2ND EDITION

SHOW ME THE MONEY

WRITING BUSINESS AND ECONOMICS STORIES FOR MASS COMMUNICATION

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ROUTLEDGE

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Business Journalism is More Fun than You Think

A former editor of a Kentucky newspaper likes to tell the story of when one of her business reporters went to interview the CEO of Humana Incorporated, a locally based managed care company.

The CEO began talking about the SEC. After several minutes, the reporter, who was new to the beat, interrupted the CEO and asked, "Excuse me, but what does the Southeastern Conference have to do with your business?"

The CEO was not talking about the conference of universities from Kentucky to Florida that compete in sports ranging from football to swimming. He was talking about the Securities and Exchange Commission, the federal agency that regulates thousands of companies across the country.

Business reporting is just like reporting any other beat. You have to know what you are writing about, which documents to look for, and which sources to use. Even though the quality of business journalism has improved in the past 15 years, there are still concerns that reporters in the field are not fully knowledgeable about their topics. Also, some business reporters and editors do not know the appropriate place to look for the information they need to get the story or to make the story they already have even better. Still others do not understand the basic principles of economics that help a company's profits rise and fall, and even more do not understand the importance of the stock market and trade relations to a business's future prospects.

Criticism of business journalism increased in 2008 and 2009 as some blamed the field for failing to alert consumers to the economic crisis that occurred in the later part of the decade.

Sources and documents can help explain complicated business and economic topics to consumers. But it is also important for reporters to take this knowledge of business and do something with it. That is why furthering the knowledge of business reporters and editors will help them do a better job in the future.

Will this have an effect on future business reporting? One can only hope that the quality will improve. On February 5, 2001, *Fortune* magazine named Enron

The top 10 business journalism outlets in the United States:

1. *The Wall Street Journal*
2. *The New York Times* business section
3. *BusinessWeek* magazine
4. *Fortune* magazine
5. Bloomberg News
6. Barron's
7. American City Business Journals newspapers and Web sites
8. Crain newspapers in Chicago, Cleveland, Detroit, and New York
9. Marketwatch.com
10. *Forbes* magazine

Corporation the "Most Innovative Company in America." The company also placed 18th overall in the magazine's list of "Most Admired Companies" in the country.

To be sure, Enron was innovative and perhaps even admired by competitors and other corporate executives. However, a skeptical *Fortune* reporter, Bethany McLean, believed what some sources were telling her: Something was amiss at the Houston-based company, and it was not to be admired or considered innovative, except in finding creative ways to skirt the law. She dug into the company's financial filings and discovered that it was hard to determine exactly where the company was making money.

"It's a really important lesson for reporters to keep in mind, as well as other supposedly sophisticated people, that sometimes the most obvious question really is the question," said McLean in an interview. "In Enron's case: How do you make money? It's such an obvious question that you almost feel stupid asking it" (Smith, 2002).

Despite her editors receiving protests from company management and being turned away by Enron when she asked for information, McLean continued researching her story, which ran in March 2001. By the end of the year, the company's financial performance had unraveled, and Enron filed for bankruptcy court protection. People who read McLean's article and became scared by what she reported likely sold their stock in the company at around $80 per share, saving themselves millions. Those that held onto their shares lost everything, as the company no longer exists.

Business reporting, particularly on stories as complicated as that of Enron, is not easy. At least in this case, arcane accounting techniques and subsidiaries excluded from its balance sheet hid Enron's problems from all but the most skeptical and expert business journalist. There were clues, however. Business reporters who watched the dramatic rise in Enron's stock price the previous year should have noticed that that increase was in direct opposition to how the rest of the market was performing. In the first nine months of 2000, Enron's stock more than doubled, but its revenues and profits did not match that strong growth rate. It is a basic economic principle that in the long run, most companies see their stock price rise at the same rate as their revenue and profits. These were clues that maybe something was not right.

A critically minded business reporter making this simple analysis would likely have seen the red flags and investigated the company more closely. Yet, few covering Enron at the time made such a connection. Though uncovering Enron's troubles became far more complicated than just comparing stock prices, the discontinuity between Enron's success and the performance of the rest of the market should have been the first indicator of deeper problems. Arguably, some reporters did not understand how a company's financial performance is related to its stock price, which should have led them to question Enron's tactics.

"Business journalism in what has been its glory days has been the dog that didn't bark—the watchdog that didn't bark," said Jim Michaels, editor of *Forbes* magazine for 38 years (Barnhart, 2002). Many Enron executives were selling their company stock, a story tracked by numerous wire service reporters. This should tell a reporter who understands the significance that these executives, who had an intimate knowledge of Enron's future prospects, did not think the stock price was going to get higher anytime soon. It is not that hard for reporters, at least those willing to take the time to learn, to recognize what these and other actions mean and to connect the dots into a story that tells the reader what he or she needs to know about a business.

The stock market has dropped more than 25 percent from its all-time high, and dozens of companies have failed in spectacular crashes. Many blame business journalists for the Wall Street bubble of 2000 and 2001 and for failing to understand the significant effect of derivatives and sub-prime mortgages on the economy in 2008 and 2009. Why couldn't the media have done a better job in uncovering Enron, WorldCom, and Adelphia, to name a few? The answer is they could have, although journalists are not to blame for the misdeeds that caused these and other companies to fail. But business reporters can learn lessons from what went wrong in the past. One of the best ways for business journalists to produce better work is to give them training that will enable them to understand the significance of the events they are writing about.

Although reporting and writing in business sections is much better than it was three decades ago, some of it still lacks the contextualization that would help local readers better understand what business means to them. As a result, savvy readers who want good business news are eschewing their local newspapers for Internet sites that provide the in-depth coverage they want. For newspapers, magazines, and television stations struggling to keep circulation and viewership up, the message is clear: To retain consumers of business news, more breadth and depth of coverage is needed. This goal is especially important during times like today, when everyone wants to know what is happening with the economy.

