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**BUSINESS NEWS COVERAGE OF INDIA, BEFORE AND AFTER INDIA'S
ECONOMIC LIBERALIZATION, BY THE WALL STREET JOURNAL, THE
NEW YORK TIMES AND TWO INDIAN NEWSPAPERS – FINANCIAL
EXPRESS AND THE ECONOMIC TIMES**

By

Arvind Diddi

A THESIS

**Submitted to
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ABSTRACT

BUSINESS NEWS COVERAGE OF INDIA, BEFORE AND AFTER INDIA'S ECONOMIC LIBERALIZATION, BY THE WALL STREET JOURNAL, THE NEW YORK TIMES AND TWO INDIAN NEWSPAPERS – FINANCIAL EXPRESS AND THE ECONOMIC TIMES

By

Arvind Diddi

This study examines business news coverage of India, before and after India's economic liberalization between 1988 and 1994 to find out how the media in developed and developing nations cover the process of economic reforms in this era of globalization. The study analyzes news stories from four newspapers – *The Wall Street Journal* and *The New York Times* from the United States, and *Financial Express* and *The Economic Times* from India.

The results of the study point that mean story length and prominence in the American newspapers decreased after the liberalization, whereas in Indian newspapers story length and prominence remained almost same in both the periods. This finding was in accordance with earlier studies that although number of international stories increased in the American newspapers the space devoted to them remained constant.

With regard to sources, American and Indian newspapers used *Indian government officials* as major news source.

Dedicated to My Parents

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Chapter 1

1.1 Introduction

On July 24, 1991 the Indian government liberalized its economy in a big way. Among other changes made to the economic policies, the Indian government abolished licensing requirements for most sectors of the economy, revamped trade policy to encourage exports, and to increase the flow of foreign investment it relaxed the limit on foreign ownership of business in joint ventures.

Commenting on the economic liberalization, *India Today*, the country's most influential magazine, described the ideas of the then Prime Minister P.V. Narasimha Rao and Finance Minister Manmohan Singh as "explosive." They (Mr. Rao and Mr. Singh), the magazine wrote, "took the country by the scruff of the neck and said move, or we all die."¹

The Indian economy was liberalized at a critical juncture when the country was on the verge of defaulting on its foreign debts. The crisis was averted by borrowings from International Monetary Fund (IMF) and World Bank on the condition to free Indian market.²

The steps initiated to free Indian economy in July 1991 were considered to be a turning point in the nation's economic history as it was a big departure from more than four-decade-old state-controlled economy.

¹ Sudeep Chakravarti and R. Jagganathan, "New Economic Policy: Ending the Licence Raj," *India Today* August 15, 1991, 10.

² Nagesh Kumar, *Indian economy under reforms: an assessment of economic and social impact*, (New Delhi : Bookwell, 2000), 8.

As written in *The New York Times* on July 25, 1991:

“Finance Minister Manmohan Singh set into motion today a range of changes intended to turn India’s back on decades of insularity and government controls and to attract foreign money. Politicians and economists said the changes marked a turning point in the nation’s economic history.”³

Among others, the main components of economic liberalization included:

- *Industrial policy reform*: Adoption of new industrial policy by dismantling the industrial licensing (or approval) system that regulated the industrial investment in India. Opening new industries and services to private, including foreign private sector.
- *Trade policy reform*: It involved dismantling of import licensing system and liberalizing trade regime under World Trade Organization (WTO) agreement. Devaluation of rupee to make exports more competitive and imports more expensive, and exchange rate floated to market-determined rate.
- *Public Sector reform*: Government ownership diluted in public sector enterprise through sale of government equity as well as through fresh issue of capital to the public. And allowing the closure and restructuring of unviable firms.
- *Financial Sector reform*: Reforms in the financial sectors aimed at strengthening banks and at deregulating capital markets. The complex structure of differential interest rates charged and paid by commercial banks was simplified. New private sector banks were licensed to increase competition in banking sector. Reform of

³ Sanjoy Hazarika, “India Retreats From Socialist Past,” *The New York Times*, July 25, 1991, D1.

capital markets involved financing investment in private sector and attracting foreign portfolio capital.

- *Tax reform*: It involved broadening of the tax base and a reduction in exemptions was introduced to make up for revenue loss through tariff reductions. Further simplification of domestic taxes.⁴

Under a free market system and with a vast middle class of 200 million people, India was hard to ignore by the multinational companies and business media. Quoting a Western diplomat on India's liberalized market *The Wall Street Journal* on May 4, 1992 wrote, "You've got an economic miracle in the making."⁵

During 1991 there was a sharp rise in foreign investment in India. The new norms enabled speedy clearance of foreign investment proposals worth \$80 million, which had been pending at the time of announcement of reforms. Another \$130 million worth proposals came between September and December 1991.⁶

For deftly handling its balance of payment crisis and initiating major economic reforms, India did draw world's attention.

As reported in *The Economic Times* on October 11, 1991:

"Surprising everyone here on the eve of the annual meetings of International Monetary Fund and the World Bank, India appears all set to hog the world's attention for the next one week. The credit should largely go to the Managing Director of the IMF, Mr. Michel Camdessus.

⁴ Farida C. Khan & Roby Rajan, "International Monetary Fund & World Bank Involvement in India's Economic Reforms," *The India Handbook* by C. Steven LaRue *et al.*, (Chicago : Fitzroy Dearborn Publishers, 1997) 271-273.

⁵ Claudia Rosett, "India Races Toward the Free Market," *The Wall Street Journal*, May 4, 1992, A16.

⁶ A.K. Bhattacharya, "New strategy to woo more foreign investment on anvil," *The Economic Times*, January 30, 1992, 1.

Mr. Camdessus, when asked at Thursday's news conference as to which of the countries behaved well during an economic crisis and deserved special support, gave a one-word reply: India. That set the ball rolling. India soon became the talking point of the IMF and the World Bank as also among the media persons of most international newspapers."⁷

This study will examine such business news coverage of India, before and after India's economic liberalization, as reported in four major newspapers from two key financial markets. Quantitative content analysis will be used to analyze differences in news coverage of the Indian economy, before and after India's economic liberalization, in *The Wall Street Journal*, *The New York Times*, *Financial Express* and *The Economic Times*.

Comparing coverage of the Indian economy, before and after India's liberalization, will allow for a variety of possibilities in understanding media behavior with respect to different financial markets in this era of globalization and in terms of agenda setting context.

1.2 Significance of the Problem

A study of business news coverage of India, before and after India's economic liberalization, by *The Wall Street Journal*, *The New York Times* and two Indian newspapers – *Financial Express* and *The Economic Times* and– between 1988 and 1994 is important for several reasons. First, although Indian economic liberalization began more than a decade ago, it is still an ongoing process as reforms are being introduced in a

⁷ A.K. Bhattacharya, "India recommended for special IMF support," *The Economic Times*, October 11, 1991, 16.

phased manner. The Indian economic reform has been discussed and covered extensively by the business media throughout the world. And this study will focus on understanding how media reported Indian economy, before and after India's economic liberalization.

Second, a comparison of business news coverage of India, before and after India's economic liberalization, by the four publications will demonstrate how media outlets in two key financial markets reported on the Indian economy and its reforms (i.e., what each publication focused on its reports, and why) in this increasingly borderless business world and what kind of sources set the agenda for business news coverage.

In the globalized business world more and more business news organizations are opening their bureaus in international centers, Richard Lambert, editor of *The Financial Times* wrote in an article in the *Media Studies Journal*.⁸ Commenting on the transforming nature of business news he wrote, like political changes, even economic changes can have big impact on the world and cited the example of 1997 Asian economic crisis.

This study is based on the assumption that most of the multinationals based in the U.S. would be looking at liberalized Indian market to expand their business. On the other hand, with its liberalized economic policies India would try to attract foreign investment to strengthen its economy. While highlighting the business aspect of Indian economic liberalization, the study will analyze the media component dealing with this event.

Third, analyzing how differences in news sources may have affected the nature of news coverage will provide a clear understanding of the agenda setting function of the sources. That is, while covering Indian economy and its reforms reporters relied on what kind of sources – government, business or others.

⁸ Richard Lambert, "Business News and International Reporting," *Media Studies Journal*, 13 (Spring-Summer 1999):78-81.

The time frame of 1988 to 1994 was chosen, as this seven-year period would cover various phases of Indian economy necessary for the study. The first three and a half years, 1988 to May 1991, would cover Indian economy before liberalization and the remaining years from July 1991 to 1994 would cover the initial phase of economic reforms.

The starting point of study is chosen as 1988 as it marked a stalled period of some economic reforms initiated in mid 80s. In 1985 Prime Minister Rajiv Gandhi started a period of Indian economic liberalization. Trade and foreign investment were made a little easy, especially in high-technology areas. Ceilings on firms' capital and output were lifted. But, the government's economic liberalization policies were not enough to eliminate state ownership and control over capital investment, prices, wages and other economic factors.⁹

Further, the collapse of communism in Eastern Europe in 1989 and disintegration of Soviet Union in 1991 has signaled a new framework for international news coverage, one that has begun to replace the outdated East versus West, bi-polar perspectives.¹⁰

As Lambert wrote in *Media Studies Journal*:

“One of the most important business stories of the last 20 years was the collapse of the Soviet Union. What seemed at the time like an event primarily of political and strategic importance turned out to have profound consequences for financial markets and business everywhere.

⁹ Janardan Prasad Singh & Rosemary Gibson, “Rajiv’s India Goes Begging for Reform,” *The Wall Street Journal* April 11, 1988, 27.

¹⁰ H. Denis Wu, “Systemic determinants of International News Coverage: A Comparison of 38 Countries,” *Journal of Communication*, 50 (Spring 2000): 110-130.

...Directly or indirectly, it opened the doors of countries around the world that had previously been closed to foreign trade and international companies. It turned the United States into unchallenged global superpower and marked the start of a period in which the American brand of capitalism swept across the world.

...Even the United States, for all its economic and strategic power, has become less immune to economic events outside its borders. International trade is accounting for an increasing share of its economy, and international trade conflicts have become a growing source of aggravation for its policy-makers. U.S. businesses have greatly increased their level of investment outside their own borders, and foreign companies have done the same within the United States.

...All this is transforming the nature of business news reporting.”¹¹

This requires examining the nature of the U.S. news coverage of international affairs like the liberalization of Indian economy. At the same time, it is an opportunity to study business news coverage in India, which had to initiate economic reforms and other policy changes in order to adjust to the new world order emerging after the collapse of its long-time ally, Soviet Union.

India, with its liberalized economic policies tried to attract foreign investment from other countries, including the United States and this was likely to be reflected in its media coverage. But, business apart, why should India matter to the United States? This question seems to be answered by A.M. Rosenthal, a long time *New York Times*' correspondent to India.

Rosenthal wrote in *The New York Times* on January 1, 1988:

¹¹ Lambert, "Business News," 78-79.

“For Americans what counts about India is not whether Mr. Gandhi (Rajiv Gandhi, the then prime minister of India) stays or goes but that India remains a free society, the only large, poverty-stricken country that did not make independence the road to Communism, right-wing authoritarianism, militarism. That is India’s medal.

If political freedom is important to Americans, individually or as a nation, then India is important to the U.S. That was true when India first raised its flag in freedom in 1947. It strikes me that it was never more important than now, when America is trying to remind the world that it really does care for political freedom and is willing now and again to stand up and take some risks for it.”¹²

1.3 Indian Politico-Economy, Past and Present

As background to this study it is necessary to know and understand the Indian politico-economic situation and the circumstances that led to economic reforms in India.

The present state of Indian economy is deeply rooted in the long colonial experience it had under the British. India was exploited for more than 200 years. This not only provoked nationalism in its leaders and people, but also led them to questioning of free trade and capitalism as a policy, for it was the mechanism used to drain out India’s resources.

An underdeveloped Indian economy was marked by many major crises, which often served as a reason for policy change, whether of liberalizing or centralizing kind. India has the most heterogeneous society in the world, and therefore national policy makers at times had to sacrifice high growth rates for the sake of satisfying regional and group aspirations to ensure national integrity. In addition, the centuries-old caste system

¹² A.M. Rosenthal, “On My Mind: New Year In New Delhi,” *The New York Times*, January 1, 1988, 31.

and a large section of population living below poverty line made socialism look a natural choice for the country.¹³

Although economic history is a continuous process, for the sake of better understanding the years since Indian independence in 1947 can be broadly broken down to four major periods.

1.3.1 First Period, 1947-65

In 1947, the nationalist elite took over the leadership in India after more than five decades of struggle against colonial rule. Soon after independence the task was to survive politically, check famine through food import and to stabilize the economy. Experimentation with removing rationing and controls led to situation of shortages, so the controls were reintroduced.

In 1950 a Planning Commission was established to develop the basically agricultural economy with perhaps lowest per capita income in the world. Prime Minister Jawaharlal Nehru was the political hero of the era, while the Congress Party was a natural choice as it inherited popularity from the independence movement. As single largest party enjoying massive electoral support it could implement the strategy, even if it was ideologically driven.¹⁴

During this period Nehru's ideology of Socialism combined with his economic adviser, P.C. Mahalanobis' concepts drawn from forced-draft industrialization effort of Soviet Union under Stalin, tried to create a third way between capitalism and communism.

¹³ Baldev Raj Nayar, "The Political Economy of India's Economic Performance since 1947," *The India Handbook* by C. Steven LaRue et al., (Chicago : Fitzroy Dearborn Publishers, 1997.) 37-40.

¹⁴ Nayar, "The Political Economy," 41-42.

Although the regime's agenda was ideologically driven, it was consistent with mainstream economic thinking of the time that import-substitution-industrialization was fine as export prospects were poor for the developing countries. The Soviet Union's help in building heavy industry and food aid from the United States enabled the regime to carry out a strategy that otherwise belonged to an authoritarian system.¹⁵

1.3.2 Second Period, 1966-74

The second economic period in independent India was marked with natural shocks like unprecedented droughts in 1965 and 1966, which led to 20% reduction in food production. And to worsen the situation there were wars with China in 1962 and Pakistan in 1965, which prompted India to hurriedly build hitherto neglected defenses.

In addition to drought and war, India's political system suffered a jolt with the death of Nehru in 1964 and the country entered a period intense uncertainty and instability. Lalbahadur Shastri, who succeeded Nehru, died within 20 months in office. This brought in the era of Nehru's daughter, Indira Gandhi. She took over power in midst of enormous food and economic crises. At the same time Congress party split due to internal problems.

Mrs. Gandhi pushed Shastri's improved policies on agriculture, which eventually developed into the Green Revolution. The attempt to push some liberalization measures initiated by Shastri fell victim to internal political conflict. The growing rivalry between the United States and Soviet Union after the Cuban missile crisis led to a decrease in competition to provide aid.¹⁶

¹⁵ Nayar, "The Political Economy," 40-44.

