

THE BUSINESS JOURNALIST

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Workshop Issue

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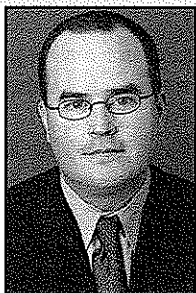
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Dave Kansas tapped to become next secretary-treasurer.

Vanguard founder told us so

Conflicts of interest in mutual fund industry need to be fixed, Bogle tells workshop attendees in Denver



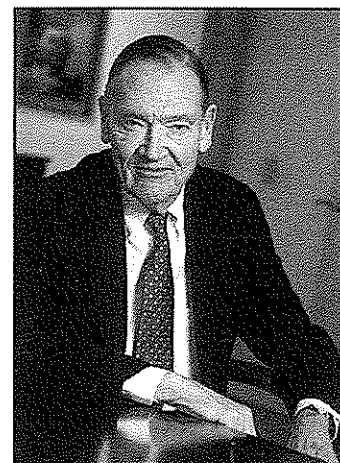
by Kathy Kristof
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Los Angeles Times
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DENVER — The trading scandals ripping their way through the mutual fund industry gave John Bogle, former chairman of Vanguard Investments of Valley Forge, Pa., the perfect “I-told-you-so” moment.

In the midst of an ever-burgeoning mutual fund scandal, Bogle said in a keynote speech at SABEW’s 2003 Personal Finance and Reporting and Writing workshops that the last time he spoke at a SABEW event was in 1996. He had warned then about the myriad conflicts of interest in the mutual fund industry and how the industry was evolving in ways that were detrimental to fund shareholders.

“Placing the interest of fund shareholders as our highest priority and charging a reasonable price for our services is being supplanted by a focus on asset-gathering — on distribution — as we worship at the shrine of the Great God Market Share, the exorbitant cost of which is borne by our own fund shareholders,” he said.

Instead of fostering long-term invest-



John Bogle rails against his own industry for putting market share and high fees ahead of shareholder return. (Vanguard)

ment, fund companies were fueling speculation by allowing rapid turnover of investments and creating portfolios designed to hop on hot market trends, such as with technology sector funds.

The results of those trends are being felt now. And the scandals will continue until true trustees — not fund managers, who often benefit at the expense of shareholders — guard shareholder interests, he said.

The interests of shareholders and fund managers are poorly aligned, he added, as is clear by examining motivations for some of the practices that have been in the spotlight recently, such as:

- ◆ Market timing, which brings in temporary assets that generate fees for managers, but dilutes the returns for remaining shareholders, he said.

- ◆ Management fees, which are obviously good for managers but are inversely related to fund performance. Study after study — many of them conducted by Bogle himself — show that the higher a fund’s management fees and expenses, the lower the returns earned by its shareholders.

- ◆ “Elephantine size” fund assets, which also enrich managers who gather fees calculated as percentage of assets. But, the ability of an actively managed fund to beat market performance diminishes with expanding

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size. The larger the fund, the more likely it is to perform like the market as a whole, Bogle noted.

Meeting the market's performance isn't bad, he added; he's a huge proponent of index funds that strive to do just that. But, to pay fees for active management, which typically amount to several times the fees paid for index fund management, while getting index fund performance is ludicrous, he said.

Meanwhile, the directors who are minding the store are also often running the store, Bogle noted. Even gigantic fund companies frequently hire management companies to run their operations. Those management companies supervise and direct the investment portfolios, determine when to create new funds and what types of funds to create.

When funds are poorly run, the management company replaces the managers, often with their own employees, Bogle noted. And the management company often pro-

Bogle your mind

John Bogle, the man who created a mutual fund company based on good returns for reasonable fees, shared his insights into today's mutual fund industry scandal. Here are selected quotes from his speech. The entire speech can be found online at www.sabew.org.

♦ "While the unacceptable, and partly illegal, market timing scandal has gained a great deal of well-deserved attention, it pales in significance when compared with the powerful impact of high costs on reducing fund returns, on the force of fund size in diminishing fund returns, and on the marketing focus that tempted too many investors to purchase funds that they now wish they had never bought.

"That conflict is severe, and it is unacceptable. It can be resolved only by implementing reforms in fund structure that create a governance model that puts the shareholders in the driver's seat, where all those years ago the Investment Company Act of 1940 insisted that they belong. Such structural reform must be our highest priority, and the sooner we get about the task, the better."

♦ "In an industry where average assets of the 50 largest equity funds have burgeoned from \$4.6 billion to \$23.3 billion in a decade, why have the closings been so rare? It seems reasonable to assume that it is because the manager's interest in ever-higher fees carries the day, and outweighs

the shareholder's interest in sustaining superior returns."

♦ "The industry's traditional focus on trusteeship, implying placing the interest of fund shareholders as our highest priority and charging a reasonable price for our services, is being supplanted by a focus on asset-gathering — on distribution — as we worship at the shrine of the Great God Market Share, the exorbitant cost of which is borne by our own fund shareholders."

♦ "The industry's traditional focus on professional competence and discipline has moved from long-term investment to what is really speculation, with rapid turnover in our investment portfolios (averaging almost 100% per year!), funds concentrating on ever-narrowing segments of the stock market, and far too many gunslinger portfolio managers."

♦ "The industry's traditional focus on the eminent suitability of mutual funds for long-term investors is quickly becoming a focus on investing in fund portfolios for the short-term (a second level of speculation) and, even more baneful, a focus on enticing fund shareholders to use their mutual funds as vehicles for rapid switching, either for the purpose of market timing or for the purpose of jumping on the bandwagon of the latest hot fund (and that's called speculation, too)." ♦

vides all of the fund's officers and directors. That structure creates huge conflicts of interest that can only be addressed by structural reform, he added.

Less than a week after Bogle spoke, an effort to implement those structural reforms appeared to be under way. Conference attendees got a leg up on one of the biggest stories of the year.

It's worth noting that Bogle is not the only speaker to break news at a SABEW conference. From Qualcomm's Irwin Jacobs to Microsoft's Steve Ballmer, the top corporate executives who speak to SABEW gatherings frequently broach topics that require

reporters in the audience to fire up their laptops.

SABEW's May conference is already gearing up to be another newsmaker. The CEOs of three major airlines have already agreed to participate in a panel on the state of their industry.

SABEW Vice President Rex Seline is also in negotiations with actor/comedian/economist Ben Stein for what could prove to be one of the most amusing and engaging ethics discussions ever.

