financial journalism in the U.S. has particularly been suffering from these changes. Previous research has in fact shown that economic pressure has impaired the quality of financial reporting (Doyle, 2006; Knowles et al., 2017). What is more, recent developments such as automated journalism (Blankespoor et al., 2017, *in press*), high frequency and algorithm trading (Lewis, 2014) as well as the proliferation of online news might have changed the working environment for financial journalism severely. However, less is known how financial journalists perceive these changes nowadays and whether they have in fact already experienced differences in their daily work due to these developments. Hence, this study aims to find out how economic pressures and the emergence of new technologies have affected financial journalism in the post-crisis era.

**Data and Method**

**Expert interviews**

In order to fill the research gaps outlined above, this study focuses on the U.S. context and draws upon 22 expert interviews, including 15 financial journalists, four investor

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6 Seven journalists had been employed as free-lance journalists at the time of interviewing; one journalist gave written answers and one interview was protocolled instead of recorded.
relations/financial PR officers (IRO), two investment experts from Wall Street and one accounting professor. The interviewees were recruited from personal networks and via snowball sampling. The financial journalists interviewed have worked for financial online news outlets (e.g., Forbes), news wire services (e.g., Bloomberg), magazines and financial quality newspapers (e.g., The New York Times) and differed regarding their job titles and experiences in their jobs (see Table 2.1 for an overview of all the interviewees). Non-journalists (e.g., investor relations officers) were included in this study in order to draw a more comprehensive picture of the role of financial journalism by listening to people who are regularly exposed to financial news or financial journalists.

Table 2.1

Overview of Interviewees

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Outlet</th>
<th>Years of Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Journalists</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Online journalist</td>
<td>Online news/investor news</td>
<td>2 years</td>
</tr>
<tr>
<td>2) Reporter</td>
<td>Online news service</td>
<td>20 years</td>
</tr>
<tr>
<td>3) Freelance journalist</td>
<td>Online news</td>
<td>12 years</td>
</tr>
<tr>
<td>4) Editor</td>
<td>News wire service</td>
<td>18 years</td>
</tr>
<tr>
<td>5) Freelance journalist; teacher in finance</td>
<td>Magazines</td>
<td>19 years</td>
</tr>
<tr>
<td>journalism at U.S. university on the west</td>
<td></td>
<td></td>
</tr>
<tr>
<td>coast</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6) Financial reporter; recently moved to a</td>
<td>Various newspapers; financial</td>
<td>21 years</td>
</tr>
<tr>
<td>media relations and communications department</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>quality newspapers</td>
<td></td>
</tr>
<tr>
<td>7) Financial reporter</td>
<td>Quality newspaper</td>
<td>30 years</td>
</tr>
<tr>
<td>8) Freelancer as journalist and PR officer</td>
<td>News wire service</td>
<td>15 years</td>
</tr>
<tr>
<td>9) Freelance journalist</td>
<td>Trade magazine</td>
<td>31 years</td>
</tr>
<tr>
<td>10) Reporter, managing editor</td>
<td>Quality newspapers; magazines</td>
<td>40 years</td>
</tr>
<tr>
<td>11) Financial journalist</td>
<td>Quality newspaper</td>
<td>30 years</td>
</tr>
<tr>
<td>12) Reporter</td>
<td>Various newspapers; recently at online news</td>
<td>40 years</td>
</tr>
<tr>
<td>13) Reporter; senior writer</td>
<td>News wire service</td>
<td>25 years</td>
</tr>
<tr>
<td>14) Freelance journalist</td>
<td>Quality newspapers; PR outlets</td>
<td>40 years</td>
</tr>
<tr>
<td>15) Staff writer</td>
<td>Online magazine</td>
<td>3 years</td>
</tr>
<tr>
<td><strong>Investor Relations/Financial PR Officers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16) PR brand communication expert/consultant;</td>
<td>Self-employed</td>
<td>17 years</td>
</tr>
<tr>
<td>teacher in IR at U.S. university on the west</td>
<td></td>
<td></td>
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<tr>
<td>coast</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17) Investor relations expert; teacher in IR</td>
<td>Self-employed</td>
<td>20 years</td>
</tr>
<tr>
<td>at U.S. university on the west coast</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18) IR professional</td>
<td>IR agency; business journalist in the past</td>
<td>11 years</td>
</tr>
<tr>
<td>19) Financial communication expert</td>
<td>Corporate communication department;</td>
<td>40 years</td>
</tr>
<tr>
<td></td>
<td>previously at PR firms</td>
<td></td>
</tr>
<tr>
<td><strong>Investment Experts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20) Managing director; M&amp;A expert/advisor</td>
<td>Investment bank</td>
<td>17 years</td>
</tr>
<tr>
<td>21) Investment management professional</td>
<td>Retail bank</td>
<td>18 years</td>
</tr>
<tr>
<td><strong>Academics</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22) Professor in accounting</td>
<td>U.S. University on the west coast</td>
<td>5 years</td>
</tr>
</tbody>
</table>

