

ABSTRACT

Title of Document: 'A REPORTER'S PAPER': THE NATIONAL THRIFT NEWS, JOURNALISTIC AUTONOMY AND THE SAVINGS AND LOAN CRISIS

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Business journalism comes under persistent criticism for serving its historic readership of brokers and business people while lacking sufficient autonomy and failing to sufficiently question or challenge powerful corporate and economic interests. This is a dominant theme in media criticism of the savings and loan crisis and 2008 financial crisis. Against this backdrop, this dissertation asks: Is this critique valid, and if so, how can business journalism improve? To engage these questions, this dissertation examines the question of autonomy in business journalism in an unlikely place: the trade press. The

central case study is coverage of the savings and loan crisis by the *National Thrift News*, a small financial services newspaper that won a George Polk award for its reporting in 1988. How could a small trade newspaper succeed in some instances when larger news organizations failed to connect the dots? The *National Thrift News* created a newsroom environment that celebrated reporter autonomy and independence. In some cases, it used its insider knowledge and consistent beat reporting to serve both its core readers and the broader society by uncovering savings and loan corruption.

This study will highlight a long-running debate among theorists of journalistic professionalism by arguing that the commercial and advertising model in journalism does not inevitably compromise journalistic independence but rather can help pave a way forward for a more independent press. It therefore challenges the political economy critique of journalism, which holds that external forces such as capitalism harm press independence. This case suggests journalistic independence and individual agency remain powerful forces in newsrooms. Lastly, the dissertation argues that in an era of media downsizing, the trade press can perform an even more useful watchdog role over industry if the mainstream news media acknowledges and pursues some of the innovative trade reporting.

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AND THE SAVINGS AND LOAN CRISIS

By

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Dedication

To my parents, Jack and Virginia Wells, who always supported my adventures, in journalism and beyond.

Acknowledgements

My wife, Deborah St. Coeur, deserves special recognition for standing with me on this risky journey. At age 50, I left a prominent journalism job to return to college and pursue a new career in teaching and academia. She never doubted it was the right thing to do. I also wish to thank my family, particularly my sisters Sue Carson and her husband Charlie; Nancy Kniesche and her husband Skip; my brother Jim Wells and his wife Dottie.

The path to this dissertation began with a question from one of my students, Cassie Cope, at the University of South Carolina. I was lecturing about the media's shortfall in covering the 2008 financial crisis, and Ms. Cope asked, why? I fumbled around, trying to distill the answer and realized later I needed to write in depth about media failure and business journalism. After all, as a reporter and writer in Washington, I was responsible for part of that media failure. I wanted to be part of the solution.

As I explored this question, Kathy Forde and Carol Pardun at the University of South Carolina encouraged me to pursue a doctoral degree, which seemed so incredibly foreign at the time, particularly since I had yet to even begin my master's studies at St. John's College in Annapolis. They have remained by supporters throughout this entire process. At St. John's, Lise van Boxel and Jeff Black were among those who set very hard high standards of scholarship and pushed me hard. That rigor served me well when I arrived at the University of Maryland, and met Sarah Oates, the director of graduate studies, who very quickly became a strong supporter of my project. Dr. Oates is a fine editor, an outstanding scholar, and a terrific human being. Kalyani Chadha helped me as I continued studying philosophy and theory. David Sicilia's expertise in business and economic history has been central to this entire project. Mark Feldstein was a natural ally in the Merrill College. This dissertation began as a class paper in his journalism history seminar in the fall of 2014. Ira Chinoy helped not only on this project but also helped build my skills as a college instructor. He made business journalism a priority in the Merrill College curriculum. Lucy Dalglish, the Merrill College dean, supported my application to the doctoral program and allowed me to teach my business journalism

course to fulfill my graduate assistantship. I am humbled by her support throughout this process. My fellow doctoral students Pallavi Guha and James Gachau were essential in this process, reviewing drafts and helping me work many issues.

During my research, I enjoyed meeting the former members of the *National Thrift News*, and wish to thank Mary Fricker for her early encouragement. Paul Muolo provided his personal records and was patient with the hours on the phone discussing his time with Stan Strachan. Hillary Wilson, Strachan's daughter, generously opened her home and her father's personal files to me. She believes in quality journalism and thinks her father's story deserves a wider audience.

So do I.

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Ch. 1: Introduction

Many accounts of the savings and loan crisis news coverage sharply criticized the press for failing to grasp the economic, political, and social consequences of growing bank failures in Texas, Florida, California, Arizona and elsewhere.¹ These critics faulted the business press for failing to assert its independence or stand up to powerful institutions in society, such as banks, government regulators, and multinational corporations. While this criticism has been contested,² it raises fundamental questions about the role of business journalism in society and its service to the general public. Embedded in this criticism is the expectation that business journalism must do more than serve its historic readership of brokers and businessmen.

This dissertation examines this criticism by focusing on one of business journalism's unlikely success stories: a small mortgage trade industry newspaper, the *National Thrift News*. This little-known financial newspaper, with a peak circulation of 15,863,³ performed several remarkable acts of journalism in the 1980s, including being

¹ Sparrow, Bartholomew H., *Uncertain Guardians*. (Baltimore: Johns Hopkins University Press, 1999); Dealy, Francis X., *The Power and the Money: Inside the Wall Street Journal*. (Secaucus, N.J.: Carol Pub. Group, 1993); Kurtz, Howard. *Media Circus*. (New York: Times Books, 1993); McChesney, Robert. "The Problem of Journalism: A Political Economic Contribution to an Explanation of the Crisis in Contemporary US Journalism." *Journalism Studies* 4, no. 3 (2003): 299–329; Starkman, Dean, *The Watchdog That Didn't Bark: The Financial Crisis and the Disappearance of Investigative Journalism*. (New York: Columbia Journalism Review Books, 2014).

² Roush, Chris. "Unheeded Warnings." *American Journalism Review*, January 2009. <http://www.ajr.org/article.asp?id=4668>; Blinder, Alan. *After The Music Stopped*. (New York: Penguin Books, 2013).

³ Peak circulation was in 1985. Standard Rate & Data Service. "SRDS Business Publication Advertising Source," 1995. <http://www.srds.com>.

the first to report the Keating Five scandal in the savings and loan crisis.⁴ This was one of the iconic money and politics scandals of the 1980s. It involved five U.S. senators who took up the case of a wealthy campaign contributor, Charles Keating, and pressured federal banking regulators to ease enforcement of Keating's troubled Lincoln Savings and Loan. The *National Thrift News* broke the Keating story far ahead of the competition, and for two years newspapers and television stations largely ignored this groundbreaking story, one of the key developments in a financial scandal that cost U.S. taxpayers \$125 billion to clean up. This dissertation focuses on the work of the *National Thrift News* and its editor and co-owner, Stan Strachan, but it places this work in the broader context of the problems and evolution of business journalism in this era. The *National Thrift News* is a worthy subject for study since this small newspaper excelled not only within the genre of trade journalism, but also within the broader field of journalism. For example, it won a George Polk Award for financial reporting in 1988 for its coverage of the savings and loan crisis. The close study of Strachan and his newspaper serve as a departure for a broader analysis of excellence in business journalism, through leadership, company ownership, and newsroom culture.

One theme in this dissertation involves the news media's power — how journalists use it and how the business community and the government can curtail it. The power of journalism is examined here through a core normative theory, examining the press as a “watchdog” or independent overseer of government and similar powerful

⁴ Ross, James. “When Trades Lead The Pack.” *Columbia Journalism Review*, November 1990.

institutions such as large corporations.⁵ These concepts originate from British philosopher and statesman Edmund Burke and former president James Madison and have been developed and discussed over America's history.⁶ The *National Thrift News*' reporting also is examined through this theory as well as the political economy theory, which holds that powerful forces in capitalism, such as large banks and influential advertisers, weaken the news media's independent oversight role. Scholars have faulted business journalism for being overly reliant on corporate public relations officials,⁷ as well as for adopting the viewpoints of government and corporate officials.⁸ This study of the *National Thrift News* puts all these issues of compromised autonomy in stark contrast. This small newspaper was economically reliant on the industry it covered. Its main sources of information came from savings and loan officials and regulators. Its editor was an industry insider. Despite all of this, the political economy theory failed to account for the behavior of the *National Thrift News* and this is a central question examined in the theory chapter. The newspaper conducted investigative reporting on the savings and loan crisis, which criticized powerful industry players and advertisers. This dissertation will

⁵ Siebert, Fred Seaton, *Four Theories of the Press: The Authoritarian, Libertarian, Social Responsibility, and Soviet Communist Concepts of What the Press Should Be and Do*. (Champaign, Ill.: University of Illinois Press, 1956).

⁶ For Burke, see Schultz, Julianne, *Reviving the Fourth Estate: Democracy, Accountability and the Media*. (Cambridge: Cambridge University Press, 1998); Madison, James. "The Writings of James Madison." (Chicago: The University of Chicago Press, 1900).

⁷ Kalogeropoulos, Antonis, Helle Mølgaard Svensson, Arjen van Dalen, Claes de Vreese, and Erik Albæk. "Are Watchdogs Doing Their Business? Media Coverage of Economic News." *Journalism*, November 3, 2014; Manning, Paul. "Financial Journalism, News Sources and the Banking Crisis." *Journalism* 14, no. 2 (2012): 173–89.

⁸ Doyle, Gillian. "Financial News Journalism, A Post-Enron Analysis of Approaches towards Economic and Financial News Production in the UK." *Journalism* 7, no. 4 (November 1, 2006): 433–52.; Schiffrin, Anya, ed., *Bad News: How America's Business Press Missed the Story of the Century* (New York: The New Press, 2011); Starkman. *The Watchdog That Didn't Bark*, 2014; Manning, Paul. "Financial Journalism, News Sources and the Banking Crisis." 2012.

argue the *National Thrift News* did so because of a combination of institutional factors and the power of individual agency, supported by journalistic professional ideals and norms. In other words, journalistic autonomy and the watchdog ethos proved to be powerful forces in the *National Thrift News* culture. Simply put, it was “a reporter’s paper,” one where journalists can set the news agenda rather than the industry. That identity speaks to the importance of individual agency in the organization. Numerous former *National Thrift News* editors and reporters were interviewed for this dissertation, but it is not an in-depth anthropological examination of the newsroom culture. Instead, this dissertation explores individual agency through two case studies in order to make more generalizable claims about reporter autonomy.

Critics contend the political economy theory’s emphasis on the influence of capitalism is overly deterministic. As a result, it fails to account for role of individual agency. This is where the dissertation contributes to a long-running debate in communications theory about commercialism and its influence on journalistic autonomy. Did the commercial turn in nineteenth century journalism compromise journalistic independence⁹ or pave a way forward for a more professional and independent press?¹⁰ This dissertation will argue that journalistic norms such as impartiality and independence remain powerful forces in newsrooms. The newspaper’s coverage of the Keating Five and CenTrust cases, described in subsequent chapters, speaks to the enduring power of

⁹ McChesney. “The Problem of Journalism” 2003; Herman and Chomsky. *Manufacturing Consent*, 1988; Bagdikian, Ben H., *The New Media Monopoly: A Completely Revised and Updated Edition With Seven New Chapters* (Beacon Press, 2004); Philo, Greg, *Seeing and Believing: The Influence of Television*, (London; New York: Routledge, 1990).

¹⁰ Schudson, Michael, *The Sociology of News*, (New York: W.W. Norton, 2011); Hallin, Daniel C. “Commercialism and Professionalism in the American News Media.” In *Mass Media and Society*, edited by James Curran and Michael Gurevitch, 3rd ed., 218–37. London: Arnold, 2000.

the journalist's occupational ideology that can, in many cases, significantly challenge commercial influences over news production.¹¹ The *National Thrift News* succeeded, based on this research, because publisher and editor Stan Strachan gave his reporters significant autonomy to pursue stories while Strachan also upheld journalistic ideals of watchdog reporting and professional ethical norms of journalistic independence. Mark Fogarty, the former *National Thrift News* editor who worked with Strachan for 13 years, recalled, “We would piss people off, with the kind of brand of journalism that we had. Sometimes people thought that we were a trade newspaper and that we kind of belonged to the industry. And you know, we didn't. We were quite independent.”¹² One senior government official shared that view. Eugene Carlson, former communications director for the Office of Federal Housing Enterprise Oversight, wrote after Strachan’s death:

It is one thing for a well-heeled television network, general circulation magazine, or big city newspaper to broadcast or publish a story that might offend an advertiser... It is quite another matter for a relatively small trade newspaper to relentlessly and aggressively cover the industry whose advertising dollars comprise its very lifeblood. But that's exactly the no-holds barred approach that Stan and his crew of reporters brought to their coverage of the mortgage industry.¹³

¹¹ Hallin, “Commercialism and Professionalism in the American News Media,” 2000; Schudson, Michael. “The Objectivity Norm in American Journalism*,” *Journalism* 2, no. 2 (August 1, 2001): 149–70; Breed, “Social Control in the Newsroom: A Functional Analysis,” *Social Forces* 33, no. 4, May 1955, 326–35; Waisbord, Silvio, *Reinventing Professionalism*, (Cambridge: Polity Press, 2013).

¹² Fogarty became editor after Strachan’s death in 1997. Fogarty, Mark. Interview with Mark Fogarty, October 24, 2014.

¹³ Carlson, Eugene, “An Industry Remembers Stan Strachan,” *National Mortgage News*, January 20, 1997.

As industry insiders, *National Thrift News* reporters gathered information from business executives in order to write critically about abuses in the field. Reporting on Charles Keating, for example, was a significant challenge given his tendency to file lawsuits against any perceived adversary, competitors, regulators, or the press. Keating at one point had retained 77 law firms and, by 1987, had spent \$50 million fighting regulators.¹⁴ One example, a case that tested Strachan's journalistic independence, was his relationship with the chief executive Miami-based CenTrust Bank David Paul. Media accounts painted Paul as an iconic figure of 1980s greed and excess. *St. Petersburg Times* reported when Paul was convicted of fraud in 1993:

Paul's lifestyle was seen as a symbol of the 1980s. He entertained Elizabeth Taylor on his yacht, gave to Democratic Party candidates and causes, jetted to Cannes to relax and surrounded himself with millions of dollars worth of Old Masters paintings, Oriental rugs, and Baccarat crystal. His income tax forms for the last five years of the '80s listed \$17 million in income, but he estimated his net worth last year at minus \$1.7-million. Joking or not, Paul listed his occupation on his 1990 tax return as "defendant."¹⁵

The *American Banker*, writing as the major savings and loan prosecutions concluded in 1995, reported: " 'This was south Florida's most notorious white collar criminal,' said Cheryl Bell, the financial crimes coordinator in the Miami U.S. attorney's office. 'It's safe to say that there is no greater S&L crook on the East Coast than Paul.

¹⁴ Jackson, Brooks, "Sleeping Watchdog: How Regulatory Error Led to the Disaster At Lincoln Savings--- Charles Keating Had History Of Alleged Abuse but Still Was Allowed to Run S&L --- Five Senators in His Camp," *The Wall Street Journal*, November 20, 1989.

¹⁵ n/a, "Former CenTrust Chief Paul Convicted," *St. Petersburg Times*, November 25, 1993.

You have Keating (Charles H. Keating, former president of Lincoln Savings and Loan) on the West Coast and Paul on the East.’”¹⁶

Strachan's reporters discovered unflattering accounts of Paul and his management of CenTrust and Strachan printed those stories. Paul was sentenced to 11 years in prison and ordered to pay \$65 million in restitution, slightly less than the punishment for Keating, who was sentenced to a 12-year prison term and assessed \$122 million. The collapse of Paul's CenTrust cost taxpayers an estimated \$1.7 billion. The CenTrust study also revealed the gaps and shortfalls of the *National Thrift News* coverage. It was late in reporting some important stories, such as a pivotal settlement between Keating and federal regulators in 1988 and behind the competition in reporting on Keating's efforts to sell Lincoln Savings. While my research finds much to commend for the newspaper's coverage, I do not regard Strachan as a “great man” in journalism history. Former employees praised Strachan as a journalist and a human being, but they would agree with Muolo's assessment that Strachan was simply doing his job as a professional journalist. Muolo observed, “He didn't launch *National Thrift News* to be a crusading journalist. He launched it to be a good journalist.”¹⁷

The dissertation makes an additional contribution to the field of journalism studies with an extensive discussion of the normative and historical origins of business journalism and the trade press,¹⁸ or publications designed to serve business readers.

¹⁶ Rhoads, Christopher, “Prosecutions of '80s S&L Figures Winding Down,” *The American Banker*, January 10, 1995.

¹⁷ Muolo, Paul, Second Interview with Paul Muolo, December 8, 2014.

¹⁸ Quirt, John, *The Press and the World of Money: How the News Media Cover Business and Finance, Panic and Prosperity, and the Pursuit of the American Dream*, Byron, Calif.: Anton/California-Courier, 1993; Galbraith, John Kenneth, *The Great Crash, 1929*, Boston: Houghton Mifflin, 1972; Parsons, Wayne, *The Power of the Financial Press*, New Brunswick, NJ: Rutgers University Press, 1990); Endres, *The*

Fürsich, in a review of over 25 years of journalism research, called business journalism one of the areas least investigated by communication scholars.¹⁹ Yet business journalism, particularly the trade press, is a rich area for journalism scholars. Consider that a trade publication, *Gleanings in Bee Culture*, was first to report on the Wright Brothers' flight in 1904.²⁰ Very little research has been conducted about financial trade publications and their role in the savings and loan crisis. This finding was especially surprising given the size of this trade press genre. These niche publications collectively make up one of the largest and most influential segments of the American media industry. By one measure, the U.S. trade press in 2013 brought in \$15.4 billion in print, digital, and data revenue, up 3% from the year earlier.²¹ Trade press revenues were about one-quarter of the \$63 billion in U.S. news industry revenues, according to a 2014 Pew estimate.²² On this theme, Endres wrote:

Trade, Industrial and Professional Periodicals of the United States, 1994; " Laib, Janet. "The Trade Press." *Public Opinion Quarterly* 19, no. 1 (1955): 31–44; Fursich, Elfriede, "Nation, Capitalism, Myth: Covering News of Economic Globalization," *Journalism & Mass Communication Quarterly* 79, no. 2 (2002): 353–73.

¹⁹ Fursich, Elfriede, "Nation, Capitalism, Myth: Covering News of Economic Globalization," *Journalism & Mass Communication Quarterly* 79, no. 2 (2002): 353–73. Fursich writes, "Despite the prominence of financial reporting, the genre seems to be one of the least investigated by communication scholars. A search of the last twenty-five years of US. media research found only a few studies investigating financial reporting."

²⁰ n/a, "The First Reporter: 'Dear Friends, I Have a Wonderful Story to Tell You...'" *NOVA - Science Programming on Air and Online*, September 2003. <http://www.pbs.org/wgbh/nova/wright/reporter.html> Thanks to Doug Cumming, Washington and Lee University, for this tip.

²¹ Data are from the Association of Business Information & Media Companies, a trade association for the business-to-business and media information industry. See: n/a, "Digital Ads Continue to Drive Industry Growth," The Association of Business Information & Media Companies, April 9, 2014, <http://www.abmassociation.com/News/3288/Digital-ads-continu>.

²² Holcomb, Jesse, and Amy Mitchell, "The Revenue Picture for American Journalism and How It Is Changing," *Pew Research Center's Journalism Project*, 2014. <http://www.journalism.org/2014/03/26/the-revenue-picture-for-american-journalism-and-how-it-is-changing/>.

It is unclear why the business press has not been studied as extensively as newspapers, broadcasting, advertising, public relations, or consumer magazines. It is older than many of these areas. It remains a lucrative branch of American journalism. It performs a service to the industries it covers.²³

Trade newspapers, after all, are the foundation of modern business journalism.²⁴

Business journalism in the U.S. has evolved over the past 240 years from narrow commodity "price current" newspapers in South Carolina and New York to multi-dimensional news outlets serving a general public such as *The Wall Street Journal*, *Bloomberg News*, and *Reuters*. The project will contribute to the journalistic literature by analyzing the normative foundations of the trade press, such as its intimate relationship with business, advocacy for capitalism, and will describe how those norms relate to contemporary criticism of business journalism. One important norm of trade publications involves educating industry officials to advance business growth.²⁵ Trade publications suffer from a history of undue influence of advertisers in the editorial process.²⁶ Trade

²³ Endres, Kathleen, "Research Review: The Specialized Business Press" 4, no. 2–4 (1994), <http://www.cios.org/EJCPUBLIC/004/2/004211.html>.

²⁴ Elfenbein, Julien, *Business Journalism*, Greenwood Press New York, 1969; Hollifield, C. Ann. "The Specialized Business Press and Industry-Related Political Communication: A Comparative Study," *Journalism & Mass Communication Quarterly* 74, no. 4 (1997): 757–72; Laib, Janet, "The Trade Press," *Public Opinion Quarterly* 19, no. 1 (1955): 31–44.

²⁵ Gussow, Don, *The New Business Journalism: An Insider's Look at the Workings of America's Business Press*, Harcourt Brace Jovanovich, 1984; Endres, Kathleen, ed. *The Trade, Industrial and Professional Periodicals of the United States*, Westport, CT: Greenwood Publishing Group, 1994.

²⁶ Hollifield, "The Specialized Business Press and Industry-Related Political Communication: A Comparative Study," 1997; Ross, James, "When Trades Lead The Pack," *Columbia Journalism Review*, November 1990; Gussow, *The New Business Journalism*, 1984.

and early business journalism were strong advocates of capitalism.²⁷ Business journalism also fulfills a central role in capitalist markets as a provider of information and prices.²⁸ Markets need business news to operate effectively. The trade press also helps form communities in the business world and serves as a mechanism to link these communities to the broader public.

Mainstream journalists have dismissed the trade press for failing to take a tough, watchdog stance in their reporting as well as for failing to frame their journalism in the broader context of society. The limited scholarship in this field shares this critical view.²⁹ Ross observed, "Trade publications have long been consigned to a netherworld somewhere between journalism and public relations."³⁰ Strachan was well aware of this reputation. "We were first in coverage of the disastrous collapse of the thrift industry. We pulled no punches in our reporting and played no favorites, actions that were considered unusual, if not unique, for a trade publication."³¹ While general business news publications (those that serve both consumers and business people such as *The Wall Street Journal* and *Fortune*) have evolved from the trade press, they face similar criticism. Intellectual capture and excessive reliance on sourcing on the industry or

²⁷ Steeples, Douglas, *Advocate for American Enterprise: William Buck Dana and the Commercial and Financial Chronicle, 1865-1910*, Greenwood Press, 2002; Starkman, *The Watchdog That Didn't Bark*, 2014; Roush, Chris, *Profits and Losses: Business Journalism and Its Role in Society*, Marion Street Press, 2006.

²⁸ Elfenbein, *Business Journalism*, 1969; Quirt, *The Press and the World of Money*, 1993

²⁹ Hollifield, "The Specialized Business Press," 1997; Laib, "The Trade Press," 1955.

³⁰ Ross, "When Trades Lead The Pack," 1990.

³¹ Strachan, Stanley, "Looking Back Over 20 Years," *National Mortgage News*, October 7, 1996.

businesses covered remain significant problems for general business journalism.³² These are reasons critics cite when asserting business journalists failed to uncover key warning signs about major financial crises. Yet, this has generally been asserted without a careful study of what the trade press actually did in these situations. As described in subsequent chapters, the *National Thrift News* went beyond the normative boundaries of trade journalism with its investigative journalism that served the public in significant ways. Another example involved the *National Thrift News* providing a platform for the reporting of a book, *Inside Job*, which was one of the first detailed accounts of the national scope of the savings and loan crisis and one of the main works documenting criminal activity in the industry.³³

Lastly, this dissertation will seek to place the *National Thrift News* in an important moment in the evolution of business journalism. The 1970s witnessed a surge in both trade and general business journalism as business people and general readers sought to understand trends such as rampant inflation or the decline in U.S. manufacturing dominance.³⁴ The *National Thrift News* epitomized this upswing in business journalism at this time. This dissertation breaks new ground by examining the financial trade press and its coverage of a major financial crisis. Trade journals, with their

³² Manning, “Financial Journalism, News Sources and the Banking Crisis,” 2012; Thompson, Peter A. “Invested Interests? Reflexivity, Representation and Reporting in Financial Markets,” *Journalism* 14, no. 2 (February 1, 2013): 208–27.

³³ Pizzo, Stephen, Mary Fricker, and Paul Muolo, *Inside Job*, New York: McGraw Hill, 1989.

³⁴ Judith Stein's *Pivotal Decade: How The United States Traded Factories for Finance in the Seventies* as well as Henry Kaufman's *On Money and Markets* were especially influential in setting the context for the upheaval in the U.S. economy and the growth of the U.S. bond and financial markets from the 1970s forward. See Stein, Judith, *Pivotal Decade: How the United States Traded Factories for Finance in the 1970s*, New Haven: Yale University Press, 2010; Kaufman, Henry, *On Money and Markets: A Wall Street Memoir*, New York: McGraw Hill, 2000.

detailed coverage of industries and access to decision makers, play an influential role in shaping coverage of mainstream media.³⁵ Yet the trade press has been both largely ignored by academic researchers and not given respect by mainstream journalists. This dissertation also hopes to highlight how autonomy and occupational ideology empower business journalists to undertake investigative projects and perform a watchdog function over markets and corporations. Insights gleaned from studying media coverage of the savings and loan crisis, especially one of its rare media success stories, could help a new generation of business journalists better serve the public.

The role of business journalism in society is not an abstract exercise; it a question is of vital public importance. Criticism of the media in the savings and loan crisis persists today as business journalists were accused of failing to warn the public and professional investors about the 2008 financial meltdown.³⁶ The 2008 financial crisis led to a number of business journalism studies exploring the media's coverage and its shortfalls.³⁷

Business journalism is playing a more important role for a modern society because regulators and other mechanisms are not protecting consumers' interests effectively.³⁸

Deregulation and financial innovation have caused significant market volatility since the

³⁵ Hollifield, "The Specialized Business Press and Industry-Related Political Communication: A Comparative Study," 1997

³⁶ Starkman, *The Watchdog That Didn't Bark*, 2014; Schifferes, Steve, and Richard Roberts, *The Media and Financial Crises: Comparative and Historical Perspectives*, London: Taylor and Francis, 2015.
<http://public.eblib.com/choice/publicfullrecord.aspx?p=1775338>; Schiffrin, *Bad News*, 2011; Stiglitz, Joseph E. *Freefall: America, Free Markets, and the Sinking of the World Economy*, New York: W.W. Norton & Co., 2010.

³⁷ Tett, Gillian, "Silos and Silences Why so Few People Spotted the Problems in Complex Credit and What That Implies for the Future," *Financial Stability Review* 15 (July 2010); Schechter, Danny, "Credit Crisis: How Did We Miss It?" *British Journalism Review* 20, no. 1 (March 1, 2009): 19–26; Schifferes and Roberts *The Media and Financial Crises*, 2015; Manning, "Financial Journalism, News Sources and the Banking Crisis," 2014.

³⁸ Stiglitz, *Freefall*, 2010

1980s.³⁹ Consumers face risks of losing money in declining markets, but there was another more significant shift involving the rules of the investment game. Deregulation and a neoliberal mindset have reduced the government's role and shifted the burden to individual consumers who have to make retirement and investment decisions without corporate or governmental support, subjecting them to the market's whims. This is a manifestation of the "ownership society," an outgrowth of neoliberal ideology advanced by economist Friedrich Hayek and perfected by Milton Friedman,⁴⁰ a worldview that firmly took hold in the 1980s with President Ronald Reagan. One example is the shift from defined benefit pension plans, where an employer contributes to a worker's retirement plan, to a defined contribution plan, such as a 401(k), where workers have to weight market risks for themselves.

This dissertation contributes to existing journalism scholarship by using the *National Thrift News* to examine questions of journalistic professionalism, autonomy, and independence that persist in business journalism.⁴¹ The dissertation will describe how consumers, average readers and regulators look to the news media to oversee the markets.

³⁹ Burgin, Angus, *The Great Persuasion: Reinventing Free Markets since the Great Depression*, Harvard University Press, 2012; Minsky, Hyman P, "The Financial Instability Hypothesis: A Restatement," in *Can "It" Happen Again?* New York: M.E. Sharpe Inc., 1982; Kaufman, *On Money and Markets*, 2000.

⁴⁰ Burgin, *The Great Persuasion*, 2012.

⁴¹ McChesney, "The Problem of Journalism" 2003; Bagdikian, *The New Media Monopoly*, 2004; Thompson, Peter A, "Market Manipulation? Applying the Propaganda Model to Financial Media Reporting," *Westminster Papers in Communication & Culture* 6, no. 2 (November 2009): 73–96; Manning, "Financial Journalism, News Sources and the Banking Crisis," 2012; Starkman, *The Watchdog That Didn't Bark*, 2014;

It seeks to build on an ongoing conversation about ways to improve business journalism and have it evolve and protect the public good.⁴²

Plan of the Dissertation

This dissertation has three general parts: theory, history, and content analysis. After an introductory chapter, Chapter 2 examines media theories of journalistic professionalism and its impact on journalistic independence and accountability reporting. The idea of the independent and autonomous journalist is central to journalistic professional identity. This literature will describe how journalists can maintain autonomy in the face of powerful interests, but also how they can fall short of this goal. To this end, the chapter considers the political economy theory and commercialism in journalism, which arose in the mid-nineteenth century. Commercialism brought new conflicts to journalism, with advertisers and other major businesses seeking to plant favorable stories or suppress critical articles. Yet other theorists viewed commercialism in a far more favorable light. They argue it helped secure financial independence for newspapers and cleared the way for a more independent press. This debate over commercialism is urgent in business journalism, which has a legacy of being cozy with advertisers. Equally concerning, however, is the persistent criticism that the news agenda of business journalism is shaped by market and business experts. Even though journalism is supposed to be independent of established elites, business journalists rely heavily on economists, corporate leaders, and senior government officials as news sources, and their capitalist-friendly worldview too often is reflected in news coverage.

⁴² Henriques, Diana, “What Journalists Should Be Doing About Business Coverage - But Aren’t,” *Harvard International Journal of Press/Politics* 5, no. 2 (Spring 2000): 118–21.

Chapter 3 will examine the normative origins of business journalism and will include an extensive discussion about the identity and definitions of business journalism. There is considerable confusion about how to distinguish between general-interest business news and news for trade or specialized audiences. This chapter will critique earlier attempts to define business journalism based on content, which fail to account for the hybrid nature of modern business journalism. It will embrace the more modern view of business journalism as a type of social construct, which aligns with contemporary definitions of journalism at large. To clarify these definitional issues, the chapter examines the origins of business journalism back to the sixteenth century “price current” publications for European commodity merchants and traders. From its very beginnings, business journalism has been an essential component of capitalism, and this tradition is carried on to this day in the trade press, the publications designed to serve businesses and assist with their evolution. The commercial conflicts described in the prior theory chapter come into sharp view in the trade press. Yet business journalism has evolved and now is attempting to serve a much broader audience of general readers.

Chapter 4 builds on the discussion of norms and will examine how modern journalism evolved in the twentieth century. Business journalism began to serve broader audiences after World War I as more individuals began investing in the stock markets. At the same time, corporations were changing. Companies were being run by a new managerial class, which needed more interpretive and analytical reporting on business issues. As the consumer society exploded after World War II, many readers began demanding news to help them navigate investment decisions. As business journalism spread to general interest media platforms such as mass distribution newspapers and

television, the conflicts inherent in the trade press - its reliance on official business sources and its relationship to the industry it covers - became more apparent. Business journalism faced new demands from its readers, but critics found it failed to serve as a watchdog over businesses and markets.

Chapter 4 also traces the evolution of major economic trends since the 1950s and summarizes the financial, regulatory, economic, technological, and cultural developments that led to the savings and loan crisis. The economic and regulatory causes were intertwined. The financial markets faced significant disruption due to the rise in technology and globalization, such as the U.S. decision to drop the gold standard for its currency. The regulatory framework for savings and loans was under intense challenge due to these economic challenges and a rise in neoliberal ideology, with its push for a smaller government and fewer regulations. The deregulatory trend helped feed the growing reckless business decisions by savings and loan executives. The chapter examines weakness in the general business journalism and its coverage of the savings and loan crisis, such as an inability to see a national crisis arising from events in Texas, Arizona, Florida, and California. The chapter concludes with a historical overview of the *National Thrift News*, including details of its business plan and a profile of Strachan's professional career.

Chapter 5 is a content analysis of media coverage of Charles Keating and Lincoln Savings, which examines the *National Thrift News*, *American Banker*, *The Wall Street Journal*, and *The New York Times* from 1986 through 1990. One key finding is the *National Thrift News* defied trade press norms in its savings and loan crisis coverage, particularly in the Keating Five reporting. This finding challenges behavior that otherwise

would be predicted by the political economy theory. In several ways, the *National Thrift News* delivered much better journalism about the savings and loan crisis than larger publications, such as *The Wall Street Journal* and *The New York Times*. Its reporting highlighted problems with regulation and warned about the expensive consequences to taxpayers. The *National Thrift News* did fall short in some aspects, however, and missed a few opportunities to better explain Keating's misdeeds to the public.

Chapter 6 is the second content analysis chapter and it focuses on media coverage of David L. Paul and his CenTrust Savings Bank in Miami. It includes a content analysis of the 516 articles between 1984 and 1993 of *National Thrift News*, *The New York Times*, *The Wall Street Journal*, *American Banker*, and the *St. Petersburg (Fla.) Times*. This case study examines the relationship between Strachan and Paul as well as the articles about CenTrust printed in the *National Thrift News*, and so it tests the narrative of Strachan's reputation for journalistic independence. The research finds *National Thrift News* carried adequate coverage of the CenTrust case since the newspaper discovered and reported on unflattering behavior about Paul. But the paper was not the first with key developments.

Chapter 7 concludes with a discussion of the *National Thrift News*' impact on the savings and loan coverage and its importance in the history of business journalism. The *National Thrift News* was both ignored and celebrated by the mainstream press. The newspaper's work on the Keating Five scandal gained little traction initially, yet after the collapse of the Charles Keating banking empire, media critics hailed the *National Thrift News* for its foresight. This episode shows the *National Thrift News* served a traditional trade press role as an insider channel of communication. One of the newspaper's greatest impacts on the savings and loan coverage was through its supporting role to the

journalists who wrote the bestselling book, *Inside Job*, authored by reporters writing for *National Thrift News*. The book drew critical acclaim for documenting the influence of organized crime in the savings and loan industry. The chapter concludes with a discussion of the urgency of business journalism and the need to improve business reporting skills.

Research Questions

This dissertation seeks to uncover the practices, values, and work methods of the *National Thrift News* and see what lessons it can provide to the broader journalism community. This dissertation will seek to explore the following research questions:

RQ 1: How did the *National Thrift News*' reporting on the savings and loan crisis differ from mainstream and general interest business publications?

This question examines the basic operations and newsroom management of the *National Thrift News* to understand how it was able to win the Polk award and scoop larger competitors on the Keating Five story. To examine these questions, the dissertation will include a case study of two episodes in the S&L crisis to explore the impact and contribution, if any, of the *National Thrift News* in the savings and loan media coverage. As described more fully in the methodology section, the research project will conduct a content analysis of the *National Thrift News* coverage of the Keating Five episode and compare it to coverage in *The Wall Street Journal*, *The New York Times*, and the *American Banker*. A second content analysis will involve the *National Thrift News* coverage of CenTrust and compare it to the *Times*, *Journal*, *American Banker*, and *St. Petersburg Times*, a major regional newspaper that closely covered CenTrust.

RQ 2: How did the *National Thrift News*' status as a trade publication help or hurt its reporting on the savings and loan crisis? How did the *National Thrift News*' reporting on the savings and loan crisis align with or defy standard norms of trade journalism?

Strachan's reputation as an industry expert and his friendships with senior industry officials allowed his reporters to gain access to people and events ahead of other journalists. This will examine how the *National Thrift News* used that access and insider knowledge to advance its reporting on the Keating Five, David Paul, CenTrust, and *Inside Job* projects. It will also examine how such stories either fit with, or departed, from trade press norms at the time.⁴³

RQ 3: What was the impact, if any, of the *National Thrift News*' reporting on the savings and loan crisis?

The impact of the *National Thrift News* appears mixed. Respected in the industry, the paper's achievements were largely ignored by the media. It broke the Keating influence peddling scandal story in 1987, two years ahead of the competition. The newspaper began to gain recognition for that story only from fellow mainstream journalists after Keating's savings and loan collapsed.⁴⁴

In examining these cases, the dissertation research project will also examine if there was any evidence of advertiser backlash or boycotts of the *National Thrift News* as a result of its reporting. One fundamental norm of journalism involves a publication's independence and autonomy from the subject covered. This tension is highlighted in

⁴³ See Chapter 2, What is Business Journalism and Chapter 4, History and Norms, for a discussion of trade press norms.

⁴⁴ *The New York Times* (Quinn, 1990), *Newsweek* (Martz, 1990), and *Columbia Journalism Review* (Ross, 1990) recognized the *National Thrift News* achievements.

trade journalism, where publications typically are reliant on a single industry as a source of advertising and subscription revenue and face criticism of compromising their journalism to advance commercial goals.

RQ 4: What does a critical, autonomous business press look like?

The Lincoln Savings and CenTrust case studies allow us to compare coverage of the savings and loan crisis and see where the newspapers succeeded and failed to provide readers with early warnings about the emerging problems at these thrifts. When did the newspapers provide valuable context about daily developments and when did they simply rely on the company's press release and their version of events? These case studies will provide empirical data to answer the broader question of how we get good journalism on business matters.

Methods and Research Strategy

This dissertation uses qualitative and quantitative content analysis to examine news media coverage of two major figures in the savings and loan crisis, Charles Keating and Lincoln Savings and Loan, and David Paul and CenTrust Savings Bank. Content analysis allows the exploration of rhetoric, narratives, discourses, images, norms, and customs in a wide variety of communications, including newspaper articles. Neuendorf described content analysis as "a systematic, objective, quantifiable analysis of message characteristics."⁴⁵ It can also be used for interpretative analysis, conversation analysis, critical analysis and normative analysis. Bernard Berleson, one of the giants of this field, described content analysis as an "objective, systematic and quantitative description of the

⁴⁵ Neuendorf, Kimberly A, *The Content Analysis Guidebook*, SAGE, 2002, 5.

manifest content of communication.”⁴⁶ It is useful for business journalism to analyze issues such as sourcing and story selection, inquiries that would help illuminate the complex relationship between business journalists and the businesses and markets they cover. In reviewing the manifest content, this dissertation also employs the historical method of mass communications research and a focus on evidence, interpretation, and narrative.⁴⁷ Additional insights were gained by employing the method of triangulation – analyzing the interviews against the articles, archival documents, historical record, and vice versa – to place events in proper context.

Primary sources included articles and editorials in the *National Thrift News* and interviews with 20 journalists, associates, and friends of the *National Thrift News* editor Stan Strachan. Strachan's daughter, Hillary Wilson, is his sole surviving relative and provided access to her family's records and photographs. Former associate editor Paul Muolo also provided access to some personal records. An extensive legal case file describing litigation over ownership of the *National Thrift News* provided early financial details of the newspaper and many operational details, such as the business plan and internal memoranda. Many standard sources of information for an institutional history, such as internal company records and memos, have either been lost or destroyed.⁴⁸ Other sources included video interviews and transcripts of Strachan, Muolo, and correspondent Stephen Pizzo discussing their work on national television or at academic seminars.

⁴⁶ Berelson, Bernard, *Content Analysis in Communication Research*, (New York: American Book-Stratford Press Inc., 1952).

⁴⁷ Startt, James D., and William David Sloan, *Historical Methods in Mass Communication*, (Vision Press, 2003); Lucht, Tracy L, “Sylvia Porter: Gender, Ambition, and Personal Finance Journalism, 1935-1975,” (Doctoral dissertation, 2007).

⁴⁸ Company memos and financial records from 1976-1979 survived as exhibits in litigation, *Rollo v. Glynn*, a lawsuit contesting ownership of the newspaper. This material is discussed in Ch. 2. “*Thomas Rollo v. John Glynn et al. 020079-1982*,” (New York State Supreme Court, August 11, 1982).

Transcripts from Strachan appearances on CNN, for example, were examined. The historical research relied heavily on numerous books about the era, the journalist interviews, as well as newspapers articles. Details of the content analysis structure, definitions, and typologies are in Appendix 1.

On the topic of newspapers, a brief discussion about the research into the *National Thrift News* is in order. *National Thrift News* changed its name twice: in June 1989, to *National Thrift and Mortgage News*, and in April 1990, to *National Mortgage News*, which is its current name. Strachan remained part owner and publisher the entire time. To eliminate confusion, I use the publication's original title, *National Thrift News*, throughout the entire dissertation. I encountered substantial logistical challenges gaining access to physical or microfilmed copies of the newspaper. Lexis-Nexis carries the *National Thrift News* from 1985 forward; the first nine years of publication are only on physical media. The New York Public Library is the sole owner in the public domain of the *National Thrift News* microfilm; no other public or university libraries in the United States or Canada list physical holdings of this publication. The New York Public Library would not provide microfilm to the University of Maryland via inter-library loan, and so I traveled to New York four separate times to read back issues and make copies.

SourceMedia Inc. is the publication's current owner and I am grateful to the editors of SourceMedia for generously granting me access to the bound editions of the newspaper in its New York offices in the summer of 2015. SourceMedia officials were unable to locate the business records of the *National Thrift News* prior to 1995. The company was sold twice since then. Strachan died in 1997 and the co-owners are deceased as well.

Ch. 2: Theoretical Foundation

This dissertation will make a contribution to journalism scholarship where there is scant literature on business journalism and the trade press, particularly on the issues of journalistic professionalism and reporting autonomy. The dissertation will illuminate a long-running debate on theories of journalistic autonomy and the media's oversight of governmental and business interests. It will examine a central normative theory about journalism, its role as an independent watchdog over government and powerful private interests. Edmund Burke in 1787 conceived of the press as a “Fourth Estate,” an idea later refined and advanced by former U.S. President James Madison.⁴⁹ This public service and oversight ideal is a foundational principle in the Society of Professional Journalists’ code of ethics in 1909.⁵⁰

There are, of course, many examples of the news media failing to live up to this ideal, and a prime example involved the media coverage of the savings and loan crisis.⁵¹ A 1993 federal commission that studied the savings and loan disaster, the National Commission on Financial Institution Reform, Recovery and Enforcement, said the news media’s weak coverage of the crisis did not serve the public. Commission member Elliott H. Levitas, a former U.S. Representative from Georgia, observed:

⁴⁹ For Burke, see Schultz, Julianne, *Reviving the Fourth Estate: Democracy, Accountability and the Media*, (Cambridge University Press, 1998); Madison, “The Writings of James Madison,” 1900.

⁵⁰ “SPJ Code of Ethics,” Society of Professional Journalists, Accessed September 24, 2014. <http://www.spj.org/ethicscode.asp>.

⁵¹ See Sparrow, *Uncertain Guardians*, 1999; McChesney, “The Problem of Journalism” 2003.

Nothing becomes an issue in Washington until made so by the news media. The collapse of the S&L industry was like a series of trees falling in the forest with no one to hear. The news media did not hear and made hardly a sound. Reporters now readily admit that they missed one of the biggest stories of the century. The story was missed because the news media have grown accustomed to being spoon-fed news.⁵²

Other top financial industry leaders voiced disappointment. The founder of Vanguard Group of mutual funds, John Bogel, in 1996 urged the financial news media to re-dedicate itself as an industry watchdog and to heighten its scrutiny of the mutual fund business. “A probing, thoughtful, activist press, combined with tough regulatory policies, can play a huge role in making a difference,” Bogel wrote.⁵³

One common explanation for this failure comes from the political economy theory tradition of media studies, which asserts that journalists lack the autonomy needed to challenge powerful corporate and economic interests.⁵⁴ Critics contend that newspaper publishers will weaken or suppress reporting that could otherwise anger companies and compel them to stop advertising in the newspaper.⁵⁵ These commercial pressures, critics

⁵² National Commission on Financial Institution Reform, Recovery and Enforcement, July 1993, 87

⁵³ Bogel, John, “Vanguard Chairman Urges Mutual Fund Industry To Return to Its Traditional Principles,” November 11, 1996.

⁵⁴ McChesney, “The Problem of Journalism,” 2003.

Thompson, Peter A, “Market Manipulation? Applying the Propaganda Model to Financial Media Reporting,” *Westminster Papers in Communication & Culture* 6, no. 2 (November 2009): 73–96; Manning, “Financial Journalism, News Sources and the Banking Crisis,” 2012; Starkman, *The Watchdog That Didn’t Bark*, 2014.

⁵⁵ Gerald J. Baldasty, *The Commercialization of News in the Nineteenth Century* (Madison: University of Wisconsin Press, 1992); Galbraith, *The Great Crash, 1929*. 1972; Starkman, *The Watchdog That Didn’t Bark*, 2014.

say, are even more pronounced in business journalism, which is rooted in the capitalist free market system.⁵⁶

While the political economy theory remains an important explanatory framework, it does not account for key findings from the *National Thrift News* content analysis. The dissertation will show how the *National Thrift News* stood up to powerful economic interests with its investigative reporting on the Keating and Lincoln Savings story and its reporting on the Paul and CenTrust stories. Political economy theorists would predict such a trade newspaper, wholly dependent on the financial services industry for advertising revenue, would be highly reluctant to challenge these powerful Wall Street firms. This chapter will explore a possible explanation for this theoretical shortfall: the political economy theory fails to account for individual agency, such as cases where individual reporters challenge powerful companies and government officials. A review of history offers other significant cases where business-oriented publications challenged their core advertisers and readers such as *The Wall Street Journal's* 1954 showdown with General Motors Co.⁵⁷ General Motors had boycotted *The Wall Street Journal* in a dispute over the paper's coverage, but the newspaper stood its ground and refused to retract or apologize for its reporting, and the carmaker eventually backed down.⁵⁸ The record of the *National Thrift News* can be best explained by a historical and sociological analysis of

⁵⁶ This argument is described in Chapter 3.

⁵⁷ Other notable cases of business reporting challenging powerful interests would be Ida Tarbell's coverage of Standard Oil in McClure's magazine in 1905; The *Louisville Courier-Journal's* 1967 reporting on the ravages of strip mining for coal, which won a Pulitzer prize; The *St. Louis Globe-Democrat's* Pulitzer Prize winning investigation in 1968 of meat packing plants, which led to passage of new federal laws. See "Pulitzer Prizes in Business Journalism," American History of Business Journalism, April 2013. <http://www.ahbj.org/awards/03312013pulitzer-prizes-in-business-journalism/>.

⁵⁸ Tofel, Richard J. *Restless Genius: Barney Kilgore, the Wall Street Journal, and the Invention of Modern Journalism*, (New York: St. Martin's Press, 2009).

journalistic professionalism, which emphasized the role of reporter and editor autonomy. Schudson and Hallin, for example, argue the political economy theory does not account for innovation and agency in a dynamic market economy.⁵⁹ In addition, the indexing hypothesis of media communications, where the media tend to follow the viewpoints expressed by government and business leaders, serves as a useful framework to explain a key finding in the media coverage of Keating and Paul.

Watchdog and Autonomy

The normative role of the press as a watchdog over the government and powerful interests is a central aspect of journalistic professionalism and its public service ideal. Cynthia Mitchell cited Jeremy Bentham and Immanuel Kant as examples of democratic theorists who described a "principle of publicity"⁶⁰ that emphasized transparency and disclosure to keep political and economic institutions in check.⁶¹ Burke believed the press held vast power to oversee government; he equated the press to a house of parliament.⁶² Madison also saw the press as an independent institution overseeing government, one

⁵⁹ Schudson, *The Sociology of News*, 2011; Siebert, *Four Theories of the Press*, 1956.

⁶⁰ The underpinning of the watchdog credo, the "public's right to know," has roots in the Enlightenment philosophers. Kant described publicity as "a transcendental concept of public right... All actions affecting the rights of other human beings are wrong if their maxim is not compatible with their being made public." See Kant, Immanuel, "Perpetual Peace," In *Kant: Political Writings*, (New York: Cambridge University Press, 2010), 126; Splichal, Slavko, *Public Opinion*, (Lanham, Md: Rowman & Littlefield, 1999), 21. "Kant conceived of publicity as a moral principle and legal norm, as an "instrument" to achieve both individuals' independent reasoning and legal order in the social realm." See Splichal, *Public Opinion*, 1999, 21.

⁶¹ Mitchell, Cynthia, "Checking Financial Power: Newspaper Coverage of the New York Stock Exchange's Bid to Control the Ticker, June 1889," *American Journalism* 27, no. 1 (2010): 37–65.

⁶² Schultz, Julianne, *Reviving the Fourth Estate: Democracy, Accountability and the Media*, (Cambridge: Cambridge University Press, 1998).

with the "right of freely examining public characters and measures."⁶³ Paul Starr wrote the U.S. government at its inception created mechanisms to enable the press to evolve as an autonomous institution. "From the founding of the republic, the federal government had given the press constitutional guarantees, postal subsidies and other benefits that enabled newspaper, book and magazine publishing to become economically as well as formally independent of the state and political parties."⁶⁴ These concepts were contained in Fred Siebert's "social responsibility theory" of the press. Siebert described these roles as the press servicing the political system; enlightening the public to facilitate self-government; serving as a watchdog over the government; providing entertainment; and maintaining financial self-sufficiency to be free from special interests.⁶⁵ Another part of Siebert's theory, the libertarian model, also addressed a watchdog norm, arguing the press is an instrument to check on the government's vast powers.

Schudson and Hallin regard autonomy as a foundational element of the journalistic professional identity.⁶⁶ Morten Skovsgaard wrote autonomy is core to the public's trust in journalists, and underpins the notion that journalists will provide the public with the unbiased information they need to participate

⁶³ Madison, James, "The Writings of James Madison," (Chicago: The University of Chicago Press, 1900).

⁶⁴ Starr, Paul, *The Creation of the Media: Political Origins of Modern Communications*, (New York: Perseus Books, 2004), 394.

⁶⁵ Siebert, *Four Theories of the Press*, 1956.

⁶⁶ Schudson cites other elements of journalistic identity as accuracy, objectivity, and serving the public as a watchdog over the government and business interests. Schudson, Michael, *Discovering The News: A Social History of Newspapers*, (New York: BasicBooks, 1978); Hallin, Daniel C, *The Uncensored War: The Media and Vietnam*, (Berkeley: University of California Press, 1989), 64.

in a democracy.⁶⁷ Mark Deuze wrote that journalistic autonomy and public service (with journalists serving as watchdogs) are two of the five ideologies that define journalism.⁶⁸

The standard narrative about professionalism is it provided the autonomy and ethical foundation for journalists. The Society of Professional Journalists, founded at DePauw University in 1909 (originally as Sigma Delta Chi), has an ethical code that describes journalists as independent and truthful, free from commercial and political ties.⁶⁹ A related argument is the concept of journalistic objectivity — the ideal that reporters are nonpartisan observers and will present neutral accounts of news events — works in tandem to support autonomy. Schudson and C.W. Anderson wrote, “objectivity acts as both a solidarity enhancing and distinction-creating norm and as a group claim to possess a unique kind of professional knowledge.”⁷⁰

Autonomy remains a vital aspect of journalists’ identity today. Edward Epstein, in his analysis of autonomy, described the reporter as an outsider. He quoted Reuven Frank, an executive producer for NBC News, as saying, “News is change as seen by an outsider

⁶⁷ Skovsgaard, Morten, “Watchdogs on a Leash? The Impact of Organisational Constraints on Journalists’ Perceived Professional Autonomy and Their Relationship with Superiors,” *Journalism* 15, no. 3 (April 1, 2014): 344–63.

⁶⁸ Deuze’s five ideologies are: 1) Public service: journalists provide a public service. 2) Objectivity: journalists are impartial, neutral, objective, fair, and thus credible; 3) Autonomy: journalists must be autonomous, free, and independent in their work; 4) Immediacy: journalists have a sense of immediacy, actuality, and speed (inherent in the concept of ‘news’); 5) Ethics: journalists have a sense of ethics, validity, and legitimacy. See, Deuze, Mark, “What Is Journalism? Professional Identity and Ideology of Journalists Reconsidered,” *Journalism* 6, no. 4 (November 1, 2005): 442–64.

⁶⁹ “SPJ Code of Ethics,” *Society of Professional Journalists*, Accessed September 24, 2014, <http://www.spj.org/ethicscode.asp>.

⁷⁰ As an aside, many contemporary journalists (myself included) believe this ideal is dated and flawed, and instead strive for a more realistic standard of fairness. On objectivity, see: Anderson, C.W., and Michael Schudson. “Objectivity, Professionalism, and Truth Seeking in Journalism,” In *Handbook of Journalism Studies*, edited by Karin Wahl-Jorgensen and Thomas Hanitzsch, (New York: ICA Handbook Series, Routledge, 2008).

on behalf of other outsiders.”⁷¹ The outsider status helps preserve their autonomy. Zvi Reich summarized key elements of journalistic autonomy as “the freedom from interference, domination, and regulation” and “the ability of news people to criticize various individual and collective actors” as well as the extent to which the press can “fulfill its duty of informing the citizenry, free from partisan bias and other corrupting influences.”⁷² This reflects a finding in the interviews with *National Thrift News* journalists, who all said they had independence to pursue reporting without any commercial interference.

Numerous commentators discuss how the commercial aspects of journalism compromise claims to autonomy.⁷³ One crucial factor defines the relationship: in our modern media environment, journalists are employees of profit-making enterprises. The final authority over their work product rests with their employers. The classic professions of medicine and law once granted practitioners considerable autonomy over their work product,⁷⁴ although this professional independence has eroded today amid increased competition and greater citizen access to technical information in these fields. Silvio Waisbord wrote that all professions, not just journalism, generally are in a permanent flux, subject to social processes, and this undermines claims to autonomy.⁷⁵ He called for a more subtle understanding of journalistic autonomy, saying the press can never be fully

⁷¹ Epstein, Edward Jay, *News from Nowhere*, (New York: Random House LLC, 1973), 27.

⁷² Reich, Zvi, and Thomas Hanitzsch, “Determinants of Journalists’ Professional Autonomy: Individual and National Level Factors Matter More Than Organizational Ones,” *Mass Communication and Society* 16, no. 1 (January 1, 2013): 133–56.

⁷³ McLeod, J.M., and S.E. Hawley, “Professionalization Among Newsmen,” *Journalism Quarterly* 41 (1964): 529–39; Sparrow, *Uncertain Guardians*, 1999; Reich “Determinants of Journalists’ Professional Autonomy: Individual and National Level Factors Matter More Than Organizational Ones,” 2013.

⁷⁴ McLeod and Hawley, “Professionalization Among Newsmen,” 1964.

⁷⁵ Waisbord, *Reinventing Professionalism*, 2013, 60.

separate or insulated from the broader political and economic forces of society. In fact, Waisbord wrote, journalism could be seen as more sensitive to commercial and bureaucratic considerations given its links to elites.

There has never been an explicit watchdog role spelled out for the business press,⁷⁶ yet many commentators generally assumed journalism's public service ideal also applies to financial news. Cynthia Mitchell provided an example of market watchdog role in her analysis of early media coverage of the powerful New York Stock Exchange, or NYSE.⁷⁷ In the culmination of a long-running fight over ownership of valuable financial information, the NYSE in June 1889 refused to let stock ticker services transmit stock prices over telegraph to clients. Mitchell's examination of New York newspaper coverage of this fight between the NYSE and the ticker services found:

...Many of the stories had a surprisingly critical slant and the majority went far beyond merely parroting the NYSE's official statements...The leading New York newspapers clearly viewed themselves as a watchdog, protecting the public against what it viewed as economic powers that could do it harm if left to their own devices.⁷⁸

⁷⁶ As noted earlier, the Society of American Business Editors and Writers mission statement or code of ethics does not reference the watchdog role. There is a movement in Great Britain to make explicit the financial press' watchdog responsibilities. Charlie Beckett, director of Polis Media (a media think tank and research arm of the London School of Economics), wrote in 2008 "that journalism and financial journalism, in particular, are based on a 'social compact' of rights and responsibilities" that would include serving a broader social interest. See, Tambini, "What Is Financial Journalism for?" 2008.

⁷⁷ Mitchell, Cynthia, "Checking Financial Power: Newspaper Coverage of the New York Stock Exchange's Bid to Control the Ticker, June 1889," *American Journalism* 27, no. 1 (2010): 37–65.

⁷⁸ Mitchell, "Checking Financial Power," 2010.

Regulators have long championed the watchdog role of the press, describing it as a tool to help police the markets. This fit within the legal literature, which regards the press as an extra-legal form of market enforcement.⁷⁹ For example, the Securities and Exchange Commission enforcement staff closely reads the business press for tips about corporate and market misdeeds.⁸⁰ Former Securities and Exchange Commission Chairman Christopher Cox in 2006 spoke about the media's role in helping the markets:

"A thriving media debate is vital to a healthy economy. Journalists play a critical watchdog role in curbing corruption. More broadly, our entire system of publicly owned and traded enterprises depends on the free flow of information."⁸¹

Indeed, the SEC has policy papers that describe how the news media coverage can assist their enforcement efforts: "Effective journalism complements the Commission's efforts to ensure that investors receive the full and fair disclosure that the law requires,

⁷⁹ Borden cited examples about how articles on insurance companies' improper sale of annuities assisted plaintiffs' attorneys to prepare shareholder lawsuits. "Both state and federal law explicitly acknowledge the utility of journalism as part of the system of shareholder litigation, both under Rule 10b-5 (the main federal antifraud statute), and state fiduciary law. The procedural hurdles that confront shareholders seeking to bring a derivative action effectively mandate reliance on journalistic reports of company activity" (Borden 2007, 333).

⁸⁰ Author interview with former SEC Enforcement Division Director William McLucas, 1995.

⁸¹ To this end, a 2013 Pew Center public opinion poll suggested the public is relying on the news media to some extent to warn against market misdeeds, as well as to look for corruption in government. The poll showed 68% support the press' watchdog role over government and society (Pew Research Center, 2013); Cox, Christopher, "SEC Chairman Cox Addresses the New York Financial Writers Association," June 8, 2006.

and that they deserve. Diligent reporting is an essential means of bringing securities law violations to light and ultimately helps to deter illegal conduct.”⁸²

M.J. Borden said business journalism can help address inherent weaknesses in corporate law. The publicity function of business journalism is an extra-legal means of enforcement that can help remedy failures in the marketplace. Borden wrote, “Journalists can catalyze both legal process and market responses to corporate wrongdoing.”⁸³ The business press can spark regulatory action. “By calling attention to the misdeeds of corporate directors and officers, the press can initiate various sorts of corrective responses, whether judicial, legislative, administrative, or market-imposed.”⁸⁴ Michael Klausner wrote how news articles on business frauds and other wrongdoing reinforce professional norms by motivating good corporate governance.⁸⁵ Others note how journalism can pressure corporate managers and directors to behave in ways that are socially acceptable. Critical articles about their conduct can damage corporate executives’ reputations in the eyes of shareholders, future employees, family, friends, and the public at large. As Alexander Dyck wrote, “Reputational penalties can be long-lasting.”⁸⁶

⁸² n/a, “Policy Statement of the Securities and Exchange Commission Concerning Subpoenas to Members of the News Media,” *Securities and Exchange Commission*, July 13, 2006.

