The Business Journalist

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Northeast recession hits business pages

By Richard L. Papiernik

Until last April, Daniel Pearl was a business reporter at the Berkshire Eagle, a 33,000 circulation daily serving Pittsfield, Mass., and other small communities near the state's western border.

But by the end of the month, after struggling through a first quarter that brought continuing declines of about 10 percent in advertising lineage, the newspaper cut its budget by 13 percent.

Ten full-time staffers and about 17 part- timers lost their jobs. Five of the staff positions came out of the newsroom.

Pearl, one of about 50 remaining news staffers, found he no longer was a full-time business reporter. He was assigned to a municipal beat. That left the business staff with one editor and a couple of others who occasionally write business stories — many of them dealing with job cutbacks.

"Layoffs were something our members only used to cover — it is hard for us to accept that we are not immune to the economic problems of the area," wrote the Eagle News Association, an in-house union, in a statement following the layoff announcement.

Throughout the Northeast, Pearl and other business news writers and editors are getting first-hand experience in the impact of the deteriorating business climate.

"We have become part of the situation we are covering," said Peter Phipps, financial editor at the Providence (R.I.) Journal. "It is naive to assume otherwise. The First Amendment gives us no immunity on this one."

Classified advertising for the first quarter of 1990 was down 6.4 percent from the same period in 1989, the Newspaper Advertising Bureau reported. Retail advertising was up just 2.7 percent and national advertising was up 5.4 percent.

First-quarter operating revenues for 14 publicly owned newspaper companies tracked by Lynch, Jones & Ryan, a Washington-based investment firm, were down 16 percent from the year-earlier quarter. Operating profit margins slipped to 13.4 percent vs. 15.9 percent in the same period.

"The fact is," Lynch, Jones & Ryan reported, "newspaper revenue has fallen into a sharp recession, and earnings have followed suit. We do not foresee improvement this year."

Industry estimates in some areas of New England, metropolitan New York and northern New Jersey, put the revenue drop in double digits.

At Providence, Phipps said, the business section has lost the services of a part-time employee along with "about a column or two a day."

Business sections, feeling the crunch from diminished advertising throughout the region, are seeing layoffs, budget cutbacks, job freezes and tighter news holes.

■ At the Day, in New London, Conn., business editor Tony Cronin said one of his two reporters is leaving and may not

(See PAPERS, Page 7)

Analyst: Papers in 'slide'

By Kenneth T. Berents

The watchword for the newspaper industry in 1990 is gloom, but the scare word is doom.

Serious investors, and even a few newspaper executives, are questioning whether the present advertising recession, which has paralyzed the industry, is cyclical or secular in nature.

We would underweight newspaper stocks because:

■ Daily newspapering is not a business that has gone bad. Rather, it is a mature industry whose monopolistic dominance has been overcome, in our opinion, by secular changes.

Automatic double-digit revenue gains of past years have dropped to hopeful increases for the 1990s. Impressive margin gains of the 1980s already have keeled over into declines.

■ In our opinion, a secular slide already is under way, and, as a result newspaper stocks probably will not outperform the market. Lower growth should translate into market — or lower — multiples rather than the premiums of the past. In addition, asset values, keys to our analysis, are either flat or declining.

(See CHANGES, Page 6)

S&Ls: Only the names have changed

By Marian Lucas

Kevin Shields, the Resolution Trust Corp.'s spokesman in Denver, spent a mid-July day with Washington Post reporter Jerry Knight, touring the 25,000-acre Banning-Lewis Ranch east of Colorado Springs, the largest single piece of property held in the government's savings and loan cleanup effort.

When Shields returned to his office the next morning, he found messages from 57 reporters wanting him to return calls. That was a slow day.

A year after Congress passed the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), which effectively sounded the death knell for many savings and loans, the successor agency to the old Federal Home Loan Bank Board is acting a lot like the group it replaced.

Informational black holes, understaffing and bureaucratic back-covering have characterized the RTC, whose official task is to "contain, manage and resolve failed savings associations and recover funds through the management and ultimate sale of the institutions' assets."

The massive restructuring of the savings and loan industry has proved to be an expensive dud that grows more costly every day. Latest estimates from the General Accounting Office place the 30-year tab for cleaning up the nation's thrifts at $500 billion.

Meanwhile, the bailout legislation has vastly changed the areas that bank and thrift regulators monitor, and opened up to reporters new story possibilities.

First, the changed thrift landscape:

The Federal Home Loan Bank Board, chief regulator of thrifts, and the Federal Savings and Loan Insurance Fund, the thrift insurance fund, were abolished. While the 12 Federal Home Loan Banks still exist, they serve only as central credit facilities, providing correspondent bank services for member institutions.

The Office of Thrift Supervision, established as a bureau of the Treasury Department, replaced the FHLBB. It charters, regulates, examines and supervises savings institutions. Its staff includes former FHLBB members as well as 3,200 regulatory personnel formerly employed by the Federal Home Loan Banks.

(See S&L, Page 8)

Law opens lending data to reporters

By Marian Lucas

A minor amendment to last summer's thrift-bailout law could make it easier for reporters to investigate discriminatory lending patterns in their communities.

The Community Reinvestment Act of 1977 calls for banks and thrifts to meet the credit needs of the markets they serve, but enforcement by regulators has been lax and most institutions consistently have received the equivalent of a satisfactory CRA score.

That may be about to change.

For examinations completed after July 1, 1990, lenders must disclose their CRA ratings and evaluation reports. Previously, institutions only were required to maintain a file listing their efforts at serving the community, the kind of credit they could extend and letters from activist groups. Often, the file contained few clues as to the institution's real lending practices.

Instead of the previous numerical rating system, which ranked a bank on a 1 to 5 scale (with 1 the best), a four-tiered descriptive rating system is being used.

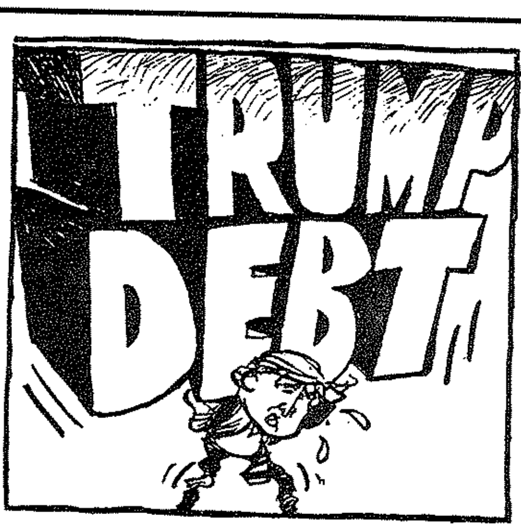
Along with the rating, the public section of each written evaluation will include facts supporting the examiner's grade and will identify where the institution placed in each of 12 assessment factors.

The confidential portion of the report, which will not be disclosed, will contain references to individual customers, em-

(See CRA, Page 7)

Nervous '90s to keep business in the headlines

Business journalism was a growth industry in the turbulent economy of the 1980s. Uncertain times ahead mean the economy will continue to provide an array of important stories. Jeff Faux gives some clues about the future on Pages 4-5.



Stickler, Bleakley take new positions

For 10 years Bob Stickler was a mainstay at the Miami Herald; now he's in PR at Barnett Banks. For more than a year, Fred Bleakley shook things up at American Banker; now he's out. For more on these changes and others, see Page 2.

Globe columnist

David Warsh flunked out of Harvard, covered cops and served in Vietnam. Today he writes a popular column for the Boston Globe. For a profile of Warsh, see Page 3.

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Subscription to The Business Journalist is included in the annual $40 membership dues. Membership is restricted to persons engaged as their principal occupation in reporting, writing or editing business or financial or economic news for newspapers, magazines, newsletters, press or syndicate services, radio or television, or teachers of journalism or business subjects at recognized colleges or universities.

SABEW Purpose

Members of the Society have joined together in the common pursuit of the highest standards of economic journalism, through both individual and collective efforts. Recognizing that economic freedom is inextricably linked to political freedom and that an informed citizenry can ensure that these freedoms are sustained, it is the Society's mission as an independent, not-for-profit organization to encourage comprehensive reportage of economic events without fear or favor and in a manner in keeping with the proud heritage of American journalism.

Stickler leaves Herald for bank

By Susan C. Thomson

Bob Stickler, former executive business editor of the Miami Herald, resigned from the newspaper in June to become manager of external communication for Barnett Banks, Inc., in Jacksonville, Fla.

In his new job, Stickler is the bank's primary media contact. He also will manage its annual and quarterly reports and write speeches for senior bank executives.

Stickler's move ended a career of 17 years in journalism, 14 of them in business news — at the Providence Journal, the Chicago Daily News and the Herald.