So, mark your calendars: SABEW-Fort Worth, Texas, May 2-4. Hope to see you there. ♦

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Fraud

From ostrich eggs to mutual funds

by Andy Vuong

DENVER — Investment scandals involving the likes of Janus Capital Group and Putnam grab the big headlines, but securities fraud goes beyond stocks, bonds and mutual funds, and often involves small-time crooks.

During a panel discussion about investment fraud at the Personal Finance Workshop, Colorado Securities Commissioner Fred Joseph highlighted a variety of scams he's encountered during his 20 years of regulating.

They ranged from a dentist moonlighting as a stockbroker to a man selling shares of a small business that harvested ostrich eggs. An investment contract "doesn't necessarily always look like a stock certificate," Joseph said.

Small-time investment frauds still occur, but they've been largely ignored by the media in recent years following the eruption of

scandals involving the country's largest and most recognizable companies, said panel member Barbara Roper, director of investor protection for the Consumer Federation of America.

"Old-fashioned scams haven't gone away, it's just they're off the front page," Roper said.

In addition to investigating lower-profile cases, Joseph said, his office has met with Denver-based Janus about New York Attorney General Eliot Spitzer's market-timing allegations. Joseph didn't provide details of the meeting, only saying that Janus was cooperative.

Joseph also said his office may meet with Invesco Funds Group, which has a big presence in Colorado and has been subpoenaed by Spitzer as part of his investigation into mutual fund trading practices.

Joseph and Roper defended the Securi-

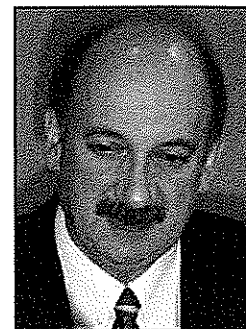
ties and Exchange Commission for not uncovering the mutual fund scandal. Roper said the SEC has been "chronically" underfunded and understaffed.

"It's not totally fair to say the SEC was asleep at the switch," Joseph said.

Panel member David Yeske, president of the Financial Planning Association, spoke about a recent trend in which investors are returning to financial planners for help.

Yeske highlighted several Web sites that investors can use to help determine whether an adviser is legitimate, including NASAA.org (North American Securities Administrators Association) and CFP.net (Certified Financial Planner Board of Standards).

Andy Vuong is a tech writer at The Denver Post and is one of three recipients of a SABEW Chair scholarship to attend the workshops. ♦



Fred Joseph

Investigative reporting

Do your homework before talking with your editor

by Bill Barnhart

DENVER — Diana Henriques, the award-winning financial reporter for *The New York Times*, sometimes comes across like a proper school teacher.

But her subject — financial fraud and other white-collar crime — is anything but proper. She expects her reporting to "hold the users of ... power accountable for the effects of what they do."

Henriques presented a virtual how-to textbook for business reporters in Denver.

Here are the highlights of her advice for covering deadline and investigative business stories:

♦ Get ahead when a story is rolling. Anticipate the predictable elements.

♦ Look at the people as well as the numbers and how they have organized the fortunes of the company.

♦ Ask does the story go deep, not broad, or does it affect other companies similarly

situated? Is what happened in this event emblematic of something bigger?

♦ Look up and down the food chain. Anticipate consequences for customers, lenders and others.

♦ Become fluent in financial documents, court records, trade journals. Analyze the process you're looking at.

♦ You need a strong understanding of the histories of the companies and industries you cover. Find the old graybeards. What went wrong before?

♦ Build a database of executive changes. Know the people who left. Start investing now in your Rolodex. Source maintenance is the essential complement to document proficiency.

♦ What question are you trying to answer? Most explanatory stories try to do too much.

♦ The focus of investigative reporting is

on the abuses of power — cultural, political, financial and policy — such as overt rule-breaking, conflicts of interest, abuses of power and hypocrisy.

♦ Develop a reporting plan. Every minute you invest in the planning will save you a day in the reporting.

♦ Have a roadmap. Squeeze reporting into every interval in the day, in bite-size pieces.

♦ Ask the "so what?" question. When you get the "so what," you'll have a rough idea of what the payoff might be.

♦ The worst thing in the world is to tip your hand to an editor until you have some work done. Scale your work. What is your minimum story — an explainer on how this business works — so you don't come back empty-handed.

Bill Barnhart is the financial markets columnist for the Chicago Tribune. ♦

Schmoozing

Methods to turn insiders into sources

by Benita Newton

DENVER — Alec Klein, business investigative reporter at *The Washington Post*, and Joseph Menn, a Silicon Valley tech reporter at the *Los Angeles Times*, used real-life illustrations to demonstrate to the Reporting and Writing Workshop group in Denver "The Lost Art of Schmoozing."

Klein shared his trials and successes while uncovering the AOL Time Warner merger debacle. Although he calls his reporting style the "Inspector Clouseau technique," Klein's tips were about more than "fumbling your way into things."

Here are some of his highlights:

1. Listen to self-proclaimed "tipsters." "Sometimes there's a kernel of truth in what they're saying," Klein said.

2. Show up at functions that executives might attend.

3. Get to know the suppliers and clients with whom the company does business.

4. Always ask your sources for other sources. "The fifth person on the list might be the one who was just waiting on you to call," Klein said.

5. Always let your sources know what you've found and give them time to respond — even if that means they leak the information.

Menn outlined his six principles for source-building, often using examples from the reporting he did on the rise and fall of online music file-sharing service Napster:

1. Get out of the office. Find out where the company hangout is and spend time there. Pick up hobbies that allow you to meet people. "I found out about a CEO who was a child molester just because I was being human and chatting with people at a party," Menn said.

2. Make yourself less scary by talking about everyday things. "Sometimes this means you don't talk about what you really want to know," Menn said. "But if people get to know you in a context that is not about getting the story in the paper, they'll trust you more."

3. Every situation is different. Discover what will motivate your sources to talk to you — an inside conflict, secrets you know about them, the fact that they feel bad about your fruitless search or just the thrill of telling a good story. Remember that profiles, while mostly fluff, allow you to find people who truly know the person and may be able to give you hints about their pasts or motivations.

4. You only need one source. That first person can help you figure out how to get their colleagues talking. Or you can use the information they give you to tease more details out of others.

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"The fifth person on the list might be the one who was just waiting on you to call."
—Alec Klein

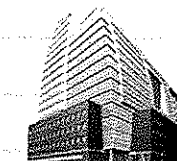


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Take Backs

Here's what you missed by not attending the workshops in Denver

By TBJ staff

Some of the biggest names in business journalism and leaders in their respective industries loaded up SABEW members with news they could use and some memorable moments outside the traditional sessions. Here are some highlights.