¹⁶ Nayar, "The Political Economy, 44-47.

Mrs. Gandhi's regime was faced with the task of mobilizing food supplies from around the world and controlling high inflation triggered by the droughts. The policy adopted to check inflation led to cuts in public investment, which in turn adversely affected the infrastructure. At the same time the balance of payment came under crisis due to lack of foreign exchange. With fall in imports India lagged behind technologically. And during this period the economy entered a deep recession.

The economic and social problems led to political instability and as a divided Congress Party took a beating at the national elections, Mrs. Gandhi remained in power with the support of Communist Party of India and some regional parties. Populism now came to dominate the political process. This was the time when severe attack was mounted against the private sector; big business was subjected to controls through MRTP (Monopolies and Restrictive Trade Practices Act) regime while licensing regime was made even more restrictive.¹⁷

Her massive victory in 1971 elections marked even more radical leftward shift. Supported by former communists in her party, she nationalized the coal industry, the copper industry, a large part of the textile industry and general insurance; this was the period when the public sector rapidly expanded. Further, foreign corporations were made subject to stricter controls under FERA (Foreign Exchange Regulation Act) regime, which required most to hold no more than 40% of equity in local ventures.

Later, a new wave of shocks stemmed from another war with Pakistan in 1971. Some 10 million refugees moved to India from Eastern Pakistan (now Bangladesh), the United States suspended food aid and other economic assistance, and oil prices increased

¹⁷ Nayar, "The Political Economy," 44-47.

in 1973. All these served another blow to the nation's balance of payments and faltering of Green Revolution due to failure in rains that increased the inflation. At this juncture, India changed economic course by adopting the first severe deflationary package to cope with inflation and partially relaxed licensing guidelines to increase production in some industrial sectors.¹⁸

1.3.3 Third Period, 1975-May 1991

To start with, in 1975 Indira Gandhi declared a national emergency, as she feared a threat to her government by the socialist trade union movement. In her view, the emergency was declared to protect against external imperialist threats and internal capitalist ones. Amidst political and economic chaos average annual per capita income in 1975 stood only at about U.S.\$600.¹⁹ The emergency marked an initiative to dismantle a heavily regulated economy.

The government started permitting industries to expand capacity and produce in related areas (a practice called broad banding) and lifted the ceilings of the Monopolies and Restrictive Trade Practices (MRTP) Act. The elections, which followed 20-month emergency rule, led to defeat of Indira Gandhi by a coalition of political parties known as Janata Party. The new coalition government led by Morarji Desai continued to deregulate the economy while encouraging the rural development. But the coalition broke down in 1979 while India was reeling under impact of another drought and a second oil price shock.

Indira Gandhi returned to power in the following elections. This time she not only had to tackle the economic crisis from the oil price shock and the drought but also the

¹⁸ Nayar, "The Political Economy," 44-47.

¹⁹ Christopher Candland, "Mid-1970s to the Present," *The India Handbook* by C. Steven LaRue et al., (Chicago : Fitzroy Dearborn Publishers, 1997) 21.

burden of higher defense spending in response to the renewal of the U.S. military aid to Pakistan in wake of Soviet intervention in Afghanistan.

To solve the balance-of-payment crisis caused by oil price increases, she had to negotiate US\$5.8 billion loan from IMF in 1981. The loan came with some conditions. The government did not agree to a currency devaluation in 1981, but did initiate some changes in financial and import policies. Some anti-inflation measures were also taken in the form of dropping the bank lending rates and raising minimum reserve requirements. The problem of national unity in Punjab and Assam, which troubled Indira Gandhi for some time led to her assassination in 1984.²⁰

Rajiv Gandhi, son of Indira Gandhi, won the ensuing elections on a sympathy wave for his mother's martyrdom. In 1985, he began promoting market-oriented reforms. Import tariffs were lowered on the grounds to acquire higher technology and new items were made available for import.

During this time India borrowed heavily from abroad. Most of the borrowing was from commercial banks and a major part was in the form of Non-Resident Indian (NRI) deposits, which were short-term and high interest loans. As a result the debt service burden rose sharply.²¹ Amidst a growing economic crisis and the allegations of accepting huge pay-offs in the Bofors arms scandal, a politically inexperienced Rajiv Gandhi and his Congress party lost in 1989 elections.

A new coalition government headed by the Janata Dal leader, V.P. Singh held the office until Bharatiya Janata Party (BJP) withdrew its support in October 1990, which led to fall of the government. And a new breakaway faction of the coalition headed by

²⁰ Nayar, "The Political Economy," 44-47.

²¹ Jeffrey D. Sachs, Ashutosh Varshney and Nirupam Bajpai, *India in the Era of Economic Reforms* (Oxford University Press, 1999), 2.

Chandra Shekhar took over power. This government attempted to shift attention to agriculture. But even the Chandra Shekhar led government lost the outside support of Congress (I) and collapsed amidst an economic crisis.²²

As *The New York Times* reported on April 16, 1991:

“Although it is staggering under a foreign debt burden of more than \$70 billion, India will not default on its loans or seek a debt rescheduling, the country’s top financial official said on Sunday.

...A political crisis, in which two Governments have fallen in the last 16 months, has led to the suspension of talks with the International Monetary Fund for second loan and to the down grading of country’s credit rating. It also ruined possibilities for further commercial borrowings from foreign banks.

IMF talks about a \$2 billion loan will resume after elections at the end of May and when the new Government approves the budget.”²³

The prevailing economic crisis was aggravated by an earlier outbreak of the international conflict over Iraq’s invasion of Kuwait. The Gulf War in 1990 had caused oil prices to shoot up, which in turn put severe strain on India’s balance-of-payments already made frail by years of large fiscal deficits and increasing internal debt. Even though oil prices were quickly normalized by early 1991, at this critical time of internal political instability the balance-of-payments problem quickly ballooned into a crisis of confidence. There was a fast depletion in the capital due to heavy withdrawal of non-

²² Nayar, “The Political Economy,” 47-52.

²³ “India Vows Not to Default,” *The New York Times*, April 16, 1991, D18.

resident deposits from banking system and reluctance of international banks to extend new loans.²⁴

Meanwhile, in the elections that followed in May-June 1991, Congress (I)²⁵ suffered a major blow with the assassination of Rajiv Gandhi during the electoral campaign; although Congress (I) won the elections it didn't get an absolute majority. It had to face a grave economic crisis as a minority government.

1.3.4 Fourth Period, July 1991 and Beyond

The new Congress (I) government led by Prime Minister P.V. Narasimha Rao and Finance Minister Manmohan Singh found itself in a grave fiscal situation when it took office in June 1991. At this point India's foreign exchange reserves dropped to \$1.2 billion, barely sufficient for two weeks of imports and a default on external payments appeared imminent.

An excerpt from the Finance Minister Manmohan Singh's budget day speech on July 24, 1991 when he also announced historic economic reforms sums up the nature of economic crisis faced by India:

"The new government, which assumed office barely a month ago, inherited an economy in deep crisis. The balance of payments situation is precarious. International confidence in our economy was strong until November 1989 when the party was in office. However, due to the combined impact of political instability witnessed thereafter, the accentuation of fiscal imbalances and the Gulf crisis, there was great weakening of international confidence. There has been a sharp decline in deposits.

²⁴ Montek S. Ahluwalia, in *India in the Era of Economic Reforms*, by Jeffrey D. Sachs and et al. (Oxford University Press, 1999), 28.

²⁵ In Congress (I), "I" stands for Indira Gandhi. Congress party of India had split into two groups due to differences within the party and the majority group was called Congress (I).

As a result, despite large borrowings from the International Monetary Fund in July 1990 and January 1991, there was sharp reduction in our foreign exchange reserves. We have been at the edge of a precipice since December 1990 and more so since April 1991. The foreign exchange crisis constitutes a serious threat to the sustainability of growth process and orderly implementation of our development programs.

Due to a combination of internal and external factors, the inflationary pressures on the price level have increased very substantially since mid 1991. The people of India have to face double-digit inflation, which hurts most of the poorer sections of our society. In sum, the crisis in the economy is both acute and deep. We have not experienced anything similar in the history of independent India.”²⁶

The speech was followed by announcement of 1991-92 budget and the historic fiscal policy reform to open up Indian market and integrate it with global economy. The following morning some of the newspaper headlines read: “Radical changes announced in new industrial policy.”²⁷ “India Retreats from Socialist Past.”²⁸ “Licensing goes; foreign equity up to 51%.”²⁹

Among others main components of economic liberalization included:

- *Industrial Policy Reform*: Radical changes were brought in the industrial policy by virtual dismantling of the system of industrial licensing. License requirements for entry of new firms and for the growth of existing firms were abolished, except for a few strategic and hazardous industries and some reserved for small-scale sector. The law regulating monopolies was greatly amended to facilitate the

²⁶ “Finance Minister’s Speech – Part A,” *The Economic Times*, July 25, 1991.

²⁷ *Economic Times*, July 25, 1991, 1.

²⁸ *The New York Times*, July 25, 1991, D1.

²⁹ *Financial Express*, July 25, 1991, 1.

growth of firms through mergers and acquisitions. Portfolio investments (shares, debentures etc.) were opened for foreign institutional investors. The limit of foreign equity holding was raised from 40% to 51%.³⁰

- **Trade Policy Reform:** Import restrictions were dismantled, allowing free import of machinery and other inputs. Tariff levels were reduced significantly. The rupee was devalued significantly to make exports more competitive and imports more expensive and exchange rate was floated to a market-determined rate. Except for some services, like import of some consumer goods, travel and purchase of insurance abroad, all current account transactions were permitted without government approval.³¹
- **Public Sector Reform:** India did not undertake a massive privatization of public sector enterprises. The government ownership was reduced through sale of government equity as well as through fresh issue of capital to the public. Areas earlier reserved for public sector, such as telecommunication, civil aviation, petroleum exploration and refining were opened for private sector. A policy was made to allow the closure and restructuring of unviable firms.³²
- **Financial Sector Reform:** These reforms were aimed at strengthening of banks and deregulation of capital markets. To ensure resources available in the form of bank deposits are released for the private sector and not preempted by the government, both statutory liquidity ratio (the minimum percentage of deposits

³⁰ Farida C. Khan & Roby Ranjan, "International Monetary Fund and World Bank Involvement in India's Economic Reforms," *The India Handbook* by C. Steven LaRue et al., (Chicago : Fitzroy Dearborn Publishers, 1997) 271.

³¹ *Ibid* 272.

³² Khan & Ranjan, "International Monetary Fund and World Bank Involvement in India's Economic Reforms," 272.

that banks must hold in government securities) and cash reserve ratio (the minimum proportion of deposits that banks must hold in cash) were reduced. The complex structure of differential interest rates was simplified and rationalized. Accounting practice and prudential norms were conformed to the international standards. New private sector banks were licensed to increase competition. Financing investment in private sector and attracting foreign portfolio capital were a part of the capital markets' reform. Foreign institutional investors were allowed to invest in the capital market. Indian company shares were also issued abroad to get foreign portfolio investment. Securities and Exchange Board of India was set up to oversee deregulated Indian capital market. Foreign institutional investors were now welcome to invest in all types of securities traded on primary and secondary market without restrictions on either volume of trading or lock-in-period.³³

- *Tax Reform:* Broadening of the tax base and a reduction in exemptions were introduced as a part of far reaching tax reforms. Main features of tax reform include reduction in the maximum marginal rate of personal income tax, exemption of all financial assets from the wealth tax, reduction of corporate income tax, reduction in custom duties and rationalizing a bulk of taxes. Further simplification and rationalization of domestic indirect taxes.³⁴

1.4 Effect of Reforms

The opening up of Indian economy with more than 200 million middle-class population was hard to ignore by the multinational corporations. As a result the Foreign

³³ *Ibid* 272-273.

³⁴ *Ibid* 273.

Direct Investment inflows from the U.S. alone went up from \$650 million in 1991 to about \$700 million in 1992. In 1993 it went to a level of \$900 million.³⁵

Commenting on the initial results of new economic policy Ahluwalia, member of Indian Planning Commission wrote, "This may not appear impressive compared to the volumes attracted by many other countries, but it represents a dramatic increase from earlier levels and it is growing."³⁶

According to Ahluwalia, the change in the foreign investment environment in India is reflected in the fact that a large number of Indian companies have sought foreign joint venture partners while major foreign investors have focused on India for the first time.

The new investors included several Fortune 500 companies such as General Motors, Ford, Merck, Sony, Honda Motor, Hewlett Packard, Texas Instruments, LG International, Fanuc, Samsung, Du Pont, AT&T, BT, Enron, Shell and a host of others.³⁷

³⁵ *The Economic Times*, July 27, 1993, 6.

³⁶ Montek S. Ahluwalia, in "India in the Era of Economic Reforms," by Sachs & et al, 54.

³⁷ *Ibid* 54.

Chapter 2

2.1 Theoretical Framework

The purpose of this study is to analyze and compare the news coverage of the Indian economy, before and after India's economic liberalization, in two American newspapers and two Indian newspapers – to investigate coverage of business in an agenda-setting context. A natural time block divides the study into two periods – before economic liberalization (before June 1991) and after economic liberalization (after July 1991). Accordingly, this allowed the research to investigate the issue with a longitudinal basis and approach -- between period one and two.

Shoemaker and Reese consider that media coverage in any system is shaped by unique combination of features operating at a variety of levels. Among others, these features include extra-media forces such as sources of information and revenue, government, various powerful social institutions, the utilization of technology, and the *economic environment*.³⁸

The economic relationship between countries is an important determinant of international news and information flow. The economic association involves international trade, the amount of foreign aid given or received, and the amount of business investments between nations. Transnational information flow is a reflection and a constituent of the larger global system, which in turn is latently structured by the world's politics, *economy*, and culture.³⁹

³⁸ Pamela J. Shoemaker & Stephen D. Reese, "Mediating the message: theories of influences on mass media content," (White Plains, N.Y. : Longman, 1996).

³⁹ See Harry B. Ellis, "Reporting on International Economic Affairs," in Kohlmeier *et al*, 245.

While investigating the influences of systematic determinants on international news coverage Wu concluded that; “Evidence from the post-Cold War era seems to signal a new framework for international news coverage. Now, it appears to be economic interests, rather than ideological antagonism, that play the central role in determining news about other nations.”⁴⁰

According to Wu, there is the level of daily economic interaction between nations. Those countries that are trading partners are particularly important to the governments, corporations, business people, and even average citizens. Wu explained that; “When countries are without the constant threat of nuclear missiles from an opposing bloc, economic issues become the single overseas topic cared about by the audience and focused on by news professionals.”