Stickler joined the Herald as a business reporter in 1980, advanced to deputy business editor in 1984 and to executive business editor in 1986.

Earlier this year, Stickler says, his bosses summoned him and "just basically said, 'We've decided to make a change; we've hired **Rex Seline** from the New York Times.' "

Stickler says he had no warning and was given no reason for his removal. But he faults a combination of limited resources, unlimited demands and lack of priorities.

"They have this big Business Monday to deal with," he said. "It ate resources like you wouldn't believe. They just were never able to understand that the amount of resources that were needed for Business Monday prohibited the business desk from doing some of the other hard things other desks were doing."

During his brief tenure under Seline, who had been assistant science and health editor and before that assistant to the business and financial editor at the Times, Stickler served as a senior business writer and columnist.

Stickler said he was "really not looking to become a public relations person" when Barnett sought him out for a job he finally decided he could do "in a first class way" for an organization that "really values people."

Stickler was a member of SABEW's board, which will miss him.

"I guess they always figure the business editor knows something about business and managing," said former New York Daily News Business Editor **Ann Podd**. At the Daily News, they think so, anyway.

In June, the newspaper created the position of associate editor and named Podd to it. In its announcement, the newspaper said she would be in charge of editorial budgeting, planning and operations.

For her part, Podd describes her responsibilities as "everything non-news in the newsroom." That includes serving on the management team in the paper's on-going labor negotiations.

Podd joined the News in August 1988 from the Bergen Record, where she was business editor.

The News has named **Bill Ayvayzian** acting business editor and is casting about within and without for Podd's permanent replacement.

Eric Anderson, a business reporter for Ralph Ingersoll II's St. Louis Sun when it folded, has signed on at the Daily Gazette in Schenectady, N.Y., as business editor, the newspaper's first. The Daily Gazette, formerly the Schenectady Gazette, won't really live up to its new name until sometime this fall, when it adds a Sunday paper to its Monday-through-Saturday line-up.

By then, Anderson expects to double his staff — to two reporters. He says the expanded business section will emphasize breaking local news, economic trends, real estate and personal finance.

Cheryl Carpenter has moved into the executive business editor's post at the Charlotte Observer from that of night metro editor. She replaced **Doug Smith**, now a business columnist. Smith is working with long-time columnist **M.S. VanHecke** and preparing to succeed him when he retires in July.

Bill Roberts has left the San Jose Mercury-News, where he was executive business editor, to become managing editor for Knight-Ridder Financial Center in London, responsible for bureaus in Africa, Europe and the Middle East.

Janet Vitt, deputy business editor at the Sacramento Bee for the last three years, was named the paper's suburban editor.

Claudia MacLachlan has become a reporter for the National Law Journal in Washington, D.C., leaving the St. Louis Post-Dispatch, where she covered legal affairs for the business news department.

Copy editor **Linda Bohrer** and reporter **Mitch Pacelle** left the business news department of the Bergen Record to do their respective things for the Wall Street Journal.

Business newspeople

Business newspeople is a regular feature of TBJ. If you have items of interest, call Susan C. Thomson at 314-622-7026.

Susan C. Thomson is a business columnist for the St. Louis Post-Dispatch.

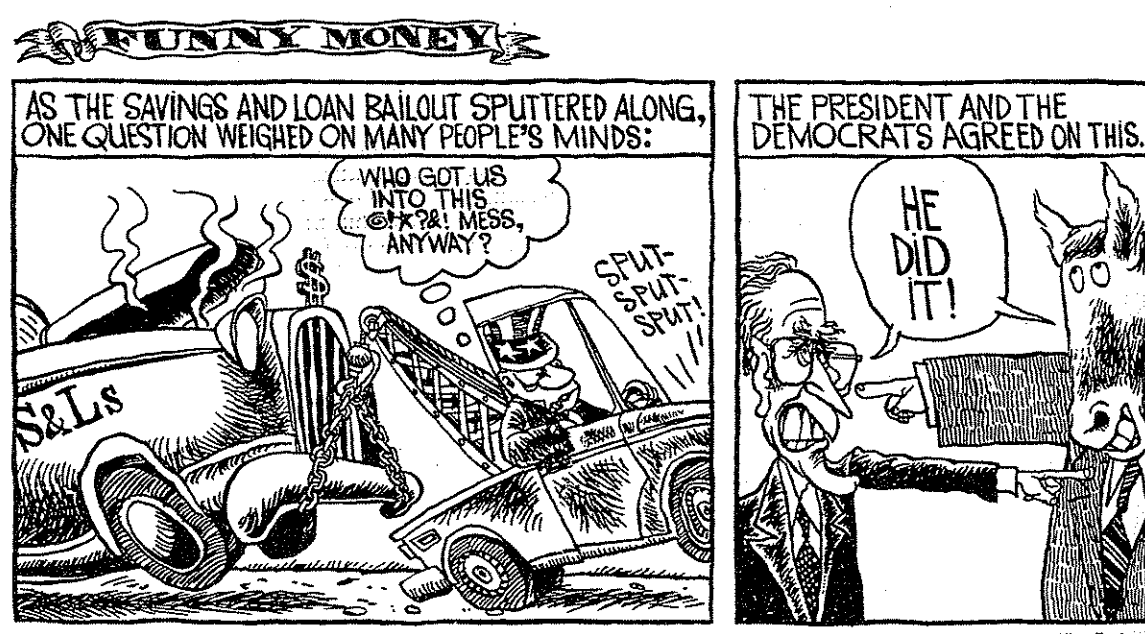
Bleakley joining Journal

Fred R. Bleakley, who resigned as editor of the American Banker last month, is joining the Wall Street Journal as a news editor focusing on banking and finance.

Bleakley joined the Banker in April 1988 to revamp the paper. Under his direction, the Banker changed format, became more aggressive in its coverage, emphasized hard news and dropped advertising from Page 1.

"He came in and essentially steamrolled a culture that had been in place for 20 years," said Jim McTague, a former Banker reporter who left to become a banking reporter for USA Today. "He cut some dead wood, but he accomplished a lot."

Bleakley, a former deputy business editor of the New York Times, said he left the Banker in a disagreement over access to top management.



Dan Shefelman's Funny Money will be a regular TBJ feature

Courtesy King Features

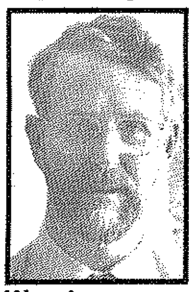
Globe's Warsh explores economics and politics through reporter's eye

By Daniel Pearl

NAME: David Warsh

PERSONAL: 46 years old, with two daughters, 12 and 10. Born in New York City, lives in Somerville, Mass.

WHAT HE DOES: Writes a Sunday and Tuesday column called "Economic Principals" for the Boston Globe. The seven-year-old column puts a philosophical spin on the news, probes the interplay of politicians, scientists and businessmen, champions renegade economists and dissects the grand schemes of companies like IBM, Raytheon and Motorola.


Warsh

"It's looking at economics and its connection to politics through a reporter's eye," Warsh says.

HOW HE GOT THERE: Warsh flunked out of Harvard his freshman year and got a police reporting job at Chicago's City News Bureau after putting in three months there as a copy boy. Cop reporting "put the grammar of reporting in my bones more than anything I've ever done," he says.

He served in the U.S. Navy from 1965 to 1969, mostly in Vietnam. He wrote for Pacific Stars and Stripes in 1969 and stayed in Saigon another year to string for Newsweek. "Vietnam bore heavily on covering universities and scholarship (later), because you couldn't trust the voice of authority there either," Warsh says.

Warsh returned to Harvard, got his degree, worked briefly for the Wall Street Journal in Pittsburgh and then became business writer at the Wilmington (Del.) Morning News. In 1974, as associate editor of Forbes magazine, he started writing about macroeconomics — a subject he had managed to avoid in college. Within three years, he had his first Gerald Loeb award for financial commentary (he won his second last year).

In 1978, the Globe hired Warsh as a general assignment economics writer. He started writing regular Sunday features, then inside page columns, and finally a featured column. He stopped reporting in 1986. The Washington Post has been running his Sunday column on Wednesdays since January.

HIS BOOKS: The Idea of Economic Complexity, 1984. Lindbeck's Limit (forthcoming, on America's political shift).

HIS POLITICS: Free-trader, lifelong Democrat, conservative.

WHAT OTHERS SAY ABOUT HIM: "He hits themes and niches that other economic columnists don't touch. Most of them do stocks and a lot of financial stuff. He's a different breed of cat," says Hank Gilman, Warsh's editor at the Globe.

"There's an old-fashioned, fuss-budgety, curmudgeonly quality about him that I like. At the same time, he's thoroughly open to new ideas. There are a lot of people in economics and the journalism business that know so much about things they can't cut through the nuances and the details, because they're afraid if they simplify things their economist and business friends will look down on them as simpleminded. David is not afraid of popular ideas," said Steven Pearlstein, deputy business editor of the Washington Post.