The chief problem appears to be reporting and editing staffs that do not fully understand business issues and complicated economic topics. Few business reporters and editors have business-related degrees, and few have been trained in how to cover corporations and the economy. Because of the rapid demand for business news coverage in the past two decades, reporters and editors were thrown into the topic. "Many reporters made the switch with only a rudimentary understanding of how to read a balance sheet," noted *San Francisco Chronicle* media columnist Dan Fost in early 2002 (Fost, 2002, p. G1).

The result has been shallow reporting that sometimes misses the point entirely. Business journalism "pumped up stocks before the market collapsed, failed to sound a bear alarm until the mauling was well underway, and [was] ignorant to the scope of corporate corruption," said personal finance editor Chris Pummer (2002) on CBSMarketWatch.com.

The solution, according to an article in the Spring/Summer 2002 *Newspaper Research Journal*, is better training and education. In a study of West Coast newspaper business editors and reporters, nearly all agreed that "business reporters and editors need classes or training in business and economics to provide them with the tools necessary for their work." The study added that those surveyed "were also emphatic that a basic understanding of business economics isn't necessary just for business journalists, but for all journalists" (Ludwig, 2002, p. 139). Improving reporters' and editors' understanding of business and economics can strengthen the quality of their writing about how corporate decisions and economic factors impact everyday life for readers around the world, allowing readers to make more informed decisions about their money and their lives.

Top 10 business journalism stories of all time:

1. Ida Tarbell's coverage of the Standard Oil Co. in *McClure's.*
2. Upton Sinclair exposing the meatpacking industry in *The Jungle.*
3. Rachel Carson's exposé of the chemical industry in *Silent Spring.*
4. Ralph Nader's "Unsafe at Any Speed," which disclosed dangers of the Corvair.
5. John Spargo's reporting on coal mines using children as workers.
6. Edward R. Murrow's "Harvest of Shame," exposing working conditions of migrants.
7. Jessica Mitford's "American Way of Death," uncovering funeral industry abuses.
8. Houston station KHOU TV reports on problems with Firestone tires on Ford Explorer vehicles.
9. Barlett and Steele explaining how federal tax laws are applied unequally.
10. *Collier's* magazine's 1905 exposé of the patent medicine industry.

Imagine you walk into your local McDonald's today and buy a hamburger. That simple purchase ultimately affects the company's profits, in turn, affecting the performance of dozens of competitors, including Burger King and Wendy's. All of these companies have spent money on advertising and developing products in an attempt to woo you into their restaurants. But imagine money is tight, and you decide instead to go purchase hamburger meat and buns at your local grocery store. Your economic decision still impacts these companies. You are also affecting the financial results of the grocery store and of the company that processed the meat. Your decision to drive to the grocery store or the restaurant affects still other companies. What gas station did you buy fuel at to allow you to make that trip? What influenced your decision to purchase the car you are driving?

We are just talking about one decision about eating lunch. Imagine all of the other decisions that you and other consumers make each day, and think how those decisions affect the local and national economies and the performance of the companies whose goods, products, and services you are or are not purchasing. Now, how are you going to explain the effect of all of those decisions to readers of your local newspaper, viewers of the evening news, or listeners of your radio station?

The History of Business Journalism

Business journalism has had a profound effect on the United States and the millions of people who interact with companies on an everyday basis by purchasing their goods, products, and services.

Early settlers in America depended on newspapers to provide them with details of crop and livestock prices and information about which ships had entered the port and the goods they contained. By the nineteenth century, newspapers devoted solely to business news were established. *The Journal of Commerce* began in 1827. *The Wall Street Journal* came along in 1889. But some of the most important stories in business journalism during this time ran in mainstream papers.

In the late 1850s, Horace Greeley of the *New York Tribune* pushed for a railroad that would connect the East and the West. His stories were the first major push to combine the regional economies of a growing country. Greeley also wrote about the need for low-cost homestead lands, another important development in the U.S. economy. A decade later, the *New York Sun* exposed how the construction company that helped build the first intercontinental railroad had been formed by the railroad companies themselves, who were essentially making contracts with themselves and bribing members of Congress to keep quiet by selling them shares in the company at a discounted price. The story led to the first major Congressional investigation into a corporation, foreshadowing later hearings on the downfall of Enron, WorldCom, and others.

Newspapers also influenced how government regulated business. Around the same time Greeley was pushing for a railroad, another newspaper in New York, *Frank Leslie's Illustrated Newspaper*, exposed how bad milk was killing children. The article pushed regulators into passing laws banning swill milk. The milk exposé was not the first in journalism that took aim at a business or corporation. Throughout the late 1890s and the early part of the twentieth century, many newspapers directed reporters to investigate how companies were affecting the lives of people. In 1899, the *Chicago Daily Tribune* began publishing stories about how firecrackers and other explosives sold to celebrate the Fourth of July were killing people every year. Its stories led to restrictions on how fireworks were manufactured and sold.

The most famous examples of business journalism that led to business operation reforms are Upton Sinclair's novel *The Jungle*, which documented the unsanitary conditions of the meat-packing industry, and Ida Tarbell's *McClure's* magazine articles about how Standard Oil had forced its competitors out of business. After reading Sinclair's novel, Theodore Roosevelt ordered an investigation that culminated in the passing of the Pure Food and Drugs Act and the Meat Inspection Act in 1906. And in 1911, the U.S. Supreme Court ordered Standard Oil to be split up. After the turn of the century other articles in *McClure's* attacked the railroad industry, which led to laws limiting shipping charges on goods and products transported by rail. In *Cosmopolitan*, a 1906 article about child labor helped discontinue the abuse of young workers in factories across the country.