Chapter 2
The interview guides were semi-structured and dealt with questions about the production of financial news, role perceptions, relations with various financial market actors, the impact of news/information on the market, as well as recent developments in financial journalism and on the financial markets. The interviews were conducted either face-to-face in the offices of the experts, at the university campus, or via telephone. The duration of the interviews was between 20 and 70 minutes. The interviews were transcribed by English native-speakers and analyzed along the lines of the coding procedure, following Strauss and Corbin (2015).

**Coding.** In the first step (cf. “open coding”) each relevant paragraph was ascribed a code that captured the initial impression of the text. In the second step (cf. “axial coding”), the codes were analyzed for underlying connections. This was achieved by summarizing all labels per interviewee in columns of a table. In so doing, preliminary overarching categories were defined, such as “production of financial news.” In the third stage (cf. “selective coding”), core categories were identified and systematically linked to other categories (e.g., the core category “changes in journalism” that encompasses the sub-category “move toward online news”). It needs to be noted here that the interviews with the non-journalists were treated as single cases in the analysis.

**Survey**
Furthermore, to support the findings from the interviews, a survey among financial journalists, active in the U.S., was administered. Members in the directory of the Society of American Business Editors and Writers (SABEW) whose role descriptions matched with journalist, reporter, writer or correspondent (N = 7,710) as well as alumni from the Bagehot Journalism Fellowship at Columbia University (BJF) (N = 354) were invited via email to participate in a survey in December 2016. Questions in the 15-minutes survey dealt with the importance of diverse sources that journalists draw upon when writing a financial news article (partly based on Oberlechner & Hocking, 2004), their assessment of market reactions to financial news, working relationships with other market actors (e.g., financial analysts), their role perceptions (based on Skovsgaard et al., 2013), their evaluation of recent trends in journalism (e.g., automated news) and the market (e.g., high-frequency trading) as well as demographic data. Whenever possible, answer categories ranged on a 7-point Likert scale. The survey also gave the option for participants to sign up for a follow-up interview. The questions of the survey as reported in the results section here, are listed in the Online Appendix 2.2 of this dissertation.

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7 The semi-structured interview guides can be found in the Online Appendix 2.1 of this dissertation: https://doi.org/10.6084/m9.figshare.5354155.v1
8 Oberlechner and Hocking (2004) developed the questionnaire items for their study together with foreign exchange trading and financial news professionals.
The participation in the survey was low, partly due to the discouragement of media outlets to participate in surveys, as reported by one of the participating journalists in this study. To recruit more respondents, financial journalists who have already participated in the interviews have been personally asked to fill out the survey and to invite colleagues. Furthermore, major financial news outlets have been contacted to participate in this survey. However, even after sending a reminder in January 2017, only 40 financial journalists participated in the survey with valid responses (response rate based on SABEW and BJF directories: 0.5%).