WORK STYLE: He typically arrives at 9 a.m. and spends his first 90 minutes reading newspapers — the Globe, the Boston Herald, the Washington Post, the Christian Science Monitor and the Wall Street Journal.

Warsh has lunch with sources five days a week. Much of the rest of the day is telephone work and writing; he said he takes about six hours to write a column and usually works until 7:30 p.m.

RECOMMENDED READING: "Everybody ought to read one book by Alfred Chandler, a historian who writes books about big companies and why they do what they do. And there's been an avalanche of good books by business reporters: Predator's Ball, Barbarians at the Gate, Lair's Poker." His favorite newspaper is the Financial Times, and his favorite magazine is the Economist.

RECENT WRITING SAMPLES:

- March 27, on anti-takeover laws: "In the end, the only really effective defense against hostile takeover is a high multiple, meaning a stiff share price, and everybody who is honest about it knows it."
- April 8, on global warming: "Only one thing is certain: the political climate is heating up faster than the air temperature of the Earth."
- May 8, on the president of Harvard: "Arguably, no chief executive in New England is more important to the long-run well-being of the region."
- May 27, on the S&L crisis: "The Farm Bill is irritating. And the S&L price tag is appalling. But each is, to a considerable extent, part of the overhead of doing business in a democracy. Each is manageable, at least if the authorities quit fooling around."
- July 1, on George Bush's tax reversal: "What if the president had shown some backbone as he made his retreat, justifying his stand and outlining it in some detail, instead of backing up to the subject like a frightened wimp? Well, he'd be in trouble, presumably, but it would be a different kind of trouble."

HIS THOUGHTS ON MICHAEL DUKAKIS: "He would have been a disaster. He's a nice man, and he's been a good governor for the most part, but he never went to Europe before he ran for president. What kind of president would that be?"

ON TRAINING BUSINESS REPORTERS: "Skepticism is something that needs to be honed and nourished. There's nothing better for reporters than to work with other good reporters for good editors. It's crucial that there be guys 35 to 40 and up who do as much teaching as they do processing of copy."

Daniel Pearl is a reporter at the Berkshire Eagle.

Accounting, finance workshop scheduled

SABEW and the Davenport Fellowship Program at the University of Missouri School of Journalism will offer an accounting and finance workshop for business journalists on Sept. 17-19 in Dearborn, Mich.

James K. Gentry, director of the Davenport Fellowship Program, will cover the balance sheet, income statement and cash flow analysis on the first day.

Gary Trennepohl, chair of the finance department at Texas A&M University, will cover financial analysis, financial markets and financial decision-making on the last two days.

A registration fee of $300 will cover tuition, supplies, continental breakfasts and refreshment breaks. Final day to register is Aug. 24.

For more information, call SABEW offices at 314-882-7862.

Biotech workshop set

The Knight Center for Specialized Journalism at the University of Maryland invites applications for fellowships from experienced journalists for its course "Biotech: The Science & The Business" scheduled Sept. 30 through Oct. 12.

The intensive course will cover biotechnology's scientific frontiers; medical, agricultural and other applications; business developments; and ethical and policy issues. It is open to reporters, editors and established freelancers.

Instruction and meals are free. Fellows' employers must continue their salaries and pay travel expenses. Application deadline is Aug. 13.

For more information, contact Howard Bray, director, Knight Center for Specialized Journalism, College of Journalism, University of Maryland, College Park, Md. 20742, 301-454-6423.

Trip to Russia slated

The New York Financial Writers' Association is sponsoring a trip to Russia and Eastern Europe in May 1991 for business journalists.

The first two weeks will be spent in Moscow, Leningrad and Prague. In addition to sightseeing, going to the theatre, eating in local restaurants and visiting historic buildings and sights, several business meetings with government and business leaders are planned.

The trip also includes two days at a Budapest spa and five days on a motorcoach tour of Yugoslavia.

Packages are available for all three weeks, the first two weeks and the first two weeks plus the two-day stay at the spa. Prices are reasonable, and accommodations are deluxe, in most instances.

For more information, contact Jerome Katz, 2200 North Central Road, Fort Lee, N.J. 07024 or 201-947-1965.

Convention ideas wanted

The Planning Committee for next spring's annual SABEW convention is seeking ideas for workshops or speakers. To make a suggestion, contact Sandra Duerr at the Louisville Courier-Journal at 415-324-9094.

Job listings

"Job listings" is a service of The Business Journalist. To list a job, free of charge, fax a three- to five-paragraph announcement to 314-882-9002.

Rocky Mountain News

The Rocky Mountain News in Denver is seeking a hard-working, creative and experienced assistant business editor to help guide a 14-member staff.

Previous editing experience a must.

Position involves working with beat reporters; assigning stories, photos and art; editing copy, and working slot.

Send resume to Deborah Goeken, business editor, Rocky Mountain News, 400 W. Colfax Ave., Denver, Colo. 80204.

Florida Times-Union

The Florida Times-Union is seeking an assistant business editor. Candidate needs strong editing skills, excellent news judgment, good organizational and leadership skills, a capacity for handling breaking and non-breaking stories, and ability to coordinate planning within the newsroom.

Editor will be one of two assistants in 15-member department and will help reshape one of Florida's largest papers (240,000 Sunday).

Contact Larry Lane, business editor, Florida Times-Union, One Riverside Ave., P.O. Box 1949, Jacksonville, Fla. 32231.

Ocala Star-Banner

The Ocala (Fla.) Star-Banner is interviewing for two businss writer positions and a copy editor position for start-up of a new business weekly in early fall.

Three years of reporting experience is required for the writing position, and three years of reporting and editing experience are required for the copy editing position. Both require at least one year of experience in business.

Send clips, five references and 10 story ideas to Jay McKenzie, managing editor, The Ocala Star-Banner, P.O. Box 490, Ocala, Fla. 32678.

Nashville Banner

The Nashville Banner is seeking a general assignment business reporter concentrating on labor and manufacturing.

The position is open Sept. 1, and the salary is negotiable. Send inquiries to Jane DuBose, business editor, Nashville Banner, 1100 Broadway, Nashville, Tenn. 37203.

Business Press in Fort Worth

The Business Press in Fort Worth is seeking a managing editor and a reporter.

Managing editor for the 10,000 circulation weekly will supervise a researcher and five reporters.

Send inquiries to Carolyn Ashford, publisher, Business Press, 501 Jones St., Fort Worth, Texas 76102.

Colorado State University

The Department of Technical Journalism at Colorado State University is seeking an assistant professor for a tenture track position.

A Ph.D. is preferred (master's required) in mass communication or related social science. Experience desired in one or more of: technical communication, business or specialized publications, agricultural and/or natural resources communication. University teaching experience desired. Begins Aug. 20, 1991.

Apply by Oct. 15, 1990, to Chair, Search Committee, Department of Technical Journalism, C-225 Clark Building, Colorado State University, Fort Collins, CO 80523. Phone: 303-491-6310.

Experienced reporters wanted

The Democrat and Chronicle in Rochester, N.Y., is seeking experienced (two years minimum) business reporters with a commitment to business writing. Several beats are available, including covering Fortune 500 firms, small business and personal finance.

Contact Robert Frick, business editor, Democrat and Chronicle, 55 Exchange Blvd., Rochester, N.Y. 14614. Resumes can be faxed to 716-258-2487.

In-depth reporter wanted

Review Newspapers, a group of three specialty dailies covering business, real estate and law in South Florida, is seeking an enterprising business reporter to do in-depth company profiles and investigative pieces. Paper wants a reporter who enjoys turning out the kind of talked-about, tough stories that make the competition nervous.

Most of the writers at this Time Warner Inc. affiliate are experienced journalists who left jobs at large dailies for the freedom that Review Newspapers offer to pursue big stories.

Applicants should send resume, clips and references to Deborah Petit Lowe, executive editor, Review Newspapers, 328 Banyan Blvd., West Palm Beach, Fla. 33401

St. Louis Business Journal

The St. Louis Business Journal, a weekly business newspaper, is seeking a reporter with two or more years experience. Prior business reporting helpful but not required. Salary commensurate with experience.

Send resume to Tom Wolf, editor, 612 N. Second St., St. Louis, Mo. 63102.

(See JOBS, Page 8)

Covering the economy in the nervous '90s

Forces of '80s will reverberate in decade ahead

By Jeff Faux

Business and economics reporting was journalism's growth industry in the 1980s. It's a good bet that the trend will continue. With the cold war winding down, the marketplace is gradually replacing the arms race as the focus of international competition.