Journalists also turned their attention to investments. In 1920, the *Boston Post* uncovered the financial wrongdoings of Charles Ponzi, a local financial expert who promised huge returns to investors. Ponzi was arrested and convicted based on the articles and spent time in prison. His name, of course, lives on in the business world, as the term Ponzi scheme is now used to refer to any illegal pyramid scheme in which investors are paid with money from other investors, such as in the recent reporting of former New York investor Bernard Madoff.

More recently, publications have led the way to improved living conditions by educating consumers, thereby leading them to purchase safer products. For example, *Reader's Digest*, not known today for breaking stories or leading causes, was the first broad publication to expose the potential dangers of smoking and link it to cancer. The December 1952 article is credited with starting the antismoking debate and forcing the cigarette industry to admit its products were harmful.

With an article in *The Nation* in April 1959, well-known consumer advocate Ralph Nader began his investigation into automobile safety that eventually led to new federal regulations requiring seat belts, recalls, crash tests, and air bags in most vehicles. His argument gained clout after it was disclosed that General Motors Corporation hired private investigators to track Nader.

In the 1960s, the *Des Moines Register* printed articles that led to Congress closing loopholes in inspections that allowed for diseased animals to be turned into meat sold in grocery stores. A 1977 article in *Mother Jones* exposed readers to the dangers of driving a Pinto, which, because of its poorly designed fuel tank, easily exploded when hit from behind. The article led to a recall of the Ford Motor Company's car and the end of its production. More than two decades later, a television reporter at KHOU in Houston found an unsettling pattern of crashes involving Ford SUVs and Firestone tires. The resulting coverage led to the recall of millions of tires.

These articles were all researched and written by reporters who understood the importance of business in society and exposed the problems, warts and all. Some of these reporters were not specifically trained in understanding how businesses operate but learned the vital information about how companies work and how they make money, thus turning dogged reporting into stories that changed our economy and our lives. That is the standard that today's business reporters need to strive to match. Many other reporters and editors have changed business journalism during the last 100 years, evolving the art of reporting and writing about companies and the economy into arguably the most important journalism of the last 20 years.

BusinessWeek magazine was founded in 1929, just weeks before the stock market crash that led to the Great Depression. *Fortune* magazine, created by *Time* founder Henry Luce, followed a year later. Both publications, along with *Forbes*, spent the next seven decades defining business journalism in a magazine format, printing long articles about industries, Wall Street, and labor—all important topics that gave readers a broad understanding of the effects of business on the country.

New and interesting reporting styles also developed. In 1935, Sylvia F. Porter began writing a column in the *New York Post* on financial news. Her writing defined personal finance reporting, explaining to readers in simple terms how they should take care of their hard-earned money, and it landed her on the cover of *Time* in 1960. At the height of her career, Porter's column ran in more than 450 newspapers around the world, and her style spawned other well-known personal finance writers, such as Jane Bryant Quinn and Kathy Kristof, who today continue the tradition of bringing sound, basic personal finance advice to millions. Without these reporters, many people would have never understood how a 401(k) plan works or the difference between growth and value stocks.

In 1941, Barney Kilgore took control of the *Wall Street Journal* at the age of 32 and turned a newspaper that basically catered to a small subscriber base in New York City into an international newspaper that day in and day out publishes the best business journalism in the world. Kilgore, considered the father of modern business journalism, took a financial newspaper and turned it into a publication that explained the relationship between labor, capital, and enterprise. "He also believed that those who had to deal with these problems would value a newspaper that informed them in depth and without sensation about the world they live in in all its variety," said Peter Kann, CEO of Dow Jones & Company, the newspaper's owner (Kann, 2000, p. 1). When Kilgore began running the paper, it had 41,000 subscribers. By the time he died in 1967, it had a circulation of more than 1.1 million. And since 1977, it has sold more copies each business day than any other paper in the United States. Kilgore understood that the best business reporting was written for the broadest audience possible. A banker needed to understand the same information about the economy as did a consumer wanting to borrow money from the bank. A seasoned Wall Street investor needed to know why the stock market was falling in the same simple terms that a grandmother in Thomasville, Georgia, could comprehend. Franklin Delano Roosevelt so trusted Kilgore's descriptive ability that he told other reporters attempting to understand the economics of the new Social Security system to "go ask Kilgore."

In 1970, Louis Rukeyser began hosting *Wall Street Week* on public television. It became the first show broadcast to millions of viewers that discussed nothing but the stock market and the economy. The program became the standard television show for understanding how Wall Street affected Main Street and was the precursor of other television shows and even networks such as Bloomberg Television, CNBC, and Fox Business Network that now report exclusively about business and the economy. Viewers around the world now think nothing of turning on CNBC in their offices and leaving it on all day. Two decades ago, the mere thought of someone who wanted to constantly watch a television network devoted solely to business news would have earned that person a well-earned vacation. Now, it is considered almost standard for large segments of society.

Even today, the shape of business journalism continues to evolve. Bloomberg News, an international wire service, is slightly more than a decade old, but its aggressive coverage of Wall Street and corporations has forced others to pay more attention to daily coverage. Dow Jones and Reuters are also major players, competing against Bloomberg for breaking business news stories. In many ways, business news has become immediate, supplied to us almost instantaneously. For example, the *Journal*'s coverage of mergers and acquisitions, breaking many big deals before they were officially announced, has significantly changed the style and structure of how others write about business deals.

Increasingly, reporting with strong business overtones is winning Pulitzer Prizes. In 1999, a reporter for *The Oregonian* in Portland won a Pulitzer Prize for explaining the effect of the Asian economic downturn on the Pacific Northwest by tracing shipments of frozen French fries from the United States to Asia. The increasing number of stories winning awards in mainstream journalism prize competitions validates the importance of business journalism in newspapers around the country.