Lynn Turner (*The Washington Post*)

1) K.T. Rabin, working for Glass, Lewis & Co. in San Francisco, attended the conference with Lynn Turner, her firm's managing director of research and former chief accountant at the SEC. While Turner was giving a talk, Rabin was quietly talking about how the forensic accounting firm can often help to uncover sensitive information from a company's financials. "Reporters come to us looking at companies where they see something that looks like a red flag, but maybe they don't quite understand what they're looking at," said Rabin, the former business editor at the San Francisco Examiner. "We can help them figure out if there's something there." If you don't have Glass, Lewis on your source list, you should: Rabin can be reached at 415-678-4224 or krabin@glasslewis.com.

2) Other gems from the Turner session: Learning that 8Ks are a good source for finding fault lines in a company, and that it's a good idea to compare press releases/proformas with the 10K after it has been filed with the SEC.

3) Your height in money. At the Young Americans Center for Financial Education, a display shows just how tall you are ... in pennies and quarters. It's \$2 per foot for pennies and \$35 per foot for quarters. Now there's an interesting and fun calculation for someone's web site that no one has thought of yet.

4) John Bogle of Vanguard telling how the Investment Company Institute fund flow numbers bury the evidence of market-timing. Newspapers run ICI's monthly release

without questioning its validity, which is a mistake.

As Bogle pointed out, ICI only counts money leaving a fund complex as an "out-flow" and money coming in from outside the fund family as an "in-flow."

The result: If someone is market-timing by making a lot of round trips between a firm's money-market fund and, say, its international fund, those transactions are excluded from the "flow." That's one way the industry has hidden timing activity, and it reminds reporters that they need to look into a fund's documents to see a true picture of fund-flow activity.

5) Al Lewis' 10 rules for good newspapering. It's a visual thing, but Lewis (*The Denver Post's* business editor turned business columnist) is the kind of guy who



Al Lewis (*The Denver Post*)

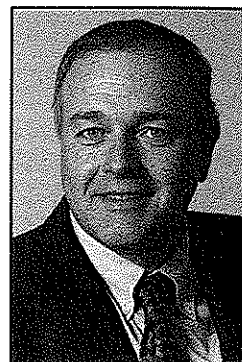
would share it with you. So if you ever have to make a speech to a journalism group, give your own business-reporting troops a pep talk or you simply want some unique audio-visuals that a group of reporters and editors will identify with, Lewis' rules would give you a fun, easy opening guaranteed to draw laughs.

6) The camaraderie of like-minded professionals, having a chance to talk with other business journalists, getting to pick their brains about stories we should be working on or smarter ways to develop the ones we've already identified.

7) Where to check out securities brokers for past misbehavior. The state securities commissioner keeps the most complete and up-to-date information available.

8) The inside scoop on 529 college savings programs. They're not all they're cracked up to be; Colorado has closed its guaranteed tuition program. And, don't forget to read the fine print.

9) William Dean Singleton's analysis of selling papers, or sections of papers, at prices that young readers would be willing to pay and targeting zip codes or segments of a community with special rates, called magazine pricing.



William Dean Singleton



Diana Henriques (*The New York Times*)

10) Diana Henriques of *The New York Times* sharing secrets on how to sell a story to your editor — or better yet — ways to build convincing arguments on why an editor-driven story isn't worth doing.

Contributors: Andy Vuong of *The Denver Post*; Mike Ivey of *The Capital Times*; Chuck Jaffe of *CBS Marketwatch.com*; and Christine Carson of *The Arizona Republic*. ♦

Top Stories

Top story for 1993 as voted on by SABEW members:

Gatt treaty reached; congress approves NAFTA

Chair's Corner



by Marty Steffens
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Cracking the code

Reporters new to business concepts get a taste at SNPA workshop

While some SABEW members were learning about personal finance, reporting and writing in Denver, other SABEW members and their colleagues were learning about business in Memphis. It was an introductory seminar sponsored by the Southern Newspaper Publishers Association in financial and economic concepts for new business reporters or for reporters in other parts of the newsroom who deal with economic issues on their beats.

I began this session with a foreign language course, that is, the language of business. I use business and accounting terms, plus biz jargon, to get my point across.

For example, what is the difference between accounts receivable and accounts payable? What is an S-1?

I also make understanding business terms (and biz jargon) an element of my Business and Economic Reporting class at the University of Missouri. While I was in Memphis, my students back in Columbia were taking an on-line exam on business terms and math.

Want to test yourself? Here are some examples:

- ♦ What are ADRs and what are their purpose?
- ♦ What do companies mean when they refer to their business cycle?
- ♦ What does the acronym PCAOB stand for? Why was it formed?
- ♦ What is a fiscal year? When does it start?
- ♦ What is a tax credit vs. tax deduction?
- ♦ What is amortization?
- ♦ What does FOMC stand for?
- ♦ How often does the FOMC meet?
- ♦ What is an IPO? What SEC form must be filed before an IPO?
- ♦ What is the importance of P/E ratio?

♦ What is the difference between top line and bottom line?

And a couple of my math questions:

♦ Last year, XYZ Corp. spent \$8,300 for office supplies. This year, it will spend 5 percent less. How much will it spend this year?

♦ The inflation rate for January was 0.3 percent. If maintained over the next 12 months, the annual inflation rate would be what?

Why is this competency so important? It's because business executives use the language barrier to muddy their message, and to distance themselves from media coverage. My University of Missouri students got a real taste of this during another graded exercise. I used the October earnings season to give students a real-life scenario.

First, they had to listen to the earnings conference call for Lexmark, the Lexington-based manufacturer of printers and cartridges. Then, based on the call, and other information they were given, they had to write a short earnings story, plus answer some questions to test their understanding of all the acronyms floating around.

Some examples:

- ♦ Lexmark executives talked about a flat DSO. What's a DSO?
- ♦ Executives cited an "impairment" for their earnings in the previous third quarter. What was blamed for this impairment?
- ♦ What is Lexmark's estimate for earnings per share in Q4?
- ♦ In response to an analyst's question, a Lexmark executive outlined the top three reasons for an earnings improvement in the third quarter. Name them, in order.
- ♦ Which contributes more to revenue, LaserJet or InkJet lines?
- ♦ What is Lexmark's gross profit margin for the quarter?

What is their current tax rate?

♦ How much did they invest in their U.S. retirement/pension accounts during the quarter?

♦ What percent of Lexmark's revenue comes from Europe?