And the widespread anxiety among Americans (including journalists) about their financial future can be counted on to maintain interest in topics — corporate profits, trade deficits, and the like — once considered too arcane for the morning edition or the nightly news.

No one can predict the big stories of the 1990s, but the underlying forces that drove the economic dramas of the 1980s — the savings and loan debacle, stock market booms and busts, leveraged buy-outs, corporate bankruptcies, regional recessions — are still in motion, and they will keep generating major news.

The most important of these forces are: (1) the opening up of the U.S. economy to international competition, and (2) the fallout from the last decade of market deregulation. These fundamental trends are like geological shifts that eventually blow out into earthquakes and tidal waves. What follows are some seismic readings of economic movements that may rumble into the headlines of the 1990s.

Squeeze on incomes

This was the most underplayed story of the 1980s. The news media were quick to highlight the symbols of the "greed decade"— Ivan Boesky, Leona Helmsley, and Nancy Reagan's wardrobe on the one hand, homeless people wandering the streets on the other. But fundamental shifts in living standards among the much larger middle class went relatively unnoticed.

After several decades of stability, the share of income going to the middle 60 percent of American families shrank dramatically during the 1980s. Indeed, for all families, average combined income (adjusted for inflation) in 1989 was at roughly the same level as in 1979; after ten years this most basic measure of economic progress has scarcely moved. Real wages in 1989, meanwhile, were 7 percent lower than wages a decade earlier. A male high-school graduate with one to five years of work experience earned 20 percent less than his counterpart in 1979.

The reason that incomes have only stagnated while individual wages have declined, of course, is that more family members have been sent out to work. The two-earner family has not been overlooked by the press, but to a large extent it has been treated as a cultural phenomenon related to women's liberation and overachieving "yuppies."

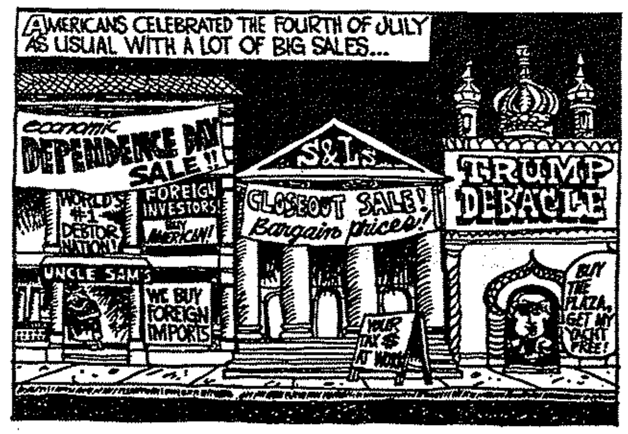
Indeed, the last five years have seen widespread press references to a "consumption binge," reinforcing the pop-Calvinist idea that the source of America's economic problems is mass hedonism. (In fact, the acceleration of consumer spending during the last decade has been almost exclusively concentrated among the richest 10 percent of the population, who benefited from the Reagan tax cuts and the speculative bubbles on Wall Street and in real estate.)

At the same time, the growing need for a second earner elevated the search for decent child care into a national anxiety in the 1980s; it was also reflected in reports on alleged child abuse in day care centers and in the feature-story phenomenon of "latch-key" children.

The decline in real wages reflects the decline of U.S. competitiveness in the world. Lower productivity growth, an overvalued dollar, and aggressive targeting of U.S. markets by other nations led to the shrinkage of manufacturing industries and of the tens of thousands of services and suppliers that depend on them.

While the press has covered the effect of decreasing competitiveness in industry reasonably well, it has by and large neglected the story of income stagnation. One reason is that business writers tend to spend time with corporate managers and economists who see wages as costs to cut, not as incomes to raise. Many major newspapers no longer even have a labor beat.

Another reason has to do with how the press reports newly released statistics; reporters take their cue for which numbers are important from the source — in most



cases the U.S. government. Traditionally, the government gives prominence to its monthly release of the unemployment index as the basic measure of the welfare of those who work for a living. So the unemployment rate routinely gets a headline or a mention on the evening news.

Meanwhile, the statistics on real wages, released without fanfare, rarely get highlighted, even though it is likely that the roughly 95 percent of the work force who are employed would be more interested in the behavior of their salaries than in the number of people who are out of work.

A continued squeeze on incomes could generate some of the big stories of the 1990s. One good bet is that there will be an increasing demand for the government to provide services that more and more families cannot afford by themselves — child care, housing, health care, and education.

And the curtain is about to drop on the Washington theater of smoke-and-mirror budgets. Rising demands for services and the cost of S&L bailouts are real and cannot be paid for with stage money. The squeeze on average incomes is also real, and resistance to taxes is still strong. With Republicans in the White House and Democrats increasingly beholden to business for financing their campaigns, there is not much political will to tax the rich at rates to make a serious dent in the fiscal problem.

So the only remaining significant source of income, an economic deus ex machina, is the potential savings from large cuts in military spending. The tug of war over the peace dividend — how much it should be, where to spend it, what to do with the unemployed defense workers and idle weapons laboratories — will be a continuing drama.

Revival of labor militancy

A surprise story in the 1990s could be a revival of labor militancy. The breaking of the air traffic controllers union in 1981 shattered several decades of relative labor-management peace and ushered in an era of union retreat. Emboldened by the White House and pressured by import competition, employers forced wage-and-benefit concessions on workers throughout the decade. But financial stress on the family is building up. Increased militancy doesn't necessarily mean that unions will be successful in regaining lost negotiating power, but the much more aggressive and occasionally violent strikes by miners, telephone workers, and bus drivers in recent months may be straws indicating a more turbulent labor wind in the 1990s.

As two-earner families turn into three-earner families, another sleeper story could be the return of sweatshops and the growing use of child labor. This is the dark underside of the world of the small entrepreneur whose praises have been sung in the media throughout the 1980s. Reported federal violations of child labor laws rose from 9,000 in 1983 to 22,500 in 1989, even though the government cut the number of inspectors.

Economic rivalry with the European Community and Japan will grow. Both are competitively stronger vis-a-vis the U.S. than they were at the start of the last decade and both are better positioned for the next one. Even without East Germany, the European Community is larger than the U.S. market and it will grow in strength and vitality. And recent gloating in the U.S. over drop in the Japanese stock market notwithstanding, fundamental position of the Japanese economy is a some.

Japan, with a GNP only 60 percent of ours, is inves 50 percent more than the U.S. in new plant and eq ment. Moreover, American children who have been p ing poor test scores for twenty years are now ente prime working age. The combination of less-educa workers using inferior tools is a recipe for long-t trade problems.

The 1990s will see new clashes between U.S. econ interests and traditional foreign-policy goals. For f years, successive presidents have used access to the market to buy other nations' friendship in the cold even when their markets were closed to us. In the when the U.S. dominated the world economy, the co domestic producers was small. Today, however, wit ports threatening the survival of many U.S. compa and with the threat of international communism fa domestic producers will be freer to press for prote on the one hand, or for the right to export to old " mies" on the other. One such early battle — over Pe gon restraints on the export of hi-tech machinery equipment to Eastern Europe — has already begun.

'Domestic content' legislation

The auto industry, hit by import competition an foreign-owned factories producing in the U.S., will be an early battleground. We can expect a revival of mestic content" legislation (modeled after Euro laws, requiring that a certain share of the componen autos sold in the U.S. be produced in this country).

The Chrysler Corporation, steadily losing ma share, will probably return to the brink of bankru and that will revive demands for more systematic ernment assistance to industry. Phrases like "man trade" and "industrial policy," which George Bush as epithets in the 1988 campaign, could become nomic buzzwords in the 1990s. Look for the Democra make common cause with alienated Republican indu alists.

