
THE ROLE OF GOVERNMENT EVALUATIONS AND EU IDENTITY IN SHAPING ECONOMIC EXPECTATIONS DURING THE CRISIS THE CASE OF ROMANIA[†]

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(Received 8 June 2013)

Abstract

This paper examines the way in which the Romanian people form their own economic expectations during the crisis. By combining content analysis with an extensive survey data, we focus on three interconnected levels: 1. expectations regarding the individuals' economic situation (*egocentric* evaluations), 2. expectations regarding the future development of the national economy (*sociotropic* evaluations), and 3. expectations regarding the European Union's future economic development (supra-national evaluations). We build on Boomgaarden *et al.* (2011)'s research showing that in times of severe crisis, news exposure and the content of economic news coverage matters and influences, to a certain extent, people's economic expectations. By drawing on similar research, we argue that the process of economic expectations formation in more developed economies is different in less mature economies, such as the Romanian one. In contrast to developed economies, media exposure and the tone of economic coverage *do not* shape individuals' economic expectations in Eastern-European countries. In Romania, government assessments seem to be the main determinant of citizens' economic expectations. Even during times of extensive media coverage of economic aspects (i.e. the economic crisis), the Romanians largely base their judgments of the economic future on how well they consider the incumbent government performs. At the same time, the Romanians' knowledge about the EU and Romanians' attachment to the EU are strong predictors of positive forecasts regarding EU economy.

Keywords: economic evaluations, government evaluation, media exposure, economic crisis

1. The citizens' economic sentiment: between rationality and irrationality

Individuals' economic expectations are "at the heart of virtually every economic decision people make today" [1]. When consumers make decisions to

[†] This paper was presented at the Conference Academos 2013, 5-7 June, Bucharest.

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spend or save, expectations play an important role. This implies that “actions today are predicated upon their belief in the future and future expected earnings” [1].

Ever since the rational expectations hypothesis (REH) was elaborated by John F. Muth, economic expectations have been the subject of vivid scientific debates. These debates were meant to clarify how people’s perceptions affect the household’s economic development or even how these expectations could impact upon the evolution of national economies. The question of economic expectations is situated somewhere on the borderline between Economics and Sociology, as it can potentially orient research in both fields. However, people’s economic expectations were first of all approached in their economic side, as scholars wanted to see whether our subjective prospects about the economy could actually shape economic reality.

In order to throw light on the plausibility of economic expectations, our starting point is the rational expectations hypothesis (REH), which is often placed among those ideas that have dramatically influenced economics. In spite of its apparent complexity, the REH is premised on a rather simple idea: “Buyers and sellers who need to guess future prices do not merely assume that they will be the same as previous prices. Instead, they use *all available information* to make an educated guess as to what prices will be - at least when it is worth their while to do so. What is more, the educated guess will, on average, be correct. People will not consistently make mistakes when it comes to prognosticating future prices.” [2] Robert E. Lucas was awarded the Nobel Prize for further modelling the rational economic expectations theory. Basically, the REH is a product of neoclassical economics, which postulates that markets are efficient and self-regulating. In this neoclassical logic, people’s expectations are seen as active players in the ‘market game’, holding a big stake in doing educated guesses about the future. This means that if people expect economic success, then the economy will boost. Following the same logic, if people expect economic fallout, then the economy will actually sink. Neoclassical economics believe that individuals’ expectations are largely rational. Individuals’ natural instinct to reach for happiness and comfort will act as an invisible hand that will create equilibrium and market efficiency.

In the neoclassical view, expectations are ‘ergodic’, in the sense that “the future is perceived to follow consistently from the trends of the past, and probabilistic in the sense that weights can be assigned to alternatives outcomes” [3]. The rationality of economic expectations was subject to criticism, stemming from the fact that individuals are never aware of all the actions and developments taking place in their world. As W. Lippmann, the American journalist and political scientist put it, no human being can be totally and objectively knowledgeable of his or her own reality. This means, of course, that economic expectations are ‘hyperrational’, this meaning that they depart from pieces of information and, implicitly, from individuals’ own subjective perception about the state of the economy.

The thesis of rational expectations was formulated as a means of invalidating John Maynard Keynes' assumption that people's expectations are irrational and led by short-term interests. Keynes agrees with the fact that people's expectations can affect the state of the economy, but he includes an important ingredient in explaining the whole process. This ingredient is investors' "state of confidence" [4]. The state of confidence becomes particularly important during market shocks, when economic expectations incorporate a certain dose of panic and anxiety. In Keynes' own words, "in abnormal times in particular, when the hypothesis of an indefinite continuance of the existing state of affairs is less plausible than usual even though there are no express grounds to anticipate a definite change, the market will be subject to waves of optimistic and pessimistic sentiment, which are unreasoning and yet in a sense legitimate where no solid basis exists for a reasonable calculation" [4, p. 100]. That is why, Keynes believes that during the crisis, the scarcest resource is not the money, but people's confidence. Therefore, those in charge with crisis management should first of all focus on putting in place the right instruments for recovering people's deteriorated trust.