⁸³ Borden, MJ, “The Role of Financial Journalists in Corporate Governance,” *Fordham Journal of Corporate & Financial Law* 12, no. 2 (2007): 369.

⁸⁴ Borden, “The Role of Financial Journalists in Corporate Governance,” 2007, 325.

⁸⁵ Klausner, Michael, “The Limits of Corporate Law in Promoting Good Corporate Governance,” *Stanford Law School John M. Olin Program in Law and Economics*, Working Paper No. 300, December 2004.

⁸⁶ Dyck, Alexander, and Luigi Zingales, “The Corporate Governance Role of the Media,” In *The Right to Tell: The Role of Mass Media in Economic Development*, 107–40, World Bank Publications, 2002.

Borden also argued business journalists have both financial and career incentives to ferret out fraud in companies. In the most extraordinary cases, top business journalists found rewards in significant book and movie deals. For example, Bethany McLean, the former *Fortune* magazine writer who helped uncover the Enron Corp. accounting scandal, received a \$1.4 million book advance with co-author Peter Elkind for their account of the Enron collapse, "*Smartest Guys in the Room*."⁸⁷ The book was turned into a documentary movie. While such lucrative arrangements are rare, business journalists also enjoy greater professional stature for uncovering corporate misdeeds. Borden wrote, "Financial journalists actually enjoy a convergence of their self-interest in career gains and the public's interest in managerial integrity and shareholder wealth maximization. Indeed, journalists have more incentive than ever to perform this function."⁸⁸

Commercialism

Any examination of journalistic autonomy will need to address commercialism in journalism, the economic force underpinning the concerns about conflicts of interest and compromised autonomy. Historian Gerald Baldasty wrote, "Industrialization changed the way in which commerce was conducted and made advertisers a major constituency of the American press."⁸⁹ Newspapers in the penny press era starting in 1830s began shifting to an advertising-based revenue model, which led to criticism that the business community was impeding on journalistic independence and dictating what is and is not news. As

⁸⁷ Borden, "The Role of Financial Journalists in Corporate Governance," 2007, 327.

⁸⁸ Borden, "The Role of Financial Journalists in Corporate Governance," 2007, 326.

⁸⁹ Baldasty, Gerald J, *The Commercialization of News in the Nineteenth Century*, (Madison: University of Wisconsin Press, 1992).

tales emerge of newspapers' favoritism towards advertisers, newsrooms began to differentiate between the separation of the "church" and the "state" inside news organizations or separation of editorial from advertising.⁹⁰ To others, the commercial turn represented a path towards journalistic independence, since private sector advertising allowed newspapers to be financially independent from the government. For this reason, Joseph Pulitzer viewed advertising as a pathway to journalistic autonomy. Paul Starr wrote, "Pulitzer's equation – 'circulation means advertising, and advertising means money, and money means independence' – captured the potential relationship between commercial success and editorial autonomy."⁹¹

One narrative in journalism history traced a growing independence of the press in tandem with the expansion of the commercial advertising model. By the late 1800s, the press became a more independent source of power and began providing more independent commentary on events, according to this viewpoint. Hallin described about the British "Whig interpretation of media history," which held that the increased commercial value of newspapers allowed them to shake off government control.⁹² Hallin wrote, "The development of commercial media markets in the nineteenth century, according to the interpretation, permitted the differentiation of media from political structures, and their reconstitution as independent structures increasingly central to the process by which public opinion was formed."⁹³ Altick shared this view: "Not until the

⁹⁰ Waisbord, *Reinventing Professionalism*, 2013.

⁹¹ Starr, *The Creation of the Media*, 2004.

⁹² Hallin, Daniel, "Field Theory, Differentiation Theory and Comparative Media Research," In *Bourdieu and the Journalistic Field*, edited by Rodney Benson, (Cambridge: Polity, 2005), 224–43. Hallin cited Richard Altick, *The English Common Reader: A Social History 1800-1900*, 322.

⁹³ Hallin "Field Theory, Differentiation Theory and Comparative Media Research," 2005, 226.

nineteenth century was decades old would the increasing value of newspapers as advertising mediums allow them gradually to shake off government or party control and to become independent voices of public sentiment.”⁹⁴

To this point, consider McClure's magazine and its decision to finance Ida Tarbell's remarkable investigative series on John D. Rockefeller's Standard Oil and its political influence. McClure estimated each of Tarbell's 15 Standard Oil articles cost \$4,000 in expenses and salary at the time.⁹⁵ In 2015 dollars, this would be about \$106,400 per article, meaning a 15-article series would cost about \$1.6 million today.⁹⁶ Starr made the connection between the quality of journalism and the rising wealth and autonomy of journalism in that era. "No publisher could have afforded that investment without the mass circulations then achievable under conditions created by cheap second-class mail rates, lower production costs, and a growing middle-class audience.”⁹⁷ Newspapers financed through the private market would, in theory, make them independent and beyond authoritarian government press controls.⁹⁸

Political Economy Critiques of Journalistic Independence

The political economy theory has the potential for explaining the many flaws in business journalism coverage identified in the literature. This dissertation examines the institutional tradition of the political economy theory, which Vincent Mosco defines as a school that “documents how large media companies can control the production and distribution of media products and, by doing so, restrict the diversity of content,

⁹⁴ Altick and Harrison, *The English Common Reader*, 322.

⁹⁵ Starr, *The Creation of the Media*, 2004, 262.

⁹⁶ Inflation calculator, 1904 to 2015: <http://www.westegg.com/inflation/>

⁹⁷ Starr, *The Creation of the Media*, 2004.

⁹⁸ Siebert, *Four Theories of the Press*, 1956.

specifically by keeping out work that challenges pro-business views.”⁹⁹ These theorists make important contributions to media scholarship by arguing capitalism and corporate power offer significant financial incentives, create a hegemony of ideas, and harm press independence.¹⁰⁰ Put another way, they argue private interests trump the public interest.

The political economy theory is a macroscopic theory involving the basic relationships between man and society. The main ideas of the institutional tradition involve a concern about inequality and what the theorists see as a direct link between economic ownership and dissemination of messages that affirm the elite’s power in a class society. These theorists assert that governments and corporations exert their power indirectly -- they don’t rule by overt coercion but they rule by consent. In their view, the audience can be manipulated and processed like any commodity. Some of its guiding ideas involve an interpretive perspective, or a study of social behavior as a way for understanding how people create meaning and shape reality. It also adopts constructionism, or the view that society is a construct rather than a fixed reality, and the media provide materials for construction of reality.

Karl Marx and his materialist theory of history provided the foundation for the political economy theory.¹⁰¹ One of Marx’s great intellectual contributions was his focus on the economic life of humans as central to society’s formation and existence. This

⁹⁹ Vincent Mosco, *The Political Economy of Communication* (Thousand Oaks, Ca.: SAGE Publications, 1996), 6.

¹⁰⁰ McChesney, “The Problem of Journalism” 2003; Herman and Chomsky, *Manufacturing Consent*, 1988; Bagdikian, *The New Media Monopoly*, 2004; Smythe, “On the Audience Commodity and Its Work,” 1981; Thompson “Market Manipulation? Applying the Propaganda Model to Financial Media Reporting,” 2009; Manning, “Financial Journalism, News Sources and the Banking Crisis,” 2012; Starkman, *The Watchdog That Didn’t Bark*, 2014.

¹⁰¹ Marx, Karl, and Friedrich Engels, *The German Ideology*, International Publishers Co, 1845.

supports a central point for this dissertation: the economy cannot be separated from history. By extension, business news cannot be separated from mainstream journalism. Marx asserted that broader economic and material forces shape individual consciousness: “The class which has the means of material production at its disposal, has control at the same time over the means of mental production.”¹⁰² Marx asserted individual rights and aspirations are subordinated to broader economic priorities; the individual has interests imposed on them. Through this, Marx sees a predestination of class; the state and individual ruling classes assert common interests. These are valuable warnings, but here we see the seeds of Marx minimizing human agency, spirituality, and other aspects of individualism.

Still, Marx’s ideas are enormously useful and influential in media communications scholarship. Denis McQuail noted that Marxist theory “posits a direct link between economic ownership and the dissemination of messages that affirm the legitimacy and value of a class society.”¹⁰³ Antonio Gramsci expounded on this idea, arguing a ruling class established a hegemony of ideas and allowed the ruling class to dominate through ideology.¹⁰⁴ This is a theme reflected in Edward Herman and Noam Chomsky’s critiques of journalism. Hegemony is created through a “spontaneous consent” granted by the mass population towards a general direction in society. The

¹⁰² Marx, and Engels, *The German Ideology*, 1845.

¹⁰³ Denis McQuail, *McQuail’s Mass Communication Theory*, 6th ed. (London: Sage Publications, 2010), 96

¹⁰⁴ Gramsci says hegemony is formed by the dual workings of a “civil society” that involve private individuals and a “political society” or the state. “These two levels correspond on the one hand to the function of ‘hegemony’ which the dominant group exercises throughout society and on the other hand to that of ‘direct domination’ or command exercised through the state and ‘juridical’ government,” he wrote. Gramsci, Antonio. *Selections from the Prison Notebooks*, (London: The Electric Books Company Ltd, 1999).

public provides this consent due to the prestige afforded to the dominant group. The hegemony is assisted by the state, which “ ‘legally’ enforces discipline on those groups who do not ‘consent’ either actively or passively,” Gramsci wrote.

Political economy theorists see hegemony reflected in news sources, particularly when the media relies excessively on “official” sources such as government and business leaders, who reinforce the worldview of elites and capitalist media owners. Aeron Davis, in a 2000 study of the London financial press, wrote, “journalists covering financial and business news tend to move in small exclusive circles consisting almost exclusively of City¹⁰⁵ sources. The few studies of business and financial media that exist come to similar conclusions about business-source dominance.”¹⁰⁶ Such relationships between business journalism and industry led to criticism that journalists share the worldview of industry and business leaders, described as “intellectual capture.”¹⁰⁷ “In the United States media, there has been very little debate about whether ‘markets work’ and the view that reduced corporate regulation and ‘free markets’ have contributed to widespread prosperity has been largely accepted as ‘conventional wisdom’.”¹⁰⁸ Business journalists rely heavily on business executives, bankers and other professionals to explain the arcane nature of U.S. business and finance.¹⁰⁹ Davis described a “Financial Elite Discourse Network”

¹⁰⁵ City is the nickname for London’s financial district.

¹⁰⁶ Davis, Aeron, “Public Relations, Business News and the Reproduction of Corporate Elite Power,” *Journalism* 1, no. 3 (December 1, 2000): 282–304.

¹⁰⁷ Starkman, *The Watchdog That Didn’t Bark*, 2014; McChesney, “The Problem of Journalism,” 2003; Schiffrin, *Bad News*, 2011.

¹⁰⁸ Doyle, “Financial News Journalism A Post-Enron Analysis of Approaches towards Economic and Financial News Production in the UK,” 2006.

¹⁰⁹ McChesney, “The Problem of Journalism” 2003; Manning, “Financial Journalism, News Sources and the Banking Crisis,” 2012.

where business news has been "captured by financial elites."¹¹⁰ Such criticism was evident in examinations of business journalism failures over the last 100 years: the 1929 stock market crash, the savings and loan crisis, and the 2008 financial crisis.¹¹¹ Harold Carswell, in 1938, criticized business reporters for relying excessively on the New York Stock Exchange for news.¹¹² This critique about narrow sourcing continues today.

Antonis Kalogeropoulos wrote, "The empirical findings of Reich (2011) suggest that, in comparison to their political counterparts, financial journalists use fewer sources per item, are more reliant on PR (public relations) and they take less initiatives in contacts with sources."¹¹³ However, this criticism of excessive reliance on official sources was a longstanding complaint about all forms of journalism. Leon Sigal's 1973 study of Washington reporting found 58 percent of news stories emanated from what he called "routine channels" such as news conferences, press releases, official proceedings, and American and foreign government officials.¹¹⁴

Marx's scholarship inspired theories of the commodification of the audience, where readers and television viewers serve commercial interests rather than become

¹¹⁰ Davis, Aeron, "Public Relations, Business News and the Reproduction of Corporate Elite Power," *Journalism* 1, no. 3 (December 1, 2000): 282–304.

¹¹¹ Carswell, Howard, "Business News Coverage," *Public Opinion Quarterly* 2, no. 4 (1938): 613–21; McChesney, "The Problem of Journalism" 2003; Dealy, *The Power and the Money*, 1993, 299; Starkman, *The Watchdog That Didn't Bark*, 2014.

¹¹² Carswell, Howard, "Business News Coverage," *Public Opinion Quarterly* 2, no. 4 (1938): 613–21.

¹¹³ Kalogeropoulos et al, "Are Watchdogs Doing Their Business?" 2014. Referencing Reich, Z, "Different Practices, Similar Logic: Comparing News Reporting across Political, Financial, and Territorial Beats," *The International Journal of Press/Politics* 17, no. 1 (2011): 76–99.

¹¹⁴ A content analysis sampling 2,850 page-one articles from the *Washington Post* and *The New York Times* in five-year intervals: 1949, 1954, 1959, 1964, and 1969. Sigal, Leon V, *Reporters and Officials: The Organization and Politics of Newsmaking*, (Lexington, Mass.: D.C. Heath, 1973).

informed in meaningful ways.¹¹⁵ Baldasty noted this concept of the news audience as a commodity has origins in the late nineteenth century: “By century’s end, editors and publishers saw their readers not only as voters but also as consumers, so the produced content that went far beyond the world of politics and voting. This vision of a ‘commercialized reader,’ if you will, naturally fueled commercialized news.”¹¹⁶ The commodification of the audience was a key idea developed by Dallas Smythe¹¹⁷ and extended in Herman and Chomsky's *Manufacturing Consent*, an important and influential work in the political economy canon, one that examined corporate and capitalist influence on news production and content. Herman and Chomsky's "propaganda model" asserted news is filtered through concentrated ownership and profit orientation of the dominant mass-media firms; that advertising is the primary income source of the mass media; that the media relies too much on government, business and "experts" funded and approved by these primary sources and agents of power; the media are disciplined by "flak" from corporate and government interests; as well as that the media operates in an environment where “anticommunism” is a national religion and control mechanism.¹¹⁸ Herman and Chomsky essentially made an argument that money and power create a hegemony of ruling class ideas by filtering out the news fit to print, marginalizing dissent, and allowing government and private interests to transmit their messages free from meaningful political challenge.

¹¹⁵ Smythe, “On the Audience Commodity and Its Work,” 1981; H. Horkheimer, and T Adorno, “Culture Industry: Enlightenment as Mass Deception,” In *Media and Cultural Studies Reader*, edited by D Kellner and M. Durham, 2006; Baldasty, *The Commercialization of News in the Nineteenth Century*, 1992.

¹¹⁶ Baldasty, *The Commercialization of News in the Nineteenth Century*, 1992.

¹¹⁷ Smythe, “On the Audience Commodity and Its Work,” 1981.

¹¹⁸ Herman and Chomsky, *Manufacturing Consent*, 1988. In later work, they replaced anti-communism with anti-terrorism as the national dogma.

Robert McChesney built an important case for the political economy theory through historical analysis. McChesney argued the rise of commercial journalism in the mid-nineteenth century led to politically neutral, watered-down reporting designed not to offend advertisers.¹¹⁹ McChesney also contended journalists were so inculcated in the norms of capitalism that they became champions of the system while they thought they were being objective. He found inspiration in muckraking journalist Upton Sinclair's *Brass Check*, which he described as "the first great systematic critique of the limitations of capitalist journalism for a democratic society."¹²⁰ His work built on Gans and Tuchman, who described how sourcing is compromised when reporters rely on powerful institutions; Tuchman wrote "news is an ally of legitimized institutions."¹²¹

Herman and Chomsky also asserted a lack of reporter autonomy exists in newsrooms, a claim that arises in the professionalism literature. The Hutchins Commission, for example, said corporate ownership of news organizations is a powerful force that can weaken autonomy of individual reporters. This happens because the writer works for the news organization, which in turn takes ultimate responsibility for the writer's work. Hutchins wrote, "The element of personal responsibility, which is of the essence of the organization of such professions as law and medicine, is missing in communications."¹²² On this point, Johnstone described how reporters are subordinates and rarely are free to cover whatever they want in the larger, more bureaucratic

¹¹⁹ McChesney, "The Problem of Journalism," 2003.

¹²⁰ Sinclair, Upton, *The Brass Check; a Study of American Journalism*, (1919 Reprinted. The American Journalists; American Journalists. New York: Arno Press, 1970).

¹²¹ Gans, Herbert, *Democracy and the News*, Oxford University Press, 2003; Tuchman, Gaye, "News As Frame," In *Making News*, Free Press, 1978.

¹²² Hutchins, Robert Maynard, *A Free and Responsible Press : A General Report on Mass Communication : Newspapers, Radio, Motion Pictures, Magazines and Books*, (Chicago: University of Chicago Press, 1947), 77.

newsrooms.¹²³ Further, news work tends to be collaborative, especially in the editing process, further clouding individual responsibility. Bartholomew Sparrow also saw a diminished role for individual reporters in these organizations, noting that news is a product of the organizational priorities, not the choice of individual reporters.

The literature described instances where a news organization can establish procedures that suppress or weaken the news.¹²⁴ Epstein described how the employer's demands will lead journalists to align their views to those of their employer. Consider this example of NBC journalist Sander Vanocur, who described how he came to parrot the ideas of senior management: "It was then I realized the process was so subtle that for years I had taken their institutionalized fears and inhibitions and had now institutionalized them into myself."¹²⁵ Schlesinger and his study of the BBC came to a similar conclusion that "corporate ideology comes to constitute an integral part of the BBC newsman's professional identity."¹²⁶

The ability of businesses to compromise journalistic autonomy remains a vital concern today. A 2008 British study finds "substantive empirical evidence" that public relations professionals help shape content in news stories. "Nearly one in five newspaper stories and 17 per cent of broadcast stories were verifiably derived mainly or wholly from PR material or activity... The main source of PR activity overall is the business/corporate

¹²³ Johnstone, *The News People: A Sociological Portrait of American Journalists and Their Work*, 1976.

¹²⁴ McLeod, J.M., and S.E. Hawley, "Professionalization Among Newsmen," *Journalism Quarterly* 41 (1964): 529–39; Epstein, Edward Jay, *News from Nowhere*, New York: Random House LLC, 1973; Schlesinger, Philip, *Putting "Reality" Together: BBC News*, (London; Beverly Hills, Calif.: Constable, Sage Publications, 1979); Cook, Timothy, *Governing with the News*, (Chicago: University of Chicago Press, 1998); Waisbord, *Reinventing Professionalism*, 2013.

¹²⁵ Epstein, *News from Nowhere*, 1973, 202.

¹²⁶ Schlesinger, *Putting "Reality" Together : BBC News*, 1979.

world, which originated 38 per cent of the PR material that found its way into press articles and 32 per cent of broadcast news items.” By contrast, public relations material from non-governmental organizations and charities was reported in only 11 per cent of press articles and 8 per cent of broadcast news items reviewed in this study.¹²⁷

"Taken together, these data portray a picture of the journalistic processes of news gathering and news reporting in which any meaningful independent journalistic activity by the media is the exception rather than the rule... The findings illustrate that journalists' reliance on these news sources is extensive and raises significant questions concerning claims to journalistic independence in UK news media and journalists' role as a fourth estate."¹²⁸

The literature on journalistic professionalism also described an identity crisis. Waisbord wrote the very identity and definition of a professional journalist remained a contested notion and the lack of a clear professional identity can weaken a profession's status: "Professionalism refers to the ability of a field of practice to settle boundaries and avoid intrusion from external actors."¹²⁹ This becomes even more complicated in the digital age. For example, how can professional journalists distinguish themselves from citizen journalists? The spread of smartphones, with their video and instantaneous

¹²⁷ Lewis, J, and A Williams, "A Compromised Fourth Estate? UK News Journalism, Public Relations and News Sources," *Journalism Studies* 9, no. 1 (2008): 1–20. Other articles describing corporate influence on business news include Powell, Larry, and William R. Self. "Government Sources Dominate Business Crisis Reporting," *Newspaper Research Journal* 24, no. 2 (2003): 97. Powell and Self write, "Subtle influence of advertisers and corporate secrecy barriers as two main reasons for the superficial treatment of business news." See also Welles, Chris, "The Bleak Wasteland of Financial Journalism," *Columbia Journalism Review* 12, no. 2 (August 7, 1973): 40–49.

¹²⁸ Lewis, "A Compromised Fourth Estate?" 2008.

¹²⁹ Waisbord, *Reinventing Professionalism*, 2013.

communications capabilities, empower citizen journalists and erode the traditional gatekeeper function enjoyed by reporters and editors in the bygone print era.

Certainly, the political economy theorists helped explain some of the challenges to autonomy in business reporting, challenges that are particularly intense when reporting on banking and finance. Bankers are at the center of the capitalist ecosystem. They extend credit to businesses but also serve on boards of directors of local companies and engage in local philanthropic activities. Banking legend J.P. Morgan expanded his power, for example, by gaining seats on boards of railroads and other industrial enterprises in the nineteenth century.¹³⁰ A journalist will face significant consequences when crossing such powerful individuals. Bankers are in a central position of influence and they can pursue retribution or deny access to an upstart reporter. Following chapters, such as the case study of the Keating episode, describe the challenges the *National Thrift News* faced when writing about such powerful individuals.

Political Economy Issues

Under Herman and Chomsky's interpretation of the political economy theory, Strachan and the *National Thrift News* would tend to act more favorably to the industry or avoid confrontational reporting because they were economically indebted to and influenced by the savings and loan industry. However, they did not. *National Thrift News* reported independently on the Keating and Paul episodes, the content analysis showed. Results from these case studies raise questions about why the political economy theory,

¹³⁰ Chernow, Ron, *The House of Morgan : An American Banking Dynasty and the Rise of Modern Finance*, (New York: Atlantic Monthly Press, 1990).

as interpreted by Herman and Chomsky, fails to explain the conduct of the *National Thrift News*.

A key assertion of Herman and Chomsky is dominant elite forces guide media performance, yet their argument minimizes the legal and institutional factors that support journalistic independence. For example, U.S. journalists enjoy considerable latitude due to the powerful protections enshrined in the legal system, such as First Amendment of the U.S. Constitution that prohibits Congress passing laws that result in “abridging the freedom of speech, or of the press.” In addition, individual journalists saw an expansion of their legal rights in the twentieth century with more robust shield laws and similar protections against disclosure of sources.¹³¹ Osiel also pointed to states passing shield laws for the press to confer confidentiality with their sources, even though they are not uniform across the country.¹³² The legal construction of these shield laws enhanced individual autonomy of reporters. Osiel wrote:

The protections that these laws provide, unlike those of broadcast licensing, are granted, significantly, to the reporter himself. Even when the publisher or editor might prefer that a reporter hand over his information to the authorities, it remains the legal prerogative of the newsman himself whether or not to do so.¹³³

The 1966 Freedom of Information Act provided an important advance for watchdog journalism by opening more records for journalists as well as the public.

Another institutional factor that can support autonomy involves the ownership structure

¹³¹ Osiel, Mark J, “The Professionalization of Journalism- Impetus or Impediment to a ‘Watchdog’ Press,” *Sociological Inquiry* 56, no. 2 (1986): 163–282.

¹³² Osiel “The Professionalization of Journalism- Impetus or Impediment to a ‘Watchdog’ Press,” 1986, 172.

¹³³ Osiel “The Professionalization of Journalism- Impetus or Impediment to a ‘Watchdog’ Press,” 1986, 172.

of news companies. Ben Bagdikian described the interplay between company owners and the news product: “It is within this necessary professional decision making that corporate values and the central aims of owners are imbedded.”¹³⁴ Strachan, a journalist, was part owner of *National Thrift News* and was given full editorial control over the newspaper. He imbued his staff with a “hard news” reporting culture that did not shy away from controversy.¹³⁵ Lang and Lang also noted the interplay between reporters and media owners can result in publication of controversial material.

Some owners possessed of a social conscience are prepared to take on acceptable financial risks, while other media personnel have sometimes been able to use the leeway, autonomy, prestige, and authority they enjoy to get their version of a major news event out to the public, thereby pressuring political leaders to confront a problem they preferred to ignore. There is a lot of interaction, much of it openly or tacitly collaborative but also with distinct elements of confrontation.¹³⁶

Jonathan Hardy said that while traditional political economy theorists assert ownership can steer news coverage, a more careful examination of media ownership is needed. Hardy wrote, “Ownership matters for content, but neither media content nor behavior can be derived from an account of corporate and market structures alone.”¹³⁷

¹³⁴ Bagdikian, Ben, “The U.S. Media: Supermarket or Assembly Line?” *Journal of Communication* 35(3) Summer 1985, 97. Cited in Bennett, Lance W, “Toward a Theory of Press-State Relations,” *Journal of Communication* 40, no. 2 (Spring 1990).

¹³⁵ This newsroom culture is described in greater detail in the final section of this chapter. Citation on hard news reporting: Muolo, Paul, Interview with Paul Muolo, October 19, 2014.

¹³⁶ Lang and Lang, “Noam Chomsky and the Manufacture of Consent for American Foreign Policy,” 2004.

¹³⁷ Hardy, Jonathan, “The Contribution of Critical Political Economy,” In *Media and Society*, edited by James Curran, 5th ed., (London: Bloomsbury, 2010), 191.

Newsroom size is another institutional factor affecting autonomy. The literature suggested innovation and reporter autonomy might be more prevalent in the smaller and newer newsrooms. Weaver surveyed 736 journalists about the components of journalistic autonomy; reporters enjoyed the most autonomy in smaller newsrooms, which is an important finding in the research of *National Thrift News*. Weaver wrote, “As size increased, perceived autonomy declined.”¹³⁸ Johnstone finds as newsrooms grow larger, reporters participate in fewer decisions and that large newsrooms “exert more formal controls over the work of a newsman” and narrow the reporter’s functions.¹³⁹ Such bureaucratic barriers were not as common in smaller newspapers, thereby providing individual reporters with more freedom and a voice in decisions.¹⁴⁰ Of course, reporter autonomy would be limited in other ways at smaller newspapers, which can lack the money or staffing to allow complex investigative reporting. Yet the literature holds out promise for innovation at newer institutions. DiMaggio and Powell found new and smaller institutions can innovate better than established institutions.¹⁴¹ They develop this general finding: “Once a field becomes well-established, however, there is an inexorable push toward homogenization.”¹⁴² The *National Thrift News* was relatively new (about 10 years old), small, non-bureaucratic and situated in an evolving field, all conditions

¹³⁸ Weaver, David H, *The American Journalist in the 21st Century U.S. News People at the Dawn of a New Millennium*, (Mahwah, N.J.: L. Erlbaum Associates, 2007), 84.

¹³⁹ This was one of the findings of Johnstone’s study, which included interviews with 1,400 members of the working press about their jobs and professional identity. Johnstone, *The News People*, 1976, 4.

¹⁴⁰ Johnstone, *The News People*, 1976, 85.

¹⁴¹ DiMaggio, Paul J, and Walter W Powell, “The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields,” In *The New Institutionalism in Organizational Analysis*, (Chicago: University of Chicago Press, 1991).

¹⁴² DiMaggio and Powell, “The Iron Cage Revisited,” 1991, 64.

favorable to innovation. The savings and loan industry was undergoing a dramatic growth surge in the mid-1980s while facing tremendous systemic economic problems. This was an industry in considerable crisis and transition.

The status of trade newspapers afforded some measure of autonomy: the *National Thrift News* reporters also possessed specialized knowledge of their field, which helped them challenge industry leaders. This independent style of reporting was a goal of the *National Thrift News*' business model. Investigative reporting aligned with the newspaper's business goal of focusing on "hard news" about the industry, meaning it valued critical stories about savings and loans.¹⁴³ One example involves the newspaper's coverage of David Paul and CenTrust. The episode showed the power of individual agency since reporters wrote controversial stories about Paul, even though Paul was a news source for *National Thrift News* publisher Strachan.

In addition, it should be noted that there are cultural developments in journalism and society that the political economy theory does not address, such as the increased adversarial relationship among the press, police, and government agencies. Mark Osiel observed that since the late 1960s, "American reporters have grown increasingly sensitive" to the dangers of collaborating with government agencies may pose to the independence of the press.¹⁴⁴ Carey, reflecting a cultural studies tradition in communications research, argued journalists and the audience have agency and the

¹⁴³ While there is no standard definition of "hard news," its general characteristics involve immediacy, such as breaking events about leaders or major issues such as disruptions in the quality of life. See Reinemann, Carsten, James Stanyer, Sebastian Scherr, and Guido Legnante, "Hard and Soft News: A Review of Concepts, Operationalizations and Key Findings," *Journalism* 13, no. 2 (February 1, 2012): 221–39.

¹⁴⁴ Osiel, "The Professionalization of Journalism," 1986, 172.

newspaper helps form a sense of community,¹⁴⁵ a far cry from Marx's view of a media transmitting the ideas of the ruling elite.

In today's media environment, however, journalists still are coping with significant challenges to their autonomy. James Risen, the national security reporter for *The New York Times*, faced a subpoena to testify about former C.I.A. officer who had been charged with espionage. Risen faced a seven-year legal fight over whether he would be forced to disclose his sources or face imprisonment.¹⁴⁶ Risen eventually won the case when Justice Department said he would not be called to testify. This case speaks to the contemporary challenges all journalists confront when confronting powerful interests whether in the government or business sectors.

Indexing, Critical Theory

One key research finding aligned with indexing hypothesis, advanced by Lance Bennett and refined by Robert Entman, is that mass media professionals tend to “index” voices and viewpoints in news coverage based on views expressed in mainstream government debate.¹⁴⁷ Entman's cascading activation model described how politicians can spread news frames across a variety of political actors and influence the news media

¹⁴⁵ Carey, James, “A Cultural Approach To Communication,” In *Communication As Culture: Essays on Media and Society*, (Boston: Unwin Hyman, 1989).

¹⁴⁶ Apuzzo, Matt, “Times Reporter Will Not Be Called to Testify in Leak Case,” *The New York Times*, January 12, 2015.

¹⁴⁷ Bennett, Lance W, “Toward a Theory of Press-State Relations,” *Journal of Communication* 40, no. 2 (Spring 1990); Entman, Robert M, “Cascading Activation: Contesting the White House's Frame After 9/11,” *Political Communication* 20 (2003): 415–32. Entman was writing about the power of the “War on Terror” frame devised and promoted by the White House.

agenda, particularly when there is little coherent dissent to a government policy.¹⁴⁸ This content analysis, particularly of the CenTrust and David Paul coverage, showed negative news media coverage began primarily after regulators publicly rebuked Paul for his \$25 million in rare art purchases. Prior to the regulators' action, there were warning signs about CenTrust and Paul but little negative news coverage in the five newspapers examined. So once the regulators publicly criticized CenTrust and Paul, negative news stories followed, behavior that would fit Bennett's indexing hypothesis and Entman's cascading activation model.

Critical theory can provide an explanatory framework for this behavior by showing that banking regulators help set the tone of news coverage. Stuart Hall noted such outside institutions often are the primary definer of news and that this primary definition is both dominant and powerful in setting the discourse.

The important point about the structured relationship between the media and the primary institutional definers is that it permits the institutional definers to establish the initial definition or primary interpretation of the topic in question. This interpretation then 'commands the field' in all subsequent treatment and sets the terms of reference within which all further coverage or debate takes place. Arguments against a primary interpretation are forced to insert themselves into its definition of 'what is at issue' - they must begin from this framework of interpretation as their starting-point. This initial interpretative framework — what Lang and Lang have called an 'inferential structure' — is extremely difficult to alter fundamentally, once established.¹⁴⁹

¹⁴⁸ Entman, "Cascading Activation," 2003, 415–32.

¹⁴⁹ Hall, Stuart, Chris Critcher, Tony Jefferson, John Clarke, and Brian Roberts, "Social Production of the News," In *Policing the Crisis: Mugging, the State, and Law and Order*, (Palgrave Macmillan, 1978), 53–60; Ehling's study of Nigerian news media also describes how the political class shapes the news coverage, not the other way

The point here is the news media reproduces ideas that elites define as legitimate.¹⁵⁰ For example, Merrill Goozner studied press coverage of the 2000 technology boom and found coverage of foreign trade — which labor unions contend result in a loss of domestic jobs — has a pro-industry bias that is out of sync with public opinion polls.¹⁵¹ Hallin wrote that elites, such as government officials, defined the spheres of legitimate controversy.¹⁵² Sigal, in his study of Washington correspondents, described how a beat reporter covering the Pentagon or Congress or the White House “gradually absorbs the perspectives of senior officials he is covering.” This happens, in part, because reporters will mentally assume the roles of officials they cover in order to detect nuance and shifts in policy positions. Sigal warned, “Repeated role-taking may lead (journalists) to adopt the official’s perspectives on issues. The line between role-taking and absorption is a thin one indeed.”¹⁵³ We see this pattern arise in studies that critique narrow sourcing in business journalism. Larry Powell and William Self examined media coverage in the 1990s of consumers poisoned by products. The cases ranged from poisonings by the cough cold medicine Sudafed to food produced by the restaurant chain Jack in a Box. They found “the data indicate that newspapers rely heavily on government sources and minimize the use of consumer sources when reporting on business crises.”¹⁵⁴ Cook wrote about the power of institutions in setting routines and limiting the agenda for

around. Ehling, Holger, *No Condition Is Permanent: Nigerian Writing and the Struggle for Democracy*, (Amsterdam: Rodopi, 2001), 271.

¹⁵⁰ Hall, et al., “Social Production of the News,” 1978.

¹⁵¹ Goozner, Merrill, “Blinded by the Boom: What’s Missing in the Coverage of the New Economy?” *Columbia Journalism Review*, December 2000, 23–26.

¹⁵² Hallin, *The Uncensored War*, 1989.

¹⁵³ Sigal, *Reporters and Officials*, 1973, 47.

¹⁵⁴ Powell, Larry, and William R. Self, “Government Sources Dominate Business Crisis Reporting,” *Newspaper Research Journal* 24, no. 2 (2003): 97.

journalists as well as the institution narrowing the course of discussion.¹⁵⁵ Such studies help explain why the CenTrust and Paul news coverage so quickly turned negative once the government described the thrift as a bad actor. In this respect, the research findings and literature review tended to align with a more nuanced and hybrid view of political economy and critical theory schools. Consider Hardy, who advocates a critical political economy theory influenced by cultural studies.¹⁵⁶ He argued political economy requires revision since corporate and market structures alone don't explain media content.

Lastly, the intermedia agenda setting theory is useful to explain one significant finding in the Keating content analysis.¹⁵⁷ Major newspapers such as *The New York Times* for nearly two years ignored a significant exclusive reported by *National Thrift News* on the Keating case. Matthew Ragas' study of the intermedia agenda setting in business journalism provides an important insight into the behavior of the larger newspapers.¹⁵⁸ Ragas described how trade newspapers operate more of a "market model" of journalism that focuses on the needs of its business audience and advertisers. Mainstream newspapers, by contrast, pursue a "traditional trustee model" where they focus on what is "most important" for the audience to know about. Ragas wrote, "If some major business news outlets are embracing a more market-driven approach to story selection and coverage emphases, while other outlets are sticking with the trustee model,

¹⁵⁵ Cook, *Governing with the News*, 1998.

¹⁵⁶ Hardy, Jonathan, "The Contribution of Critical Political Economy," 2010.

¹⁵⁷ Sweetser et al define intermedia agenda setting as "when the media agenda is shaped by other media" and has traditionally examined the relationships between national news agencies and daily newspapers. Sweetser, Kaye D, Golan, Guy J., and Wayne Wanta, "Intermedia Agenda Setting in Television, Advertising, and Blogs During the 2004 Election," *Mass Communication and Society* 11, no. 2 (2008): 197–216.

¹⁵⁸ Ragas, M.W., "Intermedia Agenda Setting in Business News Coverage," In *Communication and Language Analysis in the Public Sphere, Information Science Reference*, 2014, 338.

a possible outcome could be more limited intermedia agenda setting correlations across business news as a whole."¹⁵⁹ In other words, the mainstream newspapers, in their process of reviewing competing news coverage, may not necessarily consider the work of trade newspapers, which are writing for a different audience and have a different agenda.

At the same time, other research suggests meaningful interplay between the trade press and the mainstream press. Hollifield's research showed "the trade media frequently set the news agenda for the mass media by feeding stories into the mainstream press."¹⁶⁰ Elfenbein's study of business journalism said one of the normative goals for the trade press was informing more mainstream news outlets.¹⁶¹ Douai and Wu and Carroll and McCombs also examined business news through the agenda-setting theory. Carroll and McCombs wrote, "Much of what consumers and other external stakeholders learn about companies and the issues that surround them comes from the news media."¹⁶² Ragas described how journalists are voracious consumers of news and often crosscheck other news sources "to help confirm their story selections." Such imitative behavior is seen in other industries and settings, Ragas wrote. Rather than viewing news media outlets in competition, media outlets often view each other and their audiences as being complementary, Ragas wrote.¹⁶³

¹⁵⁹ Ragas, "Intermedia Agenda Setting in Business News Coverage," 2014.

¹⁶⁰ Hollifield, "The Specialized Business Press and Industry-Related Political Communication," 1997.

¹⁶¹ Elfenbein, *Business Journalism*, 1969.

¹⁶² Douai, Aziz, and Terry Wu, "News as Business: The Global Financial Crisis and Occupy Movement in the Wall Street Journal," *The Journal of International Communication* 20, no. 2 (2014), 148–67. Carroll, Craig E, and Maxwell McCombs. "Agenda-Setting Effects of Business News on the Public's Images and Opinions about Major Corporations." *Corp Reputation Rev* 6, no. 1 (April 1, 2003), 36.

¹⁶³ Ragas, "Intermedia Agenda Setting in Business News Coverage," 2014.

Institutional Influence - The Inverse Argument

This chapter concludes with a key finding in the *National Thrift News* research, that occupational ideology can serve to expand journalistic autonomy. Strachan set the tone and encouraged his reporters to cover the industry aggressively, such as in the CenTrust and Keating stories. In numerous interviews, reporters described Strachan as taking risks by publishing articles critical of influential industry players and companies that advertised in the newspaper.¹⁶⁴ This attitude was on display in a September 1987 editorial Strachan wrote to accompany the exclusive on the Keating Five meeting. Not only was *National Thrift News* reporting about a form of political corruption involving five U.S. Senators, it was challenging one of the most powerful and litigious industry executives, Charles Keating. In case that point was lost on readers of the news pages, Strachan reinforced it with an editorial:

After thinking about the incident for some time, we have reached the unfortunate conclusion that there is only one thing that could have made that meeting possible: money ... The Phoenix developer (Keating) has accrued a significant amount of influence. And much of it has been evident over the past year or two in the ongoing fight between Lincoln and the regulators.¹⁶⁵

Another example of Strachan's ability to challenge the industry and anger his readers was a 1984 editorial that endorsed Walter Mondale for president over Ronald Reagan. The editorial acknowledged the endorsement would be highly unpopular with

¹⁶⁴ Fogarty, Mark, Interview with Mark Fogarty, October 24, 2014; Pizzo, Stephen P. Interview with Stephen Pizzo, December 8, 2014; Muolo, Paul, Interview with Paul Muolo, October 19, 2014; Ranieri, Lewis, Interview with Lewis Ranieri, August 12, 2015; Cope, Debra, Interview with Debra Cope, October 17, 2014; Harlan, Christi, Interview with Christi Harlan, August 21, 2015.

¹⁶⁵ "Money & Politics," *National Thrift News*, September 28, 1987.

the paper's readers.¹⁶⁶ "It means we are out of step with the vast majority of our readers," he wrote. An informal reader poll by the newspaper showed a 3-1 support for Reagan.¹⁶⁷ The reason for the Mondale endorsement? Reagan had run up large budget deficits in his first term, Strachan wrote, which would be bad for the financial markets.

The newspaper's staffing trends offered other evidence of how Strachan's journalistic priorities guided operations of the newspaper. While the *National Thrift News* was not a large news organization, it still maintained a staff of 13 journalists through 1993, at a time when the savings and loan industry was undergoing a historic collapse and downsizing, one that shrinks the base of advertisers. Muolo, a former associated editor, recalled Strachan fighting with the paper's other investors to maintain the news budget.¹⁶⁸ Mark Fogarty, a former news editor, said of Strachan, "His job was the journalism. His partners didn't have much influence on that at all."¹⁶⁹

Communications theory literature often describes an editor and owner's power over news coverage in negative terms, as something to interfere with news coverage. Warren Breed's 1955 landmark study of newsroom sociology described how news owners can set the tone for their journalists and how incentives guided news production. He argued journalists will alter their coverage to please superiors; he described how newsroom leadership can compromise journalistic autonomy. One example involved how news reporters learn and conform to a newspaper's news "policy," a blend of the publisher's preferences, community values and journalistic professionalism. The new reporter, Breed said, "learns to anticipate what is expected of him so as to win rewards

¹⁶⁶ Lewis Ranieri, Strachan's close friend and a Wall Street bond legend, recalled the editorial drew opposition from the industry. Ranieri, Interview, 2015.

¹⁶⁷ "The Deficit Is Decisive," *National Thrift News*, October 15, 1984.

¹⁶⁸ Muolo, Interview, October 19, 2014.

¹⁶⁹ Fogarty, Interview, October 24, 2014.

and avoid punishments.”¹⁷⁰ Breed wrote about pressure to conform: "Instead of adhering to societal and professional ideals, he (the reporter) redefines his values to the more pragmatic level of the newsroom group.” Breed also noted the power of journalistic occupational ideology, such as autonomy from commercial interests, and described how this can be a powerful force to curb abuses. Journalists can appeal to professional norms as a way to prevent a media owner from intentionally trying to slant the news for commercial or political self-interest. "Conformity is not automatic," Breed wrote .¹⁷¹

I propose to look at the inverse of Breed's thesis. Why can't newsroom leadership and institutional values lead to greater autonomy? If reporters followed the newsroom culture to "win rewards and avoid punishments," what about a newsroom that was "a reporter's paper" and rewards them for telling truth to power? Consider how Strachan set the tone in the newsroom, describing in 1996 the newspaper's editorial values: "We pulled no punches in our reporting and played no favorites, actions that were considered unusual, if not unique, for a trade publication ... And we still have the strong sense of outrage that makes it difficult for swindlers to evade our notice for very long.”¹⁷² Along these lines, Fogarty recalled how Strachan reinforced this message of telling truth to power: "The CEO of a company wants to know what the truth is. They don't want smoke blown up their ass. If things are bad, they want to know that. If things are good, they want to know that. But if things are bad they need to know that even more.”¹⁷³

Journalistic autonomy was core to the identity of *National Thrift News*, which is known as a “reporter’s paper” where reporters can pursue stories even when they were

¹⁷⁰ Breed, “Social Control in the Newsroom: A Functional Analysis,” 1955.

¹⁷¹ Breed, “Social Control in the Newsroom: A Functional Analysis,” 1955.

¹⁷² Strachan, “Looking Back Over 20 Years,” 1996.

¹⁷³ Fogarty, Interview, October 24, 2014.

unflattering for the editor's personal friends. "He didn't let any business friendship get in the way of reporting negative things, if they were true," according to Fogarty. Wilson recalled discussing with her father about friendships and journalism. "I remember my dad talking about having to write a story, a negative story about someone who was a friend. He said it is hard, but you have to stand by your convictions, and this is the story and you can't shade it because you like the person who did something stupid," Wilson said.¹⁷⁴ Eugene Carlson, former communications director at the Office of Federal Housing Enterprise Oversight, called Strachan an "equal opportunity critic."¹⁷⁵

One concluding thought: Do not underestimate the power of professional norms, especially the attachment journalists hold to values of independence and autonomy. Reporters, in some cases, can use these journalistic values to win battles with publishers. In 1999, protests by some 300 *Los Angeles Times* journalists helped defeat a revenue sharing arrangement between the newspaper and the Staples Center sports arena.¹⁷⁶ Referring generally to the power of the journalistic ideal, Hallin wrote, "Professional norms have, over the last generation, significantly limited manipulations of news by owners seeking to push their particular political convictions or interests."¹⁷⁷ In a similar fashion, the research shows Strachan and the *National Thrift News* reporters used these values of independence to advance their journalism.

This dissertation contributes new material to the field of journalism studies about how journalistic professionalism operates in business journalism and the trade press. The

¹⁷⁴ Wilson, Hillary, Interview with Hillary Wilson, June 23, 2015.

¹⁷⁵ Carlson, Eugene, "An Industry Remembers Stan Strachan - Carlson," *National Mortgage News*, January 20, 1997.

¹⁷⁶ Hilltzik, Michael A, and Sallie Hofmeister, "Times Publisher Apologizes for Staples Center Deal," *Los Angeles Times*, October 28, 1999.

¹⁷⁷ Hallin, "Commercialism and Professionalism in the American News Media," 2000.

normative theory of journalistic professionalism offers a useful explanatory framework for the extraordinary journalism produced by the *National Thrift News*. The trade newspaper's work on these two episodes in the savings and loan crisis contradict key aspects of the political economy theory, which fails to account for individual agency and innovation. The political economy theory remains a valuable tool for media studies, yet this dissertation and other literature suggest a blend of historical and sociological analysis with this theory provide a more accurate account of the behavior of the *National Thrift News*. Yet it is important to note that the power of journalistic professional norms goes only so far. Jane Singer wrote that journalists' autonomous status could face an even greater threat: a loss of public confidence. She cited studies in 2001 showing roughly half of Americans indicated they have little or no confidence in the news media to report the news fairly and completely. "So while journalists tend to see themselves as skilled, ethical, autonomous and estimable professionals, the public is not convinced," Singer wrote.¹⁷⁸ The following chapters will detail the normative and historical underpinnings of business journalism and describe how the *National Thrift News* fit into this framework.

¹⁷⁸ Singer, Jane B., "Who Are These Guys?: The Online Challenge to the Notion of Journalistic Professionalism," *Journalism* 4, no. 2 (May 1, 2003): 139–63.

Ch. 3: Business Journalism: History and Norms

Business journalism, according to its critics, has been too focused on serving businessmen and stockbrokers.¹⁷⁹ It has failed to serve the public by overseeing corporate and market misbehavior. This chapter examines the origins of the critique through the historical and normative foundations of business journalism, from the sixteenth century “price current” publications providing market prices through the 1989 launch of CNBC, the cable business news channel. The chapter will argue business journalism began as an advocate and arm of capitalism that provided “news for the market,” an important legacy that defined the genre’s priorities and worldview. These close ties to the market also have marginalized business journalism in the eyes of the mainstream profession. For years, the business desk has been a separate corner of the newsroom, a “backwater” assignment with low prestige. To this day, business journalism has yet to fully separate from its market and commercial origins into a more independent form of journalism that can serve general readers.

The dissertation will argue business journalism must evolve and better serve general readers in addition to the market. This chapter describes several foundational ideas required for that evolution to occur. First, it will argue the notion of separating business journalism from mainstream journalism is both difficult and, ultimately, counterproductive. Economics is intertwined with history; consider the centrality of capitalism to the American experience. Likewise, business journalism is intertwined with mainstream journalism. Yet the journalism profession has treated business journalism as something separate, which ultimately diminishes the importance of business journalism.

¹⁷⁹ McChesney, “The Problem of Journalism” 2003; Starkman, *The Watchdog That Didn’t Bark*, 2014.

As this chapter will argue, business journalism fits into the broader historical evolution of mainstream journalism. Both were raw information providers in the eighteenth century and shifted to more analytical forms of information in the nineteenth century. Both provide a watchdog function, although business journalism's surveillance role deserves broader recognition. This lack of recognition, this dissertation will argue, is one reason why mainstream news organizations ignored extraordinary journalism produced by the *National Thrift News* in the savings and loan crisis.

The case for a greater role for business journalism rests on theories of journalistic professionalism. This dissertation will show that the professional orientation of journalists transcends any boundaries and that great journalism can be conducted at the trade press or at the business desk. Muckraking journalist Ida Tarbell in the early twentieth century is a good example. She did not self-identify as a business journalist, yet she produced groundbreaking business journalism that challenged one of the most powerful men in America, John D. Rockefeller. Good journalism can happen anywhere — at trade weeklies, at the business desk of regional daily newspapers, at the wire services. Instead of putting business journalism into a discreet box, I propose to define business journalism expansively, as a series of analytical tools to tell a broader range of stories. This chapter discusses definitions in some detail, and this is an important exercise to empower and focus the mission of business journalism. A profession's identity and sense of purpose matter. The skills and methods of business journalism can help serve many aspects of society. Attempts to marginalize or ignore the trade press or the business desk, which happened during the savings and loan crisis, will harm the public interest.

What is Business Journalism?

A seemingly simple definitional question — what is business journalism? — not only vexes journalism scholars, it also contributes to the status and identity problems business journalism has faced since its inception. According to Kathleen Endres, “Few fields of journalism have had to deal with such confusion with regard to name, categorization, integrity, or the roles they play within the industries they cover.”¹⁸⁰ The definitional question is central to understanding the *National Thrift News*' work, not only as a trade newspaper but also for business journalism in general. The dissertation will use the term "trade press" to refer to journalism for specialized industries or professions, such as the *National Thrift News*, and the term "general business journalism" to describe publications with broader consumer audiences, such as *The Wall Street Journal*. The term "business journalism" refers to the wider field of both the trade press and general business journalism. This chapter will examine how the trade press relates to general business journalism and define similarities and differences in their normative foundations.

Both the trade press and general business journalism share a normative origin as a servant to business and have a symbiotic relationship with the markets. “Capitalist tool” — the cheeky motto for the business magazine *Forbes* — captures the normative foundation of business journalism. John McCusker traced the origins of the business press to 1540 in Antwerp and the "price current" publications that described commodity

¹⁸⁰ Endres, Kathleen, “Research Review: The Specialized Business Press” 4, no. 2–4 (1994).

prices and trade information.¹⁸¹ These papers, organized by brokers and market owners, helped businesses function and evolve. The price reporting function was critical to early capitalism since it allowed for price discovery of products and commodities as well as advertising to match suppliers, manufacturers, merchants, and financiers.¹⁸² McCusker wrote that “business newspapers helped to perfect the market.”¹⁸³ Reporting on prices helped “cut a firm's transaction costs and (allowed) merchants to engage customers more closely, to challenge competitors more successfully” and to “generate more business for the city.”¹⁸⁴ At a later point in history, Paul Julius Reuter, founder of the eponymous news service, took this idea one step further: “News moves markets ... news is a market.”¹⁸⁵ Wayne Parsons viewed business journalism and capitalism as evolving together. “The growth of economic communications was and is a precondition of

¹⁸¹ McCusker, John J., “The Demise of Distance: The Business Press and the Origins of the Information Revolution in the Early Modern Atlantic World,” *The American Historical Review* 110, no. 2 (April 1, 2005): 295–321. McCusker’s assertion about the origins of business journalism is disputed. I chose McCusker’s version because it contained the most thorough research and clear documentation. The competing versions include Jesse Neal, a leading trade press editor, who argued that Adam Smith’s *Wealth of Nations* in 1776 “was the real beginning of business press history.” Neal, Jesse H., “A Review of Business Paper History,” *N.W. Ayer & Son Annual and Directory*. 1922. Mitchell Stephens wrote that business journalism can trace its origins back to 1568 and the House of Fugger, led by German financier Philip Eduard Fugger, who produced a series of newsletters involving business and economic matters. Stephens, Mitchell, *A History of News*, Third. (New York: Oxford University Press, 2007), 66.

¹⁸² McCusker, “The Demise of Distance,” 2005

¹⁸³ McCusker argued that “business newspapers were the first newspapers.” Such a claim is contested, as Stephens described “the oldest known news publication printed on a letter press” was in 1470 in Italy. Stephens, *History of News*, 2007, xii. McCusker, “The Demise of Distance,” 2005.

¹⁸⁴ McCusker, “The Demise of Distance,” 2005.

¹⁸⁵ Palmer, M, “Global Financial News,” In *The Globalization of News*, edited by O Boyd-Barrett and T Rantanen, 61–79. London: Sage, 1998, 61.

capitalist development and the spread of capitalism as a concept or ideology.”¹⁸⁶ Parsons continued:

The historical importance of the financial press does not lie so much in its contribution to the development of a literary form as in its role in defining a capitalist language and culture: free markets, individualism, profit and speculation.¹⁸⁷

As will be discussed more fully in the subsequent chapter, business journalism evolved along with three distinct phases of U.S. capitalism. Financial capitalism, represented by banker J.P. Morgan, ran generally from late 1800s to about 1912; managerial capitalism from the 1920s to the 1980s; and shareholder capitalism from the 1980s forward.¹⁸⁸ In one of the early histories of the business press, Flynn described a close relationship of the business press to capitalism and functional operations of business: “All through industrial history, there is a close relationship between basic inventions, the subsequent development of industries founded upon such inventions and finally, the emergence of publications to represent that industry.”¹⁸⁹ Such an evolution was evident with the early price current publications.

David Forsyth noted the price current publications, such as the *South Carolina Price Current* in 1774 or *The New York Prices Current* in 1795, dominated the U.S.

¹⁸⁶ Parsons, *The Power of the Financial Press*, 1990, 1.

¹⁸⁷ Parsons, *The Power of the Financial Press*, 1990.

¹⁸⁸ The managerial capitalism phase is a break from a financial capitalism model that dominates the later nineteenth century, one that put banks and financial intermediaries in the center of the economy. Financial capitalism focused on financial returns for shareholders and corporate investment performance. Davis, Gerald F. *Managed by the Markets: How Finance Reshaped America* (New York, NY, USA: Oxford University Press, 2009).

¹⁸⁹ Flynn, M.B., “The Development of Business Papers in the United States,” Graduate School Business Administration, New York University, 1944.

business press until the War of 1812.¹⁹⁰ The *South Carolina Price Current* was one of the first business publications in what became the continental United States.¹⁹¹ The early U.S. newspapers carried considerable commercial information, with reports on shipping, harvests and European market developments aimed at merchants who were eager to advertise their own products.¹⁹² *The Journal of Commerce*, a significant business publication focusing on shipping news, was founded in New York in 1827. The early trade press did not make compelling reading for a general audience. Jesse H. Neal, a pioneer in U.S. trade press journalism, wrote that a modern business editor, reading these price currents, would have “found little real news material, and still less reader interest.”¹⁹³ Even as journalism grew in the nineteenth century, these publications printed “news as information” rather than “news as story,”¹⁹⁴ which parallels the general evolution of newspapers. Early business journalism was still designed for the business class and not the general public.¹⁹⁵

Both the trade press and general business journalism grew from the 1830s forward, tracking the production and reporting innovations in the field of journalism generally and benefitting from the boom in a new industrial society. Although they served different audiences and played different roles, both trade press and general business journalism enjoyed close ties to markets and industry in the nineteenth century and helped them evolve. “The need and the opportunity for a business press grew out of the introduction of the factory system, and the dawning of the realization that the making

¹⁹⁰ Forsyth, D., *The Business Press in America*, Philadelphia: Chilton Co, 1964.

¹⁹¹ Forsyth, *The Business Press in America*, 1964, 20.

¹⁹² Starkman, *The Watchdog That Didn't Bark*, 2014, 41.

¹⁹³ Neal, “A Review of Business Paper History” 1922.

¹⁹⁴ Lule, Jack, *Daily News, Eternal Stories: The Mythological Role of Journalism*, New York: Guilford Press, 2001.

¹⁹⁵ Parsons, *The Power of the Financial Press*, 1990.

and distribution of goods depended upon economic principles,” wrote Jesse H. Neal, a leader of the trade group Association of Business Papers in New York.¹⁹⁶

The growth of both industry and the journalism documenting its rise was evident in the transportation field with early trade magazines such as the *American Railroad Journal*. Founded in 1832, this magazine is known by academics as “the granddaddy of them all” in the early business press. Henry Varnum Poor’s reporting in the *American Railroad Journal* marks an important development for U.S. business journalism as he was one of the first business reporters to demand correct financial information¹⁹⁷ from the companies he covered.¹⁹⁸ The rise of railroads in the early nineteenth century marked a major turning point in the U.S. industrial development as well as emergence of modern U.S. business and regulatory regimes.¹⁹⁹ Others in this era included *Hunt's Merchant Magazine and Commercial Review* and the *Dry Goods Reporter and Commercial Glance*.²⁰⁰ Specialized commercial publications expanded significantly after the Civil War.

This early history is important since it helped establish one of the negative normative features of business journalism: a “backwater” in the newsroom that wrote in a

¹⁹⁶ Neal, “A Review of Business Paper History,” 1922.

¹⁹⁷ Laib, Janet, “The Trade Press,” *Public Opinion Quarterly* 19, no. 1 (1955): 31–44. Poor’s name lives on as one-half of Standard and Poor’s Corp. Poor’s work also presaged the data gathering operations of the trade press and business information companies, such as Standard & Poor’s and Bloomberg LP. “Poor compiled running histories of no fewer than 120 different railroad companies -plus a great mass of statistical and organizational data on other firms.” McCraw, Thomas K., “The Challenge of Alfred D. Chandler, Jr.: Retrospect and Prospect,” *Reviews in American History* 15 (March 1987): 166.

¹⁹⁸ Roush, *Profits and Losses*, 2006, 28.

¹⁹⁹ McCraw, Thomas K., “The Challenge of Alfred D. Chandler, Jr.: Retrospect and Prospect,” *Reviews in American History* 15 (March 1987): 160–78.

²⁰⁰ Smith, Roland B., “The Genesis of the Business Press in the United States,” *The Journal of Marketing* 19 (October 1954): 146–51.

foreign jargon, was too close to business and often explicitly advocated for its interests. This tight relationship to the markets and business stands in tension with a core ethical ideal of modern professional journalism: to separate and eliminate conflicts of interest between advertising and news content.²⁰¹ Early business journalism in the price currents, with their focus on prices and transactions, was devoid of context, narrative flair, or analysis, and thus did not enhance the genre's stature: "The profession did not acquire a reputation for literary merit or high journalistic standards. Indeed, for this reason, in most accounts of the history of journalism, financial reporting is mentioned either not at all or merely en passant."²⁰² Kjaer wrote that the technical nature of some business reporting, especially its coverage of abstract financial issues, "led many critics to conclude that business journalism today is remote from the traditional ideas of journalism, since business journalism is no longer concerned with the description and interpretation of current event on behalf of the public."²⁰³

Business news grew out of the price currents to more substantive reporting, growth that generally tracked the rise of industrial America, as described more fully later in the chapter. From the 1830s forward, there is a split occurring between the trade press and general business journalism. The trade press had grown to such a size by 1893 that the *American Economist* carried an article that sought to distinguish trade press from mainstream media. It is still a pertinent question as to how we distinguish between the two. There are some clear lines of division: For example, the trade press provides technical knowledge and performs a continuing education function for business people,

²⁰¹ "SPJ Code of Ethics," *Society of Professional Journalists*, Accessed September 24, 2014.

²⁰² Parsons, *The Power of the Financial Press*, 1990, 40.