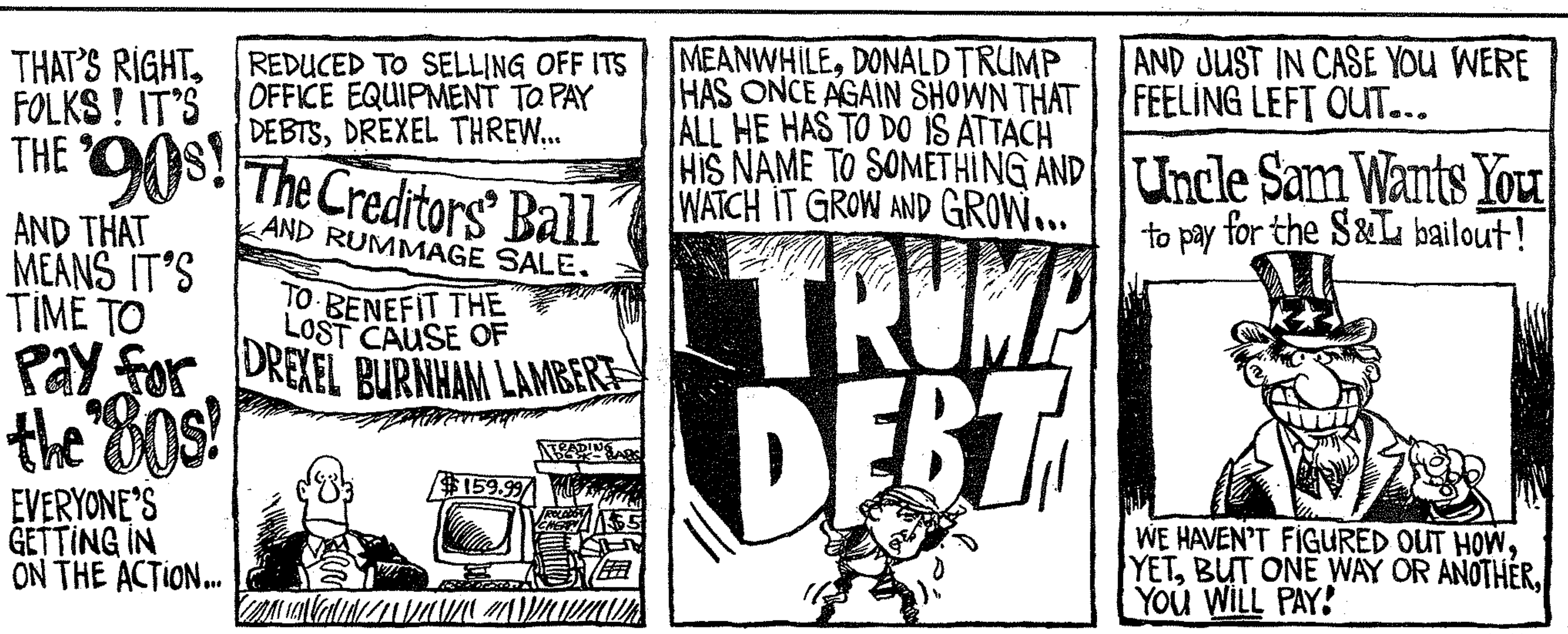
A more inward-looking European Community make it more difficult to penetrate that continent U.S. goods, and the spreading power of Japan and newly industrialized nations of Korea, Taiwan, H Kong, and Singapore will limit our exports into A That leaves Latin America, whose economy will th fore become a source of important stories in the 1990

Unfortunately, the Brady Plan, like the Baker Plan fore it, has proven inadequate to remove the burde debt from the Latin American economies — a neces condition for the recreation of a market for U.S. go Efforts to develop a U.S.-Mexico Free Trade agreem will also gather strength — and generate resistance f North American workers and smaller businesses thr ened by cheap labor and Mexican nationalists.

A good place to look for future economic stories is sector of the economy where regulation has been mantled or cut back. Most regulations were put in pl for a purpose — to balance interests or to curb soci destructive behavior. While lifting regulations may lease new entrepreneurial energies, it also widens scope for abuse.

The big deregulation story of the 1980s — the savi and loan crisis — should be with us for a while. If e there was a predictable economic debacle, this was high interest rates inevitably put a squeeze on insti tions like S&Ls, most of whose assets were locked up long-term low-interest-rate mortgages. Deregulating t industry turned loose inexperienced managers who tempted to get higher returns by making high-risk loa Raising the deposit guarantees only guaranteed that t U.S. taxpayer would pay the bill for the ensuing losses $300 to $500 billion at the most recent tally.

But the lesson has only been dimly learned. Most the press coverage of the S&L debate has focused charges of fraud, influence-peddling, and bureaucrat incompetence. The scandals have obscured the poli failure. Since both Republicans and Democrats are im plicated, since no one will get rich from placing mor controls over the banking industry, and since deposito are insured, there is still no effective political pressur for reregulation.



Dan Shefelman

As a result, the combination of financial stress, federal permissiveness, and private greed that created the S&L disaster remains in the system. For example, the bailout created the huge public Resolution Trust Corporation (with deposits more than twice those of Citibank), whose job is to dispose of insolvent savings and loan institutions and their assets. The RTC is under great pressure to sell off these properties quickly — partly because of the agency's short (five-year) life span. Therefore, it is hiring private contractors to package deals. The potential for conflicts of interest in these fire sales is enormous, suggesting that we haven't seen the last of the headlines.

The insurance industry may produce the 1990s equivalent of the S&L fiasco. Many of the same conditions are present: risky junk-bond and real estate investments supported by low capital reserves, along with weak management, opportunities for fraud, and slack regulation. Unlike savings and loan depositors, insurance buyers are protected only by state guarantee funds, whose safety nets have not been tested.

A prime candidate for reregulation in the 1990s is the airline industry. Rising fares, deteriorating service, and the creation of airline monopolies around major city "hubs" has soured many businesses and political movers and shakers on airline deregulation. Another few years could see the demise of Eastern Airlines, Pan Am, and possibly several other independent carriers, strengthening the case for either more regulation or for breaking up the monopoly power of airlines over regional hubs.

AT&T breakup reverberation

Similarly, the breakup of AT&T will reverberate into the 1990s. There is a growing consensus that in order to accommodate the computer-based telecommunications systems of the future, America must rewire its homes and businesses with fiber-optic cables that can carry visual and digital electronic impulses, as well as sound. Japan and Europe are already ahead of us. This will mean titanic battles in Washington and in state capitals between the various industrial interests competing for shares of this business — AT&T, the "Baby Bells," cable companies, television networks, and computer manufacturers. The mixture of big money and politics could result in big headlines.

There are lessons in economic stories that are supposed to happen and don't, like the dog that failed to bark in the Sherlock Holmes mystery. Throughout the first part of the decade, the most respected economists around warned us that deficits were a major cause of inflation and that they would "crowd out" private investment and produce recession. Yet, as of this writing, we are still experiencing the longest peacetime recovery in modern history, and inflation has not been a problem. Again, the global economy was a big factor: import competition helped keep prices down and world financial markets meant that American corporations could borrow anywhere.

The U.S. budget deficit was clearly the most overplayed economic story of the '80s. It still is. Despite the failure of the deficit to bring either economic or political disaster (Americans twice have re-elected administrations that gave them record deficits), both the business sections and the editorial pages of the nation's newspapers remain obsessed with the evils of government red ink. With some exception — on the right, the Wall Street Journal editorials; on the left, Tom Wicker of the New York Times — the substantial body of dissent from the conventional wisdom, that the budget deficit is the source of all our problems, is rarely covered.

Pressure on Federal Reserve

One result of the national focus on the deficit has been to insulate the high-interest-rate policies of the Federal Reserve Board from criticism. Traditionally, political attacks on the Fed have come from populist Democrats reflecting the interests of small borrowers. But the Democrats find it more fun to blame interest rates on a Republican deficit than on the bankers at the Fed — particularly since a growing share of Democratic campaign money comes from the fiscally conservative business community. So in the press, Fed Chairmen Paul Volcker and Alan Greenspan have been getting a free ride.

This may change. There is a good chance that the 1990s will see rising interest rates. The opening up of Eastern Europe will increase the demand for capital from North America and Japan, as well as from Western Europe. When worldwide demand for capital increases, so does its price — interest rates. Secondly, if the Latin American debt crisis is to be resolved and lending is to be resumed, banks are going to require higher interest rates to compensate for past losses and additional risks.

Add to this mix a possible inflationary rise in world oil prices, along with the increased dependence on foreign oil, and it looks as though some of the same circumstances that drove interest rates up dramatically in the late 1970s may be reforming. Rising interest rates could mean a return to old fashioned banker-bashing and the erosion of the press protection the Fed has enjoyed over the past decade.

If we've learned anything from the 1980s, it is that the financial markets have become increasingly divorced from the world of production, employment, and trade that they are supposed to serve. Predictions of disaster to the contrary, the U.S. stock market crash in 1987 and the recent bust in the Tokyo exchange represented the poppings of speculative bubbles, and had little effect on the underlying economic currents.

And while the press tends to denounce the "short term" horizons of American business, it makes its own substantial contribution to the notion that the purpose of business is not to invest and manage an enterprise that produces goods and employs people, but to buy a stock option at 10:00 a.m. and sell it at 10:30. The evolutionary nature of economic growth gets little attention.

For example, when American companies stopped manufacturing color television sets, the story was treated as a series of isolated company decisions, explored mainly for their effect on profits and stock prices. Meanwhile, the Japanese were building up that same industry as a way to gain technical skills and generate capital for the next product innovation, VCRs; and the next, compact disks; and the next, High Definition TV; and the next...