Thus, Keynesians believe that individuals' economic expectations are largely irrational and could not lead to market equilibrium, as the neoclassical economists postulated. This irrationality is mainly grounded in individuals' inclination to choose short-term gains at the expense of long-term benefits. The irrationality of economic expectations could be best illustrated by making a parallel between 'enterprise' - understood as "the activity of forecasting the prospective yields of an asset" [4, p. 103], on the one hand, and 'speculation' - seen as "the activity of forecasting the psychology of the market" [4, p. 103], on the other hand. "Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation." [4, p. 103] In a nutshell, economic expectations can fuel both professional investment and speculation, in the sense that they represent the raw material for long-term sustainable development and, also, for short-term opportunistic gains.

In our view, Keynes' metaphor on speculation and investment is emblematic for the way in which expectations function and orient the state of the economy. Especially in harsh economic times, such as those we are living today in Europe, the major role played by economic expectations would entitle sociologists and economists alike to approach this subject in a very deep and applied manner.

2. Probing into the crystal globe of economic expectations

Erikson, Mackuen and Stimson conducted a large scale study about expectations' formation and they concluded that "whatever bizarre, confusing, or personally biased perceptions individual citizens bring to the evaluation task, in the aggregate all that idiosyncratic variation is self-cancelling. The aggregate of individual expectations then becomes a quite orderly response to the flow of

economic news.” [5] While economic evaluations may seem puzzling and may be error prone, once aggregated at the national level they provide a reliable indicator of the public’s economic sentiment. This conclusion is not universally accepted, though. For example, another school of thought argues that “the biases reflected in measures of economic evaluations at the individual level are also prevalent in aggregate series of economic evaluations” [6]. No matter how ‘bizarre’ the formation of economic expectations may be, there is a tacit agreement among scholars that citizens’ economic sentiment could anticipate economic success or economic fallout.

According to Robert W. Fogel [7], scholars’ interest in economic expectations rose as a consequence of the depression that followed World War II. By confronting expectations with historical facts, he demonstrates that, under extreme social and economic pressures (i.e. economic crisis) individuals’ expectations are basically pessimistic. The lesson he teaches is that economic expectations are largely influenced by the *mood* which prevails in a certain context. This means that attitude formation – especially in what concerns the economic forecasts done by the individuals – is highly sensitive to *negative economic trends*. This implies that one of the most important remedies for curing economic diseases (i.e. recessions, depressions) is the rehabilitation of people’s expectations.

This aspect is also confirmed by Gauti M. Eggertsson [8], an economist at the Federal Reserve Bank of New York, who, in a research paper on ‘Great Expectations and the End of the Great Depression’, argues that the power of economic expectations is incredible, especially during times of turmoil. Citizens’ economic expectations are seen as a double edged phenomenon: pessimistic economic expectations will deepen a recession, whereas optimistic expectations will break off the vicious circle of an economic crisis.

People’s economic expectations are influenced by various sources of information. In spite of the fact that expectations about the economy could be subject to “dramatic shifts that we cannot always anticipate” [1], researchers have managed to identify some key variables that appear to shape economic expectations.

Based on historical data quantifying the evolution of economic indicators during and after the Great Depression (1929-1937), Eggertsson proved that the “US recovery from the Great Depression was driven by a shift in expectations” [8, p. 1476]. This conclusion dismantles the statement done by Milton Friedman and Anna Schwartz (1963), who established that the recovery from the Great Depression was driven primarily by money supply increases [8]. According to Eggertsson’s findings, “it is only through the expectation of future money supply, and thus future interest rates, that the money supply affects spending. Through the expectation channel the main point of Friedman and Schwartz is confirmed in this paper: appropriate monetary policy was essential to end the Great Depression, and could have prevented it altogether. The twist is that this could be achieved only through the *correct management of expectations*, not contemporaneous increases in the money supply per se.” [8, p. 1480] The

turning point of the Great Depression was the change of fiscal policy, done by the Roosevelt government. In spite of the fact that Eggertsson's conclusion that economic expectations and government evaluations positively correlate is not based on survey data, he throws light on the role played by governmental actions in tackling the crisis. The regime shift associated with Roosevelt's rise to the presidency caused a shift in citizens' expectations, which eventually determined a rise in economic output. Besides, economic expectations are not necessarily driven by the value of macroeconomic indicators, such as the Gross Domestic Product (GDP) or the public deficit, but by how the government acts and reacts to economic shocks.