To support his point that international economic issues have gained prominence in news media, Wu cited the example of extensive coverage of the Asian economic crisis by the global media. Wu stressed that economic interest leads not only to coverage about economic activities, but also about many other topics about foreign countries.

In the growing global economy it is clear that American companies would look beyond Europe to invest in any number of developing countries.⁴¹ For instance, considering the liberalized economy and vast middle-class population of India, the multinational companies of the U.S. might want to learn more about the Indian market and consumer behavior to expand their business.

⁴⁰ H. Denis Wu, “Systemic determinants of International News Coverage: A Comparison of 38 Countries,” *Journal of Communication* 50 (Spring 2000): 110-130.

⁴¹ John Maxwell Hamilton, “Foreign Affairs at Home,” *Nieman Reports*, 25 (fall 1991): 10.

On the other hand, the Indian government with its liberalized economic policies would try to attract foreign investment to increase employment and strengthen its economy.

Richard Lambert, Editor of the Financial Times wrote in the *Media Studies Journal* that the global integration of economy necessitated news about all the important financial exchanges of the world because investors own shares in those markets, and interest rate moves there would influence trading in their own domestic centers.⁴²

Lambert explained that; “Business readers are looking for a context to help them understand events in their own marketplace.” According to Lambert, this emphasis on business as opposed to general news reporting is reconfiguring the landscape of international news.

2.2 Importance of Reporting Business News

Bill Saporito, business editor of Time magazine, wrote in the *Columbia Journalism Review* that the most notable aspect of business and financial journalism today is how much we all need it.⁴³ According to Saporito, newspapers have poured resources into expanded business sections. He explained that; “Business had become war. Accurate intelligence was becoming essential.”⁴⁴

From 1980s, American newspapers have greatly expanded their coverage of business news, and have sharpened the purposes and objectives of their business reporters because the American people have become increasingly inquisitive in the workings of their national economy. As economic forces continue to squeeze Americans into more

⁴² Richard Lambert, “Business News and International Reporting,” *Media Studies Journal*, 13 (1999): 80.

⁴³ Bill Saporito, “The Business century,” *Columbia Journalism Review*. Web resource available at <<http://www.cjr.org/year/99/2/business.asp>, March/April 1999>

⁴⁴ Ibid.

restricted and unaccustomed lifestyles, the public is no longer satisfied to leave the nation's economic problems to the experts. They want to know what's wrong, and who is to blame.⁴⁵

There are studies which pointed out importance of business news to journalists, people, and executives. Journalists are interested in business news because of increasing prominence of economic issues, people want to know about the market so as to invest money at right places, and executives want latest economic news updates to do well in business.

For instance, Chris Welles gave several reasons for the new flowering of business journalism. First, the increased prominence of business and economic issues, such as energy, inflation, and the dollar. Second, there is a growing realization, stemming in part from the uncertain economic environment of the 1970s, that the activities of corporations, which touch people in many important ways, are matters of interest and concern not just to businessmen but also to the entire society. Perhaps most important, there has been a realization by newspaper and magazine editors that readers do not necessarily find business coverage tedious and boring.⁴⁶ Welles concluded, "In the view of many businessmen, the most serious deficiency of the business press these days is an ideological antibusiness bias."⁴⁷

Welles points that much of the business community's dissatisfaction with business news coverage today can be attributed to a new approach in handling the business story. Welles argues that business news journalists often raise questions which

⁴⁵ William McPhatter, *The Business Beat: Its Impact and Its Problems* (Indianapolis: Bobbs-Merrill Educational Publishing, 1980), vii.

⁴⁶ Chirs Welles, in *The Business beat: Its Impact and Its Problems*, by William McPhatter (Indianapolis: Bobbs-Merrill Educational Publishing, 1980), 24.

⁴⁷ *Ibid.*, 27.

corporate executives do not like to answer. According to Welles, “these new inquiries air criticisms of corporate practices, and that information which companies would like to keep private is now becoming public.”⁴⁸

Isadore Barmash observed that people are interested in business and financial news because of the significance of economic matters on the country’s well being.⁴⁹ He cited examples like the risk of runaway inflation, unemployment, the energy crisis, business mergers, consumerism, and, of course, the infinitely frustrating stock market.

Lewis H. Young contends that business executives believe news coverage of business is “unfair, distorted, ignorant, slanted and conspiratorial.”⁵⁰ Interestingly, Young writes that he knows many reporters and editors who have similar feelings about business. Several members of this group specialize in business coverage, and view corporate executives as “dishonest, greedy, antisocial, powerful, and caring only about corporate earnings and their own salaries.”⁵¹

According to Michael J. Jablonski, business reporters have come to grant business its due. More experienced reporters are covering beats for which they were specifically trained, like economics, law and finance beats. While they are more skeptical of what they are told, they are still less biased against business.⁵²

Isadore Barmash observed that a business story should relate the pertinent facts and give at least some interpretation about a particular business, financial or economic

⁴⁸ McPhatter, *The Business Beat: Its Impact and Its Problems*, by William McPhatter, xiv-xv.

⁴⁹ Isadore Barmash, in *The Business Beat: Its Impact and Its Problems*, by William McPhatter (Indianapolis: Bobbs-Merrill Educational Publishing, 1980), 86-87.

⁵⁰ McPhatter, *The Business Beat: Its Impact and Its Problems*, xiii-xiv.

⁵¹ McPhatter, *The Business Beat: Its Impact and Its Problems*, by William McPhatter, xiv.

⁵² Michael J. Jablonski, in *The Business Beat: Its Impact and Its Problems*, by William McPhatter (Indianapolis: Bobbs-Merrill Educational Publishing, 1980), 72.

situation, company or industry.⁵³ While trying to answer for whom is the business story for, Barmash suggested that “the real goal of business story is that it should serve the knowledge needs of as many people as possible, including everyone who works for, serves or competes with the company or works in the industry you have written about.”⁵⁴

Barmash main concern is that the business story should be written for the public in general, not just for the professional, i.e., “Business journalism should be a public service, not just a business service. And besides, pursued with conviction, gusto, and some vision, business reporting can be very exciting indeed.”⁵⁵

Young concluded that the free enterprise system, which has done so much to raise the standard of living for Americans and assure them more freedom than any other, needs both a strong free press and a strong business community. Moreover, both need to be respected by the public and each other. “The open warfare the media and business are approaching could destroy them both.”⁵⁶

And commenting on Indian business journalism Swaminathan Aiyar, correspondent of The Economic Times wrote, economic liberalization since 1991 has led to an explosive growth of the media, and of business and economic journalism in particular.⁵⁷ Aiyar pointed out that the Indian stock market has soared and international portfolio investment in the markets increased to almost \$10 billion. Further, Indian

⁵³ Isadore Barmash, in *The Business Beat: Its Impact and Its Problems*, by William McPhatter (Indianapolis: Bobbs-Merrill Educational Publishing, 1980), 72.

⁵⁴ *Ibid.*, 73.

⁵⁵ Barmash, *The Business Beat: Its Impact and Its Problems*, 73.

⁵⁶ Lewis H. Young, in *The Business Beat: Its Impact and Its Problems*, by William McPhatter (Indianapolis: Bobbs-Merrill Educational Publishing, 1980), 2.

⁵⁷ Swaminathan Aiyar, India Country Assistance Evaluation: World Bank’s Image and Outreach Effectiveness in the 1990s, 3. Retrieved from the World Wide Web on August 9, 2002.

<[http://wbln0018.worldbank.org/oed/oeddoelib.nsf/ae4e28c9568f3c6285256808006a0027/5505ca11972dda0585256b26007e402d/\\$FILE/Outreach.pdf](http://wbln0018.worldbank.org/oed/oeddoelib.nsf/ae4e28c9568f3c6285256808006a0027/5505ca11972dda0585256b26007e402d/$FILE/Outreach.pdf)>

companies have increasingly listed equity abroad in the form of Global Depository Receipts and American Depository Receipts.

Aiyar writes that; “This (opening of Indian economy) has induced considerable foreign interest, so the foreign media have greatly increased their staff and coverage in India.” According to Aiyar, the local business press also expanded fast. Example being, The Economic Times, India’s prominent financial daily, increased its circulation from around 100,000 in 1990 to 400,000 in 2000.⁵⁸

In view of escalating prominence of global economy, the agenda-setting hypothesis -- broadly analyzed in numerous domestic and foreign policies -- has also been applied to a few studies on international trade issues and commercial policies. In line with earlier studies it would be interesting to examine how media from two different financial markets report on Indian economy, before and after India’s economic liberalization? And who sets agenda for business news coverage in a changing global economy?

Previous research⁵⁹ clearly indicated that there are number of sources for the media agenda. In increasingly globalized economy the news media are potentially highly susceptible to external forces, including international financial issues and multinational corporations. This research can therefore provide insights in future studies of association between economic liberalization and the press.

⁵⁸ Ibid.

⁵⁹ For instance, Kuang-Kuo Chang found that auto elite set the agenda for the New York Times and the Detroit News (Kuang-Kuo Chang, “Auto trade Policy and the Press: Auto elite as a source of the media agenda,” *Journalism and Mass Communication Quarterly* 76 [Summer 1999]: 312-324). Likewise, Congress, public officials, and private sectors were major sources of agenda (David Weaver and Swanzy Nimley Elliott, “Who Sets the Agenda for the Media? A Study of Local Agenda-Building,” *Journalism Quarterly* 62 [Spring 1985]: 91). Wanata and some other scholars find the U.S. president can set the media agenda (Wayne Wanta, “Presidential Approval Ratings as a Variable in the Agenda-Building Process,” *Journalism Quarterly* 68 [Winter 1991]: 672-79).

2.3 Previous Studies on Reporting Business News

Previous studies on business news coverage and agenda-setting, related to the present research topic, were reviewed. Some of the major topics studied include how magazine coverage of international business has changed, international news coverage agenda setting, and coverage of the international financial debt crisis.

Mayo and Pasadeos' content analysis of *Business Week*, *Forbes* and *Fortune* revealed that about one out of every six business stories focused on international news, increasingly with a global emphasis.⁶⁰ The sample of 1964-1968, 1974-1978 and 1984-1988 stories found that although there were more stories in the later than earlier period, they were shorter. So the amount of the total space devoted to international stories remained constant, reflecting trends in other U.S. print media.⁶¹

Their study found that the Americans first saw the concept of global economic interdependence in 1970s in the form of oil crisis, gains of Japanese automobile manufactures in the U.S. market, and the transfer of low-level manufacturing tasks to cheap-labor in developing countries, among other things.

Mayo and Pasadeos' study also found that in 1984-88 despite setting in of *glasnost/perestroika* process there was a little coverage of Soviet Union and Eastern Europe, and the market potential of a liberalized Eastern Bloc got little coverage. Even China's economic liberalization in the 1970's did not receive increased coverage in the business magazines.⁶²

⁶⁰ Charles Mayo and Yorgo Pasadeos, "Changes in the International Focus of U.S. Business Magazines, 1964-1988," *Journalism Quarterly*, 68 (Fall 1991): 509-514.

⁶¹ See, for example, Michael Emery, "An Endangered Species: The International Newshole," *Gannett Center Journal* 3(4): 151-164 (1989).

⁶² Mayo and Pasadeos, "Changes in the International Focus," 513-514.

In this background the present study while analyzing and comparing the business news coverage of India would examine how the coverage changed after India's economic liberalization in July 1991 i.e., whether there was an increase in the news coverage, both in American and Indian newspapers.

Another study, which did not specifically focus on business news coverage, but examined effect of U.S.-India relations on the *New York Times* coverage⁶³ found that changes in mean length and prominence scores of items on India in the *New York Times* over the four foreign policy periods (between 1973 and 1980) were not significant and did not parallel U.S. foreign policy toward India during the time.

In order to find out how newspapers from different financial markets covered the Asian economic crisis, Emcharoen did content analysis of three newspapers – *The Wall Street Journal*, *Bangkok Post* and *Financial Times*.⁶⁴ Emcharoen's study found that among the three newspapers, *The Wall Street Journal* while providing balanced coverage of the Asian crisis, focused on the impact of the crisis on Asian Pacific Rim countries, as also on world at large. Of the three publications, *The Wall Street Journal* was found to be the most effective, influential "watchdog."

The *Bangkok Post* gave complete coverage of the impact of the crisis on Thailand's economy, and on resolution of the crisis. It also gave best local perspective of the crisis. The coverage of *Financial Times* was not as balanced as the other two publications. *Financial Times* started covering the crisis only after it appeared to become a global crisis. The emphasis of *Financial Times* reports was on the effect of Asian crisis

⁶³ Jyotika Ramaprasad and Daniel Riffe, Effect of U.S.-India Relations on New York Times Coverage, *Journalism Quarterly* (Summer-Autumn 1987), 537-542.

⁶⁴ Sathathip Emcharoen, "News Coverage of the Asian Economic Crisis in The Wall Street Journal, Bangkok Post and Financial Times, 1997-1999," M.A Thesis, California State University, Northridge, 2000, viii.

on banks and crisis resolution. The study concluded that the differences in geography and culture had affected the nature of coverage.

Emcharoen applied cultural theory to her study, but the present study examining the coverage of the Indian economy, before and after India's economic liberalization, will be conducting the research in the agenda-setting context. Here the focus of research will be on finding who sets the agenda for business news coverage of global economic issues.

Since the first agenda-setting research was published,⁶⁵ this hypothesis was broadly examined, developed and extended in theories, methodology and application. The agenda-setting hypothesis basically states that media content affects how the public perceives the salience of today's issues or events.⁶⁶ Its broad application has reached over to a variety of international issues. For instance, Zucker's concept of issue obtrusiveness⁶⁷ argues that international activities are more likely than local or national issues to have a strong agenda-setting effect because the public's personal involvement is trivial and has to depend mostly on the news media for the information.

At the same time international business issues may be perceived to be of less prominence because of their abstractness. Yagade and Dozier indicate that news coverage of concrete issues, which can be identified and experienced by individuals, has a greater agenda-setting influence than does that of abstract ones.⁶⁸ Likewise, Wanta and Hu offer similar evidence that the international trade issues are "abstract" and "stories... involving

⁶⁵ Maxwell McCombs and Donald Shaw, "The Agenda-Setting Function of the Mass Media," *Public Opinion Quarterly*, 36 (Summer 1972): 176-87.

⁶⁶ Maxwell E. McCombs, "Explorers a Surveys: Expanding Strategies for Agenda-Setting Research," *Journalism Quarterly*, 69 (Winter 1992): 813-24.

⁶⁷ Harold G. Zucker, "The Variable Nature of News Media Influence," in *Communication Yearbook 2*, ed. B.D. Ruben (New Brunswick, NJ: New Transaction, 1978, 225-40).