Business journalism, often focused as a sort of extended investors' service, tends to miss the big picture. It is particularly myopic when it comes to the connection between economic growth and the quality and amount of social investment in such things as education, job training, highways, bridges, and public-supported basic research.

And as financial markets are increasingly divorced from production, financial journalism can be disconnected from the real worlds of readers and viewers. For one thing, the fundamental movements of the "real" economy are hard to spot, given the blizzard of information released daily by governments, companies, think-tanks, etc. For another, much of the data lags considerably behind reality.

Economists will not agree that we are in a recession, for example, until the Department of Commerce's final estimate of Gross National Product has declined for two consecutive quarters (six months in a row). The practical effect is that a recession is not news until long after many readers have already experienced layoffs, plant closings, and general hard times. Also, the key statistics come out in the form of national averages, muting the shifting fortunes of individual regions and industries — where people live and work.

Need to broaden sources

Faced with the bewildering array of numbers, the journalist on the economics beat inevitably must turn to "credible" sources to interpret the patterns. Herein lies another trap: because economic issues are perceived as chiefly of concern to owners and managers of business, the interpretation is often proffered by someone with something to sell.

Some self-interest is easy to spot — e.g., the stockbroker telling us that it is a good time to buy stocks, or the economist with the pharmaceutical company complaining about food-and-drug regulations. But the opinions of the university professor can be just as biased in the direction of an obsolete world view upon which his claim to expertise as been built. The solution, of course, is to widen the sources — the union shop steward as well as the company public relations representative, customers as well as sellers, the maverick as well as the much-quoted economist whose opinions regularly reflect the conventional wisdom.

The economic journalist might also take a leaf from the old business principle that the way to make money in any market is to buy while others are selling and sell while others are buying. When it is the unanimous view of the experts that the economy is going in a certain path, take a look in the other direction.

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Jeff Faux is president of the Economic Policy Institute, a Washington, D.C., think tank funded by foundations, businesses and labor unions.

Changes seek to stem newspapers' slide

(Continued from Page 1)

■ From their present levels, we believe most newspaper stocks basically will not outperform the market — unless advertising begins to show renewed signs of life and margins of newspaper publishers begin to expand, thus dissipating the fear of a secular slowdown. The only two we recommend as "buys" are Knight-Ridder and Affiliated Publications.

■ In the future, investors may just have to lower their sights on when and at what price to buy newspaper stocks.

Our secular warning does not mean that newspaper stocks will not be good investments in the future.Rather, newspaper companies may no longer enjoy premium multiples or steadily rising asset values.

While we believe our secular slide theory is on target, obviously we realize our projection could be wrong. Unfortunately, only time will tell.

However, we want to warn investors now, not in two years. Our concern is that decreasing linage and slow revenue growth will continue to pinch margins. Over time, those lower margins also could negatively impact the newspaper's reason for being — the coverage of news.

In essence, this report is a Wall Street challenge to the industry. Prove us wrong: reinvigorate revenues, improve the margins to previous highs, keep the values climbing, and jump-start your stock prices.

Why secular slide

"If a newspaper is noncompetitive, it gives you a franchise to do what you want with profitability. You can engineer your profits. You can control expenses and generate revenues almost arbitrarily." *Otis Chandler, former CEO of Times Mirror Co., in Business Week, Feb. 1977.*

Mr. Chandler's quote may have been apropos for the era leading up to the 1970s and mid-1980s, but it may be wide of the profit mark in the 1990s. This whole report could be dedicated to why the newspaper industry is changing.

Here is a summary of what we believe are some major causes of the secular slide.

■ Broadcasting speed — Broadcasting long ago won the race to deliver news quicker to consumers. Newspapers now try to deliver in-depth reporting and analysis, which takes more time and effort for readers to consume.

■ More competition for consumers' time — Television may have been the original threat, but cable and VCR penetration also have added to the electronic competition.

■ Functional illiteracy — As incredible as it may seem, for every subscriber there is an adult whose reading level is too low to understand the information in a newspaper. However, everyone can easily consume the broadcaster's message.

■ Readership slippage — The continued erosion in subscriber penetration hampers a typical newspaper's ability to compete. In 1950, the penetration level was 150 percent (people read more than one paper) before the explosive demand for TV. Today, it is 67 percent, down from 77 percent 10 years ago.

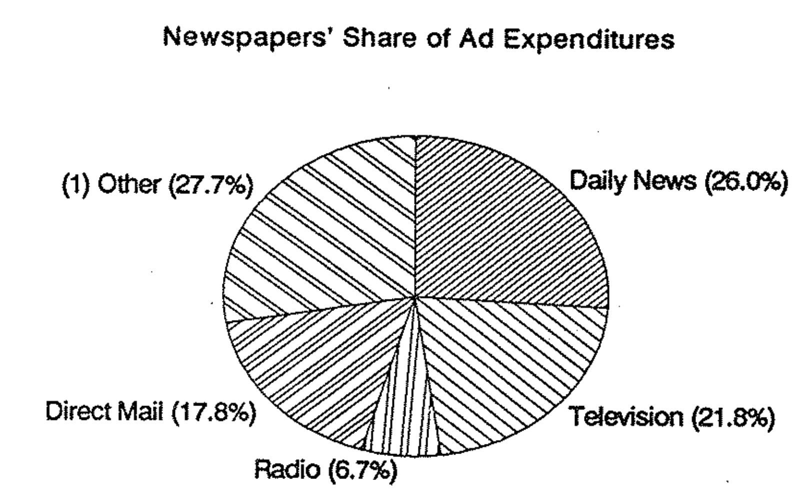
During the 1980s, circulation grew at less than 1 percent, while the general population increased by 10.3 percent.

■ Niche marketing — Advertisers continue to seek more specific, more efficient methods to reach niche consumers, rather than a mass medium such as newspapers. In effect, they want to get closer to the customer.

■ Retail disruptions — The 1980s' junk bond buyouts of many major retailers have changed the way many of them do business, impacting newspapers' advertising linage.

Stores have been closed and ad budgets cut. No one is sure if this market is undergoing a temporary setback or if it will return to prior levels.

In addition, the retail landscape has changed as cataloguers have chipped away sales from traditional retailers by marketing directly to the consumer.



Source: McCann Erickson / American Newspaper Publishers Assoc.
(1). Includes Cable, yellow pages, outdoor, etc.

Advertising peak

■ Advertising peak — Any rebound in either cyclical classified or traditional retail ads may not recover to prior years' levels. Newspapers today claim 26 percent of $124.8 billion in total ad dollars, down from 27.6 percent in 1980.

■ Advertising complacency — Advertisers claim that many newspapers are lethargic about providing them with more detailed marketing information. More papers need to provide demographics about ZIP or postal codes. The better newspaper companies already are addressing this issue.

■ Pricing arrogance — Many newspapers may have taken advantage of their monopolistic position in the 1980s, charging too much through rate hikes, forcing some advertisers to look elsewhere for delivery of their message.

■ Reluctance to adjust to societal changes — Many papers still are wordy and dull, producing columns of day-old national and international news, appealing to older readers who are anti-fast food, anti-cable television, anti-movies, anti-consumer spenders. They are not prime prospects for advertisers.

■ Americans' indifference — Some newspaper executives attribute part of the readership decline to a loss of people's interest in community affairs, politics, and even voting. A recent poll by Times Mirror showed that young adults care less about public affairs than any generation in the past 50 years.

Any secular changes now under way may be hard to recognize primarily because newspapers will remain vital for both news and information, especially local. However, while most daily local papers will remain monopolies, their importance may diminish.

Any secular changes we believe will be slow to evolve. What should investors watch for?

■ Reduced ad share — The continued diminution in newspaper advertising market share, especially to direct mail and cable television.

■ Classified swing — Volatile and highly-profitable classifieds are becoming a greater percentage of a typical newspaper's advertising, making papers more vulnerable to economic swings.

■ Losing readers — If circulation remains flat while penetration continues to drop, ad rates will be impacted.

■ Margin erosion — Operating and cash flow margins may not recover to prior levels, even as economic activity returns. Continued declining readership may force some advertisers to look elsewhere for distribution of their message, impacting the revenue streams of newspapers, and thus margins.

City or metropolitan papers' margins will slip the most.

Finally, a good question to be asked is whether newspapers are useful enough? A key journalistic tenet may also be newspaper's 1990s marketing downfall: trying to be all things to all people.

Stemming the tide

What can be done to stop the secular downturn? Many publishers already are implementing changes.

■ Cater to advertisers — Many papers still are not geared to the smaller, faster-growing independent retailers. Publishers must do more than just zone for major advertisers, but listen to the concerns of smaller retailers. They must provide detailed demographics of their subscribers.

■ Tailor the product — The technology is coming to enable publishers by the end of the decade to deliver a paper tailored to the individual subscriber's psychographics — or personal interests. It may include special satellite-fed daily sections of special interest that should appeal to niche advertisers.