I had these exams in hand when I went to Memphis, and I had them casually reviewed by Jaci Carfagno, business editor of the *Herald-Leader* in Lexington, where Lexmark is based. Carfagno spoke in Memphis on the topic: "How to become an instant expert in business."

Carfagno loved the idea that students were learning this level of information. And she offered one more tidbit; her reporters often have to rely on the information provided in these conference calls because Lexmark execs rarely give interviews.

She especially liked the earnings story prepared by one student, who asked to do a broadcast version. The student had led with Lexmark's announcement that they had pumped \$108 million into their pension plan — good news for Lexington-based employees.

Want to know the answers to these questions? Just shoot me an e-mail, and I'll send you the answer key. ♦

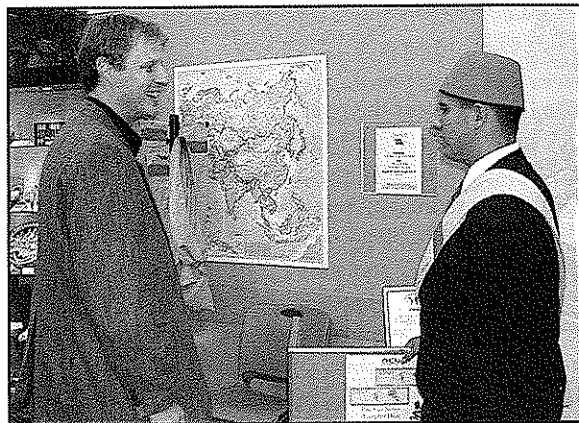
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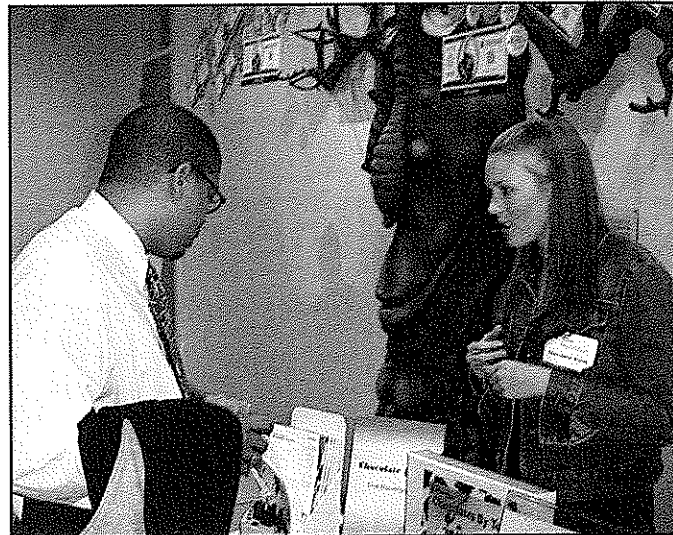
Denver welcomes SABEW

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The *Denver Post* and *Rocky Mountain News* sponsored a reception at the Young Americans Center for Financial Education, a non-profit organization dedicated to offering budding entrepreneurs hands-on experiences. SABEW members quizzed the young people, purchased some of their wares and learned about other cultures during the reception in downtown Denver.



▲ Rob Smith, of the *Puget Sound Business Journal*, learns about Jake Richmeyer, 17, and world economics in the China section of International Towne. (Debbie Pierce)



▲ Kenneth Meeks of *Black Enterprise* discusses business with Elise Macmillan, co-founder and chief chocolatier officer of The Chocolate Farm, at the Young Americans Center reception. (Becky Bisbee)

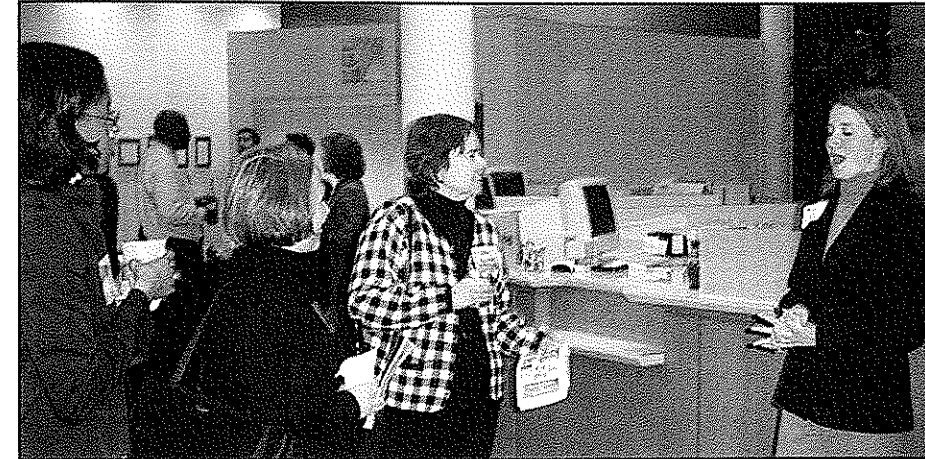


◀ Erin Dolph (left) of the Young Americans Center explains the Young AmeriTowne program to Jaclyn Giovis of Cox Newspapers - Journal News in the town's television studio. (Becky Bisbee)

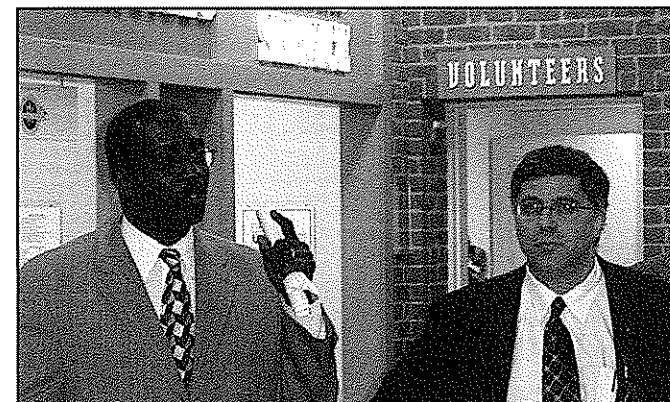
▼ Bloomberg editor Sandy Gonzalez (left) made a mask in Ghana Town at the Young Americans Center reception with the help of student Sarah Zapiler (right). (Becky Bisbee)



▲ Samantha Warren, 14, (left) discusses her jewelry-making endeavor with Thaddeus Dejesus of the *Abilene Reporter News*, Kenneth Meeks of *Black Enterprise* and Brenda Richardson of the *Chicago Tribune*. (Debbie Pierce)