⁶⁸ Aileen Yagade and David Dozier, "The Media Agenda-Setting Effect of Concrete Versus Abstract Issue," *Journalism Quarterly*, 67 (spring 1990): 310.

a trade agreement should produce weaker agenda-setting effects,” because the people “cannot picture in their minds billions of dollars of (the trade) debt.”⁶⁹

Although previous studies have shed some light on overall agenda-setting effect of the international trade issues, most of these studies revealed loopholes in wake of the diverse nature of world trade activities and accompanying problems. For instance, for American multinational companies opening of Indian economy could mean cheap-labor and huge potential consumer market. This may be welcome news for Indian market, but that may sound alarm for American job market. The point here is that personal experience of gaining more profits or facing threat of unemployment can transform such global economic issues into concrete and notable ones.

Furthermore, most of the times researchers seem to overlook or fail to discuss the potential contradictions between the concepts of issue obtrusiveness and concreteness, which are negatively correlated – the more obtrusive, the less powerful, while the more concrete, the more powerful the agenda-setting effect of media coverage. Personal involvement or experience can be regarded as the key for both concepts to the intensity of the agenda-setting effect by the news media. The basic problem is, however, that for an event or issue to be concrete, it is also very likely to be personal for media consumers. In other words, a concrete issue can also be a local issue, vice versa. For instance, in the U.S.-India Information Technology trade issue, the increase of IT business in Silicon Valley could mean more employment for Indian software professionals, but increased competition for jobs in Silicon Valley. Accordingly, personal experience would make this trade issue both concrete and obtrusive.

⁶⁹ Wayne Wanta and Yu-Wei Hu, “The Agenda-Setting Effects of International News Coverage: An Examination of Differing News Frames,” *International Journal of Public Opinion Research*, 3 (autumn 1993): 253.

Thus logically, an international business issue can be both obtrusive with weaker agenda-setting effects (when converted into a local issue), and concrete with strong effects (when more people personally face the threat of layoff). Accordingly, the reasoning by Zucker and some researchers can be mistaken because they seem to see the international business issues and problems possessing only the characteristic of concreteness, not obtrusiveness.

This contradiction, however, has been recognized and explained by some scholars. Lasorsa and Wanta claim that “personal experience was a positive influence on media agenda conformity: the more a person was personally involved in an issue, the more likely he or she was to conform to the news media agenda,”⁷⁰ and thus agenda-setting effect is stronger. Furthermore, Iyengar and Kinder,⁷¹ as well as Erbring and associates,⁷² also find similar ties between personal involvement and the agenda setting effect.

Who sets the Media Agenda? According to Zhu, interest groups are effective in setting the agenda for press. Zhu explains, “Interest groups initially identify, define and raise social issues. Therefore, their agenda is the source of the public agenda. The media select, redefine and amplify some of the interest group issues, with both ordinary citizens and policymakers as the target. In this sense, the media are instrumental.”⁷³

⁷⁰ Dominic L. Lasorsa and Wayne Wanta, “Effects of Personal, Interpersonal and Media Experience on Issue Saliency,” *Journalism Quarterly*, 67 (Summer 1990): 812.

⁷¹ S. Iyengar and D. Kinder, “More Than Meets the Eye: Television News, Priming, and Public Evaluation of the President,” in *Public Communication and Behavior*, ed. G. Comstock (New York: Academic Press, 1985).

⁷² L. Erbring, E. Goldenberg and A. Miller, “Front-page news and realworld cues: A new look at agenda-setting by the media,” *American Journal of Political Science*, 24 (February 1980): 16-49.

⁷³ Jian-Hua Zhu, Issue Competition and Attention Distraction: A Zero – Sum Theory of Agenda-Setting,” *Journalism Quarterly*, 69 (Winter 1992): 826.

The relationship of the news media and sources has also been examined by Sigal, Shoemaker and Reese, and Turk. In his study, Sigal claims that the news media over-relied on governmental officials through routine channels-official proceedings, press releases, press conferences, and speeches.⁷⁴ In a content analysis of the New York Times and Washington Post, Sigal found that U.S. (federal) government officials, particularly at the executive branch, accounted for almost half the news sources in his sampled front-page stories.⁷⁵ Sigal also argues that while public officials predominated as the prime sources for the news media, the U.S. Congressmen had gained an increasing role as news sources over the past decades.⁷⁶

Shoemaker and Reese further define sources as "external suppliers of raw material, whether speeches, interviews, corporate reports, or government hearings."⁷⁷ They pinpoint that "sources have a tremendous effect on mass media content, because journalists can't include in their news reports what they don't know."⁷⁸ They also argue that the media's over reliance on government officials is due to officials' availability, authority, and credibility. More important, powerful and resourceful interest groups tend to directly influence or control media's content by ways of routine conduits.⁷⁹

Furthermore, at the local level, Weaver and Elliott find that local newspapers tend to serve as a "transmitter" rather than a "filter," or agenda setter, as they fundamentally follow and reflect "the priorities of the city council on major items."⁸⁰ And such a role by

⁷⁴ Leon V. Sigal, "Channels and Sources of News," in *Reports and Officials: The Organization and Politics of Newsmaking* (Lexington, MA: D.C. Heath and Company, 1973), 119-30.

⁷⁵ Sigal, "Channels and Sources of News," 119-30.

⁷⁶ Sigal, "Channels and Sources of News," 119-30.

⁷⁷ P.J. Shoemaker and S.D. Reese, "Influences of Media Routines," *Mediating The Messages: Theories of Influences on Mass Media Content* (NY: Longman, 1991): 105.

⁷⁸ Shoemaker and Reese, "Influences on Content from Outside of Media Organizations," 178.

⁷⁹ Shoemaker and Reese, "Influences on Content from Outside of Media Organizations," 175-220.

⁸⁰ Weaver and Elliot, "Who Sets the Agenda for the for the Media?" 91.

the press is more prominent on economic topics that are considered by journalists to be policy matters and require political decisions.⁸¹ Similarly, Turk, who examines the impact of public information officials as news sources upon the local papers' news content, points out that: "... the [local government officials as] sources of the raw material of information upon which journalists rely may ultimately have as much to do with the media's agenda."⁸²

In another study Chang found that auto elite set the agenda for the *New York Times* and the *Detroit News*.⁸³ And in the coverage of auto trade conflicts between the U.S. and Japan, both the newspapers were biased towards fair trade and not free trade. The study concluded that the newspapers also depended on government sources serving in the U.S. or overseas for information of the trade negotiations.

The present research while analyzing and comparing the coverage of Indian business news would look at the story sources to identify what kind of sources were setting the agenda for the business news coverage, i.e., whether the reporters were relying more on business or government sources.

As in another study Menon's research revealed that in developing countries international financial institutions were used as sources about 41 percent of the time, compared to only 29 percent of the developed countries.⁸⁴ Developing nations were found to be heavily reliant on government sources for information, suggesting that in the

⁸¹ Weaver and Elliot, "Who Sets the Agenda for the for the Media?" 87-94.

⁸² Judy VanSlyke Turk, "Public Relations' Influence on the News," *Newspaper Research Journal*, 7 (Summer 1986) 15.

⁸³ Kuang-Kuo Chang, "Auto trade policy and the press: Auto elite as a source of the media agenda," *Journalism and Mass Communication Quarterly*, 76 (Summer 1999): 312-324.

⁸⁴ Vinod Menon, "*Media Coverage of International Financial Institutions During the Debt Crisis: A Comparative Analysis*," M.A. thesis, Ohio State University, 1996 v.

absence of other authoritative and reliable sources of information, the media relies on government sources.

Menon's findings suggest that the press in developing countries tend to focus a lot on the reasons behind the economic crisis, and attempts to interpret it in both economic and political terms. Menon's study indicates that the media tends to focus more on economic and political solutions to economic problems. They also try to interpret the outcome of current policies in terms of economic effects, discussing currency values and market trends.

All the studies on business news coverage indicated that financial or business journalism has been influenced by the changing global economy. And that various kinds of sources play a role in shaping the business news. The studies also revealed that international economic issues are affecting personal lives as they have a direct impact on the local business issues.

Chapter 3

3.1 Hypothesis and Research Questions

In an earlier study, Ramaprasad and Riffe⁸⁵ examined the effect of U.S.-India relations on the *New York Times* coverage. Their operational question was whether news coverage given to India by the *New York Times* between 1973 and 1980 relate to trends in the U.S. foreign policy towards India in those years? Were any changes purely quantitative (i.e., were there increases or decreases in sheer volume total inches of coverage), or were there parallel qualitative trends in coverage (i.e., were there changes in the emphasis on certain types of “positive” or “negative” news?).

According to Ramaprasad and Riffe, the distinction between quantity and quality of coverage is important because changes in sheer volume of coverage may simply point to presence and mobility of Western correspondents, or accessibility of news sources. Beyond these structural factors, however, there remains a question of news judgment. Was pro-India policy paralleled by an increase in sheer quantity of coverage of India? ...Or in times of anti-India policy, were negative news items over-represented?⁸⁶

On similar lines, the operational question examined in this study was: did business news coverage of India by the American and Indian newspapers between 1988 and 1994 relate to trends in Indian economic policies, given the fact that Indian economy was liberalized in a big way in July 1991.

Were any changes only quantitative? In other words, were there increases or decreases in sheer volume or total number of paragraphs, or were there parallel

⁸⁵ Jyotika Ramaprasad and Daniel Riffe, “Effect of U.S. – India Relations on New York Times Coverage,” *Journalism Quarterly* (Summer-Autumn 1987):537-542.

⁸⁶ Ibid.

qualitative trends in coverage in terms of “positive” or “negative” story tones. Based on this following hypothesis was proposed:

Hypothesis: The mean length and prominence of items on Indian economy in *The Wall Street Journal*, *The New York Times*, *Financial Express* and *The Economic Times* will increase after the economic liberalization of India.

To examine the similarity and difference between the nature of coverage of American and Indian newspapers following research was posed:

Research Question 1: What were the major topics, themes and tones of the coverage, and how did they shift over time, if at all?

The examination of sources is vital to this study as they are not only important in news gathering process, but also play an important role in setting the agenda for news coverage. Ericson offers a concise description of what news sources do – they explain deviant occurrences, offer unique understandings of situation, and evaluate current policy strategies or recommend new ones.⁸⁷

Research Question 2: What kind of sources set the business news agenda for the coverage of Indian economy and how did they shift over time, if at all?

The proposed hypothesis and research questions were aimed at investigating business news coverage in an integrating global economy. In an increasingly borderless business world it can be assumed that the U.S. multinational companies would be interested to invest and expand their business in free Indian market. As earlier research

⁸⁷ Richard V. Ericson, Patricia M. Baranek, Janet B.L. Chan, *Negotiating control : a study of news sources*. (Toronto : University of Toronto Press, 1989),.

by Mayo and Pasadeos has indicated that the focus of the U.S. business magazines has changed in tune with changing global economy.⁸⁸

Mayo and Pasadeo's study also found that China's opening to the West and market potential of liberalized Eastern Bloc did not receive increased coverage in the U.S. business magazines. Thus, the present hypothesis and first two research questions would be helpful in finding whether Indian economy received any increased coverage after the economic reforms were initiated.

The hypothesis and first research question also aim at examining how business publications from two different financial markets report a same global economic event, i.e., Indian economic liberalization. This is in line with Emcharoen's study on coverage of Asian economic crisis.⁸⁹ She examined three newspapers from three different financial markets and concluded each publication had its own perspective on the Asian economic crisis.

The second research question is aimed at finding what kind of sources set the business news agenda in the global economy i.e., what kind of sources set the agenda for American and Indian newspapers in covering business news of India, before and after India's economic liberalization. This is in line with earlier studies on agenda-setting. For instance, Chang analyzed the content of the New York Times and the Detroit News and concluded that auto elite set the agenda for both the newspapers in coverage of auto trade conflicts between the U.S. and Japan.⁹⁰ In another study Vinod Menon's research reveals

⁸⁸ Mayo and Pasadeos, "Changes in the International Focus," 509.

⁸⁹ Emcharoen, "News Coverage of Asian Economic Crisis," 111.

⁹⁰ Chang, "Auto trade policy," 312.

that developing nations rely heavily on government sources for information, compared to developed nations.⁹¹

In the given hypothesis *Indian economic liberalization* is an independent variable and *business news coverage* is a dependent variable.

Conceptually, economic liberalization means opening of market for allowing free trade. For India it meant a departure for its socialist economy to a market-oriented economy. In other words, allowing private/foreign investment in domestic market and minimizing government interference.

Operationally, economic liberalization can be measured by assessing actual Foreign Direct Investment Flows (FDI), foreign institutional investment and joint ventures etc. Coverage of economic liberalization varies from being general to explicit. For instance, the coverage may be about general benefits of an open economy or it may be case-by-case analysis of trade and industry.

On the other hand, business news coverage of India conceptually means reportage of Indian economy, its Gross Domestic Product (GDP) and its position in the map of global economy.

The business coverage varies from low to high. For instance, before liberalization the business news about India in the U.S. media may have focused more on agriculture. But with liberalization the number of stories about Indian economy, industries and length of these stories may go up. The news coverage, agriculture apart, may focus more on Information Technology and other hi-tech sectors.

⁹¹ Vinod Menon, "Media Coverage of International Financial Institutions," v.

Chapter 4

4.1 Method

This study used quantitative content analysis to “investigate manifest content” of the news coverage of the Indian economy, before and after India’s economic liberalization, between 1988 and 1994 by *The Wall Street Journal*, *The New York Times*, *Financial Express* and *The Economic Times*.

The four newspapers selected for the purpose of the study as they represent coverage from two different financial markets -- U.S. and India. Other reasons for selecting these newspapers are:

With circulation of about 1.8 million, *The Wall Street Journal* has a high reputation because of its status as the premier newspaper of the financial community.⁹² As reported in the *Columbia Journalism Review*, “*The Wall Street Journal*, progenitor of the Dow Jones Industrial Average, probably the most printed and broadcast statistical measure in the world, in many ways mirrors the economy and industry it covers.”⁹³ Further, Chris Welles wrote that *The Wall Street Journal* is the “best, most effective, most influential, and some would argue, the only independent watchdog the business world has.”⁹⁴

The New York Times with a circulation of about 1.2 million, is known for its role as a “reference index” for other papers.⁹⁵ It is one of the most studied newspapers in the world and is still considered to have the most complete coverage on international issues. The *New York Times* is also considered as one of the foremost opinion makers in the U.S.

⁹² John C. Merrill, *Global Journalism* (University of Missouri: Longman, 1995), 381.

⁹³ Bill Saporito, “The Business Century,” *Columbia Journalism Review* (March/April 1999), 4.

⁹⁴ Chris Welles, *The Business Beat: Its Impact and Its Problems*, by William McPhatter (Indianapolis: Bobbs-Merrill Educational Publishing, 1980), 20.