Results

Revisiting the Watchdog Role of Financial Journalists

The reflections of financial journalists interviewed for this study cast doubt that journalists nowadays fulfill their role as watchdogs as categorized by Usher (2012) with regard to (2) providing guidance for acting upon information or (4) yielding people or the government to take action (Usher, 2012). Although the majority of the interviewees have indicated that they try to take a more active role in uncovering wrongdoings in the business world (cf. investigative role), it appeared that only few of the interviewees were practicing this part in their current jobs as (free-lance) financial journalists. In fact, when looking at the topics that the journalists reported to cover in their recent daily work, most of them rather dealt with standardized reporting on the economy (e.g., quarterly earnings, analyst profiles, investment advice). Only two of the respondents indicated that they also do in-depth and more investigative stories (e.g., Panama Papers investigations).

The results of the survey corroborate the self-perception of journalists as active watchdogs ($M = 5.75$), followed by the public forum role ($M = 4.16$), public mobilizer role ($M = 3.95$) and least likely as enacting a passive mirror role ($M = 3.45$). Given that it cannot be traced back whether the journalists in the survey indeed practiced the active watchdog role in their daily job, the self-reporting needs to be assessed with caution. Rather, and when considering the results of the interviews, it seems that there is a discrepancy between the watchdog role that journalists envision for themselves, and their actual role enactment.

Indeed, journalists interviewed also considered themselves as informants and educators. Here, journalists reported that they understand their role as a combination of providing information to their audience on the one hand, and educating them about the financial world on the other. Journalists reported to focus strongly on the general public and retail investors, by informing them, for example, about investment opportunities or trying to explain complex financial topics in easy terms. Hence, this self-perception is in line with what Usher (2012) considered the transmission view of watchdog journalism. However, when journalists reflected upon the main audience they are writing for, it became evident that most of the journalists report for wealthy, male, well educated business people or citizens with a strong interest in investments. Thus, instead of informing the broader public or retail investors as intended by the journalists and described by Usher (2012), financial journalists rather speak to an elite audience, mainly located on Wall Street. Once again, this

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9 26 of the participants of the survey among financial journalists were male and 14 were female. The average age was 53.2 (excluding one participant who did not indicate his/her age) and journalists had an average of 21.075 years of experience in their jobs. The majority reports for financial online news (12), followed by daily regional newspapers (7), magazines/journals (6), other (5), financial newspapers (4), daily national newspapers (3), other online news (2), and blog/social media (1). Most of the journalists cover business/companies (12), other (8), general stock market topics (7), industries/sectors (7), the national market (4), or international markets (2).
misalignment between role perceptions and actual behavior of financial journalists questions the watchdog role of financial journalists.

**Inside Wall Street: A Self-Referential System of News Production**

**Inspiration.** The interviews have revealed that most of the journalists gather their inspirations for articles from sources and contacts related to or from inside Wall Street. These sources can either be economic databases, earnings by companies or information from financial analysts, public relations, investor relations, or news wire services. For reporters on the ground as well as journalists with long-year experiences interviewed, personal contacts with financial analysts, institutional investors and financial PR/investor relations were seen as the most important sources for financial reporting. Interviewees reported that financial analysts are of particular importance to get insights from the market or story ideas. When asked in the survey, journalists feel significantly more comfortable talking to financial analysts when compared to institutional investors \( t(39) = -2.65, p = 0.011 \) or IROs \( t(39) = -2.69, p = 0.010 \). Similarly, they indicated that they cooperate better with financial analysts when compared to institutional investors \( t(39) = -4.03, p < 0.001 \) or IROs \( t(39) = -1.45, p = 0.156 \), that they feel significantly more dependent on financial analysts than on institutional investors \( t(39) = -2.29, p = 0.028 \) or IROs \( t(39) = -3.19, p = 0.003 \) and that they trust financial analysts more when compared to institutional investors \( t(39) = -0.26, p = 0.800 \) or IROs \( t(39) = -5.36, p = 4.02\text{e-06} \) (see Figure 2.1).