Business journalism is comforting the afflicted and afflicting the comfortable. Budding students interested in the field need to understand the ins and outs of business journalism, where it has come from, and where it is headed. There have been numerous successes and advances as a result of business journalism, and for that we should all be thankful. As business has become a major focus of everyday life, the role of the business journalist has become increasingly more important to both media and society.

Resources every business journalist should have, beside this book:

1. *Understanding financial statements: A journalist's guide.* The book by Chicago financial guru Jay Taparia is written in an easy-to-understand style.
2. A subscription to *The Wall Street Journal.* Simply the best business reporting, day in and day out. To be the best, read the best.
3. Access to a Bloomberg terminal. This machine can provide the data to make a story stronger, and contact information for sources across the globe.
4. The book *24 Days: How Two Wall Street Journal Reporters Uncovered the Lies that Destroyed Faith in Corporate America,* which details how reporters reported the story behind one of the biggest company failures in the past century.
5. Membership in the Society of American Business Editors and Writers. SABEW offers workshops and conferences where business journalists learn from others in the field.

Hits and Misses

Yet for all of the advancements and impact brought upon society by reporting and writing that has focused on business and the economy, business journalism must also rightly take the blame for some of the problems in the world, past and present.

At the same time that the muckrakers were exposing unsanitary conditions in meatpacking plants and monopolistic business practices, companies were turning to experts to help them deal with the media. These forebears of public relations professionals brought a new twist to business journalism. CEOs attacked in newspaper stories wanted a way to respond. In the early twentieth century, major corporations such as General Electric and General Motors hired public relations experts to answer questions from the media and to try to persuade reporters that these for-profit businesses were not as evil as many believed. After World War II, public relations jobs proliferated as the economy grew. The task of public relations professionals was to tell the media the good things that their companies were doing.

In a way, the rise in public relations led to an overall down period for business journalism. In the 1950s and 1960s, the business desk became a place where newspapers put reporters who could not hack it covering city hall or state government. Older reporters were put out to pasture with an assignment to cover business. With a few notable exceptions, business reporting took a back seat to writing about the Vietnam War and the race riots.

The 1980s and 1990s were better. The quality of business journalism improved as reporters and editors gained experience, but major stories were still missed. And business reporting took some hits. Foster Winans wrote the popular "Heard on the Street" column for *The Wall Street Journal* in the early 1980s. The stories disclosed whether professional investors were bullish or bearish on certain stocks. Winans started leaking information before his stories were published and was eventually caught and served time in prison. A decade later, well-known business columnist Dan Dorfman was fired from *Money* magazine for failing to disclose his sources to his editor after reports in other publications noted his close relationship with investors.

Along the way, few reporters were warning readers about impending problems. There were no glaring headlines in early October 1987 urging investors to take their money out of the stock market before it fell. A decade later, business sections and magazines lauded the management of Enron in prose that now seems ludicrous. In the *Dallas Morning News*, Enron was dubbed in a headline as a "global e-commerce leader" (North, 2002). A reporter for the *Houston Business Journal* wrote, "Enron has shown a widely recognized knack for innovation that consistently generates additional sources of revenue, potential profits and more capital" (North, 2002).

The boosterism was not confined to local publications touting hometown companies. Even the magazines and publications that were the so-called experts in writing about these new industries and businesses missed out on notifying readers of the problems. "Too often the new magazines and Web sites acted as incurious cheerleaders, championing executives and innovative companies without questioning their books," said James Ledbetter, business editor of *Time Europe* and a former employee of *The Industry Standard*, one of the publications that chronicled the meteoric rise of many Internet companies without realizing that many of them were doomed to failure. "Do a search, for example, of the word 'Enron' in the databases of those publications prior to 2000 and you'll find little but praise for its market innovations" (Ledbetter, 2003, p. A17).

Even revered mass communication outlets failed in their watchdog role. *The New York Times* called Enron's president an "idea machine" (Salpukas, 1999, p. C1). "Not only did the press miss the Enron scandal, it actively helped create the Enron scandal," said Jeffrey Madick, editor of *Challenge*, an economics magazine. "It not only missed the complications of Enron's fancy partnerships, which are indeed complicated, but it extolled Enron's virtues beyond almost any company. *Fortune* named Enron the most innovative company five or six years in a row, presumably without once checking the books" (Madick, 2003, p. 3).

And even when mass communication outlets investigated serious business issues, such as the series run by *The New York Times* in March 1996 that examined why people around the country were losing their jobs despite strong economic growth, gaps remained. The series made faulty assertions, such as that the economy was not producing workers who stayed in the same jobs for long periods of time, that it was harder for a laid-off worker to find a new job, and that many of the jobs being created were low-paying service jobs, not higher paying manufacturing jobs.

"The problem with business coverage in the 1990s was not that journalists weren't smart enough to root out the corruption," wrote Charles Layton in *American Journalism Review* in March 2003. "Reading the coverage of the past half-decade, one is struck by how much certain reporters *did* uncover. But even within their own news organizations, their insights were lost in a cacophony of naive reportage that reassured us the system was sound, analysts and auditors and CEOs were basically trustworthy, and the market boom might go on forever" (Layton, 2003, p. 22).

In recent years, business journalists have had to answer tough questions about why they failed to warn consumers about the economic crisis that began in 2008 and was caused by problems, such as inflated prices, in the real estate market. However, a review of coverage from the past decade shows that business reporters and editors performed better this time around. They wrote numerous stories about the housing bubble and warned about the dangers of derivatives on Wall Street firms. A former Harvard Business School professor, Gregory Miller, found that nearly one-third of the accounting improprieties uncovered at companies are first discovered by business journalists.