Robert H. Durr [9] provided evidence that differences between the real economy (as captured by four objective economic indicators) and economic expectations in the US are responsive to how the Americans perceive the *popularity of the president*. Those citizens that evaluated their president in a positive manner, tended to evaluate the state of the economy positively. Conversely, negative evaluations of the president were correlated to pessimistic evaluations of the economy. Thus, partisanship plays an important role in the formation of the economic expectations, which means that a considerable portion of the variance in economic sentiment is related to factors *other than fluctuations in the real economy*. De Boef and Kellstedt [10] found deviations between the economic expectations expressed by Americans and the objective state of the economy. The variable responsible for this deviation consisted in the *government assessments* done by the individuals.

Raymond Duch and Randolph Stevenson [6] used the EU Consumer Confidence Surveys, which are administered monthly in every EU member state in order to assess how the inflation prospects evolves and to compare citizens' perception about the state of the economy, on the one hand, and the real economy, on the other hand. Duch and Stevenson did their study in ten member states. One of their conclusions is that "there is now considerable evidence indicating that economic attitudes are just that, *attitudes*, and that a variety of factors in addition to the real economy shape these attitudes." [6, p. 29] Furthermore, their research suggests that economic expectations are shaped by three categories of stakeholders: professional and elite forecasts; media message; and individual attitudes. This research points out, again, to the importance of political partisanship in the process of economic expectations' formation. Thus, "incumbent governments are less able to sway citizens to optimistic forecasts but opposition can make citizens feel inflation is actually worse" [6, p. 29]

3. Economic expectations in developed countries vs. economic expectations in emerging countries

The findings about the variables that may influence economic expectations seem to vary greatly from one country to the next. Scholars have been especially interested in evaluating the trends and the impact of inflation expectations. Inflation expectations determine people's consumption behaviour

in a very straightforward manner: expectations about decreasing inflation will translate into a consumption-centred behaviour, whereas expectations about increasing inflation would trigger a savings-centred behaviour. The rich literature produced on this topic has led us to the idea that there is a high degree of heterogeneity among countries and continents when it comes to evaluating how people create their projections about future inflation.

As we have already seen, in the US, partisanship and the government assessments play an important role in shaping individuals' economic expectations, including those forecasts people make regarding inflation [9, 11]. By drawing their data from five election study panels in the United States and the United Kingdom, Ladner and Wlezien suggest that "partisan contamination of economic expectations has a meaningful cognitive component: People appear to think that party control has real effects on economic policy and performance" [12]. After implementing a large media research in the US, Goidel *et al.* could formulate the following conclusion: "individual economic expectations are related to exposure to economic news coverage and that individuals are most responsive to broadcast news" [13].

Barnett *et al.* wanted to identify those factors affecting time-varying inflation expectations in the United Kingdom (UK) [A. Barnett, J. Groen and H. Mumtaz, *Time-varying inflation expectations and economic fluctuations in the United Kingdom: a structural VAR analysis*, Summary of Working Paper no. 392, 2010]. They concluded that "when the economy is hit by large, inflationary shocks (an 'Inflation Scare') and the central bank hesitates to respond promptly, this may result in a persistent increase in longer-term inflation expectations." Thus, as regards the UK, citizens form their economic expectations based on the actions taken by the central bank. Sluggish monetary policy will negatively affect citizens' economic forecasts about inflation.

Boomgaarden *et al.* did an extensive study in The Netherlands. By correlating the results of a content analysis done on Dutch mass-media with the results of an opinion survey, they assessed that "the media have a considerable influence on people's expectations of the course of the national economy. The more negative the prospective evaluations of the economy in the news were to which a citizen was exposed, the more negative his or her sociotropic expectations became." [14]

What about the process of expectations formation in emerging economies? The literature on economic expectations of citizens from emerging economies is rather scarce. For example, in India, "taken together, food and fuel price changes account for 40 percent of variations in inflation expectations" [M.P. Patra and P. Ray, *Inflation Expectations and Monetary Policy in India: An Empirical Exploration*, IMF Working Paper, 2010, 12]. This highlights the importance of these items in the average consumption basket of large sections of the Indian population. Furthermore, "the role of fiscal policy in shaping inflation expectations is marginal and surprisingly has a negative sign – acceleration in real expenditures lowers inflation expectations" [M.P. Patra and P. Ray] Oral *et al.* made an extensive study on inflation expectations in Turkey, and their key

findings were that “both past and future changes in the inflation rate affect inflation expectations” [15] and that “an increase in the inflation rate has a much greater impact on inflation expectations than that of a decline.” Thus, for Turkish citizens, the actual level of inflation, as seen in the price of commodities, is an important predictor of economic expectations.