![Figure 2.1 Perceived relationship characteristics with financial analysts, institutional investors, and investor relations officers.](image)

**Sources.** The limited scope of information flows from outside Wall Street also became reflected when journalists reported on the sources that they use when writing a financial news article. Journalists in the interviews stated that they rely mostly on sources and information from people and institutions on Wall Street. Similarly, the strong dependence on media, personal, corporate, and other sources that can be directly associated with the financial sector also became apparent in the survey (see Figure 2.2).
In this vein, financial journalists in the interviews pointed out that public information—hence, information that is available through public sources (e.g., filings, press releases)—does not offer much added value for their reporting. An editor at a news wire service with long-term experience explained in this regard: “Our goal at [news wire service] is not just to be like a 'me too', we don't want to do the same story everyone is doing. We try not to just rewrite press releases.” Instead, financial journalists in the interviews highlighted again that personal relationships to people inside Wall Street are much more valuable in order to get first-hand information and to receive explanations on complex topics. In fact, the results of the survey show that financial journalists talk mostly to financial analysts (2-3 times a week: 14 respondents), followed by both institutional investors and IROs (2-3 times a week: 9 respondents each).

Most of the interviewees were, however, aware of the fact that financial analysts, investor relations or financial PR professionals have an agenda when talking to the press. Recommendations by financial analysts, for example, who are employed by an investment firm that might have a stake in the companies that the analysts cover should be considered with caution, as reported by the interviewees. The answers in the survey also showed that financial journalists seem to be aware of the influences of other market actors on their work. When being asked about external influences, journalists indicated to feel mostly influenced by investor relations professionals ($M = 5.85$), followed by institutional investors ($M = 4.33$) and financial analysts ($M = 4.23$).

Although the interaction with sources on Wall Street seems paramount, journalists also recognized that it has become more difficult in recent times to get access to people on...
Wall Street due to flourishing investor relations and financial PR that gate keeps meetings with the c-suite of corporations. Particularly freelance financial journalists, who have previously been working for elite newspapers and who are now working for online news, reported that getting hold of executives, respected analysts or prestige investors has become a daily challenge. A freelance financial journalist with more than 30 years of experience gave some insights: “That's the big difference working for a newspaper, your call gets returned... But if you're some website, your calls may or may not get returned.” In fact, investor relations officers (IROs) interviewed for this study also stated that there is a strong trend toward “corporate access,” meaning that investors and analysts are increasingly asking for direct access to the CEO and the management of companies.

Thus, not having access to elite sources or being on the ground to get information that would break the news urges some of the journalists to rely on leading, real time news outlets (e.g., Bloomberg, Yahoo Finance) when doing their work, as reported by the interviewees. In that way, it is likely that the frontrunner outlets (e.g., news wires) set the focus and tone of the follow-up reporting by other journalists and outlets. This dependency on intermediaries has also become evident in the survey responses by journalists. Although financial journalists indicate that sources limit them less in terms of what they are allowed to write (M = 1.83) or able to write about (M = 3.13), they admit that they have to rely on interpretations from intermediaries (M = 3.53), that they are dependent on readers’ expectations (M = 3.60) and that the editor has an influence on the tone of their articles (M = 4.28).

While the sources used for reporting underlines the self-referential financial information system as found in previous research, there were a few exceptions among the journalists who emphasized that they try to rely on independent sources such as academic or independent research when writing a story. However, only two journalists interviewed have pointed this out. Similarly, the survey results evinced that independent sources (e.g., conferences: M = 3.83, scientific journals: M = 3.90, or blogs: M = 2.55) were evaluated among the least important sources for writing a financial news article (see Figure 2.2).

Selection. What information will eventually be developed to a story is, of course, dependent on the news outlet and the beat a journalist is assigned to. While a news wire service such as Bloomberg will put the highest priority in sending out breaking news before others, elite outlets such as the New York Times or Wall Street Journal try to focus on a more holistic picture. As reported by the interviewees, these elite news outlets take a long-term perspective in spotting trends, changes in the industry, or developments and opportunities that might be interesting for their readers besides the regular financial reporting. However, given the time pressure as indicated by some interviewees, it is likely that the stories reflect established and common elite sources from Wall Street after all.