²⁰³ Kjaer, Peter, and Tore Slaatta, *Mediating Business: The Expansion of Business Journalism*, (Copenhagen Business School Press DK, 2007), 160.

something not present in general circulation newspapers. Yet the line between the trade press and general business journalism is indistinct and arguably is becoming even more so in the modern media age.

General Business Journalism

Modern scholars have attempted understand the role of business journalism and its identity, and they generally define business journalism based on content. Tracy Lucht distinguished four separate genres that serve different audiences: business, finance, economics, and consumer journalism.²⁰⁴

- Business journalism examines "corporate structure, small-business trends, executive performance, marketing, industry, and labor."
- Financial journalism "mainly covers the stock, bond, and commodity markets; its readers are investors..."
- Economic journalism "is more political in focus, explaining the policies of presidential administrations and the Federal Reserve."
- Consumer journalism "covers products and business practices of interest to buyers."

These categories are clear and useful. Yet there is one problem: these four categories tend to overlap in the newsroom. A story about Congress approving a tax cut bill – is this a business or economics or finance or consumer story? It would span all four categories. In addition, personal finance news blurs the distinction of business journalism

²⁰⁴ Lucht, "Sylvia Porter," 2007.

as specialist financial news targeted to investors.²⁰⁵ Are these investors regular consumers or professional Wall Street traders? They could be either, or both.

Nikki Usher, after examining *The New York Times* business news coverage through the twentieth century, concluded there is not a clear definition of business news.²⁰⁶ Other scholars described a fluid definition of business journalism.²⁰⁷ Chris Roush offered a fairly expansive definition: "all reporting and writing that is written not only about business but also about the economy."²⁰⁸ He added this includes beats such as labor, workplace, technology, personal finance, investment, and consumer reporting, a definition reflected by the news coverage decisions of major financial news wires, such as *Bloomberg*, *Reuters*, and *Dow Jones Newswires*. Peter Kjaer examined the evolution of Danish business journalism since 1960 and found a blurring of lines between economic and business journalism.²⁰⁹ The ambiguity over definitions is perhaps best expressed by Alan Sloan, the award-winning *Fortune* magazine reporter, who described business journalism colorfully as stories "about life that will have a few numbers in it."²¹⁰

Trade Press

The issues of identity and conflicts with the market were even more pronounced in the early history of the trade press. In the origins of the trade press, there is an explicit mission to provide information to help businesses and markets grow, i.e. it is indeed a

²⁰⁵ Doyle, "Financial News Journalism A Post-Enron Analysis of Approaches towards Economic and Financial News Production in the UK," 2006.

²⁰⁶ Usher, Nikki, *Making News at the New York Times*, (Ann Arbor: University of Michigan Press, 2014).

²⁰⁷ Endres, Kathleen, "Research Review: The Specialized Business Press" 4, no. 2-4 (1994); Roush, *Profits and Losses*, 2006.

²⁰⁸ Roush, *Profits and Losses*, 2006.

²⁰⁹ Kjaer and Slaatta, *Mediating Business*, 2007.

²¹⁰ Roush, *Profits and Losses*, 2006.

capitalist “tool.” Julien Elfenbein writes that “the editor of an independent businesspaper is a trustee of the free enterprise system.”²¹¹ Elfenbein described a trade publication as a “businesspaper” that serves a specialized, professional, technical, scientific, industrial or business audience.²¹² For a “businesspaper,” Elfenbein writes, the “primary objective is to advance the status of the field.”²¹³ M.B. Flynn described business papers as “periodicals published for the purpose of producing profit by fostering commercial enterprise. Their principal appeal is to purchasing agents who buy for business purposes, rather than for personal consumption.”²¹³ The Federation of Trade Press Associations, an industry group, embraced an intimate relationship between the trade press and business development. “The trade press is one of the most successful business builders in the country,” W.L. Terhune, president of the Boot and Shoe Recorder Publishing Company said in 1906 testimony to the U.S. Postal Commission.²¹⁴ One reason for the success of the trade press was a focus on its specific area of expertise.

Trade publications kept a narrow focus out of necessity, which further puzzled and perhaps alienated outside readers. Yet this narrow focus is a norm for this genre and, indeed, a reason for its success.²¹⁵ As Janet Laib wrote in her study of the trade press, “If they dilute the subject matter with political coverage and other supported irrelevancies, they will get a diluted audience, and a diluted audience would weaken their appeal to

²¹¹ Elfenbein, *Business Journalism*, 1969.

²¹² Elfenbein, *Business Journalism*, 1969. In this vein, Laib defines the trade press as publications that “serve distinct business or professional fields.” Laib, “The Trade Press,” 1955.

²¹³ Flynn, “The Development of Business Papers in the United States,” 1944.

²¹⁴ n/a. “Report of the Postal Commission: Authorized by Congress to Make Inquiry Regarding Second-Class Mail Matter,” U.S. House of Representatives, 1907.

²¹⁵ Endres, Kathleen, “Ownership and Employment in the Specialized Business Press,” *Journalism Quarterly* 65 (Winter 1988): 996–98.

advertisers who want to reach a specialized market of readers.”²¹⁶ Elfenbein provided a humorous elaboration: “Inside the businesspaper, you find no circus makeup, no crime or sex stories, no ‘itchy, prurient journalism,’ no sin swathed in morality, no fiction, no gossip, no politics, no sports, no Hollywood or Broadway.”²¹⁷ Ann Hollifield wrote how the trade press is less likely than mainstream media to write about the big picture, “to cover the social implications of industry policy proposals.”²¹⁸ This is one way Strachan and the *National Thrift News* defied normative behavior of the trade press: They covered politics closely, publishing presidential polls and making campaign endorsements. Trade press scholars such as Laib would find this highly unusual:

Although trade editors aren't fearful of tangling with pertinent government policies, political campaigning per se is almost totally by-passed in their columns. Trade publishers believe that they must concentrate upon the narrow scope of material that directly relates to the profession or industry of their readership.²¹⁹

How best to distinguish between the trade press and general business journalism?

Look at the publication's intended audience: is it the general public or a specific slice of the business community? Do they publish technical information designed for a specific profession or material aimed at general readers?

Examining identity is a second way to distinguish the trade from general business press. Does the publication have an autonomous identity, such as *The New York Times*, or one linked to an industry or field, such as *Broadcasting and Cable* or *Women's Wear*

²¹⁶ Laib, “The Trade Press,” 1955.

²¹⁷ Elfenbein, Julien, *Business Paper Publishing Practice*, New York, NY: Harper & Brothers, 1952.

²¹⁸ Hollifield, “The Specialized Business Press and Industry-Related Political Communication,” 1997.

²¹⁹ Laib, “The Trade Press,” 1955.

Daily? Elfenbein noted that trade publications are defined by the industries they serve.²²⁰ *The New York Times* and *The Wall Street Journal* are both stand-alone entities that serve a general public. Circulation is a third way to make the distinction. Does the publication circulate generally? Can the public buy a copy? Some trade and technical journals simply are not sold to the public, thereby classifying them as specialty publications. Endres noted that “controlled circulation” publications are sent free to individuals qualified by occupation. Government regulations also provide some definitions. Various government entities, such as U.S. Postal Service to the U.S. Senate press galleries, distinguish between forms of business and trade press.²²¹ These distinctions are not binary, but they serve to generally sort business news for a mass audience and those for specialized fields.

David Mason makes this distinction between the two genres:

Universality is the distinguishing badge of the general newspaper; specialty is the exclusive mark of the trade journal ... The trade journal is useful; the general newspaper is entertaining... The trade journal stimulates investigation and reflection; the general newspaper creates and feeds the appetite for what is superficial and often frivolous.²²²

²²⁰ Elfenbein *Business Journalism*, 1969.

²²¹ Autonomy, independence, and audience are key factors in accreditation schemes for journalists for the U.S. Senate press galleries. The Senate Daily Press Gallery credentials publications “with General Publication mailing privileges under U.S. Postal Service rules” and which publish daily. The on-line publications are those whose “principal business is the daily dissemination of original news and opinion of interest to a broad segment of the public, and which have published continuously for 18 months.” This encompasses *Bloomberg News*, *Reuters* and *The Associated Press*, for example. The Senate Periodical Press Gallery credentials publications cannot work for the government and must “principally engaged in the gathering and reporting of news” and is supported chiefly by advertising or by subscription, or by a nonprofit organization that is independent of any government, industry, or institution.

²²² Mason, David H., “The Distinguishing Features of the Trade Journal as Compared with The General Newspaper” *American Economist*, July 7, 1893.

The trade press differs significantly from general business journalism or even regular mainstream journalism in another way. A main role of the trade press is to provide a type of adult education; this was rooted in the nineteenth century trade papers, which provided industrial education when the U.S. lacked a system of trade or technical schools.²²³ The Federation of Trade Press Associations noted the "inestimable" value of a trade paper in providing technical education for business people in the U.S., especially with the absence of trade or industrial schools at the turn of the twentieth century. Trade press scholars and industry officials even argue that advertising played an educational role in these industry publications, one different than mass consumer advertising in general publications. Trade press advertising serves an important communications function by describing an industry's new products, innovations, and availability of product supply.²²⁴ The Federation of Trade Press Associations, in its very beginning, was defensive about the amount of advertising carried in trade papers: "It should be remembered that trade papers differ radically from magazines and daily papers. Trade-journal advertising is a necessary medium of communication between the manufacturer jobber and retailer."²²⁵ This educational role is one the trade press took seriously. According to Gussow, "Such papers became the 'colleges' and 'trade schools' of the early period."²²⁶ According to Elfenbein, "Businesspapers are published for people on the managerial level who need continuing education and knowledge because they have to continuously make the prime decisions²²⁷." Indeed, trade papers still play this role.

²²³ Gussow, *The New Business Journalism*, 1984.

²²⁴ Elfenbein, *Business Journalism*, 1969.

²²⁵ n/a, "Report of the Postal Commission," 1907.

²²⁶ Gussow, *The New Business Journalism*, 1984.

²²⁷ These publications publish "the know-how and know-what for making a living, improving the job, solving problems and making decisions" Elfenbein wrote

Publications such as *Tax Notes*, *Oil & Gas Journal*, and *Women's Wear Daily* are educating journalists at mainstream papers who cover beats such as taxes, energy or fashion. Journalists often scour the trade press for background on an issue or story ideas. This was the case for the *National Thrift News*. Reporters at *The Wall Street Journal* and *The New York Times* read *National Thrift News* and credited it occasionally in their stories.²²⁸ When the *National Thrift News* won the 1988 George L. Polk Award, the prize citation recognized this educational function of the trade press: "In the best tradition of the specialized or trade press, it has acted as an advance scout for the rest of the media."²²⁹

Modern Definition

The discussion above shows traditional ways of understanding the trade press and general business journalism. This chapter, however, argues that theories of journalistic professionalism help provide not just a better modern definition, but also a path forward for the genre's evolution into the mainstream. Consider the analysis of professional

that "all businesspapers are technical." These papers also provide news, editorials, and a function as an industry forum, or a "town hall" in print, a meeting place for discussion, and criticism of all phases of business. These papers also serve an advertising function, a research function and a public relations function, providing information to various segments of the public, from advertisers to readers to other news media, investors, and the ultimately the consumer. The papers also serve a public utility function and an integrating function. Elfenbein, *Business Journalism*, 1969.

²²⁸ *The New York Times* and *The Wall Street Journal* had cited items and exclusives reported by the *National Thrift News* in 1987 and 1988. For example, see "Bidders Seen On Thrift Unit," *The New York Times*, June 15, 1987; "Ford's Savings-Unit Plan Raises Concern in Congress," *The New York Times*, December 12, 1988; Sansweet, Stephen J., "Financial Corp. Of America Buyer Is Sought --- Federal Regulators Want Firm's Sale, Sources Say; Quick Action Is Unlikely," *The Wall Street Journal*, March 23, 1987.

²²⁹ n/a, "NTN Wins Polk Reporting Award," *National Thrift News*, March 20, 1989.

identity conducted by Pierre Bourdieu and Silvio Waisbord. Instead of arriving at specific typologies, Bourdieu and Waisbord look at how modern journalism interacts with political, economic, cultural, and social forces.²³⁰ Bourdieu essentially asserted someone can be identified as producing cultural works, such as journalism, merely by just doing the work – writing stories, producing films, and making broadcasts. According to Bourdieu, “There is no other criterion of membership of a field than the objective fact of producing effects within it.”²³¹ In this view, journalism and even business journalism is a type of social construct, a product of its culture and its times. Gillian Doyle wrote that “many of the pressures and imperatives faced by financial and economic journalists are, in fact, similar to those affecting specialists that cover other ‘beats’, for example, constraints over time and resources and the need to remain close, but not too close, to relevant sources.”²³² Herbert Gans offered similar ideas, saying culture plays a critical role in news selection and reflects a set of enduring values.²³³ Since culture, social forces, and economics remain in flux, so does the definition of journalism, according to this view. As Waisbord noted, “The meaning of professional journalism remains elusive.”²³⁴ Part of the problem is the constant blending of occupational and normative definitions, which is also the case with business journalism.

Nikki Usher's study of *The New York Times* business news leads to a modern, multidimensional definition of business journalism. She argued business news is a type of social construction, “the product of institutional factors ... and a set of narrative and

²³⁰ Waisbord, *Reinventing Professionalism*, 2013; Bourdieu, Pierre, *The Field of Cultural Production*, Polity Press, 1993.

²³¹ Bourdieu, *The Field of Cultural Production*, 1993.

²³² Doyle, “Financial News Journalism A Post-Enron Analysis of Approaches towards Economic and Financial News Production in the UK,” 2006.

²³³ Gans, *Deciding What's News*, 1979.

²³⁴ Waisbord, *Reinventing Professionalism*, 2013.

structural conventions that determine whether a story will ultimately be a business story." Usher continued, "Furthermore, the definition of business news at *The Times* and who was responsible for reporting and editing these stories may not have always fit clearly within the institutional boundaries of the newspaper."²³⁵ With this definition, we see the influence of Bourdieu's theory of cultural production. Usher described three general types of business stories:

1) "Stories that always have been defined as business stories" and "do not fit the agendas of other sections of the newspaper because of their direct and explicit focus on business and economics;"

2) "A business story that is the genesis of a larger story that develops a broader scope," such as Google pulling out of China;

3) "A general story that can take on a business perspective."²³⁶

These definitions help explain how a story that was once considered business news now can appear elsewhere in the newspaper: on page one as national news (a story about a falling stock market) or in the sports section (money from player corporate endorsements) or in the metro section (construction of a new shopping mall).

My definition of business journalism, therefore, is influenced by Usher's observations about the dispersed nature of modern business journalism, Bourdieu's theory about cultural production, and Waisbord's description of the evolving identity of journalism. My proposed definition of business journalism is broad: it is a series of analytical tools journalists use to tell a broader range of stories. Put another way, business journalism is a skill set and an attitude intended to help reporters gain deeper insight into

²³⁵ Usher, "Making Business News in the Digital Age," 2011.

²³⁶ Usher, "Making Business News in the Digital Age," 2011.

their subjects, from covering City Hall or Congress to Major League Baseball or Hollywood. In this light, a journalist trained to analyze corporate financial statements will cover political stories, such as the business dealings of real estate mogul and presidential candidate Donald Trump.

New York Times business editor Larry Ingrassia told Usher about the fungible boundaries between a business story and a general story:

I would say, if you forced me, it is anything that intersects the very broad set of issues how people go about their economic lives and what affects them as workers, as investors, as consumers, and sometimes as citizens. For example, taxes and tax policies, is that a government or a business story? That can be both, and a lot of things, depending on the emphasis.²³⁷

Defining business journalism as a set of skills and a mindset allows it to work fluidly with the evolving nature of news and establishes a path forward for it to evolve into a genre to better serve the general readership.²³⁸ One benefit of my definition is it would remove business journalists from the backwater of newsrooms and integrate their skills fully into the regular news production, a trend reflected in *The New York Times* and *The Associated Press*, for example. This definition is flexible enough to account for the influence of trade publications on general business journalism outlets as well as to allow for the interplay between the two subgenres. Modern newsrooms are emphasizing team

²³⁷ Usher, “Making Business News in the Digital Age,” 2011.

²³⁸ The broader definition of business news also tracks the evolution of some news agencies’ business models. Palmer noted one of *Reuters*’ first agreements in 1856 was exchange of stock market prices with German and French news agencies; it later evolved into general news. Similarly, one of *Bloomberg LP*’s first major contracts was for delivery of bond price data to the *The Wall Street Journal* and *The Associated Press*. “Like *Reuters*, *Bloomberg* moved from financial to general news.” Palmer, “Global Financial News,” in *The Globalization of News*, ed. O Boyd-Barrett and T Rantanen (London: Sage, 1998), 63.

reporting across beats and specialties. In this way, business journalism would reflect the commercial and economic mindset of our society.

Instead of seeing business journalism as part of a historic continuum, the broader profession of journalism has sought to place it in a separate category.²³⁹ Such attempts at separation are out of step with theories of history and the centrality of capitalism in the American political and cultural experience. Karl Marx's influential historical theories noted how the disciplines of politics and economics were intertwined.²⁴⁰ Marx argued that material conditions of life account for general development of the human mind, not legal relations or political forms. His materialist theory of history emphasized empiricism and asserted that humans, by producing their means of subsistence, "are indirectly producing their actual material life."²⁴¹ The economy and history are two sides of the same coin. Angus Burgin wrote that, "For better or for worse, we now live in an era in which economists have become our most influential philosophers, and when decisions made or advised by economic technocrats have broad and palpable influence on the practice of our everyday lives."²⁴²

Functionalist Role

Some of the business journalism in the nineteenth century, so influential in forming the genre's modern identity, played functionalist role to help the market evolve. This functionalist mindset is explicit in the title of the first railroad newspaper:

²³⁹ Kurtz. *Media Circus*. 1993.

²⁴⁰ Karl Marx, *A Contribution to the Critique of Political Economy*, Moscow: Progress Publishers, 1859.

²⁴¹ Marx, Karl, and Friedrich Engels, *The German Ideology*, International Publishers Co, 1845, 42.

²⁴² Burgin, *The Great Persuasion*, 2012.

"American Railroad Journal and **Advocate of Internal Improvements**" (emphasis added). This functionalist role is a theme as business journalism adopted new communications technology, such as the telegraph. This invention, dating back to the 1830s, helped establish business journalism as an essential information provider in the modern financial markets. Palmer wrote that in this era, the growth of industrial capitalism depended on news and information.²⁴³ Publications arose to meet the growing demand for market news for wealthy and elite individuals as well as brokers. One example was the Kiernan News Agency, which distributed breaking news on shipping, railroad and construction as well as information from the New York Stock Exchange to clients around the country. Kiernan News Agency was among the early users of the telegraph to distribute business news in New York in 1860s.²⁴⁴ O'Neill credited Kiernan with inventing the news ticker tape machine, which became the iconic information source and a fixture in Wall Street trading rooms. Regardless of that bold claim, Kiernan hired two journalists – Charles Dow and Edward Jones – who worked for him until 1882 and later greatly advanced the field of business journalism. Dow and Jones went on to form Dow Jones & Co., a market news service that evolved into *The Wall Street Journal* in 1889.²⁴⁵

The business press also played a functionalist role in Europe, adopting the telegraph and other technologies to help the markets grow and evolve. In 1845, Charles Louis Havas scrapped use of carrier pigeons in favor of the telegraph to deliver news to his *Agence France Press*, which bills itself as “the world’s first international news

²⁴³ Palmer, “Global Financial News,” 1998, 61.

²⁴⁴ O’Neill, Aliah, “John J. Kiernan: The Pioneer of Wall Street,” *Irishcentral.com*, July 19, 2010.

²⁴⁵ Dow Jones & Co., “Dow Jones History,” 2013.

agency,” a news service popular with European banks and stockbrokers.²⁴⁶ Julius Reuter worked for Havas, and left in 1851 to found the Reuters news agency on London.

Besides the telegraph, newspapers and specialized publications in the nineteenth century benefitted from other advances in technology such as photography, mechanical typesetting, and new industrial printing technologies such as rotary presses.²⁴⁷ The newspaper industry was among the first to adopt the mass production methods in the industrial era.²⁴⁸ *The New York Sun* in 1837 purchased a steam-powered press that produced 4,000 papers an hour.²⁴⁹ The period of 1865-1885 also saw major evolutions in the printing and engraving processes.²⁵⁰ Businesses began to conduct research and development into ways to improve their products and services.²⁵¹ The price of distribution fell due to reductions in postal rates. Such changes allowed specialized business publications to grow along with the broader rise as mass distribution newspapers emerged from the 1870s forward. Both the trade publications and general newspapers benefitted from major social and demographic changes in the United States, such as increased population and urbanization of U.S. cities that provided a larger and easier-to-reach audience. Frank Luther Mott described the late nineteenth century as the rise of the independent press. For example, more than 9,000 periodicals (not newspapers) had

²⁴⁶ “AFP in Dates,” Accessed April 19, 2015.

²⁴⁷ Gussow, *The New Business Journalism*, 1984; Steeples, *Advocate for American Enterprise*, 2002; Forsyth, *The Business Press in America*, 1964.

²⁴⁸ Hallin, *The Uncensored War*, 66.

²⁴⁹ Emery, Edwin, and Michael Emery, *The Press and America - An Interpretive History of the Mass Media*, 5th ed. Englewood Cliffs, NJ: Prentice-Hall Inc., 1984.

²⁵⁰ Mott, Frank Luther, *A History of American Magazines, 1885-1905*, Vol. IV, (Cambridge, MA: Harvard University Press, 1957).

²⁵¹ McCraw, Thomas K., “The Challenge of Alfred D. Chandler, Jr.: Retrospect and Prospect,” *Reviews in American History* 15 (March 1987): 160–78.

publishing starts in the 1865-1885 period.²⁵² General trends in U.S. business created a new demand for specialized business news, with the beginning demise of small merchants and the rise of more specialized (mercantile) manufacturing enterprises and a new professional class. Mott wrote, “The last 30 years of the 19th century were a formative period of the American business press.”²⁵³

With this technology and growth of the market came a boom in the number and variety of periodicals that serve industry, particularly banking and finance. Specialized publications such as *Bankers' Magazine*, *Dun's Review*, and *The Bond Buyer* launched in the nineteenth century, and in keeping with the normative role of the trade press, some of these publications greatly assisted with the development of these industries. The *American Banker*, founded in 1836 as *Thompson's Bank Note Reporter*, provided an extremely valuable service to businesses, banks and merchants: investigating fraudulent and unsafe banks and reporting on legitimate and illicit bank notes and currency.²⁵⁴ In other instances, the business press helped restore market order. In 1884, for instance, the *Dow Jones Newswire* helped to calm a market panic following the failure of a New York Stock Exchange member firm, Grant and Ward. Dow Jones issued a series of reassuring remarks from major financial figures, including the railroad mogul Jay Gould, who predicted the panic had run its course.²⁵⁵

²⁵² Mott, *A History of American Magazines, 1885-1905*, Vol. IV. 1957.

²⁵³ Mott, Frank Luther, *A History of American Magazines, 1905-1930*, Vol. V. (Cambridge: Harvard University Press, 1968).

²⁵⁴ Endres, Kathleen, “American Banker,” In *The Trade, Industrial and Professional Periodicals of the United States*, 22–28, Westport, CT: Greenwood Press, 1994.

²⁵⁵ Starkman, *The Watchdog That Didn't Bark*, 2014, 42.

Analytical Reporting

In addition to the technological changes, business journalism began to evolve stylistically in the mid-nineteenth century, moving beyond market information and into more analysis, further increasing its value and utility as a business information source.²⁵⁶ Publications began to evolve by printing news stories instead of more raw market data, and then by printing criticism of the industries they covered.²⁵⁷ Some general newspaper publishers began to sense reader demand for business news; James Gordon Bennett in the 1830s created a money column in his *New York Herald* newspaper.²⁵⁸ Other publications pursued a more analytical approach to business journalism, such as the London-based *Economist* magazine, continually published since 1843, and the New York-based *Commercial and Financial Chronicle*, launched in 1865. Scottish hat maker James Wilson founded *The Economist* newspaper in 1843 to fight the protectionist Corn Laws and promote free trade.²⁵⁹ *Economist* editor Walter Bagehot became enormously influential for his writings about banking and finance, which helped shape the industry's identity. "Bagehot's economic journalism provided businessmen with a set of ideas they could understand, and gave a highly articulate voice to the emerging commercial and financial classes."²⁶⁰ In the U.S., William Buck Dana sought to model the *Commercial and Financial Chronicle* after the *Economist*. Dana took over the paper in 1861 and created a highly influential publication that reported on general business and economic

²⁵⁶ Parsons, *The Power of the Financial Press*, 1990, 22.

²⁵⁷ Forsyth, *The Business Press in America*, 1964.

²⁵⁸ Bennett argued his coverage of Wall Street was fairer than trade publications covering the same subject. Schudson, *Discovering The News*, 1978.

²⁵⁹ Parsons, *The Power of the Financial Press*, 1990, 26.

²⁶⁰ Parsons, *The Power of the Financial Press*, 1990, 27.

trends, with broader coverage than industry-focused railroad and banking journals.²⁶¹

Dana brought journalistic standards to the business press and sought to forge an identity for the emerging age of large corporations. Douglas Steeples wrote that “Dana helped forge an American philosophy of business that would withstand the rigors beyond his imagining and prevail in a 21st Century that is increasingly American.”²⁶² Still, Dana and his paper were boosters of capitalism, as Steeples wrote that Dana “was an advocate of business and himself an entrepreneur vested with an interest in a thriving capitalist society.”

Advocacy for capitalism is widespread in the financial press at the dawn of the twentieth century. Publications that started between the Civil War and the 1929 crash “were faithful to the idea of untrammelled free enterprise.”²⁶³ Financial journalist Clarence Barron, who purchased *The Wall Street Journal* in 1903, saw his paper “as a defender of both the capitalist system and individual capitalists and financiers.”²⁶⁴ Such advocacy also was evident at *Dun's Review*, 1898; *Financial World*, 1902; and *Forbes*, 1917: “Each in varying degrees offered a benign picture of the country's growing economic power... Readers were assured business was the proper agent for achieving public ends and business leaders were given benedictory treatment.”²⁶⁵ In this early period, many of the historical accounts would agree with Dean Starkman that “early business news was almost by definition a form of elite, as opposed to mass,

²⁶¹ Forsyth, *The Business Press in America*, 1964; Steeples, Douglas, *Advocate for American Enterprise*, 2002.

²⁶² Steeples, *Advocate for American Enterprise*, 2002.

²⁶³ Quirt, *The Press and the World of Money*, 1993.

²⁶⁴ Starkman, *The Watchdog That Didn't Bark*, 2014, 41.

²⁶⁵ Quirt, *The Press and the World of Money*, 1993.

communication, a press geared to a small band of market participants.”²⁶⁶ McCusker’s research on business journalism in sixteenth century Belgium showed how brokers on the Antwerp Exchange organized publication of early business newspapers, which had a primary function of channeling information to their local members, not necessarily the public at large.²⁶⁷ As the business press modernized in the nineteenth century, publications such as the early *Wall Street Journal* or the *Commercial and Financial Chronicle* “catered mainly to the concerns of the privileged.”²⁶⁸

Advertising and Controversy

The rise of commercialism in journalism in the mid-nineteenth century set up a tension between press and corporate interests, one that still exists today. Advertising became a viable revenue source, overtaking subscriptions, due in part to the growing urbanization of the U.S. the nation's population. This population growth was driven in part by immigration, which quadrupled from mid-nineteenth century to the first decade of twentieth century. This is when mainstream journalism began to shift to a commercial advertising model and away from ownership by political parties.²⁶⁹ Advertising had many effects on journalism such as "influencing newspapers' size, selection of stories, organization and personnel, and vulnerability to the economy.”²⁷⁰ In this era, “Publishers began to sell their newspapers for less than it cost to produce them and to emphasize

²⁶⁶ Starkman, *The Watchdog That Didn't Bark*, 2014.

²⁶⁷ McCusker, “The Demise of Distance,” 2005.

²⁶⁸ Quirt, *The Press and the World of Money*, 1993, 82.

²⁶⁹ Baldasty, *The Commercialization of News in the Nineteenth Century*, 1992.

²⁷⁰ Delorme, Denise E., and Fred Fedler, “An Historical Analysis of Journalists' Attitudes toward Advertisers and Advertising's Influence,” *American Journalism* 22, no. 2 (April 1, 2005): 7–40.

stories of more widespread interest.”²⁷¹ Penny papers, embodied by *The New York Herald*, emphasized street sales and shifted away from a sole reliance on subscriptions.²⁷² The penny press was part of a broader movement, the growth of commercial culture industries in the nineteenth century that included distribution of lower cost books and magazines.²⁷³ The penny press met the needs of what Schudson calls a "democratic market society" created by the growth of mass democracy, a market ideology, and new urban centers²⁷⁴.

Advertising became established in the mid-nineteenth century. The first advertising agency, owned by Volney B. Palmer, opened in 1849.²⁷⁵ By 1905, total revenues for the U.S. advertising industry were \$45.5 million, double the level from 1890, leading Mott to call the early twentieth century the Golden Age of Advertising. "It marked the beginning of an era in which advertising was not only to exert a great influence on American living but was also to work an important change in the publishing economics of all periodicals.”²⁷⁶ Magazines of all subjects, from business to economics to politics, emerged from 1885 through 1905.²⁷⁷

The new revenue source shaped journalism in several ways, and historians continue to argue about its beneficial or negative impact. In one viewpoint voiced by

²⁷¹ Delorme and Fedler, "An Historical Analysis of Journalists' Attitudes toward Advertisers and Advertising's Influence," *American Journalism*, 2005.

²⁷² Emery and Emery, *The Press and America*, 1984.

²⁷³ Hallin, Daniel, "Field Theory, Differentiation Theory and Comparative Media Research," In *Bourdieu and the Journalistic Field*, edited by Rodney Benson, Polity, 2005, 234.

²⁷⁴ Schudson, *Discovering The News*, 1978; Emery and Emery, *The Press and America*, 1984.

²⁷⁵ Emery and Emery, *The Press and America*, 1984.

²⁷⁶ Mott, Frank Luther, *A History of American Magazines, 1885-1905*, Vol. IV, 1957, 20.

²⁷⁷ Mott, Frank Luther, *A History of American Magazines, 1885-1905*, Vol. IV, 1957.

Michael Schudson, advertising allowed press to become financially separate from the state. By the late 1800s, the press became a source of power in society and was able to provide independent commentary on events. Press barons such as William Randolph Hearst and Joseph Pulitzer embodied the rising power, prestige, and wealth of the newspaper industry. Pulitzer viewed advertising as a means of providing financial autonomy for newspapers.²⁷⁸

Other historians such as Robert McChesney provide a more critical view of advertising role. He views powerful capitalist forces as shaping and restricting the news. The new advertising model “served as a powerful mechanism weakening the working-class press” in the early nineteenth century as conservative business owners avoided advertising in radical publications.²⁷⁹ This commercialism also led the press to adopt a new view of its audience. Readers were regarded as consumers, a type of commodity, which became a founding idea in leftist press criticism. Baldasty described this shift:

By century's end, editors and publishers saw their readers not only as voters but also as consumers, so they produced content that went far beyond the world of politics and voting. This vision of a 'commercialized reader,' if you will, naturally fueled commercialized news...Advertisers operated with a vision of the press that valued the newspaper's ability to help them make money.²⁸⁰

²⁷⁸ Starr, *The Creation of the Media*, 2004, 395.

²⁷⁹ Herman and Chomsky, *Manufacturing Consent*, 1988.

²⁸⁰ Baldasty, *The Commercialization of News in the Nineteenth Century*, 1992,

The concept of the public as a commodity for advertising fits into a leftist critique of the U.S. media, one inspired by Marx's materialist theories of history.²⁸¹ Building on Marx's insights about how readers and audiences are treated as a commodity, economist Dallas Smythe looked at how news media companies use this to accelerate their profits. Smythe argued the principal product of the commercial mass media in monopoly capitalism was not the creation of "messages" or "information" or "meaning." Instead, it was the creation of a product called "audience power," which allows the ruling elite to accomplish economic and political tasks.²⁸²

Conflicts

The rise of advertising as a business model quickly led to conflict of interest concerns. Journalists as early as 1869 "worried about advertisers' power and attempts to manipulate the news."²⁸³ Baldasty wrote advertisers in the penny press era sought to influence business news coverage and to seek free publicity and promotion from newspapers. They were often successful: "Business received much laudatory coverage in the late nineteenth century."²⁸⁴ For example, newspapers printed news items called "puffs" or "local notices" to praise local advertisers or other products. Unethical behavior was also evident in mainstream journalism, which earned a reputation for marginality through its sometimes lurid and sensationalized crime reporting in New York City. One

²⁸¹ Marx, Karl, *A Contribution to the Critique of Political Economy*, Moscow: Progress Publishers, 1859.

²⁸² Smythe, Dallas W, "On the Audience Commodity and Its Work," In *Dependency Road: Communications, Capitalism, Consciousness, and Canada*, (Norwood, NJ: Ablex, 1981).

²⁸³ Delorme and Fedler, "An Historical Analysis of Journalists' Attitudes toward Advertisers and Advertising's Influence," *American Journalism*, 2005

²⁸⁴ Baldasty, *The Commercialization of News in the Nineteenth Century*, 1992.

high profile example of this “yellow journalism” was the famous Hearst-Pulitzer competition to exaggerate Spanish abuses in Cuba in 1898.²⁸⁵

Driven by complaints about corrupt reporters and sensational articles, a general movement toward journalistic professionalism began at the end of the nineteenth century.²⁸⁶ The first U.S. professional journalism society was founded in 1914 at DePauw University, Sigma Delta Chi, now the Society of Professional Journalists. This society created a code of professional standards that emphasized avoidance of economic conflicts of interest.²⁸⁷ Some of the earliest evidence of a professional identity for business journalists came in 1890, when a business writer’s association was founded in Detroit.²⁸⁸ Various trade newspapers and magazines in 1906 established the Federation of Trade Press Associations, headed by James H. McGraw and John A. Hill of the McGraw-Hill publishing fame. It shaped the identity of the trade press and advocates for industry priorities, such as reduced postal rates for publications.²⁸⁹ The National Conference of Business Paper Editors Inc. was founded in 1919 at Herbert Hoover’s request. For

²⁸⁵ Barnhurst, Kevin G., and John Nerone, “Journalism History,” In *Handbook of Journalism Studies*, edited by Karin Wahl-Jorgenson, 17–29, Routledge, 2009, 25.

²⁸⁶ Colleges and universities began advancing the notion of the professional journalist by offering journalism courses, beginning in 1878 at the University of Missouri. Washington and Lee University in Lexington, Va. began offering printing courses, which encompassed journalism, in the late 1860s. These courses were not continually offered, unlike the University of Missouri, which has had a continuous journalism program since 1878.

²⁸⁷ This professionalism movement continued in 1923. The American Society of Newspaper Editors, founded in 1923, drafted a code of ethics called the “canons of journalism.” Journalism colleges and press clubs were founded to reinforce a professional identity. Hallin, “Field Theory, Differentiation Theory and Comparative Media Research,” 2005.

²⁸⁸ Elfenbein, *Business Journalism*, 1969.

²⁸⁹ n/a, “Report of the Postal Commission,” 1907.

business journalists, industry-wide ethical guidelines were not established until 1963 with the founding of the Society of American Business Editors and Writers.²⁹⁰

The move toward professional standards and education did not halt abuses, which happened sometimes at the highest ranks of the field. Clarence Barron, owner of *The Wall Street Journal*, engaged in unethical practices in the early twentieth century, such as ordering stories promoting companies in which he owned stock.²⁹¹ Such behavior is now forbidden at the modern *Wall Street Journal* and every other mainstream business publication.²⁹² In the 1920s, some business reporters developed reputations as "two-hatters" who sold advertisements and wrote favorable stories about the same advertisers. It wasn't until 1934 that *The Wall Street Journal* banned advertising people from the newsroom and forbid reporters from selling ads or trading stocks they covered.²⁹³ *Columbia Journalism Review* noted that in 1973, the bulk of the business press still was "appallingly disreputable" with editors selling ads and ad salesmen editing stories.²⁹⁴ Hubbard surveyed business newspaper editors and found they "seem curiously resigned to trimming their editorial sails to the edicts of the ad department."²⁹⁵ Hubbard found business editors complained about pressure from corporations about upcoming stories. This pressure could take the "form of personal favors, such as expensive gifts, travel

²⁹⁰ Much of the SABEW Code of Ethics warns against advertising and investment conflicts of interest, such as "Regardless of news platform, there should be a clear delineation between advertising and editorial content" and "Promising a story in exchange for advertising or other considerations is unethical."

²⁹¹ Roush, *Profits and Losses*, 2006, 65.

²⁹² n/a, "Dow Jones & Company Code of Conduct," *Dow Jones & Company Code of Conduct*, n.d.; "SABEW's Code of Ethics," *Society of American Business Editors and Writers*.

²⁹³ Tofel, *Restless Genius*, 2009, 78.

²⁹⁴ Welles, "The Bleak Wasteland of Financial Journalism," 1973.

²⁹⁵ Hubbard, Timothy W., "The Explosive Demand for Business News," *Journalism Quarterly*, no. Winter (1966): 703–8.

junkets or entertainment." Some 23% of business editors said "as a matter of routine they were compelled to puff up or alter and downgrade business stories at the request of the advertisers."

Considerable academic literature also explores the conflicts and tension between advertisers and editorial decisions. Jay Black described how newspaper editors often trade a certain amount of editorial coverage in return for significant volumes of advertising.²⁹⁶ Lawrence Soley and Robert Craig said in 1992 they surveyed 147 editors at daily newspapers and found about 90 percent reported advertisers attempted to influence content of their newspaper's stories. Some 37 percent said "they capitulated to advertiser pressure."²⁹⁷ Other studies described how conflicts would result in advertisers boycotting a newspaper: "Dozens of journalists either experienced or knew of a boycott."²⁹⁸ Tofel recounted how General Motors boycotted *The Wall Street Journal* in 1954 in a dispute over the paper's coverage.²⁹⁹ These conflicts persist today³⁰⁰ and in genres beyond business journalism. BuzzFeed, for example, was criticized in early 2015 for deleting posts due to advertiser pressure.³⁰¹

Advertiser influence was one concern, but there was also an extensive history of business reporters engaging in outright corruption. Many accounts portrayed business

²⁹⁶ Black, Jay, and Jennings Bryant, *Introduction to Mass Communication*, 3rd ed. Brown Co., 1992. Powell, Larry, and William R. Self, "Government Sources Dominate Business Crisis Reporting," *Newspaper Research Journal* 24, no. 2 (2003): 97.

²⁹⁷ Soley, Lawrence, and Robert L. Craig, "Advertising Pressures on Newspapers-A Survey," *Journal of Advertising* 21 (December 1992): 1-10.

²⁹⁸ Delorme and Fedler, "An Historical Analysis of Journalists' Attitudes toward Advertisers and Advertising's Influence," 2005.

²⁹⁹ Tofel, *Restless Genius*, 2009.

³⁰⁰ Hubbard, "The Explosive Demand for Business News," *Journalism Quarterly*, 1966.

³⁰¹ Stack, Liam. "BuzzFeed Says Posts Were Deleted Because of Advertising Pressure." *The New York Times*, April 19, 2015.

journalists on the take. Journalists "demanded cold cash for news favorable to the market."³⁰² One of the most dramatic journalist corruption cases involved the markets columnist for the *New York Daily News*, Raleigh T. Curtis. He received \$19,000 in 1929-1930 (worth \$259,674 in 2015 dollars) from a stock promoter who happened to be his next door neighbor in White Plains, N.Y. Curtis' bribes were detailed in 1932 U.S Senate Banking Committee hearings.³⁰³ One investigation found financial writers at eight papers touted stocks in exchange for cash or other favors, including *Wall Street Journal* columnists William Gomber, who wrote the "Broad Street Gossip" column and Richard Edmonson, who penned the "Abreast of the Market" column.³⁰⁴ Galbraith described the standards of business journalism in the 1920s in blunt terms: "Many of those who were writing about Wall Street and business in those days were drunks and incompetents."³⁰⁵

Advertising and Trade Press

The scant trade press literature described advertisers as exerting a significant influence on trade press editorial decisions. For example, Hays and Reisner examined pressure from advertisers on agricultural journalists.³⁰⁶ "Our study offers clear evidence that advertiser-related pressure on farm magazine writers is a serious problem, although it

³⁰² Galbraith, *The Great Crash, 1929, 1972*, 73.

³⁰³ "Stock Exchange Practices: Hearings Before the Committee on Banking and Currency, U.S. Senate." Hearing Report. Washington, D.C., United States: U.S. Senate Committee on Banking and Currency, June 1932.

³⁰⁴ Klein, Maury, *Rainbow's End: The Crash of 1929*, (Oxford; Oxford University Press, 2001), 151.

³⁰⁵ Quirt, *The Press and the World of Money*, 1993, 39.

³⁰⁶ Their mail survey of 190 farm journalists reveal that about two-thirds of the journalists say advertisers have threatened their journals on occasion, and about one-half say that advertising has actually been withdrawn. Robert G. Hays, and Anne E. Reisner, "Feeling the Heat From Advertisers: Farm Magazine Writers and Ethical Pressures," *Journalism and Mass Communication Quarterly* 67, no. 4 (January 1990): 936-42.

is one not always recognized by those more seriously affected," Hays and Reisner wrote. They made a broader claim about the trade press generally: "Farm magazines, like many other specialized publications, tend to have a somewhat narrow advertising base. The inherent danger of losing a single major advertiser that might be displeased by unfavorable editorial content necessarily weighs more heavily on the minds of farm magazine editors and publishers."³⁰⁷ The survey also reported that advertisers sometimes attempted to win over journalists with gifts and free meals. In the survey, 64% of journalists agreed with the statement, "Some media seem to bend over backwards to some of the commercial outfits to butter up sponsors, advertisers and the like."³⁰⁸

Backwater

The history of corruption, influence of advertisers over editorial content, cozy relationships with companies and government, lack of a watchdog culture, and a narrow focus on elite audiences all contributed to the reputation of business journalism as a backwater. This negative reputation continued all through the 1980s.³⁰⁹ A 1980 survey of newspaper editors showed much of the coverage did not challenge fundamental issues about the economic order and instead sought to promote capitalism. Ernest Hynds conducted a survey and found that "more than half (57 percent) of the newspapers seek to foster the development of the free enterprise system through their business coverage ... Fewer newspapers reported doing exposes during the past year, and only 30% discussed

³⁰⁷ Hays and Reisner, "Feeling the Heat From Advertisers," 1990.

³⁰⁸ Hays and Reisner, "Feeling the Heat From Advertisers," 1990.

³⁰⁹ Parsons, *The Power of the Financial Press*, 1990; Ross, James, "When Trades Lead The Pack," *Columbia Journalism Review*, November 1990.

how corporations wield power, More than a fourth (27%) ran exposes on a local business, 27% ran exposes on a state business, and 33% ran exposes on a national business.”³¹⁰

In general interest newspapers, business journalism traditionally lacked the stature of prominent assignments such as politics or foreign affairs. There was very little space set aside for stories of business journalists and few of these stories appeared on the front page. The business desk was "a dumping ground for burned out city-side reporters and others looking for a place to camp until retirement.”³¹¹ Sylvia Porter, fighting the widespread sexism in journalism, decided to pursue business journalism as first step for her reporting career. Noting business journalism’s lack of prestige, Lucht said Porter “accepted a job in a non-prestigious field of journalism.”³¹²

Such criticism was especially pointed for the trade press, which a 1990 Columbia Journalism Review derided as dull, "too cozy with the industries they cover.” Gussow³¹³ described the trade press, with few exceptions, as "basically a hodgepodge. While improvements were made in the 1950s and 1960s, it was not until the 1970s that large numbers of business magazines took major steps to revamp their image and operations.”³¹⁴ While trade press editors and reporters claimed to believe in journalistic standards, "trade publications may not meet these standards when covering the business strategies and developments of the industries they serve,” according to Hollifield’s 1997 study of the trade press. “Specifically, there is evidence that the trade media may be

³¹⁰ Hynds, Ernest C., “Business Coverage Is Getting Better,” *Journalism Quarterly* 57, no. 2 (Summer 1980): 297–368.

³¹¹ Quirt, *The Press and the World of Money*, 1993, 40.

³¹² Lucht, “Sylvia Porter,” 2007.

³¹³ Ross, James, “When Trades Lead The Pack,” 1990.

³¹⁴ Gussow, *The New Business Journalism*, 1984.

reluctant to write about the negative impact that industry-related expansion and development may have on individuals and society.”³¹⁵

We see this lack of prestige voiced by even its leading practitioners up until the modern era. Elite publications such as *The Wall Street Journal* failed to devote adequate resources to the issue and missed the story. Paulette Thomas, a former *Wall Street Journal* reporter, said the savings and loan beat “has never been a particularly high profile beat for any financial reporter over the years. And I think the Wall Street Journal’s Washington bureau has had a new reporter on this beat every year since 1981.”³¹⁶ Myron Kandel, CNN's former financial editor, was hardly enthusiastic when he learned about his first business news job opportunity: "My first reaction was, "Who wants to be in business news?"³¹⁷

Watchdog: Complex Legacy

In the early years of business journalism, the journalists were not watchdogs over the industries they covered. This genre focused on the protection of capitalism but not necessarily the protection of consumers. Perhaps the most vivid early example involved Bertie Forbes, a columnist for Hearst newspapers, who started *Forbes* magazine in 1917. *Forbes* was perhaps the first business magazine aimed at general readers.³¹⁸ *Forbes'* inaugural issue contained a classic case of business journalism pandering to the powerful. An exclusive interview with John D. Rockefeller was entitled "How Forbes Gets Big

³¹⁵ Hollifield, “The Specialized Business Press and Industry-Related Political Communication,” 1997.

³¹⁶ “Where Was the Press During the S&L Crisis?” Video, Washington, D.C., United States: C-Span, May 1, 1989.

³¹⁷ Quirt, *The Press and the World of Money*, 1993, 151.

³¹⁸ Quirt, *The Press and the World of Money*, 1993.

Men to Talk" and compared Rockefeller to Napoleon. This is an example of business journalists acting as if they were part of the club they are covering. Quirt explained it in the following way:

One reason so much of the reporting during that period lacked a measure of doubt was the curious view that business journalism had of itself. It saw itself not so much as a tough-minded chronicler of events as it did as an extension of the community it wrote about.³¹⁹

Muckrakers such as Ida Tarbell, Lincoln Steffens, Upton Sinclair, and Jacob Riis wrote some of the toughest articles about businesses at the turn of the twentieth century. Muckrakers' targets were food companies, meat plants, oil and gas conglomerates or railroads, but as Chris Roush wrote, "The reporters and editors working on these stories did not consider themselves 'business' journalists'."³²⁰ Perhaps these journalists avoided the business journalism title due to its lack of stature at the time. Much of the muckraker's work was published in general interest magazines, such as *Harper's America* and *McClure's*. There was plenty to write about. A great consolidation of corporate power and wealth took place starting in the 1880s, led by financier J.P. Morgan, industrialists John D. Rockefeller, Jay Gould, Andrew Carnegie, Cornelius Vanderbilt, and others. This so-called "robber baron" era was a time of significant corporate mergers, with some 4,277 U.S. companies collapsing into 257 firms between 1897 to 1904.³²¹

³¹⁹ Quirt, *The Press and the World of Money*, 1993, 39.

³²⁰ Roush, *Profits and Losses*, 2006, 40.

³²¹ Baker, George P., and George David. Smith, *The New Financial Capitalists : Kohlberg Kravis Roberts and the Creation of Corporate Value*, (Cambridge, UK; New York: Cambridge University Press, 1998).

Without a doubt, Tarbell pioneered many investigative business journalism techniques, such as corporate affiliation research, in her influential series on Rockefeller.³²² Tarbell's work and that of other muckrakers was well outside the established norms of business and financial journalism at the time. No one had performed such detailed documentary work on a major business executive. Tarbell's reporting from 1902-1904 helped unravel Rockefeller's broad monopoly in the oil industry by documenting operations of his Standard Oil empire. Later, the U.S. Justice Department filed a major antitrust lawsuit against Standard Oil and the U.S. Supreme Court ruled in 1911 that Standard Oil was an illegal monopoly. Tarbell's reporting achievement in the early 1900s was even more remarkable considering her gender; discrimination was so embedded in society that women did not even have the right to vote.

Another influence from the Progressive Era was the labor movement, which emerged from industrial abuses in the late nineteenth century. Journalist John Swinton's coverage of union boycotts in the 1880s influenced business journalism for its challenge of the established business order: "What the labor newspaper movement signified was the growing tension between the working class and industry that would contribute to the Progressive movement and would spill over into the early 20th century into a brand of journalism that aggressively attacked business."³²³

The muckrakers' critiques of concentrated economic power resonated with basic American values, which Morton Keller describes as "hostility to the active, centralized

³²² Tarbell, Ida M., "The History of The Standard Oil Company," *McClure's Magazine*, November 1902.

³²³ Roush, *Profits and Losses*, 2006, 34.

state, deep commitments to social individualism and economic competition.”³²⁴ This journalism tapped into a significant political movement at the time, a populist opposition to finance prominent in agrarian communities. Indebted farmers in the South and West resented East Coast bankers and politicians’ defense of the dollar and the gold standard in an effort to prevent a flight of capital to Europe; retaining the gold standard defense effectively placed farmers in a severe cash crunch.³²⁵ William Jennings Bryan gave a voice to this anti-finance, populist uprising, a cultural force that endures to this day and is seen in the rhetoric of 2016 presidential candidate Sen. Bernie Sanders of Vermont. The work of Tarbell and other muckrakers was celebrated by the Progressive Movement, and one of its intellectual champions, Louis Brandeis, later the U.S. Supreme Court justice. Brandeis penned a critique of J.P. Morgan and other trusts, one that evoked similar themes of excessive monopoly power examined by muckrakers. Brandeis’ 1914 critique of economic power in *Other People’s Money* served as an inspiration for key New Deal architects, James Landis, Louis Frankfurter, and William O. Douglas.³²⁶

A new profession of public relations arose in part due to the corporate backlash against muckrakers and the Progressive era. J.P. Morgan, for example, adopted an aggressive public relations campaign in 1912 ahead of the Pujo congressional hearings on financial abuses in the market.³²⁷ Other major corporations began using public relations strategies. As early as 1887, General Electric and Westinghouse hired publicity agents to

³²⁴ Keller, Morton, “The Pluralist State: American Economic Regulation in Comparative Perspective, 1900-1930,” In *Regulation in Perspective*, edited by Thomas K. McCraw. (Cambridge, Mass., 1981), 65.

³²⁵ Chernow, *The House of Morgan*, 1990, 72.

³²⁶ Geisst, C.R. *Wall Street: A History*, (Oxford: Oxford University Press, 2012), 232.

³²⁷ Chernow, *The House of Morgan*, 1990, 151.

promote their businesses.³²⁸ As Schudson notes, “The public relations that developed in the early part of the 20th century as a profession which responded to, and helped shape, the public ... This had a far-reaching impact on the ideology and daily social relations of American journalism.”³²⁹

Trade Press-Watchdog

While business journalism lacks an explicit watchdog ideal, a close examination of trade press history reveals several strong examples of watchdog journalism that served the public interest. Elfenbein wrote that readers of the trade press value articles containing interpretation and analysis of companies and events. General news can't just be repeated; trade press articles must say how an issue affects them and their business. "The modern corporation needs a critical business press" Elfenbein wrote, saying the business press has a watchdog role comparable to the press' role in politics. "The modern corporation needs the free -- that is, free to be critical -- press just as much as the government does; It needs it as one of the fundamental checks and balances of a free enterprise economy."³³⁰

This oversight role is valuable to the readers of the trade press. Top industry executives find the trade press to be a better source of information than the mainstream press and the trade media can set the news agenda for the general press. The trade press may lead the pack by functioning as "an insider channel of communication in the early

³²⁸ Roush, *Profits and Losses*, 2006, 43.

³²⁹ Schudson, *The Sociology of News*, 2011, 134.

³³⁰ Elfenbein, *Business Journalism*, 1969.

stages of industry-related policy processes.”³³¹ Existing scholarship describes the strong impact of business journalism on corporate reputations and in setting the news agenda.³³² Some literature in business management measures the impact the news media on corporate reputations. David Deephouse studied how media coverage of banks in St. Paul and Minneapolis helped the reputation of the banks and then incrementally increased the banks’ return on assets.³³³

Trade press histories have described cases in which these business publications were ahead of their mainstream competition and provided a service to the broader society, all themes in this *National Thrift News* study. Roger Burlingame noted a remarkable report by the *Engineering News* about the collapse of the Quebec Bridge in 1907 that killed 75 workers. An *Engineering News* editor and a writer conducted extensive interviews, performed engineering calculations, and discovered design flaws that caused the bridge collapse. The episode was a “telling illustration of the value of the technical press.”³³⁴ The *Engineering News* articles challenged the established order in the industry. “The tragedy, the *News* candidly stated, was an indictment on the entire profession.”³³⁵

One compilation of important trade press stories, *Journalism That Matters: How Business-to-Business Editors Change the Industries They Cover*, described how these

³³¹ Hollifield, “The Specialized Business Press and Industry-Related Political Communication,” 1997.

³³² Carroll, Craig, *Corporate Reputation and the News Media: Agenda-Setting within Business News Coverage in Developed, Emerging, and Frontier Markets*, Routledge, 2010.

³³³ Deephouse, David L., “Media Reputation as a Strategic Resource: An Integration of Mass Communication and Resource-Based Theories,” *Journal of Management* 26, no. 6 (December 1, 2000): 1091–1112.

³³⁴ Burlingame, Roger, *Endless Frontiers - The Story of McGraw Hill*, New York: McGraw Hill, 1959.

³³⁵ Burlingame, *Endless Frontiers*, 1959.

niche publications can prompt change in their industries. Andre Shashaty, a reporter for *Multi-Housing News* in September 1988 "provided the first report" of an influence-peddling scandal at the U.S. Department of Housing and Urban Development involving lobbyist James Watt, the former U.S. interior secretary. This story was picked up by newspapers such as *The Washington Post* and led to reform legislation.³³⁶ A 2003 report by *Government Computer News* described how Laura Callahan, deputy chief information officer at the U.S. Department of Homeland Security, inflated her credentials with a PhD purchased from a diploma mill. She was later suspended.³³⁷ Outstanding trade press reporting is celebrated each year by the Jesse H. Neal Awards, sponsored by the Association of Business and Information & Media Companies.³³⁸ Other literature has praised trade publications such as *Variety*, *Broadcasting*, and *Women's Wear Daily* as "often aggressive analysts of the industries they cover."³³⁹ The publications received little public notice or credit for campaigning for better work and safety standards, for endorsing and in some cases helping form professional groups as well as publicizing innovations to make industry more efficient and profitable.³⁴⁰ Indeed, one theme in academic literature is that these specialized journals set out to conduct in-depth and analytical journalism.

As described in more detail later in this dissertation, Strachan challenged the savings and loan and mortgage industry in several ways, drawing ire but also respect.

³³⁶ Freedman, Robert, and Steven, Roll, *Journalism That Matters : How Business-to-Business Editors Change the Industries They Cover*, (Oak Park, Ill.: Marion Street Press, 2006), 16.

³³⁷ Freedman, *Journalism That Matters*, 2006, 88.

³³⁸ Association of Business and Information & Media Companies, "The 61st Annual Jesse H. Neal Awards," 2015.

³³⁹ Welles, "The Bleak Wasteland of Financial Journalism," 1973.

³⁴⁰ Endres, Kathleen, ed., *The Trade, Industrial and Professional Periodicals of the United States*, (Westport, CT: Greenwood Publishing Group, 1994).

Laib wrote this is how a strong trade publication should function: "In principle the worthy trade journal is not afraid of antagonizing its advertisers and feels free to criticize the industry, individual companies or products -- something company house organs and trade association bulletins rarely do."³⁴¹ This is even more difficult in the finance and banking industry, where reporters face difficulty mastering issues of a complex and technical industry as well as significant political push-back from banks and other financial institutions involving critical stories. Strachan also brought a hard-news reporting sensibility to the industry and was willing to criticize his industry allies and sources if he saw fit. "Everybody understood Stanley was a maverick," recalled Ranieri, Strachan's close personal friend and a prominent Wall Street financier. "We would go to industry conferences and everybody knew Stanley would make up his own mind and he was the maverick."³⁴²

Strachan's independence as a business journalist has its roots in the genre's broader evolution, particularly with the introduction of analytic reporting in the nineteenth century at the *Commerical and Financial Chronicle*. As this chapter has described, business journalism has grown to serve multiple audiences: business executives, stock traders, investors, retirees, politicians, social activists, and others. It is a broader source of information that focuses its reporting on the business community but also interacts with other genres of journalism, from political to sports to community reporting. At the same time, modern business journalism has retained some of the key features of the trade press, such as reporting for a specialized audience, news to serve business and market participants as well as the endorsement of free market capitalist

³⁴¹ Laib, "The Trade Press," 1955.

³⁴² Ranieri, Lewis, Interview with Lewis Ranieri, August 12, 2015.

ideals. The following chapter will show how Strachan's newspaper was the product of economic and market forces in the 1970s and 1980s.

Ch. 4: Modern Business Journalism and the S&L Crisis

Overview

This chapter first will examine the evolution of modern business journalism in the twentieth century and how the *National Thrift News* fit into broader cultural and business trends in the United States, particularly after World War I.³⁴³ Broadly speaking, the cultural trends were driven by a new readership, a new professional business class that arose with a broader managerial revolution in U.S. business. These new professionals needed more than dry facts from the old price current publications, and a more interpretive style of business journalism arose to meet their needs. Publisher Henry Luce, for example, launched *Fortune* magazine in 1929 to serve this new professional class. He also believed journalism was able to properly report on the broader story of his generation, the rise and dominance of free enterprise. Demand for business news grew at home, too, as a new consumer and mass culture began to rise in the early twentieth century. Thorstein Veblen's 1899 *Theory of the Leisure Class*, identified a new trend of "conspicuous consumption" which spoke to the emergence of a consumer class and economy in the U.S.³⁴⁴ As personal incomes grew, individual investors sought insight about the market and business issues. Business news expanded in various forms, with mass circulation magazines such as *Forbes* and *Fortune*, syndicated personal finance

³⁴³ This focus on cultural and business forces is influenced by contemporary historians such as Schudson, who warned, "The trouble for the history of communication, however, is that historians are trained to hunt for the actions of motivated actors, and so they neglect topics that are viewed as background factors or external forces."

³⁴⁴ Geisst, *Wall Street*, 2012, 179.

columns from authors such as Sylvia Porter and Knight Kiplinger rose to meet that demand. Andrew Yarrow wrote how business journalism readership expanded enormously in the twenty years after World War II: “Most significantly, financial journalists recognized that the era's big story was America's dramatic economic growth and mass prosperity along with the changes that these were bringing about in American society.”³⁴⁵ It is within this broader context that the *National Thrift News* was launched in 1976, at a time when the U.S. markets were poised for a dramatic expansion due to technological innovation and globalization.