▲ Young Americans Center participant Sarah Baker (far right) explains the banking and loan system at the center to Ilene Aleshire of the *Fort Worth Star-Telegram*, Mary Good of Dearborn Trade Publishing and Shannon Buggs of the *Houston Chronicle*. (Becky Bisbee)

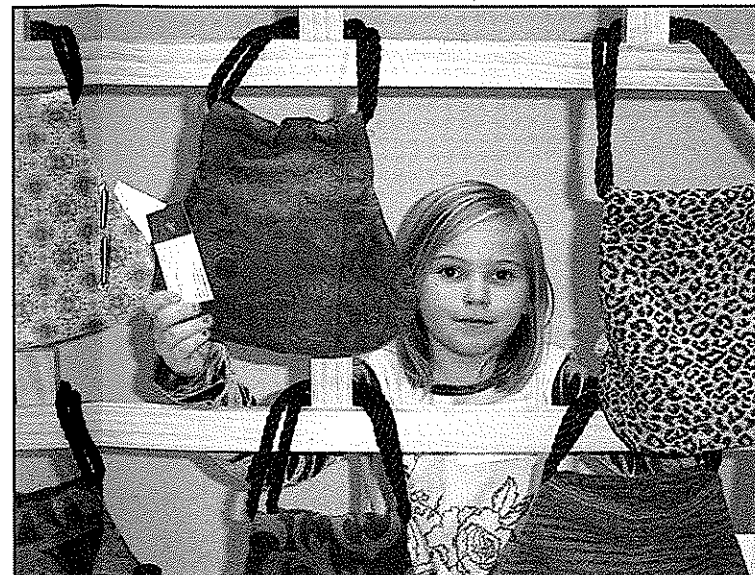


◀ Reception hosts Greg Moore, (left) editor of *The Denver Post*, and John Temple, editor of *The Rocky Mountain News*, welcome SABEW members to the Young Americans Center. (Becky Bisbee)



▲ Brenda Richardson (seated), of *The Chicago Tribune*, Thaddeus Dejesus, of the *Abilene Reporter News*, and Shannon Buggs, of the *Houston Chronicle*, listen to speakers at the Young Americans Center reception. (Becky Bisbee)

▼ Eight-year-old Shelby Harnett displayed — and sold — a few of her "Cool purses for cool people" at the reception at the Young Americans Center for Financial Education at Denver. (Becky Bisbee)

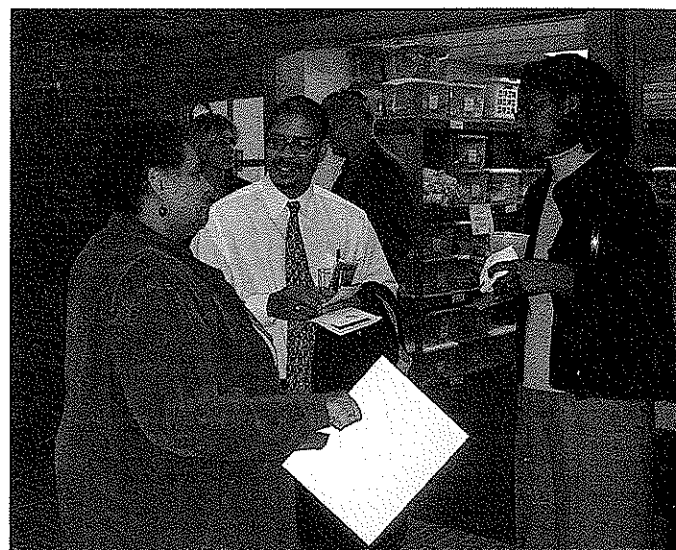


▼ Sixteen-year old Vanessa Nettingham (left) offered SABEW member and syndicated columnist Ilyce Glick samples of three different popular cracker spreads at the International Towne section of the Young Americans Center reception. (Becky Bisbee)



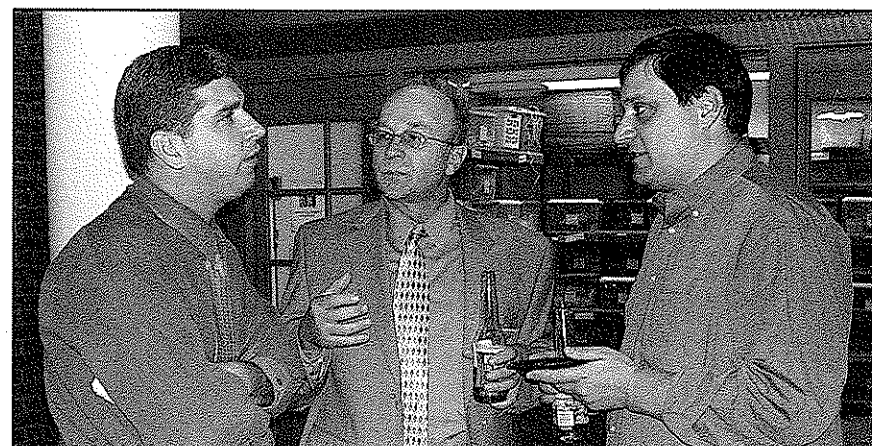


▲ Student Sarah Zapiler (left) and financial author Michelle Leder explore the culture of Ghana in International Towne. (Debbie Pierce)



▲ Brooke M. Stephens (left) a personal finance commentator with NPR, Kenneth Meeks of *Black Enterprise* and Shannon Buggs of the *Houston Chronicle* mingle in Young AmeriTowne. (Debbie Pierce)

► Scott Newman (left) of Bloomberg caught up with Rob Reuteman and Gil Rudawsky, both with *The Rocky Mountain News*, in Young AmeriTowne. (Debbie Pierce)



▼ New York Times reporter Diana Henriques takes a turn in front of the camera in the media center with student Erin Dolph behind the camera. (Debbie Pierce)



▲ John Temple (left) of *The Rocky Mountain News* checks out the reception with News staffers Stephen Keating, the new business editor, and tech writer Roger Fillion. (Debbie Pierce)

Digital age

Information revolution, breakthrough technologies dominate news of 1983

by Jeff Stephen Oliver



Third of four in a series marking four decades of business journalism.

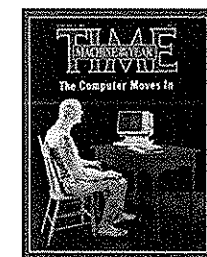
The thrill of looking back at much of the news in the late '70s and early '80s is the quick buzz of altitude and acceleration.

The vertigo, in this case, is induced by headlines like this one from 1980: "Phone companies to participate in the growing business of linking computer to computer for data transmission."

Things were happening. Times were changing. No doubt the future was very near — but when, where and what exactly?