Feedback. The exclusive contact with Wall Street and financial elite sources also became reflected in the feedback that journalists reported to receive. No journalist in the interviews stated to receive direct feedback from retail investors or the broader public on their articles, besides clicking or sharing rates. Instead, journalists said that they receive complaints from companies and people involved in the stories. Without exception, all journalists were open for this criticism, given that the complaint was justified and information needed to be corrected. However, all journalists interviewed rejected the idea of having a story changed or lightened up because a reader or a party involved would express discontent, purely driven by self-interest.

To sum up, the entire process of writing financial news articles appears to be characterized by a self-referential system among Wall Street business elites. Not only do financial journalists rely on sources, data and information from inside Wall Street to get a story idea or drafting an article as shown by the survey and interview results, even the dissemination, consumption and feedback of financial news is limited to a small, privileged
business elite as reported by the interviewees. Investors and IROs interviewed for this study also illustrated this self-constitutive financial information system. One investor and mergers and acquisitions advisor who had also been a trader in his early years reported in this regard: “If you go into any trading floor in the industry the TVs are playing all day long. Whatever they're reporting is being filtered into the people who are making the markets. You can't get away from that.”

**Financial Journalists: Markets-Makers or Market-Followers?**

When asking financial journalists in the interviews about the impact of their writing on the financial markets, the majority did not report to have experienced any movements on the stock market due to an article or story that they have written. A few of the journalists experienced one or two incidents in which an investigative story that they wrote had impacted the stock market severely. However, journalists pointed out that these incidents are rare. The results of the survey among financial journalists portrayed a similar picture. When asked to what extent journalists believe they are influencing the stock market, it became evident that journalists mostly see their impact on individual investment decisions ($M = 4.53$), followed by the industry ($M = 3.65$), share value ($M = 3.03$), and the stock market ($M = 2.00$).

**Breaking news vs. follow-up reporting.** At the same time, the interviewees acknowledged that the impact of reporting also depends on the media outlet and their business models. News wire services such as Reuters or Bloomberg, according to the interviewees, are focusing on stories that move the market, as their clients who pay high subscription fees expect to receive market relevant information from these outlets in real-time. To make sure that this premium service can be provided for their clients, these wire services offer incentives for journalists to publish market-moving stories. This can range from internal ranking lists of journalists who have moved the market most, to bonus payments at the end of the year. As one long-term experienced editor at a news wire service explained: “we do highlight internally quite a bit when someone moves a stock so, yes, it's a big deal.”

Hence, the primary aim of news wire services is to get the information out as fast as possible, mostly in the form of a headline, which will already be enough for professional investors to exercise trading transactions and take advantage of the information headstart. In fact, a few sophisticated investment firms have already developed algorithms that automatically read these short updates from news wires and place orders accordingly. The editor of the news wire service gave some insights: “Obviously, investors are using headlines, and even their computer models are using headlines, to make investment decisions.”

However, the majority of journalists interviewed in this study have worked as online journalists, reporters or free-lancers for financial news outlets, magazines or websites. The intention of these outlets is not so much to publish market-moving stories, but to provide in-depth and more analytical stories as well as daily financial reporting (e.g., quarterly earnings). Given that the journalists have to rely on already available information from the market when writing these stories (e.g., agency reports, press releases), the effect of this “outdated” reporting on the market has been reported to be mostly absent or unknown by the journalists. In fact, some of the journalists interviewed indicated that they are not interested in moving the stock market after all, but are rather interested in explaining broader trends. Thus again, it seems that the predominant role perception among journalists interviewed is that of an educator and informant instead of an active watchdog or mobilizer.

**Long-term effects.** While there was consensus among financial journalists that it is unlikely that day-to-day financial reporting will influence the market to a significant extent, it
emerged that journalists believe that their writing might have long-term influences. In line with the findings from the survey, the journalists interviewed hoped that their writing has an impact on individual investment decisions (e.g., real estate investment). Furthermore, some journalists acknowledged that there might be aggregate or over-time effects of financial news. For example, articles from various outlets on a particular incident could re-enforce the impact of the initial news. Furthermore, it was mentioned that negative news stories about a company that appear repeatedly over time might affect the stock price of this company negatively in the long run. Journalists in the survey, however, perceived long-term effects as rather less influential, while the strongest effects were assumed to occur for unexpected financial news after minutes ($M = 6.03$), seconds ($M = 5.45$) and hours ($M = 5.50$) (see Figure 2.3).