The mid-1970s marked the beginning of the savings and loan crisis, and this chapter will describe the broader economic forces leading to this debacle. The U.S. began to lose its role as the dominant global leader in the 1970s as it faced growing competition from Japan and Germany and their production of quality consumer and industrial goods. Globalization of currency and bond markets, combined with technological innovations such as the mortgage-backed security, also caused market turbulence. These innovations clashed with a financial regulatory system that grew out of the 1929 stock market crash. This chapter will describe how the Securities and Exchange Commission, Federal Home Loan Bank Board, and Federal Deposit Insurance Corp. influenced the scope of news coverage during the savings and loan drama, setting the agenda in many respects. These agencies were under strain as well as under political attack in the 1970s and 1980s as the U.S. economy faced challenges from globalization and revolutions in finance. Amid such disruptions in the U.S. economy, a new school of neoliberalism and deregulation ascended, particularly during Ronald Reagan’s administration, which sought to reduce

³⁴⁵ Yarrow, Andrew L., “The Big Postwar Story,” *Journalism History* 32, no. 2 (2006): 58–76.

government's role in the market and allow businesses to grow out of their problems. This deregulatory movement created significant tensions and dysfunction and was a primary force underlying the savings and loan crisis. These broad forces of market turmoil and a deregulatory ideology underpinned the savings and loan crisis and inform the activities of savings and loan executives Charles Keating and David Paul, who are the subjects of the content analysis in subsequent chapters.

Roots in 1920s

In the 1920s, the U.S. business press provided an upbeat portrayal of business and capitalism. The coverage fit the national political mood, embodied by President Calvin Coolidge's endorsement of laissez-faire economics. Amid the growing individual wealth and economic expansion, speculation grew in the stock market in the late 1920s.³⁴⁶ John Kenneth Galbraith described the prevailing view about the markets: "By the summer of 1929, the market not only dominated the news. It also dominated the culture."³⁴⁷ Yet few business journalists reported skeptically on this rising market bubble. According to one scholar, *The Wall Street Journal* was "one of the main cheerleaders" of the stock market leading up to the 1929 crash. Three days before the Oct 29, 1929 crash, the *Journal* reported: "Hoover Asserts Business Sound."³⁴⁸ The day after the crash, on Oct. 30, 1929, the *Journal's* headline read: "Stocks Steady After Decline."

Reporting on the markets in this decade represented a dramatic failure of business journalism. Many publications fueled the market speculation and failed to warn readers

³⁴⁶ Stocks increased at an annual rate of 22 percent between 1925 and the third quarter of 1929 (Bierman, 2008).

³⁴⁷ Galbraith, *The Great Crash, 1929*, 1972, 74.

³⁴⁸ Quirt, *The Press and the World of Money*, 1993, 34.

about the 1929 market crash.³⁴⁹ Newspapers "were noticeably bullish along with the rest of Wall Street" after 1924.³⁵⁰ Some journalists were bribed into stoking the speculation.³⁵¹ Business journalism, while growing, also was a niche field during the 1920s and lacked an ethical code and stature in the field.³⁵² However, Alexander D. Noyes of the *New York Times* offered one bright spot in the 1920s business reporting. Noyes' market coverage did not buy into the stock market hype in this decade. He had covered the 1901 market bubble and crash, which led him to voice concerns about the 1920s bull market. Under Noyes' leadership, the *Times* "financial page was all but immune to the blandishments of the New Era. A regular reader could not doubt that a day of reckoning was expected."³⁵³ There are other instances of outstanding business coverage in the decade. *New York World* reporter John J. Leary Jr. in 1920 won one of the first Pulitzer Prizes involving a business or economic issue for his coverage of a coal strike.³⁵⁴ Galbraith praised other members of the business press, such as the financial news service Poor's and the Standard Statistics Company which "never lost touch with reality."³⁵⁵

³⁴⁹ Quirt, John. *The Press and the World of Money*, 1993; Galbraith, *The Great Crash, 1929*. 1972; Starkman, *The Watchdog that Didn't Bark*, 2014.

³⁵⁰ Roush, *Profits and Losses*, 2006.

³⁵¹ "Stock Exchange Practices: Hearings Before the Committee on Banking and Currency, U.S. Senate." Hearing Report. Washington, D.C., United States: U.S. Senate Committee on Banking and Currency, June 1932.

³⁵² Quirt, John, *The Press and the World of Money*, 1993; Galbraith, *The Great Crash, 1929*, 1972; Reilly, "Dilettantes at the Gate," 1999.

³⁵³ Galbraith, *The Great Crash, 1929*, 1972.

³⁵⁴ Roush, *Profits and Losses*, 2006, 53.

³⁵⁵ Galbraith, *The Great Crash, 1929*, 1972.

Government Sets the Agenda

Ample research has described how government regulators and politicians help set the agenda for the news media.³⁵⁶ For business journalism, the government assumed a prominent role in framing the news agenda after the trauma of the Great Depression. The radical prescriptions of President Franklin Delano Roosevelt's New Deal agenda to build a social safety net and boost regulation of business changed the relationship between the government and the markets. The New Deal also represented a paradigm shift in economic thought away from laissez-faire economics to the Keynesian economic model, or a focus on macroeconomic policy³⁵⁷ and politics, and it influenced the rise of a new genre of economics journalism.³⁵⁸ John Maynard Keynes' theory of countercyclical spending— an increase in government spending when the economy is weak and a reduction when it is booming— is a radical notion that governments could and should change the behavior of markets and businesses through strategic management of the

³⁵⁶ Bennett, Lance W. "Toward a Theory of Press-State Relations," *Journal of Communication* 40, no. 2 (Spring 1990); Entman, Robert M. *Scandal and Silence*, (Malden, Ma: Polity Press, 2012); Philo, Greg, "Television News and Audience Understanding of War, Conflict and Disaster," *Journalism Studies* 3, no. 2 (2002): 173–86.

³⁵⁷ Emery and Emery note the major shift in journalistic thinking: "Old beliefs that difficult subjects like science and economics could not be made interesting to readers were likewise discarded out of sheer necessity." Emery and Emery, *The Press and America*, 1984. For more on John Maynard Keynes' influence on journalism, see Parsons, *The Power of the Financial Press*, 1990; and Burgin, *The Great Persuasion*, 2012.

³⁵⁸ The modern linguistic usage of "economy" was formed in the aftermath of Great Crash of 1929. Suttles (2010) conducted a linguistic analysis and found that "The modern usage of the word economy (as a system of production, consumption and exchange) did not even exist in 1929." Suttles' linguistic research showed "economy did not assume its modern usage until John Maynard Keynes introduced it in 1934." Suttles, Gerald D. and Mark D. Jacobs, *Front Page Economics* (Chicago; London: University of Chicago Press, 2010).

economy.³⁵⁹ Keynes actively published his ideas in the popular press, writing some 300 articles for the *New York Post*, *The Nation*, *The New Republic* and others: “Journalism enabled Keynes to have a ready command of public (outside) and policy making (inside) opinion.”³⁶⁰ The Depression and the New Deal made the economy a mass interest story like never before. Economist Herbert Stein, chairman of the White House Council of Economic Advisers from 1972-1974, told Quirt:

Before the war, reporters had looked to Wall Street for answers to their economic questions. But some of the people there had gotten themselves pretty well discredited in the '30s, and Washington was starting to become the arbiter on economic matters. ... Government declared that it was going to do business in economics, so everyone had to start learning the language of economics. The press had a lot of catching up to do.³⁶¹

Time magazine became an example of a mainstream publication that provided more prominent coverage of the economy from 1933 forward. In this era, “the definition of news changed. The demand for facts and explanations of what was happening increased.”³⁶²

New Deal Regulation and Journalism

From the Great Crash emerged the pillars of the modern financial regulatory network, such as the Federal Deposit Insurance Corp. in 1933, Securities and Exchange Commission in 1934, and National Labor Relations Board in 1935. To this day, these

³⁵⁹ Lucht, “Sylvia Porter,” 2007.

³⁶⁰ Parsons, *The Power of the Financial Press*. 1990.

³⁶¹ Quirt, John, *The Press and the World of Money*, 1993, 304. See Emery and Emery, *The Press and America*, 1984, 435.

³⁶² Quirt, *The Press and the World of Money*, 1993, 58.

agencies serve as key resources for modern financial journalists. The Securities and Exchange Commission, established to regulate publicly traded companies and police the many of the financial markets, has an enforcement framework founded on financial disclosure to the public. Roosevelt aide James Landis crafted the Securities Act as a sunshine law, forcing companies to disclose pertinent financial details to the market, and, by extension, through the press.³⁶³ Business journalists eventually play a significant role in scouring the SEC corporate filings for market-moving news stories. With this arrangement, the SEC leveraged the press to advance its policing of the markets. The media's essential role as information source to the U.S. capital markets is spelled out in federal securities laws. The Securities and Exchange Commission's "Regulation FD" requires companies to use newspaper, wire services or press releases to announce significant corporate news such as mergers, quarterly earnings, or management changes.³⁶⁴

With the creation of these new federal banking and market watchdogs, the federal government for the first time directly regulated banks, Wall Street firms and stock markets. Parsons writes that, "Washington became an economic news center that rivaled the pre-eminence of the financial district: from the 1930s onwards, governments were making economic news."³⁶⁵ Business journalism's daily agenda was now greatly influenced by a set of economic indicators, which limited the news story selection in some respects.³⁶⁶ To critics, this is the root of business journalism's overreliance on

³⁶³ McCraw, Thomas K. "With the Consent of the Governed: SEC's Formative Years," *Journal of Policy Analysis and Management* 1, no. 3 (Spring 1982): 346–70.

³⁶⁴ "Regulation FD," Securities and Exchange Commission, October 23, 2000.

³⁶⁵ Parsons, *The Power of the Financial Press*, 1990.

³⁶⁶ Doyle, "Financial News Journalism A Post-Enron Analysis of Approaches towards Economic and Financial News Production in the UK," 2006.

government as a news source, an issue that arose in reporting on the savings and loan crisis.³⁶⁷ Strachan agreed with this critique, citing cases where other news media failed to challenge regulators and failed to pursue the early Keating Five revelations.³⁶⁸

Rising Professional Class - Interpretive Journalism

The emerging business journalism in the early twentieth century was shaped by the significant changes in the U.S. culture and economy in this era. Alfred Chandler's study of the managerial revolution in U.S. business in this era summarized the dynamic factors driving growth of the American economy: development of concentrated urban markets for industrial and consumer goods, rise of mass production technology, electrification and the internal combustion engine and organized research and development.³⁶⁹ A new professional class was taking hold as the country witnessed a growing urbanization and rise of corporations amid a decline of small towns and small businesses.³⁷⁰ Following World War I, the U.S. enjoyed a period of growth and prosperity, partly because its industry was not damaged by the war. An emerging middle class began to expand. "Individual investors entered the market in unprecedented numbers, with a growing desire, whetted by broadly successful issues of wartime industries to get rich via securities, including common stocks."³⁷¹ The rising consumerism was fueled by banks that supplied credit to individuals; by the 1920s

³⁶⁷ Kurtz, *Media Circus*, 1993; Sparrow, *Uncertain Guardians*, 1999; McChesney, "The Problem of Journalism" 2003.

³⁶⁸ "Where Was the Press During the S&L Crisis?" 1989.

³⁶⁹ McCraw, Thomas K., "The Challenge of Alfred D. Chandler, Jr.: Retrospect and Prospect," *Reviews in American History* 15 (March 1987): 160–78.

³⁷⁰ Wiebe, Robert H., *The Search for Order*, (New York: Hill and Wang, 1967).

³⁷¹ Smith, George David, and Richard Eugene, Sylla, *The Transformation of Financial Capitalism: An Essay on the History of American Capital Markets*, Cambridge, MA: Blackwell, 1993, 28.

consumer spending amounted to two-thirds of the U.S. gross domestic product. President Calvin Coolidge embraced free market capitalism and pushed for limited government and tax cuts. This trend propelled a stock market boom; the number of shareholders in the U.S. quadrupled in a six-year span to 10 million in 1930.³⁷² Yet as Harold Bierman has noted, “the 1920s were, in fact, a period of real growth and prosperity.”³⁷³

In the 1920s, a new phase of managerial capitalism began as modern business enterprise arose in the United States. Chandler wrote these new companies employed professional managers to run corporations, which represented a separation of ownership and control of the company.³⁷⁴ It was this new professional class that *Fortune* publisher Henry Luce saw as an important new readership and constituency in the U.S. economy. His new magazine would serve this managerial class with a new interpretive journalism that brought together bolder reporting techniques and literary journalism. “The establishment of large culture industries in years after World War I brought the estranged worlds of artist and business executive together in new way.”³⁷⁵

Luce wanted his new business publication to tell a story about how these large corporations were changing the social fabric of the nation: “*Fortune* magazine had a prominent role in shaping the way professional business managers imagined themselves- and were imagined by others-as political and social beings.”³⁷⁶ These new companies

³⁷² Davis, Gerald F., *Managed by the Markets: How Finance Reshaped America*, New York, NY, USA: Oxford University Press, 2009, 71.

³⁷³ Bierman, Harold, “The 1929 Stock Market Crash,” Edited by Robert Whaples, *H.Net Encyclopedia*, March 26, 2008.

³⁷⁴ Chandler, Alfred D., *The Visible Hand: The Managerial Revolution in American Business*, (Cambridge, MA: Belknap, 1977).

³⁷⁵ Reilly, Kevin S., “Dilettantes at the Gate: Fortune Magazine and the Cultural Politics of Business Journalism in the 1930s,” *Business and Economic History* 2 (December 1, 1999): 213–22.

³⁷⁶ Reilly, “Dilettantes at the Gate,” 1999.

provided employees the potential for a lifelong attachment to an enterprise with considerable social welfare benefits, from pensions to health insurance. This managerial phase, which ran into the 1980s, generally overlapped with the progressive politics and assertive government activity marked by Franklin Roosevelt's New Deal and Lyndon Johnson's Great Society. Luce's journalistic vision was driven by larger cultural observations about American hegemony and imperialism, ideas that form his concept of the "American Century."³⁷⁷

Fortune also emphasized an interpretive style of reporting that stood up to the business community and challenged conventional wisdom; he envisioned *Fortune* as a "devil's advocate."³⁷⁸ This sort of ethos was reflected in the *National Thrift News* decades later as it wrote increasingly critical articles about the savings and loan industry. Luce was influenced by trends in 1920s journalism and used candid camera techniques to catch business executives unaware and off guard, making them appear more human.³⁷⁹ Reilly wrote that "part of the power of *Fortune*'s business journalism was that it seldom took the manufactured public image of an executive or a corporation at face value. *Fortune* was never allowed to be anti-private business but even when articles were not particularly critical, the subjects often seemed upset."³⁸⁰ *Fortune* also placed greater emphasis on context and used specialist reporters.³⁸¹ This was a step towards more interpretive reporting, something that gained greater prominence in the 1930s as

³⁷⁷ Baughman, James L., *Henry R. Luce and the Rise of the American News Media*, (Boston: Twayne Publishers, 1987), 3.

³⁷⁸ Reilly, "Dilettantes at the Gate," 1999.

³⁷⁹ Reilly, "Dilettantes at the Gate," 1999.

³⁸⁰ Reilly, "Dilettantes at the Gate," 1999.

³⁸¹ Emery and Emery, *The Press and America*, 1984, 435.

journalists sought to place events in greater historical and social context and to answer “why” an event happened.³⁸²

Others in business journalism began to position their publications to serve this rising professional class. For example, *Business Week*, founded just weeks before the 1929 stock market crash, focused on economic news.³⁸³ *The Wall Street Journal* began its transformation into the modern newspaper it is today. Barney Kilgore, a journalistic prodigy who became Dow Jones president at age 37, offered a bolder new vision for business journalism.³⁸⁴ Like Luce, he saw the potential for a national daily newspaper to serve a rising professional class, and he pushed for construction of new printing plants in Texas, Maryland, and California to deliver the *Journal* to senior and middle managers across the country. Kilgore had a vision for a national newspaper decades before the creation of *USA Today*.³⁸⁵ A strong writer, Kilgore helped transform the writing and reporting of a business story, bringing in broader context of political and cultural trends and demystifying arcane language. “A business newspaper must be two things at one and the same time,” Kilgore wrote. “It must be specialized. Yet the interests and activities of its editors must be as diverse as the American landscape.”³⁸⁶ Kilgore’s vision benefitted

³⁸² This trend towards interpretive reporting had roots in the previous century. In the 1860s, the writings of *The Economist* magazine’s legendary editor, Walter Bagehot, “gave business a language and legitimacy which it had hitherto lacked; his weekly comments put capitalism into words and thereby provided a new forum of communication between business and the wider world.” William Buck Dana’s work at the *Commercial and Financial Chronicle* provided another important precedent, as he applied journalistic standards to business reporting and, like *The Economist*, helped the nascent corporate community understand its new identity and role in the U.S. economy.

³⁸³ Roush, Chris, “A Historical Perspective of BusinessWeek, Sold to Bloomberg,” <http://talkingbiznews.com>, October 13, 2009.

³⁸⁴ Kilgore became a Wall Street Journal columnist at age 23.

³⁸⁵ Tofel, *Restless Genius*, 2009, 192.

³⁸⁶ Tofel, *Restless Genius*, 2009, 192.

The Wall Street Journal, which saw its circulation rise from 100,000 in 1947 to 615,000 by 1956.

As this professional class and the broader U.S. economy grew, so did the trade press.³⁸⁷ Business news accelerated in the 1950s with the general post World War II prosperity; one study claimed the trade press grew in this decade at a rate faster than the U.S. economy as a whole.³⁸⁸ This fit a broader theme in this dissertation of how the *National Thrift News* grew during a dramatic expansion of the mortgage market and bond market in the 1980s. The U.S. savings and loan industry was a primary source of credit for the rapidly growing post-World War II Baby Boom generation to finance housing. This growth and demographic change brought significant changes to the financial markets, particularly in the 1970s, and greatly influenced business journalism. As discussed in more detail below, *Reuters* launched a new service to accommodate the growing foreign currency markets. Strachan's newspaper emerged to help the savings and loan industry deal with the challenges of that growth.³⁸⁹

Consumer Culture - Personal Finance Journalism

Business leaders were not the only ones demanding better reporting about business and finance. Individuals began to invest their growing wealth in stocks and

³⁸⁷ Laib described how the trade press grew increasingly profitable since 1932. A study by the Associated Business Publications Inc., a trade association, showed 30 percent of its publications were profitable by 1932. In 1952, 84 percent of these publications were profitable. Laib, "The Trade Press," 1955. See also Quirt, *The Press and the World of Money*, 1993.

³⁸⁸ Elfenbein, *Business Journalism*, 1969.

³⁸⁹ Ranieri, Lewis, Interview with Lewis Ranieri, August 12, 2015.

bonds, a trend that began after the U.S. Treasury Department started marketing war bonds during World War I. Julia Ott wrote:

Because the War Loan campaigns celebrated the benefits of investment as a general practice, they opened the door for postwar marketers of corporate stocks in the 1920s. ...In 1900, the average American had nearly nothing to do with financial markets and institutions, but by the time of the stock market crash of 1929 stock ownership had spread to a quarter of American households.³⁹⁰

There were other signs of growing individual prosperity: total real U.S. income rose by 10.5 percent a year from 1921 to 1923, Bierman noted. Bertie Forbes, a columnist for Hearst newspapers, sought to seize the opportunity in the rising investor culture by founding *Forbes* magazine in 1917. Davis wrote how this trend led to a stock market boom. Indeed, the number of shareholders in the U.S. quadruple in a six-year span to 10 million in 1930.³⁹¹

As the markets expanded in the 1920s, a growing consumer class began to look for financial advice. Journalist Sylvia Porter saw this need and pioneered the new genre of personal finance journalism.³⁹² Porter's reporting boiled down the complexities of compounding interest rates and fixed income investments for average readers. In doing so, she captured the rise of mass culture from popular culture in the twentieth century,

³⁹⁰ Ott, Julia Cathleen, "When Wall Street Met Main Street: The Quest for an Investors' Democracy and the Emergence of the Retail Investor in the United States, 1890–1930," *Enterprise & Society* 9, no. 04 (2008): 619–30.

³⁹¹ Up to this time, individual investors had good reason to worry about putting their money in stock market or banks. Major banking and financial panics occurred in 1873, 1884, 1890, 1893, 1901, and 1907. The U.S. lacked a central bank during this era to help control and respond to such problems; it was not until 1913 that the Federal Reserve System was created. See also, Davis, *Managed by the Markets*, 2009, 71.

³⁹² Lucht, "Sylvia Porter," 2007.

reflected in journalism with an expansion of syndicated columnists, national magazines, and self-help literature.³⁹³ Porter began her career in an obscure, low-prestige assignment, as a bond market columnist for the *New York Post* in 1935. Once on the beat, Porter mastered financial topics and focused her mission on her readers. She wrote for multiple audiences, ranging from bankers to housewives. Tracy Lucht wrote, “Here was a woman who did not fit our cultural memory of the fifties. She was rich, she was respected, and she was not a housewife.”³⁹⁴ Porter’s rise to prominence in the 1950s and 1960s mirrored the broader post World War II prosperity and the growing importance of business journalism to average households. From 1947 to 1965, U.S. per capita income increased by 234 percent while the economy, as measured by the gross domestic product, grew by 212 percent. Demand from a growing “baby boom” generation for food, housing, education and other necessities powered this growth. U.S. industry, undamaged from World War II, was the unquestioned world leader and enjoyed healthy exports abroad. This economic expansion transformed the American landscape with the construction of interstate highways and suburban communities. Lucht noted the demand for personal finance news also was driven by women's growing presence in the workforce, and the G.I. Bill, which created a “higher number of financial choices” for veterans.³⁹⁵ After decades of market turbulence, this post World War II period had a new “ideology of abundance.”

³⁹³ Popular culture in this context refers to folk and regional culture that generally pre-dated radio and television. Mass culture refers to media produced after popularization of cinema, radio and television, news and entertainment to serve a more concentrated industrial society. See DiMaggio, Paul, “Market Structure, the Creative Process, and Popular Culture: Toward an Organizational Reinterpretation of Mass Culture Theory,” *Journal of Popular Culture* 11, no. 2 (Fall 1977): p 436. Also Lucht, “Sylvia Porter,” 2007.

³⁹⁴ Lucht, “Sylvia Porter,” 2007, 4.

³⁹⁵ Lucht, “Sylvia Porter,” 2007, 4.

Porter, while leading a new journalistic genre, was also benefitting from this broader upswing in the economy. Other publications caught the wave. In 1947, W.M. Kiplinger created what is believed to be the first personal finance magazine, *Changing Times*, *The Kiplinger Magazine*. Porter and Kiplinger represented a more analytical bent in business journalism that envisioned a broader mission to serve average consumers rather than its historic readership of brokers and businessmen: “Financial reporting changed from reciting stock quotations, company earnings, and puff pieces on businessmen and individual companies to broader stories about the national economy and what economic trends meant for average Americans.”³⁹⁶

Media Business 1960s - Business News Grows

The news media industry was among those that benefitted tremendously in this period of economic prosperity. In this era, the general public bought and read newspapers. In 1965 daily paid circulation was about 60 million, equivalent to 105% of households.³⁹⁷ In the media business, chain newspaper ownership increased in the 1960s and media companies began to sell stock to the public. Prior to this, media firms were mainly held by family-owned firms. Many newspaper companies had a patriarchal approach to newspaper ownership, which was the case with Strachan and *National Thrift News*.³⁹⁸ Reader surveys at this time show a demand for more local business news, more

³⁹⁶ Yarrow, Andrew L. “The Big Postwar Story, *Journalism History* 32, no. 2 (2006): 58–76.

³⁹⁷ By 2010, readership dropped to 43 million or about 37% of households. Communications Management Inc., “Sixty Years of Daily Newspaper Circulation Trends: Canada, United States, United Kingdom,” May 6, 2011.

³⁹⁸ Former reporters described the paper as like a family. Strachan threw Christmas parties for the staff. Muolo, Paul, Interview with Paul Muolo, October 19, 2014.

stock market news and to a less extent, more news on government economic policy. In 1966, Hubbard surveyed of 162 daily newspaper business and financial editors and 81 percent said their readership's demand for business news had "increased substantially" since 1960.³⁹⁹ Gussow said that in the mid-1970s was when "the consumer press really `discovered' the appeal of business news for the general public and the revenue potential for advertising."⁴⁰⁰ Tambini described this period as "a golden age of financial journalism" in which a few players such as the *Financial Times* in London and *The Wall Street Journal* in New York "enjoyed a privileged monopoly provision as specialist business news providers.... Supported by 'tombstone' announcement⁴⁰¹ advertising by large corporate clients and steady sales, with little serious competition, times were easy."⁴⁰²

In this environment of expanding advertising sales and reader thirst for business news, the *National Thrift News* launched in 1976. Business newspaper advertising was \$1 billion in 1976, up 40 percent in just six years.⁴⁰³ During the first 10 years of the *National Thrift News*, all business newspaper advertising for the entire industry rose 130 percent to \$2.4 billion. Many other publications sought to catch the wave. In May 1978, *The New York Times* created a new daily separate section called "Business Day," a business

³⁹⁹ Hubbard, Timothy W., "The Explosive Demand for Business News." *Journalism Quarterly*, 43, Winter (1966): 703–8.

⁴⁰⁰ Gussow, *The New Business Journalism*, 1984, 62.

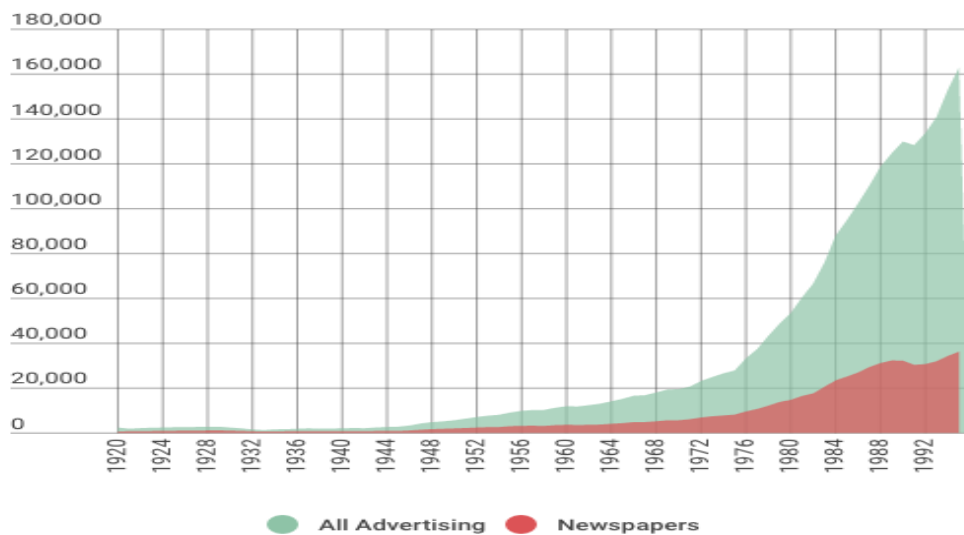
⁴⁰¹ Business sections reaped revenues from required advertisements from various businesses. Tombstone advertisements are paid announcements, generally of stock placements or debt offerings. "Tombstone ads" have a bare-bones design that resemble a grave stone, usually a simple box with a heavy black border and centered print.

⁴⁰² Tambini, Damian, "What Is Financial Journalism for? Ethics and Responsibility in a Time of Crisis and Change," Polis Media, 2008, 24.

⁴⁰³ "U.S. Advertising Expenditure Data – Purple Motes," Accessed March 2, 2016. <http://www.purplemotes.net/2008/09/14/us-advertising-expenditure-data/>.

journalism arms races in which virtually every major newspaper would add a business section.”⁴⁰⁴ The *Los Angeles Times*, *Chicago Tribune*, *The Washington Post* and *Philadelphia Inquirer* were among papers that added separate business news sections. In the 1980s, new stand-alone business publications launched such as *Investors Business Daily*, which began in 1984. The *Financial Times* of London expanded into the U.S. In the 1980s and the *Economist* magazine saw U.S. subscriber growth. “The 1970s appeared

Advertising 1920-1995 (Amounts in Billions \$)



Source: "Historical U.S. advertising expenditure data." CS Ad Expenditure Dataset, v 1.15 purplemotes.net

Figure 1. Total Advertising, 1920-1995

to be a pivotal decade in the expansion of the specialized business press field,” Endres wrote, adding: “As runaway inflation, deregulation and recession clouded the economic

⁴⁰⁴ Roush, *Profits and Losses*, 2006, 138. Prior to this, the *Times* had been running a separate business section in its Sunday editions. Gussow, *The New Business Journalism*, 1984, 63.

environment, the corporate leaders turned increasingly to new business publications for their informational needs.”⁴⁰⁵

During this period, the media industry continued to prosper. Total daily newspaper advertising more than doubled in the 1980s, from \$14.8 billion in 1980 to \$32.3 billion in 1990.⁴⁰⁶ Newsroom employment grew 22%, from 45,500 in 1980 to 55,700 in 1990.⁴⁰⁷

The growth was not confined to newspapers. *Fortune* magazine went from a monthly to a twice-monthly publication schedule while *BusinessWeek* became “the biggest seller of advertising for any magazine.”⁴⁰⁸ Throughout the 1980s, weekly newspapers devoted to business news sprang up in major cities. According to Roush, “By the end of the 1980s, every major newspaper’s business section was competing against a weekly that focused solely on business news.”⁴⁰⁹ Another characteristic of the 1980s involved the growing specialization of financial news, which was sold increasingly through databases and specialized reports. Information increasingly became a commodity as technology expanded and the price of computing power dropped. Technological innovations in the 1980s included *The Associated Press*’ use of satellites for news transmission and the Microsoft Corp.’s development of its Windows operating system for personal computers. Other disruptive technologies became prominent. Individuals gained

⁴⁰⁵ Endres, Kathleen, “Ownership and Employment in the Specialized Business Press,” *Journalism Quarterly* 65 (Winter 1988): 996–98.

⁴⁰⁶ “Newspaper Revenue,” *Newspaper Association of America*, n/a. <http://www.naa.org/Trends-and-Numbers/Newspaper-Revenue.aspx>.

⁴⁰⁷ Barthel, Michael, “Newspapers: Fact Sheet,” *Pew Research Center’s Journalism Project*, April 29, 2015.

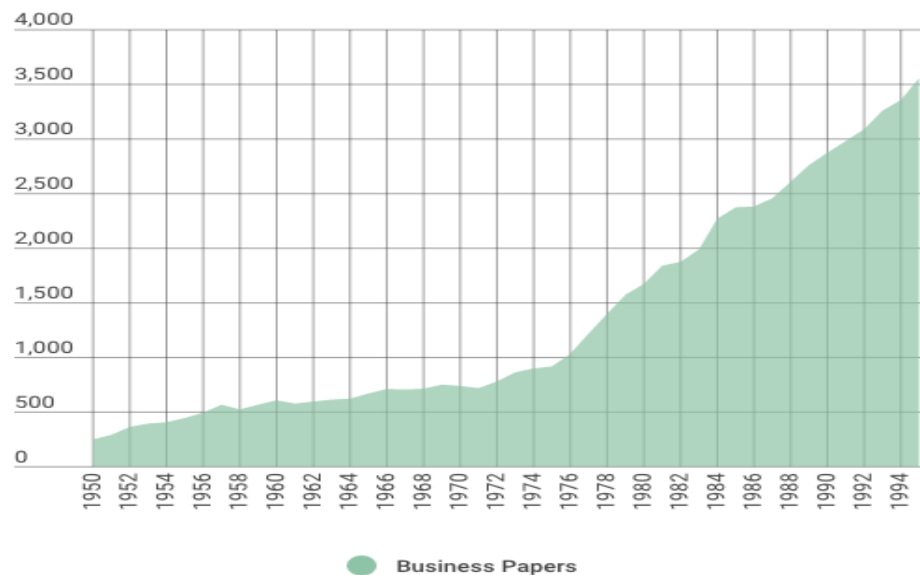
⁴⁰⁸ Roush, *Profits and Losses*, 2006, 139.

⁴⁰⁹ Roush, *Profits and Losses*, 2006, 139.

greater control and selection over media ranging from the personal computer to videocassette recorders to the Sony Walkman music player.

Television moved to meet a new audience interest in business and economics. Louis Rukeyser's weekly *Wall Street Week with Louis Rukeyser* program (produced by Maryland Public Television) began in 1970. In 1979, a PBS affiliate in Miami launched *Nightly Business Report*, a pioneering daily business news show on public television.

Advertising In Business Papers, 1950-1995 (Amounts in Millions \$)



Source: "Historical U.S. advertising expenditure data." CS Ad Expenditure Dataset, v 1.15 purplemotes.net

Figure 2. Advertising, business papers, 1950-1995.

Cable television started to erode the traditional gatekeeping function of the news media. In 1980, all-news cable television channel Cable News Network or *CNN* started broadcasting, and with it, the financial news show *MoneyLine* with host Lou Dobbs.

(*National Thrift News* publisher Strachan was a frequent guest on *CNN* in the late 1980s, commenting on the economy and the thrift industry.) A number of broadcast business news outlets started, including the business news radio show *Marketplace* and Consumer News and Business Channel or *CNBC* in 1989. In 1981, Michael Bloomberg started a new financial data service, finding a niche in the growing bond market. (*National Thrift News* also was a beneficiary of the growing bond market.) The successful Bloomberg L.P. data terminal business led to the launch of a news service in 1989.⁴¹⁰ These growing markets funded expansions of the newsrooms, particularly at *Reuters* and *Bloomberg*.

Growing Tension

The growth in business news, particularly in the 1970s, also created considerable friction between the press and the corporate community. Historians attributed some of the tension to a growing cultural distrust of institutions.⁴¹¹ This distrust intensified in the post-Watergate Era, when journalists flexed their investigative reporting muscles. The dominant criticism of the business press throughout this period is it failed to fulfill a watchdog role.⁴¹²

However, business leaders and even some journalists voiced another concern in the 1970s: that business news coverage had become excessively negative. Some academic studies bear this out. Joseph Dominick performed a content analysis of business coverage on CBS, ABC, and NBC with 360 programs examined in a sample from April 1977 to March 1979. He found 54 percent of the stories portrayed businesses in a

⁴¹⁰ Bodine, Paul, *Make It New: Essays in the History of American Business*, iUniverse, 2004, 188.

⁴¹¹ Hallin, "The Uncensored War" 1989.

⁴¹² McChesney, "The Problem of Journalism," 2003; Starkman, *The Watchdog That Didn't Bark* 2014.

negative light, while only 10 percent were positive.⁴¹³ Henry Louis Banks, former editor of *Fortune*, said of this period, “We are fed a daily diet of authoritative ignorance, most of which conveys a cheap-shot hostility to business and businessmen.”⁴¹⁴

Sethi interviewed business leaders and senior editors in the mid-1970s about persistent business complaints about an anti-business bias. He found “business charges against the news media can be grouped into three categories: the “economic illiteracy of most journalists, inadequate coverage and antibusiness bias among news people.”⁴¹⁵ Joe Bob Hester and Rhonda Gibson compared economic news coverage in *The New York Times* and ABC newscasts between July 1988 and June 2002 and compared it to standard economic indicators. They found:

Economic news was framed as negative more often than as positive, and negatively framed news coverage was one of several significant predictors of consumer expectations about the future of the economy. The study supports the argument that media coverage, particularly the media's emphasis on negative news, may have serious consequences for both expectations of and performance of the economy... In 1992, for example, Republicans argued that the media's focus on negative news about the economy misled the American people and influenced the outcome of the presidential election.⁴¹⁶

⁴¹³ Dominick, Joseph R. “Business Coverage in Network Newscasts,” *Journalism Quarterly* 58, no. 2 (1981): 179–85.

⁴¹⁴ Sethi, S. Prakash, “The Schism Between Business and American News Media,” *Journalism Quarterly* 54, no. 2 (1977): 240–47.

⁴¹⁵ Sethi, “The Schism Between Business and American News Media,” 1977.

⁴¹⁶ Hester, Joe Bob, and Rhonda Gibson, “The Economy and Second-Level Agenda Setting: A Time-Series Analysis of Economic News and Public Opinion about the Economy,” *Journalism & Mass Communication Quarterly* 80, no. 1 (2003): 73–90.

Companies pushed hard to complain about what they considered unfair media coverage. Drier cited an aggressive public relations campaign by Mobil Corp in the late 1970s with full-page newspaper ads that decried “the myth of the crusading reporter.” Corporate complaints about negative media coverage reached such intensity that in 1977, nearly 100 senior U.S. corporate executives and journalists — from Merrill Lynch CEO and future Treasury Secretary Donald Regan to *Washington Post* publisher Katherine Graham — gathered near Princeton N.J. to air mutual grievances. Their deliberations, led by a group of Harvard and Columbia law professors, were captured in a 1979 book, *The Media & Business*, with an introduction by then-U.S. Health and Education and Welfare Secretary Joseph Califano and *Washington Post* managing editor Howard Simons.⁴¹⁷ Simons and Califano, in summarizing the nearly two-day session, described a litany of corporate complaints, such as sloppy, unfairly negative and inaccurate business reporting by untrained journalists. The media representatives replied that businesses were acting without sufficient public scrutiny. Simons and Califano wrote:

Illegal campaign contributions, social accountability, health and safety, asbestos, thalidomide, the environment, the energy crisis, investment in apartheid — this is the stuff that fosters suspicion and discontent and investigative reporting...Part of the antagonism comes from a growing awareness not just among journalists but the public at large of aspects of business which until a few decades ago were not questioned very often or very loudly.⁴¹⁸

⁴¹⁷ Simons, Howard, and Joseph A. Califano, eds. *The Media & Business*. New York: Vintage Books, 1979.

⁴¹⁸ Simons and Califano, *The Media & Business*, 1979, ix.

Peter Drier argued that companies received negative coverage in this era because of a long list of environmental and corruption scandals. As a result, businesses saw a decline in public opinion polls. Drier wrote:

Since the late 1960s, when public opinion polls began to report a dramatic decline in public confidence in big business, corporate leaders have discovered a convenient scapegoat — the news media... The Santa Barbara oil spill, Hooker Chemical's Love Canal problems, and the Three Mile Island power plant incident were all technological accidents that became grist for journalists' mills.⁴¹⁹

Drier argued the news media held back on more aggressive coverage of business:

"Much of it is simply boosterism—glowing stories of new investment plans, fawning profiles of corporate executives, summaries of quarterly and annual corporate reports."⁴²⁰ But Tambini argued that business journalists in the era were engaged in a form of superficial “gotcha” journalism. They focused “on the micro aspect of conflicts of interest relating to single companies, and neglect broader issues such as the role of business reporting in relation to market sentiment in general.”⁴²¹ One survey also faulted business journalism coverage, especially with smaller newspapers, where editors were unlikely to challenge businesses. J.T.W. Hubbard reported that two-thirds of editors of all newspapers with a circulation of 50,000 or less “indicated they would maintain a ‘generally cooperative relationship with business,’ only covering corporate irregularities

⁴¹⁹ Drier, Peter, “The Corporate Complaint Against the Media,” In *American Media and Mass Culture, Left Perspectives*, edited by Donald Lazere, 63–79, Berkeley, Ca: University of California Press, 1987.

⁴²⁰ Drier, “The Corporate Complaint Against the Media,” 1987, 65.

⁴²¹ Tambini, Damian, “What Is Financial Journalism for? Ethics and Responsibility in a Time of Crisis and Change,” *Polis Media*, 2008.

when they are the subject of formal hearings conducted by courts or regulatory agencies”⁴²²

Strachan gained prominence in the 1970s as a seasoned and important financial trade journalist. Companies may have not welcomed his reporting, but his work displayed a knowledge and depth of the field. Strachan understood finance and the thrift industry and earned a reputation as hard-hitting but fair.

What Was The National Thrift News?

The *National Thrift News* launched in September 1976, a date well timed to benefit from growth and innovation in the U.S. financial markets and the growing consumer culture and its demand for housing. Strachan and the *National Thrift News* were able to ride two waves in the U.S. economy. One involved a deregulatory trend that began in the 1970s and accelerated under President Ronald Reagan. The second was the dramatic growth of the U.S. bond and credit markets during the same period, partly fueled by globalization of finance and related innovations.⁴²³ Broadly speaking, these twin economic trends of deregulation and financial innovation are still felt today with the enormous volatility in the global financial markets.

The *National Thrift News*’ main investors were John Glynn, an executive of the Sperry Corp., and Wesley Lindow, former president of Irving Trust Co. Lindow wanted to create a high quality newspaper to cover the industry and serve thrift insiders. Their business proposal cited demand from savings and loan executives for greater news

⁴²² Hubbard, J T W. “Business News in the Post Watergate Era,” *Journalism Quarterly* 53, no. 3 (1976): 488–93.

⁴²³ Stein, Judith, *Pivotal Decade: How the United States Traded Factories for Finance in the 1970s*, (New Haven: Yale University Press, 2010).

reporting with more frequency. The newspaper would provide in-depth coverage of national news and developments affecting the savings and loan business and would include “analytical and interpretive treatment of events” while also serving as a forum for regional associations and allied firms.⁴²⁴ He recalled telling the head of the U.S. League of Savings Institutions that the *National Thrift News*, “would help build up the industry.”⁴²⁵ Glynn and Lindow recruited Strachan as the editor, a journalist with an ideal profile to lead a trade newspaper. He had extensive experience, contacts, visibility, and a personal belief in the industry’s importance.

After stints as a general news reporter at various New York newspapers, Strachan began his financial journalism career in 1961 when he joined the *American Banker* newspaper as a junior reporter. He rose to assistant managing editor at the *American Banker* and then left in approximately 1971, where he worked as a freelance and independent journalist until he was recruited to run *National Thrift News* in 1976. Aside from his journalistic achievements, Strachan had a personal belief in savings and loans could be a force for good by providing middle class families with the financing to buy a house.⁴²⁶ All of this made Strachan a popular figure in the industry. Later in his career, Strachan would be applauded when he arrived at a savings and loan industry event and given a reserved seat in the front room.⁴²⁷

⁴²⁴ “Proposed New Publication for the Savings and Loan Industry,” April 1975. (Exhibit in the lawsuit *Rollo v. Glynn*, New York State Supreme Court, #20079/82.” New York State Supreme Court, 1982).

⁴²⁵ Lindow, Wesley, “Deposition of Wesley Lindow,” May 16, 1980, (*Rollo v. Glynn*, New York State Supreme Court, #20079/82, 1982).

⁴²⁶ Kleege, Stephen, Interview with Stephen Kleege, June 15, 2015; Ranieri, Lewis, Interview with Lewis Ranieri, August 12, 2015.

⁴²⁷ Pizzo, Stephen P. Interview with Stephen Pizzo, December 8, 2014.

National Thrift News began as a very modest operation in the fall of 1976. Its first office was in an apartment on New York's West Side neighborhood. Back issues of the newspaper were filed in the bathtub.⁴²⁸ The Oct. 14, 1976 edition listed six employees: Thomas Rollo, publisher; Strachan, editor; and managers for production, classified advertising, circulation, as well as an auditor.⁴²⁹ Rollo, who served as publisher the first

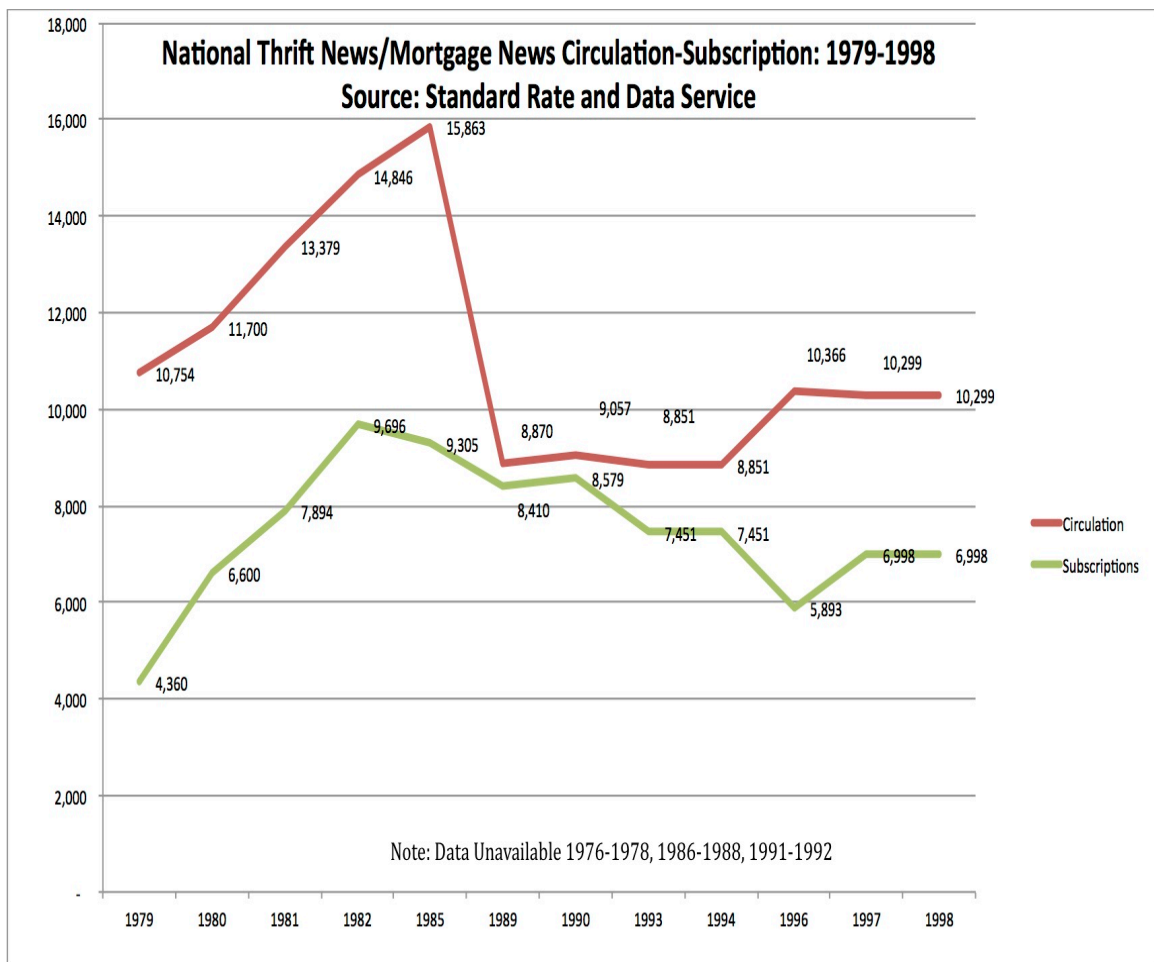


Figure 3. National Thrift/Mortgage News Subscription Trends, 1979-1998

⁴²⁸ Fogarty, Mark, "Keeping a Careful Eye on the Mortgage Industry," *National Mortgage News*, December 20, 1999.

⁴²⁹ The first edition of *National Thrift News* apparently is lost. The Oct. 14, 1976 issue is the first issue on file in the paper's offices.

two years, later claimed he originated the idea of *National Thrift News* but never received his promised 30 percent ownership stake in the venture. Rollo waged an eight-year legal battle with Glynn, Lindow and Strachan over ownership of the paper but lost the case in U.S. District Court in 1982 and a related case in New York State Supreme Court in June 1990.⁴³⁰

Amid this legal fight, the paper grew in circulation and staffing. By 1979, *National Thrift News* reported 10,754 total circulation, of which 4,360 was paid circulation.⁴³¹ Total circulation peaked at 15,863 in 1985; during these years, the newspaper was filled with numerous full-page ads from the largest institutions on Wall Street, including Merrill Lynch, Fannie Mae, and Shearson Lehman Brothers. Circulation fell to 9,057 in 1990, primarily due to the collapse of the savings and loan industry and the 1987 stock market crash, which led Wall Street firms to cut back on advertising as a cost-cutting move. By 2014, circulation had fallen to 8,000.⁴³² The length of the *National Thrift News* doubled after President Reagan signed legislation to deregulate the thrift industry in 1982. Before the 1982 deregulation bill, page counts ranged from 20 to 34 pages. After the 1982 bill, page counts increased from 37 to 66 pages through 1987, a period when the stock market was booming and savings and loan activity was busy. Some issues in the mid-1980s reached as many as 92 pages. By 1990, page counts fell to about 27 pages at the peak of the S&L crisis.

⁴³⁰ Rollo v. Glynn, New York State Supreme Court, #20079/82,” New York State Supreme Court, 1982.

⁴³¹ Circulation figures for 1976-1978 are not available. Standard Rate & Data Service. “SRDS Business Publication Advertising Source,” 1995. Subscription data from Standard Rate and Data Service directories, 1976-1998, bound volumes in the Library of Congress.

⁴³² Standard Rate & Data Service, “SRDS Business Publication Advertising Source,” 1995. Subscription data from Standard Rate and Data Service directories, 1976-1998, bound volumes in the Library of Congress.

National Thrift News subscriptions in 1979 were \$35 a year. In the early years, if readers failed to renew their subscriptions, the paper continued to mail out the papers “since *National Thrift News* must guarantee advertisers a minimum of 10,000 circulation,” according to the paper’s auditor, Robert Gehlmeyer.⁴³³ Internal company

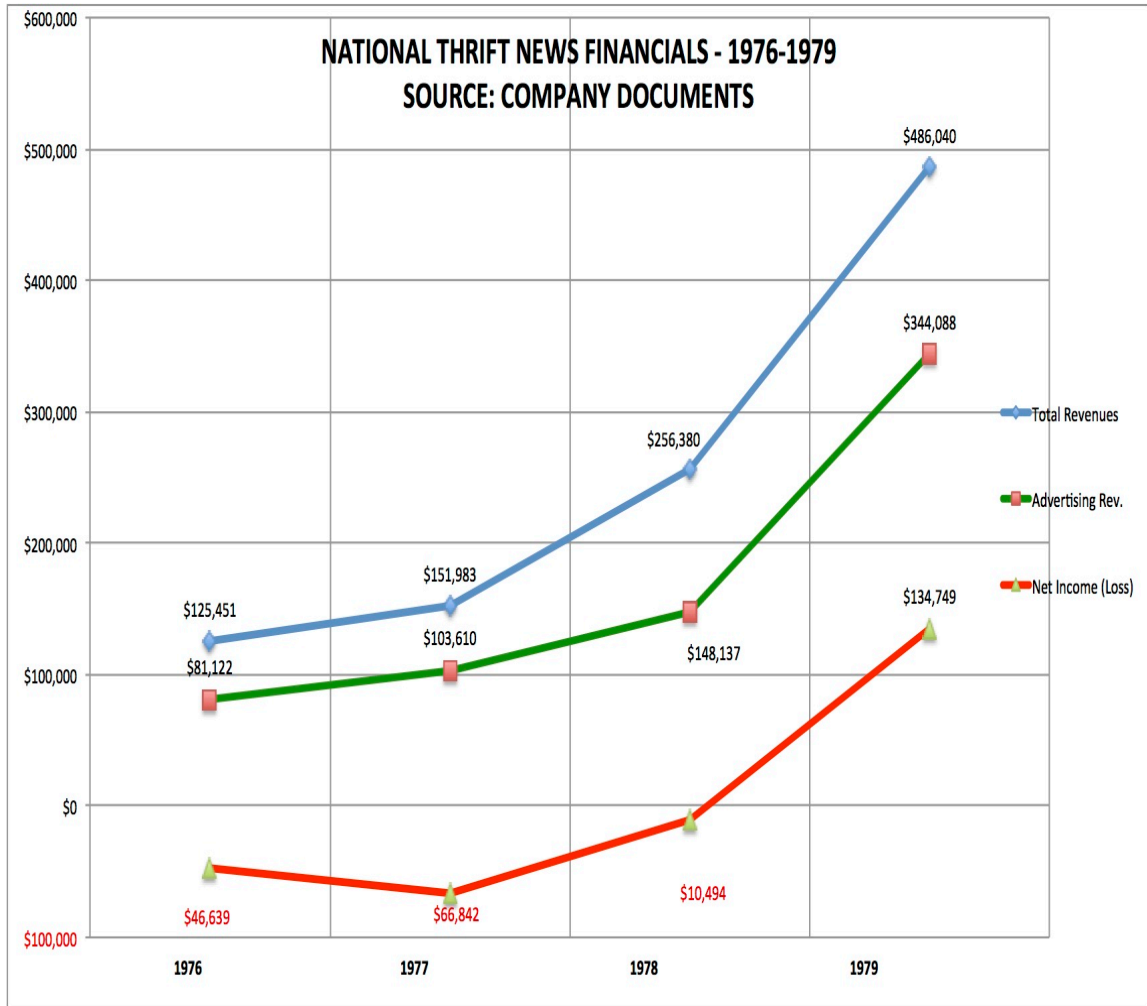


Figure 4. National Thrift News Financials, 1976-1979

⁴³³ Gehlmeyer, Robert, “Memo to John Glynn,” *Rollo v. Glynn*, December 13, 1978. (An exhibit in *Rollo v. Glynn*, New York State Supreme Court, #20079/82,” 1982).

records showed that *National Thrift News* lost \$46,639 in its first year of operation but was profitable by 1979, earning \$134,749.⁴³⁴ "*National Thrift News*, financially, was making money almost from the get go. It was quite successful," Muolo said.⁴³⁵

Editors and reporters listed in the masthead rose from two in 1976 to a peak of 18 in 1986. Even when the savings and loan industry collapsed in the late 1980s, the paper maintained a steady editorial payroll of about 13 journalists through 1993, when staffing rose again to 15 amid a rebounding economy. The troubles in the savings and loan industry forced Strachan to rename the paper to *National Thrift and Mortgage News* in June 1989, a year when some 327 thrifts failed, closed or merged. He changed the name again to its current *National Mortgage News* in May 1990, a year when 213 thrifts failed. (These name changes follow an industry norm where trade publications evolve with their industries. M.B. Flynn noted, "When the street car, drawn by horses, gave place to the trolley car, propelled by electricity, the *Street Railway Journal* became the *Electric Railway Journal*."⁴³⁶)

There was disagreement about whether the critical coverage by the *National Thrift News* caused problems with advertisers. No advertising records or correspondence were available to measure trends in the late 1980s and early 1990s. Extensive attempts to locate these records were not successful. Officials at Source Media Inc., the current owner, said they were unaware if the records were preserved in prior sales of the publication. The former circulation and advertising staff declined numerous requests to discuss the business. As a result, I could not determine specifically the mix of advertising and circulation revenues. Muolo did not recall *National Thrift News* suffering advertising

⁴³⁴ Rollo v. Glynn, New York State Supreme Court, #20079/82," 1982.

⁴³⁵ Muolo, Paul, Interview with Paul Muolo, October 19, 2014.

⁴³⁶ Flynn, "The Development of Business Papers in the United States," 1944, 170.

losses due to its controversial journalism. By contrast, Kleege and Ranieri said the critical journalism caused some advertisers to leave but the extent of this trend was unclear.⁴³⁷

Kleege said the *National Thrift News* won the 1988 George Polk Award not only for its particular coverage but also for the “great personal risk” that the stories would anger and alienate its industry readers.⁴³⁸ He and other reporters recalled the business struggled after the 1987 stock market crash. Some of the paper's most critical coverage came as the industry began to unravel due to speculation and greed. “Eventually, I think the shrinking of the S&L industry caught up with the paper,” Kleege said.⁴³⁹

Muolo estimated that by the early 1990s, *National Thrift News* and its affiliated publications generated about \$4 million in annual revenues from a combination of subscriptions, advertising and conference fees. *National Thrift News* and its parent, Dorset Group, were sold to Faulkner & Gray in March 1995, a sale prompted by Lindow’s death. Andrew L. Goodenough, then a senior vice president at Faulkner & Gray who was closely involved with the sale, estimated *National Thrift News* and its affiliated businesses generated about \$3.2 million to \$3.3 million in revenues at the time of the sale.

Some reporters began to leave in 1989-1990 due to a lack of raises. During these lean times in the late 1980s, Strachan and *National Thrift News* investor John Glynn had “quite a few battles over the editorial budget behind closed doors,” Muolo recalled. At one point, Glynn pushed to lay off staff, which Strachan firmly opposed. “Stan basically said if you want me to lay off staff, I’ll quit,” Muolo said. The owners backed off, fearing

⁴³⁷ Ranieri, Lewis, Interview with Lewis Ranieri, August 12, 2015; Kleege, Stephen, Interview with Stephen Kleege, June 15, 2015.

⁴³⁸ Kleege, Stephen, Interview with Stephen Kleege, June 15, 2015.

⁴³⁹ Kleege, Stephen, Interview with Stephen Kleege, June 15, 2015.

Strachan's departure would damage the newspaper.⁴⁴⁰ Fogarty said the co-owners might argue with Strachan over budget issues but they defer to him in the end, in part because he was able to innovate and launch new products to meet the growing market.⁴⁴¹

Diversification

Strachan sought to innovate as technology rapidly evolved in the 1980s. He launched newsletters, books, and even a television broadcast with the *National Thrift News* and its holding company, the Dorset Group. The Dorset Group registered eight trademarks for various publications launched in the 1980s and 1990s, according to the U.S. Patent and Trademark Office database, ranging from the newsletter *Money Market Techniques* in 1982 to the *Resolution Trust Reporter* in 1990. Dorset also published specialty books, such as "Creative Real Estate Financing" and sponsored financial seminars, such as "Are You Ready to Hedge?"⁴⁴² In this fashion, Strachan was part of a longstanding tradition in the trade press of turning financial and industry information into new products and services. Strachan and his staff also explored specialized video news reports. The Dorset Group in October 1984 announced it would produce "Convention

⁴⁴⁰ Muolo, Paul, Interview with Paul Muolo, October 19, 2014.

⁴⁴¹ As the mortgage market evolved in the 1980s and 1990s, Strachan created even more specialized newsletters, such as *Resolution Trust Reporter*, a biweekly newsletter on the workings of the Resolution Trust Corp., an entity created to help clean up the savings and loan collapse. Strachan and his investors were "a financial success" and launched a holding company, the Dorset Group, that contained a variety of mortgage and housing related publications, including *Resolution Trust Reporter*, *Problem Asset Reporter*, *Origination News*, and *Mortgage Technology*. The newspaper had to evolve as the industry it covered experienced widespread failures. By 1990, the paper changed its name to *National Thrift and Mortgage News* and then to its current title, *National Mortgage News*, in 1992.

⁴⁴² n/a, advertisements, *National Thrift News*, July-September, 1984.