By 1983, with the digital age approaching puberty, journalists seem to have caught more than a passing glance at what was coming.

"The 'information revolution' that futurists have long predicted has arrived, bringing with it dramatic changes in the way people live and work, perhaps even the way they think," wrote Otto Friedrich in the Jan. 6, 1983, issue of *Time* magazine. "America will never be the same. In a larger perspective, the entire world will never be the same."



The story ran in the magazine's annual "Person of the Year" edition — although the person on the cover wasn't a person at all but a personal computer.

"A new world beckons," the teaser read, "created by a technological upheaval that is bringing computers to millions."

In the article Friedrich — who wrote the story on a Royal 440 typewriter — asked the sort of mildly intoxicated questions that only new technology can induce:

"Will the computer's ability to do routine work mean that human thinking will shift to a higher level? Will IQs rise? Will there be more intellectuals?"

However, not all of his questions ring hollow today.

"If a dictionary stored in the computer's memory can easily correct any spelling mistakes, what is the point of learning to spell? And if the mind is freed from intellectual routine will it race on in pursuit of important ideas or lazily spend its time on more video games?"

The new world Friedrich anticipated had been in the works for some time. The first computers appeared as early as the 1940s. However, in 1983 it had only been two years since IBM introduced its first personal computer — called the IBM PC.

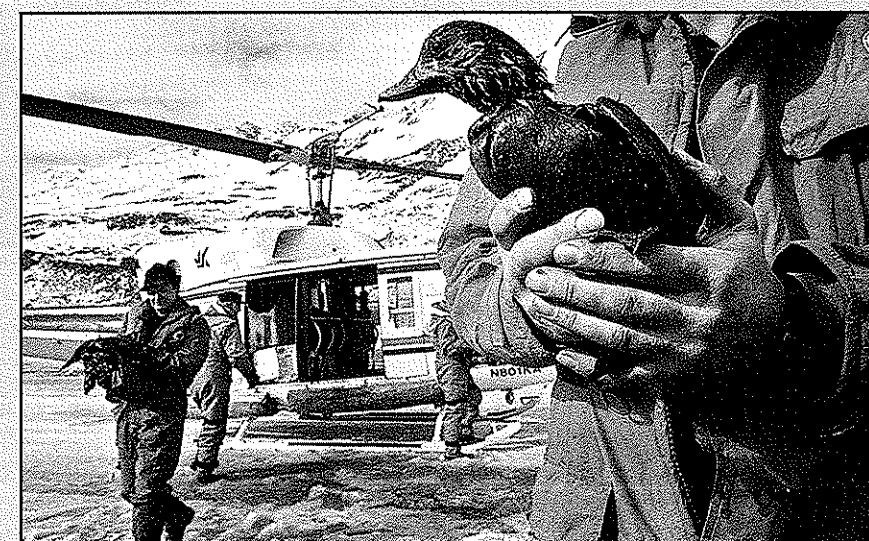
Steve Jobs would unveil Lisa, the first computer to include a mouse, windows, icons and menus, later that year. The

Macintosh, priced at \$2,500, appeared in 1984.

Friedrich's was a fairly prescient analysis considering the Internet at the time was still largely a concept and the closest most people got to a computer was playing Pac Man at the arcade.

And technology was not about to let anyone catch their breath. The year would soon give birth to another era-opening device. In the fall 1983, the Federal Communications Commission authorized placement of low-power transmitters throughout Chicago. It was an experiment, the first of its kind. Privileged motorists could talk to each other on

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Rescue workers in Alaska take oil-soaked birds to be cleaned and treated after the Exxon Valdez spilled 11 million gallons of oil into Alaskan waters. (Craig Fujii, *The Seattle Times*)

Major stories from the 1980s

- ◆ Union Carbide gas leak in Bhopal, India, kills 3,800.
- ◆ GE buys RCA, the biggest corporate merger to date outside the oil industry.
- ◆ Texaco ordered to pay \$10.53 billion in damages to Pennzoil, largest civil judgment in U.S. history.
- ◆ New Coke introduced; Coca-Cola messes with the 99-year-old formula and pays for it.

- ◆ KKR stages leveraged buyout of RJR Nabisco.
- ◆ Time and Warner merge, creating largest media company in the world at that time.
- ◆ Exxon Valdez spills oil in Alaskan waters.
- ◆ Berlin Wall falls.
- ◆ Ivan Boesky, Martin Siegal indicted on stock fraud; Boesky to pay \$100 million.
- ◆ Microsoft goes public.

Upcoming Events 2003-2004

Dec. 7-9

**SNPA Advanced Financial
Analysis session**
Dallas, Texas

Feb. 13, 2004

**SNPA Advanced Financial
Analysis session**
Dallas, Texas

Feb. 13, 2004

**Best in Business Contest
deadline**



RENAISSANCE WORTHINGTON HOTEL
SUNDANCE SQUARE
FORT WORTH, TEXAS
MAY 2-4, 2004

Leadership in business, leadership in journalism

Interested in putting out the best business section with the best stories? Join us for the single best gathering you can attend.

As always, the SABEW annual conference will feature sessions with some of the best business minds, as well as some of the best business journalists. You'll have the opportunity to learn more about what we cover, and more about covering it well.

We'll also be handing out the Best in Business awards, and honoring a top journalist with the SABEW Distinguished Achievement Award.

What's new in 2004:

♦ **More value.** Newsroom budgets have been tight. And we know that some members want to be back in their newsrooms by Wednesday, to keep the wheels turning. So we've packed more into less time. The annual banquet will be Monday night, not Tuesday.

The conference will end Tuesday, meaning one less night in the hotel, and you'll

have time to make a Tuesday night flight home.

♦ **A time to bond.** If you're part of a corporate group, make sure the bosses realize this is an opportunity to forge alliances with editors at sister newspapers or bureaus. Some chains have done this informally over the years, squeezing in time among the sessions. This year, we're setting aside Tuesday afternoon. It's your time, after the official program ends, so you can set your own agendas and make your own arrangements.

♦ **Texas.** Everything really is bigger here, from museums to margaritas. Come in Saturday to get the cheap airfares and to enjoy the area. The hotel is in the heart of Sundance Square, 10 minutes from one of the best museum districts in the country, and 20 minutes from Billy Bob's, one of the best honky-tonks in the world. Plus, you're only 45 minutes from Dealey Plaza and the Sixth-Floor Museum in Dallas.

To register at the early-bird rates go online at www.sabew.org. ♦

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\$3,000 telephones for \$150 per month.