In emerging countries, mass-media have a rather limited role in shaping economic expectations. According to the research done in India and Turkey, people form their economic sentiment based on the evolution of several indicators with an impact on the household well-being (i.e. price for key commodities). We argue that in Romania, people’s economic expectations have several special traits resulting from a unique combination of economic (i.e. the crisis of the European Union) and political (i.e. instability) factors.

4. The never-ending crisis of the European Union

Citizens’ economic expectations were mainly analyzed in developed economies, such as the US or UK. Also, most of the research to validate or invalidate the rational expectations hypothesis has been carried out during rather stable times. By throwing light on the most recent developments related to the EU’s crisis, we will be able to better understand how the citizens from the EU’s ‘periphery’ (i.e. Romania) make projections regarding the status of the economy. As we have already shown, economic expectations are especially sensitive during crises and they can potentially influence the economic recovery of a country. For our research, the background set by the Europe’s economic fallout is particularly important, since it clarifies the specific context that shapes the Romanians’ economic expectations.

There is general consent that the current economic crisis in general and the euro crisis, in particular, place the European Union at a crossroads. The problems arising are not only of a practical (economic and financial) nature, but also highly symbolic. In a statement made by the Council for the Future of Europe (Europe is the solution, not the problem, 6th of September 2011) it is admitted that the vision of Europe that will succeed is that which “inspires the commitment of its citizens whose faith in a European future is shaken”. Some talk about Europe’s darkest moment: “The crisis in Europe is existential. It is a question of whether the EU survives as a recognizable entity.” [A. Giddens, *The Guardian*, 12th of January 2012, online at <http://www.guardian.co.uk/world/2012/jan/25/anthony-giddens-europe-dark-days-hope>] Even though the outburst of the crisis did not happen on the European territory, but on the other side of the Atlantic, the effects of what started in 2007 are most enduring in the EU and one could safely state that most serious impact of the global crisis is on Europe itself: “what started as the subprime crisis in 2007 and morphed into the Global Credit Crisis in 2008 has become the Euro Crisis in 2009” [16]. Now, we are dealing with a never-ending crisis - neither of the common currency, nor of the euro zone or of its banking system, but with a never-ending crisis of the European Union itself [17].

The economic and financial crisis is overlapping with other vulnerabilities of the European Union which are political in nature, such as the fact that EU is an incomplete or imperfect construction, a half-way house. The fact that the effects of the global turmoil are most enduring in the EU can be explained by the fact that the crisis caught Europe in the very process of reconfiguration and reconstruction right after the Lisbon Treaty. The crisis underscored the vital issues regarding the political union, the institutional building and consolidation, last but not least, the relevance of European leadership, or its lack thereof; by leadership meaning both elite persons, be they political, economic or intellectual and states driving the EU forward.

The EU did not have an easy position before the crisis either - both economic terms, and political and institutional ones. Economically speaking, before 2007-2008, China was growing with 8% to 10%, the US 3.5%, whereas the EU's pace of growth was only 2%. In political and institutional terms, the vulnerabilities are perhaps even more striking. What we today call "the EU" has had its fine hours of glory, with its members growing in a rather accelerated manner from 6 to 27. The major wave of enlargement, that increased the number of member states to 25 and finally to 27 is different from any previous ones, since the large majority of these countries come from Central and Eastern Europe, generally less developed and having a more modest industrial and democratic base. A process of restructuring of the European Union had become inevitable with the number of member nations practically doubling, and this was unfolding specifically when the crisis started to be felt in 2008.

The crisis has reopened the debate on whether the European Union should develop as a political union or strengthen only as an economic union, how long an economic union can function without a political union. This feature of the European Union is what Habermas [S. Jeffries, *A Rare Interview with Jürgen Habermas*, Financial Times, 30 April 2010] calls "planned asymmetry", "an issue that many regard as the birth defect of an incomplete political union stuck in midstream". The first step out of the current mess would be to recuperate the lost political regulatory power of the state at the supranational level; hence Habermas' [17] and other scholars' renewed call for political Union and for a EU Constitution that should strengthen the EU as a supranational democracy, "a cosmopolitan Europe founded on European law that performs the role of politically coordinating Europeanized nation-states" [U. Beck, *Europe's crisis is an opportunity for democracy*, The Guardian, 28 November 2011, online at <http://www.guardian.co.uk/commentisfree/2011/nov/28/europe-crisis-opportunity-democracy>].

It is our view that there at least three sets of major interrelated challenges facing the European project at the moment: the lack of political union, or any kind of union for that matter; the lack of political (i.e. regulating) transnational capacities, reflecting the gap between economic (financial) globalization and the (quasi)inexistent political globalization; the emergence of the EU first and second periphery (the Southern part of the euro zone and the Central and Eastern Europe, respectively).