Report,” six hours of television interviews focused on the Mortgage Bankers Association annual convention in San Francisco.⁴⁴³ Muolo recalled the video news productions involve Strachan and correspondent Lew Sichelman interviewing the major speakers, attendees and top vendors at the Mortgage Bankers Association conference. The program was broadcast on closed circuit cable television in the convention hotels, the Mark Hopkins and St. Francis in San Francisco. Muolo, with some television production experience from college, helped lead the production. Wall Street firms such as Shearson Lehman, Drexel Burnham Lambert and Freddie Mac advertised or sponsored the broadcast, he said. “We made some nice money on it,” Muolo said. This venture was launched around 1984, at a time when “Wall Street was banging on our doors” and spending heavily on advertising, Muolo said.⁴⁴⁴

Jane DeMarines, former vice president for public affairs at the Mortgage Bankers Association, said she helped line up guests for Strachan to interview at the conference. The “Convention Report” production had one or two cameras, no studio space and a limited staff. Strachan conducted most of the interviews. DeMarines did not recall any advertising on the program.⁴⁴⁵ When Mortgage Bankers Association officials were going to be interviewed by a major television news organization, DeMarines or her staff would prepare scripts for the officials, she said. That was not the case for the Strachan conference video interviews. “I’m not sure we took it so seriously. People knew Stan and he was well-liked,” DeMarines said. “My memory is it was sort of softball stuff.”⁴⁴⁶ The

⁴⁴³ n/a, advertisements, *National Thrift News*, Oct. 8, 1984.

⁴⁴⁴ Muolo, Paul, Interview with Paul Muolo, July 13, 2015.

⁴⁴⁵ DeMarines, Jane, Interview with Jane DeMarines, July 13, 2015.

⁴⁴⁶ DeMarines, Jane, Interview with Jane DeMarines, July 13, 2015.

annual convention was generally a very busy event for attendees and people didn't usually have time to watch a convention-oriented news broadcast. "I don't know if anybody watched it," she said. "I was interviewed several times for it but I don't recall ever looking at it."⁴⁴⁷

The Savings and Loan Crisis

The following section summarizes the financial, regulatory, economic and technological trends that contributed to the savings and loan crisis. It then summarizes the major works of journalism concerning the savings and loan crisis, with particular focus on the media coverage of the Keating Five and CenTrust cases. It concludes with a review of major criticism of news media coverage of the crisis.

Economy

The economic roots of the savings and loan crisis can be traced back to the macroeconomic strains in the 1970s that triggered a strong rise in inflation. President Lyndon Johnson's decision to spend on an expanded Vietnam War and new "Great Society" social welfare programs strained federal finances and boosted federal budget deficits. Meanwhile, U.S. industry's global dominance was challenged by the rise of sophisticated manufacturing in Europe and Japan, where factories retooled following the devastation of World War II and exported quality consumer goods to the U.S. market. These pressures exerted by a rising U.S. debt, intensified overseas competition and lagging U.S. industry led President Richard Nixon to move the U.S. dollar off the gold standard in 1971, a decision that advanced development of modern foreign currency

⁴⁴⁷ DeMarines, Jane, Interview with Jane DeMarines, July 13, 2015.

markets and signaled a demise of U.S. economic dominance. The 1973 Arab oil embargo significantly destabilized the U.S. economy, bringing on a condition known “stagflation,” or high inflation and stagnant economic growth. Some academics viewed the onset of inflation and revelations of corporate misbehavior in the 1970s as significant turning points for general business journalism.⁴⁴⁸

The inflation through 1979-1982 caused the “first” savings and loan crisis: thrifts could not pay the high interest rates on deposits because of federal government regulatory limits. Depositors withdrew their funds and pursued a better deal elsewhere, such as in Treasury bonds.⁴⁴⁹ Inflation hurt the core business of savings and loans, which primarily issued long-term mortgages at fixed rates. As interest rates rose, these mortgages lost significant value, which in turn erased the thrifts’ net worth.⁴⁵⁰ Simply put, savings and loans faced a slow death due to this mismatch in interest rates and maturities. “Interest-rate risk had destroyed the industry on a market basis and mortally wounded it on an accounting basis by 1982,” a presidential commission examining the crisis reported in 1993.⁴⁵¹ This was the economic underpinning of the savings and loan disaster in the 1980s, at the time the worst financial crisis in the nation's history after the banking collapse in the 1930s.

⁴⁴⁸ Drier, “The Corporate Complaint Against the Media,” 1987.

⁴⁴⁹ Curry, Timothy, and Lynn Shibut, “The Cost of the Savings and Loan Crisis: Truth and Consequences,” *FDIC Banking Review*, 2000.

⁴⁵⁰ Robinson, Kenneth J. “Savings and Loan Crisis 1980 - 1989,” Federal Reserve Board, November 22, 2013.

⁴⁵¹ National Commission on Financial Institution Reform, Recovery and Enforcement, July 1993, 7.

Business - Deregulation

This inflationary shock and resulting economic problems in the mid-1970s did not respond to traditional Keynesian economic solutions. A growing neoliberal movement pushed tax cuts and deregulation onto the federal agenda, and President Jimmy Carter began the process of loosening federal rules to help solve the savings and loan industry's ills by letting them grow out of their problems. Before leaving office, Carter signed into law significant tax reductions in the 1978 Revenue Act as well as reduction in regulations with the 1980 Monetary Control Act. President Ronald Reagan accelerated that trend, broadly deregulating industries ranging from airlines to trucking to banking. This deregulation, combined with the explosion of computer technology and the unsettled international markets, set off a cycle of financial turbulence that exists to this day.⁴⁵²

A close examination showed the industry faced severe financial trouble. David Stockman, director of Ronald Reagan's Office of Management and Budget, warned that in 1981 "any honest evaluation" of the industry "would show that its equity has been wiped out".⁴⁵³ William Black, the Federal Home Loan Bank regulator central in the fight with Keating, observed that by 1982, the industry was insolvent by roughly \$150 billion.⁴⁵⁴ This figure was particularly unnerving when compared to the mere \$6 billion left in the savings and loan deposit insurance fund, known as the Federal Savings and Loan Insurance Fund or FSLIC, to pay off insured depositors of insolvent thrifts.

⁴⁵² Minsky, Hyman P. "The Financial Instability Hypothesis: A Restatement," In *Can "It" Happen Again?* (New York: M.E. Sharpe Inc., 1982); Cassidy, John, *How Markets Fail: The Logic of Economic Calamities*, (New York: Macmillan, 2009).

⁴⁵³ Farnsworth, Clyde, "Aid Studied for Savings Industry," *The New York Times*, March 6, 1981; Martz, L. "S&Ls: Blaming the Media." *Newsweek* 115, no. 26 (June 25, 1990): 42.

⁴⁵⁴ Black, William. *The Best Way To Rob a Bank Is To Own One*, (Austin, Texas: University of Texas Press, 2005), 19.

Congress responded to these warnings and the industry lobbying with the 1982 Garn St. Germain Depository Institutions Act, which deregulated the industry by allowing savings and loans to offer higher interest rates and expand their lending into riskier areas. Similar deregulatory legislation passed in states such as California. Deregulation was evident in other ways. Regulators decided to delay the reckoning and permit insolvent thrifts to remain open, and they become known as “zombies.”⁴⁵⁵ Regulators and lawmakers also eased capital standards, or the reserve funds to pay off loan losses and other problems. In a deregulated environment, some thrifts speculated in commercial real estate, and others were taken over by criminals who used the institutions to launder illegal proceeds.⁴⁵⁶ Deregulation contributed to poor supervision of the mortgage markets and is a factor in the savings and loan collapse as well as the 2008 financial crisis.⁴⁵⁷

Popular culture’s attitudes towards wealth and capitalism changed significantly due to the ascendancy of Reagan and his deregulatory and free market inclinations. This capitalist-friendly mindset was ascendant; George Anders observed the 1980s marked the end of a 50-year period of economic egalitarianism.⁴⁵⁸ The decade, Anders wrote, was “a legendary period of unchecked profiteering” on par with the Robber Baron era of the 1880s and the stock speculation of the 1920s. The 1987 film *Wall Street*, starring actor Michael Douglas as the iconic trader Gordon Gecko, famously described an emergent

⁴⁵⁵ Robinson, Kenneth J. “Savings and Loan Crisis 1980 - 1989,” Federal Reserve Board, November 22, 2013.

⁴⁵⁶ Pizzo, et al., *Inside Job*, 1989.

⁴⁵⁷ National Commission on Financial Institution Reform, Recovery and Enforcement, “Origins and Causes of the S&L Debacle: A Blueprint for Reform,” Washington, D.C., United States, July 1993; Financial Crisis Inquiry Commission. *The Financial Crisis Inquiry Report, Authorized Edition: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States*, 1 edition, PublicAffairs, 2011.

⁴⁵⁸ Anders, George, *Merchants of Debt: KKR and the Mortgaging of American Business*, (New York, NY: BasicBooks, 1992), xiv.

business ethos with the phrase “greed is good.”⁴⁵⁹ A bond market rally began in 1982, followed by a stock market rally, aided by the success of then Federal Reserve Chairman Paul Volcker in bringing down inflation, expanding the money supply and eventually, reducing interest rates. Foreign investment returned to the U.S. The years between 1982 and 1990 “were one of the longest periods in post-World War II history without a downturn in the economy.”⁴⁶⁰ Stock averages tripled between 1980 and 1989, creating \$2 trillion in paper wealth.⁴⁶¹ Several regulatory changes made the U.S. markets more attractive. The Securities and Exchange Commission altered its stock underwriting rules to allow companies to raise money in the markets faster through pre-arranged shelf registration of securities. The Federal Reserve allowed overseas German and Japanese banks to become primary dealers in the Treasury bond market, a prestigious designation previously reserved for U.S.-based banks.⁴⁶² At the same time, regulators permitted banks to purchase brokerage houses, beginning the erosion of Depression-era laws such as the Glass Steagall Act, which separated banks from securities firm.⁴⁶³

Debt financing, which faced a stigma back to the years of Benjamin Franklin and Thomas Jefferson, enjoyed new popularity in the 1980s. Some of the changes were due to demographics. The generation of debt-averse executives who grew up in the Great Depression began to retire; these business leaders had avoided debt after witnessing how

⁴⁵⁹ Stone, Oliver, *Wall Street. Crime, Drama*, 1987.

⁴⁶⁰ The 1987 stock market crash did not result in a recession. A recession began July 1990 and ended March 1991. n/a. “US Business Cycle Expansions and Contractions.” National Bureau of Economic Research, *US Business Cycle Expansions and Contractions*, September 20, 2010; See also, Geisst, *Wall Street*, 2012, 332.

⁴⁶¹ Anders, *Merchants of Debt*, 1992, xiv.

⁴⁶² A primary dealer buys and sells Treasury securities directly from the Federal Reserve Bank of New York’s open market desk, placing the bank in a privileged and central position in the U.S. capital markets.

⁴⁶³ Geisst, *Wall Street: A History*, 2012, 329.

financial speculation ruined families and communities during the Great Crash. In their wake was a new generation more willing to take financial risks. Big companies were “learning to love leverage.”⁴⁶⁴ This idea, in turn, was embraced by business schools and universities that taught the benefits of leveraged financing to a new crop of MBA students. The Reagan era was marked by the rise of a “credit culture” throughout society; consumer debt tripled in the 1980s to \$3.7 trillion.⁴⁶⁵

In finance, there was a mass movement toward corporate mergers in the 1980s that were financed by high levels of debt. At its peak, there were 381 leveraged buyouts in 1988 and the value of deals peaked at \$70 billion in 1989.⁴⁶⁶ The financing of this new merger wave was aided by the rise of the high-yield or “junk bond” market.⁴⁶⁷ Michael Milken at Drexel Burnham Lambert brought a new vision to this junk bond market as a way for new companies to access global financial markets and expand. These buyouts and mergers symbolized the ascendancy of financial capitalism in the 1980s, which placed banks and other financial intermediaries in the center of the economy. It also meant managers emphasized investment returns when making production and other key decisions. This displaced managerial capitalism, which gave managers greater discretion to invest and expand, sometimes without the approval of shareholders.⁴⁶⁸ A new ethos of “efficiency,” a hallmark of financial capitalism, crept into boardrooms and CEO corner offices.

With these changes came a broad breakdown in ethical culture in the financial sector in the 1980s. One factor involved a growing distance between employer and

⁴⁶⁴ Anders *Merchants of Debt*, 1992, xvi.

⁴⁶⁵ Anders *Merchants of Debt*, 1992, 20.

⁴⁶⁶ Baker and Smith, *The New Financial Capitalists*, 1998, 42.

⁴⁶⁷ Kaufman, *On Money and Markets*, 2000.

⁴⁶⁸ Smith and Sylla, *The Transformation of Financial Capitalism*, 1993.

traders, or between brokers and customers on Wall Street. This involved a shift to a more technocratic and transactional business away from the long-term and personal style of business through relationships. According to economist Henry Kaufman, this change had serious implications for the long term functioning of the financial markets: “Close relationships were being pushed aside by the increased volume of transactions in the open market, and by the profit that could be captured by trading, underwriting and merger activity.”⁴⁶⁹ The ascendancy of financial capitalism and this erosion of ethical standards helped account for the behavior of aggressive financiers such as Milken at Drexel Burnham Lambert, or David Paul at CenTrust or Charles Keating at Lincoln Savings, all of whom wound up in prison due to their excesses.

Innovation

Other demographic and financial forces swept through the U.S. business community. The inflationary shock and globalization of financial markets were problems in search of solutions, and a new wave of innovation in the bond and credit markets arose to meet these challenges. In the savings and loan industry, the financial strain limited thrifts’ ability to finance a homeownership surge from the Baby Boom generation, a major demographic phenomenon in the post-World War II society. Out of this predicament came the creation of modern mortgage-backed bonds, which became popular with investors and set off a trading boom in the bond market. Between 1970 and 1998, the U.S. bond market grew at an annual rate of 19.5 percent to \$13 trillion. “One of

⁴⁶⁹ Kaufman, *On Money and Markets*, 2000, 179.

the most profound transformations in postwar finance was the explosion of domestic non-financial debt,⁴⁷⁰ economist Kaufman wrote.⁴⁷¹

Strachan's newspaper possessed great expertise on these issues, and was well suited to benefit from this growth in the bond and credit markets, particularly with the rapid rise of mortgage securitization. This refers to a process in which a group of mortgage contracts are bundled together into a type of bond and the homeowners' monthly payments represent the bond's revenues. Such a transaction was a revolution for local banks and thrifts.⁴⁷² They could sell mortgage loans to firms such as Salomon Brothers, which repackaged the loans into a bond. By selling the mortgages, a local bank was able to free up millions of dollars for new investments. Mortgage securitization also helps make the mortgage market national in scope and this business brought considerable advertising revenue to the *National Thrift News*. "National Thrift News was loaded with all of these tombstone ads from Wall Street," Muolo recalled. "He rode quite a wave for probably about 10 very good years."⁴⁷³ Strachan was right in the middle of this revolution of modern finance: "Stan had luckily timed it perfectly."⁴⁷⁴

Other news organizations capitalized on the market turbulence and resulting innovations. *Reuters* created a news service to report on the global foreign currency markets, which grew dramatically in wake of the collapse of the gold standard in the U.S. This *Reuters* trading platform integrated its news coverage with tools for real-time

⁴⁷⁰ This is the total amount of debt owned by households, government agencies, non-profit organizations or any company not in the financial sector.

⁴⁷¹ Kaufman, *On Money and Markets*, 2000.

⁴⁷² One of Strachan's closest friends and sources was Lewis Ranieri, a former vice chairman of Salomon Brothers credited with inventing the mortgage-backed bond. McKee, Michael. "Lewis S. Ranieri: Your Mortgage Was His Bond." *BusinessWeek: Magazine*, November 28, 2004.

⁴⁷³ Muolo, Paul, Interview with Paul Muolo, October 19, 2014.

⁴⁷⁴ Interview with Paul Muolo, Oct. 19, 2014.

trading of currencies, futures contracts, and myriad derivatives. Michael Nelson, a senior *Reuters* executive, said growth of the international currency trading "was going to revolutionize the markets and we'd better see how we could exploit it."⁴⁷⁵ Kjaer and Slaatta wrote how *Reuters* developed new hardware and software in the 1970s "to suit the logic of a new, expansive global market economy."⁴⁷⁶ Business for *Reuters*' new foreign exchange quotation system soared in the mid-1970s. "Reuters had stumbled upon a way of making money ... and in so doing had created the first global electronic marketplace."⁴⁷⁷

Mortgage bonds and the Reuters foreign currency news and data service were examples of innovations that helped expand the global financial markets. Parsons wrote that "during the 1970s, there occurred not only the break-up of the old economic consensus but also the build-up of the new information systems which increased the flow of information and the capacity of markets to function internationally."⁴⁷⁸ This period also led to an explosion of news about white-collar criminal investigations, which were detailed in these new business journals. One signature case involved Ivan Boesky and his financing of hostile corporate takeovers. He pleaded guilty in 1986 and was imprisoned on insider trading and securities fraud charges.⁴⁷⁹ The Boesky case led to an investigation of Milken and Drexel Burnham Lambert, the innovative and brash investment bank at the

⁴⁷⁵ Mooney, B., and Simpson, B. *Breaking News: How the Wheels Came off at Reuters*, (London, Capstone Publishing Ltd., 2003), 10.

⁴⁷⁶ Kjaer and Slaatta, *Mediating Business*, 2007, 20.

⁴⁷⁷ Mooney and Simpson, *Breaking News*, 2003, 13.

⁴⁷⁸ Parsons, *The Power of the Financial Press*, 1990, 204.

⁴⁷⁹ n/a, "Lincoln Savings Scandal Examined in Hearings," *CQ Almanac* 45 (1990): 133–39.

center of the fast-growing junk bond market.⁴⁸⁰ Milken, in turn, had significant dealings with Keating and Paul, whose thrifts purchased junk bonds. For example, the Federal Home Loan Bank investigated Lincoln Savings in 1987 and found it had purchased shares in companies that were Boesky takeover targets. It also found Lincoln Savings had “almost exclusive use of Drexel Burnham Lambert as its broker.”⁴⁸¹ CenTrust was actively trading junk bonds with Lincoln Savings in deals arranged by Drexel from December 1987 through June 1988. Milken and Drexel transformed CenTrust and other thrifts “into huge buyers of its junk bonds.”⁴⁸² *The Wall Street Journal* and other publications devoted considerable staff and resources to covering the Milken and junk bond investigation, memorably captured in James Stewart’s award-winning book, *Den of Thieves*, which described broad corruption in the financial markets.

S&L Crisis Summary

The political might of the savings and loan industry and its influence over the regulatory system were major themes in the crisis. There were more than 4,000 savings institutions by 1980, which gave the industry a physical presence in all 535 congressional districts.⁴⁸³ “Effective lobbying of Congress by the industry exploited powerful political advantages to downplay potential losses while continuing to shield the industry from corrective but painful market forces. The Administration gave the S&L problem low

⁴⁸⁰ Skorneck, Carolyn, “Drexel’s Milken Subpoenaed In Congressional Probe,” *The Associated Press*, April 21, 1988.

⁴⁸¹ “Chronology of the Lincoln Case,” *National Mortgage News*, November 27, 1989.

⁴⁸² Stewart, James, *Den of Thieves*, (New York: Simon & Schuster, 1991), 195.

⁴⁸³ By 1980, there were more savings and loans than banks. n/a. “Bank Data & Statistics.” *Federal Deposit Insurance Corporation*.

priority,” according to a 1993 presidential commission that examined the industry’s collapse.⁴⁸⁴ At this time, it was impossible for someone to be nominated chairman of the Federal Home Loan Bank Board without support of the U.S. Savings League, the main trade association for thrifts.⁴⁸⁵ The U.S. Savings League’s influence extended to other realms. Before the *National Thrift News* launched in 1976, one of its owners paid a visit to the U.S. Savings League to win the group’s blessing for the proposed industry newspaper.⁴⁸⁶

One illustration of the thrift’s effective lobbying was the 1982 Garn St Germain legislation to deregulate the savings and loan industry. In this bill, the thrifts won a significant victory to boost deposit insurance to \$100,000. This change effectively exposed taxpayers to greater losses in the event of extensive thrifts failures because the U.S. government became the lender of last resort if the deposit insurance fund was exhausted. Many interpret this boost in deposit insurance coverage as evidence of the industry’s political muscle. Tim McNamar, a former deputy Treasury Secretary, told *Barron’s* that the savings and loan industry could have pushed for even more deposit insurance coverage, which would have exposed taxpayers even further. “We were lucky they didn't get a million” or that the deposit insurance didn’t rise to \$1 million per

⁴⁸⁴ National Commission on Financial Institution Reform, Recovery and Enforcement, July 1993, 7.

⁴⁸⁵ O’Shea, James, *Daisy Chain - The Tale of Big Bad Don Dixon and the Looting of a Texas S&L*, (New York, NY: Pocket Books, 1991).

⁴⁸⁶ Wesley Lindow, one of the main outside investors and owners of the *National Thrift News*, met with Norman Strunk head of the U.S. Savings League, in 1976. He told Strunk the newspaper the National thrift News “ would help build up the industry.” Lindow, Wesley, “Deposition of Wesley Lindow,” (U.S. District Court, Southern District, New York, May 16, 1980).

account, McNamar said: “The thrifts were so powerful in Congress they could get anything they wanted.”⁴⁸⁷

Regulatory Issues

And as the industry grew, regulators discovered they lacked the resources to oversee the industry properly. The Federal Home Loan Bank Board in Washington and its 12 District Banks had insufficient manpower to keep track of all the new owners or the time to develop any expertise in the new loans and investments being made by the industry.⁴⁸⁸ There was a more substantial problem, however: some regulators lacked the ability or apparently even the will to do their jobs. For example, a simple background check about Keating’s regulatory history was not conducted before regulators approved his application to buy Lincoln Savings and Loan. Keating had settled fraud charges with the Securities and Exchange Commission in 1979, but the Federal Home Loan Bank Board did not review the public record on Keating’s consent decree settlement.⁴⁸⁹

⁴⁸⁷ Liscio, John, “Anatomy of a Mess --- The True Villains Behind the S&L Crisis,” *Barron’s*, February 27, 1989.

⁴⁸⁸ Muolo, Paul, “‘S&L Hell’ an ’80s Low-Water Mark,” *National Mortgage News*, December 20, 1999.

⁴⁸⁹ Naylor, Bartlett, “Gray Says S&L Tried to Hire Him Away; Institution Often at Odds With Regulator Made Offer,” *The American Banker*, October 7, 1986. The regulators’ failure to review Keating’s background emerged in the November 1989 congressional hearings. A Federal Home Loan Bank Board official who handled Keating’s application to buy Lincoln Savings said he didn’t know about the SEC’s case against Keating.

Major Events In Savings and Loan Crisis

Year	Event
1980	Fed Chairman Paul Volcker drives interest rates up to battle inflation. Higher rates, regulations eventually leave many S&Ls insolvent.
1981	Federal Home Loan Bank Board regulatory accounting change on capital, papers over losses, postpones thrift insolvency
1982	Garn-St. Germain Act deregulates thrifts; several state regulators totally deregulate the industry.
1985	Energy bust hits Texas thrifts, exposing bad investments; major failures surface due to reckless lending. Thrift deposit insurance fund, FSLIC, dwindles.
1987	Texas recession. Major S&Ls failures
1987	GAO: FSLIC fund insolvent by at least \$3.8 billion. Congress fails to recapitalize fund.
1987	Keating Five Meeting in Capitol
1987	Gray leaves Federal Home Loan Bank, Replaced by M. Danny Wall
1987	Competitive Equality Banking Act of 1987: \$10.8 bln recapitalization of FSLIC. Bill postpones or prevent S&L closures.
1988	Real estate market begins decline in Northeastern U.S.
1988	Bank Board's "Southwest Plan" to sell insolvent Texas S&Ls to the highest bidder.
1988	George H.W. Bush elected President. S&L crisis not part of election debate.
1989	Keating's American Continental Bankruptcy-Lincoln Failure
1989	Regulators impose growth limits and other restrictions.
1989	Financial Institutions Reform Recovery and Enforcement Act (FIRREA) signed into law. Abolishes the FHLBB and FSLIC, Creates OTS, RTC
1989	House Banking Committee Hearings on Keating Five
1989	Wall Resigns Following House Hearings
1990	Regulators seize CenTrust.
1990	Drexel Burnham Lambert files for bankruptcy
1993	Keating convicted of 73 counts of racketeering, fraud and conspiracy
1993	Jury convicts Paul on 68 counts of fraud.

Sources: The Wall Street Journal, Nov. 20, 1990; Binstein and Bowden, *Trust Me: Charles Keating and the Missing Billions* (New York: Random House, 1993); n/a. "The S&L Crisis: A Chrono-Bibliography." Federal Deposit Insurance Corp., December 20, 2002. <https://www.fdic.gov/bank/historical/sandl/>.

Figure 5. Chronology of Savings and Loan Crisis

This industry's power had its limits, however. Losses at Texas savings and loans became dramatic in 1985 during a crash of the state's oil market. This prompted the Federal Home Loan Bank Board, led by chairman Edwin Gray, to impose new regulations on the industry, particularly on the use of the direct investments in

commercial real estate and other ventures. Gray's moves were fought bitterly by Keating and led to a rift in the Reagan administration, where the Federal Home Loan Bank chairman sparred with Treasury Secretary Donald Regan, an advocate of deregulation. Gray pushed to restrict the use of brokered deposits, a source of funding thrifts can obtain from a national network of securities brokers, such as Merrill Lynch. These Wall Street firms collect deposits from individuals and then deposit the funds at thrifts offering the highest rate.⁴⁹⁰ Gray and other regulators believed brokered deposits created incentives for shaky thrifts to stay in business longer than they should. They paid high rates to obtain this unstable funding source, which would be withdrawn quickly if better rates were available elsewhere. Regan, prior to joining the government, oversaw the expansion of a brokered deposit business at Merrill Lynch. With Gray at odds with the more powerful Treasury Secretary and others at the White House, his term was not renewed. An industry-friendly conservative, M. Danny Wall, replaced Gray in June 1987. Wall did not advance Gray's regulatory agenda and eased enforcement efforts. Yet at the same time, regional banking regulators in Atlanta and San Francisco were trying to clamp down on thrift industry abuses as well as on Keating at Lincoln Savings and Paul at CenTrust. Their efforts were not supported at the national office, led by the industry-friendly Wall.⁴⁹¹ The delayed enforcement at the national level kept Lincoln and CenTrust open longer and further expanded the cost of the taxpayer bailout. Meanwhile, Wall sought to deal with the mounting losses in the savings and loan industry by launching the "Southwest Plan" to consolidate and package insolvent Texas thrifts and

⁴⁹⁰ Day, Kathleen, *S & L Hell: The People and the Politics Behind the \$1 Trillion Savings and Loan Scandal*, (New York: W.W. Norton, 1993), 152.

⁴⁹¹ Pizzo, et al., *Inside Job*, 1989; *CenTrust Bank, State Savings Bank : Hearing before the Committee on Banking, Finance, and Urban Affairs, House of Representatives, One Hundred First Congress, Second Session, March 26, 1990*. Washington: 1990.

sell them to the highest bidder. The strategy was controversial as critics accused the Federal Home Loan Bank of providing wealthy investors a dramatic discount and tax breaks on sale of troubled thrifts.⁴⁹²

A related political drama continued in Congress during the Keating and CenTrust episodes. House Speaker Jim Wright, D-Texas, and his top lieutenant, House Majority Whip Tony Coelho, D-Calif., were allies with leading savings and loan executives, who contributed generously to their political efforts. Wright and Coelho stalled legislation to recapitalize the savings and loan industry's depleted deposit insurance fund after thrift lobbyists complain about harsh federal regulations. Instead, Wright and Coelho backed a watered-down bill in 1987, the Competitive Equality Banking Act, which reduced the Federal Home Loan Bank enforcement powers and delayed a refunding of the thrift industry's deposit insurance fund, the Federal Savings and Loan Insurance Corp.⁴⁹³

George H.W. Bush entered the White House following the 1988 election and the regulatory pendulum began to swing back toward regulation. By February 1989, the new Bush White House described its plan to strengthen regulation of savings and loans and set up a mechanism to bail out insolvent thrifts. By August 1989, Congress and the White House agreed to enact landmark banking legislation, The Financial Institutional Reform and Recovery Act, or FIRREA. This bill abolished the Federal Home Loan Bank Board and replaced it with the Office of Thrift Supervision.⁴⁹⁴ It also created the Resolution Trust Corp., a government entity that could acquire troubled mortgage loans and other

⁴⁹² Muolo, Paul, "Stan Strachan, Founder and Publisher of Origination News, Dead at 58," *Origination News*, February 1, 1997.

⁴⁹³ Sparrow, *Uncertain Guardians*, 1999, 156.

⁴⁹⁴ This agency was later abolished in the 2010 Dodd-Frank Wall Reform and Consumer Protection Act and its responsibilities were taken over by the Office of the Comptroller of the Currency.

assets of dying thrifts and repackage them for sale to investors. Debate over this legislation ushered in a new climate of regulatory enforcement. Federal regulators seized Keating's Lincoln Savings in April 1989 and Paul's CenTrust in February 1990. The savings and loan crisis became front-page news in the fall of 1989 with dramatic hearings about Keating in the U.S. House Banking Committee, hearings that lead to Wall's resignation in December.

The House hearings illustrated how the deregulatory environment, combined with the economic problems and a culture of greed, can lead to a disaster: "What it produced was reckless lending, poor judgment and outright fraud, much of it linked to the real estate boom and bust across the Sunbelt."⁴⁹⁵ All told, about one-third of the 3,200 institutions fail or were merged by the early 1990s, leaving taxpayers with a bill of at least \$124 billion for the cleanup.⁴⁹⁶

Media Coverage

The national news media missed the evolution and growing scale of the savings and loan crisis.⁴⁹⁷ A 1993 federal commission named to study the savings and loan disaster, the National Commission on Financial Institution Reform, Recovery and Enforcement, cited the news media failure as one of the factors in the savings and loan crisis:

⁴⁹⁵ Cassidy, John, *How Markets Fail: The Logic of Economic Calamities*, Macmillan, 2009.

⁴⁹⁶ Curry and Shibut. "The Cost of the Savings and Loan Crisis," 2000.

⁴⁹⁷ Sparrow, *Uncertain Guardians*, 1999; Kurtz. *Media Circus*. 1993; Dealy, *The Power and the Money*, 1993; National Commission on Financial Institution Reform, Recovery and Enforcement, July 1993; Pizzo, et al., *Inside Job*, 1989.

The news media were largely silent during the period when most of the damage was being done. The news media missed one of the most costly public debacles in U.S. history. Ordinarily, issues often do not become pressing in Washington until made so by the news media. Failure of the news media to point out mounting problems in the S&L industry helped the process run unchecked.⁴⁹⁸

Journalists at top-tier news organizations agreed they were late to the story and unable to see how the savings and loan industry's problems were a national story. "We nibbled at it," Albert Hunt, former *Wall Street Journal* Washington bureau chief, told Howard Kurtz. "We should have been covering it more in '86 and '87. It was elusive. It was a Texas story. It was a Michigan story. It was a Maryland story. It was a California story. But no one put it together."⁴⁹⁹ Meanwhile, regulators minimized the Texas and Arizona thrift problems as regional issues and not part of a national trend. Allen Pusey of the *Dallas Morning News* recalled: "The national press took its cue from the regulators, who were downplaying the whole thing."⁵⁰⁰

The failure of the national press overshadowed the important work by regional newspapers. They included Pusey and Christi Harlan of the *Dallas Morning News* whose series on condominium speculation in the Dallas I-30 corridor in 1983 was one of the first clear warning signs of the crisis. Pete Brewton of the *Houston Chronicle* did

⁴⁹⁸ National Commission on Financial Institution Reform, Recovery and Enforcement, July 1993, 10.

⁴⁹⁹ Kurtz, *Media Circus*, 1993. Hunt's comments were reflected by reviews of other media scholars. Sparrow wrote, "Most prominent political journalists and news organizations never pulled the story together or paid sustained attention to the deregulation and the abuse of the thrifts that was happening across the whole country." Sparrow, *Uncertain Guardians*, 1999, 154.

⁵⁰⁰ Kurtz, *Media Circus*, 1993.

important work on the Texas thrifts in the 1980s. James O'Shea reported a major series in the *Chicago Tribune* on the Texas S&L fraud and Don Dixon of Vernon Savings in 1988. The *St. Petersburg Times* closely reported on CenTrust's failings. Other magazines offered blunt warnings, such as *Forbes* in May 1987: "The failure rate for savings and loans is now greater than during the Great Depression ... Congress won't own up to the real cost."⁵⁰¹ In the trade press, the *American Banker* published important stories in 1983 about Mario Renda and a brokered deposits scheme, a form of short-term financing linked to numerous S&L failures. The legal newspaper *Miami Review* in 1988 published details about the fraudulent resume of Paul, the CenTrust Savings founder.

Why did the national media overlook this coverage? In this era, regional news media was far more isolated than in the current age, so the excellent journalism at regional newspapers such as the *Dallas Morning News* took longer to gain attention.⁵⁰² Reporters, regulators, politicians and others were using standard U.S. mail or fax machines to share articles. The consumer Internet would not be launched until 1994 and most reporters lacked email addresses. The regional papers also did not have the ear of Washington politicians and lawmakers like established East Coast newspapers such as the *Washington Post* and *The New York Times*.

At the *National Thrift News*, however, Strachan was speaking to a broad range of regulators nationwide and he scooped up the Dallas, Florida, and California coverage through his sources and a newspaper clipping service. A regulatory source forwarded to Strachan some newspaper articles from a tiny weekly newspaper in Northern California, *The Russian River News*, about problems with a local thrift called Centennial Savings and

⁵⁰¹ Kurtz, *Media Circus*, 1993.

⁵⁰² Harlan, Christi, Interview with Christi Harlan, August 21, 2015.

Loan. This small weekly newspaper run by Stephen Pizzo hired Mary Fricker to assist reporting on the Centennial investigation. Strachan put a young reporter, Paul Muolo, on a plane to California and he met with Pizzo and Fricker. This 1986 meeting began a major investigation of the national savings and loan crisis, elements of which were reported in the *National Thrift News* and published in the book written by Pizzo, Fricker and Muolo, *Inside Job*.⁵⁰³

Why didn't the national newspapers do this kind of national investigation? Kurtz, in his review of savings and loan coverage, observed: "The clues were staring us in the face for years, yet almost no one in the press managed to piece them together."⁵⁰⁴ According to Kurtz, this was due partly to the norms of the newspaper industry at the time, where the business desk lacked status in the newsroom. The metro, business and political desks failed to cooperate, acting at times like warring tribes. "A basic fact of newspaper life is that political reporters work on one side of the room and financial reporters on the other."⁵⁰⁵ Paulette Thomas, a former *Wall Street Journal* reporter, recalled the savings and loan beat "has never been a particularly high profile beat for any financial reporter over the years. And I think the *Wall Street Journal's* Washington bureau has had a different reporter on this beat every year since 1981."⁵⁰⁶ G. Christian Hill, San Francisco bureau chief of *The Wall Street Journal* and its main S&L writer in the 1980s, agreed with this critique. "No national publication did a good job uncovering the savings and loan scandal. With us, it was a question of territorial imperatives. The

⁵⁰³ Pizzo, et al., *Inside Job*, 1989; Fricker, Mary, Interview with Mary Fricker, September 2014; Pizzo, Stephen P. Interview with Stephen Pizzo, December 8, 2014; Muolo, Paul, Interview with Paul Muolo, October 19, 2014; Fogarty, Mark. Interview with Mark Fogarty, October 24, 2014.

⁵⁰⁴ Kurtz, *Media Circus*, 1993.

⁵⁰⁵ Kurtz, *Media Circus*, 1993.

⁵⁰⁶ "Where Was the Press During the S&L Crisis?" 1989.

Balkanized structure of the bureaus didn't allow for national cooperation and coordination.”⁵⁰⁷

Other forces conspired to make savings and loan coverage difficult. The subject matter was complex and required journalists to gain some level of specialized knowledge to write about banking, fixed income markets and real estate. Some industry figures used their power to suppress coverage by threatening the news media with expensive libel suits. Mario Renda sued the *American Banker* for \$90 million in 1983 following a story about Renda's involvement in a Midwestern bank swindle.⁵⁰⁸ As described below in greater detail, both Keating and Paul were highly litigious and sued business foes regularly.

This following section provides biographical material about the three central characters in the content analysis, Charles Keating, David Paul and Stan Strachan. This background will inform the issues and controversies they faced during the savings and loan crisis and some broader context about their lives.

Who Was Keating?

Charles Keating first gained national recognition in the 1950s as a crusader against pornography. Described as “a devout Roman Catholic,” Keating formed a organization called Citizens for Decency Through Law in 1957.⁵⁰⁹ As a corporate attorney in Cincinnati, Keating pursued *Hustler* publisher Larry Flynt and “made Flynt

⁵⁰⁷ Dealy, *The Power and the Money*, 1993, 300.

⁵⁰⁸ Pizzo, et al., *Inside Job*, 1990.

⁵⁰⁹ Carson, Teresa, “Keating, Owner Of Seized Thrift, Is in Eye of Storm,” *The American Banker*, May 1, 1989.

the object of a one-man obscenity crusade... Keating helped get Flynt sentenced to 25 years in prison (later overturned on appeal), beginning a series of court battles that followed Flynt for years.”⁵¹⁰

Shortly after the state of California deregulated its savings and loan industry, Keating turned his eye towards real estate development. His American Continental Corp. in 1984 bought Lincoln Savings, a small southern California savings and loan, for \$5 million as a way to help finance commercial developments. Under Keating's control, Lincoln made only 11 home mortgages.⁵¹¹ He used Lincoln's deposits to buy high-risk junk bonds as a way to finance construction of a huge new resort hotel complex in Scottsdale, the Phoenician resort.⁵¹² Keating's business dealings attracted the attention of the Federal Home Loan Bank Board, which began investigating the developer's activities. The board opposed Keating's attempts to loosen federal rules so Lincoln could expand into real estate development projects, traditionally something off limits for the staid and narrow savings and loan industry. Gray began a move to re-regulate the savings and loan industry in 1985, following an examination of the failed Empire Savings and Loan and its speculative real estate ventures outside of Dallas. The fight between Keating and Gray underpinned the Keating Five saga and was the focal point of this dissertation's content analysis of media coverage. The content analysis of the Keating coverage concluded at Jan. 1, 1990, following the first round of congressional hearings that made Keating a household name. Keating was convicted of 17 counts of securities fraud

⁵¹⁰ “Paralyzed Porn Purveyor Focus of New Stone Movie,” *The Associated Press*, August 15, 1995.

⁵¹¹ n/a, “Gray: Senators Tried to Convince Me to ‘Go Easy’ on Lincoln Savings,” *National Mortgage News*, November 27, 1989.

⁵¹² Nash, Nathaniel, and Philip Shenon, “A Man of Influence: Political Cash and Regulation - A Special Report,” *The New York Times*, November 8, 1989.

following a trial in Los Angeles County Superior Court, sentenced to 10 years in prison and fined \$250,000.⁵¹³

Keating's political influence was well summarized in a 1989 *The New York Times* report on the thrift scandal:

By all accounts, he was a frenetic and effective advocate for his business interests - here distributing campaign funds, there offering a former chairman of the Federal Home Loan Bank Board a job or pushing the Reagan Administration to appoint one of his business associates to the bank board. Mr. Keating was for years almost ubiquitous in Washington and at the state and local level.⁵¹⁴

Keating's influence was felt at the Federal Reserve Board, the Securities and Exchange Commission, the Treasury Department and the Federal Home Loan Bank Board. For example, Keating hired a former SEC commissioner to lobby on his behalf. Keating was close to House Speaker Wright, who supported a House resolution opposing Federal Home Loan Bank Board rules restricting thrifts' speculative investments. "We were impressed by his extensive lawyers and economists," Home Loan Bank examiner Black recalled. "We were utterly amazed, however, by his political power."⁵¹⁵

Well before the Keating Five senators' meeting, journalists reported on Keating's attempts to influence the regulatory and political process through campaign cash and use of powerful allies. *United Press International's* Gregory Gordon wrote about Keating's

⁵¹³ "Events Chronology: American Continental Corporation," *Arizona Archives Online*.

⁵¹⁴ Nash, Nathaniel, and Philip Shenon, "A Man of Influence: Political Cash and Regulation - A Special Report; In Savings Debacle, Many Fingers Point Here," *The New York Times*, November 9, 1989.

⁵¹⁵ Black, William, *The Best Way To Rob a Bank Is To Own One*, (Austin, Texas: University of Texas Press, 2005), 63.

campaign contributions and his attempt to influence regulators in 1986.⁵¹⁶ *Mesa (Ariz.) Tribune* journalists Bill Roberts, Andrew Mollison, and others did early work on Keating's political influence in 1985. Journalist Michael Binstein wrote an important expose on Keating in *Regardie's Magazine* and *Arizona Trend* in 1987.⁵¹⁷

Who Was Paul?

David L. Paul was a real estate developer and an aggressive dealmaker with a degree in economics from the University of Pennsylvania's Wharton School and a law degree from Columbia University. His start in finance began as a real estate developer and contractor where he took over failing apartment projects in New Jersey.⁵¹⁸ He moved to commercial real estate deals in New York and Connecticut in the 1970s and acquired a Connecticut-based real estate investment trust, Westport Co., in 1981. Paul later said he was successful with these ventures and had made \$150 million by the time he moved to Miami in the early 1980s.⁵¹⁹ In 1983, he purchased a money-losing thrift in Miami, Dade Savings and Loan Association. He renamed it CenTrust the next year and began a rapid expansion. "By 1988, through brokered deposits and substantial investments in junk bonds, Mr. Paul turned the failing thrift with \$1.9 billion in assets into the largest thrift in Florida and the Southeast, eventually amassing \$10 billion in assets," according to a

⁵¹⁶ Kurtz, Howard, "Asleep at the Wheel," *The Washington Post*, November 29, 1992.

⁵¹⁷ Binstein, Michael, and Charles Bowden, *Trust Me: Charles Keating and the Missing Billions*, (New York: Random House, 1993).

⁵¹⁸ *CenTrust Bank, State Savings Bank: Hearing before the Committee on Banking, Finance, and Urban Affairs, House of Representatives, (One Hundred First Congress, Second Session, March 26, 1990, Washington: 1990), 141.*

⁵¹⁹ Vogel, Mike, "Icon: David L. Paul," *Florida Trend*, July 1, 2010.

House Banking Committee report.⁵²⁰ From 1983 through 1988, the thrift's profits were driven by trading and investment activities, not from the traditional savings and loan business. "The company was in the Fortune 500 and it was in the top three to four companies by earnings in the country for years," Paul recalled in an interview.⁵²¹

CenTrust attracted top talent; in October 1987, Lewis S. Ranieri, former vice chairman of the investment bank Solomon Brothers, joined CenTrust's board. Ranieri, a Wall Street legend instrumental in creating the mortgage backed securities market, was friendly with Paul and a close friend of Strachan. CenTrust became a publicly traded company in June 1986; the stock's ticker symbol was DLP, or Paul's initials. Paul built the bank's headquarters to match his ambitions. Designed by noted architect I. M. Pei, the CenTrust headquarters cost \$160 million in 1987. Paul installed a custom lighting system so his headquarters, in the words of *The New York Times*, "glows in the nighttime sky."⁵²² For Pope John Paul II's 1987 visit to Miami, the CenTrust tower was specially lit in the colors of the Vatican flag. CenTrust Tower became a fixture of the Miami skyline in the 1980s and the headquarters was featured in opening credits of the television show "Miami Vice."⁵²³

According to investigators, Paul financed a lavish lifestyle and used CenTrust "as his personal expense account."⁵²⁴ His compensation totaled \$16 million from 1984 to 1989. He also received \$6.1 million in mortgages to build a mansion and a large dock on

⁵²⁰ *CenTrust Bank, State Savings Bank*, 1990, 142.

⁵²¹ Paul, David L. Interview with David L. Paul, April 16, 2016.

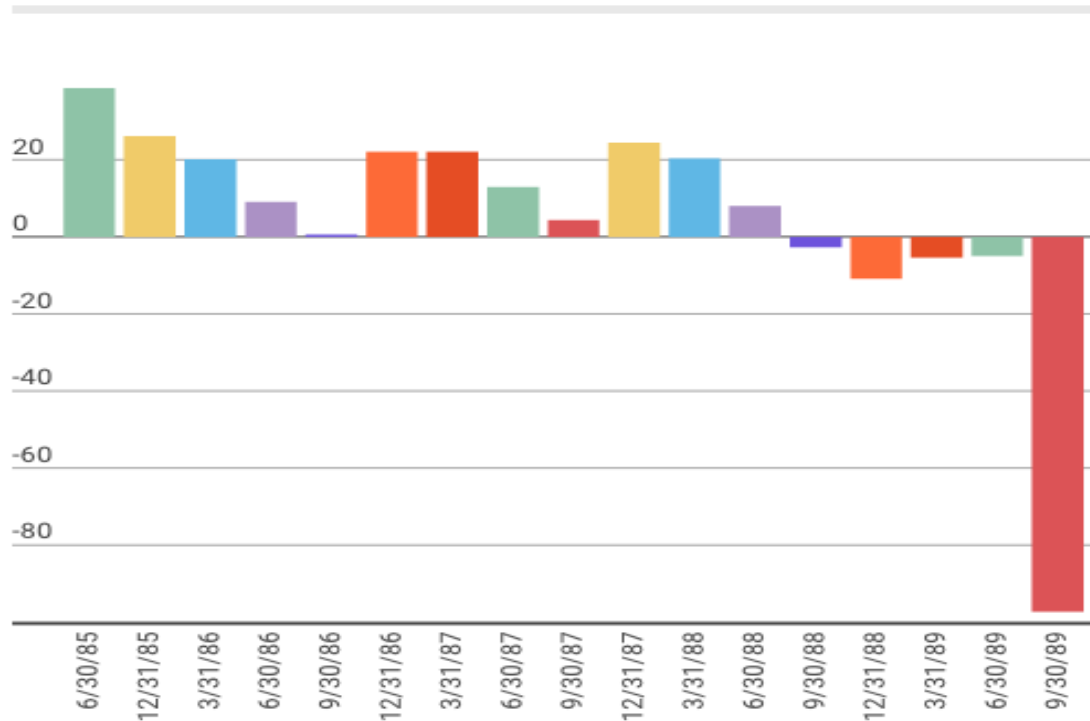
⁵²² Wayne, Leslie, "Centrust Tower: The R.T.C.'s Shimmery Headache," *The New York Times*, April 21, 1991.

⁵²³ Wayne, "Centrust Tower: The R.T.C.'s Shimmery Headache," 1991.

⁵²⁴ *CenTrust Bank, State Savings Bank*, 1990, 142.

La Gorce Island in Miami. A \$3.1 million mortgage was granted in March 1989, at a time when CenTrust began losing millions.

CenTrust Quarterly Earnings 1985-1989 (Amounts Millions \$)



Source: BusinessWire, PR Newswire

Figure 6. CenTrust Earnings, 1985-1989. CenTrust began losing money in June 1988. By March 1989, regulators deemed CenTrust a “troubled institution.”

CenTrust’s losses began to mount after 1988. In March 1989, regulators designated CenTrust a “troubled institution.” Passage of the new savings and loan regulations in August 1989, the FIRREA law, restricted CenTrust’s investment activities

and its source of brokered deposits, eliminating a main funding source and further accelerating its losses. Regulators seized CenTrust on Feb. 2, 1990, and taxpayer losses from the thrift were later estimated at \$2 billion, at the time one of the largest failures in U.S. history.⁵²⁵ Paul later was convicted of 68 counts and he pleaded guilty to 29 additional counts involving racketeering and fraud. He was sentenced to 11 years in prison, ordered to pay \$60 million in restitution and a \$5 million fine. He was released from prison in 2004.

Some 12 years after prison, Paul was still bitter and unrepentant about the case brought against him. “The stuff that they published, that the regulators gave out, was absurd,” he recently told me in an interview for this dissertation. Like other savings and loan executives, Paul contended Congress with the 1989 savings and loan reform legislation “voided a contract” over how he would account for losses at CenTrust. The 1989 law resulted in CenTrust having a negative net worth, or when debts exceed assets. Paul also said regulators ordered him to buying back CenTrust bonds as a discount to their face value as a means to boost the thrift’s net worth. This is now something regulators order other banks to do to boost their financial condition. “In my case, it was considered criminal,” Paul said.

“When I and my family, and very close friends, own 82 percent of something, you don’t steal from it,” Paul said, referring to his ownership in CenTrust. “It’s ridiculous. My case was very political, and my mistake is that I was very outspoken and frankly

⁵²⁵ n/a, “Paul, CenTrust’s Ex-CEO, Receives 11 Years in Jail,” *The Wall Street Journal*, December 2, 1994.

shouldn't have had the profile that I had. In retrospect that was my mistake. But it's a long time ago, you know?"⁵²⁶

Who Was Strachan?

Stanley Kenneth Strachan was born in Finsbury, England on Aug. 22, 1938 to working-class parents, George and Rebecca Strachan.⁵²⁷ George Strachan was a tailor's presser, or an assistant to a tailor. When Strachan was eight, he, his parents and younger brother sailed on a passenger liner to New York, passed through Ellis Island and settled in Brooklyn. Strachan's daughter, Hillary Wilson, believed that immigrant identity was important to her father's worldview and his sense of idealism.

"He believed in the American dream and the standards that America was supposed to be built on, and he didn't want to compromise those," Wilson said. "When he saw those being compromised, it was outrageous to him." Her father's sense of outrage at cheating and wrongdoing "came from moving here and being an immigrant."⁵²⁸

According to family legend, Strachan at an early age was willing to take a stand on principle. Wilson recalled a family story that her father confronted a Mafia boss and complained his associates were selling drugs in a playground where his little brother was

⁵²⁶ Paul, David L. Interview with David L. Paul, April 16, 2016.

⁵²⁷ "Certified Copy of An Entry of Birth, Stanley Kenneth Strachan" (General Register Office of England, January 20, 1992). Document courtesy Hillary Wilson.

⁵²⁸ Wilson, Interview, Oct. 25, 2014.

playing. The Mafia leader agreed and the playground drug dealing stopped, according to family lore, Wilson said.⁵²⁹

During the Civil Rights era, Strachan signed up to join the civil rights Freedom Marches in the South. He underwent training in non-violent civil disobedience in New York, a screening process to determine if a person can withstand the personal and physical abuse that activists suffered while standing with African-Americans seeking equal rights in the South. At a meeting in Brooklyn, the trainers would yell and scream and even punch the prospective volunteers.

“When they punched him, he punched them back,” Wilson recalled. “And so he wasn’t accepted to go down and march.”

Strachan was not afraid to express his emotions. Fogarty recalled attending the funeral of Strachan’s brother, Ron Strachan, in 1989. Stan Strachan gave the eulogy. “Tears were rolling down his cheeks and he didn’t bother to brush them away,” Fogarty said. “He didn’t think it was inappropriate to cry over your brother dying early.”⁵³⁰

Strachan attended public schools in Brooklyn but not attend college. He had to drop out of high school to work to help support his family, eventually completing his high school studies at night school, according to Wilson. Strachan’s journalism career began as a copy boy for the New York *Journal-American*, an afternoon daily newspaper. Strachan then worked as a sports writer and police reporter for a weekly newspaper in Toms River, N.J. His proficiency with numbers and statistics were honed with sports reporting.⁵³¹ Praised for his productivity, Strachan rose to become assistant managing

⁵²⁹ Wilson expressed skepticism about the story, but said her aunt claimed it was true.

⁵³⁰ Fogarty, Mark, Interview with Mark Fogarty, October 24, 2014.

⁵³¹ Muolo, Paul, Interview with Paul Muolo, October 19, 2014.

editor. Former *American Banker* editor Brad Henderson recalled Strachan was “one of the most prolific reporters the paper ever employed.”⁵³² Strachan left the *American Banker* around 1971⁵³³ and was an independent journalist and freelance writer. He worked a brief stint in public relations for Bank of America in San Francisco in late 1975 through early 1976, but then became homesick for New York. He and his wife, Tobyann, moved back to New York and he began as *National Thrift News* editor in August 1976.

Strachan’s unusual personality shaped the newspaper. “He was the paper to some degree,” Muolo recalled. Strachan’s daughter and former employees said he had a formidable memory and he made decisions rapidly. Debra Cope, a former *National Thrift News* Washington bureau chief, recalled her unconventional job interview with Strachan, conducted at lunch at an industry conference. After some discussion, Strachan eyed a slice of cheesecake on Cope’s plate. Is she going to eat it, he asked? Cope sniffed: “If it was from Junior’s, I’d eat it.” Strachan was impressed by Cope’s knowledge of Junior’s, the legendary New York bakery: “This woman knows her cheesecake!” Strachan exclaimed. “Let’s hire her!”⁵³⁴ Cope continued: “That’s the kind of guy he was. He was very instinctive.” Fogarty also said that Strachan hired him after a brief conversation, perhaps just three minutes. This unconventional style reflected Strachan’s autonomy; he was, after all, co-owner of the newspaper. Fogarty recalled Strachan that would arrive in the office around 7 a.m. In some instances, he would read an article in *The Wall Street Journal* about a hearing that day in Washington and then head out the door to the train station or airport. “Without any planning in advance, he saw something that we should

⁵³² Henderson, Brad, “A Newspaper Changing Along With the Industry,” *The American Banker: 150th Anniversary*, 1986.

⁵³³ Strachan developed a strong dislike for the *American Banker* and considered it an archrival for much of the rest of his career, according to Muolo and others.

⁵³⁴ Cope, Debra, Interview with Debra Cope, October 17, 2014.

cover, he would jump” out the door and go to Washington to cover it, Fogarty said. “He did that frequently.”

Others painted a less flattering view of Strachan. Irwin Huebsch, *National Thrift News* advertising director in 1977, recalled:

Stanley is a volatile type that screams at everybody. He used to scream at me. When he was involved in getting the paper out, he was a real pain in the ass, to put it very mildly... But nothing that doesn't go with his nature and temperament and the job. Nobody hated anybody. When it was over, it was over.⁵³⁵

Strachan's personality and mannerisms were on display at a May 1, 1989 National Press Club event on the savings and loan crisis, an event captured on video by C-Span. Strachan appears as the quintessential old-school journalist – a balding, portly man in a somewhat rumpled suit, a large beard, and large glasses. However, Strachan's presentation is anything but rumpled. Without notes, he spoke fluently, with precise recall of dates and facts, providing numerous historical references about the savings and loan crisis and its evolution, all with a distinct New York accent.⁵³⁶ Strachan's daughter said that videotaped event captured her father's spirit well: “All of it was in his head.”

Strachan and Reporting Culture, Values, and Autonomy

By all accounts, Strachan created a culture of investigative reporting that ran counter to norms in the trade press, and at the time, for many in business journalism

⁵³⁵ Huebsch, Irwin, “Deposition of Irwin Huebsch in *Rollo v. Glynn*, (New York State Supreme Court, #20079/82,” New York State Supreme Court, 1982).

⁵³⁶ “Where Was the Press During the S&L Crisis?” 1989.

publications. “We pulled no punches in our reporting and played no favorites, actions that were considered unusual, if not unique, for a trade publication,” Strachan wrote. “And we still have the strong sense of outrage that makes it difficult for swindlers to evade our notice for very long.”⁵³⁷ Years after his death, Strachan left a strong impression on his reporters. Several described how Strachan pressed them to dig deeper into a story. They all recalled his sense of idealism. “He would say, ‘Where is your sense of outrage?’” Fogarty recalled.⁵³⁸ Lew Sichelman, a longtime housing correspondent for *National Thrift News*, recalled asking Strachan for advice on how to frame a story. It involved a study that showed how lenders were making major errors on adjustable rate mortgages in the banks' favor and harming consumers. “His response was, ‘Get angry.’ And ‘Don’t let them get away with that’,” Sichelman said.⁵³⁹

Yet Strachan did not begin as a crusader. His colleagues and competitors described him as a solid, intelligent journalist, trying to do his job well. “It didn’t start out as moral outrage,” Muolo recalled. “He was trying to make a living but then the S&L crisis happened⁵⁴⁰.” The *National Thrift News* was a classic trade journal that celebrated the industry at times. Take for example Strachan’s Jan. 3, 1980 editorial, entitled “Hip Hip Hoorah,” that praised developments in the industry.⁵⁴¹ An April 10, 1980 editorial was somewhat positive about a major deregulation law, the Financial Deregulation and Monetary Control Act 1980, which President Carter signed and was an important step in the beginning of the deregulatory trend that accelerated in the Reagan administration. These industry-friendly editorials stand in contrast to the sterner tone in Strachan’s

⁵³⁷ Strachan, “Looking Back Over 20 Years,” 1996.

⁵³⁸ Fogarty, Mark, Interview with Mark Fogarty, October 24, 2014.

⁵³⁹ Sichelman, Lew, Interview with Lew Sichelman, June 15, 2015.

⁵⁴⁰ Muolo, Paul, Interview with Paul Muolo, October 19, 2014.

⁵⁴¹ “Hip Hip Hoorah,” *National Thrift News*, January 3, 1980.

writing later in the decade as S&L executives were jailed for fraud. Kleege, a former *National Thrift News* associate editor, recalled that Strachan had a fundamentally positive view of the savings and loan business:

He saw the savings and loan industry as basically a good thing. It was set up to allow people to save money and make loans to purchase houses. He saw that it had been perverted in some way, it has been perverted by the deregulation of the 1980s. He felt that he was a defender of the industry. And defending the industry means reporting that some savings and loan executive was being arrested and led away in handcuffs, you have to report that.⁵⁴²

Strachan's role as industry insider and journalist was on display in an Aug. 27, 1984, editorial. In it, Strachan took *The Wall Street Journal* to task for its reporting on the struggling Financial Corp. of America, parent of what was then the largest U.S. thrift, American Savings and Loan Association. Strachan's nuanced editorial first defended the *Journal* for its coverage of the industry's problem in 1981-1982, a period when industry officials were upset with the *Journal's* reporting. He then described the responsibility journalists face in writing about troubled banks, and used his own newspaper as an example. He faulted the *National Thrift News'* decision to use the term "run" to describe deposit outflows from American Savings, noting this charged term can lead to depositor panic. The editorial then took the *Journal* to task for citing an anonymous source on a highly sensitive matter involving American Savings' ability to obtain a new round of financing in the markets. The *Journal* cited an unnamed trader as saying American

⁵⁴² Kleege, Stephen, Interview with Stephen Kleege, June 15, 2015.

Savings' parent was considered too risky to gain financing. Such a statement, printed in the nation's largest financial newspaper, could be devastating to American Savings and could deny it access to any future financing. The editorial concluded with a warning that financial reporters must consider the far-reaching impact of such articles, which can lead to a loss of investor confidence and perhaps a bank's failure. "Articles which reach for the dramatic — as the *Journal* appeared to do — tend to be self-fulfilling," Strachan wrote. "The problems on which they focus get worse." The editorial's headline highlighted the media's sensitive role: "Observers or Protagonists?"⁵⁴³

In keeping with trade press norms, the newspaper used its close relationship with the industry as a reporting tool. "That kind of close engagement with the industry was how we got to those stories first because we were in there," Fogarty said. "Because of our sources and our method of attack we got to know those things." Business executives and regulators became comfortable with *National Thrift News* reporters and provide material off the record. Sichelman recalled that being a reporter for the *National Thrift News* was an asset: "The publication was well respected. It got me in the door where ever I wanted to go and talk to people I wanted to."