Still, a number of major stories were missed, including the aforementioned Madoff scandal, in which one tipster sent documents to a *Wall Street Journal* reporter three years before the crime was uncovered. The story went unreported until charges were filed.

With a dose of reality now entering business reporting, is it any wonder that confidence in the quality of work by business journalists remains low, particularly among those who regularly read the business section, namely, corporate executives? Even in newsrooms and among journalists, business reporting is still considered a backwater in knowledge and expertise. In a 1992 poll by Louis Harris, 46 percent of executives rated the overall quality of business journalism as negative. Furthermore, 17 percent of executives felt that the quality of business journalism had actually declined since 1967. In the same survey, more than three-fourths of executives—and nearly the same amount of journalism academics—agreed that too much emphasis was being placed on "personality" reporting, or writing stories about the CEO. Only 34 percent of journalists agreed, resulting in stories that made heroes of CEOs that later fell from grace as their companies faltered. But the most telling numbers are these: 92 percent of executives and 72 percent of journalists and journalism academics were concerned about a reporter's knowledge of the businesses they were covering.

Two years later, the Freedom Forum First Amendment Center published a study called *The Headline vs. The Bottom Line: Mutual Distrust Between Business and the News Media*. The study found that more than two-thirds of journalists believed that they did not make mistakes on the technical details of business stories. However, more than three-fourths of executives felt the opposite way (Haggerty and Rasmussen, 1994, p. 12). In addition, the same survey found that nearly half of all journalists believed they were not adequately trained for reporting about business, whereas 7 out of 10 executives were convinced that reporters did not have the business background they needed (Haggerty and Rasmussen, 1994, p. 10).

Ten years later, many of the same attitudes and beliefs exist about the value of business journalism. A survey conducted in the year 2000 by Selzer & Company for the Reynolds Foundation and the American Press Institute concluded that the nation's business leaders were unimpressed with the quality of business reporting in most daily newspapers and described business journalists as lacking a basic understanding of how businesses operate. "They don't ask questions that probe below the surface and so their reports do not convey the detailed information business leaders need," said the report (Selzer, 2000, p. 2).

The survey also found that when newsroom executives rated five beats, business desk reporters earned the lowest ratings, and business was a low priority for resources in the newsroom, even though a number of solid—even brilliant—stories in business journalism have helped readers understand complex issues and warned them of future problems. For example, Pulitzer Prizes were awarded in 2008 to the *Washington Post*'s business columnist, Steven Pearlstein, and, in 2009, to *Las Vegas Sun* business reporter Alexandra Berzon for her coverage of unsafe working conditions for construction workers on The Strip.

Why, then, is business journalism held in such low esteem, given that the quality of stories and the content in business coverage has improved overall and is more objective than it was 50 years ago?

Part of the problem is perception. Business stories are considered by many to be staid and unwieldy, with too many numbers and complicated topics to be of any interest to the average reader. Business is too often covered for managers and executives in business and not enough for the worker.

But business writing can—and should—be interesting to the masses, and it should be some of the best journalism today in newspapers, magazines, and on television. Virtually every person in the country spends time each day thinking about how much money they make, whether they have job security, or whether they should be looking for a new job. They want to know if now is the time to refinance a home mortgage, or whether the CEO of the company where they work is considering selling the business. They want to know which companies are in financial trouble so they do not invest in their stocks. And they want to know which businesses might be good places to work.

Simply put, they want better business coverage.

Understand and Analyze

The most important thing for business journalists around the world to do is to understand what they are writing about. A former business editor at a large metropolitan newspaper recoils at remembering his first story as a professional writer 15 years earlier, when he confused revenue with net income. That mistake, if it had not been caught by a careful editor, would have called into question the facts throughout that story and the entire business section.

But, as we've seen, mass communication outlets have never placed much emphasis on training and teaching their business reporters and editors the ins and outs of the business world. It is not just reporters on the business desk, unfortunately, who need this understanding of business topics and concepts. Reporters throughout every section of every newspaper magazine, Internet news site, and television news station will eventually come across a story that involves money or business in some fashion. Without the knowledge to cover the story adequately, they will be doing a disservice to their audiences.

And it's not just the journalists. Public relations professionals also often do not understand many of the concepts and ideas that they are writing about in press releases for companies. They, too, have not gone to school to learn how to read a balance sheet or analyze an executive's compensation package.

There is so much for business journalists to learn to be effective reporters. They need to know how to report and write about the economy, government regulation, and taxes affecting businesses. They need to understand how businesses operate and why some businesses make money, whereas others lose money. They need to know the role of executives and other managers inside a company and that some businesses do not exist to make money but to serve the community.

Without all of this knowledge and more, mistakes that hurt all business journalists get into the story. Some business journalism experts resort to letting their readers know when others in the field are making mistakes. The following column by *St. Paul Pioneer Press* writer Edward Lotterman shows how a reporter can make assertions about business and the economy that may be refuted by others:

> Some members of the financial press continue to flub international economic issues. Consider an Associated Press article published in this newspaper Tuesday.
>
> Under the headline of "Dollar still lags against euro, yen," it states: "The dollar continued to languish Monday at its lowest levels against the euro and yen since around the end of last year. The dollar and U.S. equities sustained a blow from the Conference Board's composite Index of Leading Indicators."
>
> Later, it notes, "Much of the foreign exchange market's focus was on the dollar's fragility against the Japanese currency."
>
> This same wire service reported three days earlier that "the U.S. trade deficit improved slightly in March as growth in exports . . . outpaced the growth in imports."
>
> Associated Press editors and writers apparently don't see any irony in reporting a trade deficit as bad news, then three days later describing an infinitesimally weaker dollar in negative terms, such as lags and languish.
>
> This could be compared to a weather forecaster who cheerily reports we had another beautiful day with no rain to interrupt anyone's activities. Then, after a commercial, he notes that "the devastating drought" continues.
>
> Our imports exceed our exports precisely because the dollar is strong, just as a drought occurs when there are many sunny, rainless days. It is as idiotic to cheer a narrowing trade gap and decry a weaker dollar, as it is to cheer a bright, clear day and moan about the lack of rain.
>
> The U.S. dollar is overvalued by any number of measures. This helps consumers, but hurts producers, especially those firms that export goods or compete with imports.
>
> A "strong" dollar clearly equals "expensive" American products abroad.
>
> The irony of Tuesday's article is that it ended with the following observation:
>
> "Japanese pension funds have been getting pressure to buy foreign assets to generate capital outflow that is necessary to keep the yen from appreciating."
>
> If a "strong" currency were good for the economy, why would the

> Japanese government initiate actions to keep the yen weak? Does the Japanese economy function in a fundamentally different way from that of the United States? No, it doesn't.
>
> Japanese business and government know that an expensive yen is bad for Japanese output and production, just as an expensive dollar is bad for U.S. producers and employment.
>
> History tells us that when nations incur long-running deficits in their current account sections of balance-of-payments tabulations—which include imports and exports—currencies inevitably decline in value.
>
> When the dollar gets cheaper, American consumers will buy fewer newly expensive imports, and U.S. producers will sell more newly inexpensive exports.
>
> This can occur gradually, giving consumers and businesses time to adjust strategies, or it can occur abruptly in a few months or quarters. Again, history tells us that gradual adjustments usually are less disruptive than harsh ones.
>
> Thoughtful U.S. citizens should welcome gradual weakening of the dollar over a sustained period. There's no reason other than misguided xenophobia for Americans to cling to a strong dollar.
>
> But the media continue to report any decline in the value of the dollar as bad news and any increase as good news.
>
> The media play a vital role in a democracy. Articles that enlighten the public foster better economic policies and a better level of living.[1]

After reading that critique, you're nervous about writing that first story about the economy, aren't you? Not to worry. It is not as hard as it seems.

The simplicity of Lotterman's explanations of a strong currency and trade help any reader understand what he is writing about. (A contrary argument to Lotterman's can also be made: That is, if the dollar weakens too much, foreigners who own U.S. financial stocks may sell them, causing a rapid rise in interest rates.) Yet too many journalists, including business journalists, seek to impress their readers by using multi-syllabic words to explain arcane topics, the meaning of which many of them quietly admit they are not 100 percent sure of.

In addition, many reporters simply regurgitate what they have been told or have read regarding a business topic without questioning the validity of the meaning or fully understanding what they are writing about. And that can lead to problems for both the reporter and the reader or listener. As we have seen in numerous surveys, business executives and other readers can easily tell by reading a story when a reporter does not fully understand what he or she is writing. That should not be the case. True, newsrooms are places where deadline pressure prohibits reporters from spending a day or two researching a topic until they feel comfortable writing about it. But that is when an editor with the relevant knowledge should take the time and care to guide the reporter along, imparting his or her wisdom.

[1] From "Media Need to Know Value of Dollar vs. Trade Defeat," by E. Lotterman, May 26, 2002, *St. Paul Pioneer Press*, p. 1C. Copyright 2002 by *St. Paul Pioneer Press*. Reprinted with permission.

So, knowledge and understanding of business topics is vital not just for reporters, but for their editors as well. Reporters who cover county or city government have a basic understanding of how governments operate from their high school and college political science classes. And many sports reporters have spent countless hours as youths watching and playing the games that they now write stories about.

Yet few business reporters and editors ever took a class or majored in business to obtain the knowledge that they needed to do their job. "Nobody would send someone to cover the Red Sox who doesn't know what a shortstop is," said *New York Times* business columnist Floyd Norris at the 2003 Society of American Business Editors and Writers annual conference. Yet "many people send reporters to cover business who are not real [sic] sure what earnings per share means" (Nelson, 2003, p. 6).

All Business Journalism is About Money

But for the government reporter and the sports reporter, as well as reporters covering education, the police beat, or the courts, it can be important to know and understand how businesses operate. Every single story can be traced back to one single important common denominator: money.

Money is important in every part of society. Throughout society, most of that money is generated from business and consumer spending. Governments receive tax money to operate. Where does the tax money come from? From consumers and businesses in the government's jurisdiction. Sports teams need money to pay athletes and to build stadiums and arenas. Where does that money come from? From the people and corporations who pay to watch the games. Business and the economy are related to everything. Private companies are now running schools. Universities now rely more on their endowments and how that money is invested on Wall Street to pay for faculty salaries and to keep tuition costs low. Murders, thefts, and robberies often revolve around one person's need to obtain more money or costly material items.

Here's an excellent example of a story on the front page of *The News & Observer* in Raleigh, N.C., that shows how a decline in interest rates—one of those business topics that a few reporters may not fully understand even though they have written stories mentioning it—has had far-reaching effects, likely across the country:

> Cities across the state, including in the Triangle, saw huge declines in investment earnings this past year, a financial setback that complicates matters for officials who are putting budgets together and trying to hold the line on property taxes. To many local governments, the losses amounted to as much or more than what Gov. Mike Easley withheld last year in settling state budget woes.
>
> "It's a big hit," Raleigh Finance Director Perry James said. "You can't do as much with the money, naturally, if you've got less of it." But the municipalities can't fault the governor for the poor investment showing. Blame the Fed. Trying to boost the economy, the Federal Reserve cut short-term interest rates 11 times in 2001, and then once more last November.

With each cut, the Fed lopped off potential returns for local governments, which by state law must put most of their cash in conservative investments tied to the federal fund rate—things such as certificates of deposit and treasury bills.