⁹⁵ See John Dimmick, “The Gate-Keeper: An Uncertainty Theory,” *Journalism Monographs*, No. 37 (November 1974).

The two Indian newspapers – *Financial Express* and *The Economic Times* are the two largest circulated business dailies of India. These two newspapers not only have large circulation, but also have a reputation for comprehensive coverage of national and international business news.

The rationale of selecting these two newspapers is supported by Raghavan's statement:

“The dualism in Indian society is illustrated by the growth of the economic and financial dailies and periodicals which serve the privileged upper layer. *The Economic Times*, Bombay, established in 1961, sold 37,743 copies at 40 paise in 1985, and in 1990 when its price had gone up to Rs. 3 it sold some 2,000 copies more.”⁹⁶

These two Indian business newspapers with their large circulation and comprehensive coverage of international and national business news make a right match for a comparative study with the two U.S. newspapers selected for this study.

4.2 Research Population and Sample

This study examined news coverage of the Indian economy, before and after India's economic liberalization, as reported in the major daily newspapers from two key financial markets. The population of the study consisted of the news coverage of the Indian economy, before and after India's economic liberalization, reported by *The Wall Street Journal*, *The New York Times*, *Financial Express* and *The Economic Times*. An analysis of the differences in coverage as reported by the four subject newspapers allowed for a variety of possibilities in understanding media behavior with respect to reporting business in an agenda-setting context.

⁹⁶ Raghavan G.N.S., *The press in India, a new history* (New Delhi : Gyan Pub. House, 1994), 230.

The Indian economic liberalization was announced in July 1991. For the purpose of study the researcher limited the time period to three and a half years before economic liberalization i.e., starting 1988, and three and a half years after economic liberalization i.e., ending 1994, which marked initial phase of the economic liberalization.

The period marking pre-liberalization was chosen from 1988 onwards as this signified the phase of stalled economic reforms which the earlier government tried to initiate in 1985. Moreover, the period from January 1988 to June 1991 will represent the general economic scenario of India before the major economic liberalization was announced in July 1991.

On the other hand, the timeframe from July 1991 to December 1994 marks the initial phase of economic liberalization. The seven-year period between 1988 and 1994 will comprise both the periods before and after economic liberalization and serves the purpose of the study.

For drawing samples from *The Wall Street Journal* and *The New York Times*, researcher went through the index books of both these newspapers between 1988 and 1994 to get a precise information about the reports published on Indian economy. The researcher found 102 stories in *The Wall Street Journal* and 124 stories in *The New York Times*. As the number of stories in both the American newspapers was not very high the whole population was taken into account for analysis.

On the other hand, the seven-year period for two Indian newspapers means huge number of stories. Practically it will be difficult to look into each newspaper for a seven-year period. Thus, two constructed weeks sampling technique⁹⁷ was used, with two

⁹⁷ Guido H. Stempel III, "Sample Size for Classifying Subject Matter in Dailies," *Journalism Quarterly*, 29 (Summer 1952): 333-34.

sample weeks for each year in the seven-year period creating a total sample of 98 issues each for both the Indian newspapers.

In the Indian newspapers only front-page news was considered for drawing a close comparison with the American newspapers. Further, among all the front-page stories, only business stories covering main components of the economic liberalization were considered for analysis. The logic here is that the American newspapers mentioned here will be covering only main events/issues about Indian economy, similarly the front pages of the Indian economic newspapers will cover the most important issues of that day. In this way it will be easier to draw a parallel between the American and the Indian newspapers to examine their perception and selection of important news.

All the news stories drawn from the population of the two U.S. newspapers and two constructed weeks' sample comprising front pages of Indian newspaper represent coverage of Indian economy, before and after India's economic liberalization. By analyzing these news stories the nature of coverage by the four publications will be known and also looking at the sources of the news stories will indicate what kind of sources set the agenda for the coverage of Indian economy.

4.3 Scope of the Study

Since the Indian economic liberalization is still an ongoing event, and there is no way to know how far the liberalization process will be taken, the first limitation of the study is that not all coverage since the liberalization began in 1991 until present will be analyzed. Similarly, only a few years marking the period before economic liberalization will be analyzed.

A delimitation of the study is time frame. To utilize a workable scope of material, the study will examine a fairly limited period. The study will analyze coverage of the Indian economy between 1988 and 1994, which means three and a half years each for the period before and after economic liberalization.

The Indian economy, before and after India's economic liberalization, has been covered by media outlets throughout the world. Another limitation of the study is that not all coverage from these media outlets will be analyzed. Consequently, another delimitation is that this study will ignore coverage from major newsmagazines such as *Business Week*, *Fortune*, *Forbes* and *The Economist*, and electronic media. Instead, the researcher will examine coverage only from four leading newspapers, two each from the United States and India. By studying the more complete coverage of daily newspapers rather than weekly news magazines, this study will more accurately measure how the media in different financial markets cover the same economic issue and what kinds of sources set the agenda for this coverage.

Many aspects of Indian economy, before and after India's economic liberalization, will be reported by the media. Another limitation will be the researcher will only examine Indian economic reports pertaining to five major components of economic liberalization – *Industrial policy reform*, *Trade policy reform*, *Public Sector reform*, *Financial Sector reform* and *Tax reform*. Only news stories and accompanying analysis on Indian economy will be examined. Consequently, another delimitation will be the examination and comparison of news stories and news analysis, which will provide precise nature of coverage of Indian economy.

Finally, a researcher's possible bias in the choice and interpretation of data is an additional consideration, which will be controlled by adherence to a systematic method, say randomization.

Chapter 5

5.1 Data Collection

For the purpose of this study all the news stories and news analysis on “Indian” business and economy were analyzed and compared from *The Wall Street Journal*, *The New York Times*, *Financial Express* and *The Economic Times*.

A news story was selected as “Indian” if (1) its headline indicated that the news story discussed business event of India (2) a majority of its paragraphs discussed events of India.

To complete the research, microfilm resources from the Michigan State University Main Library and Center for Research Libraries, Chicago were used. A total of 102 articles from *The Wall Street Journal* were copied from microfilm, and each article was filed into folders designated for appropriate years. A total of 124 articles from *The New York Times* were also copied from microfilm, and each article was filed into folders designated for appropriate years.

A total of 98 front pages of *The Economic Times* were also copied from the microfilm, and each issue was filed into folders designated for appropriate years. A total of 98 front pages of *Financial Express* were also copied from the microfilm, and each issue was filed into folders designated for appropriate years.

5.2 Categories of Content

The Indian business stories were broadly categorized into the following topics,

Industrial Policy reforms: Dismantling of the system of industrial licensing that had characterized earlier policy. License requirements for entry of new firms and for the growth of existing firms were abolished, except for some industries including small-scale

sector. The law regulating monopolies amended to facilitate the growth of firms through mergers and acquisitions.

The earlier policy of encouraging selective foreign investment in high technology areas was changed, with many consumer goods thrown open to foreign direct investment. The limit of foreign equity holding was raised from 40% to 51%.

Under the earlier policy, the Foreign Exchange Regulation Act (FERA) prevented companies with more than 40% foreign equity (FERA companies) from borrowing or raising deposits in India, from taking over any business interest from an Indian resident, from acquiring or disposing of any physical assets (including land within in India), and from appointing managers or using trade marks without central bank clearance.

The 1993 amendment to FERA eliminated differential treatment of FERA companies and, except for restrictions in the agriculture and plantation sectors, FERA companies are now treated on par with domestic investors and permitted to remit dividends abroad without limitations or restrictions.

Trade Policy reforms: Prior to reform, India's trade regime was characterized by a complex licensing system with pervasive quantitative restrictions on imports and high import tariffs. As a part of the reforms, import restrictions have been dismantled, allowing free import of machinery and other inputs. Tariff levels, which were among the highest in the world, have been reduced significantly.

The rupee was devalued significantly to make exports more competitive and imports expensive, and the exchange rate was floated to a market-determined rate. Foreign exchange dealers are free to maintain balances in convertible currencies, both

domestically and abroad, and deal in spot and forward markets in all major currencies. Almost all current account transactions are permitted with out government approval.

Public Sector Reforms: Government ownership diluted in public sector enterprise through sale of government equity as well as through fresh issue of capital to the public. The induction of private shareholders and the trading of stock in stock markets are intended to make these enterprises profitable and increase managerial accountability. Budgetary support to loss-making public enterprises was phased out, and areas formerly reserved for the public sector, such as civil aviation, petroleum exploration and refining, and parts of telecommunication, were opened for private sector to compete with the public sector.

The sale of government equity in the public sector also resulted in considerable capital receipts, which were used to reduce the borrowing needs of the company and narrowing the fiscal deficit.

An exit policy, allowing the closure and restructuring of unviable firms, was put into place, and a World Bank-assisted National Renewal Fund, to provide compensation and retraining for displaced public sector workers, was established.

Financial sector reforms: Reforms in the financial sectors aimed at strengthening banks and at deregulating capital markets. India's banking system was dominated by several large public sector banks and characterized by heavy mandatory reserve requirements designed to support government borrowing at low administered interest rates. Both the statutory liquidity ratio (the minimum percentage of deposits that bank must hold in government securities) and the cash reserve ratio (the minimum proportion of deposits that banks must hold in cash) have been reduced to ensure that resources

available in the form of bank deposits released for the private sector and not preempted by the government.

The complex structure of differential interest rates charged and paid by commercial banks was simplified and rationalized to make them more profitable. Regulated interest rates were replaced by maximum deposit rates and minimum lending rates.

Interest rates on long-term government securities were also raised close to market levels to reduce the burden on commercial banks imposed by preemptive government borrowing.

Accounting practices and prudential norms now conform to the international standards of the Basle Accord. New private sector banks were being licensed to inject competition into the banking sector to improve performance and accountability in public sector banks.

Apart from the banking system, financial sector reform also encompasses the reform of capital markets aimed at financing investment in the private sector and attracting foreign portfolio capital.

Foreign institutional investors such as mutual and pension funds were allowed to invest in the capital market. A second route of foreign portfolio investment has been the issue of shares abroad by Indian companies. Interest rates in the domestic capital market have been deregulated. Securities and Exchange Board of India was setup to oversee the deregulated capital market. This appears to have helped the market recover from a major securities scandal in which bank funds were illegally siphoned off into the stock market.

A new National Stock Exchange with computerized screen trading commenced operation, and other stock exchanges were computerized and modernized.

Tax Reforms: Far-reaching tax reforms involving a broadening of the tax base and a reduction in exemptions were introduced to compensate for revenue loss through tariff reductions.

Important features of tax reform include reduction in the maximum marginal rate of personal income tax, exemption of all financial assets (including shares and other corporate securities) from the wealth tax, reduction of corporate income taxes, reduction of customs duties to bring them in line with other developing countries, and shifting the bulk of taxes to an ad valorem basis.

The ad valorem tax replaces the specific excise duties on many domestic manufactured goods that were charged at varying rates on different goods. The tax reforms taken together are intended to avoid macroeconomic distortions and to attain macroeconomic buoyancy of tax revenues. .

Source: A source is a person, or organization, which gives information to news reporters. Sources are explicitly identified as such when news reporters quote or paraphrase information from them in stories.

The different kinds of sources are:

1. Indian business personnel/experts: Indian corporate executives, businessmen, economists and company president, CEO (chief executive officer) etc.
2. American business personnel/experts: American corporate executives, businessmen, economists and company president, CEO (chief executive officer) etc.

3. Indian Government officials: Indian ministers and bureaucrats etc.
4. American Government officials: American bureaucrats.
5. Indian Business organizations: Indian companies like Tata, Birla, and trade associations etc.
6. American Business organizations: American corporations like Coca Cola, Ford, Microsoft and IBM etc.
7. Government press release: Government communiqué issued to the media for publication.
8. Business press release: Business communiqué issued to the media by the corporate houses or business organizations for publication.
9. Government meeting: Official meeting on a trade issue or business.
10. Business meeting: Meeting of business association or business organizations.
11. Document: Set of directions, guidelines, official rules or amendment to rules issued by the government.
12. IMF/World Bank: International Monetary Fund and World Bank –two international finance institutes.
13. Other: Source not falling in any of the above mentioned categories.

Story Theme: Story theme is the subject being discussed in the story. For instance, before India's economic liberalization the story themes are like the need for economic liberalization, bureaucratic controls in trade and business and corruption.

After the economic liberalization the Indian economic story themes will have something like causes of economic liberalization; future economic forecasts; and impact of the liberalization and lessons from the liberalization.

1. Bureaucratic controls on free business/trade: Regulation of business by rigid bureaucracy and strict government norms.
2. Need for economic liberalization: Advocate or suggest easing of strict government regulations on economy/business/trade.
3. Efforts to liberalize economy: Attempts made towards easing government controls on economy/business/trade.
4. Corruption: Giving bribes to government officials/bureaucrats to bypass rules in setting up or carrying out business/trade.
5. Future economic forecasts: Predicting business/trade scenario in future based on current trend or performance of economy.
6. IMF/World Bank assistance: Monetary assistance given by these two international financial institutes to improve a country's economy or tide over some economic crisis.
7. Causes of economic liberalization: Reasons leading to the opening of a closed or protect economy. For instance, balance-of-payment crisis was one of the reasons that led India to liberalize its economy and allow free trade.
8. Impact of the liberalization: How liberalization shaped Indian economy or what were the overall changes brought in by the reforms process.
9. Lessons from the liberalization: What lessons were the initial lessons learnt from the liberalization process.
10. Other themes: Any theme that doesn't fit in to the above mentioned categories.

Story Tone: Story tone means the attitude of the story i.e., whether the story reflects positive or negative image about the subject or topic that is being discussed.

Coder Training: The researcher briefed the coder about the project and its purpose. He explained all the terms and content categories to the coder. Having made sure that the coder gained complete understanding of coding procedure, the coding protocol sheet with explicit definitions of content categories was given to read and later use as a guide while coding the news stories.

To determine coder reliability coders coded seven randomly selected stories each from the four newspapers. Agreement for article selection, source selection, theme selection and tone selection were tested and subjected to Scott's Pi. In all the cases the value of Scott's Pi came out to be 0.80 and above. Agreement on news story size measurement was subjected to Pearson's Correlation and its value turned out to be 0.95.

Chapter 6

6.1 Results

Between 1988 and 1994, a total of 918 news stories were analyzed, 102 (11.1%) from *The Wall Street Journal*, 124 (13.5%) from *The New York Times*, 367 (40%) from *Financial Express*, Bombay, and 325 (35.4%) from *The Economic Times*, Bombay.

The period between January 1988 and June 1991 marked India's business coverage before its economic liberalization. A total of 492 news stories were analyzed during this period, 37 (7.5%) from *The Wall Street Journal*, 58 (11.8%) from *The New York Times*, 226 (45.9%) from *Financial Express*, and 171 (34.8%) from *The Economic Times*.