Strachan developed many close associations and some friendships with industry executives. For example, Strachan "was friendly" with businessmen such as U.S. League of Savings Institutions President William O'Connell and lawyer William McKenna.⁵⁴⁴ Ranieri, the Wall Street bond legend, was a close personal friend of Strachan and his

⁵⁴³ Strachan, Stan, "Observers or Protagonists?," *National Thrift News*, August 27, 1984.

⁵⁴⁴ Day, *S & L Hell*, 1993.

family.⁵⁴⁵ Sichelman recalled he was hired after Strachan called the National Association of Homebuilders, asking if they knew of any decent reporters.⁵⁴⁶

There was an unflattering account of Strachan failing to back up one of his reporters on a sensitive story. Former *Washington Post* banking reporter Kathleen Day, in her book *S&L Hell*, characterized Strachan as being cozy with industry officials and caving to industry pressure in 1987 to walk back from a controversial story, even though it was accurate. The article in question was written by Debra Cope, then the new Washington bureau chief for *National Thrift News*. Cope quoted a prominent thrift executive as saying the industry was preparing to ask Congress for taxpayer funds to bail out the thrift industry's deposit insurance fund. Reaction to the story was negative. Industry lobbyists sought to discredit the controversial story and push for a correction. Strachan ran a "clarification" to Cope's story, even though another industry official confirmed Cope's account. Day contended Strachan faced pressure from major advertisers such as Michael Milken's Drexel Burnham Lambert.⁵⁴⁷

While unflattering, this episode is notable because it is the only one of its type to surface in the interviews and literature review. Fogarty, the former news editor, did not recall the specific issues involved in this episode. He, Muolo and others challenged assertions that *National Thrift News* bent to industry pressure. While the paper would issue corrections when warranted, it would not do so when an official says something "politically incorrect," Fogarty said. "Are you asking, 'Did we cave in to the industry pressure?' I would say the evidence of the Polk Award is we didn't." Other longtime Strachan employees and thrift officials said Strachan did not soft-peddle stories in the

⁵⁴⁵ Ranieri, Lewis, Interview with Lewis Ranieri, August 12, 2015.

⁵⁴⁶ Sichelman, Lew, Interview with Lew Sichelman, June 15, 2015.

⁵⁴⁷ Day, *S & L Hell*, 1993, 277-278.

face of industry pressure. “Our stories cost Stan some longstanding friendships and shattered his faith in many whom he had highly respected,” recalled Pizzo.⁵⁴⁸

Conclusion

Strachan would encounter Keating and Paul as the savings and loan crisis escalated in the late 1980s. All three were operating in an environment shaped by the broader forces of deregulation and market upheaval that began in the inflation spiral of the 1970s and continued into the following decade. All three found business opportunities in the growing markets — Keating and Paul through banking, Strachan by providing both a news service for the industry. The three were affected by deregulation but in different ways. Paul and Keating sought to push the far boundaries of the industry through new investments and lines of business while fighting the regional regulators determined to rein them in. Strachan relied on these government sources to leak news about abuses. The New Deal framework was under attack during the mid-1980s, yet important vestiges remained and these regulators ultimately caught outliers such as Keating and Paul. The *National Thrift News* reporting at this time represented an evolution of interpretive journalism with roots in the pioneering magazines *The Economist*, *Fortune* and the *Commercial and Financial Chronicle*. How the *National Thrift News* and other select top business publications performed in these episodes is the focus of the following two chapters, a mixture of some outstanding reporting and missed opportunities.

⁵⁴⁸ Pizzo, Stephen P. Email correspondence with Stephen Pizzo, September, 2014.

Ch. 5: Media Coverage of the “Keating Five”

The following chapter describes how the power of journalistic professionalism prevailed in an unlikely area -- in the financial trade press. The content analysis of the *National Thrift News* points to the enduring power of professional norms, such as the watchdog ideal and professional autonomy, in journalism. This small newspaper was “a reporter’s paper” where journalists were encouraged to pursue substantive news and even investigative projects about the industry. Such themes were evident in a review of the paper’s coverage of the Keating Five scandal.

The following content analysis of 334 articles from 1986 to 1990 in the *National Thrift News*, *The Wall Street Journal*, *The New York Times*, and the *American Banker* measures how the *National Thrift News*' reporting on the savings and loan crisis differed from mainstream business publications. The analysis also sought to understand how the status of the *National Thrift News* as a trade publication helped or hurt its reporting on the savings and loan crisis. The analysis also sought to shed light on how reporting by the *National Thrift News* on the savings and loan crisis aligned with or defied standard norms of trade journalism. The study is divided in two time periods: before and after the Lincoln collapse on April 13, 1989.

The *National Thrift News*' access to regulators and its aggressive reputation led the paper to break a major political story on Sept. 28, 1987: five senators had pressured regulators from the Federal Home Loan Bank Board to ease up on an examination of Lincoln Savings and Loan. The thrift was owned by Keating, who gave an estimated \$1.3

million to the campaigns of the five senators: Republican John McCain of Arizona; Democrats Dennis DeConcini of Arizona; Alan Cranston of California; John Glenn of Ohio; and Donald Riegle of Michigan, who later became chairman of the Senate Banking Committee. Most mainstream news organizations failed to follow up on the *National Thrift News* reporting until federal regulators stepped in and seized Lincoln on April 13, 1989, a day that coincided with the bankruptcy of Lincoln's parent company, American Continental Corp. The correlation of government action with the enhanced media coverage tends to support the indexing hypothesis of media communication, where the media looks to government and official institutions to define legitimacy of news events.⁵⁴⁹ The Lincoln collapse represented a watershed moment as the news media revisited earlier reporting on Keating and began to pull together strands about his influence and manipulation of the political and regulatory process. Following that point, revelations of Keating's mishandling of Lincoln Savings emerged in press coverage. This developed into a major national news story in the fall of 1989 as congressional hearings described political favors and fraud. Keating and Lincoln Savings transformed from a business news story into front-page news and Keating became a villain in popular political culture. Lincoln's failure resulted in a taxpayer bailout estimated at \$3.4 billion. Some 25,000 bond investors lost an estimated \$250 million⁵⁵⁰ as American Continental Corp. bonds proved worthless following the bankruptcy.

⁵⁴⁹ Bennett, "Toward a Theory of Press-State Relations," 1990; Entman "Cascading Activation: Contesting the White House's Frame After 9/11," 2003.

⁵⁵⁰ Greenspan, Alan, *The Age of Turbulence: Adventures in a New World*, Penguin, 2008, 115; Nash, Nathaniel, "Collapse of Lincoln Savings Leaves Scars for Rich, Poor and the Faithful," *The New York Times*, November 30, 1989.

News Coverage: Before & After Lincoln Failure

The following chart shows the contrast in news coverage before and after the seizure of Lincoln Savings. The chart measures the Lincoln Savings news stories as a percentage of total savings and loan news coverage for the newspapers during the Jan. 1, 1986-Jan. 1, 1990 time period. For another perspective, the frequency of coverage was

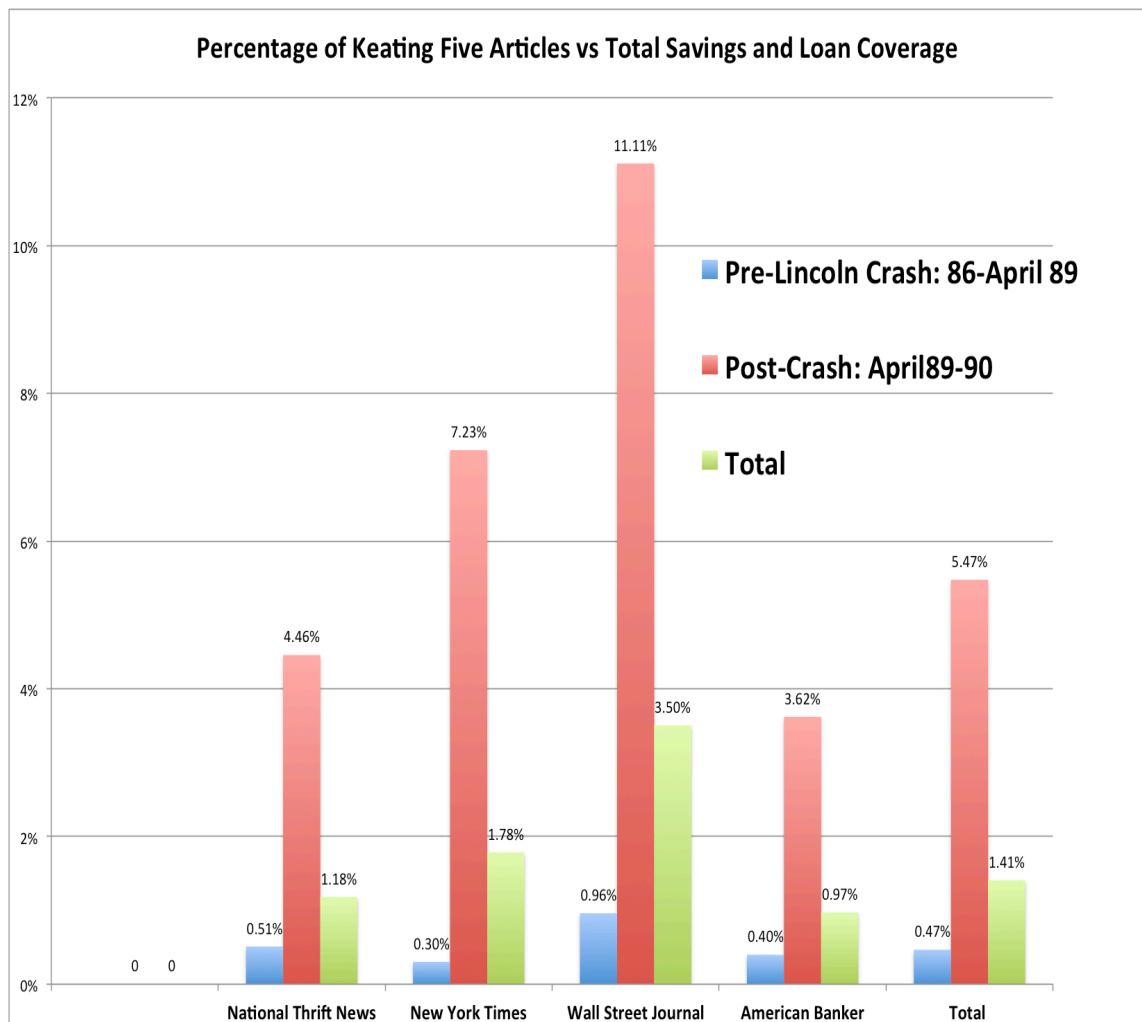


Figure 7. Keating Coverage. Before and After Lincoln Seizure

This chart shows how coverage of Keating and Lincoln Savings surged after regulators seized the thrift in April 1989. Coverage of Keating went from less than 1 percent of all articles mentioning “savings and loan” in *The Wall Street Journal* prior to the seizure to 11.1 percent of savings and loan coverage. This suggests the newsworthy nature of the Keating revelations and raises questions about why these news organizations did not cover Keating’s misdeeds — particularly the 1987 revelations about the Keating Five senators meeting — more closely.

examined within the subset of the 334 articles on Keating and Lincoln Savings between 1986 and 1990. Prior to regulators' seizure of Lincoln, *National Thrift News* mentioned Keating and Lincoln Savings in 37 percent of all articles reviewed. This is the highest percentage of any of the newspapers, suggesting the *National Thrift News* was following Keating earlier as well as more closely than anyone else. At the *American Banker*, 35 percent of its Keating articles came prior to the government seizure of Lincoln; *The Wall Street Journal*, 17 percent of its coverage was prior to the seizure; and at *The New York Times*, 11 percent of its coverage was before the Lincoln seizure.⁵⁵¹ The *National Thrift News* and *American Banker* doubled their coverage of Keating after the seizure, publishing 61 articles each in the April-December 1989 period. The intensity of coverage at the two other papers is dramatic after the seizure: *The Wall Street Journal's* coverage rose by nearly fourfold and *The New York Times* coverage by six-fold.⁵⁵²

⁵⁵¹ n=33 for *National Thrift News*, or 37 percent of the total and n=31 for *American Banker*, or 35 percent for the period of January 1, 1986-April 12, 1989.

⁵⁵² n=61 for *National Thrift News*, n=61 for *American Banker*, n=58 for *The Wall Street Journal* and n=65 for *The New York Times* for the period of April 13, 1989-January 1, 1990.

To look more closely at the Keating coverage, the analysis examined measurements of beat reporting, such as consistency of staffing, or how long a journalist followed a particular issue and how many stories he or she produced. Staffing was

Watching the Store **Bylines on Lincoln Savings**

Jan. 1, 1986-April 12, 1989

National Thrift News

Unbylined	16
Stephen Kleege	11
Paul Muolo	3
Stan Strachan	2
John Hughes	1
Stephen Pizzo	1
Debra Cope	1

New York Times

Richard W. Stevenson	4
Daniel F. Cuff	2
AP	2
Unbylined	2
Richard L. Berke	1
Nathaniel C. Nash	1

American Banker

Jim McTague	9
Bartlett Naylor	3
Special to Am. Banker	3
Michael A. Robinson	2
Robert Luke	2
A. Joseph Newman Jr.	1
Nina Easton	1
Cathy Taylor	1
Francie Noyes	1
Jay Rosenstein	1
Joe Cole	1
Linda Ellis	1
Phil Roosevelt	1
Teresa Carson	1
Yvette D. Kantrow	1
Lynn Homa	1
Lou Leventhal	1
West Coast Bureau	1

Wall Street Journal

David Hilder	6
Unbylined	5
John E. Yang	4
David J. Jefferson	2
Jane Mayer	1

Figure 8. Bylines for Keating coverage.

examined through byline counts, which revealed general patterns. The *National Thrift News*' main reporter on the Keating story, Stephen Kleege, produced the greatest number of stories prior to the crash, whereas reporters at *The Wall Street Journal* and *The New*

York Times produced far fewer articles. The Keating story staffing at the *American Banker* differed from the others. The *American Banker* had a primary Keating reporter, Jim McTague, who wrote nine articles, but some 15 separate journalists reported on Keating during the pre-crash period, many of them writing only a single story. At the *National Thrift News*, Kleege wrote 11 articles on the Keating drama prior to Lincoln's collapse. Kleege's work represented one-third of the newspaper's articles on Keating prior to the crash; five other journalists, including Strachan, wrote articles about Keating during this period. The majority of the articles lacked bylines. David Hilder was the *Journal's* primary Keating reporter, but he produced half as many reports as Kleege, or six Keating stories prior to the crash; this represented one-third of the *Journal's* coverage of Keating in the period. John E. Yang wrote a quarter of the *Journal's* stories. At *The New York Times*, Richard W. Stevenson wrote four stories, or less than half of the newspaper's pre-crash Keating stories, with three other journalists contributing and *The Associated Press* contributing two others.

Key Narratives

The content analysis analyzed key narratives in the Keating coverage between 1986 and 1990 that were derived from reading the 334 articles as well as a review of numerous histories on the savings and loan crisis.⁵⁵³ These narratives involved the broader regulatory and deregulatory trends in the savings and loan industry and were

⁵⁵³ Some of the key historical works include Mayer, Martin, *The Greatest Ever Bank Robbery*, (New York: Charles Scribner & Sons, 1990); Pizzo, et al., *Inside Job*, 1989; National Commission on Financial Institution Reform, Recovery and Enforcement. "Origins and Causes of the S&L Debacle: A Blueprint for Reform," Washington, D.C., United States, July 1993; Curry and Shibut. "The Cost of the Savings and Loan Crisis," 2000; O'Shea, James. *Daisy Chain*, 1991.

viewed through the leadership of the Federal Home Loan Bank; its successor agency, the Office of Thrift Supervision; the thrift cleanup agency, Resolution Trust Corp.; and individuals such as Edwin Gray and M. Danny Wall. Keating's fights with regulators informed the backdrop of the April 1987 Keating Five senators' meeting. A related narrative concerned media leaks from regulators involving Keating's activities and confidential examinations. The media leaks supported the idea of watchdog reporting since regulators, constrained in a political environment that weakens their power, leaked stories to the press to punish Keating. Keating's unsuccessful attempt to sell Lincoln Savings and Loan to investors was another important narrative, as this failed deal resulted in the collapse of Keating's empire with the bankruptcy. The content analysis examined coverage of the Keating Five senators' meeting and its aftermath, such as the U.S. House Banking Committee hearings in October-November 1989.

Coverage Prior to Regulators' Seizure of Lincoln

Jan 1, 1986 to April 12, 1989

Regulation

Keating's fight with regulators grew out of a broader conflict involving the Reagan administration's attempts to deregulate the savings and loan industry. A priority for the Reagan administration and the industry's allies in Congress was the easing of regulatory oversight of thrifts and allowing them into new lines of business, which hopefully would let them grow out of their financial problems. This deregulatory

narrative was not straightforward, however. Divisions surfaced among the White House, the Treasury Department, and the Federal Home Loan Bank Board over how to implement the red-tape cutting. FHLB Chairman Gray was out of sync with the Reagan White House and began a move to increase regulation of the thrift industry, an action he took after learning about excessive real estate speculation and significant thrift industry losses in Dallas in early 1984.⁵⁵⁴ Gray faced a significant bureaucratic fight with deregulatory advocates in the Reagan administration such as Treasury Secretary Donald Regan, an ally of Keating.

It is against this background that Keating waged a lengthy and public battle with the Federal Home Loan Bank Board. He attempted to use Lincoln Savings to break into new lines of business, such as financing real estate developments and making unconventional investments in junk bonds. Keating also fought over Lincoln's optimistic property valuations of bank-financed projects. Keating complained regulators were imposing unrealistic accounting standards that devalued his loan portfolio. Subsequent analysis showed such loans were inflated and actual property values were far less than the inflated market rates.⁵⁵⁵ This fight was a driving force leading to the Keating Five senators' meeting in April 1987 and spoke to forces behind Lincoln's collapse. The *National Thrift News* and the *American Banker* both covered regulatory developments in the industry more closely than *The New York Times* and *The Wall Street Journal* in the crucial period prior to Lincoln's seizure, from January 1, 1986, to April 12, 1988. This is in keeping with the trade press' normative behavior of closely covering its target

⁵⁵⁴ Black, William. *The Best Way To Rob a Bank Is To Own One*, 2005, 45.

⁵⁵⁵ Curry and Shibut, "The Cost of the Savings and Loan Crisis," 2000.

industry. The *National Thrift News* and the *American Banker* each had 18 articles dealing with regulatory issues, or slightly more than half of their coverage. The *National Thrift News* coverage, however, emphasized the conflicts involving Home Loan Bank Board member Lee Henkel, a Keating ally and industry advocate. *The New York Times* had three articles, or a quarter of its coverage primarily on regulatory developments, and *The Wall Street Journal* had eight, or more than half, during the same period.

Manipulation of Regulators

One example of Keating's aggressive influence of the regulatory process was the appointment of Lee Henkel, a Keating ally and a business associate, to an open seat on the Federal Home Loan Bank Board. Henkel was an Atlanta lawyer whose development company borrowed more than \$69 million from Keating's companies.⁵⁵⁶ President Reagan nominated Henkel to the Federal Home Loan Bank Board in 1986 and Henkel immediately proposed investment regulations favorable to Lincoln. This set up a clash with Gray, who already was fighting with Keating over an extensive audit of Lincoln Savings. As such, the Henkel episode was a prelude to the Keating Five story, an early example of Keating's attempt to manipulate the regulatory process to serve his ends. Keating attorney Michael B. Gardner, in an Aug. 28, 1985, spelled out how to put a Keating ally on the Federal Home Loan Bank Board to fill the opening of departing board member Donald Hovde:

⁵⁵⁶ n/a, "U.S. League Supports DI Reg. Extension, National Council Opposes," *National Thrift News*, February 9, 1987.

Instead of trying to sack Gray, who unquestionably is a disaster but still a `nice guy' to the Reagan-inner circle, our efforts should focus primarily on getting the White House to take a less controversial (and therefore highly desirable) remedial course of action: identifying and nominating a (Donald) Hovde replacement that would be acceptable to you and other enlightened industry leaders.⁵⁵⁷

There was no contemporary news coverage of this memo, yet it clearly established Keating's plan to manipulate the regulatory process. This theme was evident in the *National Thrift News* coverage. An examination of the Henkel coverage also helped measure the depth and extent of beat reporting prior to the Keating Five meeting and could suggest which newspapers were paying close attention to Keating and his tactics. The term "Henkel" was mentioned in 17 of 34 *National Thrift News* articles, or half of the stories captured in the search from January 1, 1986, to April 16, 1989. "Henkel" was mentioned in 7 of 31 articles in the *American Banker*, in 5 of 15 articles in *The Wall Street Journal* but just in 2 of 10 articles in *The New York Times*. *National Thrift News* first reported Henkel's ties to Keating on August 11, 1986, and mentioned this conflict in three subsequent articles that year. The *National Thrift News* linked Henkel's politics to the deregulatory trends: "Both Lee Henkel, former Atlanta attorney and real estate developer, and Lawrence White, a New York University economics professor, are said to favor broader deregulation of the industry than does Mr. Gray."⁵⁵⁸ The following month, *The Wall Street Journal* carried two similar and detailed stories about Henkel's proposal to loosen direct investment rules and how this represented a

⁵⁵⁷ Black, William, *The Best Way To Rob a Bank Is To Own One*, 2005, 270.

⁵⁵⁸ Strachan, Stan, "Direct Investment Vote Dec. 1," *National Thrift News*, November 24, 1986.

conflict of interest based on Henkel's links to Keating.⁵⁵⁹ *The American Banker* first mentioned Henkel and Keating in a Dec. 30, 1986, story; *The New York Times* carried its first report on Henkel on February 17, 1987, by publishing a dispatch from *The Associated Press*. Allegations of Henkel's conflict of interest led him to refute the charges in a January 1987, press conference. Henkel later resigned in the face of a Justice Department inquiry later in 1987. Despite his denials, Henkel in 1992 was banned from the U.S. banking and thrift industries in a settlement with the U.S. Office of Thrift Supervision for his unethical conduct regarding the failed Lincoln Savings.⁵⁶⁰

Keating also attempted to manipulate the regulatory process by offering to hire Gray, the home loan bank chairman. *The American Banker* reported this story on Oct. 7, 1986. *The National Thrift News* had similar information on August 11, but it was buried at the bottom of an article and not as fully developed as the *American Banker* report, which treated it as an extraordinary political development. Here was one example where the *National Thrift News* missed the opportunity to fully develop the related social and political context around an issue. Such lack of social and political context is a common critique of trade journals.⁵⁶¹ Like the Keating Five event, major news media was slow to pick up on this story. The database searches show *The New York Times* first mentioned the Gray job offer seven months later, on May 25, 1987, and *The Wall Street Journal* first

⁵⁵⁹ Hilder, David B., and John E. Yang, "Bank Board Appointee Has Close Ties To Thrift With Controversial Investment," *The Wall Street Journal*, December 18, 1986; Yang, John E. "Bank Board's Henkel Proposed a Rule That Would Have Aided S&L Tied to Him," *The Wall Street Journal*, December 24, 1986.

⁵⁶⁰ "Financial Brief: Regulator Banned From Industry," *The Wall Street Journal*, November 20, 1992.

⁵⁶¹ Hollifield wrote the trade press is less likely than mainstream media to write about the big picture, "to cover the social implications of industry policy proposals." Hollifield, "The Specialized Business Press and Industry-Related Political Communication," 1997.

mentioned it three years later, on Nov. 8, 1989, as part of Gray's congressional testimony.

Keating Sues Regulators

Keating had a well-earned reputation for filing lawsuits and fighting his perceived enemies in court. As Keating proclaimed in 1989, he would “challenge in court those who would destroy us,” a threat carried out against various news organizations over coverage of his business empire.⁵⁶² Keating battled the press as much as he battled regulators. During his November 1989 House Banking Committee appearance, Keating sought to ban press coverage of his testimony. As described below, Keating sued the Federal Home Loan Bank Board six separate times between 1987 and 1989 to challenge the examination and seizure of Lincoln Savings. In March 1987, Keating sued the Federal Home Loan Bank in federal court to block new rules restricting his direct real estate investment activities. *National Thrift News* reported on the lawsuit and its implications for Lincoln's business on March 23. The search did not show a corresponding story by the *American Banker*; instead, the newspaper led a March 27 article with Lincoln's own announcement from its annual meeting that it would increase home lending. The lawsuit was mentioned in passing in the third paragraph and carried no outside comment or analysis.⁵⁶³ A second *American Banker* article on April 29, 1987, led with Keating's pledge to limit purchases of raw land and launch new home lending activities; it carried

⁵⁶² Jefferson, David J. “Keating of American Continental Corp. Comes Out Fighting --- Chairman Blames Regulators For Plight of Concern And Lincoln S&L Unit,” *The Wall Street Journal*, April 18, 1989.

⁵⁶³ n/a, “Lincoln Savings Plans to Increase Residential Loans,” *American Banker*, March 27, 1987.

extensive quotes from Keating.⁵⁶⁴ *The New York Times* mentioned the lawsuit on May 25, 1987, in a critical and thorough story documenting the pattern of Keating's regulatory challenges. This article carried a broader warning about aggressive investment activities in the savings and loan industry.⁵⁶⁵

One of the major themes throughout the Keating Five saga involved regulators leaking damaging information about Keating and his operations to the news media. Keating complained these leaks were evidence of that regulators had a vendetta against him. He sued to stop the leaks. *National Thrift News* reported the leaks came from the Federal Home Loan Bank Board, Keating's regulator, as well as other regulatory agencies. The leaks represented a significant development in the savings and loan crisis. On one level, they showed how regulators, faced with a reduction of their power due to deregulatory trends, sought to assert control over a renegade savings and loan by providing damaging information to the press. The Keating Five senators' meeting was evidence of this trend. A leak of a transcript of the meeting of the five senators allowed the press to report on the event, which later became a significant development in the savings and loan crisis. The leaks also affirmed the power of the press as a watchdog over society. Facing a reduction in their power, regulators were turning to another institution, the press, to reign in a bad actor.

Keating sued the Federal Home Loan Bank Board in July 1987, charging the staff with leaking confidential bank examination information about Lincoln to the journalists.

⁵⁶⁴ Indeed, Keating's pledge at the time was questionable. He announced four months later that buying Lincoln Savings was a mistake and said he planned to sell it. Noyes, Francie, "Lincoln S&L Altering Two Policies That Displeased Regulators," *American Banker*, April 29, 1987.

⁵⁶⁵ Stevenson, Richard W. "California's Daring Thrift Unit," *The New York Times*, May 25, 1987.

This was done, he charged, as retribution for his criticism of the agency. *National Thrift News* reported on the suit on July 27, 1987. This article described leaks to *The Wall Street Journal* concerning Henkel's conflicts of interest as well as reporting in the *Mesa (Ariz.) Tribune* on Lincoln's junk bond investments. It also described reporting in *Regardie's*, a Washington, D.C.-based magazine, asserting that Lincoln was operating at a loss when it publicly claimed to be profitable.⁵⁶⁶ *National Thrift News* reported it had filed a Freedom of Information Act request for the documents cited in the *Mesa Tribune* and *Regardie's* articles, a sign it was playing catch-up. *National Thrift News* quoted an unnamed source, presumably from Lincoln, saying the thrift intended to take depositions from reporters and would seek a court order to compel them to disclose their sources, if necessary. The article cast Keating in a critical light, describing him as engaged in a "personal battle" with Home Loan Bank Board Chairman Gray, and said the "politically active and conservative" banker was engaged in a high profile "battle for deregulation."⁵⁶⁷ The *National Thrift News* article fulfilled one of the trade press normative functions by providing readers details about a significant industry development, regardless of who reported the material first. This article also served a watchdog function by framing Keating's lawsuit in the broader context of a regulatory battle. Keating's leak lawsuit was withdrawn a month later but it still had an impact. *National Thrift News* reported that two days after Keating's lawsuit, Federal Home Loan Bank Board Chairman M. Danny Wall issued a memo to all staff warning them of disciplinary action against leakers.⁵⁶⁸

⁵⁶⁶ Kleege, Stephen, "Lincoln Suit Hits 'Leaks,'" *National Thrift News*, July 27, 1987.

⁵⁶⁷ Kleege, Stephen, "Lincoln Suit Hits 'Leaks,'" *National Thrift News*, July 27, 1987.

⁵⁶⁸ "Calif. S&L Withdraws Suit Against FHLBB," *National Mortgage News*, August 24, 1987.

Lincoln's Deal With Wall

For a short period, Keating gained an upper hand in his fight against the Federal Home Loan Bank. Gray departed in June 1987 and was replaced by M. Danny Wall, a former aide to U.S. Sen. Jake Garn, an Idaho Republican and member of the Senate Banking Committee. Wall brought a new industry-friendly message to the agency. Wall settled a lawsuit with Keating over the lengthy examination by the Federal Home Loan Bank of San Francisco, the primary regulator for California-based Lincoln Savings. In an unusual development, Wall ordered an internal investigation of Keating's complaints about the regulators' exam. In May 1988, Wall assigned the national staff of the Federal Home Loan Bank, which he directly supervised, to take over the Lincoln examination. This change stalled the aggressive regulation of the San Francisco examiners, who were prepared to recommend seizure of Lincoln. A more significant impact was this decision kept Lincoln Savings open for nearly another year, further increasing the eventual cost of the taxpayer bailout. Wall's agreement also reflected Keating's influence of the regulatory process and his ability to remove a critical regulator from supervision. Wall and the Federal Home Loan Bank later drew criticism of the deal in congressional hearings.

The newspapers, except for *National Thrift News*, treated the settlement announcement as a significant news story. The database search did not reveal a *National Thrift News* story that mentioned this settlement until June 27, more than a month after the announcement.⁵⁶⁹ This omission was striking as it was an important development in a saga the newspaper had documented thoroughly up to this point. The paper's lack of

⁵⁶⁹ Muolo, Paul, "Wall: California Officials Consulted on Lincoln," *National Mortgage News*, June 27, 1988.

coverage stands in contrast to the emphasis other news media outlets placed on the event – as well as subsequent historical accounts of the Keating affair. The *American Banker* previewed such a settlement on May 10, citing an American Continental Corp. filing with the Securities and Exchange Commission and then reported the details on May 24. The newspaper noted in the sixth paragraph that industry analysts regarded this decision as “a strong rebuff” of the San Francisco home loan bank board examiners.⁵⁷⁰ *The Wall Street Journal* on May 23 called the development “a major victory for Lincoln and a defeat for regional thrift examiners in San Francisco and that Lincoln would not have to write down the value of its real estate investments.” This real estate accounting detail was missing from the *American Banker* article.⁵⁷¹ *The New York Times* noted the real estate detail and the unusual nature of the settlement in its brief May 23 story.⁵⁷²

Departure by *American Banker*

The *American Banker* took a lighthearted approach to the news leak issue on May 6, 1988, by leading an article with the question: “Loose Lips sink thrifts?” The article then reported how Home Loan Bank officials spoke to the Federal Bureau of Investigation about ways to halt news leaks.⁵⁷³ The article emphasized the narrative of a “press leak” rather than the investigative reporting conducted by *The Wall Street Journal*, *National Thrift News*, the *Mesa Tribune*, or *Regardie’s* magazine. Neither *The Wall*

⁵⁷⁰ McTague, Jim, “Bank Board Liberates Lincoln Savings from San Francisco Exam,” *American Banker*, May 24, 1988.

⁵⁷¹ Hilder, David B. “American Continental’s Lincoln S&L Settles Long Dispute With Regulators,” *The Wall Street Journal*, May 23, 1988.

⁵⁷² n/a, “Savings Unit Review Ends,” *The New York Times*, May 23, 1988.

⁵⁷³ McTague, Jim, “Bank Board Chagrined by Data Leaks,” *American Banker*, May 6, 1988.

Street Journal nor *The New York Times* reported on the leak lawsuit prior to the bankruptcy filing.

The *American Banker* published three articles in June and July 1989 that were sympathetic to Keating's complaints about news leaks. The June 16, 1989, article, "Keating Says Tape Proves Regulators Leaked Data,"⁵⁷⁴ and two others on June 23, 1989, and July 5, 1989, explored the bizarre case of *Phoenix Gazette* reporter Leslie Irwin, who had misplaced a cassette tape recording containing regulator interviews about the Keating affair. Irwin was interviewing a Keating ally and a major borrower, real estate developer Conley Wolfswinkel and she inadvertently left her cassette tape containing interviews with other regulator in his office — along with her purse.⁵⁷⁵ Wolfswinkel turned the tape over the Keating, who claimed the tape was evidence the regulators had a vendetta against his business empire. A Keating lawyer made copies of the tape and turned over a copy to the FBI. The *American Banker's* June 16, 1989, report reflected Keating's attempt to frame the event, even though the journalist had not independently verified the material on the tape: "For years, real estate developer Charles H. Keating Jr. has charged that federal regulators were conspiring to sink his financial and real estate empire by leaking confidential data to the press. Now he claims he has the 'smoking gun' to prove his case."⁵⁷⁶ The *Phoenix Gazette* sued Keating to return the tape, which was the subject of a June 23, 1989, *American Banker* article. By July 5, 1989, the *American Banker* finally obtained its own copy of the tape and wrote a story that contradicted Keating's initial claims as well as contradicted suggestions from the

⁵⁷⁴ McTague, Jim, "Keating Says Tape Proves Regulators Leaked Data," *The American Banker*, June 16, 1989.

⁵⁷⁵ McTague, "Keating Says Tape Proves Regulators Leaked Data," 1989.

⁵⁷⁶ McTague, "Keating Says Tape Proves Regulators Leaked Data," 1989.

newspaper's earlier reporting. The article said there was no smoking gun after all: "A reporter's tape recording of confidential conversations with her sources on Lincoln Savings and Loan Association reveals little information not already on the public record."⁵⁷⁷

The other newspapers approached the missing tape saga differently, framing it as an escalation of Keating's fight against regulators.⁵⁷⁸ *National Thrift News* reported on June 26, 1989, "Charles H. Keating Jr. has intensified his legal battle to regain control of Lincoln Savings and Loan Association, Irvine, Calif., saying he has a tape recording that proves he has been the victim of a campaign of illegal and inaccurate news leaks by federal regulators." The *Journal* described the tape episode as Keating's attempt to manipulate the press to advance his public relations campaign: "Here in Arizona, Mr. Keating has managed both to criticize the local press and feed it information in a way that has kept his views on the front page."⁵⁷⁹

Libel Suit

Perhaps the most dramatic legal fight between Keating and the news media was his \$35 million libel lawsuit against *Arizona Trend* magazine in 1988 over its publication of an investigative article by journalist Michael Binstein. The *Arizona Trend* article featured a confidential bank examiner's report and questioned Lincoln's solvency. It was

⁵⁷⁷ McTague, Jim, "Reporter's Tape Reveals Little About Lincoln; Regulators, Sources Offer Stories but No Hard Data," *The American Banker*, July 5, 1989.

⁵⁷⁸ n/a, "Keating Steps Up His Battle Against Regulators," *National Mortgage News*, June 26, 1989.

⁵⁷⁹ Harris Jr., Roy, "Fighting Back: Keating, Under Attack In Lincoln S&L Mess, Blames the Regulators --- He Decries Moves to Confine S&Ls to Mortgage Loans And Tries His Luck at PR --- Big Donations to Politicians," *The Wall Street Journal*, July 18, 1989.

published in *Arizona Trend* because Binstein could not convince his employer, investigative journalist Jack Anderson, to publish a Keating investigation. Anderson's libel insurance premiums had skyrocketed and he could not afford another lawsuit.⁵⁸⁰ Keating and *Arizona Trend* settled the libel case, according to the *American Banker*, for two free ads with an “estimated value (of) about \$500.”⁵⁸¹ Howard Kurtz later reported the lawsuit cost *Arizona Trend* \$150,000. Regardless, Keating successfully delivered his message. “That's the terror of the libel suit,” Binstein told Kurtz. “The message gets telegraphed to people who cover the S&L industry: If you want to write about Charlie Keating and Lincoln, it'll cost you \$150,000. That's the admission price.”⁵⁸² Kurtz reported that Charles Bowden, the editor of *City Magazine* in Tucson, considered printing a version of Binstein's work. Bowden dropped the story after he received a letter from Keating’s lawyers, noting that Binstein had “illegally obtained confidential documents, full of unnamed errors.” Bowden told Kurtz, “The magazine's major investor lost interest in freedom of the press and heroic journalism, and the story died.”⁵⁸³

The Keating libel lawsuit was the second against a news organization over critical coverage of savings and loan fraud. Mario Renda, a Long Island, N.Y.-based deposit broker, filed a \$90 million libel suit against the *American Banker* in 1983 following a story about Renda’s involvement in a Midwestern bank swindle⁵⁸⁴.

An *American Banker* article also described Keating’s ability to intimidate critics with lawsuits: “Mr. Keating refused to be interviewed for this article. Few who know

⁵⁸⁰ Kurtz, *Media Circus*, 1993.

⁵⁸¹ Carson, Teresa, “Keating, Owner Of Seized Thrift, Is in Eye of Storm,” *The American Banker*, May 1, 1989.

⁵⁸² Kurtz, *Media Circus*, 1993.

⁵⁸³ Kurtz, *Media Circus*, 1993.

⁵⁸⁴ Pizzo, et al., *Inside Job*, 1989.

him will allow their names to be used with their comments, saying they fear lawsuits or other reprisals."⁵⁸⁵ *National Thrift News* also reported Keating spent more than \$11 million of Lincoln's money to overturn the Bank Board's policies and regulations."⁵⁸⁶ It was unclear how Keating's litigation affected news coverage at the newspapers reviewed in this study, yet libel suits have been a constant worry and deterrent to investigative journalism. Roush cited the pressure from libel suits were a factor in the demise of muckraking journalism.⁵⁸⁷ The Binstein and Bowden comments, along with the Renda lawsuit and the *American Banker* reporting on intimidation, suggest it was a factor of some magnitude. *National Thrift News* was well aware of Keating's reputation: "There was concern that Keating was a litigious kind of person and he might sue," recalled Stephen Kleege.⁵⁸⁸ It was noteworthy that Keating did not sue *National Thrift News* following the Keating Five story.

Keating - Litigation

Even regulators said Keating's reputation for litigation put them in edge. Gray, the former Home Loan Bank Board chairman, told Congress that his agency's lawyers were afraid to take action against Lincoln Savings earlier because "they did not want to risk losing in court."⁵⁸⁹ The *Journal* reported that "Mr. Keating engaged platoons of lawyers -- ultimately, 77 law firms in all. Two regulators would testify that Mr. Keating

⁵⁸⁵ Carson, Teresa, "Keating, Owner Of Seized Thrift, Is in Eye of Storm," *The American Banker*, May 1, 1989.

⁵⁸⁶ n/a, "Gray: Senators Tried to Convince Me to 'Go Easy' on Lincoln Savings," *National Mortgage News*, November 27, 1989.

⁵⁸⁷ Roush, *Profits and Losses*, 2006, 51.

⁵⁸⁸ Kleege, Stephen, Interview with Stephen Kleege, June 15, 2015.

⁵⁸⁹ n/a, "Gray: Senators Tried to Convince Me to 'Go Easy' on Lincoln Savings," *National Mortgage News*, November 27, 1989.

told them in 1987 he had spent \$50 million fighting regulators in San Francisco and Washington."⁵⁹⁰ Keating even was willing to take significant risks in court, such as challenging the integrity of a prominent federal judge assigned to one of his cases. The *American Banker* reported on Keating's unsuccessful attempt in September 1989 to disqualify U.S. District Judge Stanley Sporkin in Washington, D.C., from his case based in Sporkin's involvement in an enforcement case when Sporkin was SEC enforcement director.⁵⁹¹

Prior to the savings and loan crisis, Keating earned a reputation for aggressive lawsuits in another aspect of the media industry - adult bookstore owners and pornographers. His Citizens for Decency Through Law group was active in suing pornographers through the 1970s and 1980s. As noted earlier, Keating's pursuit of Larry Flynt help put the Hustler publisher in jail in the 1970s, which led to Keating being featured in the movie, "People V. Larry Flynt," an account of the Flynt's life story.⁵⁹² Any media organization doing a cursory review of Keating's background would have seen the anti-pornography crusade as evidence of the banker's willingness to use the courts to advance an agenda. The *National Thrift News* put the issue into perspective, noting the testimony of Michael Patriarca, head of supervision of the Federal Home Loan Bank in San Francisco. Patriarca told Congress that Keating attempted to gain "control"

⁵⁹⁰ Jackson, "Sleeping Watchdog," 1989.

⁵⁹¹ McTague, Jim, "Keating Bids to Remove Judge Who Was with SEC from Case," *The American Banker*, August 18, 1989.

⁵⁹² "Paralyzed Porn Purveyor Focus of New Stone Movie," *The Associated Press*, August 15, 1995.

of all three branches of government, “if one defines his frequent use of lawsuits as an attempt to control the judicial branch,”⁵⁹³ the newspaper wrote.

Keating News Media Litigation

1970s	Keating wages anti-pornography legal fight against <i>Hustler</i> publisher Larry Flynt
1980	Keating threatens libel action against <i>Phoenix Gazette</i> . No suit filed.
July 1987	Keating sues Federal Home Loan Bank Board for leaking to the news media. Suit withdrawn in a month.
1988	Keating files \$35 million libel lawsuit against <i>Arizona Trend</i> magazine. Michael Binstein article questioned Keating’s solvency. Suit settled for two free advertisements.
June 1988	Keating, <i>Phoenix Gazette</i> court fight over reporter Leslie Irwin’s cassette tape of regulator interviews

Figure 9. Keating News Media Litigation.

Sources: *American Banker*, *The Wall Street Journal*, *National Thrift News*, *The Associated Press*, Arizona State University

Lincoln Sale

Keating’s activities drew close press attention in late 1988 as he sought to sell Lincoln Savings to a various investors, an ill-fated process that led to the American Continental bankruptcy filing in April 1989 and the decision by regulations to seize the thrift. This episode shows the most consistent beat reporting of the four newspapers, as they generally report on the details of the sale and offered context about Keating’s background and his fights with regulators. The *National Thrift News*, however, did not report as many articles about this development, one that was central to the collapse of the Keating empire. The content analysis showed the *National Thrift News* coverage was

⁵⁹³ Kleege, Stephen, “Keating Next House Witness: Wall ‘Caved In’ on Lincoln Action,” *National Mortgage News*, November 6, 1989.

lacking, behind the competition and out of step with the trade press norms of closely following a major industry development.

The Lincoln sale raised other questions. Why was there more consistent beat reporting by the other three newspapers on this topic and not the others? One reason could be the stories were pegged to an official source, a company announcement, as opposed to the Keating Five senators' meeting or tales of regulatory intrigue that required source development. Such a development would fit within the indexing hypothesis advanced by Lance Bennett.⁵⁹⁴ The *American Banker* was early to report about the likelihood of a sale on July 3, 1987, some 18 months ahead of the competition. This article reported Keating was upset with ownership of Lincoln and clearly suggested Lincoln would be for sale at some point.⁵⁹⁵ This reporting was commendable but also curious at the same time. It raises the question of why the *American Banker* could be enterprising and forward looking on one significant aspect of the Keating story. On the other hand, the newspaper failed to follow up on the Keating Five senators meeting, also a significant news event.

One significant story came on March 2, 1989, when *The Wall Street Journal* reported that Lincoln was under a fraud investigation by the U.S. Attorney's Office in Los Angeles.⁵⁹⁶ This story, coming as Keating was struggling to sell Lincoln to outside buyers, could have killed the sale; Keating filed for bankruptcy six weeks later. The

⁵⁹⁴ Bennett contends the news media will link or "index" voices and viewpoints in news coverage based on views expressed by official sources such as the government or businesses. Bennett, Lance W. "Toward a Theory of Press-State Relations," *Journal of Communication* 40, no. 2 (Spring 1990).

⁵⁹⁵ n/a, "Keating Regrets Acquisition of Lincoln Savings," *American Banker*, July 3, 1987.

⁵⁹⁶ Jefferson, David J. "American Continental's Lincoln Thrift Is Being Investigated by U.S for Fraud," *The Wall Street Journal*, March 2, 1989.

article quoted an unnamed source as saying a pending offer for Lincoln “is a dead duck. Frankly, I don't see it ever coming back together, because of the financing. And the economics of the transaction never made sense.”⁵⁹⁷

The other newspapers covered the details of Keating’s attempts to sell Lincoln, beginning in December 1988. *The Wall Street Journal* carried six articles addressing the Lincoln sale; *The New York Times* carried five; the *American Banker*, five; *National Thrift News*, four. The Lincoln sales stories generally reflected a skeptical tone. *The New York Times* on Feb. 25, 1989, printed this headline: “Regulators Express Doubts On California Savings Deal.”⁵⁹⁸ *American Banker* led its Dec. 21, 1988 report by noting the thrift’s “risky investment strategy” had “pitted it in a high-profile battle with regulators.”⁵⁹⁹ The newspaper followed up on February 28, 1989, reporting about rumors that the buyers were unable to raise funds and investors’ belief, based on American Continental’s falling stock price, that the deal won’t go through.⁶⁰⁰ The critical tone was not consistent, however: on the eve of the bankruptcy filing, *American Banker* reported an investor group “appears to be moving closer to acquiring” Lincoln. As measured by this database search, the *National Thrift News* was behind the competition on this story. The newspaper’s first story exploring the implications of the Lincoln sale was on Jan. 3, 1989, which focused on Keating’s difficulties in closing the sale.⁶⁰¹ It followed up Feb.

⁵⁹⁷ Jefferson, “American Continental’s Lincoln Thrift Is Being Investigated by U.S for Fraud.”

⁵⁹⁸ Stevenson, Richard W. “Regulators Express Doubts On California Savings Deal,” *The New York Times*, February 25, 1989.

⁵⁹⁹ Roosevelt, Phil, “Lincoln S&L Will Be Sold In Stock Deal; Buyer Will Return Thrift To Traditional Activities,” *American Banker*, December 21, 1988.

⁶⁰⁰ Carson, Teresa, “Lincoln Claims 8 Suitors Are Available If Deal Collapses,” *American Banker*, February 28, 1989.

⁶⁰¹ Muolo, Paul, “Keating Selling Lincoln Savings,” *National Mortgage News*, January 3, 1989.

13, March 6, and March 20. Again, this seems to be a situation where the newspaper did not aggressively follow significant corporate developments involving Keating.

News Coverage After Regulators Seize Lincoln Savings

Elderly Investors

Another regulatory issue involved an abuse of individual investors, many elderly, who purchased American Continental bonds through Lincoln Savings offices. American Continental Corp. sold some \$250 million in bonds through 29 Lincoln branch offices in California; the sale was controversial because these bonds lacked federal deposit insurance but were sold from the Lincoln branches, particularly to elderly investors, who would expect something sold from a bank would carry such protection against loss.⁶⁰² This “swindled elderly” narrative was an important step for the Keating story to move from the business page to the front page and this narrative would figure in the congressional hearings later in the year. This story line also humanized a story about banking, a topic difficult to portray on television or in general interest newspapers. Martin Mayer wrote, “Because the disaster could be personalized, television began paying attention.”⁶⁰³ *The Wall Street Journal*, particularly its editorial writers, seized on this topic and wrote several biting and vivid articles about the plight of the elderly investors. This represented a critical turn in the mainstream news media’s coverage against Keating.

⁶⁰² See “Lincoln Bonds Unlikely to Get US Insurance,” *The American Banker*, April 18, 1989; n/a, “Criminal Probe Begun Into Sale of Bonds By Lincoln Savings,” *The Wall Street Journal*, November 24, 1989.

⁶⁰³ Mayer, *The Greatest Ever Bank Robbery*, 1990, 168.

The *American Banker* raised concerns about the bond sales on Feb. 23, 1987 — two years ahead of *National Thrift News* — but quoted the head of California’s savings and loan department as not having any objections. *National Thrift News* began to aggressively cover this story immediately after American Continental Corp.’s bankruptcy. There is a significant contrast in how these two trade publications reported on the Keating story. The *American Banker* found significant material, such as the bond sale or Keating’s wish to sell Lincoln Savings, yet did not always follow through with reporting on the implications of these events. The *National Thrift News* had its misfires as well (such as coverage of the Lincoln sale), yet it tended to more aggressively follow stories. For example, a *National Thrift News* article on April 24, 1989, spelled out the plight of some 20,000 investors, primarily senior citizens, who stood to lose their savings. It also cited regulators’ concerns about misleading marketing of the investments.⁶⁰⁴ It devoted a significant feature story on May 8, 1989, to focus on the elderly investors, noting that Keating’s company had been charged with a “bait and switch.”⁶⁰⁵ The article reported: “An 80-year old Southern California woman who was legally blind was chauffeured by officials of American Continental Corp. to a branch of its S&L affiliate here after being persuaded into investing \$30,000 in what was now considered worthless unsecured debt, said an attorney here.”⁶⁰⁶ In a July 24, 1989, article, *National Thrift News* then pointed to the irony of Sen. Alan Cranston, D-Calif., an aggressive Keating advocate, was seeking to help Keating’s victims, the elderly investors left holding

⁶⁰⁴ Muolo, Paul. “Lincoln Challenges Takeover; Sub Debt in Danger,” *National Thrift News*, April 24, 1989.

⁶⁰⁵ Muolo, Paul, “ACC Charged With ‘Bait and Switch’ on Sub Debt,” *National Thrift News*, May 8, 1989.

⁶⁰⁶ Muolo, “ACC Charged With ‘Bait and Switch’ on Sub Debt,” 1989.

worthless American Continental Corp. Bonds.⁶⁰⁷ A related story in that issue described an investor lawsuit against the state Department of Corporations for allowing sale of the bonds in the first place.⁶⁰⁸ The newspaper editorialized on the topic on Aug. 14, 1989, with the headline, “Too Late, Sen. Cranston?”⁶⁰⁹ Such coverage fulfilled journalism’s normative watchdog function and the trade press normative values criticizing industry abuses. Like the Keating Five story, this was an instance in which *National Thrift News* served both its core industry audience as well as a general audience.

While the *National Thrift News* displayed energetic beat coverage of this elderly bond sale issue, the stories were dense, with a technical industry term “sub debt” used throughout to refer to subordinated debt, the formal classification of the debt securities issued by American Continental Corp. This was an example of a trade publication using jargon and technical language and failing to translate the issues for an average audience. For example, the headline on an April 24, 1989 article is: “Lincoln Challenges Takeover; Sub Debt In Danger.”⁶¹⁰

The Wall Street Journal addressed the plight of the individual bondholders on April 17, 1989, and it published an editorial on June 13, 1989, while *The New York Times* first mentioned them on Aug. 1, 1989. *The Wall Street Journal*’s April 17, 1989, article described “some 25,000 small investors ... were left to fret over what now may be \$200 million of worthless paper. The switchboard at American Continental’s Phoenix, Ariz.,

⁶⁰⁷ n/a, “Cranston Proposes Payoff on Sub Debt,” *National Thrift News*, July 24, 1989.

⁶⁰⁸ Pizzo, Stephen, “Attorneys Submit \$250MM Claim in ACC Suit,” *National Mortgage News*, July 24, 1989.

⁶⁰⁹ n/a, “Too Late, Sen. Cranston?” *National Mortgage News*, August 14, 1989.

⁶¹⁰ Muolo, Paul, “Lincoln Challenges Takeover; Sub Debt in Danger,” *National Thrift News*, April 24, 1989.

headquarters was flooded with calls from irate noteholders.”⁶¹¹ The *Journal’s* editorial page was hard-hitting, linking the elderly investors’ losses to Sens. Cranston and Deconcini and their ties to Keating. The newspaper called Cranston and Deconcini the “World’s Greatest: Senatorial Skills.”⁶¹² *The New York Times* was the latest of the four papers to explore this story. The newspaper published an extensive report on the elderly bondholders in late November, a report pegged to the revelations from the House Banking Committee hearings.⁶¹³ It followed up on November 24, 1989, noting the California state Attorney General had launched a criminal investigation of Lincoln for misleading sales of the bonds.⁶¹⁴

Accounting

One underlying theme in the articles analyzed in this dissertation involved thrift industry trends, which eventually require a discussion of complex accounting issues.⁶¹⁵ *The Wall Street Journal* provided the most detailed exploration of savings and loan accounting problems, and in particular, emphasized the responsibility of Keating’s outside accountants in the fraud. An August 7, 1989, article reported the federally appointed auditors found “accounting gimmickry” at Lincoln, and quoted an examination

⁶¹¹ Jefferson, David J., and Paulette Thomas, “American Continental Chapter 11 Filing,” *The Wall Street Journal*, April 17, 1989.

⁶¹² n/a, “World’s Greatest: Senatorial Skills,” *The Wall Street Journal*, June 13, 1989.

⁶¹³ Nash, Nathaniel, “Washington Talk: Once Again, Cranston Takes Center Stage On Bailout Issue,” *The New York Times*, August 1, 1989.

⁶¹⁴ n/a, “Criminal Probe Begun Into Sale of Bonds By Lincoln Savings,” *The Wall Street Journal*, November 24, 1989.

⁶¹⁵ A note that the search of “Keating” and “Lincoln Savings” captured just a subset of the newspapers’ coverage of thrift failures, which escalated dramatically during this period and was a key historical narrative. The FDIC reported 48 failed in 1987, 185 in 1988, and 327 in 1989.

report comparing the thrift's books as trading of "two one-million-dollar cats for a two-million-dollar dog."⁶¹⁶ This article delved into the company background and identified Keating's outside accounting firm, Arthur Young & Co., even though the firm was not specifically named in the regulatory report. This is an important piece of reporting that identified the accounting firm responsible for enabling the improper financial transactions. In a November 15, 1989, article, *The Wall Street Journal* again took Lincoln's accounting firms to task, reporting that more than half of Lincoln's profits were the result of "sham" transactions "approved by the accounting firm of Arthur Young & Co."⁶¹⁷ *The New York Times* explored Lincoln's "accounting quagmire" in a 3,684-word article on Dec. 28, 1989, a hard-hitting article with a lead that accused Lincoln's accounting firms of failing to do their jobs.⁶¹⁸ *The New York Times* also delivered a major analytical article on July 9, 1989, spelling out Keating's influence and the Lincoln collapse, which reported on the Keating Five meeting and Keating's influence in various regulatory agencies.⁶¹⁹

The *American Banker* lacked such biting coverage. It carried a lengthy interview with Keating on June 29, 1989, where he defended his accounting polices.⁶²⁰ Another articles focused on the criticism of Arthur Young, but noted the firm had not been sued or charged by regulators. This story arose from the House Banking Committee hearings but

⁶¹⁶ Harris Jr., Roy, "The Thrift Rescue: Report Criticizes Accounting Practices Of American Continental Thrift Unit," *The Wall Street Journal*, August 7, 1989.

⁶¹⁷ Thomas, Paulette, "Auditors Say Lincoln S&L 'Sham' Deals Were Approved by Arthur Young & Co.," *The Wall Street Journal*, November 15, 1989.

⁶¹⁸ Berg, Eric N. "Losing \$2 Billion - An Accounting Quagmire; The Lapses by Lincoln's Auditors," *The New York Times*, December 28, 1989.

⁶¹⁹ Nash, Nathaniel, "Showdown Time for Danny Wall," *The New York Times*, July 9, 1989.

⁶²⁰ McTague, Jim, "Banking Mavericks Refuse to Give Up; Keating Summons All His Firepower To Fight Regulators," *The American Banker*, June 29, 1989.

not from enterprise reporting such as at *The Wall Street Journal* or *The New York Times*.⁶²¹ *National Thrift News* raised allegations of improper accounting in its September 1987 Keating Five story. The newspaper identified Arthur Young and Co. as being accused of improperly advocating for Keating and charges that an Arthur Andersen and Co. accountant was being investigated for fraudulently handling accounting records.⁶²² The newspaper returned to this theme on August 14, 1989, with a story, “Accountant: Lincoln Profits Based on Gimmicks.”⁶²³ The review of coverage showed the *National Thrift News* out ahead early by naming prominent accounting firms and describing significant allegations of mismanagement, themes *The Wall Street Journal* pursued well after the seizure of Lincoln Savings.

Congressional Oversight

U.S. House Banking Committee Chairman Henry Gonzalez, D-Texas, had two main goals for his hearings on Lincoln Savings in the fall of 1989.⁶²⁴ He sought to make a dramatic case against deregulation by focusing on the abuses of Keating and pushing for the ouster of Wall, the Federal Home Loan Bank chairman who had eased up on the regulation of Lincoln Savings. The period of the hearings lead to a surge of coverage: Lincoln and Keating appear in 131 news items in October and November in the four newspapers, or about 40 percent of the total articles in this study. This hearing presented

⁶²¹ McTague, Jim, “Lincoln Auditor Tainted But Not Charged.” *The American Banker*, November 16, 1989.

⁶²² Kleege, Stephen, and Stan Strachan, “Five Senators Met With District Bank On Disputed Appraisals at Lincoln,” *National Mortgage News*, September 28, 1987.

⁶²³ n/a, “Accountant: Lincoln Profits Based on Gimmicks,” *National Mortgage News*, August 14, 1989.

⁶²⁴ The hearings were held on October 17, October 26, November 7, and November 21 of 1989.

the news media an opportunity to tell the complex savings and loan story in a more tangible fashion. Gonzalez had directed an investigation of Keating, Lincoln, and the regulators, and was ready to describe them even in terms the Washington media could understand: He called the collapse of Lincoln a “mini-Watergate,” for example.⁶²⁵

This was the period when the Keating Five narrative solidified and became a shorthand reference for the scandal. *The Wall Street Journal* first used the “Keating Five” term in an October 16, 1989, editorial that said “the lack of attention to the Keating drama was astonishing in light of the magnitude of the savings-and-loan disaster.”⁶²⁶ There was no mention that *National Thrift News* broke the story two years earlier. The “Keating Five” term appeared in *The New York Times* news coverage on November 5, 1989.⁶²⁷ *The American Banker* first used the “Keating Five” term on November 16th and the *National Thrift News* first printed the term on November 27th, the last of the four newspapers to adopt the phrase.

Highlights of the hearings included:

—October 17th testimony from William Seidman, the Federal Deposit Insurance Corp. chairman, who said he would have closed Lincoln in 1986.

—October 26th testimony from San Francisco Federal Home Loan Bank regulators that Wall, the agency’s chairman, had prevented them from closing Lincoln.

—November 7th testimony from Gray describing his private meeting with Cranston, DeConcini, Glenn, and McCain and the pressure to ease up on Lincoln.

Securities and Exchange Commission Chairman Richard Breeden criticized the

⁶²⁵ n/a, “Lincoln Inquiry Reopening Due,” *The New York Times*, August 30, 1989.

⁶²⁶ n/a, “The Keating Five,” *The Wall Street Journal*, October 16, 1989.

⁶²⁷ A *Times* editorial on Oct. 23, 1989 used the term “The Senate Five.”

accounting firm Arthur Young & Co. for its optimistic assessment of Lincoln’s property values.