5. The EU peripheries

One of the deep causes underlying the EU crisis is the abandonment of the ambition to turn the EU into a harmonious whole, characterized by economic and social cohesion. Instead, “the British view of a loose trade pact rather than political union prevails” [R. Cohen, *Europa! Europa!*, New York Times, 11 May 2010, online at http://www.nytimes.com/2010/05/11/opinion/11iht-edcohen.html?_r=0]. We consider that although it seems to be an immediate effect of the crisis, abandoning those ambitions has its roots in the moment of the fall of the Berlin wall, then in the Eastwards enlargement. In spite of the striking discrepancies, the Union kept going on in the ‘business as usual’ mode, while a major redesign of its development model would have been necessary.

Dăianu considers that the countries in Central and Eastern Europe are among the states most affected by the crisis [18]. Except for Poland, all these economies have faced very serious problems, with the public deficit rocketing. The financial support from the EU, the IMF, and other international institutions was needed. “Starting with 2010, the EU periphery (the so-called ‘new member states’) became the new bridgehead of the European crisis.” [19]. The IMF experts consider the problems of the European Union periphery as being particularly acute. Furthermore, “reestablishing fiscal and financial sustainability in the face of low or negative growth and high interest rates is a substantial challenge. And, while extreme, the problems of the EU periphery point to a more general problem: an underlying low rate of growth of potential output. Adjustment is very hard when growth is very low.” [20]

After 2007 and especially after the crisis outburst in Greece early 2010, the cohesion has been among the first European objectives to be ‘sacrificed’, along with the entire European social model. New irreconcilable gaps further deepened the historical gap between the Western (prosperous) Europe and the Central and Eastern (less prosperous) Europe: old vs. new member states, irresponsible vs. virtuous states, wealthy vs. poor states, Euro Zone vs. non-Euro Zone states, states prone to inflation vs. states prone to deflation, states rescuing the others vs. states which have to tighten their belt to be worth rescuing, Northern vs. Southern states, Centre vs. periphery. Europe could hardly be more diverse than that. Today’s fragmented Europe is dazzling. “If we talked about the periphery of the continent, everything would be understandable. EU periphery is much less acceptable. A Union has rules, rigors and standards. When we speak about the Union’s “periphery”, the first question is: how could this occur? How come it has not been prevented? What are the responsibilities of the country(ies) belonging to the periphery and the responsibilities of the Union?” [21]

In this context, debate has been resumed on the older term of “differentiated integration”, defined as “the process where a subgroup of European states choose to achieve a greater level of integration” [22]. Different other terminologies can be reunited under this term: flexible integration; asymmetrical integration; subgroupism; closer cooperation; enhanced

cooperation; structural cooperation; multi-speed; double speed; variable-geometry; concentric circles; à la carte Europe; poly-centric Europe; vanguard nations; pioneer group; core Europe; 'hub and spokes' Europe; advanced integration . During the crisis, the more straightforward expression encompassing the widening discrepancies within the EU member states is 'EU periphery', more precisely peripheries: a Southern one, right in the Eurozone, and a Central and East European one, outside the Eurozone.

J.M. de Neve accepted there were different levels of EU integration; he nevertheless raised the following issue: what is the European Union now, as it unites so many different 'Europes'? [22] Can federalist ambitions still cope with this differentiated and greatly objective trend of (dis)integration? The argument is not that "divergence is bad in itself and therefore the EU should not have enlarged or further enlarge because of the predictable impact of this economic, social, political, cultural divergence". "The argument here is that enlargement makes it less likely for the EU to become a Westphalian type of state. One does not need to be a disciple of Max Weber to acknowledge that ambitious projects of political, economic, and military integration can only work in a relatively homogenous environment. Common laws and administrative regulations cannot cope well with a high degree of diversity. So, naturally, various multi-speed arrangements and complicated opt-outs occur." [22, p. 508]

"The two-speed Europe" seemed to be the most appropriate option – at least from the perspective of its implicit realism – in the context of the Eastwards enlargement - and other enlargements for that matter. However, the crisis has proved, once the process is set free, the two-speed Europe can easily turn into three- and four-speeds, turning EU into a core with various peripheries.

6. Methodology

In this context we investigated, using content analysis and national survey, Romanians' expectations about their own economic future, about Romania's future and about EU's future. The following research questions guided the analysis:

- RQ1. What role do media messages related to the state of economy play in people's expectations about their economic future? (*egocentric evaluations*)
- RQ2. What role do media messages related to the state of economy play in people's expectations about their country economic future? (*sociotropic evaluations*)
- RQ3. What role do media messages related to the state of economy play in people's expectations about the European Union's economic future? (*supra-national evaluations*)
- RQ4. What role do people's evaluations about the government play in people's evaluations of their economic future? (*egocentric evaluations*)
- RQ5. What role do people's evaluations about the government play in people's evaluations of their country economic future? (*sociotropic evaluations*)

RQ6. What role people's evaluations about the government play in people's evaluations of the European Union's economic future? (*supra-national evaluations*)

6.1. Methods and measurements

The research design included an extensive content analysis of seven media outlets (three national TV stations and four online papers and portals) over a period of one month, and a national survey conducted exactly at the end of that month. We integrated the results of the content analysis regarding the tone of the economic news into the analysis of people's media exposure.