One such motorist, Paul Johnson, then CEO of Colonial Bank, used his "cellular/radio telephone" to call Sally Hodge at her desk at the *Chicago Tribune*.

"He called me for some information about an article and I asked him 'What is that noise in the background?'" Hodges said.

"He said, 'Just a minute.' Then he said, 'I had to pull over to a parking lot. I've got one of these mobile phones they're talking about.'"

In December 1983 Hodges, who now works in public relations, wrote about the FCC issuing a license to Ameritech, the first official mobile phone company in the country. The article included this brief analysis of the technology: "Cellular/radio technology is a car/portable telephone system that divides an area, say Chicago, into small geographic cells. Through computer switching,

calls are handed off from one cell to another."

From the elevated perspective of the present, 1983 was in many ways a year of transition; the line between pasts and futures seemed particularly discernible.

At the movies, futuristic "The Return of Jedi," raked in a record \$6.2 million on its opening day. Madonna released her first album. Paul McCartney teamed up with Michael Jackson for "The Girl is Mine." The last television episode of M*A*S*H aired on Feb. 28.

Islamic Jihad suicide bombers attacked the U.S. embassy in Beirut, killing over 30 people, and the White House declared 1983 the Year of the Bible.

While it was a year for predicting the future, it was also a year when predictions turned sour. Such was the case with the Washington Public Power Supply System.

The consortium of power suppliers had predicted massive growth in power consumption and had managed to convince the state that it needed five new nuclear power plants.

"It was a gangbuster period," said Steve Dunphy, who in 1983 was the business editor at *The Seattle Times*.

"Things were going up. It was a period of fairly rapid growth — 4 or 5 percent every year."

But the WPPSS projections proved "way off base." In 1983 it was clear that the state would not need the new power stations anytime soon — if ever. Construction halted and the WPPSS defaulted on over \$2 billion in municipal bonds — the largest government default in history.

In an admirable understatement, the WPPSS came to be known as "Whoops."

Jeff Oliver is a graduate student at the University of Missouri at Columbia. ♦

Biz Buzz

by Jonathan Lansner
Business Columnist
The Orange County Register
lansner@cox.net



NYT, Philadelphia Inquirer make changes at the top

Leaders of biz sections at two big shops are moving up the corporate ladder.



Glenn Kramon moves from the Business department to new staff development role at *The Times*. (Fred R. Conrad/*The New York Times*)

At *The New York Times*, Glenn Kramon becomes associate managing ed for career development, a new position for the paper overseeing staff development, training and recruitment. Kramon became biz ed of *The Times* in 1997 and in June was the first recipient of the Gerald Loeb/Lawrence Minard award for outstanding work as

an editor. At *The Philadelphia Inquirer*, biz ed Mary Flannery becomes the paper's senior ed for newsroom initiatives in January. Her chores will include training and publicizing the paper's work in the community. Flannery, who's been biz ed since 2000, is probably the only SABEW governor to have covered pro hockey earlier in her career.

Both Kramon and Flannery must hope their bosses can hire quickly because they only take on



Mary Flannery leaves the Business department for new training and community outreach responsibilities at *The Inquirer*. (The Philadelphia Inquirer)

their new duties when their replacements are found.

New biz bosses Leaders of their biz coverage

Three major metro papers have new leaders of the biz coverage.

Vickie Elmer is *The Indianapolis Star's* new assistant managing ed for biz. Elmer comes from *Newsday*, where she was New York City biz ed.

Stephen Keating becomes biz ed of *The Denver Post*. Keating was a *Post* biz writer from 1994 to 2000, then executive director of the Denver-based Privacy Foundation. He succeeds Al Lewis, who becomes *The Post's* full-time biz columnist.

Rick Green is the new biz ed at *Newsday*, replacing Steve Sink, who left for Rochester. Ron Roel replaces Green as ed of Act II, a section launched in January aimed at the 50-and-up audience. Roel continues to edit the Real Estate section.

Other folks

Former biz staffers from the *Atlanta Journal-Constitution* get new jobs. *The Huntsville (Ala.) Times'* new metro ed is Curtis Coghlan, who in a previous life was an assistant biz ed at *AJC*. Phil Fernandez is the new managing ed of *The Citizen-Times* in Asheville, N.C. In Atlanta, Fernandez was ed of two weekly tech sections and economy ed.

Dylan Ratigan joins CNBC as anchor and host of a new, hour-long biz show with "a conversational, interview format." Ratigan was previously with Bloomberg News.

CNBC also hires veteran ad exec Donny Deutsch as a commentator.

Kathy Finn, formerly of New Orleans' *CityBusiness*, is now editor/news director of BizNewOrleans.com — "a local business news convergence thing" that she

says combines daily news on the web and radio and a monthly business magazine.

Kristi Swartz joins the *Palm Beach Post* to cover the utilities/telecom beat. Previously, Swartz was at the *Winston-Salem Journal*. ... *The Financial Times'* new deals correspondent is James Politi ... Freelancer Jo McIntyre now covers grapes and wine marketing for the *Capital Press*, a weekly ag newspaper in the Pacific Northwest. ... Mike Elswick is the new managing ed of the *Marshall (Tex.) News Messenger*. Elswick had been biz ed at another Lone Star pub,

the *Longview News-Journal*, for six years.

Finally, in Southern California, Tom Paradis, publisher of *The Press-Enterprise's* biz weekly



Tom Paradis becomes publisher of "the d." (*The Business Press*)

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The Business Press, is now publisher of "the d." It's a new, free daily serving the Palm Springs area.

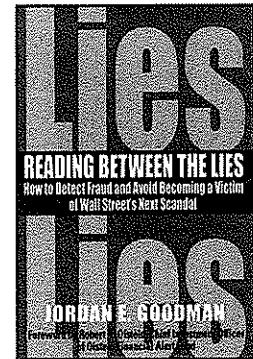
On the bookshelf

Not sure what organization did the best job of busting open the Enron story? Well, two of the leading candidates have down-loaded their notebooks into books:

◆ "Smartest Guys In The Room: The Amazing Rise and Scandalous Fall of Enron" from Penguin Group is by Bethany McLean and Peter Elkind from *Fortune* mag. It's a detailed look at the players in this huge scandal.

◆ "24 Days" from HarperBusiness is by Rebecca Smith and John Emshwiller of *The Wall Street Journal*. It's more a look at how these two reporters cracked this story.

◆ Also, author Jordan Goodman takes a different view of financial fraud. His latest book is "Reading Between the Lies: How to Detect Fraud and Avoid Becoming a Victim of Wall Street's Next Scandal" from Dearborn. The book offers hints on how investors might avoid getting clobbered in the next Enron.