—November 21st appearance by Keating, who declined to testify, citing his Fifth Amendment protections against self-incrimination. Wall defended his supervision of Lincoln. A group of elderly investors who lost millions investing in American Continental bonds testified about their financial hardships.⁶²⁸

A direct comparison of themes in the hearing coverage was slightly skewed since

Keating Coverage October-November 1989

Newspaper	# Stories	Total Word Count
American Banker	28	19,355
New York Times	39	31,187
The Wall Street Journal	29	25,946
National Thrift News	28	26,673

Source: LexisNexis, Factiva search for “Keating” and “Lincoln Savings”

Figure 10. Keating Coverage, Fall 1989.

the *American Banker*, *The Wall Street Journal* and *The New York Times* published daily editions whereas *National Thrift News* published weekly or semi-monthly during this period. The comparison also would suggest the small *National Thrift News*, with a 1989 circulation of about 9,000, would be outgunned compared to the daily circulation *American Banker*, more that double the circulation of about 20,000, *The Wall Street Journal’s* circulation of about 1.9 million and *The New York Times* circulation of 1

⁶²⁸ n/a, “Lincoln Savings Scandal Examined in Hearings,” *CQ Almanac* 45 (1990): 133–39.

million.⁶²⁹ Yet given its resources and publishing schedule, the *National Thrift News* was competitive by total word count. As the chart below describes, *National Thrift News* published 26,673 words on Keating in October and November, second only to the 31,187 words published by *The New York Times* during this period.

Keating coverage in *The New York Times* during these two months illustrated the enormity of the story, as one of the nation's leading general newspapers published 39 articles from nine different reporters on the topic, according to the search. A review of the coverage also demonstrated the writing and reporting talent of the journalists involved, such as this November 1, 1989, article by Brooks Jackson, *The Wall Street Journal's* investigative reporter:

Federal and state thrift examiners said they saw evidence of criminal wrongdoing in the collapse of Lincoln Savings & Loan Association, and a California regulator described an attempted 'whitewash' by deputies of chief federal regulator Danny Wall. In a riveting day of hearings before the House Banking Committee, the examiners described finding shredded documents, a mysterious Panamanian subsidiary, millions of dollars funneled into a Swiss bank, and a complacent attitude by Mr. Wall's deputies, one of whom was portrayed as acting more like a public-relations man for the thrift than a federal regulator.⁶³⁰

⁶²⁹ National Thrift News, American Banker circulation: Standard Rate and Data Service, Standard Rate & Data Service, "SRDS Business Publication Advertising Source," 1995; New York Times, Wall Street Journal subscription from n/a. *Editor & Publisher International YearBook, 1989*, New York, NY: Editor & Publisher, 1989.

⁶³⁰ Jackson, Brooks, "Thrift Examiners Say They Saw Signs Of Criminal Wrongdoing at Lincoln," *The Wall Street Journal*, November 1, 1989.

Divergence in Coverage

There was one clear example of how coverage of the mainstream newspapers diverged from the trade newspapers. In the second hearing, testimony surfaced that Lincoln Savings was wiretapping telephones used by regulators during their onsite examination of the thrift. *The New York Times* and *The Wall Street Journal* on October 27, 1989, led their stories with the wiretapping angle, whereas the *National Thrift News* and *American Banker* buried it in the bodies of their respective stories. *The New York Times* and *The Wall Street Journal* published significant investigative and feature stories right before or after the hearings, usually focusing on the political consequences. An October 24, 1989, *The Wall Street Journal* article, for example, devoted 1,349 words to describe the plight of Sen. Cranston and the maverick nature of House Banking Chairman Gonzalez.⁶³¹ A November 9 *Times* article, labeled as a “special report” at 2,142 words, profiled Keating and documented his political influence over regulators.⁶³² Politics was the focus of a November 9, 1989, article that contained a vivid summary of Keating’s activities: “By all accounts, he was a frenetic and effective advocate for his business interests - here distributing campaign funds, there offering a former chairman of the Federal Home Loan Bank Board a job or pushing the Reagan Administration to appoint one of his business associates to the bank board. Mr. Keating was for years almost ubiquitous in Washington and at the state and local level.”⁶³³ A November 4, 1989, article examined the Senate Ethics Committee’s emerging investigation of the Keating Five

⁶³¹ Jackson, Brooks, and Thomas, Paulette, “Gonzalez Pushes Forward in Lincoln S&L Probe,” *The Wall Street Journal*, October 24, 1989.

⁶³² Nash, Nathaniel, and Philip Shenon, “A Man of Influence: Political Cash and Regulation - A Special Report; In Savings Debacle, Many Fingers Point Here,” *The New York Times*, November 9, 1989.

⁶³³ Nash, “A Man of Influence.”

senators.⁶³⁴ A November 5, 1989, article focused on the influence of political contributions and the Keating Five senators' elastic definition of "constituent service."⁶³⁵ *The Wall Street Journal* addressed a similar constituent service theme the next day.⁶³⁶ *The New York Times* report on November 18, 1989, discussed Alan Greenspan's role in the Keating drama. Prior to joining the Federal Reserve Board, Greenspan was an economic consultant hired by Keating at one point. Greenspan sent a letter to Federal Home Loan Bank Board backing Keating's position on real estate investments. *The New York Times* news article contained a remarkable apologia to Greenspan: "To be sure, no one in Washington was saying that Mr. Greenspan had compromised either his integrity or that of his office. And they add that consulting work done when he was a private economist should pose no conflict in his current role as one of the nation's top banking regulators."⁶³⁷ *The Wall Street Journal*, by contrast, addressed the role of Greenspan, the U.S. Senators, and senior White House officials in the Keating affair, with 3,141-word article on Nov. 20, 1989 that bluntly asked, "How could Washington have been so stupid?"⁶³⁸

The New York Times tackled the fundamental causes of the savings and loan crisis in its Sunday, November 12, 1989, "Week in Review" section, with an article entitled "A

⁶³⁴ Berke, Richard, "Ethics Committee Asking 5 Senators About Savings Tie," *The New York Times*, November 4, 1989.

⁶³⁵ Berke, Richard, "Helping Constituents or Themselves?" *The New York Times*, November 5, 1989.

⁶³⁶ Thomas, Paulette, "S&L Bailout Makes Lawmakers a Bit Thriftier About Doling Out Help to Their Constituents," *The Wall Street Journal*, November 6, 1989.

⁶³⁷ Nash, Nathaniel, "Greenspan's Lincoln Savings Regret," *The New York Times*, November 20, 1989.

⁶³⁸ Jackson, "Sleeping Watchdog," 1989.

Savings Failure That Illustrates Everything Wrong With the Industry.”⁶³⁹ It framed Lincoln’s collapse as “microcosm — in the extreme” of the failure of hundreds of other thrifts. A Nov. 30, 1989 article examined the elderly people who were duped into investing in the now worthless bonds of Keating’s American Continental Corp.⁶⁴⁰

American Banker also reported on the political fallout of the Keating Five, focusing on McCain and DeConcini’s plight with a novel angle: interviews with radio talk show hosts in Phoenix about listeners’ distaste for the two politicians.⁶⁴¹ One of the newspaper’s important contributions came on October 30, 1989, when it reported about Keating’s Kuwaiti investment partners and their role in blocking a full federal takeover of Keating’s marquee resort, the Phoenician Hotel in Scottsdale, Arizona.⁶⁴² The *National Thrift News* disclosed on May 1, 1989, and again on October 23, 1989, that a Kuwait businessman owned 45 percent of the Phoenician, but its reporting did not develop the implications of this partnership.⁶⁴³ *The New York Times* and *The Wall Street Journal* followed up on the *American Banker* report a few weeks later.

Another noteworthy item was the *American Banker*’s November 14, 1989, exclusive that described Sen. Riegle’s relationship with Keating, noting the senator took a March 1987 trip to Phoenix to tour Keating’s properties.⁶⁴⁴ The *American Banker*’s

⁶³⁹ Nash, Nathaniel, “The Nation; A Savings Failure That Illustrates Everything Wrong With the Industry,” *The New York Times*, November 12, 1989.

⁶⁴⁰ Nash, Nathaniel, “Collapse of Lincoln Savings Leaves Scars for Rich, Poor and the Faithful,” *The New York Times*, November 30, 1989.

⁶⁴¹ McTague, Jim, “Two Arizona Senators Falling from Favor over Ties to Keating,” *The American Banker*, October 16, 1989.

⁶⁴² McTague, Jim, “Keating Keeps Grip on Luxury Resort With a Little Help from Kuwaiti Friends,” *The American Banker*, October 30, 1989.

⁶⁴³ n/a, “Keating Still Involved In Hotel Management,” *National Mortgage News*, October 23, 1989.

⁶⁴⁴ *The New York Times* matched the *American Banker*’s story on November 15, 1989

report was significant since it established Riegle's relationship with Keating at a time when the senator was seeking to distance himself from the thrift executive.⁶⁴⁵ Also noteworthy was the *American Banker's* November 6, 1989, report on the declining political influence of the thrift industry in Congress due to the Keating hearings.⁶⁴⁶ *The Wall Street Journal's* coverage delved more deeply into the business and economic issues surrounding the Keating affair, as noted earlier with its significant reporting on the accounting issues. A November 7, 1989, article in the *Journal* reported 800 thrifts would fail to meet new capital requirements, a story that suggested significant problems and additional bank failures were likely since the institutions lacked a sufficient financial cushion to absorb loan losses.⁶⁴⁷

National Thrift News did not publish major investigative articles at the time of these hearings. It continued to chip away at the specific revelations relating to Keating, however. An October 16, 1989, article described Keating's campaign contributions to then-California Gov. George Deukmejian. It also followed up on an *Arizona Republic* report about the role McCain's wife, Cindy McCain, in investing in a project by Lincoln's parent company.⁶⁴⁸ An October 23, 1989, article raised the allegation by an anonymous House Banking Committee staff member that FHLB Chair Wall was

⁶⁴⁵ McTague, Jim, "Riegle Visited Keating in 1987, Toured Lincoln S&L Projects," *The American Banker*, November 14, 1989.

⁶⁴⁶ McTague, Jim, "League Set to Seek Law Changes, But Scandal Taints Atmosphere," *The American Banker*, November 6, 1989.

⁶⁴⁷ Duke Jr., Paul, and Thomas, Paulette, "Thrift Agency Says About 800 S&Ls Won't Meet New Capital Requirements," *The Wall Street Journal*, November 7, 1989.

⁶⁴⁸ n/a, "McCain, Deukmejian Tied Further to Lincoln," *National Mortgage News*, October 16, 1989.

“tampering” with witnesses.⁶⁴⁹ These issues were covered, but not emphasized, in the other newspapers’ coverage.

Attack on Wall

One of the major themes in the House Banking Committee hearings was an attack on Wall, culminating criticism that had been building much of the year. *The Wall Street Journal* editorial writer John Fund wrote one of the early and toughest articles about Wall's connections to the S&L industry in far greater detail than other news outlets.⁶⁵⁰ The article detailed the political power of the U.S. League of Savings Institutions, the lobbying arm for the savings and loan industry, as it pushed for deregulation and the expansion of deposit insurance. It described a campaign by industry lobbyists to cultivate Wall, “who is largely self-taught on banking matters and had a reputation for not being skilled with numbers” and reported about his “reputation for taking all-expense paid junkets” as a Senate aide. *The Wall Street Journal*, *The New York Times*, and *American Banker* also reported on the consumer group Common Cause calling for Wall’s resignation. The *American Banker* on October 30th published a news analysis challenging the Gonzalez hearings, “Gonzalez Turns Guns on Wall, But Attack Could Backfire,” a theme in other news media coverage but not an explicit lead to a story.⁶⁵¹ This angle offered some sympathy to Wall; a November 24th *American Banker* article⁶⁵²

⁶⁴⁹ Muolo, Paul, “Concern Over ‘Tampering,’” *National Mortgage News*, October 23, 1989.

⁶⁵⁰ Fund, John, “The S&L Looters’ Water-Boy,” *The Wall Street Journal*, August 28, 1989.

⁶⁵¹ McTague, Jim, “Gonzalez Turns Guns on Wall, But Attack Could Backfire,” *American Banker*, October 30, 1989.

⁶⁵² McTague, Jim, “After Round 1, Wall Is Down But Not Out Yet,” *The American Banker*, November 24, 1989.

quoted a Wall spokesman as calling the hearings “a kangaroo court.” A November 9, 1989, *American Banker* article further criticized the Gonzalez hearings and cited remarks by Securities and Exchange Commission Chairman Richard Breeden, who said the House investigation might spoil his agency’s own investigation of Keating.⁶⁵³ The sympathetic coverage of Wall came as other newspapers began reporting on his expected departure. *The Wall Street Journal* first reported November 14th that President George H.W. Bush had signaled his lack of support for Wall.⁶⁵⁴ Wall announced his resignation the following month.

Keating Portrayal: Before Lincoln’s Seizure

Before the collapse of American Continental Corp. and the seizure of Lincoln Savings, the newspapers generally did not provide a positive portrayal of Keating. Negative portrayal was determined by four general areas for this research: descriptions of adverse regulatory action, violations of bank industry norms, manipulation of the political or regulatory process, and guilt by association.⁶⁵⁵ *The New York Times* was the most severe, portraying Keating in a negative light in 60 percent of articles in the period from January 1, 1986 through April 12, 1989. The *National Thrift News* and *American Banker* portrayed Keating negatively in about a third of their pre-crash articles while *The Wall Street Journal* had a negative portrayal in about 20 percent of its articles in this time period. There was ample evidence in the public record about Keating’s unsavory

⁶⁵³ Garsson, Robert M, “Breeden Fears House May Spoil SEC Case Against Lincoln,” *The American Banker*, November 9, 1989.

⁶⁵⁴ Thomas, Paulette, "Comments by Bush Suggest Danny Wall Lacks President’s Support in S&L Post,” *The Wall Street Journal*, November 14, 1989. *The New York Times* matched this story on November 18, 1989.

⁶⁵⁵ See the Methodology section for a detailed discussion of the portrayal criteria.

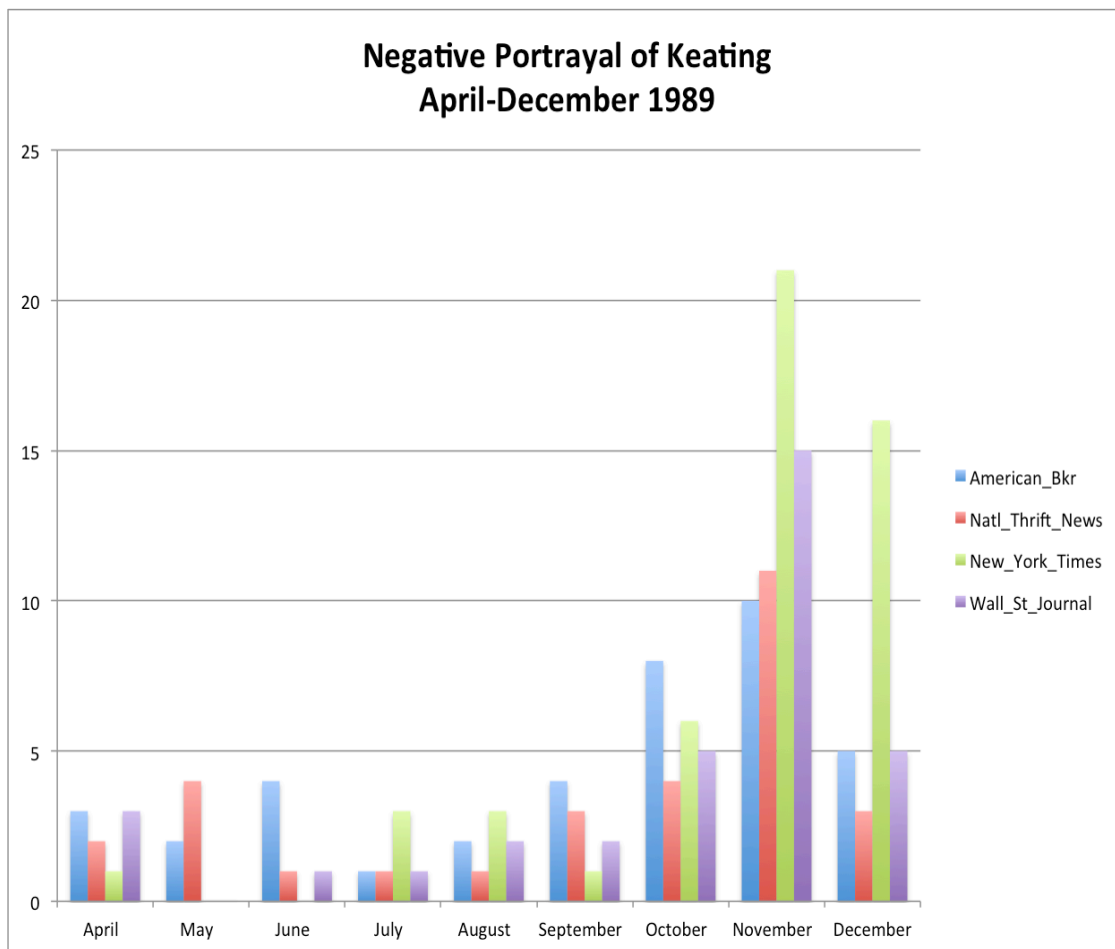


Figure 11. Negative Portrayal of Keating.

background. The *American Banker* noted in 1986 that Keating settled fraud charges with the Securities and Exchange Commission seven years earlier concerning his dealings with Provident Bank in Cincinnati.⁶⁵⁶ During this January 1, 1986, to April 12, 1989, period, many of the negative portrayals involved Keating's attempt to manipulate the political or regulatory process for his own ends.

The New York Times' critical tone began on May 25, 1987, with a 1,744-word article, "California's Daring Thrift Unit," which described Keating as a risky outlier in

⁶⁵⁶ In the 1979 SEC settlement, Keating is portrayed as violating bank industry norms of ethics and accountability. Similar behavior is seen in his dealings with federal regulators during the savings and loan crisis. Naylor, Bartlett, "Gray Says S&L Tried to Hire Him Away; Institution Often at Odds With Regulator Made Offer," *The American Banker*, October 7, 1986.

the industry, or “one of the most prominent examples of a new and controversial breed of savings and loan institution... the new breed sees thrift units as a low-cost source of funds that can be used in potentially more lucrative - and often riskier - investments.”⁶⁵⁷ Other examples of negative portrayals included a discussion of a pending federal criminal investigation.⁶⁵⁸ The newspaper described Keating as outside the norms of the industry, noting on Dec. 21, 1988 that he “aggressively expanded the institution” which “brought intense scrutiny from the Federal Home Loan Bank Board of San Francisco.”⁶⁵⁹ A Feb. 25, 1989, article reported Keating was “one of the most aggressive proponents of using federally insured deposits for activities that, while generally permitted by California's liberal regulations, are deemed too risky by many regulators.”⁶⁶⁰

Keating Portrayal: After Lincoln’s Seizure

The portrayal of Keating turned negative in all four newspapers after regulators seized Lincoln and Keating’s American Continental Corp. files for bankruptcy on April 13, 1989. Many of the negative references were due to the bankruptcy and the regulators’ action against the thrift, references that violate the normative values of safety and soundness in banking. *The New York Times* again led the four newspapers, with critical portrayals of Keating in 78 percent of the articles evaluated after April 13, 1989. *The Wall Street Journal* had negative references in 59 percent of articles evaluated; for the

⁶⁵⁷ Stevenson, Richard W. “California’s Daring Thrift Unit,” *The New York Times*, May 25, 1987.

⁶⁵⁸ Stevenson, Richard W. “Plan Collapses to Sell California Savings Unit,” *The New York Times*, March 2, 1989.

⁶⁵⁹ Stevenson, Richard W. “Developer Agrees to Sell California Savings Unit,” *The New York Times*, December 21, 1988.

⁶⁶⁰ Stevenson, Richard W. “Regulators Express Doubts On California Savings Deal,” *The New York Times*, February 25, 1989.

American Banker, 63 percent and *National Thrift News*, 49 percent.⁶⁶¹ Looking broadly at the articles, the *National Thrift News* carried negative portrayals including references to the failed business — the term “conservatorship” was used 72 times, “bankruptcy” 47 times, “receivership” 33 times, “failure” 29 times, and “insolvent” 21 times in the 61 articles. The term “criminal” arose 19 times; “unsafe” 19 times; “unsound” 16 times; “racketeering” 15 times; “scandal” and “fraud” 10 times each.

After the American Continental bankruptcy, *The Wall Street Journal* published negative portrayals that were often in colorful terms:

An angered Charles H. Keating Jr. put on a show for reporters yesterday, blaming regulators for forcing American Continental Corp. into bankruptcy-law proceedings and seizing its Lincoln Savings & Loan Association unit last week. Using his harshest fighting words, the arch-conservative chairman of American Continental took a gunslinger's stance and vowed to do battle in court with his enemies -- in this case, thrift regulators led by the Federal Home Loan Bank Board in Washington.⁶⁶²

The news articles referred to Keating as an “arch-conservative” twice.⁶⁶³ Like the other newspapers, *The Wall Street Journal* associated collapse of Keating’s thrift with an

⁶⁶¹ For these percentages, articles categorized with negative references, *The New York Times*, n=52; *The Wall Street Journal*, n=34; *American Banker*, n=39; *National Thrift News*, n=30. Totals do not match overall article count of the search since some Keating references were too brief for categorization.

⁶⁶² Jefferson, David J. “Keating of American Continental Corp. Comes Out Fighting --- Chairman Blames Regulators For Plight of Concern And Lincoln S&L Unit,” *The Wall Street Journal*, April 18, 1989.

⁶⁶³ Jefferson, David J. “Keating of American Continental Corp. Comes Out Fighting --- Chairman Blames Regulators For Plight of Concern And Lincoln S&L Unit,” *The Wall Street Journal*, April 18, 1989; Jefferson, David J., and Pauline Yoshihashi, “American Continental Chapter 11 Filing, U.S. Seizure of Lincoln Trigger a Fallout,” *The Wall Street Journal*, April 17, 1989.

estimated \$2 billion taxpayer bailout.⁶⁶⁴ The term “bailout” was used 47 times in *The Wall Street Journal*’s reporting; it referred to “seized” or “seizure” 35 times. The only item coded as positive towards Keating in this April 13-December 31, 1989 time period was Keating’s June 22, 1989 letter to *The Wall Street Journal* that spelled out his defense and rebuttal to the newspaper’s critical coverage.⁶⁶⁵

Keating Five Coverage

The ‘Keating Five’ senators pressured the Federal Home Loan Bank Board regulators in an April 1987 meeting to back off on Lincoln Savings. Strachan, in a 1989 television appearance, called the political pressure on the regulators “an absolutely unprecedented event.”⁶⁶⁶ Mike Patriarca of the Federal Home Loan Bank Board told the House Banking Committee: “I can tell you for a fact there aren't any of the largest banks in the country who can get two senators in a room together to argue with its regulator about the examination. I think that this meeting was an example of some extraordinary political influence, the likes of which I'd never seen in my career.”⁶⁶⁷ The *National Thrift News* obtained a transcript of the private meeting between the regulators and the five senators from a person present at the April 1987 meeting. (This person was, later reported to be William Black, then deputy director of the Federal Savings and Loan Insurance Corp., which insures deposits at thrifts.) *National Thrift News* correspondent Stephen Pizzo later remarked the transcript was so detailed it appeared to be from a tape

⁶⁶⁴ Thomas, Paulette, “House Committee Votes to Subpoena Thrift Executive,” *The Wall Street Journal*, October 13, 1989.

⁶⁶⁵ Keating, Charles, “Letters to the Editor: S&L Was Seized Following,” *The Wall Street Journal*, June 22, 1989.

⁶⁶⁶ “Where Was the Press During the S&L Crisis?” 1989.

⁶⁶⁷ Berke, Richard, “Ethics Committee Asking 5 Senators About Savings Tie,” *The New York Times*, November 4, 1989.

recording.⁶⁶⁸ Strachan and Kleege wrote the 2,362-word story, with Muolo reporting on the details.⁶⁶⁹ This was an explosive political story. The Senate Ethics Committee later investigated and found “substantial credible evidence” of misconduct by Sen. Cranston. While the other senators received less severe rebukes, their political reputations were damaged.⁶⁷⁰ For McCain, the Keating Five meeting remained an issue for the rest of his political career; he faced criticism for his role during his presidential runs in 2000 and 2008. *The Wall Street Journal* described the personal impact on McCain: “Sen. McCain ruefully observes that during five years he spent as a prisoner of war in North Vietnam, ‘even the Vietnamese didn't question my integrity.’”⁶⁷¹

Kleege recalled the *National Thrift News* faced competition to first publish the Keating Five revelations. At some point in mid-1989, Michael Binstein, a reporter who worked for investigative journalist Jack Anderson, approached *National Thrift News*, pitching a story about the Keating Five meeting. Binstein had tried to sell it to *The New York Times* and some other places but they were not interested, Kleege recalled⁶⁷². “They didn’t think it was that important,” he said. “That was something the general press didn’t recognize.” There was also concern Keating would sue the media outlets that would publish the story.⁶⁷³ Strachan also passed on Binstein’s pitch, saying the *National Thrift*

⁶⁶⁸ Pizzo, Stephen P. Interview with Stephen Pizzo, December 8, 2014.

⁶⁶⁹ Kleege and Strachan, “Five Senators Met With District Bank On Disputed Appraisals at Lincoln,” 1987.

⁶⁷⁰ “Events Chronology: American Continental Corporation,” *Arizona Archives Online*, Accessed December 17, 2015.

⁶⁷¹ Abramson, Jill, and Duke Jr., Paul, “The Keating Five: Senators Who Helped Lincoln S&L Now Face Threat to Their Careers --- Coming Ethics Panel Probe Holds the Greatest Danger For Cranston, DeConcini --- Grist for Comedians’ Routines,” *The Wall Street Journal*, December 13, 1989.

⁶⁷² Kleege, Stephen, Interview with Stephen Kleege, June 15, 2015.

⁶⁷³ Keating later filed a \$35 million libel lawsuit against Binstein over subsequent coverage published in *Regardie’s Magazine*. The case was later dropped.

News staff needed to get such a story on its own and not rely on a freelance writer.

Strachan and Kleege begin to pursue the transcript of the Keating Five meeting. Muolo recalled Strachan came into the newsroom in September, holding the transcript of the Keating Five meeting and proclaiming, “I got it.”⁶⁷⁴ The staff then began to carefully report out the story. Kleege said they called all of the senators and spoke to Keating about the meeting:

We basically had the whole thing on the record without the document... We had a long phone conversation with Keating – there were four or five of us standing around a speakerphone. And on the other end, Keating would take the question and put us on hold and ask the lawyers what he should say, and answer it ... The message was you can’t take shortcuts with these kinds of stories. You’ve got to make the calls. You can’t just rely on the anonymous source.⁶⁷⁵

Slow to Follow-Up

The reaction from the rest of the press corps to this *National Thrift News* story was mostly silence. Major media largely ignored the Keating Five exclusive for the next two years.⁶⁷⁶ *The Los Angeles Times* carried an item inside its business page the day after the story broke. *The Washington Post* followed up in May 1988. *The Detroit News* in 1988 reported about the campaign contributions to Riegle from Keating and his associates, which added up to more than \$300,000.⁶⁷⁷ *The Associated Press* declined to

⁶⁷⁴ Paul Muolo, “‘S&L Hell’ an ‘80s Low-Water Mark,” *National Mortgage News*, December 20, 1999.

⁶⁷⁵ Kleege, Stephen, Interview with Stephen Kleege, June 15, 2015.

⁶⁷⁶ Database searches in Lexis-Nexis, Factiva and Proquest; search terms in bibliography.

⁶⁷⁷ Stephen Kleege and Steven Pizzo, “Gray: Senators Offered Deal,” *National Thrift News*, June 5, 1989.

follow up. Fricker said she called *The Associated Press* business desk in September 1987 to alert them about the Keating Five exclusive in the *National Thrift News*. Fricker recalled that an AP editor said they were not interested. Fricker said the editor accused her of having a conflict of interest and said she was just trying to promote her book. “I was stunned,” she recalled.⁶⁷⁸

The Wall Street Journal and *The New York Times* did not mention the Keating Five meeting until after regulators’ seizure of Lincoln Savings. According to the database search, *The New York Times* made its first reference to the Keating Five senators meeting on July 9, 1989, in the twenty-first paragraph of an article describing the Keating’s political influence, 22 months after the *National Thrift News* article. After regulators seized Lincoln, press coverage intensified: *The New York Times* mentioned the Keating episode in 40 articles and *The Wall Street Journal* in 37 articles. “It wasn't until nearly two years later — in July 1989 — that the Keating Five became a major national story,” according to *Columbia Journalism Review*.⁶⁷⁹ Indeed, some 40 percent of the total articles in this study were published in the second half of 1989. For the rest of 1989, the Keating Five meeting would be cited in a quarter of the 66 *The New York Times* articles, including three editorials. *The New York Times* on July 9, 1989, delivered a major analytical article spelling out Keating's influence and the Lincoln collapse, which stitched together the Keating Five meeting and Keating's influence in various regulatory

⁶⁷⁸ Fricker, Mary, Interview with Mary Fricker, September 2014.

⁶⁷⁹ Ross, James, “When Trades Lead The Pack,” *Columbia Journalism Review*, November 1990.

agencies.⁶⁸⁰ The earlier absence of coverage and the heavy resources devoted after the bankruptcy illustrated the newsworthy nature of the Keating Five meeting.

The Wall Street Journal's first reference to the Keating Five meeting, according to the database search, was on April 14, 1989, a one-sentence item in the American Continental Corp. bankruptcy story that did not identify the five senators.⁶⁸¹ It referred to the meeting later in the week and in a two-sentence item on May 26, 1989, in the paper's closely read "Washington Wire" column; still, the senators were not identified. (By contrast, the *National Thrift News* identified all five senators in each reference to the Keating Five meeting). *The Wall Street Journal* item reported federal investigators were examining Keating's political donations in wake of Lincoln's collapse.⁶⁸² The next month, however, *The Wall Street Journal* intensified its coverage of the Keating Five, publishing a scathing and remarkable editorial on June 13, 1989, "World's Greatest: Senatorial Skills,"⁶⁸³ which described the plight of the elderly investors who lost millions buying American Continental Corp. Bonds. *The Wall Street Journal* published the office telephone numbers of Sens. Cranston and DeConcini and urged the defrauded investors to call. The newspaper again aggressively targeted the five senators in an October 16, 1989, editorial:

⁶⁸⁰ Nash, Nathaniel, "Showdown Time for Danny Wall," *The New York Times*, July 9, 1989.

⁶⁸¹ Jefferson, David J., and Pauline Yoshihashi, "American Continental Seeks Chapter 11 As Talks With U.S. Fail on Sale of S&L," *The Wall Street Journal*, April 14, 1989.

⁶⁸² Shafer, Ronald G. "Washington Wire: A Special Weekly Report From The Wall Street Journal's Capital Bureau," *The Wall Street Journal*, May 26, 1989.

⁶⁸³ n/a, "World's Greatest: Senatorial Skills," *The Wall Street Journal*, June 13, 1989.

Take \$10 out of your wallet. That's how much the collapse of Lincoln Savings & Loan will cost you and every other American. Liquidating the Irvine, Calif., thrift will drain the federal deposit insurance fund by more than \$2.5 billion, making it the largest thrift failure in history. Now, finally, there may be an investigation to explore how five senatorial shills helped perpetuate this fiscal black hole.⁶⁸⁴

This editorial mentioned the work of other newspapers but failed to credit the *National Thrift News*: "Details of the affair have become public gradually over the past two years, mostly as a result of reporting by several newspapers." In a similar vein, a November 15, 1989, editorial criticized the rest of the Washington press corps for being late on the story, without mentioning *The Wall Street Journal* also was late:

It is a commentary on the culture of Washington that it has taken so long for this story to achieve its current prominence. We and Brooks Jackson of our Washington bureau have been writing about it for six months. *The Arizona Republic*, *San Francisco Chronicle*, *Cleveland Plain Dealer* and *Detroit News* have also been probing. But the Capitol Press Corps stirred itself only when a Congressman held a hearing, apparently the local benchmark of news.⁶⁸⁵

Still, *The Wall Street Journal's* editorials were commendable for distilling the thrift bailout into terms that an average family could understand: "A lot of members of Congress still don't want taxpayers ever to learn who bears responsibility for the S&L crisis that will cost each American family at least \$4,000."⁶⁸⁶

⁶⁸⁴ n/a. "The Keating Five," *The Wall Street Journal*, October 16, 1989.

⁶⁸⁵ n/a, "Congress's Watergate," *The Wall Street Journal*, November 15, 1989.

⁶⁸⁶ Fund, John, "The S&L Looters' Water-Boy," *The Wall Street Journal*, August 28, 1989.

The *American Banker* first mentioned the Keating Five meeting in two sentences on May 24, 1988, referring to “five congressmen” interceding on Keating’s behalf with Federal Home Loan Bank Board Chairman Gray. The article noted the event “gained widespread publicity” even though this was the first reference in the newspaper since the *National Thrift News* exclusive some eight months earlier. The item was in the eleventh paragraph of a story about Keating winning his battle with the San Francisco Home Loan Bank.⁶⁸⁷ Even more curious was the newspaper’s May 17, 1989, article describing allegations by former Federal Home Loan Bank Board member Roger F. Martin that an unnamed congressman had put political pressure on him. The article, without any apparent irony, quoted Sen. Riegle as warning his colleagues not to place undue pressure on thrift regulators. “Mr. Riegle said, ‘I want people to be on notice: If any pressure was applied or responded to, we will make an effort to find out about it.’”⁶⁸⁸ The 1,503-word article referenced Riegle’s participation in the Keating Five meeting in the last paragraph. The article offered this remarkable quote: “Karl Hoyle, the Bank Board’s executive director of congressional affairs, said he was unaware of any pressure from Congress.”

After breaking the Keating Five story in September 1987, the *National Thrift News* returned to the topic sporadically. A major follow-up came on March 21, 1988, when it reported Sen. Riegle was returning \$76,100 in campaign contributions from Keating and his employees.⁶⁸⁹ It cited press coverage by Detroit newspapers as prompting Riegle to return the money. This article surveyed the four other senators, who

⁶⁸⁷ McTague, Jim, “Bank Board Liberates Lincoln Savings from San Francisco Exam,” *American Banker*, May 24, 1988.

⁶⁸⁸ McTague, Jim, “Martin Says Congressman Pressured Bank Board to Approve a Thrift Sale,” *American Banker*, May 17, 1989.

⁶⁸⁹ Kleege, Stephen, “Lincoln’ Funds Returned,” *National Mortgage News*, March 21, 1988.

said they had no plans to return Keating's money.⁶⁹⁰ Another significant follow-up was on July 25, 1988, in an article about the fight between Keating and the regulators.⁶⁹¹ About six weeks after Lincoln's collapse, the newspaper reported further details from Gray about the senators' meeting.⁶⁹²

On the topic of campaign contributions, Strachan wrote an editorial titled "Money & Politics," to accompany the September 1987 Keating Five exclusive. It spelled out Keating's attempts to buy influence in the regulatory system through the senators and his proxy on the Federal Home Loan Bank, Lee Henkel. It called for strict limits in campaign contributions. "And we think businessmen need to play a role in politics. But that participation should be limited to exchanging views and providing information," Strachan wrote.⁶⁹³ For his part, Keating was unapologetic about his financial support for politicians. Asked later if the campaign money was aimed at influencing politicians to support his cause, Keating replied, "I want to say in the most forceful way I can: I certainly hope so."⁶⁹⁴

Significant Contributions

Once engaged, the three newspapers made significant contributions to the story. On November 20, 1989, right before Keating's scheduled appearance, *The Wall Street*

⁶⁹⁰ Some returned the funds later. DeConcini, for example, changed his mind on September 25, 1989, returning the Keating money right before the Gonzalez hearings.

⁶⁹¹ Kleege, Stephen, "FSLIC Was Unsure of District's Competence to Audit Lincoln Savings," *National Mortgage News*, July 25, 1988.

⁶⁹² Kleege, Stephen, and Pizzo, Stephen P, "Gray: Senators Offered Deal," *National Mortgage News*, June 5, 1989.

⁶⁹³ n/a, "Money & Politics," *National Mortgage News*, September 28, 1987.

⁶⁹⁴ Nash, Nathaniel, and Philip Shenon, "A Man of Influence: Political Cash and Regulation - A Special Report; In Savings Debacle, Many Fingers Point Here," *The New York Times*, November 9, 1989.

Journal printed a 3,141-word investigative article that examined the business and regulatory failures that lead to the Keating scandal:

And indeed, what has come out so far isn't a pretty sight. The tale begins in February 1984, when regulators allowed Mr. Keating to buy Lincoln even though only 4 1/2 years earlier he had been accused of fraud...Alvin Smuzynski, an official at the Federal Home Loan Bank Board who handled Mr.Keating's application, says he didn't know about the consent decree at the time. 'It would have made a difference,' he says.⁶⁹⁵

The Wall Street Journal published a December 13, 1989, analysis of the Keating Five affair by Jill Abramson (who later would become editor of *The New York Times*). The article contained a compelling portrait of famous astronaut John Glenn and his role in the Keating affair. Abramson wrote: “ ‘My reputation hangs on this in the seventh decade of my life,’ says an emotional Mr. Glenn, pounding the steering wheel of a rented sedan as he drives through the Ohio Appalachian foothills where he spent his boyhood.”⁶⁹⁶

Criminal Probes

The *National Thrift News* made another significant contribution to the Keating coverage with Pizzo’s reporting about criminal investigations of Keating. An August 14, 1989, story, citing sources, described an impending racketeering lawsuit being prepared against Keating.⁶⁹⁷ On Sept. 18, 1989, Pizzo followed up with a story by quoting a draft

⁶⁹⁵ Jackson, “Sleeping Watchdog,” 1989.

⁶⁹⁶ Abramson and Duke, “The Keating Five,” 1989.

⁶⁹⁷ Pizzo, Stephen P. “FDIC Will Sue Lincoln, Parent,” *National Mortgage News*, August 14, 1989.

of the racketeering lawsuit that would seek \$1.1 billion in damages; it was unusual for a journalist to obtain advance copies of such a sensitive legal document. The *American Banker* carried a similar report on September 14th and *The Wall Street Journal* noted the lawsuit on September 18th. Pizzo's article reported about a case being brought by the Resolution Trust Corp., a federal agency designed to clean up the failed thrifts. *The Wall Street Journal* later advanced the story, noting that Sen. DeConcini had sponsored a bill to overhaul the Racketeer Influenced Corrupt Organizations Act, or RICO, that would have made retroactive changes to protect Keating and others from huge damage awards. DeConcini dropped the provision after the Keating exemption became public.⁶⁹⁸ *The New York Times* wrote about the matter in an October 18, 1989, editorial.⁶⁹⁹ Another notable Pizzo story was on December 18, 1989, when he described the emerging investigations by the House Banking Committee and Justice Department into the role of Michael Milken's Drexel Burnham Lambert, which financed the expansion of a variety of thrifts and inside financial dealings involving these institutions.⁷⁰⁰

The Wall Street Journal published other articles about the criminal element of the scandal, following up on an exclusive in *The Washington Post* about the Federal Bureau of Investigation questioning regulators about Keating's attempts to manipulate the regulatory process.⁷⁰¹ *The American Banker* on November 1, 1989, reported regulators testified they had turned material over to the FBI, but had not confirmed an inquiry was

⁶⁹⁸ Abramson, Jill, and Christi Harlan, "Supporters of RICO-Reform Bill To Scrap Retroactivity Provision." *The Wall Street Journal*, September 28, 1989.

⁶⁹⁹ n/a. "A 'Reform' That RICO Doesn't Need." *The New York Times*, October 18, 1989.

⁷⁰⁰ Pizzo, Stephen P. "Congress to Investigate 'Daisy Chain' of Thrifts," *National Mortgage News*, December 18, 1989.

⁷⁰¹ Jackson, Brooks, "FBI Probe Focuses On Senators' Ties To Keating 's S&L," *The Wall Street Journal*, November 13, 1989.

under way.⁷⁰² *National Thrift News* reported in the spring that the U.S. Attorney's Office in Los Angeles was investigating the Keating affair. It also reported on Nov. 6, 1989, that regulators referred material to the FBI and the FBI had subpoenaed documents, but the article did not lead with an FBI investigation⁷⁰³ and subsequent coverage referred to an ongoing FBI probe as background. Similarly, *The New York Times* referred to the FBI investigations as background in articles and did not lead an article with the probes.⁷⁰⁴

Aftermath

Strachan, appearing at a May 1, 1989, National Press Club forum on the savings and loan crisis, faulted his colleagues for the lack of follow-up to the Keating Five story. "When reporters from other papers called about the story, they were told by the spokesman for Federal Home Loan Bank Board, this was not at all unusual," Strachan said. But in fact, such a political intervention in a bank examination "literally had never happened before. But most reporters had accepted that this was run of the mill political business, for five senators to intervene in the examination of a savings and loan institution."⁷⁰⁵ "The press could have been a little more aware of what was happening there and a little less trusting of officialdom," he said. "I think that's been a major

⁷⁰² McTague, Jim, "Auditor Feared Being Tied to Lincoln 'Cover-Up'; Sensing Bank Board 'Whitewash,' California Examiner Gave Data Directly to FBI," *The American Banker*, November 1, 1989.

⁷⁰³ n/a, "Keating Lawyers Ask Indefinite Stay in Civil Case," *National Mortgage News*, November 6, 1989.

⁷⁰⁴ One example would be "Hearing Granted on Lawsuit by Keating," *The New York Times*, November 11, 1989.

⁷⁰⁵ "Where Was the Press During the S&L Crisis?" 1989.

problem." A reader sensed Strachan's frustration when he wrote an editorial in the middle of the Gonzalez hearings, "Better Late Than Never":⁷⁰⁶

When this newspaper disclosed in September 1987 that five United States Senators had met with regulators from the Federal Home Loan Bank of San Francisco to discuss the examination of Lincoln Savings and Loan Association, Irvine, Calif., we expected a sharp reaction from the press, the political establishment and the public. Nothing happened.

Conclusion

The review of these four newspapers' coverage from 1986 to 1990 showed that while the *National Thrift News* was far ahead of the competition on the Keating Five story, it was eclipsed by the other news organizations on other important developments on this story. Its beat reporting was admirable but inconsistent at times. The *National Thrift News* trailed the competition on significant stories such as on the sale of Lincoln Savings and the settlement between Wall and Keating. It was also behind on some aspects of the Lincoln and regulatory relationship first reported in the *Mesa Tribune* and *Regardie's* magazine. In this sense, *National Thrift News* did not always provide comprehensive coverage of a dominant and controversial player in its industry.

National Thrift News' coverage of Keating did not always describe the banker's role in the broader narrative savings and loan saga. An example was on August 14, 1989: "The now-defunct Lincoln Savings and Loan Association was a healthy institution when

⁷⁰⁶ Strachan, Stan, "Better Late Than Never," *National Thrift News*, November 13, 1989.

American Continental Corp. acquired it in 1984, says Lincoln's former chief executive Donald Crocker. Mr. Crocker's comments follow months of public statements by ACC's current chief executive, Arizona developer Charles Keating, that the thrift was already ailing when he acquired it in early 1984."⁷⁰⁷ This story does not make the connection of why a profitable Lincoln was important in the saga of the S&L debacle. However, the other newspapers reviewed here have even more significant coverage gaps, particularly *The Wall Street Journal* and *The New York Times*, which do not cover Keating closely before regulators seized Lincoln Savings. The delay in covering the Keating meeting and reporting on its consequences was a factor that allowed the fraud to continue for another two years, which expanded the cost of the taxpayer bailout.

This is a media failure. Evidence of this failure is seen in the enormous coverage these same newspapers gave to the Keating scandal during the Gonzalez hearing. It was newsworthy, by any measure, and they missed it. After Lincoln failed, *The New York Times* and *The Wall Street Journal* provided some excellent and interesting reporting on the case, exploring the vulnerable elderly bondholders and the complicit accountants. They called politicians such as Sen. Cranston to account. The analysis of the coverage shows the mainstream media was not incompetent; far from it, there were some excellent watchdog stories and reporting. Evidence of that talent includes *The Wall Street Journal's* reporting by John Fund and Brooks Jackson. *The Wall Street Journal's* post-Lincoln Savings collapse coverage was solid and energetic. At least three stories were framed around a complaint from a consumer group, Common Cause. The editorial page wrote important pieces that contributed to the understanding of the causes of the crisis.

⁷⁰⁷ n/a, "Former Lincoln Chief Says S&L Was Profitable," *National Mortgage News*, August 14, 1989.

The New York Times also had aggressive and extensive beat reporting on the case after regulators' seize Lincoln. One would wish they were on the story earlier, before widespread damage was done to the national economy and to elderly people who lost their savings.

Keating's reputation for litigation against his opponents weighed on the press coverage, yet the extent was difficult to discern. *The New York Times* and *The Wall Street Journal* published strong and critical stories about Keating, yet most of them fall after regulators intervened on April 13, 1989. Certainly, there was significant evidence available in the public record to cast questions about Keating's background and behavior before the bankruptcy, such as the 1979 SEC fraud settlement and the significant reporting by Binstein in *Regardie's* magazine. With the benefit of hindsight, we see the importance of early press coverage of these regulatory stories in a deregulated environment when government agencies were not always doing their job.

The review also shows most of the four newspapers' coverage was clustered around official events such as congressional hearings or pegged to an official source, such as a company announcement. Yet some of this coverage revealed a surprising disconnect. The newspapers had ample coverage of the 1988 deal between Keating and Wall, yet they neglected to write in detail about the Keating Five senators meeting, which was part of Keating's complaint against the agency. In this respect, *National Thrift News* performed a significant watchdog function by using sources to report on the Keating Five and the racketeering investigations. They did not wait for a regulator's press release. The newspaper advanced the cause of transparency and accountability in other ways: *National Thrift News* repeatedly identified the Keating Five senators by their individual names,

even in routine background references in other stories. *The Wall Street Journal* and *The New York Times* only began doing this after the Gonzalez hearings. The pattern of *The New York Times* and *The Wall Street Journal* ignoring good trade press coverage continued late into 1989. The *American Banker* delivered important reporting about Keating's Kuwaiti investors in October 1989, which gained little attention in the large newspapers. In light of *The Wall Street Journal's* late start on the Keating story, its November 20, 1989, headline during the Gonzalez hearings was quite ironic: "Sleeping Watchdog." The news media's surveillance function is explored even further in the following chapter and its study of media coverage of CenTrust, one of the largest thrift failures to happen in the savings and loan crisis.

Ch. 6: Media Coverage of CenTrust and David Paul

This case study examined media coverage by the *National Thrift News* of the failed CenTrust Savings and Loan in Miami and its owner David Paul, who had a personal and professional relationship with Strachan. This CenTrust analysis began January 1, 1984, at a time when the savings and loan crisis was not on the national agenda, and concluded December 31, 1993, when the crisis had peaked and was beginning to fade from the public agenda. The Keating and Lincoln Savings study, by contrast, looked at the 1986-1990 time period, when the crisis built and became a national news story. As such, CenTrust served as a valuable case study of media coverage of the crisis since it covered this broader time period.

Theory

This case study allowed an in-depth exploration of the central theoretical question in this dissertation, the role of autonomy as a professional norm in journalism. The content analysis and research of the *National Thrift News* coverage challenged key aspects of the political economy theory, since research showed Strachan acted independently of commercial pressures.⁷⁰⁸ The analysis of all five newspapers offered some support for the media theory known as the indexing hypothesis⁷⁰⁹ since the negative

⁷⁰⁸ Political economy was discussed in Chapter 2. Key leaders of this theory are Herman and Chomsky. *Manufacturing Consent*, 1988; McChesney. "The Problem of Journalism," 2003; Smythe, Dallas W. "On the Audience Commodity and Its Work," In *Dependency Road: Communications, Capitalism, Consciousness, and Canada*, Norwood, NJ: Ablex, 1981.

⁷⁰⁹ Bennett, "Toward a Theory of Press-State Relations," 1990; Entman "Cascading Activation" 2003.

newspaper coverage primarily started only after regulators criticized Paul and CenTrust for the \$25 million in rare art purchases. In this case, the media took its cue from an official institution, which is also the hallmark of the indexing theory. The political economy and indexing theories are described below.

The news coverage of CenTrust permits an examination of journalistic independence. Did Strachan's relationship with Paul influence the newspaper's coverage of CenTrust? Strachan's former reporters said no. To the contrary, they said Strachan allowed his young reporters to pursue negative stories about his source, and these stories were printed in *National Thrift News*. In this respect, Strachan's independence would challenge key tenets of the political economy theory. Under this theory, a trade publication such as *National Thrift News* would tread gently to avoid alienating advertisers and major corporate actors. One key element of the political economy theory is the financial power of corporations, such as banks and thrifts, both frame the parameters of coverage and the sourcing, resulting in a news product that rarely challenges the corporate status quo.⁷¹⁰ The Strachan and Paul relationship should be a classic example in support of the political economy theory. He was publisher of a newspaper financially dependent on the savings and loan industry and established to serve this industry. He had a social and professional relationship with a dynamic and politically active banker who advertised in the newspaper. The analysis of news coverage, however, does not support the outcome expected by the political economy theory.

⁷¹⁰ Herman and Chomsky, *Manufacturing Consent*, 1988; McChesney, "The Problem of Journalism," 2003.

The study does not find evidence *National Thrift News* gave more favorable treatment to Paul and CenTrust than the other newspapers. *National Thrift News*, in fact, printed some highly critical stories of Paul later cited by congressional investigators. The study finds the *National Thrift News*' reporting turned critical at about the same time as the other newspapers, except for the leader in the overall coverage, the *St. Petersburg Times*. *National Thrift News* made some significant contributions, for example, with investigative reporting into CenTrust's involvement in the international bank scandal of Bank of Credit and Commerce International. The Strachan case challenges the political economy theory because, as described earlier, this theory fails to account for individual agency. As described in more detail in this chapter, Strachan's idealism and commitment to professional ideals of journalistic independence guided the reporting that challenged powerful financial interests.

At the same time, the five newspapers' coverage of CenTrust and Paul aligns with critical theory that official institutions help set the agenda for news coverage. Bennett, Entman, Hall, and others describe how government officials legitimize certain news narratives.⁷¹¹ In this case, bank regulators' criticism of CenTrust and Paul put the story in play. With one exception the *National Thrift News* and the other newspapers did not write negative stories about Paul until regulators revealed the \$25 million in art purchases. The exception was a May 1988 *St. Petersburg Times* profile of Paul that reported he had falsified his resume.⁷¹² The media narrative turned decidedly negative in

⁷¹¹ Entman describes how government officials, from the president on down, can spread news frames to reporters and the public. See Entman, "Cascading Activation: contesting the White House's Frame After 9/11," 2003; also Bennett, "Toward a Theory of Press-State Relations," 1990; Hall et al "Social Production of the News," 1978.

⁷¹² Swasy, Alecia, "On Top and in Command: David Paul Is on a Mission to Build His CenTrust Kingdom," *St. Petersburg Times*. May 16, 1988.

March 1989, reflecting the rogue bank narrative. Yet this happened primarily because an official institution — not the press -- put this narrative into play. So in this respect, the journalism was not fully autonomous.

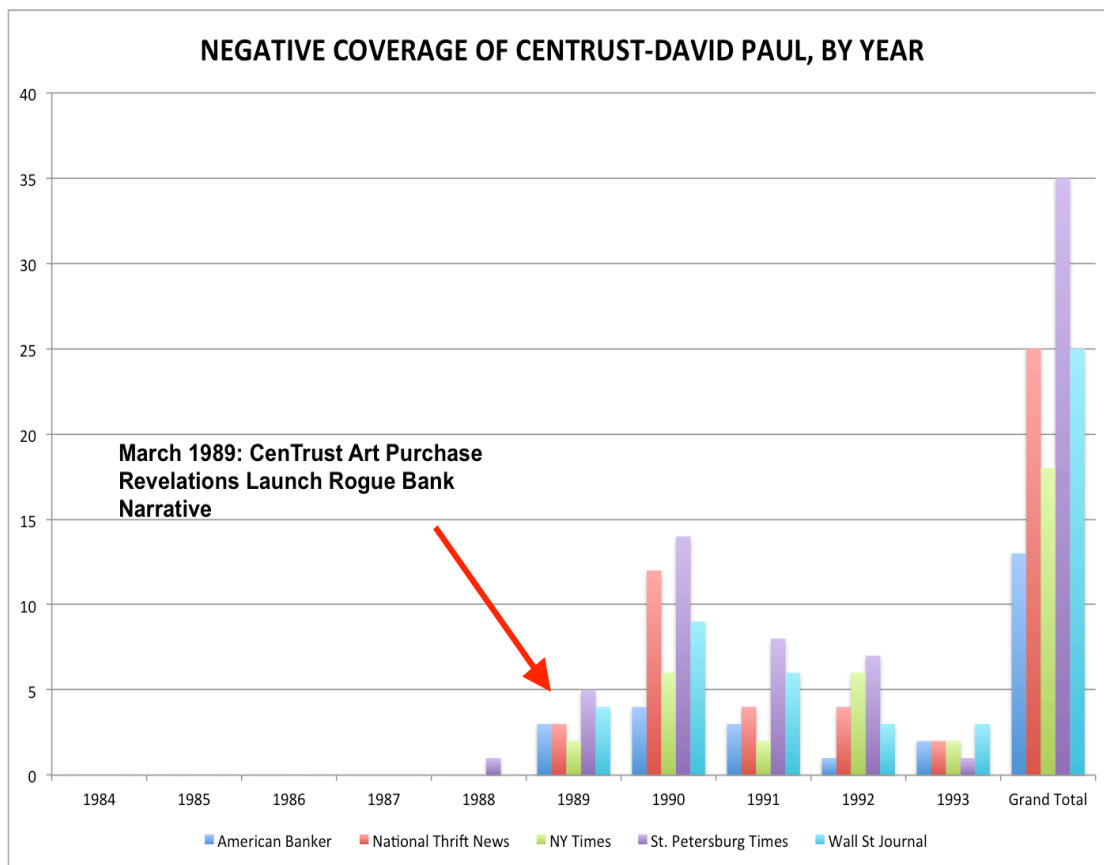


Figure 12. Negative coverage of CenTrust-David Paul. This chart shows negative articles about CenTrust began primarily after regulators criticized Paul's decision to use bank funds to buy rare art, such as a Rubens painting.

The CenTrust analysis examines the research question about aspects of a critical and autonomous business press. To do this, the dissertation examines the arc of CenTrust, its rise and fall, and organizes the material into two broad narratives: first, the rise of CenTrust as a rogue bank and second, the systemic questions about lax supervision that contributed to the savings and loan crisis. Such news coverage is compared across five newspapers: *National Thrift News*, *The Wall Street Journal*, *The New York Times*,

American Banker and *the St. Petersburg (Fla.) Times*,⁷¹³ an influential regional newspaper that covered CenTrust closely. It examines which newspapers first reported about the wrongdoings and in how much depth, and which ones picked up the story later or even missed the story altogether. This emphasis on timing, which newspapers were first, is important since one significant marker for a critical business press involves whether it uncovered wrongdoing at an early stage or at least raised questions about improper behavior.

Rogue Bank

Under Paul, CenTrust grew rapidly and became the largest thrift in the Southeast. Its collapse cost taxpayers \$1.7 billion, and represented the fourth largest S&L failure in history.⁷¹⁴ Paul later was sentenced to 11 years in prison on bank fraud charges, including his scheme to use the bank to acquire \$25 million in rare art, including the Rubens painting. Unlike Keating, Paul and CenTrust were not as well known. Major histories of the savings and loan crisis provided mostly a passing mention of Paul and CenTrust, unlike the detailed examinations of the Keating and Lincoln Savings saga.⁷¹⁵ The Lincoln Savings case drew more attention because of Keating's public battle with regulators and explicit influence peddling of congressmen. The Lincoln case also came before the CenTrust collapse and was featured in a major congressional hearing in October and November 1989. Key trends in the Paul and CenTrust story, from the battles with

⁷¹³ It is now known as the *Tampa Bay Times*.

⁷¹⁴ n/a, "CenTrust Chairman Sentenced to 11 Years," *Los Angeles Times*. December 2, 1994.

⁷¹⁵ See Mayer, *The Greatest Ever Bank Robbery*, 1990. CenTrust is mentioned in detail in two pages. Keating and Lincoln Savings are featured in two chapters.

regulators to his opulent spending to his risky investments in junk bonds, were broader themes in the savings and loan crisis as a whole. Because of these activities, David Paul became known as the "Charles Keating of Florida."⁷¹⁶

News coverage after March 1989 portrayed CenTrust as a rogue bank,⁷¹⁷ one that spent money irresponsibly on art, took excessive risks with junk bonds and trading, and argued with regulators whether its books and records accurately reflected the bank's financial condition. The analysis explores when the coverage first became skeptical, such as when outside experts were cited in the articles challenging CenTrust's official version of events. It also examines when the newspapers launched investigative reporting projects on CenTrust that cast a negative light on the company. In essence, the analysis examines when the newspaper coverage departed from the routine business reporting to reporting that questioned about CenTrust's legitimacy. The rogue bank analysis focuses on three developments: CenTrust's securities trading and junk bond investments, its rapid growth, and its art investments.

The singular event in the CenTrust-rogue bank narrative were revelations in March 1989 that Paul had purchased \$25 million of rare art with the thrift's funds. The

⁷¹⁶ n/a, "Review & Outlook: The People's Business," *The Wall Street Journal*, October 25, 1990.

⁷¹⁷ The literature review provides some insight about the elements of the rogue bank narrative. Mayer, *The Greatest Ever Bank Robbery*, 1990, spells out the following elements: 1) Heavy reliance on the national brokered deposit market versus deposit gathering from the community. Also, paying interest rates well above market rates to attract deposits (p 36); 2) Participating in land flips to fraudulently boost the price of real estate (p 54); 3) Using bank funds to speculate in the financial markets or risky land deals (p 166); 4) Nepotism in management (p 166); 5) Selling risky bonds to customers as safe investments (p 168); 6) Making campaign contributions with intent of having politicians pressure regulators to modify or end examinations (p 168). Mayer, *The Greatest Ever Bank Robbery*, 1990. Pizzo et al in *Inside Job*, 1989, provide other elements of the rogue bank narrative: 1) Using bank funds to finance a lavish personal lifestyle (p 5) 2) Sudden and rapid growth (p 5); 3) Use of outside investors with marginal reputations (p 5).

origin of this information was from Florida state regulators, not from a media investigation. Still, reports about the expensive art marked the point at which CenTrust gained notoriety, primarily due to a detailed March 1989 article about Paul's opulence in *The New York Times*. *The New York Times* barely covered CenTrust prior to the art story but after this point, it set the tone for other media to examine Paul more closely. Other news organizations, including *National Thrift News*, began more probing and negative coverage after this point.