■ Improved marketing — Many newspapers still are unsophisticated marketers. Few papers systematically collect and analyze subscriber data and behavior, much less impart that information to advertisers.

■ Vertical integration — Some newspapers have bought or taken positions in nearby weekly papers or local shoppers. Possibly the next step would be to joint venture with direct mailers, such as ADVO-Systems Inc., rather than fighting them.

■ Sale of data bases — Newspaper[s] need to package and promote the existin[g] data bases that they collect daily.

■ Better graphics — Gannett's USA Today is criticized for its splashy color, bu[t] the smarter publishers are adopting the catchy graphics, especially weather pages. Readers need to be grabbed by flashy color and crisp graphics, not bored b[y] dull black-and-white.

■ Geographic retrenchment — Many papers may have to cut back on the expensive delivery of papers to fringe circulation areas in order to be the dominant paper of a region.

■ Paper of necessity — Some publisher[s] are trying to make the paper more relevant to daily living, stressing local news ranging from the better coverage of loca[l] sports to the detailing of school lunch menus. It is much easier to market a produc[t] that people truly need rather than on[e] that they may only want.

■ Galvanizing force — Newspaper[s] should become more pro-active. The[y] should push for better voter turnout, sponsor forums, town meetings, civic rev[o]lutions, if you will, to better the community.

However, many publishers may find reluctance on the part of their journalist[s] to become involved in the community; reporters and editors have always wanted to keep a safe distance rather than compromise their objectivity.

What it means

While the near-term economic climate seems to be the worst in years for the industry — and the threat of a nationwide ad tax dosen't help — investors should realize that newspapers continue to be not only the dominant local medium but, in most communities, they also are monopolies.

In the near-term, if a strong cyclical rebound occurs, many will disregard the warning of a secular change.

Why? With the exception of Times Mirror and Media General, for much of the 1980s — until the past two years — newspapers have been "ruler" stocks; that is, their earnings have been very predictable and gone up as growth in both retail and classified converged.

These are major reasons, in our opinion, why newspapers have traditionally carried higher multiples than the S&P 500; Wall Street likes monopolies and predictable earnings.

However, it is our belief that a secular downturn in the 1990s would break the "ruler"; that is, as margins slide due to lower growth, earnings may become less dependable than in prior years. Newspaper multiples then may track or even trail the market multiple, rather than enjoying premiums.

Finally, management's concern for stockholder value will become more critical in the years ahead. In a secular environment, management will be the key variable in controlling costs, yet looking for new avenues to propel growth in revenues and earnings.

In the past, running a newspaper in a monopoly situation was not difficult. Growth was dependable. No more, however. The monopoly papers are becoming frayed at the edges. Managements must get smarter.

This article is excerpted from "The Newspaper Recession: The Cyclical Trough is Masking a 'Secular Slide.'" To receive the complete report, contact Holly Hoshall at Alex. Brown & Sons, 301-727-1700.

Kenneth T. Berents, a former political and economics reporter for the Baltimore Evening Sun, is media/communications analyst at Alex. Brown & Sons, Incorporated.

Papers trim staffs, reorganize sections in tight economy

(Continued from Page 1)
be replaced "until things get better." Since November, the paper has cut eight full-time and six part-time jobs, about half of them in May. Cronin said he also has trimmed the daily section by about two columns a week and is looking to trim the Sunday business section.

■ At the Inquirer in Philadelphia, business editor Craig Stock said advertising linage, particularly real estate, autos, and help wanted, is off. His 19-reporter staff is down by one and the business section last year "did take a small hit...If we're not in a recession, we're damn close to it," Stock said.

■ At the Record in Hackensack, N.J., business editor Daniel J. Shea said there has been some shrinkage in the news hole, particularly in real estate where advertising is off by about 20 percent. He has four vacancies on his staff of 20, and two will be filled "right away, the other two at some future date," Shea said.

A management committee now reviews every vacancy at the paper and decides whether the position is critical in getting the paper out.

■ At the Courant in Hartford, Conn., business editor Louis Golden, with a 17-person staff, said there has been "a general tightening in terms of budget and the news hole."

Golden said a year-round business intern position has been discontinued, some discretionary travel has been cut and there is some more reliance on wire services to avoid duplicated effort. "Obviously, we are writing tighter and generally shorter stories," he said.

■ At the Patriot Ledger in Quincy, Mass., the paper had its first layoffs in its 153-year history when it cut two full-time and three part-time jobs. It previously had cut all departmental budgets, including business news, and imposed tight restrictions on travel and overtime.

The advertising picture, said classified ad manager Linda Quintiliani, "is the worst I've ever seen in my 17 years here" — even worse, she said than the 1981-1982 national recession.

■ At the Record-Journal, in Meriden, Conn., publisher Eliot C. White said editorial space has been trimmed by 5 percent. The Monday business page is one of the casualties. In the face of a 25 percent decrease in advertising, the paper also has cut 4 1/2 jobs — two in editorial and two in graphics. The one business reporter is not affected, White said.

■ At the Daily Record in Morris County, N.J., former business editor Eric Chabrow said he recently was named "topics editor" to head a staff formed by merging the feature and business sections. Though the business section will still be continued, he said, a business writer could also be writing about weekend entertainment or food.

"Our focus will be less on corporate finance and more on personal finance and on the business entrepreneur — things that interest the general reader," Chabrow said. "I don't see the serious investor turning to us for corporate news."

Executives at the Daily Record would not comment on a report by its competitor, the Record in Hackensack, that the Daily Record had been hit by a 40 percent drop in advertising revenue and had laid off 34 workers, eight of them from editorial departments.

The New England Newspaper Association's NENA Bulletin over the last two months also reported layoffs at several Massachusetts newspapers including the Enterprise in Brockton, the Middlesex News in Framingham and the Salem Evening News.

"The rolling recession has hit the Northeast and it was bound to catch up to the publishing industry," said Hugh Johnson, chief analyst at First Albany Corp., an upstate New York regional brokerage firm.

"Generally, the diversity in the Northeast has been able to help it withstand the downturn," Johnson said, "but it is an unfortunate situation now because all three of the principal industries — hi-tech, defense and financial services —are each having their own recessions.

"And the leveraged buyouts in the retail industry have decimated a lot of good companies that spent a lot of money advertising...The cash flow has been redirected from advertising to debt service."

Reacting to the economic slowdown

■ "Layoffs were something our members only used to cover — it is hard for us to accept that we are not immune to the economic problems of the area." Eagle News Association, an in-house union at Berkshire Eagle, Pittsfield, Mass.

■ "If we're not in a recession, we're damn close to it." Craig Stock, Philadelphia Inquirer.

■ The advertising picture "is the worst I've ever seen in my 17 years here" — even worse than the 1981-1982 national recession. Linda Quintiliani, Patriot Ledger, Quincy, Mass.

■ "In the last 18 months, I've had my budget cut three times." Steven Bailey, Boston Globe.

Robert Coen, director of forecasting at Interpublic Group's McCann-Erickson unit in New York, said, "New England is in a recession and...it will be a while, probably at least a year, before it comes out."

Although Coen was encouraged by major advertising budget increases of 15 percent to 18 percent in the food and drug industries, he said advertising budgets in automobiles, computers and cigarettes were expected to be down from previous years.

When Coen met with a group of analysts in New York in June, he revised his earlier 1990 forecast for increased ad spending downward to 5.3 percent from 6.2 percent.

In July, Coen told The Business Journalist, "I think things have gotten even more sluggish. In Boston, because of higher costs, if ad revenues are not up 4 to 5 percent, it is a recession."

At the Boston Globe, business editor Steven Bailey said, "In the last 18 months, I've had my budget cut three times."

Bailey said the paper's Tuesday Business Extra has been trimmed back to "about 58 columns from 64 columns" of editorial space and that Sunday editions are a little tighter.

The paper is not hiring except to fill critical positions but Bailey is bringing one of his off-staff columnists on staff to give him a full complement of 31.

"It's important to recognize that we are in a slowdown," he said, "but the readers expect to have the quality maintained. They're still paying the full price."

Despite the cutbacks, Bailey said, the Globe, is going to expand its Sunday section after Labor Day, adding the new columnist plus some extra space for an "Inside Business" feature and for mutual fund coverage.

"Our ad linage is down, like most papers in the Northeast," Bailey said, "but I think we've recognized that it's a good time to expand because of all the interest out there. And we're getting some backing because there's a realization that there is a revenue potential in the business section even during a downturn."

But the additions are not without cost, he said, noting that there have been severe restrictions on all travel and freelance work.

"The staff is doing more," Bailey said, "and we're also starting to use some more of the wires."