6.2. Content analysis

The content analysis covered a four-week period, 1 to 28 of March, 2012, immediately after the signing of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (March 2, 2012). We considered that, if media have some impact on people's opinion regarding economic forecasts, then media exposure to extensive economic news (as in the period following the signing of the mentioned treaty) should emphasize this influence. The unit of analysis was the news item in the TV newscast and the article in online newspapers and portals. The analyzed outlets were chosen based on audience levels of prime-time news during the previous month. We analyzed prime time newscast of the main public channel (TVR 1) and of two generalist channels (PRO TV and Antena 1). Based on unique visitors' numbers during the previous month for online outlets, we analyzed all news published on the news portals *ziare.com* and *hotnews.ro*, and on online newspapers *adevarul.ro*, and *gandul.info*. A total number of 1744 TV news stories and of 16689 articles were analyzed. Ten coders (four for TV and six for online) were used in this process. We report in this article exclusively on the economic news broadcast and publicized during the analyzed period, that is a number of 150 TV news stories and 1527 online news. The visibility of economic news was computed to 8.6% of TV news and 9.1% of online news.

The measurements used to assess the tone of economic news coverage were built using the following wording in the coding instructions: "Does the news item suggest expectations, assumptions, predictions of the personal economic situation of Romanian people or the Romanian economy situation for the next 12 months?" and "Does the news item suggest expectations, assumptions, predictions of the personal economic situation of European Union' economic situation for the next 12 months?" and "If yes, is this a negative (-2), rather negative (-1), balanced (0), rather positive (+1) or positive (+2) one?". Inter-coder reliability was measured using Holsti formula, and ranged between 0.72 and 0.90 for TV news, while for online it ranged between 0.64 and 0.86.

The tone of economic coverage was measured by means of two variables, as the aggregated mean of the tone of Romanian economic predictions (further used in testing predictions about sociotropic and egocentric evaluations), and aggregated mean of the tone of EU economic predictions (further used in testing predictions about supra-national evaluations). Both variables were recoded by weighting the negative news twice, as researchers argue [14] that people are more likely to pick on negative news than on positive ones. The results of the tone of the economic news are reported in Table 1.

All national economic forecasts have a negative coverage in all media outlets, while EU economic predictions are covered both negatively and positively, depending on the media outlet.

Table 1. Tone of economic predictions in media outlets.

Media outlet	Tone of Romanian economic predictions	Tone of EU economic predictions
Hotnews	-1.35	-1.10
Ziare	-1.15	-1.15
Gandul	-0.75	-0.88
Adevarul	-0.65	-1.34
PRO TV	-0.88	+0.85
Antena 1	-1.70	+0.25
TVR1	-0.92	-0.33

6.3. National survey

The national survey was conducted on 28-31 of March, 2012, immediately after the period considered for the content analysis. The rationale was to assess as accurately as possible short-time media influences on people’s evaluations of economic trends. The national survey was conducted on N = 1002 people, with a sample error of +/- 3%, for a confidence interval of 95%. It was a telephone survey (CATI), using RDD procedure and a bistadial stratified sampling procedure.

In order to answer the research questions we used regression models. We further present all measurements used in defining the dependent and independent variables in the six regression models we will discuss in the Findings section.

The dependent variables were measured in the survey by means of three questions: one used for egocentric models, one for sociotropic models, and one for supra-national models. The egocentric perspective were measured by asking the respondents: “On a scale of 1 to 7, where 1 means ‘much worse’ and 7 ‘much better’, if you think of your own economic situation in the next 12 months, do you think it would be worse or better?”. The same wording was used for asking people to assess ‘Romania’s economic future’ and ‘the EU economic future’.

The main independent variables for all 6 regression models were exposure tone of economic news coverage, media dependency and government assessments.

Exposure tone of economic news coverage was computed as a mean of tone of economic news by media outlet combined with people's exposure to each media outlet. Exposure to each media outlet was measured on a 8-point Likert scale: people were asked how many days per week they watch/or read each media outlet (from 0 to 7). We further integrated the content analysis data (see previous section), following a procedure used by [14]: each respondent was assigned a score obtained by multiplying the frequency of use of each outlet and the tone of economic news calculated as aggregated mean of relevant content characteristics for each dependent variable (see previous section for this measurement). The resulting scores were mean-centred.