The coverage between July 1991 and December 1994 represented reportage on India's business scenario after its economic liberalization. A total of 426 news stories were analyzed during this period, 65 (15.3%) from *The Wall Street Journal*, 66 (15.5%) from *The New York Times*, 141 (33.1) from *Financial Express*, and 154 (36.2%) from *The Economic Times*.

The basic hypothesis was the mean length and prominence of items on Indian economy in all the four newspapers will increase after the economic liberalization of India. The research questions were to study the major topics, themes and tones of the coverage, and examine what kind of sources set the business news agenda for the coverage of Indian economy?

To verify if the results were significant Chi Square and difference of proportions tests were administered.

Hypothesis: The mean length and prominence of items on Indian economy in The Wall Street Journal, The New York Times, Financial Express and The Economic Times will increase after the economic liberalization of India.

Here the unit of analysis for measuring story length was number of paragraphs in a news story. Counting total number of paragraphs may not be an accurate way to measure the story length, however, it does give a close estimation of overall length of the story. Story prominence was decided by a story's placement in the newspaper. A story scored two points if it appeared on the upper half of the front page, and one point if appeared in the bottom part of the front page. Stories appearing in the inside page were assigned a zero.

Story length and prominence: As shown in Table 6.1, the hypothesis using length and prominence as criterion measures was not supported (i.e., statistical null was retained for the hypothesis).⁹⁸ Thus, no *post hoc* comparison of means was done. Still, discussion of the observed data may be worthwhile.

From period one (before India's economic liberalization) to period two (after India's economic liberalization), the means shifted contrary to expectations. Within the American newspapers mean story length decreased in period two (after economic liberalization) to 5.3 from 10.7. For instance, before liberalization American newspapers carried 13 one paragraph stories, but after liberalization number of one paragraph stories increased to 59.

⁹⁸ Because of the potpourri of different topics and themes occurring before and after economic liberalization and the tendency of length to vary widely depending on topic/theme, use of length as the criterion measure resulted in a large within group variance.

Table 6.1: Mean Story Length and Prominence

Story Length/ Prominence	American Newspapers		Indian Newspapers		F	P value
	Before eco lib (Jan 1988- June1991)	After eco lib (July1991- Dec 1994)	Before eco lib (Jan 1988- June 1991)	After eco lib (July1991- Dec 1994)		
Mean Length	10.7	5.3	10.9	10.8	35.06	p>.05
Mean prominence	0.05	0.02	1.69	1.69	899.3	p>.05
Total	100% (95)	100% (131)	100% (397)	100% (295)	918	

Similarly, before liberalization the lengthiest story published in the American newspapers contained 34 paragraphs,⁹⁹ but after liberalization the lengthiest story contained only 31 paragraphs,¹⁰⁰ whereas within the Indian newspapers the mean story length between period 1 and 2 almost remained same at 10.9 and 10.8.

In American newspapers the mean story prominence between period one and two decreased to 0.02 from 0.05. The American newspapers carried four front page stories about India before the economic liberalization, and after the economic reforms only two stories appeared on the front page, whereas inside stories went up from 91 to 129. On the other hand, in Indian newspapers the mean story prominence remained same for both the periods at 1.69.

⁹⁹ Steven R. Weisman, "U.S. Role in India: Shrinking Aid, Less Influence," *The New York Times*, April 21, 1988, p. A6.

¹⁰⁰ Marcus W. Brauchli, "Political Setback: India's violence fuels doubt about course of economic reform," *The Wall Street Journal*, December 15, 1992, p. A1.

The findings noted as running counter to expectation cause one to consider often expressed view that even with evidence of greater interdependence, U.S. business newspapers/sections kept their international newshole small, reflecting trends in other U.S. print media.¹⁰¹ As far as Indian media is concerned, liberalized economic policies did get greater press *attention*, but the result of that attention is simply an exponential increase in the press's documentation of 'happening news.'¹⁰²

Research Question 1: What were the major topics, themes and tones of the coverage, and how did they shift over time, if at all?

Among others, the major components of India's economic liberalization were *industrial policy reforms, trade policy reforms, public sector reforms, financial sector reforms* and *tax reforms*. Within the scope of this study, the extent to which each of these components was covered by all the four newspapers was examined.

Story Topics: The American and Indian newspapers showed a difference in overall coverage of topics before and after India's economic liberalization (see Table 6.2). In American newspapers, before liberalization coverage of general economy was high at 35.8% (34) stories in a total of 95, followed by trade policy 22.1% (21) and industrial policy 24.2% (23). Financial sector with 1.1% (1) story in a total of 95, tax sector 2.1% (2) and public sector 2.1% (2) received low coverage.

And after liberalization coverage of general economy continued to get high coverage with 30.5% (40) stories in a total of 131, followed by industrial policy 22.9% (30), financial sector 18.3% (24), and public sector 12.2% (16). Here the notable feature

¹⁰¹ One study demonstrating changes in International focus of U.S. business magazines, but space devoted to international stories remaining constant is, Mayo and Pasadeos, "Changes in International focus."

¹⁰² See, for example, Jyotika Ramaprasad, "Effect of U.S.-India Relations on New York Times Coverage," *Journalism Quarterly* :542.

is that after liberalization the coverage showed dramatic increase in financial sector and public sector news, while coverage of trade policy news decreased.

Table 6.2: Primary Story Topic

Primary story topic	American Newspapers		Indian Newspapers	
	Before eco lib (1988-June1991)	After eco lib (July1991-1994)	Before eco lib (1988-June1991)	After eco lib (July1991-1994)
Industrial policy	24.2% (23)	22.9% (30)	18.6% (74)	19.3% (57)
Trade policy	22.1% (21)	9.2% (12)	29.2% (116)	9.5% (28)
Public Sector	2.1% (2)	12.2% (16)	17.4% (69)	18% (53)
Financial Sector	1.1% (1)	18.3% (24)	15.4% (61)	33.9% (100)
Tax Sector	2.1% (2)	2.3% (3)	6% (24)	4.4% (13)
General economy	35.8% (34)	30.5% (40)	11.3% (45)	14.6% (43)
Other	12.6% (12)	4.6% (6)	2% (8)	0.3% (1)
Total	100% (95)	100% (131)	100% (397)	100% (295)

$$\chi^2 = 192.37 (p < .05, df = 18)$$

N = 918

This provides the interpretation that before liberalization of the Indian economy the American newspapers, in addition to reporting on general Indian business, focused more on industrial and trade policy of India. For example, in September 1988, within the existing industrial policy Pepsi-Cola was allowed to be a minority partner in a joint venture with an Indian government organization, and a multinational subsidiary of an

Indian conglomerate.¹⁰³ Similarly, the U.S. government considered Indian trade practices unfair for its prohibition of foreign insurance companies, and discouragement of foreign investors such as Coke and Du Pont in early 1989.¹⁰⁴

But after the economic liberalization -- in addition to the general economy and industrial sector -- deregulated financial, and public sectors attracted increased coverage. However, trade coverage went down as this sector still had some restrictions on free trade. For instance, Indian central bank eliminated the minimum of 15% interest rate on loans and advances exceeding \$6,425, and cut rates to 13.5% on smaller loans in an effort to free India's banking system and stimulate financial sector reform.¹⁰⁵ India also approved private carriers to operate as scheduled airlines, ending the domestic monopoly of state owned Indian Airlines.¹⁰⁶

On the other hand, before liberalization Indian newspapers focused more on trade policy with 29.2% (116) stories in a total of 397, followed by industrial policy 18.6% (74), public sector 17.3% (69), financial sector 15.3% (61). Tax sector received a low coverage of 6% (24) stories in a total of 397. For example, the U.S. industry was more interested in having a higher equity participation in Indian ventures, but the existing stipulation of 40% equity in 1988 was proving to be major disincentive for most of U.S. companies.¹⁰⁷

After liberalization the Indian newspapers gave maximum coverage to financial sector with 33.8% (100) stories in a total of 295, followed by industrial policy 19.3%

¹⁰³ Barbara Crossette, "India allows Pepsi in after 2-year debate," *The New York Times*, Sept. 20, 1988, p. D5.

¹⁰⁴ Anthony Spaeth & Ajay Singh, "Coca-Cola and Du Pont test attitude of India toward foreign investment," *The Wall Street Journal*, May 26, 1989, p. A8.

¹⁰⁵ World Wire, "India ends some loan curbs," *The Wall Street Journal*, Oct. 18, 1994, p. A14.

¹⁰⁶ World Wire, "India ends airline monopoly," *The Wall Street Journal*, Nov. 1, 1994, p. A16.

¹⁰⁷ Shubhrangshu Roy, "US keen on higher equity tie-up in Indian ventures," *Financial Express*, Nov. 5, 1988.

(57), and public sector 17.9% (53). Coverage of trade policy reduced to 9.4% (28) stories in a total of 295. Tax sector continued to receive low coverage with just 4.4% (13) stories. This can be explained by the fact that the Indian newspapers viewed a deregulated vast Indian financial market as an opportunity to boost national economy. Industrial, and public sectors' coverage registered a marginal increase as reforms in these sectors were slow. Coverage of trade came down because reforms in this sector were still hinged in bureaucratic controls.

In sum, before economic liberalization the American and Indian newspapers were similar in their coverage of topics like Industrial Policy and Tax Sector. Coverage of Industrial Policy ranked second in both, American and Indian newspapers. Similarly, Tax Sector didn't get much coverage in these newspapers.

This means that Industrial Policy issues like industrial investments and joint ventures did get more priority as they provided a business opportunity, whereas Tax Sector didn't because with rigid rules and structure there was not much happening in this sector to draw media's attention.

During the same period, the American and Indian newspapers differed in covering Trade Policy, Financial Sector and Public Sector. This provides the interpretation that with strict government control on Public Sector and restricted investment in Financial Sector American newspapers' didn't find any reason to give much coverage to these two sectors. But for the Indian newspapers these two sectors meant debate over diluting government ownership in public sector enterprise and deregulating capital markets.

On the other hand, after economic liberalization American and Indian newspapers showed an increase in the coverage of Financial Sector and decrease in the coverage of

Trade Policy. This provides an interpretation that the coverage of Financial Sector increased because of deregulation of the capital market and strengthening of banking system. Allowing investment in Indian capital market by foreign institutional investors and issuing shares abroad by Indian companies attracted more news coverage. But the coverage of Trade Policy came down because despite the announcement of reforms foreign and Indian companies still found some bureaucratic obstacles restricting the free trade.

After liberalization American newspapers' coverage of Public Sector showed a dramatic increase. This can be explained by the fact that opening some public sectors like Airlines, Oil Exploration and Telecommunications caught the American media attention, whereas the Indian newspapers appeared as if they would wait for more reforms in this area before increasing its coverage. General Economic coverage was more in American newspapers as most of the times the business stories would be a combined coverage of two or more components of Indian economy. For instance, one story may report about industrial, trade and financial sectors.

Despite radical changes to Indian Industrial Policy the American and Indian newspapers didn't show much change in the coverage of this sector. The interpretation for this is that most of the foreign investors were still skeptical of Industrial reforms and adding to it were some bureaucratic controls, which were still in place. At this point one thing should be made clear that although the Indian economic liberalization announced on July 1991 was a historic one, the government didn't go for a total market oriented reform. The government still had control over the economy and the intention here was to liberalize the economy in a phased manner.

In the overall business news coverage of India, before liberalization the American and Indian newspapers showed a similarity in the coverage of Industrial Policy and Tax Sector and differed in the coverage of Trade Policy, Financial Sector and Public Sector.

After liberalization American and Indian newspapers showed a similarity in coverage of Financial Sector and Trade Policy. They differed in coverage of General Economy. The American newspapers increased coverage of Public Sector. The coverage of Tax Sector in all the four newspapers remained almost the same. And reports about miscellaneous business issues of India were categorized under *Other* and there were not many stories under this section.

Story Theme: Table 6.3 identifies the major themes of coverage, as well as how these shifted between period one (before economic liberalization) and period two (after economic liberalization). The table shows the percentage of American and Indian newspapers' coverage devoted to various themes of the Indian economy and its liberalization. For the purpose of this study story theme was defined as the subject being discussed in the story. While a story focuses on a particular topic, in the subject matter it discusses a specific subject matter, which is its theme.

For example, an article in The Wall Street Journal in May 1989 stated "...the bureaucracy remains sluggish, turf-conscious and ambivalent toward foreign investment. Getting a project approved is easier...but it remains a rigorous exercise: In the early 1980s, approvals could take five years; now they take three."¹⁰⁸ Within the framework of this study, this news article is considered to have a theme of *bureaucratic control*.

¹⁰⁸ Anthony Spaeth & Ajay Singh, "Coca-Cola and Du Pont test attitude of India toward foreign investment," The Wall Street Journal, May 26, 1989, p. A8.

Table 6.3: Primary Story Theme

Primary Story theme	American Newspaper		Indian Newspapers	
	Before eco lib (1988- June1991)	After eco lib (July1991- 1994)	Before eco lib (1988- June1991)	After eco lib (July1991- 1994)
Bureaucratic controls on free business/ trade	24.2% (23)	0.8% (1)	17.9% (71)	4.7% (14)
Need for economic liberalization	12.6% (12)	1.5% (2)	20.7% (82)	8.1% (24)
Efforts to liberalize economy	18.9% (18)	3.1% (4)	41.8% (166)	45.8% (135)
Corruption	8.4% (8)	15.3% (20)	3% (12)	5.8% (17)
Future economic forecasts	20% (19)	6.1% (8)	12.1% (48)	8.5% (25)
IMF and World Bank assistance	8.4% (8)	6.9% (9)	2% (8)	3.1% (9)
Causes of economic liberalization	0% (0)	0.8% (1)	0% (0)	0% (0)
Liberalization analysis	0% (0)	6.9% (9)	0% (0)	2.4% (7)
Impact of liberalization	0% (0)	42.7% (56)	0% (0)	18.3% (54)
Protest against liberalization	0% (0)	5.3% (7)	1% (4)	1% (3)
Other	7.4% (7)	10.7% (14)	1.5% (6)	2.4% (7)
Total	100% (95)	100% (131)	100% (397)	100% (295)

$$\chi^2 = 445.83 \text{ (p} < .05, \text{ df} = 30)$$

N = 918

Similarly, a story covering the topic of trade policy and discussing the efforts being made to liberalize the policy indicates that 'efforts to liberalize economy' is its theme.

Based on different subject matters discussed in the stories various themes mentioned in the table (see Table 6.3) were identified.

Before liberalization the American newspapers' main story theme was *bureaucratic controls on free business/trade* in 24.2% (23) stories in a total of 95, which was followed by future economic forecasts 20% (19), efforts to liberalize economy 18.9% (18), and need for economic liberalization 12.6% (12). This can be explained by the fact that before liberalization, a centrally controlled Indian economy had many bureaucratic regulations, and the American newspapers focused in this aspect. The news stories also had the themes of *future economic forecasts* of Indian economy.