![Figure 2.3](image)

**Figure 2.3** Expected influences for financial news within various time spans.

**Market-moving stories.** Besides these long-term and short-term effects, there were a few types of news that were repeatedly mentioned by the journalists and other experts interviewed that are likely to move the markets based on their experiences. These include news about mergers and acquisitions, earnings announcements, analyst reports, market assessments by well-known investors or analysts, stories that expose fraud, and more generally—and as the results of the survey mentioned above have also shown—surprising news. Two journalists pointed out that elite financial news outlets as well as news wire services are more likely to move markets given that they have access to exclusive sources or leaks that enable them to inform the market before it becomes known to the broader public. Moreover, trade publications and specific industry news outlets were mentioned several times to play a progressively important role for the market. Furthermore, there was also consensus among journalists that macro-economic news as well as political news can impact the market. However, when considering insights from the trading side, the investors interviewed in this study pointed out that the fundamentals of a company might matter even more for investment decisions than any news about it (e.g., in terms of portfolio theories, investment models).

**Limited effects.** In fact, there were some critical voices raised regarding the impact that news might have on the stock market. One senior writer at a news wire service outlet pointed out that he is not convinced that stock market prices correctly reflect what is actually happening in the markets. Another journalist and an IRO referred to the irrationality of
markets and emotional attachments to investments, which make it difficult to predict how the market will behave when certain news becomes public. Following this, an editor from a news wire service pointed to the fact that information can always be considered from two perspectives and that news cannot intrinsically be conceived as either positive or negative; in this regard, questioning the role that journalists have in moving markets.

Speaking from an ostensive perspective, the editor of the news wire believes that the financial reality exists out there and that it is the job of financial journalists to report neutrally and objectively on it. He rejected the accusations by “The Wall Street” of having caused the financial crisis, and explained that they were simply reporting on the numbers. According to him, the trading decisions taken by investors and the herd-like behavior were eventually the reasons that caused the stock market to crash during the GFC—not the reporting. This perception in fact confirms the self-constitutive financial information system as identified above. Not only does the journalist perceive him/herself as an inherent part of the financial system by objectively reporting on the market events, but the market movements are also seen as a result of self-reflections within the financial system.

Move toward Online Journalism: The End of Journalistic Norms and Values?

Economic pressures. Without exception, journalists interviewed in this study complained about financial pressures in the financial news industry, which comes along with a move toward online platforms and the cutback of personnel. As reported by some of the journalists in the interviews, these layoffs usually affect older, print-based employees and journalists with long-term experience. One young journalist working for an online news outlet that is undergoing a change from print to online news added on this subject: “This spring we laid off 40% of the workforce across all departments.” She also recalled that performance and traffic numbers drove this lay off and that the outlet preferred younger journalists, as they are associated with fastness and versatility. In fact, quite a few of the journalists interviewed in this study have had long-term experience, had been employed by leading financial newspapers, but were recently laid off and now work as free-lancers for financial online news. Some of them have also moved to the PR industry in the need for a job that would also secure the financing of their families and lifestyle.

Loss of journalistic values. One development that has often been mentioned among the journalists interviewed was the cutback of editors. Journalists from various outlets reported that there has been a move toward less editing. In this regard, various journalists in the interviews have expressed their concerns about the loss of journalistic working culture, particularly when talking about financial online news. Although journalists in the interviews have emphasized that journalistic standards such as accurateness, fairness and objectivity have still high priority in their jobs (see also survey response on the importance of objectivity in reporting: \( M = 6.58 \)), there was a general concern that these values might get lost in the future. The abundance of information and the pressure to report fast and constantly has been assumed to lead to lower quality in reporting and a decline in ethics and journalistic values. Critical voices have also been raised toward the education of trainees in financial journalism. Some of the more experienced journalists were aghast of some reporting by younger colleagues. Furthermore, a few journalists also revealed that there has been a change in the style of reporting compared to earlier days. Journalists today seem to be pressured to take a perspective in stories, express their own viewpoints and take a more partisan approach in writing stories.