The media dependency was measured using a 5-item scale, all measured on a scale of 1 to 7 (1 – ‘strongly disagree’; 7 – ‘strongly agree’): 1. “I use the news to see how politicians stand on issues”; 2. “I use the news to keep up with important political issues”; 3. I use the news to help me make up my mind about things”; 4. “I often try to related on what I see on TV news or read in newspaper to my own personal experiences” and 5. “I often try to think about what I see on TV news or read in newspaper relates to other things I know” [14, p. 364]. A reliability test showed a consistency of the 5-item scale (Crombach's alpha = 0.755). We further constructed a variable as the mean of the 5 scores given by each respondent to the battery of items in the scale.

Citizens' assessments of the government were measured by asking people “On a scale of 1 to 7, where 1 represents ‘very dissatisfied’, 7 - “very satisfied”, how satisfied or dissatisfied are you with the current government?”. Literature shows that economic evaluations rely, especially during times of economic turmoil, on how well people believe the national government is performing.

We added frequency of political discussions to control for the level of probability of media messages to be included into the individual agenda of citizens in general. The variable was measured on a scale of 1 to 7 (with 1 meaning ‘Never’ and 7 meaning ‘Very often’; people were asked to approximate how often they discuss politics with friends, family, or colleagues.

Household gross income and age were measured as continuous variables (by RON – Romanian currency, and by year), and education was measured on a 9-step Likert scale, assessing the highest level of education people received by the time of the survey.

For EU economic future evaluations, we used three independent variables: self-evaluated level of knowledge about the European Union, interest in EU related-topics, and European identity. People were asked to rate their level of knowledge about the EU on a 10-step Likert scale, their level of interest in EU issues in general on a 5 Likert scale, and to answer a classical question about their identity, measured as ‘Romanian only’, ‘Romanian and European’, ‘European and Romanian’, ‘European only’, ‘Other’. The variable was recoded

into a dummy variable, clustering ‘Romanian and European’, ‘European and Romanian’, ‘European only’ to account for some degree of European identity.

7. Results and discussion

The general tone of people’s evaluations of economic future is balanced (neutral) for Romania’s economic situation within the next 12 months ($M = 3.52$, $SD = 1.74$), rather positive for people’s personal economic situation within the next 12 month ($M = 3.73$, $SD = 1.79$), and positive for the future of the European Union ($M = 4.30$, $SD = 1.64$). A 7-step Likert scale from 1 (much worse) to 7 (much better) was used.

To understand the role played by the media and by people’s evaluations of government in economic predictions, we ran 6 regression models, two for each type of prediction: egocentric (the dependent variable was people’s predictions regarding their own economic future), sociotropic (the dependent variable was people’s predictions regarding Romania’s economic future), and supra-national (the dependent variable was people’s predictions regarding the European Union’s economic future). Results are shown in Table 2.

As a first step, we considered in the first models (A, C, and E) classical variables included in this type of regression and media-related predictors (tone of economic news coverage and media dependency). The second models (B, D) included the variable measuring government evaluations and three specific European predictors: people’s knowledge about the European Union, people’s interest in EU related topics and the European identity (dummy).

For the egocentric and sociotropic predictions the constant significant predictor is household income, which is a classic indicator of own and, by projection, of other’s standard of life. Adding, in the second models, government’s evaluations increases the explanatory power of the models by 10.1, respectively 18.8 percents.

At the same time, betas show that government’s evaluation are by far the strongest predictors of both egocentric and sociotropic evaluations. The more positive people’s evaluations about the government, the more positive their economic expectations.

Neither media tone of economic coverage, nor media dependency are significant predictors, which shows that people forecast economic future opinion-based, largely relying on their evaluations of the government, and not information-based, relying on information provided by the media.

The frequency of political discussions, which would indicate the background for allowing news information to pass from the media agenda to the individuals’ agenda is not a significant predictor. Nor is education or age, which could have made a difference in assessing economic trends.

If media tone of economic coverage matters in any way, the small effects are probably much mitigated by the fact that all media outlets had a negative coverage of national economic predictions, and the media outlets with a positive tone of coverage of news that offered predictions about the EU basically

provided a very small number of news stories making such a prediction. Thus, the possible media effect vanishes due to the very low visibility of the EU-related economic news.