As a result, after several years of rosy returns, those investments tanked in the fiscal year that ended June 30, 2002.

Just about any portfolio tied to the stock markets did, too, including the state pension fund, which lost $3.3 billion a year ago, or 5.8 percent of its assets.

While no one can predict the future of markets, the returns for local governments are expected to remain weak this year as the Fed keeps the fund rate at its lowest level in decades.

There is a bright side: Local governments are getting lower interest rates on money they borrow to erect buildings and other infrastructure projects, though much of that activity has slowed with the uncertain economy and budget picture.

For local budget writers and finance officers, the low earnings make already tight budgets even more difficult.

Raleigh pocketed about $12 million on its investments in the 2001–02 fiscal year, state records show. That's a steep, 46 percent decline from the $22.1 million it made the previous fiscal year and $20.6 million the year before that.

Durham pulled in $7 million on its investments in 2002. But that's $6.7 million, or 49 percent, less than the year before.

"This had been, in some years, a really big source of income for us," said Julie Brenman, Durham's budget director. "It was nice to generate money through investments and not by going to the citizens. Without it, you have to make service cuts or go find other ways to get revenue."

For both Raleigh and Durham, those investment losses exceeded what Easley withheld in reimbursements and other payments to local governments, an action that prompted an outcry from local officials and threats of lawsuits.

In Chapel Hill, where less money is invested overall, the town saw a $700,000 decrease in 2002. That's 57 percent below the $1.2 million it made on investments in 2001.

Gary did the best of all the large local Triangle governments, bringing in about $3.1 million less in fiscal 2002 than the year before, a 23.8 percent decline.

None of the Triangle cities fared as badly as Winston-Salem, one of the few governments in North Carolina with permission from the General Assembly to invest money in more volatile stocks.

Winston-Salem posted an actual loss—not just a lower gain—on its investments in fiscal 2002 and 2001, losing a combined $51.4 million. In the previous three years, however, Winston-Salem rode the booming stock market, outperforming all other cities in the state and bringing in $137 million in combined investment profits.

Last summer, Durham's representatives in the General Assembly won authority to let Durham City and Durham County invest taxpayer money

> the same way Winston-Salem does: by putting up to half its cash not needed for at least five years into stocks.
>
> So far, Bull City officials said, they haven't followed through because of what has happened in Winston-Salem.
>
> Durham, like other cities, has three priorities for its available cash: The top two are safety and "liquidity" which means not locking it up in long-term investments. Next is the yield, or earnings.
>
> Vance Holloman, deputy director of the state's Local Government Finance Commission, which monitors investments, said the losses have been significant.
>
> "It's another revenue there's less of," he said. "And it adds to the fact that sales taxes are down and haven't grown."
>
> For now, though, most local governments say they will ride out the losses and wait for better times. There's no concerted lobbying effort to allow municipalities to put more money in stocks, according to the N.C. League of Municipalities.
>
> More flexibility brings greater risk—as Winston-Salem has seen.
>
> "Mostly, people are focused on getting this economy improved," said Margot Christensen, a league spokeswoman. "That way, the investments they are in already will do better and perform better."[2]

This story explains simply the effects of lower interest rates and a falling stock market to anyone who lives in these towns. The bottom line: There is less money in the bank accounts of these city governments to spend on the services that they provide to the people living in their areas. And explained that way, it is a concept even the self-admitted business illiterate can understand.

Here is a story in which the reporters have gone through the tedious and often boring task of reading public documents filed with the SEC to explain the relationship between an aircraft manufacturer, an airline that owned a plane that crashed, and a company that was supposed to service and maintain the airplane. The story ran on the front page of the "City and State" section of *The News & Observer*—not in the business section. And it was co-written by a metro reporter, not someone with extensive knowledge of business documents. Despite the reporters' limited understanding of what these documents mean, the story clearly explains the conflict of interest in the business relationship.

> The company that built the 19-seat turboprop commuter plane that crashed in a fireball last Wednesday has a financial stake in both the airline that flew the plane and the firm that did maintenance on it earlier in the week.
>
> With the airline's parent losing millions in recent years and actively trying to cut costs, the companies' financial ties have raised questions whether safety may have been compromised, according to some industry experts.
>
> "If the vendor whose feet you're supposed to hold to the fire for quality control was also one of your owners, how robust can you be about

[2] From "Fed's low rates zap city budgets: Investment+Income goes into free fall," by Andrew Curliss, February 10, 2003, *The News & Observer*, p. 1A. Copyright 2003 by *The News & Observer*. Reprinted with permission.

[demanding] everything being done to the highest standard?" said Jim Burnett, a former chairman of the National Transportation Safety Board, the federal agency that investigates crash causes. "There could be a safety issue there."

But others say such relationships are common in the airline industry and pose no conflict. And a spokesman for the manufacturer, Raytheon Aircraft, said it had no active role in the operations of either the repair company, Raytheon Aerospace, or the owner airline, Air Midwest. "We don't have any involvement in the day-to-day operations of either company," said Tim Travis, a spokesman for the manufacturer, Raytheon Aircraft Co. of Wichita, Kan.

The financial links are being scrutinized because the plane crashed only a few days after repairs were made to the tail elevator control assembly by Raytheon Aerospace, a company based in Madison, Miss. Those repairs, along with a heavy load of baggage, have emerged as possible causes of the crash.

The company that did the repair is 26 percent owned by the plane's manufacturer and, formerly, was a wholly owned subsidiary. Raytheon Aircraft sold off a majority stake in the repair subsidiary to privately held Veritas Capital of New York for $270 million in June 2001.

The financial ties between the companies spread a few months later when the manufacturer got partial ownership of Air Midwest's parent company, Phoenix-based Mesa Air Group.