Other editors cited their own adjustments.

Shea, at the Record, said, "There's more cooperation among departments — for instance, say metro and business — in trading stories back and forth.

"There's been a large falloff in advertising but I think we're still doing well by industry standards. The ad picture here is not really as bad as in Massachusetts. We're in a very competitive banking market and they need to advertise."

At Providence, Phipps pointed out that the loss of space in the section may be offset by the number of business stories going onto page one of the paper.

"The stories on bank earnings — or the lack thereof — and the turmoil in the defense industry, retailing and the record number of bankruptcies are now getting on page one because there's so much more interest," Phipps said.

In Western Pennsylvania, Steven Czetli, executive business editor at the Pittsburgh Press, said he was well aware of the problems throughout the Northeast but that he saw few signs of a real crunch in his area.

"Maybe it's because we've gone through this earlier a few years back when the bottom fell out in Pittsburgh and forced diversification and made us more resilient," Czetli said.

Dick Papiernik is executive business editor of the Albany Times Union.

CRA ratings

These are definitions for ratings that measure a financial institution's CRA compliance:

Outstanding
A history of meeting community credit needs through aggressively marketing special credit services and tracking distribution of loans; a leadership role in economic growth; directors and managers who are involved in community activities; good documentation of lending practices; explicit training of employees.

Satisfactory
Special lending needs are considered but are not an integral part of the planning process; CRA documentation and monitoring is adequate; directors and managers occasionally are involved in the community. Overall program supports community reinvestment activities, but is not comprehensive.

Needs to Improve
Little affirmative outreach; lending needs are met with existing products; lending pattern adversely affects low- and moderate-income families; failure to comply with major provisions of anti-discrimination laws; CRA documentation and training insufficient, poor record of loan approval in minority neighborhoods.

Substantial noncompliance
Community needs not considered in lending; restrictive credit practices in low- and moderate-income neighborhoods; ignorance of special credit needs; no documentation of loan history; lack of involvement by management in community affairs; no promotion of community revitalization.

CRA change draws some complaints

(Continued from Page 1)
ployees or bank officers who have provided information to regulators and statements the examining agency decides are "too sensitive or speculative in nature," according to the amendment.

Bankers have been directed to include in the written evaluation records information on how they serve housing credit needs of low- and moderate-income families, small businesses, farmers and rural economic development. Also, lenders are expected to list charitable contributions, the time spent by bank management in community organizations and steps taken to meet special credit needs.

The first public disclosure of CRA rankings should be available by Sept. 15, said Kelly Walsh, community affairs officer with the Federal Reserve Bank of San Francisco. Institutions must make their ranking public within 30 business days of receiving examination results from regulators, she said.

Banks and thrifts are required to post in the lobby of their headquarters and in at least one office in each community they serve a notice which states that their CRA ranking and description are available, Walsh said.

The tougher rules have not been embraced by all bankers, who perceive increased lending in high-risk areas as a losing proposition. Plus, the increased attention means more staff time on paperwork. For small banks, it could prove to be an adminstrative nightmare.

"The services they want us to provide are loss services," said Citibank Arizona chairman Mike Welborn. "In the morning, regulators are telling us that CRA issues are very important, yet in the afternoon they're saying that safety and soundness is important."

Fran Dios-Schroeder, who heads CRA compliance for Valley National Bank of Arizona, said the amendment put teeth into the 1977 act, and consumers will profit from it.

"How can 95 percent of all the banks in the country receive the equivalent of a satisfactory or better rating when statistically we know it's not supported?" asked Dios-Schroeder.

Since the amendment was passed, several large banks have announced lofty CRA goals.

Security Pacific Corp. said it will set aside $2.4 billion over the next 10 years to support low- and moderate-income housing and minority-owned businesses.

Wells Fargo Bank, whose 1987 purchase of Crocker National Bank was delayed until housing activists extracted a promise of $41 million in low-cost financing for community projects from the bank, has set a goal of $1 billion in new CRA lending through 1996.

Marian Lucas covers banks, brain-dead S&Ls and the RTC for the Phoenix Gazette.

S&L mess will offer reporters a variety of stories

(Continued from Page 1)

FSLIC was replaced by the Savings Association Insurance Fund (SAIF), which is administered by the Federal Deposit Insurance Corp. The new Bank Insurance Fund (BIF) also is supervised by the FDIC, the nation's chief banking regulator.

The Resolution Trust Corp. was established as a temporary agency and is supposed to complete its job by Dec. 31, 1996. An RTC Oversight Board develops policies but the FDIC has ultimate responsiblity for the RTC.

The funding mechanism set up to finance the work of the RTC is Resolution Funding Corp., or Refcorp, which has raised money by selling 30- and 40-year bonds.

In addition to the four regional RTC offices, 14 consolidated offices were set up throughout the country, where their staffs handle the sale of RTC assets and award management contracts.

The only official vehicle for public comment to the RTC is through six regional advisory boards. Terms of FIRREA required that the RTC Oversight Board establish the committees to advise the agency on ways to dispose of assets.

In April, an RTC reading room opened at 801 17th St., N.W., Washington, D.C. Public documents are available at the location, and Freedom of Information Act requests are handled through this office.

Documents such as major contracts, congressional testimony, comment letters, bids for savings and loans sold by the RTC, bid packages, regulations and policy statements are generally available.

They may be requested in person, by mail or by telephone. Telephone numbers are 202-416-6940 and 202-416-7358. Written requests should be sent to the RTC Reading Room, 550 17th St., N.W., Washington, D.C. 20429.

Quarterly reports routinely released by the FHLBB now are handled by the OTS for solvent savings associations and by the RTC for failed thrifts.

As for the new story possibilities, the web of blame for the fiasco grows wider with Congress, the Bush administration, high-flying thrift executives and failed associations' directors all coming under attack for causing, contributing to or profiting from what is being called the greatest regulatory lapse of the century.

Naturally, that spells opportunity for reporters covering banking and finance. But it also provides fodder for reporters whose beats follow politicians, courts, the economy, real estate and home building.

The thrift scandal, viewed as political dynamite by Republicans and Democrats alike, is emerging as an issue in this fall's congressional races and likely will be rekindled in 1992. Voting records on thrift deregulation issues and the origin of campaign contributions are starting points for uncovering whether an incumbent is waffling on the issue.

With no less than five federal agencies investigating fraud in failed institutions, lawsuits to recover misspent funds from 1,300 banks and thrifts are being considered. In addition to the civil and criminal suits expected to be filed across the country, the escalating cost of attorneys' fees has become a story.

Taxpayers who live in cities where few institutions have failed still should not be forgotten. Economists recently predicted a transfer of wealth to states with the bulk of the country's sick savings and loans, provoking resentment among those who must pay a disproportionate share of the bill. Experts say the solution to the thrift crisis will affect the way regional economies develop.

The real scandal may come when the RTC tries to unload the more than 34,000 properties it lists in its latest inventory. Already, charges of favoritism in the sale of assets and awarding management contracts have been leveled at the RTC. Realtors and land brokers are watching for signs that the agency is dumping real estate holdings in already-depressed markets.

New rules passed under FIRREA that limit how much one institution may loan to a single borrower have provoked anger from homebuilders used to cosy relationships with local savings and loans. While there are signs that the Office of Thrift Supervision might relax the standards, in the meantime the homebuilding industry has said the strict guidelines will hamper development and the sale of new homes.

How to reach S&L regulators

Resolution Trust Corp.

National office
Washington, D.C.202-416-6900
Executive director — David Cooke
Division directors: Lamar Kelly Jr., asset and real estate management; William Roelle, resolutions and operations; Elisabeth Spector, finance and administration; Rex Veal, legal and special counsel

Washington, D.C. press office
202-416-7566
Steve Katsanos, chief communications officer: Nancy Schertzing, Kate Spears, Terry Williams

RTC Oversight Board press office
202-786-9672
Diane Casey, Felisa Neuringer

Regional office press contacts
Eastern — Atlanta, 404-522-1145, Andrea Plattor
Central — Kansas City, 816-531-2212, Vacant
Southwestern — Dallas, 214-953-2398, Theresa McUsic
Western — Denver, 303-291-5747, Kevin Shields

Office of Thrift Supervision
(formerly Federal Home Loan Bank Board)
Washington, D.C. press office
202-906-6677
Bill Fulwider, chief communications officer; Paul Lockwood, Tom Mason, Janis Smith, Marc Adams, Gwendolyn Gregg

Federal Deposit Insurance Corp.
Washington, D.C. press office
202-898-6996
Alan Whitney, vice president of corporate communications; Caryl Austrian, David Barr, Jay Rosenstein

Jobs wanted

(Continued from Page 3)

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To contact journalists seeking positions, call the administrative offices and we will put job-seekers in touch with you.

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