Elite press as role model. Despite the fact that some of these negative developments have also been diagnosed for quality newspapers, some of the journalists who had previously been working for these outlets highlighted that the elite press such as the Wall Street Journal, Bloomberg, and New York Times could today still be perceived as the “fifth estate” and “an...
of the financial markets. In this vein, the editorial processes at quality newspapers were also reported to be of high ethical standards. Conflicts of interests due to advertisement clients, stock ownership or giving way to outside pressure from parties involved in the stories were categorically rejected by journalists who are working/or had been working for these elite outlets.

**Financial journalism: an explosive field.** The proliferation of online news also had its effects on the legitimization and establishment of alternative news outlets. Journalists reported that numerous blogs and websites have entered the financial news business and have established themselves among traditional publications. One danger that has been mentioned in this regard is the fact that the contributors to these blogs and websites oftentimes have vested interests by, for example, possessing stocks of the companies they are writing about. Although conflicts of interests are commonly indicated at the bottom of articles, the consequences therewith might not always be obvious for the usual reader.

When asking journalists about trends in the newspaper and financial industry and their daily practices in the survey, similar developments as previously discussed were confirmed. For example, journalists think that new media technology has increased the risk of reporting unverified news ($M = 5.80$), that the speed of financial news will increase further ($M = 5.58$), that speed has become a more decisive factor in financial news reporting than contents ($M = 4.53$), or that the reporting of immediate events has become more important to the market than background analysis ($M = 4.25$). Although some believed that financial news might increasingly become produced automatically ($M = 4.48$), only few journalists believed that their job might soon be replaced by artificial intelligence ($M = 2.50$).

**Automated journalism and hope for the future.** In fact, the journalists in the interviews did not perceive recent developments in automated journalism as a threat to their jobs. Rather, journalists questioned the possibilities algorithms and robots have in making sense of information, filtering out relevant information, adding interpretation and analysis of numbers, or simply giving context to messages by talking to other sources and connecting facts. At the same time, financial journalists pointed out that automated journalism might provide opportunities, such as taking over standardized reporting jobs (e.g., rewriting of a press release), thereby opening up more time for journalists to do more in-depth and investigative stories. However, a financial reporter and adjunct faculty at a university had mixed feeling about automated journalism:

> “It can free up reporters to do higher value stories than these routine stories...The flip side of it is that sometimes doing those routine stories are, A, a good exercise for young reporters and B, sometimes you get story ideas from them”

Although most of the recent developments have raised concerns about the quality of financial reporting, there is also hope. A freelance journalist with more than 30 years of experience believed that these changes might also trigger quality financial newspapers to flourish and maybe move entirely toward online reporting in order to keep up with competitors and to secure their legitimacy on the news market. A young journalist working for a financial online news website was convinced that the future of financial reporting might lie in online video content such as live-streaming and real-time interaction with the audience. Another editor working for a news wire service was optimistic and assumed that quality journalism and breaking news that provide investors with market relevant information will continue to thrive.
Discussion

After the GFC, financial journalism has often been criticized for having failed to fulfill its role as a watchdog of businesses and the financial sector (Manning, 2012; Starkman, 2014; Tambini, 2010; 2013; Usher, 2012; 2017). Having overcome the crisis and the recession therewith, the question arises how financial journalism is practiced in the post-crisis era. The findings from the expert interviews and the survey among financial journalists in the U.S. are manifold and question the role of financial journalism for financial markets in recent times.