According to documents filed by Mesa Air Group with the U.S. Securities and Exchange Commission, the manufacturer last February agreed to pay Mesa up to $5.5 million annually so Mesa could keep up with payments on planes it had acquired from Raytheon Aircraft. In turn, Mesa gave the manufacturer warrants to buy 233,068 shares of Mesa stock at $10 a share.

To date, Raytheon Aircraft has bought nearly $1.3 million in Mesa stock and still holds warrants to buy another 103,133 shares. Last Wednesday, the manufacturer took a partial interest in another airline, too.

Cheyenne, Wyo.-based Great Lakes Aviation, which flies dozens of the Beech 1900s, was late on the payments for many of the aircraft and gave the manufacturer a 36 percent stake in the airline to reduce debt.

Air Midwest did not return repeated calls. But the airline, which, like the manufacturer, is based in Wichita, has been shedding planes from its fleet of 1990 Beech commuters. Many passengers prefer jets, and during the past fiscal year, Air Midwest returned 12 of the Beech 1900s. The airline currently has a fleet of 43 of the planes.

Air Midwest's parent company also has been trying to reduce its maintenance bills. During its last fiscal year, which ended Sept. 30, Mesa Air Group reached a cost reduction agreement with the repair company that resulted in $3.4 million in savings along with reduced turboprop flights, according to SEC documents.

Like most other airlines, Mesa has been hit hard by the sluggish economy and sharp dropoff in passengers following the September 2001 terrorist attacks After earning almost $59 million in 2000, the company lost $48 million in 2001 and lost $9.3 million during the latest fiscal year. In

December the company asked its 3,300 employees to voluntarily take a 5 percent, one-year pay cut in return for bonuses.

Burnett, the former NTSB member, said the web of shared ownership poses risks.

"Right now we don't know if there was a problem, but the potential is there," said Burnett, now a lawyer in Arkansas. "It makes it very difficult for Air Midwest to say, 'We're not satisfied with the service; we're going somewhere else.' It would be better from a safety standpoint to have an arms-length relationship," Burnett said.

Other industry experts disagreed.

"There's no conflict because it's in the manufacturer's best interest to keep the planes flying and safe because it's their product," said Michael Boyd, president of the Boyd Group, an Evergreen, Colo.-based aviation consulting firm. "Ultimately it's their reputation on the line and their liability, too." If a plane goes down, everybody looks at them.

"Who is better to be involved than those who built it?" Boyd said.

Boyd and longtime aviation consultant Mort Beyer of Arlington, Va., pointed to General Electric, which for years has financed airlines' purchases of jet engines, which the company builds. GE also overhauls the same engines, they said.

Beyer compared it to auto dealerships that offer financing deals for car buyers.

"It is not a unique arrangement," Beyer said of the Mesa-Raytheon deals. "I think it's an area of opportunity. It enables airlines to get airplanes and to fly them and maintain them efficiently. It also helps passengers, because they have air service, which they might otherwise not have."

Boyd said, "I'd rather have Raytheon do the work than someone else because they know the product. If it isn't being done right, Air Midwest is the one that gets burned; the repair company gets burned; and the manufacturer gets burned."[3]

A reader looking at the *News & Observer* story gets a great explanation of how these three companies are tied together and why some aviation experts object to such a relationship. For the families who lost relatives on the flight, the story points to what might have gone wrong. Again, this is not a business story, per se. But it takes an understanding of business to fully explain the topic in such a way that the reader can grasp its importance and reach his or her own conclusions about what might have happened to cause the plane to crash.

Doing Better For Audiences

Thus we see that business journalism has made great strides and has made the world a better place to live but still falls short of being as good as it can be. But

[3] From "Crash Raises Vendor Issue," by D. Price and L. Perez, January 12, 2003, *The News & Observer*, p. 1B. Copyright 2003 by *The News & Observer*. Reprinted with permission.

small changes are occurring in business journalism. More editors and reporters have realized that they need more and better training to do their jobs.

Those interested in the quality of business journalism are taking steps to improve it. In 2008, the Reynolds Foundation gave a $5 million grant to Arizona State University to expand training programs offered by the Donald W. Reynolds National Center for Journalism. It also gave money to add journalism professors focused on teaching business reporting at the University of Missouri and the University of Nevada-Reno. On college campuses across the country, more journalism schools are teaching business and economics reporting classes than ever before, giving students some basic training and understanding. Most importantly, however, there appears to be a newfound diligence on the part of newspapers, magazines, websites, and television stations to be more critical in their business coverage.

Peter Carlson, who critiques magazines for *The Washington Post*, lauded this change of heart recently after reading two important articles: one in *Fortune* that exposed white-collar crime and another in *Business 2.0* that skewered American business. "Business magazines have turned into pit bulls, printing stories excoriating these once-deified entrepreneurs as crooked, mendacious, rapacious robber barons," wrote Carlson. "To tell you the truth, I much prefer these new stories," he added. "They're a lot more fun—and probably a lot more accurate, too" (Carlson, 2002, p. C4).

Harder, tougher, more thorough business reporting done by reporters who have been properly trained and who better understand what they are writing about will dramatically raise the quality of stories and topics discussed in mass communication today.

Many consider the 1990s a golden age for business journalism, a time in which coverage expanded dramatically and more stories were written. Others would argue that business journalism has yet to reach its peak. Quality reporting and editing is needed now more than ever, as more and more consumers cope with job losses and harder-to-find investment ideas. Business journalism has helped them in the past, but not as much as it could have. "It is time for business journalists to be more ambitious," said Martin Baron, editor of *The Boston Globe*, "to set their sights higher, to routinely produce the finest journalism in America" (Baron, 2001).

The readers need and want better business journalism.

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