Jordan Goodman's latest book is about financial fraud. (Dearborn)

Magazine moguls

Dwight Cass and Marianne Cotter are the new ed-in-chief and managing ed, respectively, of the revived *Worth* mag. Cass was most recently ed of *Risk* magazine. Cotter was previously with *Knowledge Management* and *eCRM* mags. ... Mag publisher Primedia picks Kelly Conlin as CEO. Conlin was once a biz reporter for *The New York Times*. ... Adrienne Baker is the new ed-in-chief of *IR* magazine. ... Jay McGill becomes publisher of *SmartMoney* mag. It's curious

that he was previously the publisher of *Popular Mechanics*.

Reality checks

The Wall Street Journal cuts 12 editors in moves that combine operations of news desks in New York, Hong Kong and Brussels. ... Reuters is selling its London headquarters on Fleet Street to cut costs, a move that marks the departure of the last major media group from a street once synonymous with the British press. ... *Communications Convergence*, a telecom mag, goes from monthly to bimonthly in 2004. ... *Cadastyl* mag acquires competitor, *Cadence*, and will incorporate it into a single print and online news source for computer-aided design.

New looks

Business Week magazine gets its first major redesign in 20 years featuring larger typefaces and photography plus supposedly toned-down cover illustrations. ... CNBC's new headquarters in Englewood Cliffs, N.J., is almost three times the size of the old HQ down the road in Fort Lee. CNBC's three new studios are tapeless, making it one of the first all-digital facilities of its size. ... *The Miami Herald's* new design includes a world biz roundup from the *Financial Times* each Saturday. ... In Fort Myers, Fla., the redesign of *The News-Press* features a new emphasis on local businesses, workers and personal finance news.

Obituaries

◆ Hugh Powers, 76, a former biz ed at the *Houston Chronicle*. Powers was at the *Chronicle* from 1964-1995.

◆ Hugh Danaceau, 74, a broadcaster in the Cleveland area for more than 40 years, was also a regional correspondent for PBS' "Nightly Business Report."

◆ Tom Sellers, 60, former biz ed at the *Seattle Post-Intelligencer* and an ed for the biz section of the *Los Angeles Times*.

◆ Gene Marlowe, 59, was the Washington bureau chief of Media General News Service who wrote a weekly economics column for many years. ◆



CNBC's new, expansive studios are all digital. (CNBC)

◆ LOOKING FOR A JOB?

Check out the latest help-wanted postings online at www.sabew.org for these and other positions.

Assistant Professor: New York University, full-time, tenure-track position to teach business and economic journalism beginning in September 2004. Deadline: Jan. 15.

Business Reporter: *Lansing (Mich.) State Journal*, full-time, 2-3 years of newspaper reporting experience required. Deadline: Dec. 31.

Business Writer: *Los Angeles Daily News*, full-time, temporary position, previous business experience preferred. Deadline: Dec. 31.

Business Reporter: *The Olympian*, in Olympia, Wash., full-time position, experience preferred. Deadline: Dec. 15.

Kansas to join exec ladder

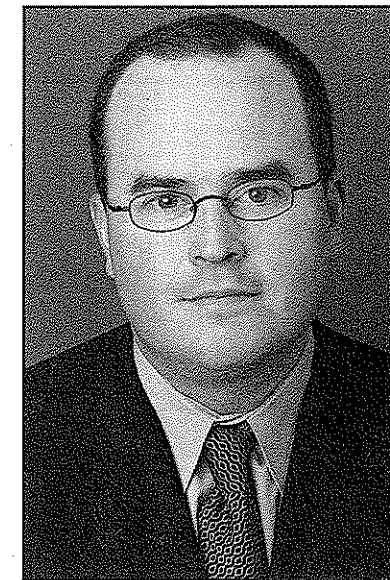
by TBJ Staff

Dave Kansas, acting editor of *The Wall Street Journal's* Money & Investing section, has been chosen by SABEW's board of governors to step up into the role of secretary-treasurer beginning at the group's annual conference in May.

Kansas' appointment puts him onto the ladder to become SABEW president. After serving a year as secretary-treasurer, he will move into the vice president's slot before succeeding Jon Lansner as president in 2006.

Kansas has been a SABEW governor for two years, chairing the Internet committee throughout his time on the board and working as a member of the executive committee during the current SABEW year. The executive committee comprises SABEW's officers plus two at-large board members appointed by the president, and it is responsible for the day-to-day board decisions necessary to manage the group.

Attendees from SABEW's last annual meeting may recognize Kansas as the singer during the "F-A-S-B" take on of the Village People during the organization's Best in Business awards presentation. But nominating committee chairman Chuck Jaffe said Kansas was not chosen for his singing ability.



Dave Kansas chairs SABEW's Internet Committee and serves on the Executive Committee. (Dow Jones)

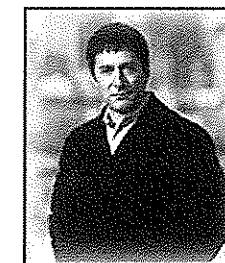
"Dave has done a tremendous amount in a short time on the board," Jaffe said. "And he brings a number of interesting perspectives to the table. He has worked in the online world at TheStreet.com, has worked as a reporter and an editor, and has seen SABEW's inner workings on the executive committee. We feel certain he will do an outstanding job."

Because of his appointment, Kansas' board slot will open this spring, as will the seats of at least one third of SABEW's board. The nominating committee is currently seeking candidates for election to the board; anyone interested in running for office should contact Jaffe at cjaffe@marketwatch.com or 781-383-6688. ◆

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5. Demystify journalism. Tell them how you've protected sources in the past. Let them approve quotes if necessary. And never let your sources be surprised by what you print, even if it's bad.

6. Play each hand differently. In one situ-



Discover what will motivate your sources to talk to you. —Joseph Menn

ation, it may be smart to act stupid, while another may call for meanness. If you get a tidbit off the record, pretend you know more than you do with the next source, so they'll expound on it and you get it on the record.

"If they think you already know, it alleviates their guilt," Menn said.

Benita Newton is a business writer at the St. Petersburg Times and is one of three recipients of a SABEW Chair scholarship to attend the workshops. ◆

S·A·B·E·W

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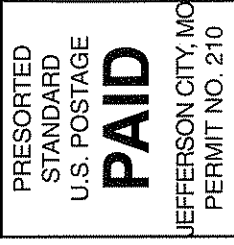
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Annual conference preview, Best in Business contest entry forms