Table 2. Explaining change in egocentric, sociotropic and supra-national expectations

	Egocentric evaluations						Sociotropic evaluations						Supra-national evaluations					
	Model 1 (A)			Model 2 (B)			Model 1 (C)			Model 2 (D)			Model 1 (E)			Model 2 (F)		
	B	SE	Beta	B	SE	Beta	B	SE	Beta	B	SE	Beta	B	SE	Beta	B	SE	Beta
Constant	3.886***	0.41		3.544***	0.396		3.265***	.405		2.770***	.372		4.300***	.388		3.894***	.396	
Household income	.000***	0	0.159	.000***	0	0.16	.000***	.000	.095	.000***	.000	.096	.000**	.000	.093	.000*	.000	.077
Occupational status (dummy)	-0.278	0.178	-0.071	-.365**	0.17	-0.093	-.033	.175	-.009	-.136	.159	-.035	-.180	.168	-.051	-.225	.165	-.064
Education	0.03	0.043	0.029	0.011	0.041	0.01	-.030	.043	-.030	-.055	.039	-.054	-.008	.042	-.008	-.060	.044	-.062
Frequency of political discussion	0.03	0.036	0.033	0.025	0.034	0.028	.009	.035	.011	.006	.032	.007	-.001	.035	-.001	-.038	.036	-.046
Age	-.013*	0.005	-0.114	-0.018	0.005	-0.159	.005	.005	.040	-.002	.005	-.022	-.001	.005	-.007	-.005	.005	-.044
Exposure tone of economic news coverage	-0.075	0.071	-0.042	-0.111	0.068	-0.063	-.032	.070	-.019	-.084	.064	-.049	-.054	.068	-.034	-.051	.067	-.032
Media dependency	0.014	0.009	0.06	.015*	0.009	0.067	.010	.009	.044	.012	.008	.053	.009	.009	.039	.006	.009	.026
Government evaluations				.307***	0.036	0.318				.413***	.034	.435				.145***	.036	.165
EU knowledge																.105***	.037	.134
EU interest																.026	.060	.019
EU identity (dummy)																.309**	.139	.093
Adjusted R squared	0.034			0.135			0.003			0.191			0.001			0.058		

* p < 0.05, ** p < 0.01, *** p < 0.001

Cell entries are unstandardized and standardized OLS regression coefficients and Standard Errors.

As far as supra-national (European) evaluations are concerned, media dependency and tone are also insignificant. In this case, however, government evaluations are not as strong predictors as in the case of egocentric and sociotropic evaluations, but still remain the most powerful predictors of all, more powerful than two classical EU predictors: people’s perceived level of knowledge regarding the European Union, and people’s perceived European identity. The more people know about the European Union, the more positive their evaluations of the economic future of the Union. And the more European people feel, the more likely they are to be more optimistic about the economic future of the European Union.

Summing up, government evaluations are the most important predictor in people’s assessments about their own, the national and the European economic future, while neither media coverage of economic news, nor media dependency are significant predictors (see Table 2).

8. Conclusions

Our research reveals several surprising findings about the way in which the Romanians’ egocentric, sociotropic, and supra-national economic

expectations take shape during a period of serious economic turmoil. We have identified two important aspects that could add to previous research on economic expectations.

The first is related to egocentric and sociotropic expectations, which are mainly influenced by the Romanians' assessment of the government performance. Thus, a positive assessment of government translates into an optimistic economic forecast. Following the same logic, a negative assessment of the national government will most probably lead to a negative evaluation of the personal and national economic prospects. Previous research done in the US and the UK pointed out to government evaluations as an important variable that influences citizens' economic expectations [10, 13].

Our research shows that the Romanians' government evaluations are not mediated by mass-media, as the mass-media's tone plays little or no importance in the economic expectations' process formation. This means that, in Romania and possibly in other emerging countries in general, national political decisions are perceived by ordinary people as being strikingly important and that there is a certain type of national politics impact factor. We could argue that Romanian's egocentric and sociotropic expectations are somewhere on the borderline between the trends observed in the developed economies (i.e. the role of government evaluations) and the trends characteristic for emerging economies (i.e. the limited role of mass-media).

The second aspect refers to the way in which people's expectations about the EU really coagulate. Government evaluations are a key variable influencing the EU-related expectations, but we identified two additional predictors here: the perceived European identity and the EU knowledge. People do not build their opinions based on general knowledge about the EU and its problems, but rather in connection with their opinions about the economic future of the country, or about their own economic future. People do not know much about the European Union, but they (still) perceive the EU as a better and safer place than the national country. Their optimism is strongly correlated with a moderate attitude toward the economic future of the country and of themselves. National expectations and EU expectations are not related, people showing some moderate optimism regarding the EU and pessimism regarding Romania. This runs contrary to the frequently expressed expert view according to which the national environment is highly dependent on the European one, they rise together and fall together, respectively.

These findings are especially important as they practically create new arguments for further researching the idea of European identity and European public sphere. It appears that by enhancing EU identity and by Europeanizing the national public spheres, citizens' economic sentiment would become more optimistic and would project a better image of tomorrow's Europe. Thus, a diluted European identity, as well as the communication gap between the EU and the citizens of the Member States is the key driver of a negative economic sentiment about the EU.

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