Role Perceptions Revisited

While most of the financial journalists who had participated in the study consider themselves fulfilling the active watchdog role (cf. investigative, corrective role), the interviews and the assessment of journalists’ actual daily reporting showed that journalists rather take the role of information disseminators and educators, primarily aimed at privileged groups at Wall Street. Furthermore, acknowledging the growing number of freelance financial journalists who are restricted in their resources to conduct investigative reporting, the active watchdog role for financial journalists has increasingly become an idealistic conception that can no longer be harmonized with today’s editorial offices. This does not mean that the normative role of financial journalists as an active watchdog (Doyle, 2006; Usher, 2012) should be rejected; rather, I argue for a reassessment of the role that aligns the active watchdog role with the role as an educator and informant. In this vein, the watchdog role would not only entail investigative reporting, aimed at uncovering fraud and misconduct in the corporate and financial sector, but it would also encompass the information transmission part in securing a fair, objective and accurate representation of the market that is also accessible to the average citizen. Financial journalism, in this regard, might then also contribute to the financial education of citizens, leading to an improvement of financial literacy among the public (Pollard, 2016).

Self-Perpetuating Financial Information System

When considering the production, dissemination and consumption processes of financial news as reported in the interviews and the survey of this study, it appears that financial journalists have become or are still servants to an elitist financial circle. Due to the high self-referentiality and dependence of Wall Street sources, it seems that financial journalists are constrained in their scope to question, analyze and correct financial markets from an unbiased stance. This finding is indeed in line with previous research that has found financial journalists to be “captured” (p. 286) by corporate sources and agendas (e.g., Davis, 2000), that they depend on expert knowledge from the financial sector (e.g., Doyle, 2006), and that this reliance on elite sources within Wall Street perpetuates the self-referential financial system (Knorr Cetina & Bruegger, 2002a; Thompson, 2013).

Contingent Impacts on the Stock Market

In this sense, the role of financial journalists in influencing the stock market has been found to be rather restricted and contingent on the news outlet and market events reported. While journalists working for news wire services take a crucial role in providing information for the market that could potentially move prices severely, the impact of regular daily financial reporting seems to be limited. Three reasons can be mentioned: First, most of the information for follow-up daily reports stems from inside Wall Street—hence, is already known on the financial markets and might therefore be already integrated in market prices. Second, because the investment audience that makes up the bulk of daily trading transactions on Wall Street has been reported to mainly consume breaking news from wire services (cf. Davis, 2005).
And third, some of the daily financial journalists might not have access to elite sources or leaks that would provide them with first-hand information.

While these findings speak for a limited impact of financial reporting on the stock market on a regular daily basis, it is still up for discussion whether financial news reporting can be considered the cause or consequence of stock market movements from an aggregate perspective and with regard to different time lags or market events. By means of a meta-analysis, Schuster (2006), for example, concludes that “business media can, under certain circumstances, influence stock prices” (p. 21) and potentially over time. Thus, more empirical research is needed to find out whether there is indeed a long-term or short-term effect of news media on the stock market, or vice versa.

Financial Journalism at a Crossroads
Eventually, the findings of this study have shown that the advent of online news in financial journalism came along with the dismissal of older and more experienced journalists, the rise of more freelance financial journalists, and a cutback in editorial jobs. These developments have raised serious concerns about the accuracy, ethics and values among financial journalists these days and in the future. Although there are still news outlets today that hold journalistic and ethical standards in high esteem—particularly elite and quality newspapers—the rise of blogs and alternative financial online news legitimate these worries. However, there is also hope that recent developments in automated reporting might give journalists more leeway in the future to live up to their desired active watchdog role, having more time at disposal for investigative reporting.

Limitations
The findings of this study should, of course, also be considered in light of limitations. The fact that only 15 financial journalists, and mostly long-term experienced staff, active in the U.S. were interviewed for this study restricts generalizable conclusions. Moreover, the rather low number of participants in the survey did not allow to analyze the data for much variation. In addition, the self-reporting of journalists in the survey should also be considered with caution while the analysis of the interviews might be inhibited by a personal bias due to the familiarity with the topic at stake. While future research might be able to reach out to a representative sample to survey financial journalists in the U.S., more qualitative research is also needed (e.g., observation studies: Usher, 2017). Furthermore, the question arises whether future academic research should be more rigorous in distinguishing between different styles, roles and professions in financial journalism. To conclude, this study has brought more attention to the field of financial journalism as a discipline and its current, partly worrisome, developments in the post-crisis era.

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