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The Year of Living Gloomily

The recession is bad enough. A relentless news cycle is making it worse.

By Eric Weiner
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If the FDA regulated the media, it would require all stories about the economy to carry this warning: "Dizziness and pangs of existential angst may result. Do not read if you suffer from gloominess or are prone to bouts of anxiety. If you are near retirement age or work in the auto industry, consult with a physician before reading."

Yes, things out there are bad, really bad, and they're only going to get worse. Americans, we're told, are retrenching. We're eating out less, forsaking vacations and gift-giving and even that big New Year's Eve splurge, though we are apparently spending more -- lots more! -- on guns, booze and psychics. Crime rates are spiking, or soon will. We're hocking our jewelry and even our hair; we're donating our eggs; we're signing up as "lab rats." We're "ransacking our closets," as USA Today breathlessly put it, in hopes of finding something -- anything -- to sell on eBay.

All because of the recession.

I'm sure some of these stories are true, or true enough to satisfy an editor somewhere, but there's something else going on here: It's what psychologists call "confirmation bias." That's the human tendency to seek out only facts that fit what we already know to be true while downplaying or ignoring contradictory evidence. As Mark Twain is said to have quipped, "To a man with a hammer, everything looks like a nail." To a media covering a recession, everything looks like collateral damage. It's the flip side of irrational exuberance: irrational despondency.

No, I'm not blaming the media for the recession, but the fact is that news about the economy matters more than, say, news about the weather. A newspaper story about a hurricane doesn't alter the hurricane's path. But negative stories about the economy (even untrue ones) can erode consumer confidence, and two-thirds of our economy is driven by consumer spending.

A few years ago, Mark Doms of the Federal Reserve Bank of San Francisco and Norman Morin of the Board of Governors of the Federal Reserve System created an "R-word Index." They tracked how often key words and phrases, such as "recession" and "economic slowdown," appeared in the headlines or first paragraphs of news stories. They then compared the results with consumer confidence and found "a strong correlation between the newspaper-based indexes and various measures of consumer sentiment."

Their findings suggest that a sort of vicious cycle can take hold. The media reports bad economic news and gloomy forecasts. Consumers respond by hunkering down and closing their wallets. The media dutifully reports that consumers are hunkering down and closing their wallets, prompting consumers to hunker down even more, which the media reports. Consumers respond by . . . .

People have always been prone to confirmation bias, but the Internet amplifies the phenomenon since we need not look far to confirm our particular bias. It's always a click away.

So if the media report good news about the economy, does a converse, positive cycle take hold? Not necessarily. Though many of us blame the media for reporting only bad news, the truth is that we're all suckers for gloom and doom. Studies have consistently found that we pay more attention to negative information (whatever the subject) than to positive information. "The brain devotes more attention to anything that appears threatening," says James Breckenridge, a professor of psychology at Stanford University. Negative information is more contagious and "stickier" than positive information. It spreads more quickly and is more difficult to dislodge once it takes hold.

Not only do we pay more attention to negative news, we also give it more credibility. Studies have found that people consistently rate a story about a politician involved in, say, a sex scandal as "more credible" than a story about how that same politician champions a worthy cause.

Thus most urban legends are tales of woe and fear, not of inspiration. A case in point is the widely held belief that after the 1929 stock market crash, there was an epidemic of dejected Wall Street brokers jumping to their deaths from tall buildings. There wasn't. But it fits the narrative, so we believe it.

It's not only the media that succumb to the twin dangers of negativity and confirmation bias. Think about the last time you got together with friends and the subject of the economy came up. Were all of the stories shared negative ones? Would you have dared to suggest that you were doing okay financially?

From an evolutionary point of view, being attuned to bad news made sense. Alarming information -- such as the presence of a hungry lion lurking outside your cave -- demanded immediate attention. These days, though, menace comes in the form of 401(k) statements -- which can be depressing, yes, but not usually life-threatening.

Another reason we tend to latch onto negative news is something called loss aversion. Losing $100 depletes our happiness much more than winning $100 boosts it, studies have found. The effect is especially pronounced when the $100 is not merely lost but stolen. And that's how many of us feel about the current recession. "There is a strong feeling that we have been cheated or duped by powerful people who are not like us," says Breckenridge.

In the current climate, even morsels of good news are twisted into bad. For instance, the number of home foreclosures in November dropped 7 percent. That is certainly good news, but CNN's financial Web site chose to run the headline "Foreclosures Dip -- But Hold the Applause," warning that the good news was merely "the calm before the storm."

But don't all the experts agree that the economy is tanking? Many do, but in the fuzzy field of economics, it's easy to find an expert to confirm any point of view, especially a dismal one. If consumer prices rise, economists sound the alarm about inflation. If prices fall, they warn about the dangers of deflation. Either way, public anxiety spikes.

To be clear: I'm not suggesting that the media whitewash bad economic news and report that everything's dandy. It certainly isn't. But when was the last time you read a prominent story about low interest rates -- or gas prices, which are at their lowest levels in nearly five years? (Sure, these are side effects of a sluggish economy, but that doesn't make them any less ameliorative.)

Well-intentioned journalists find fallout from the recession everywhere, but as any graduate student knows, correlation is not the same as causation. For instance, psychologists have found that married people report being happier than singles. Does that mean that marriage makes us happy? Possibly, but perhaps happy people are more appealing and therefore more likely to get married. Attributing every social ill to the economic downturn is not only wrongheaded, it's also disrespectful to those who are actually suffering because of the economy.

Sometimes the economic news leaves us with whiplash. One recent story reported that the recession is causing a spike in the number of divorces, while another reported (just as authoritatively) that couples are staying together because they can't afford to split up. You won't read about the third option: that divorce rates simply aren't affected by economic conditions.

Don't get me wrong. A certain amount of confirmation bias is necessary. Without it, we'd be overwhelmed by the flood of information that deluges us every hour. We need slots into which to put that information. The problem arises when we try to squeeze new information into old slots.

There will come a time in the future -- hopefully the not-too-distant future -- when the fundamentals of the economy really will improve. You won't read about it for a while, though. The good news won't fit the narrative, so journalists won't report it. And even if they did, you probably wouldn't believe it.

At some point, though, the new facts will overwhelm the old ones, and we'll all be singing the praises of our amazingly resilient economy. In other words, we will have confirmed a new bias.

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