After economic liberalization American newspapers' major theme was the *impact of liberalization* in 42.7% (56) stories in a total of 131, followed by *corruption* 15.2 % (20). This provides the interpretation that after the liberalization the American newspapers assessed the changes brought in by the economic reforms, at the same time closely monitored the *corruption* issues.

On the other hand, the Indian newspapers before the economic liberalization had the theme of *efforts to liberalize economy* in 41.8% (166) stories in a total of 397, followed by *need for economic liberalization* 20.7% (82), and *bureaucratic controls on free business/trade* 17.9 (71). This can be explained by the fact that the Indian newspapers were focusing on the efforts being made by the government to liberalize economy, at the same time the urgency to implement reforms to integrate with the growing global economy. The stories also had the themes of bureaucratic controls, which were proving as impediments to a free economy.

After economic liberalization the Indian newspapers increased their focus on *efforts to liberalize economy* with 45.7% (135) stories in a total of 295, followed by *impact of liberalization* 18.3% (54), and *future economic forecasts* 8.4% (25). This can be explained by the fact that the historic economic reforms announced in a phased manner required a continued push and the Indian newspapers focused on the efforts being made to reform the Indian business.

Further, before economic liberalization the American and Indian differed in their story themes. The American newspapers focused more on the theme of *bureaucratic controls on free business and trade*, whereas the Indian newspapers focused on *efforts to liberalize Indian economy*. This provides the interpretation that while American newspapers were critical of bureaucratic controls on Indian economy, the Indian newspapers emphasized on efforts being made to liberalize the Indian economy.

The American newspapers, in view of deteriorating economic situation of India had more stories with the themes of *future economic forecasts, corruption, and IMF and World Bank assistance*. Indian newspapers too had these themes in their coverage, but their primary focus was on the efforts being made to solve the impending economic crisis due to a precarious balance of payment situation.

After economic liberalization the American newspapers focused on *impact of liberalization*, while the Indian newspapers continued to emphasize on efforts to liberalize economy. This means that American newspapers were trying to assess the effect of liberalization, while Indian newspapers were still focusing on efforts being made to further the economic liberalization, which was being introduced in a phased manner. *Impact of liberalization* for Indian newspapers was next in the list.

Even in post-liberalization period American newspapers continued to focus more on *corruption*, which may be attributed to the big security scam of 1992 and other corruption cases involving senior government officials. *IMF/World Bank assistance* and *liberalization analysis* were next in the list for American newspapers. But, for Indian newspapers *future economic forecasts* and *need for economic liberalization* were next in the list. This could be interpreted as American newspapers trying to monitor the Indian government's sincerity in implementing economic reforms and international assistance to the economic reform program. On the other hand, Indian newspapers tried to predict the future of economic reforms and stressed the need to continue with the reforms.

In the overall coverage, before economic liberalization the American and Indian newspapers focused on different story themes. During this period the American newspapers focused more on *bureaucratic controls on free business and trade*, while Indian newspapers' primary theme was *efforts to liberalize economy*. After liberalization the American newspapers focused more on *impact of liberalization*, while Indian newspapers continued to focus on the theme of *efforts to liberalize economy*.

Story Tone: As shown in Table 6.4, before liberalization a large number of American newspaper stories 41.1% (39) in a total of 95 were coded neutral, followed by 36.8% (35) negative tone stories, and 22.1% (21) positive tone stories. This provides the interpretation that most of the stories were neutral, and at the same time there were sizeable number of stories that were critical of Indian economic policies.

An example of a story with negative tone will be something like U.S. criticizing Indian trade practices for creating high barriers for foreign investment and discouraging

investors like Coke and Du Pont, which also prompted the then Bush administration to include India on its “hit list.”¹⁰⁹

On the other hand, a positive tone story is something like this excerpt from August 1991 New York Times, “...with remarkable swiftness, Mr. Rao (India’s then prime minister) has called for freeing private enterprise from the shackles of state regulation, for a dramatic increase in foreign investment, and for economy less dependent on state coddling and more on market forces.”¹¹⁰

Table 6.4: Primary Story Tone

Story Tone	American Newspapers		Indian Newspapers	
	Before eco lib (1988-June1991)	After eco lib (July1991-1994)	Before eco lib (1988-June1991)	After eco lib (July1991-1994)
Negative	36.8% (35)	16.8% (22)	23.9% (95)	9.5% (28)
Neutral	41.1% (39)	47.3% (62)	43.3% (172)	53.6% (158)
Positive story	22.1% (21)	35.9% (47)	32.7% (130)	36.9% (109)
Total	100% (95)	100% (131)	100% (397)	100% (295)

$$\chi^2 = 43.68 \text{ (} p < .05, \text{ df} = 6 \text{)}$$

N = 918

¹⁰⁹ Anthony Spaeth & Ajay Singh, “Coca-Cola and Du Pont test attitude of India toward foreign investment,” *The Wall Street Journal*, May 26, 1989, p. A8.

¹¹⁰ Edward A. Gargan, “India’s new premier challenges the system, and the reaction is predictable,” *The New York Times*, August 6, 1991, p. A6.

An example of news story with story is something like this excerpt from June 1988 *Financial Express*, "...under no circumstances would India compromise its economic policies to attract foreign investment and high technology."¹¹¹

After liberalization, the American newspapers' positive tone news stories increased to 35.8% (47) in a total of 131. There was also an increase in neutral stories to 47.3% (62). Negative tone stories decreased to 16.7% (22). This can be explained by the fact that the American newspapers recognized the efforts being made to liberalize Indian economy and were supportive of the move.

On the other hand, before liberalization Indian newspapers had more neutral stories with 43.3% (172) in a total of 397, which was followed by 32.7% (130) positive tone stories, and 23.9% (95) negative tone stories. This means that the Indian newspapers' coverage of national economy was largely neutral.

After liberalization, Indian newspapers' neutral stories increased to 53.5% (158) in a total of 295, and negative tone stories came down to 9.4% (28), whereas positive stories went up by 36.9% (109). This provides the interpretation that the Indian newspapers were either largely neutral or supportive of the economic reforms.

In the overall coverage, the American and Indian newspapers largely showed similar trend in story tones. All the four newspapers had more number of neutral stories before and after economic liberalization. And after liberalization there was an increase in neutral and positive story tones, while the total number of stories having negative tone decreased. The only difference between the American and Indian newspapers was that before liberalization American newspapers had more negative tone stories than the

¹¹¹ United News of India, "No compromise on economic policies: PM," *Financial Express*, June 13, 1988, p.1.

positive tone stories. And in case of the Indian newspapers during both the periods positive tone stories were more than the negative tone stories.

Research Question 2: What kind of sources set the business news agenda for the coverage of Indian economy?

One of the purposes of this study was to identify what kind of sources set the business agenda for the coverage of Indian economy.

As indicated by Table 6.5, before liberalization American newspapers in 40% (38) stories in a total of 95, used *Indian Government Officials* as source. For example, in a March 1991 news story *The Wall Street Journal* citing a central bank official from India wrote about India's request to its major creditors U.S., Germany and Japan to rescheduling of loans to avoid defaulting.¹¹²

The second most cited source was *Indian business personnel/experts* 28.4% (27), followed by *American sources*, and *other* at 15.8% (15) stories each.

After liberalization American newspapers used other sources in 37.4% (49) stories. A significant increase in other sources was due to the stories appearing in the world wire section of *The Wall Street Journal* where no sources were specified. Apart from the aberration caused by the world wire stories, the American newspapers continued to use *Indian government officials* as major source in 35.8% (47) stories in a total of 131. But, number of *American sources* almost remained the same at 15.2% (20) stories in a total of 131.

¹¹² World Wire, "India sharply limits imports," *The Wall Street Journal*, March 22, 1991, p. A6.

Table 6.5: Primary Story Source

Primary story source	American Newspapers		Indian Newspapers	
	Before eco lib (1988- June1991)	After eco lib (July1991- 1994)	Before eco lib (1988- June1991)	After eco lib (July1991- 1994)
Indian business personnel/ Experts*	28.4% (27)	11.4% (15)	21.4% (85)	19.6% (58)
Indian Govt. officials**	40% (38)	35.8% (47)	68.5% (272)	65% (192)
American sources***	15.8% (15)	15.2% (20)	1% (4)	3% (9)
Other****	15.8% (15)	37.4% (49)	9% (36)	12.2% (36)
Total	100% (95)	100% (131)	100% (397)	100% (295)

$$\chi^2 = 239.13 (p < .05, df = 36)$$

$$N = 918$$

*Sources such as Indian business organizations, business press release, and business meetings were collapsed with Indian business personnel/experts.

**Sources such as government press release, government meeting, and document were collapsed with Indian government officials.

***Sources such as American government officials, American business personnel, and American business organizations were collapsed to form American sources.

****Sources apart from those mentioned above were included under other and no source cited was collapsed with it.

On the other hand, before economic liberalization Indian newspapers too used *Indian government officials* as major source of news with 68.5% (272) stories in a total of 397, followed by *Indian business personnel/experts* 21.4% (85).

After economic liberalization Indian newspapers continued to use *Indian government officials* as major source of news with 65.3% (192) stories in a total of 295, followed by *Indian business personnel/experts* 19.6% (58).

Thus, before liberalization, American newspapers and Indian newspapers used *Indian government officials* as major news source. For American newspapers *Indian business personnel/experts* were next major news source.

This provides the interpretation that for a state-controlled economy like India, both Indian and American newspapers had to rely more Indian government officials for information.

After economic liberalization Indian government officials still remained major source of information for Indian newspapers. However, the *other* category emerged as major news source for American newspapers because most of *The Wall Street Journal* stories on Indian business appeared in the world wire section and they did not specify any source. For the American and Indian newspapers *Indian business personnel/experts* were next on the source list.

Chapter 7

7.1 Discussion and Conclusion

This study sought to define the nature of the coverage given to Indian economy before and after India's economic liberalization. Before discussing the results and findings it is important to mention that the Indian economic liberalization announced on July 24, 1991 was heavily influenced by politico-economic events like security scam of June 1992,¹¹³ demolition of a mosque in December 1992,¹¹⁴ and communal clashes in the India's commercial capital, Bombay in early 1993.

Further, during this period India was still on special 301 list of the U.S. as the latter wanted India to change its intellectual property laws and practices. In other words, in early 1993, the Clinton administration criticized certain trade practices of India, including its weak patent protection, raising the possibility of subjecting India to the retaliatory sanctions under the U.S. trade law Special 301. Despite initiating economic liberalization, India's ban on consumer goods imports, quantitative restrictions under the negative imports list and high tariff were proving to be impediments to the United States trade.¹¹⁵

The result of the study did not support the hypothesis that the mean length and prominence of items on Indian economy in *The Wall Street Journal*, *The New York*

¹¹³ For instance, Sneha Lata Bhatia wrote in an article titled, "Scam jeopardizes annual plan," in *The Economic Times* on June 12, 1992: "The annual plan of 1992-93 is heading for a financial disaster with the security scam assuming serious proportions. The worst crisis in the security market history will have serious ramifications on the 1992-93 annual plan," p.1.

¹¹⁴ For instance, Marcus W. Brauchli wrote in an article titled, "India's violence fuels doubt about course of economic reform," in *The Wall Street Journal* on Dec. 15, 1992: "...Only 16 months after Prime Minister P.V. Narasimha Rao proposed far-reaching economic change, fundamentalist Hindus – egged on by opposition politicians – brought the economy to a near halt last week when they razed a mosque in the town of Ayodhya...For Indians weary of being on the periphery of East Asia's economic dynamo, the riots were dismaying evidence of how far India has to go to catch up," p. A1.

¹¹⁵ United News of India, "Indian trade practices flayed: US may clamp special 301," the *Financial Express*, April 2, 1993, p. 1.

Times, *Financial Express* and *The Economic Times* will increase after the economic liberalization of India. For instance, before liberalization American newspapers carried 13 one paragraph stories, but after liberalization number of one paragraph stories increased to 59.

The findings noted as running counter to expectation cause one to consider often expressed view that even with evidence of greater interdependence, U.S. business newspapers/sections kept their international newshole small, reflecting trends in other U.S. print media.¹¹⁶ As far as Indian media is concerned, liberalized economic policies did get greater press *attention*, but the result of that attention is simply an exponential increase in the press's documentation of 'happening news.'¹¹⁷

This was in accordance with Mayo and Pasadeo's observation that in 1984-88 despite setting in of glasnost/perestroika process there was a little coverage of Soviet Union and Eastern Europe, and the market potential of a liberalized Eastern Bloc got little coverage. Even china's economic liberalization in the 1970's did not receive increased coverage in the business magazines.¹¹⁸

Topics, themes and tones

With regard to major topics, themes and tones of the coverage it was found that in the overall business news coverage of India, the Indian and American newspapers reflected a similarity in coverage of most of the topics. Indian and American newspapers registered an increase in coverage of *financial sector* and *public sector* whereas coverage

¹¹⁶ One study demonstrating changes in International focus of U.S. business magazines, but space devoted to international stories remaining constant is, Mayo and Pasadeos, "Changes in International focus."

¹¹⁷ See, for example, Jyotika Ramaprasad and Daniel Riffe, "Effect of U.S.-India Relations on New York Times Coverage," *Journalism Quarterly* 64 (Summer-Autumn 1987):537-542.

¹¹⁸ Mayo and Pasadeos, "Changes in International focus."

decreased in *trade policy* and *others*. They differed in covering *industrial policy*, *tax sector* and *general economy*.

As far as themes were concerned, before Indian economic liberalization American newspapers focused more on the theme of *bureaucratic controls on free business and trade*, whereas Indian newspapers focused more on *efforts to liberalize economy*. This provides the interpretation that while American newspapers were critical of bureaucratic controls on Indian economy, the Indian newspapers emphasized on efforts being made to liberalize the Indian economy.

Further, American and Indian newspapers showed similarity in covering the theme of *need for economic liberalization*. *Corruption* as a theme received more attention of American newspapers.

In the period after economic liberalization American newspapers focused more on *impact of liberalization*, while the Indian newspapers emphasized on efforts to liberalize economy. This means that American newspapers were trying to assess the effect of liberalization, while Indian newspapers were still focusing on efforts being made to further the economic liberalization, which was being introduced in a phased manner. *Impact of liberalization* for Indian newspapers was next in the list with 18.3% (54) stories in a total of 295.

After Indian economic liberalization American newspapers continued to focus more on *corruption*. *IMF/World Bank assistance* and *liberalization analysis* were next in the list for American newspapers. But, for Indian newspapers *future economic forecasts* and *need for economic liberalization* were next in the list. This could be interpreted as American newspapers trying to monitor the Indian government's sincerity in

implementing economic reforms and international assistance to the economic reform program. On the other hand, Indian newspapers tried to predict the future of economic reforms and stressed the need to continue with the reforms.

The stories in most cases in both American and Indian newspapers were neutral in tone and relatively free of partisan outlook. The treatment of the issues in predominantly economic terms and use of Indian government sources probably explains the less presence of negative or positive tones.

Sources

With regard to examining what kind of sources set the agenda for business news coverage of India, the study found that both, American and Indian newspapers relied more on Indian government officials. This finding is consistent with Menon's research which revealed that developing nations were found to be heavily reliant on government sources for information, suggesting that in the absence of other authoritative and reliable sources of information, the media relies on government sources.¹¹⁹ Similarly, in a content analysis of the *New York Times* and *Washington Post*, Sigal found that U.S. (federal) government officials, particularly at the executive branch, accounted for almost half the news sources in his sampled front-page stories.¹²⁰ Sigal also argues that public officials predominated as the prime sources for the news media over the past decades.¹²¹

However, the study's results are limited in many ways. It looks at the Indian economy before and after India's economic liberalization in a limited time frame. This

¹¹⁹ Menon, "Media Coverage of International Financial Institutions."

¹²⁰ Sigal, "Channels and Sources of News," 119-30.

¹²¹ Sigal, "Channels and Sources of News," 119-30.

offers a clearly defined period to study the nature of coverage of economic reforms in increasingly global economy.

The results are rather subjective being open to differing interpretation as the differences between categories are in many cases marginal. This is particularly true in case of story topics, themes and tones. As always, despite a defined codebook and detailed instructions, events and issues pertaining to human society are defined by the perspective of the observer, and her or his understanding of events. There is therefore a real possibility for multiple observations and differing thematic representation of a newsworthy event.

A lack of earlier studies in this area makes it difficult to clearly define a stance on an issue and find a benchmark against which the results might be compared. The study at the very best extrapolates from findings in other related studies involving international media and press systems and applies them to the coverage of economic issues.

In short, the study does not conclusively prove that nature of coverage of Indian economy changed between the periods of before and after economic liberalization. Another reason for this could be that the post-liberalization period between July 1991 and 1994 was the initial phase of Indian economic reforms and its steady progress was often interrupted by other politico-economic events taking place in the country.

As for the tone of the stories, a large majority was coded, neutral. This is probably because the events were reported as economic occurrences and in economic terms, thereby limiting the possibility of seeing partisan political views in print. As the media was dealing with phased liberalization of state-controlled economy they had to rely more on Indian government sources for news and this study did find support in accordance

with earlier findings that in developing countries government sources set the agenda of news coverage.

Future Areas of Research

While this study looked at the initial phase of Indian economic liberalization, the future research can examine the nature of coverage of later stages of economic reforms. Examining the coverage of Indian economic reforms from 1995 to 2000 will help understand media behavior in increasingly globalized world. This time period marked the stage where the wisdom behind integrating world economies was being debated due to events like 1997 Asian economic crisis and economic crisis in Argentina. The study would be worthwhile because it will help understand how media coped with increasingly complex system of world markets.

Some of the questions worth exploring would be to examine whether there was any change in the use of news sources by the American and Indian newspapers while covering the second phase of Indian economic liberalization? Was the coverage consistent with the second phase of Indian economic reforms? And was the coverage influenced by economic events like the Asian economic crisis of 1997?

APPENDIX

Coding Protocol For Coverage of Indian Economy, Before and After India's Economic Liberalization, 1988-1994

Introduction

This news story protocol is aimed at assessing coverage of Indian economy, before and after India's economic liberalization, by the Wall Street Journal, the New York Times, Economic Times and Financial Express. It'll examine how the publications covered the process of economic liberalization – what were they expected to cover and what exactly were they covering.

The following definitions are important in selecting and analyzing the content under study.

Business story: A business story focuses on selecting various economic, trade and commerce related issues. News stories are defined as all non-advertising matter in a news product. In a newspaper, this would usually include all staff-produced news stories found in the business sections, but excluding editorial pages, op ed pages, reader opinions, sports, society news and similar matter. It may include relevant features produced by syndicated and wire services relevant to the issue or Indian economic reforms being analyzed.

Economic Liberalization: Economic liberalization is the process of loosening of government hold on economy by initiation of fiscal measures, policies with regard to the industrial sector, trade, exchange rate, capital market, agriculture sector, financial sector etc.

There are many components of economic liberalization, but this study will be focusing on the following:

1. Industrial policy reforms
2. Trade policy reforms
3. Public Sector reforms
4. Financial Sector reforms
5. Tax reforms

Industrial Policy reforms: Dismantling of the system of industrial licensing that had characterized earlier policy. License requirements for entry of new firms and for the growth of existing firms were abolished, except for some industries including small-scale sector. The law regulating monopolies amended to facilitate the growth of firms through mergers and acquisitions.

The earlier policy of encouraging selective foreign investment in high technology areas was changed, with many consumer goods thrown open to foreign direct investment. The limit of foreign equity holding was raised from 40% to 51%.

Under the earlier policy, the Foreign Exchange Regulation Act (FERA) prevented companies with more than 40% foreign equity (FERA companies) from borrowing or raising deposits in India, from taking over any business interest from an Indian resident, from acquiring or disposing of any physical assets (including land within in India), and from appointing managers or using trade marks without central bank clearance.

The 1993 amendment to FERA eliminated differential treatment of FERA companies and, except for restrictions in the agriculture and plantation sectors, FERA companies are now treated on par with domestic investors and permitted to remit dividends abroad without limitations or restrictions.

Trade Policy reforms: Prior to reform, India's trade regime was characterized by a complex licensing system with pervasive quantitative restrictions on imports and high import tariffs. As a part of the reforms, import restrictions have been dismantled, allowing free import of machinery and other inputs. Tariff levels, which were among the highest in the world, have been reduced significantly.

The rupee was devalued significantly to make exports more competitive and imports expensive, and the exchange rate was floated to a market-determined rate. Foreign exchange dealers are free to maintain balances in convertible currencies, both domestically and abroad, and deal in spot and forward markets in all major currencies. Almost all current account transactions are permitted without government approval.

Public Sector Reform: Government ownership diluted in public sector enterprise through sale of government equity as well as through fresh issue of capital to the public. The induction of private shareholders and the trading of stock in stock markets are intended to make these enterprises profitable and increase managerial accountability. Budgetary support to loss-making public enterprises was phased out, and areas formerly reserved for the public sector, such as civil aviation, petroleum exploration and refining, and parts of telecommunication, were opened for private sector to compete with the public sector.

The sale of government equity in the public sector also resulted in considerable capital receipts, which were used to reduce the borrowing needs of the company and narrowing the fiscal deficit.

An exit policy, allowing the closure and restructuring of unviable firms, was put into place, and a World Bank-assisted National Renewal Fund, to provide compensation and retraining for displaced public sector workers, was established.

Financial sector reforms: Reforms in the financial sectors aimed at strengthening banks and at deregulating capital markets. India's banking system was dominated by several large public sector banks and characterized by heavy mandatory reserve requirements designed to support government borrowing at low administered interest rates. Both the statutory liquidity ratio (the minimum percentage of deposits that bank must hold in government securities) and the cash reserve ratio (the minimum proportion of deposits that banks must hold in cash) have been reduced to ensure that resources available in the form of bank deposits released for the private sector and not preempted by the government.

The complex structure of differential interest rates charged and paid by commercial banks was simplified and rationalized to make them more profitable. Regulated interest rates were replaced by maximum deposit rates and minimum lending rates.

Interest rates on long-term government securities were also raised close to market levels to reduce the burden on commercial banks imposed by preemptive government borrowing.

Accounting practices and prudential norms now conform to the international standards of the Basle Accord. New private sector banks were being licensed to inject

competition into the banking sector to improve performance and accountability in public sector banks.

Apart from the banking system, financial sector reform also encompasses the reform of capital markets aimed at financing investment in the private sector and attracting foreign portfolio capital.

Foreign institutional investors such as mutual and pension funds were allowed to invest in the capital market. A second route of foreign portfolio investment has been the issue of shares abroad by Indian companies. Interest rates in the domestic capital market have been deregulated. Securities and Exchange Board of India was setup to oversee the deregulated capital market. This appears to have helped the market recover from a major securities scandal in which bank funds were illegally siphoned off into the stock market. A new National Stock Exchange with computerized screen trading commenced operation, and other stock exchanges were computerized and modernized.

Tax Reform: Far-reaching tax reforms involving a broadening of the tax base and a reduction in exemptions were introduced to compensate for revenue loss through tariff reductions.

Important features of tax reform include reduction in the maximum marginal rate of personal income tax, exemption of all financial assets (including shares and other corporate securities) from the wealth tax, reduction of corporate income taxes, reduction of customs duties to bring them in line with other developing countries, and shifting the bulk of taxes to an ad valorem basis.

The ad valorem tax replaces the specific excise duties on many domestic manufactured goods that were charged at varying rates on different goods. The tax reforms taken together are intended to avoid macroeconomic distortions and to attain macroeconomic buoyancy of tax revenues. .

Source: A source is a person, or organization, which gives information to news reporters.

Sources are explicitly identified as such when news reporters quote or paraphrase information from them in stories.

The different kinds of sources are:

1. Indian business personnel/experts: Indian corporate executives, businessmen, economists and company president, CEO (chief executive officer) etc.
2. American business personnel/experts: American corporate executives, businessmen, economists and company president, CEO (chief executive officer) etc.
3. Indian Government officials: Indian ministers and bureaucrats etc.
4. American Government officials: American bureaucrats.
5. Indian Business organizations: Indian companies like Tata, Birla, and trade associations etc.
6. American Business organizations: American corporations like Coca Cola, Ford, Microsoft and IBM etc.
7. Government press release: Government communiqué issued to the media for publication.
8. Business press release: Business communiqué issued to the media by the corporate houses or business organizations for publication.
9. Government meeting: Official meeting on a trade issue or business.

10. **Business meeting:** Meeting of business association or business organizations.
11. **Document:** Set of directions, guidelines, official rules or amendment to rules issued by the government.
12. **IMF/World Bank:** International Monetary Fund and World Bank –two international finance institutes.
13. **Others:** Source not falling in any of the above mentioned categories.

Story themes

1. **Bureaucratic controls on free business/trade:** Regulation of business by rigid bureaucracy and strict government norms.
2. **Need for economic liberalization:** Advocate or suggest easing of strict government regulations on economy/business/trade.
3. **Efforts to liberalize economy:** Attempts made towards easing government controls on economy/business/trade.
4. **Corruption:** Giving bribes to government officials/bureaucrats to bypass rules in setting up or carrying out business/trade.
5. **Comment on Government/law:** Statement or observations on government's stand on a business/trade issue or particular law regulating certain aspect of business/trade.
6. **Future economic forecasts:** Predicting business/trade scenario in future based on current trend or performance of economy.
7. **IMF/World Bank assistance:** Monetary assistance given by these two international financial institutes to improve a country's economy or tide over some economic crisis.

8.Causes of economic liberalization: Reasons leading to the opening of a closed or protect economy. For instance, balance-of-payment crisis was one of the reasons that led India to liberalize its economy and allow free trade.

9.Liberalization analysis: Assessment of the liberalization, i.e., how things changed or what changes occurred after opening of the Indian market.

10.Liberalization progress: Advancement in the process of freeing Indian market/trade.

11.Effects on stocks/bond markets: How was the Indian capital market influenced by the change in the economic policies.

12.Impact of the liberalization: How liberalization shaped Indian economy or what were the overall changes brought in by the reforms process.

13.Lessons from the liberalization: What lessons were the initial lessons learnt from the liberalization process.

14.Profit from the liberalization: What was gained from the process of liberalization.

15.Liberalization resolution: What future decisions the liberalization process shaped.

16.Other themes: Any theme that doesn't fit in to the above mentioned categories.

Procedure

The following steps should be taken in the content analysis coding described below (v stands for variable): (a) All relevant stories on Indian economy are read to identify different topics being covered (b) Assertions and focus of those stories are marked by one coder and checked by another (c) each story is then analyzed for specific characteristics described below.

v1. Story Identification. Number _____

v2. Story date (month/date/year) _____

v3. Newspaper name _____

General Story Characteristics

v4. Story prominence _____

(FPU = 2; FPD = 1; Inside = 0)

v5. Story length: designated by number of paragraphs _____

v6. Story Origin: designated by story byline _____

1= newspaper's own reporter 2= newspaper's business bureau

3= Press Trust of India (PTI) 4=United News of India (UNI)

5=Associated Press (AP) 6=Other bureau or newspaper 7=Other

Story Sources

v7. Indian business personnel/experts _____

v8. American business personnel/experts _____

v9. Indian Government officials _____

v10. American Government officials _____

v11. Indian Business organizations _____

v12. American Business organizations _____

v13. Government press release _____

v14. Business press release _____

v15. Government meeting _____

v16. Business meeting _____

v17. Document _____

v18. IMF/World Bank _____

v19. Others _____

- V20. Primary Story Source** _____
- | | | |
|--|--|------------------|
| 1=Indian business personnel/experts | 2=American business personnel/experts | |
| 3=Indian Government officials | 4=American Government officials | |
| 5=Indian Business organizations | 6=American Business organizations | |
| 7=Government press release | 8=Business press release | |
| 9=Government meeting | 10=Business meeting | |
| 11=Document | 12=IMF/World Bank | 13=Others |

- v21. Primary story topic** _____
- | | | |
|----------------------------|-----------------------|--------------------------|
| 1=Industrial Policy | 2=Trade Policy | 3=Public Sector |
| 4=Financial Sector | 5=Tax Sector | 6=General Economy |
| | | 7=Others |

Story themes related to Indian economy and its liberalization

- v22. Bureaucratic controls on free business/trade** _____
- v23. Need for economic liberalization** _____
- v24. Efforts to liberalize economy** _____
- v25. Corruption** _____
- v26. Future economic forecasts** _____
- v27. IMF/World Bank assistance** _____
- v28. Causes of economic liberalization** _____
- v29. Liberalization analysis** _____
- v30. Impact of the liberalization** _____
- v31. Lessons from the liberalization** _____
- v32. Other themes** _____

v33. Primary story theme _____

1=Bureaucratic controls on free business/trade

2=Need for economic liberalization

3=Efforts to liberalize economy

4=Corruption

6=Future economic forecasts

7=IMF/World Bank assistance

8=Causes of economic liberalization

9=Liberalization analysis

10=Impact of the liberalization

11=Protest against liberalization

12=Lessons from the liberalization

13=Other themes

v34. Story tone _____

If story is neutral then code "0."

+1=Positive story; -1=Negative story

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