Yet there were red flags about CenTrust's activities prior to the art story. The analysis examines the routine beat reporting on CenTrust, such as corporate earnings announcements and executive changes, to see if the newspapers warned readers about the speculative activities that were central to the thrift's failure. Some news organizations provided investors and the public with important clues about the rapid growth while others stuck to more routine coverage that appeared to rely on press releases - or ignored CenTrust altogether. *The St. Petersburg Times* challenged Paul and CenTrust's growth narrative with a detailed profile of Paul in 1988.⁷¹⁸ *The Wall Street Journal* provided detailed beat reporting and some important early warnings about Paul's controversial business plan, which essentially involved using the cheap funds from depositors to finance speculative trading in high risk junk bonds in companies. Some of these junk bond issuers later sought bankruptcy protection. In addition to *The Wall Street Journal*, the *St. Petersburg Times* and *National Thrift News* provided warnings about the junk bond strategy. *The American Banker* coverage had some warnings but did its reporting focused primarily on routine business coverage. The analysis below shows the newspapers that did this sort of basic reporting tended to have faster and more aggressive

⁷¹⁸ Swasy, "On Top and in Command," 1988.

coverage of CenTrust when its problems mounted. Related to the junk bond narrative was CenTrust's involvement with controversial financier Michael Milken, another factor examined in the rogue bank narrative.

The rogue bank framework helps explore a research question, how the *National Thrift News'* reporting differed from mainstream and general interest business publications. As the following analysis shows, *National Thrift News* did not lead on key developments in the CenTrust saga, in contrast to its leadership role in the Keating and Lincoln Savings stories. The *St. Petersburg Times* produced early reporting that raised questions about Paul's business activities while *The Wall Street Journal* described significant concerns about CenTrust. Still, the *National Thrift News* did produce some significant and detailed reporting on CenTrust, which included its 1991 coverage of CenTrust and its ties with to the Pakistan-based Bank of Credit and Commerce International, which was involved in money laundering and financing other criminal activities.

The CenTrust news coverage analysis also helps explore another research question, how the *National Thrift News'* status as a trade publication helped or hurt its reporting, and whether it followed or defied trade journalism norms. To answer this question, the analysis explores whether the news coverage of Paul and CenTrust served a specialized business audience, a norm for the trade press and whether it challenged powerful corporate or economic interests. In some instances, the *National Thrift News* coverage served primarily an industry audience with its narrow focus and technical language, in keeping with the trade press norms. Yet as CenTrust neared collapse, the newspaper's reporting was more suitable for a general audience with less technical

language and greater context that placed CenTrust within the broader problems facing the savings and loan industry. It also examines whether *National Thrift News* used routine company announcements, such as quarterly earnings reports or executive management changes, as a launching pad to tell a broader story about CenTrust and the industry, a technique commonly used by general circulation newspapers such *The Wall Street Journal*.

Systemic Failings

Lastly, the study examines when the more systemic questions about lax regulation and supervision arose in news coverage. When did the newspapers begin questioning the public officials responsible for protecting the public about CenTrust? The analysis examined when the coverage began to question if regulators supervised the thrift properly and whether regulators were influenced by CenTrust's lobbying activities. It examines coverage of Paul's campaign contributions and influence with local and national politicians. Much of the reporting about systemic problems about CenTrust, and its attempts to manipulate the regulatory process came primarily after its demise. By contrast, considerable reporting on Keating and Lincoln Savings focused on lobbying and influence peddling *before* its failure. For CenTrust, much of the political coverage was carried in the *St. Petersburg Times*, which focused on attempted manipulation of state regulators. There was little coverage of Paul's activities with national politicians, such as Sen. John Kerry, D-Mass., when compared to the Keating case. One possible explanation is timing: the Paul political manipulation revelations came amid an enormous surge of news coverage on the savings and loan crisis, which the downfall of much larger actors

such as Milken and the emergence of the international BCCI banking scandal dominating the news cycle.

Media Coverage Before CenTrust Seizure

This section describes how the news organizations covered CenTrust and David Paul during the thrift's expansion period from 1984 through January 1989, when the thrift began to lose money and the news narrative became more negative and probing. Paul's fraud was growing rapidly during this time. The second phase of the analysis then examines coverage of CenTrust's decline, from January 1989 to February 1990, when revelations surfaced about Paul using CenTrust funds to acquire an expensive art collection. This section concludes with regulators' seizure of the thrift on February 2, 1990.

Paul was a real estate developer who graduated from Wharton Business School and Columbia Law School. His real estate firm, Westport Co., in 1983 bought a money-losing thrift in Miami, Dade Savings and Loan Association, which he renamed as CenTrust. CenTrust engaged mortgage bond and junk bond trading, and made more money with its securities activities than its mortgage business in its early years. Paul became friends with Lewis S. Ranieri, former vice chairman of the investment bank Solomon Brothers, who joined the CenTrust board in 1987. Ranieri, a Wall Street legend instrumental in creating the mortgage backed securities market, had formed a friendship with Paul and was also very close friends with Strachan of the *National Thrift News*.

Rogue Bank Painting and Opulence

The news media narrative turned negative against Paul and CenTrust in March 1989. This is when the *St. Petersburg Times* and *The New York Times* reported that Paul used the bank's money to acquire \$25 million of rare art, which marked the beginning of the rogue bank narrative in news coverage. The Rubens painting tale provided a vivid

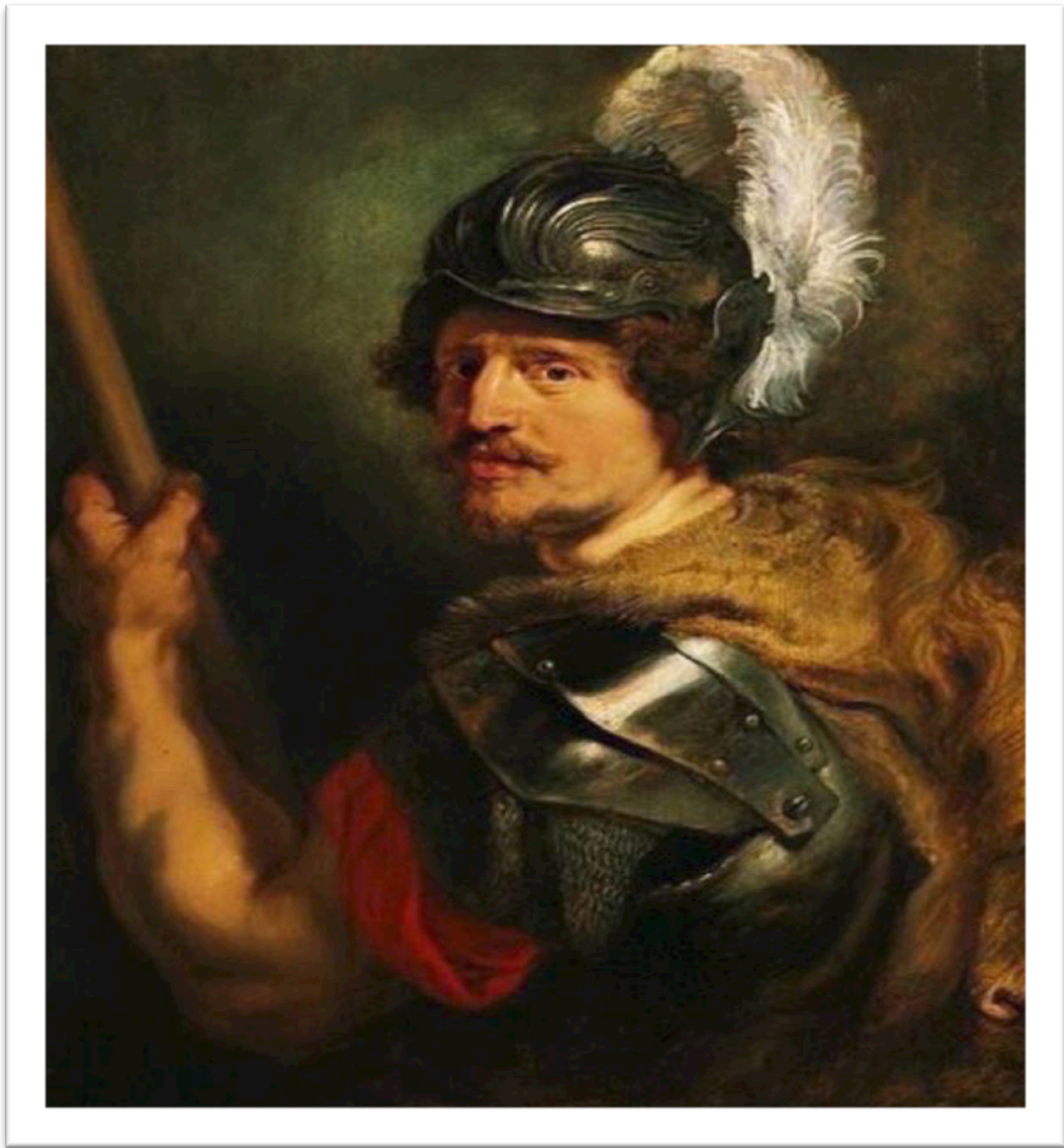


Figure 13. Rubens, "Portrait of a Man as the God Mars."
Paul used CenTrust funds to pay \$13.2 million for the painting. Credit: Wikimedia commons.

symbol of excess and opulence that served to define Paul in press coverage from this point forward. It would be one of the signature details of CenTrust's downfall.

The *St. Petersburg Times* on March 8, 1989 first reported on regulators' objections to Paul using CenTrust funds to purchase a painting, "Portrait of a Man as the God Mars," by Flemish master Paul Peter Rubens.⁷¹⁹ *The New York Times* followed up with a 1,760-word story interviewing art dealers who described how Paul had overpaid for the Rubens painting.⁷²⁰ The press reports said Paul had overpaid as much as \$10 million for the painting and the artwork was hanging in his home instead of the CenTrust office. After *The New York Times* story, the tone of CenTrust media coverage shifted and became increasingly negative. While the art tale was entertaining, it represented a deeper, ongoing battle between Paul and the regulators over management of CenTrust. Florida regulators, in ordering Paul to sell the art, made their concerns public in a letter that described fundamental problems with the bank. The *National Thrift News* picked up on this theme, noting CenTrust's art investments totalled \$25 million, or "3% of its regulatory net worth"; while the article did not fully explain this concept, it spoke to the highly speculative nature of the thrift's basic financial cushion. The article contained an interview with Paul, who defended his decision to have the painting hang in his house: "the thrift's new office tower has yet to be completed and he fears that humidity in the 'uncompleted office space' could harm the paintings."⁷²¹

⁷¹⁹ N/A, "CenTrust Ordered to Sell Pricey Painting," *St. Petersburg Times*, March 8, 1989.

⁷²⁰ The story was reported by *The New York Times*' art critic, not a member of the business reporting staff. See Glueck, Grace, "Florida Bank Ordered to Sell Part of \$28 Million Art Holdings," *The New York Times*, March 15, 1989.

⁷²¹ Muolo, Paul, "CenTrust Told to Sell Rubens," *National Mortgage News*, March 20, 1989.

The *American Banker*, however, did not lead with any articles about the CenTrust art controversy, according to the database search.⁷²² Subsequent reporting on August 7, 1989 claimed that CenTrust booked a profit with the sale of its art,⁷²³ whereas other media described Paul as taking significant losses in sale of the paintings.⁷²⁴ *The Wall Street Journal* was late to report on the art controversy, with its first article published on April 12, 1989, and the article that did not provide new details.⁷²⁵ The newspaper eventually published a detailed and highly critical story on Oct 18, 1989, which did not break any new ground from the prior reporting by *The New York Times*, *St. Petersburg Times*, or *National Thrift News*. But *The Wall Street Journal's* 3,313-word article was striking for its negative tone, which described Paul as a "flamboyant chairman." The article reported that funds for Paul's \$28 million art buying spree were "plucked from the funds of this federally insured institution even as CenTrust was losing money hand over fist... Embittered shareholders (some of whom are suing) say the chairman and his collection epitomize the excesses of speculation that set off the national S&L crisis."⁷²⁶

The article continued:

⁷²² The art sale was referred to in the 4th paragraph of Cox, Rebecca, "Miami's Ailing CenTrust May Sell Some Branches," *The American Banker*, July 17, 1989. The most extensive report was January 1991, nearly two years after the first article about Paul's art buying spree, and it primarily focused on art collecting by other banks. Michaelis, Vicki, "As Banks Slim Down, So Do Their Budgets for Artwork," *The American Banker*, January 24, 1991.

⁷²³ The *American Banker* cited a securities analyst, not an art broker, for the profit claim. Cox, Rebecca, "CenTrust Posts \$5 Million Loss After Hiking Junk-Bond Reserves," *The American Banker*, August 7, 1989.

⁷²⁴ Brannigan, Martha, "CenTrust Says Florida Forced It to Sell Its Art Collection at Unfavorable Prices," *The Wall Street Journal*, November 9, 1989.

⁷²⁵ de Cordoba, Jose, "Art Before Profit May Be Noble, But For a Savings Bank? --- Florida Tells Shaky CenTrust To Unload Its Collection, Which Features a Rubens," *The Wall Street Journal*, April 12, 1989.

⁷²⁶ Brannigan, Martha, "Musty Masters S&L's Art Collection Ordered to Be Sold Faces Skeptical Market," *The Wall Street Journal*, October 18, 1989.

Meanwhile, Mr. Paul and CenTrust executives are getting squeamish about opulence. Mr. Paul has been characterized as "the Great Gatsby or something," complains Karen E. Brinkman, an executive vice president of CenTrust. The media, she says, have distorted his personal life. Mr. Paul nods in agreement. "I don't think I have a life style that is, frankly, so flamboyant," he says. But at just that moment, he is interrupted in his office by a servant in tuxedo who pours coffee from silver into a cup of china and dabs the brim with linen.⁷²⁷

This art story became the brief contextual sentence used to describe Paul in subsequent coverage for the years ahead. References to Paul's "extravagant" or "opulent" lifestyle were images with considerable staying power: as recently as January 2000, *The Wall Street Journal* referred to Paul and art purchases.⁷²⁸ The review of news articles captured in the 1984-1993 search contained 53 references to "lavish" or its variations; 35 references to "extravagant" and 15 to "opulent." Paul, when asked about media coverage of the art, said the \$25 million art investment was never significant relative to the size of the bank, \$5 billion. "The art was insignificant... The point is relative to our size, the art was an excuse" to embarrass the company and make the case against Paul. "And by the way, the art ultimately sold more than what we paid for it. And I don't know a major bank in a country that doesn't have an art collection."⁷²⁹

A second narrative arose after the paintings story, the tales about Paul's 95-foot yacht, the "Grand Cru," a French phrase for superior vineyards. The *St. Petersburg Times*

⁷²⁷ Brannigan, "Musty Masters," 1989.

⁷²⁸ Bensinger, Ken, "Relic of S&L Scandal Rubens Painting Has Deflated Auction Prospects --- Portrait Now a Familiar Face At Sotheby's Played a Role In," *The Wall Street Journal*, January 20, 2000.

⁷²⁹ Paul, David, Interview with David Paul, April 17, 2016.

said the \$7 million ocean liner, with an interior “studded with 14-karat gold nails,” set “the standard for nautical narcissism.”⁷³⁰ The yacht featured comforts such as \$700 bed sheets and a skeet-launching device to allow guests shoot clay pigeons at sea. Tales of this yacht first arose in the *St. Petersburg Times* profile of Paul in May 1988.⁷³¹ The yacht then became the foundation for a political bribery story involving the mayor of Miami Beach. Paul’s house on Miami Beach’s La Gorce Island had a dock that required an extension to accommodate a 95-foot yacht. He sought a variance from the Miami Beach city council and was accused of bribing the Miami Beach mayor, Alex Daoud, \$35,000 to vote for the dock extension. Daoud was convicted of bribery in 1992 related to the dock vote.⁷³² Paul used the Grand Cru to throw political fundraisers and to entertain influential community figures, including journalists. Strachan and his family, along with Ranieri, visited with Paul on the Grand Cru.⁷³³ As with the paintings, Paul used CenTrust funds to pay for maintenance and services related to the yacht.⁷³⁴

Before the Rogue Bank: Search for Warnings

This analysis looked closely at the CenTrust coverage to see if there were clues or warning signs about the bank’s problems prior to rogue bank narrative. The next two sections analyze the regular beat reporting on CenTrust, such as the corporate earnings,

⁷³⁰ Grieff, James, “Burning A Hole In the Bank,” *St. Petersburg Times*, January 22, 1990.

⁷³¹ Swasy, “On Top and In Command,” 1988.

⁷³² n/a, “Former Mayor Guilty of Bribery,” *St. Petersburg Times*, September 26, 1992.

⁷³³ Ranieri, Lewis, Interview with Lewis Ranieri, August 12, 2015.

⁷³⁴ n/a, “Paul, CenTrust’s Ex-CEO, Receives 11 Years in Jail,” *The Wall Street Journal*, December 2, 1994.

merger announcements, and executive changes. First, the analysis will examine how the newspapers covered CenTrust's rapid growth. From 1984 to 1989, CenTrust's assets quintupled to more than \$11 billion and it became the largest thrift in the Southeast.⁷³⁵ A close examination of how the newspapers covered this growth is significant since a bank or thrift's rapid growth is a warning sign about excessive risk without controls against potential loan losses.⁷³⁶

News coverage of CenTrust prior to 1988 focused on acquisitions and attempted takeovers: the attempted takeover of Mass Mutual Mortgage & Realty Investors and ensuing litigation in 1984 and 1985 as well as the proposed purchases of Freedom Savings and Broward Savings in 1986 and Florida Federal Savings in 1988. Interestingly, all three of these mergers fell apart as they moved to completion and many wound up in the courts as Paul sued on various issues. In 1986, CenTrust acquired an insurance company, Kansas City, Mo.-based Old American Insurance Co. *The Wall Street Journal* observed on April 11, 1988, that CenTrust was "an aggressive thrift that has grown explosively" with assets of \$8.7 billion and 64 branches.⁷³⁷ CenTrust acquired a stake in a small West German bank, Rheinisch-Westfalisch Kreditgarantiebank AG, in 1988. This was an unusual international purchase for a U.S.-based thrift, since this sector of the industry normally focuses on the domestic housing market. "Analysts said they did not

⁷³⁵ Volsky, George, "Hard-Driving Banker Hits High-Rate Wall," *The New York Times*, March 25, 1989.

⁷³⁶ As noted on the methodology chapter, in the discussion of normative behavior of banks, regulators have long considered rapid growth a warning sign of credit problems at a bank. See n/a. "An Examiner's Guide to Problem Bank Identification, Rehabilitation and Resolution," 2001. Also note the comments by Ron Goff, vice president of Allen C. Ewing & Co. in Tampa. "If you look at companies that have grown rapidly, some have problems later on," Goff told the St. Petersburg Times. See Swasy, "On Top and in Command," 1988.

⁷³⁷ n/a, "CenTrust Savings Offers \$6.50 a Share For Florida Federal," *The Wall Street Journal*, April 11, 1988.

know of other U.S. thrifts that have invested in overseas banks or thrift like companies,” the *American Banker* reported. “I doubt the thought has even flickered across the minds of half a dozen thrift executives,” Jonathan Gray, a thrift stock analyst with Sanford C. Bernstein & Co., New York, told the newspaper.⁷³⁸

The early coverage in the *American Banker* and *St. Petersburg Times* showed some skepticism of Paul’s merger and expansion activities. A 1984 *American Banker* article noted, for example, how Paul “suffered two setbacks” in one week as he had “to withdraw a merger offer for one Florida thrift and was then sued by another.”⁷³⁹ It described the thrift’s active investment activities. The *American Banker* and others noted in passing that CenTrust was not a typical thrift and that its “earnings have not been from traditional sources.” “It is not an easy company to analyze,” Freedom Savings and Loan Chairman Robert Singer told the newspaper.⁷⁴⁰ Other articles, such as an April 11, 1988, report, described the acquisitive nature of CenTrust in the lead.⁷⁴¹ Yet in other instances, the *American Banker* did not explore a clear warning about CenTrust’s growth. The thrift’s commercial loans grew 788% in 1986, an extremely rapid rate of growth out of norm with the industry. This was mentioned only in passing in the bottom of a 700-word earnings roundup.⁷⁴²

⁷³⁸ Roosevelt, Phil, “Centrust Buys Stake in West German Bank,” *The American Banker*, February 18, 1988.

⁷³⁹ n/a, “Double Trouble for Miami’s Dade S&L,” *The American Banker*, May 4, 1984.

⁷⁴⁰ Basch, Mark, “CenTrust Makes Friendly Proposal To Acquire Freedom Savings and Loan,” *The American Banker*, February 27, 1986.

⁷⁴¹ Ellis, Linda, “Centrust Offers \$61 Million for Florida Federal; Miami Suitor Is Interested in Buying Certain Branches If Merger Is Unacceptable,” *The American Banker*, April 11, 1988.

⁷⁴² Hicks, Kenneth J. “Commercial Loan Growth Slows at Top Thrifts,” *The American Banker*, May 8, 1987.

On Nov. 4, 1987, the *St. Petersburg Times* had a forward-looking report that suggested the unusual and risky nature of CenTrust's business model. Most thrifts made money through the basic business of extending home mortgages and gathering deposits. CenTrust, however, earned its most of profits from trading securities and junk bonds. *St. Petersburg Times* found it newsworthy, then, to report in 1987 that CenTrust had made money from its basic banking business. This suggested Paul was using a risky investment strategy but that point was not developed explicitly in the reporting.⁷⁴³

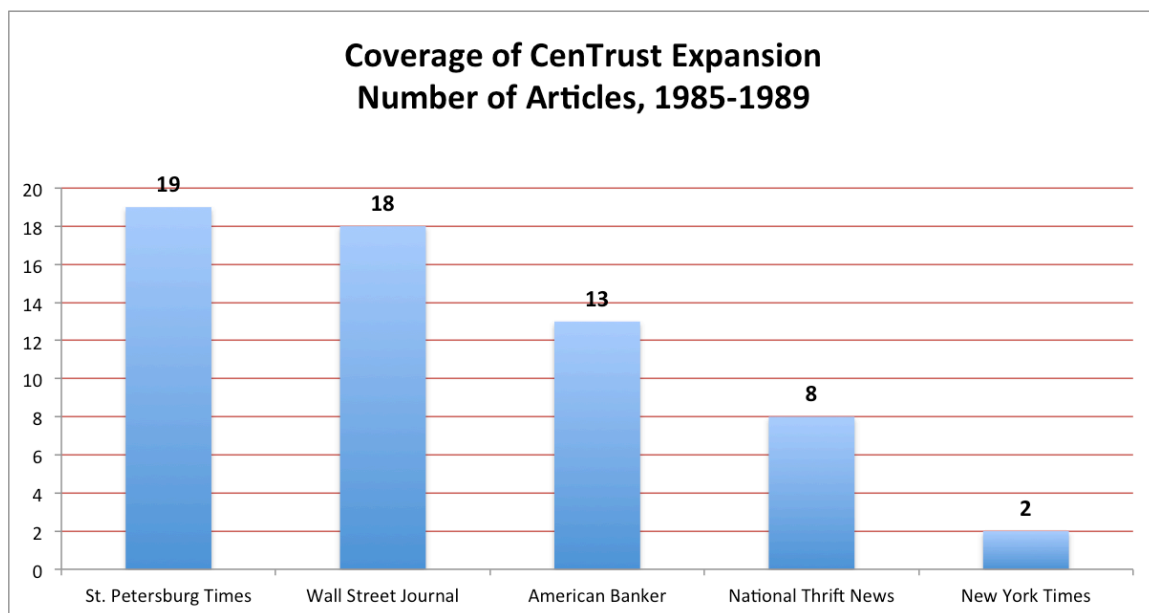


Figure 14. Reporting on CenTrust Expansion, 1985-1989.
A bank's rapid expansion has long been a red flag for future trouble with loan quality.

The *National Thrift News* covered CenTrust during this period but its coverage lacked the skepticism about the growth. Merger announcement stories up through 1988, for example, mostly were unbylined, brief stories that carried a statement from Paul with little outside commentary. Other articles only mentioned CenTrust in broader industry roundups. An October 19, 1987, article addressed the tremendous growth of CenTrust but

⁷⁴³ Stertz, Bradley, "Savings and Loan's Gains Help Boost Earnings for CenTrust," *St. Petersburg Times*, November 4, 1987.

only in the eighteenth paragraph of an industry roundup.⁷⁴⁴ The *National Thrift News* articles on this subject were not as detailed as *The Wall Street Journal* or the *St. Petersburg Times*. One exception was on June 6, 1988, when the *National Thrift News* reported on an important accounting change for trading of stocks and bonds. The effect on CenTrust was described beginning in the eighth paragraph, but the explanation was technical, spelled out in a 99-word sentence that quoted a bond circular that was not translated for general readership.⁷⁴⁵

The Wall Street Journal closely followed the merger and investment developments of CenTrust during this period. The *St. Petersburg Times* carried 19 items on CenTrust's expansion while *The Wall Street Journal* carried 18 articles versus eight by *National Thrift News*. The *American Banker* carried 13; the *New York Times* had two. For example, *The Wall Street Journal* published five articles about a merger and legal fight between Paul and Massachusetts Mutual Mortgage; the *National Thrift News* carried two articles.

Coverage of CenTrust's earnings announcements by these five newspapers was inconsistent at best, particularly before the rogue bank narrative emerged in March 1990. This represented a missed opportunity by the newspapers to alert readers and investors about potential abnormalities at the thrift. *The New York Times* had minimal coverage of CenTrust's earnings announcements, relegating important developments to brief statistical tables, such as the thrift \$5 million loss in August 1989.⁷⁴⁶ Most of the six

⁷⁴⁴ n/a, "Thrifts Face 'Tremendous Wave of Consolidation' as Spreads Narrow," *National Mortgage News*, October 19, 1987.

⁷⁴⁵ Hughes, John, "Rules on Accounting To Cause Controversy," *National Mortgage News*, June 6, 1988.

⁷⁴⁶ n/a, "Centrust Bank Reports Earnings for Qtr to June 30," *The New York Times*, August 10, 1989.

earnings stories in *The New York Times* were reported as statistical tables. *The Wall Street Journal* covered had six brief stories but rarely reported any outside analysis of the earnings announcements. It also missed an important announcement on January 16, 1990, when CenTrust reported losing \$97.3 million for the latest quarter. These earnings announcements were widely available as 11 were carried either on PRNewswire or BusinessWire, the common electronic services for company announcements.⁷⁴⁷

Another missed opportunity was the October 28, 1988, announcement that CenTrust posted a \$2.7 million loss for its most recent quarter. *The Wall Street Journal* wrote a separate item about the loss, albeit brief, and *National Thrift News* also led a package of earnings stories with the loss in a November 7, 1988, article.⁷⁴⁸ The *St. Petersburg Times* carried a brief item and *The New York Times* ran a statistical summary. This was an opportunity to issue a warning sign of the thrift's troubles since it had been reporting quarterly profits up until that point.

The *St. Petersburg Times* reported 11 earnings announcements, in keeping with the paper's close beat coverage of a major bank in the state. The *American Banker* reported earnings in eight articles, including a February 27, 1986, report that failed to correctly reflect CenTrust's actual net income or profits.⁷⁴⁹ Yet, other *American Banker* earnings stories had more context and depth than the competition.

⁷⁴⁷ Search of LexisNexis for CenTrust on the press release wires.

⁷⁴⁸ n/a, "CenTrust Savings Bank Lost \$ 2.7 Million in Its Fourth Fiscal Quarter," *National Thrift News*, November 7, 1988.

⁷⁴⁹ See Basch, Mark, "CenTrust Makes Friendly Proposal To Acquire Freedom Savings and Loan," *American Banker*, February 27, 1986. This article failed to report the complete net income figure, which subtracts taxes and extraordinary items such as merger costs. It said CenTrust reported net income of \$7.6 million "before extraordinary items" which is a misleading measurement since the "extraordinary items" reduce net income and could even mean the thrift reported a net loss. This is an earnings reporting error that is out of sync with *The Associated Press* style for earnings reporting.

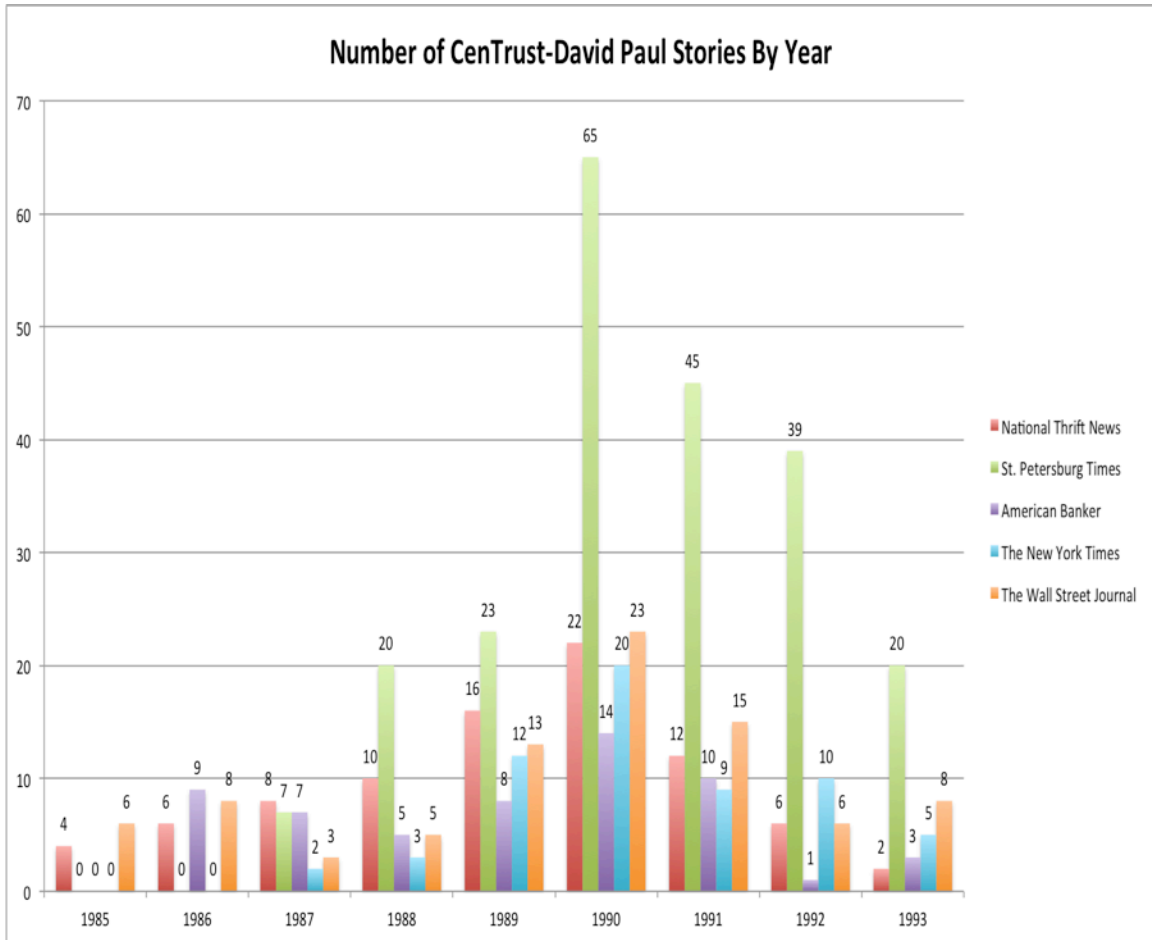


Figure15. CenTrust-Paul stories by year, 1985-1993.

Coverage patterns of CenTrust by the five newspapers shows a spike in 1990, when the thrift failed and more detailed revelations surfaced about Paul's mismanagement.

One example was CenTrust's \$5 million quarterly loss on August 7, 1989, which had significant detail.⁷⁵⁰ *National Thrift News* carried 11 brief articles on CenTrust's earnings announcements, but it did not use these routine announcements to explore deeper problems at the thrift. Most of the other earnings coverage was a routine recitation of the numbers without any additional analysis.

⁷⁵⁰ Cox, Rebecca, "CenTrust Posts \$5 Million Loss After Hiking Junk-Bond Reserves," *The American Banker*, August 7, 1989.

Simple reporting on company announcements can yield important insights. For example, the *American Banker* reported on October 2, 1987, that CenTrust appointed Ranieri to its board of directors.⁷⁵¹ This fit into the ongoing narrative about CenTrust's growth and emphasis on Wall Street trading strategies over core banking activities. *The Wall Street Journal* mentioned Ranieri's appointment in a 51-word brief item but later mentioned how Paul invoked Ranieri's name when he tried to convince regulators that the thrift's unusual business strategy was sound.⁷⁵² *The New York Times* briefly mentioned Ranieri's appointment but the *St. Petersburg Times* and *National Thrift News* did not. This is particularly odd since Ranieri was a valuable source and a personal friend of Strachan.

Accounting-Junk Bonds

The rogue bank narrative for CenTrust and Lincoln Savings can be traced back to accounting. In these two institutions, and for many similar banking scandals, the issues can be broken down to general themes. Were bankers trying to mask the actual losses in their lending or trading? Do they have enough money in reserve, or capital, to handle the losses? With CenTrust and Lincoln, accounting disputes figured prominently in the demise of the companies. Paul, for example, had a long-running argument with Federal Home Loan Bank regulators over accounting issues related to the formation of CenTrust and the value of its securities trading portfolio. This dispute was significant since one issue dealt with the thrift's capital cushion against loan losses and regulators believed

⁷⁵¹ Roosevelt, Phil, "Who's News," *The American Banker*, May 1, 1987.

⁷⁵² McCoy, Charles, Richard B. Schmitt, and Jeff Bailey, "Behind the S&L Debacle -- Hall of Shame Besides S&L Owners, Host of Professionals Paved Way for Crisis --- Auditors, Advisers, Officials," *The Wall Street Journal*, November 2, 1990. Ranieri said he served on the board for six months and never attended a meeting.

CenTrust had far less capital than Paul claimed. The second dispute about value of securities holdings was important to the thrift's solvency. The regulator's interpretation of market valuation for CenTrust's stock and bond investments, if upheld, would greatly reduce the value or even render as worthless significant portions of CenTrust's portfolio.

As early as May 1984, *The Wall Street Journal* provided some of the initial and most important warnings about Paul's controversial accounting practices. It reported on May 17, 1984, that Salomon Brothers had devised "a way of increasing earnings for a savings and loan client using an accounting method that some critics consider controversial." This accounting technique would create "instant earnings" through the purchase of government bonds and an accounting for goodwill, a type of intangible asset represented by brand recognition and franchise value. Paul and regulators fought constantly over this goodwill accounting issue through the decade.⁷⁵³

Several early stories also addressed the CenTrust investments in junk bonds. A Feb. 12, 1990, *National Thrift News* article noted the role of junk bond financing in CenTrust's demise. "This is the first thrift killed by junk," one analyst said.⁷⁵⁴ *The Wall Street Journal* had several articles on broader risks in the junk bond market and thrifts' relationship with Drexel Burnham Lambert. On December 19, 1986, *The Wall Street Journal* mentioned CenTrust in a roundup with other thrifts, describing the perils of junk

⁷⁵³ Berton, Lee, "Salomon Brothers Uses Novel Method to Lift S&L Client's Profit," *The Wall Street Journal*, May 17, 1984.

⁷⁵⁴ Muolo, Paul, "MeraBank and CenTrust Seized," *National Mortgage News*, February 12, 1990. As an aside, it's worth noting that Ranieri held a different opinion. "No thrift ever failed because of junk bonds," Ranieri told *The Wall Street Journal* on June 19, 1989.

bond holdings.⁷⁵⁵ CenTrust was a heavy purchaser of junk bonds; at the time of its seizure by regulators in February 1990, CenTrust had a \$922 million junk bond portfolio, “which includes such troubled debt offerings as Braniff Airlines, Integrated Resources, Hillsborough Holdings, and Eastern Airlines.”⁷⁵⁶ In a January 1991 lawsuit, the Resolution Trust Corp. alleged CenTrust at one point owned \$4.4 billion in junk bonds, many issued by Drexel Burnham Lambert.⁷⁵⁷

St. Petersburg Times in April 1988 sounded one of the early explicit warnings of this strategy: “In large part, he invested in junk bonds to boost earnings instead of concentrating on traditional banking operations,” observing this was “considered unorthodox in the thrift industry.”⁷⁵⁸ The *National Thrift News* on June 6, 1988, explored the implications of new Federal Home Loan Bank accounting rules on CenTrust’s junk bond portfolio, yet this story was confined to jargon of industry accounting issues.⁷⁵⁹ A much-improved explanation of CenTrust and its fight with regulators over accounting came on January 8, 1990, when *National Thrift News* discussed the implications of regulators forcing CenTrust to write down the value of defaulted bonds to market value. This would mean a 96% reduction in the value of the specific bonds at issue.⁷⁶⁰ All of the

⁷⁵⁵ This article came a month after Ivan Boesky’s plea on insider trading charges. Hilder, David B. “Thrifts With Junk-Bond Holdings Recover Some Recent Losses, but Uncertainties Linger,” *The Wall Street Journal*, December 19, 1986.

⁷⁵⁶ Muolo, Paul, “MeraBank and CenTrust Seized,” *National Mortgage News*, February 12, 1990.

⁷⁵⁷ n/a, “FDIC, RTC Suing Milken on S&L Junk Losses,” *National Mortgage News*, January 28, 1991.

⁷⁵⁸ Swasy, Alecia, “CenTrust Savings Offers to Buy Florida Federal,” *St. Petersburg Times*, April 9, 1988.

⁷⁵⁹ Hughes, John. “Rules on Accounting To Cause Controversy.” *National Mortgage News*, June 6, 1988.

⁷⁶⁰ Muolo, Paul, and Debra Cope. “CenTrust Bank, Miami, Seeks Merger With Ensign Bank, New York.” *National Mortgage News*, January 8, 1990.

newspapers had more extensive reporting on accounting disputes after the failure of CenTrust, and these reports are described in the section describing post-seizure coverage.

Turning Point: 1988, *Miami Review* - Faked Credentials

One foundational moment in CenTrust’s rogue bank narrative emerged in February 1988, when a local business and legal newspaper, the *Miami Review*, reported that Paul had falsified his resume. This article came as CenTrust had arrived on the social and business scene in Miami. By 1988, CenTrust had grown substantially and was finishing a new office tower in downtown Miami. Paul was active in the local symphony, arts, and philanthropic efforts. With this higher profile, the media began to take notice of CenTrust and its growth, and reporters began asking questions. The *Miami Review* reported Paul falsely claimed to have a doctorate from Harvard and a master’s in business administration from Columbia University in company biographies and this was had been reported in numerous publications.⁷⁶¹ Paul did graduate from Wharton Business School and Columbia Law School, however. Following on the *Miami Review* revelations, Alecia Swasy, then a *St. Petersburg Times* business reporter, wrote in an extensive profile of Paul. “When asked why he embellished his resume, the 49-year-old Paul says ‘there’s no excuse for it. But it’s not like I’ve killed anyone’.”⁷⁶² The *American Banker* published an August 2, 1984, article incorrectly saying Paul had a degree from Harvard.⁷⁶³ The *New York Times* and *National Thrift News* and the *St. Petersburg Times* published articles

⁷⁶¹ Swasy, “On Top and in Command,” 1988.

⁷⁶² Swasy. “On Top and in Command,” 1988.

⁷⁶³ n/a. “Dade Savings Names David L. Paul President.” *American Banker*, August 2, 1984.

criticizing Paul for faking his credentials. The Swasy profile provided vivid details of Paul's lavish lifestyle and described the warnings about CenTrust's growth:

Most Florida bankers and analysts remain skeptical of the thrift, which Paul took over five years ago when it was the very sick Dade Savings & Loan. They say Paul is growing too fast and eventually will fail. They say he has relied too much on slick accounting and high risk deals instead of old-fashioned banking. But Paul doesn't care what others say. 'CenTrust's success,' he says smugly, 'reflects the inadequacy of other management teams. People don't like that. But that's not my problem.'⁷⁶⁴

The profile included numerous red flags, such as Paul's inability to recruit staff from the community. "Nobody locally would go to work for us," CenTrust President Walter Shealy III said.⁷⁶⁵ This suggests local bankers would not risk their reputations by working for CenTrust. These were among the clues about Paul's behavior and activities were outside the normative behavior of bankers. Prior coverage in the *St. Petersburg Times* described Paul as a larger-than-life character; as early as July 20, 1987, the *St. Petersburg Times* referred to Paul as "flamboyant." The *St. Petersburg Times*, by 1988, showed Paul's regular litigation involving his personal and business life, describing him as "mercurial" in his attempts to gain control of several south Florida thrifts. For example, Paul filed a lawsuit against the Florida Division of Banking and Finance after his bid for Freedom Savings and Loan failed, accusing state officials of providing a competing bidder with inside information to make a winning bid.⁷⁶⁶ As discussed in the

⁷⁶⁴ Swasy. "On Top and in Command," 1988.

⁷⁶⁵ Swasy. "On Top and in Command," 1988.

⁷⁶⁶ n/a. "Newsmakers St. Petersburg Times 12/26/88." *St. Petersburg Times*, December 26, 1988.

methodology chapter, a normative feature of the banking industry involves minimizing and resolving conflicts, not exacerbating them through lawsuits.

A small number of the articles reviewed had positive portrayals of Paul. In *National Thrift News*, for example, Paul was portrayed positively in four of 86 articles.⁷⁶⁷ Examples of this positive coverage include Paul commenting as an industry expert at a conference, the announcement of CenTrust launching as a public company, or a positive earnings report. *St. Petersburg Times* had four positive portrayals out of 219 articles, which primarily involved references to Paul's charitable activities in Miami and a new college savings program sponsored by CenTrust. The single positive portrayal out of 61 articles in *The New York Times* was a 1988 article about a charity dinner, which later turned out to be a controversial use of the bank's money on a lavish event. Research for this dissertation found no positive portrayals in *The Wall Street Journal* or *American Banker* articles.

In the *National Thrift News*, 29 percent of its coverage had a negative portrayal of Paul, highly significant given the publisher's social and professional relationship with the Miami banker. *The New York Times*' coverage was the most negative, with 30 percent of its articles portraying Paul in a negative light while the *St. Petersburg Times* coverage had 16 percent negative portrayal. The *St. Petersburg Times* statistic in this case is skewed, however, due to its voluminous coverage of Paul and CenTrust. The *St. Petersburg Times* published 213 items on CenTrust and Paul, four times the amount of *The New York Times* coverage. As described earlier, the *St. Petersburg Times* published critical stories about Paul months ahead of the rest of the news media.

⁷⁶⁷ As discussed in the methodology section, positive portrayals emphasize Paul's viewpoint and elevate his stature without any rebuttal or element of skepticism.

Rogue Bank Narrative Grows: 1989

The rogue bank narrative gained momentum from March 1989 up to February 1990. The probing and negative articles were informed by earlier reporting about CenTrust's unusual business plan, its controversial accounting policies, Paul's faked resume, and the \$25 million spent on art. This narrative built as reporters looked at the bottom line and found CenTrust was losing money.

1989: The Year of CenTrust's Downfall

January	CenTrust Reports \$10.9 Mln Quarterly Loss
March	Regulators Order Paul, CenTrust To Sell Rare Artwork
April	Keating's American Continental Files For Bankruptcy, Lincoln S&L Fails
May	U.S. Thrift Regulators Impose S&L Growth Limits
May	Teti, CenTrust Chief Operating Officer, Quits
July	Shealy, CenTrust President, Quits
July	CenTrust Announces Major Downsizing, Sale of Branches. Expansion Era Officially Over
August	CenTrust Reports \$5 Mln Loss Due to Junk Bonds
August	New Law Boosts S&L Regulation, Creates Thrift Bailout Program
October	Keating Blasted at Cong. Hearings; S&L Crisis Gains National Attention
October	Regulators Order End of CenTrust Dividend Payments
December	Regulators Issue Cease & Desist Order; CenTrust Stock Falls
December	Regulators Seek Paul's Ouster from CenTrust

Figure 16. Major Events for CenTrust, 1989

The *St. Petersburg Times*, *National Thrift News*, and *The Wall Street Journal* noted the thrift lost \$11 million in its first quarter that ended December 31, 1988. All of the stories were brief earnings reports and came about six weeks before the art stories

emerged.⁷⁶⁸ These earnings reports provided a critical element to allow the media narrative to change: Paul was in trouble with regulators with his extravagance, he was using bank money to finance his opulent lifestyle, and now, the bank was losing money. *The New York Times* followed up on its art story with a March 25, 1989, piece examining Paul's controversial business model, which relied more on junk bond investments and trading than traditional savings and loan activities for profits. The article spelled out many of the elements of the rogue bank narrative. The lead paragraph described Paul as "acting like a hard-charging Wall Street trader" and noted in the second paragraph that "CenTrust is no longer the rising star of the savings and loan business."⁷⁶⁹ *The New York Times* described how the thrift's "profits suddenly evaporated" due to an adverse move in interest rates that reduced the value of its bond portfolio. The article described the leveraged investment in junk bonds and the thrift's trading strategies, questioned the adequacy of the thrift's capital cushion, and said further multi-million dollar losses were expected.⁷⁷⁰ Other newspapers also shifted their CenTrust narrative from rapid growth to one of managing financial and regulatory problems. Paul told the *National Thrift News* in May 22, 1989, that it now had a "no-growth' pledge" that was the result of regulators' actions and "because the current economic and political climate requires a more conservative and risk-based approach."⁷⁷¹

⁷⁶⁸ The earnings were reported as briefs in the following stories: "H.F. Ahmanson Earns \$67 Million For Quarter, Up 47% from 1987," *National Mortgage News*, February 6, 1989; n/a, "Stock Prices Advance Again," *St. Petersburg Times*, January 31, 1989.

⁷⁶⁹ Volsky, George, "Hard-Driving Banker Hits High-Rate Wall," *The New York Times*, March 25, 1989.

⁷⁷⁰ Volsky, "Hard-Driving Banker Hits High-Rate Wall," 1989.

⁷⁷¹ n/a, "CenTrust Savings Lost \$5.4 MM in Quarter," *National Mortgage News*, May 22, 1989.

Management Changes

As bad news emerged, senior management headed for the exits. Executive changes can be routine beat stories but they can provide readers with valuable insights if they are placed within the context of the thrift's broader troubles. *The Wall Street Journal's* coverage reflected this clearly and *The New York Times* coverage generally viewed the executive changes as a sign of broader problems. The other newspapers in this study, including *National Thrift News*, did not place these changes within the broader context of the thrift's troubles.

The Wall Street Journal's reporting on the departures of two senior executives in April and July 1989 — shortly after the art purchase revelations — was an example of how to place routine announcements into a broader context. Alfred L. Teti, senior executive vice president and chief operating officer, resigned in April 1989, and Walter D. Shealy III, president and chief operating officer, resigned in July 1989. *The Wall Street Journal* treated Shealy's departure as "the latest in a series of recent executive changes at the loss-ridden thrift" and noted CenTrust "has sustained huge losses recently." And a week later, *The Wall Street Journal* reported "CenTrust has also been shaken by a steady exodus of top executives."⁷⁷² In *The New York Times* May 31, 1989 article, Teti made the point of saying he was not part of the "flash and dash at Centrust - the junk bonds and the securities trading" but instead was running the traditional banking operation.⁷⁷³ Such a distinction is significant. Teti was seeking to disassociate himself from the speculative, and perhaps reckless, part of CenTrust and used a forum such as

⁷⁷² Brannigan, Martha, "CenTrust Savings Is Said to Be Close To Branches' Sale," *The Wall Street Journal*, July 17, 1989.

⁷⁷³ Cuff, Daniel F. "Business People; Top-Level Appointment Is Made by Amerifirst," *The New York Times*, May 31, 1989.

The New York Times to attempt to repair his professional reputation — and take a dig at his former employer.

The other newspapers missed the significance of these departures. *National Thrift News* reported Teti's departure in a June 5, 1989, item that focused on his new employer rather than the problems he was leaving behind. It also reported Paul's attempt to save face rather than address the underlying problems. Paul said Teti was the fifth CenTrust officer to become a chief executive of another financial institution.⁷⁷⁴ *National Thrift News* also failed to report a separate story on Shealy's departure, and instead mentioned it in passing in a Sept. 11, 1989, article. The *St. Petersburg Times* story on Shealy's departure was a 161-word item in a list of brief news stories on July 12, 1989, and relied on a company-prepared statement to note that Shealy would "pursue other interests."⁷⁷⁵ The story, however, did note that Shealy was the second top executive to leave in the last month. *American Banker* did not cover Shealy's departure.⁷⁷⁶

Red Flag: Branch Sale

As the financial problems mounted, Paul moved to sell much of CenTrust's branch network, officially ending his rapid expansion plans and signaling an era of retrenchment and regulatory battles. The branch sale announcement in July 1989, coming after the art controversy and poor earnings report, should have been a warning sign that

⁷⁷⁴ n/a, "Teti of CenTrust Going to AmeriFirst," *National Mortgage News*, June 5, 1989.

⁷⁷⁵ n/a, "Dow Makes Sixth Straight Gain," *St. Petersburg Times*, July 12, 1989.

⁷⁷⁶ One note about Shealy's departure, which none of the newspapers developed. The 39-year old Shealy had been in the post for about one year. This episode bears some similarity to Keating's American Continental, which had a 35-year-old CEO named Robyn Symes installed briefly in 1987. The age of the chief executives was relevant because it suggested two outsized and controlling personalities, Paul and Keating, were actually running the show and the senior management team served as figureheads.

CenTrust was in serious trouble. With this development, we see a split in coverage between the mainstream newspapers and the trade newspapers.

The most explicit warning was in *The New York Times*, which repeated concerns from its March story about CenTrust's investment business, quoting one analyst as calling it "a risky animal."⁷⁷⁷ *The Wall Street Journal's* criticism was more indirect, saying the branch sale "would help bolster CenTrust's weak capital position."⁷⁷⁸ This suggested the thrift was in significant financial trouble since it has to sell its retail banking operations to stay in business. That point was not made explicitly in *The Wall Street Journal* story. Other parts of the story, such as the executive departures, also suggested CenTrust was in trouble.

Both the *American Banker* and *National Thrift News* muddied their coverage of the branch sales with industry jargon, which is a norm for the trade press. *National Thrift News* described how the branch sales would help CenTrust achieve "positive tangible net worth."⁷⁷⁹ The *American Banker* coverage was mixed. Its July 17, 1989, headline on the branch sale described CenTrust as "ailing."⁷⁸⁰ The next day, it followed up and the article's lead paragraph was packed with industry jargon, saying CenTrust's sale of 63 branches with \$2.4 billion in deposits was "a deal designed to return the troubled Florida thrift to a positive tangible net worth."⁷⁸¹

⁷⁷⁷ Lev, Michael, "Great Western Expanding in Florida," *The New York Times*, July 18, 1989.

⁷⁷⁸ Brannigan, Martha, "CenTrust Savings Is Said to Be Close To Branches' Sale," *The Wall Street Journal*, July 17, 1989.

⁷⁷⁹ Kleege, Stephen, "CenTrust Sells Most Branches," *National Mortgage News*, July 24, 1989.

⁷⁸⁰ Cox, Rebecca, "Miami's Ailing CenTrust May Sell Some Branches," *The American Banker*, July 17, 1989.

⁷⁸¹ Cox, Rebecca, "CenTrust Savings to Sell Deposits, 63 Branches to Great Western Bank," *American Banker*, July 18, 1989.

The trade newspaper warnings were clearer when CenTrust said it was selling large portions of its junk bond investments. The *National Thrift News* framed the August 1989 junk bond sale as a last-ditch move, reporting CenTrust's "financial future appears uncertain in the wake of the recently passed thrift bailout bill."⁷⁸² *American Banker* reported CenTrust posted a \$5 million quarterly loss after boosting its loss reserves for its junk bond investments, another sign of a distressed bank trying to stem a decline.⁷⁸³

Another significant event in the beat reporting involved announcements of quarterly dividends. In October 1989, regulators ordered CenTrust to suspend its quarterly dividend payments to shareholders. Such a development is serious since a dividend suspension can make a company's stock less attractive to investors, causing them to either sell existing shares or avoid buying new ones. CenTrust's dividend payments were one way Paul was able to siphon money out of the thrift; in 1988, he received \$2.76 million in CenTrust stock dividends while his salary was \$550,000 and his bonus was \$300,000.⁷⁸⁴ *The Wall Street Journal* and *National Thrift News* articles provided additional, ominous detail that regulators labeled CenTrust a "troubled institution."⁷⁸⁵ *The New York Times* first mentioned the dividend suspension December 11, 1989, whereas the search did not capture any coverage by *American Banker* and *St.*

⁷⁸² n/a, "CenTrust Bank Sells \$ 300 Million Junk Bonds," *National Mortgage News*, August 28, 1989.

⁷⁸³ Cox, Rebecca, "CenTrust Posts \$5 Million Loss After Hiking Junk-Bond Reserves," *The American Banker*, August 7, 1989.

⁷⁸⁴ Atkinson, Bill, "Banking Bill's Pay Controls Cause an Uproar in Industry," *American Banker*, December 4, 1991.

⁷⁸⁵ Brannigan, Martha, "Dividend News CenTrust Ordered by Regulators to Halt Payouts on 2 Classes of Preferred Stock," *The Wall Street Journal*, October 16, 1989.

n/a, "Regulators Order CenTrust to Cease Dividend Payments," *National Mortgage News*, October 23, 1989.

Petersburg Times, thereby missing regulators' most aggressive action against CenTrust up to this point.

PR War

In the five months leading to regulators' seizure of CenTrust, a remarkable public relations battle played out between the thrift and its regulators, the federal Office of Thrift Supervision and the State Comptroller of Florida. This exchange provided insight about Paul's intensity, his litigiousness, and his push to preserve his financial empire. It also gave the Office of Thrift Supervision, a new regulatory agency created under the 1989 thrift bailout law, a chance to flex its regulatory muscle in wake of revelations about weak regulation of Keating's Lincoln Savings.

The dueling press releases, preserved in the PRNewswire and Business Wire databases, began in October 1989. That is when CenTrust complained about the Office of Thrift Supervision's order to suspend payment of its stock dividends. CenTrust then issued a press release on Nov. 8, 1989, complaining about the Florida Comptroller's order for a speed sale of the Rubens painting and other artwork. The Comptroller's office released its own statement, noting the art investments were highly unusual and improper for a thrift such as CenTrust, which "lost more than \$29 million during the last 15 months."⁷⁸⁶

When the Office of Thrift Supervision issued a cease and desist order on December 8th, CenTrust responded with a 500-word press release that asserted "not one

⁷⁸⁶ "Comptroller Gerald Lewis Takes Legal Action Against Miami Savings Bank to Expedite Sale of Valuable Art Collection," PRNewswire, November 8, 1989.

of the alleged issues raised by the OTS threatens the safety or soundness of CenTrust.”⁷⁸⁷ The federal agency issued a long, sternly worded release of nearly 1,200 words, noting the thrift’s “books and records are so incomplete” that the agency couldn’t determine CenTrust’s financial health.⁷⁸⁸ A similar back-and-forth occurred on December 20th with the Comptroller’s action to remove Paul from CenTrust. The thrift issued a second release announcing it had sued the Federal Deposit Insurance Corp. as well as the Office of Thrift Supervision and its director, M. Danny Wall, alleging the agencies had violated CenTrust’s constitutional rights.⁷⁸⁹

None of the newspapers led an article on this war of words between Paul and his regulators, although it was a theme reflected in the body of some articles. *The Wall Street Journal* discussed this escalating battle between CenTrust and the regulators in its routine beat coverage. In the cease and desist episode, for example, the news articles offered little sympathy for Paul and few articles adopted frames from the CenTrust press releases. The *St. Petersburg Times* gave the cease and desist order major treatment, a detailed 1,898-word story on page one that described Paul’s opulent spending and included blunt comments from regulators. The newspaper also compared CenTrust to the then-notorious Lincoln Savings, which had just been on the front pages due to the House Banking Committee hearings.⁷⁹⁰ The *American Banker* issued a firm warning on December 11, 1989, noting in its lead paragraph the cease and desist order was “one step short of

⁷⁸⁷ “Centrust responds to OTS announcement,” PRNewswire, December 8, 1989.

⁷⁸⁸ “OTS Issues Temporary Cease And Desist Order Against Centrust,” PRNewswire, December 8, 1989.

⁷⁸⁹ “Centrust Bank Announces Lawsuit Against The FDIC,” PRNewswire, December 20, 1989.

⁷⁹⁰ Huntley, Helen, “CenTrust Officers Blasted by Regulators,” *St. Petersburg Times*, December 9, 1989.

regulatory control.”⁷⁹¹ In a next-day story, the *American Banker* offered a significant warning about CenTrust’s troubles, noting “worried depositors continued to withdraw an undetermined amount of funds” from CenTrust, a clear indication that the thrift’s stability and public confidence were shaken.⁷⁹² It also described Paul’s political activity, saying CenTrust and Paul had made “significant contributions” to some 19 Democrats and two Republicans since 1987.⁷⁹³

The *National Thrift News* became increasingly critical of Paul, particularly after the cease and desist order; five negative articles about Paul and CenTrust were published between December 18, 1989, and January 29, 1990. In a December 26, 1989, article, *National Thrift News* led with Florida regulators seeking to ban Paul “the controversial and flamboyant thrift executive, from the ailing CenTrust Bank SSB here, saying he operates it as a ‘personal piggy bank.’”⁷⁹⁴ The 866-word article detailed Paul’s spending on art consultants and shopping trips at Tiffany’s for his wife, and concluded with allegations about Paul’s fake biography.

Following the cease and desist order, the junk bond narrative began to gain more emphasis. *American Banker* described the connection to Drexel Burnham Lambert in a December 1989 article, saying CenTrust “is suspected of being part of a daisy chain involving as many as seven thrifts that may have moved billions in junk bonds for Drexel Burnham Lambert Inc.” It cited sources as saying the Justice Department and the Securities and Exchange Commission were seeking to learn if CenTrust and Drexel’s

⁷⁹¹ Cox, Rebecca, “Cease-and-Desist Order Handed to CenTrust Savings,” *The American Banker*, December 11, 1989.

⁷⁹² McTague, Jim, “CenTrust Stock Nose-Dives After Regulatory Action,” *The American Banker*, December 12, 1989.

⁷⁹³ McTague, “CenTrust Stock Nose-Dives After Regulatory Action,” 1989.

⁷⁹⁴ n/a, “Florida Seeks Paul’s Ouster,” *National Mortgage News*, December 26, 1989.

bond deals were arranged at artificially inflated prices.⁷⁹⁵ The *American Banker* published a strong headline identifying the role of junk bonds in CenTrust's \$119.5 million quarterly loss on January 18, 1990. Despite the clear headline, the article fell victim to industry jargon: "The bank blamed its problems primarily on 'changes in law and regulatory directives,' specifically a requirement that it divest itself of high-yield securities at market value."⁷⁹⁶ This was yet another instance where the trade press norm of jargon diluted an article that could be useful for a general reader.

Proposed Sale to Ensign Bank

The 1990s began with CenTrust announcing a sale to New York-based Ensign Bank. This fit a pattern in bank failures. Regulators first will push a troubled bank to find a private buyer so the government does not inherit the expense of cleaning up a failed bank (recall Keating's attempts to sell or find a merger partner for Lincoln Savings before its failure on April 1989). Paul's proposal to sell Ensign was short-lived, however. The *American Banker* expressed considerable skepticism of a CenTrust sale, saying such a deal "faces formidable obstacles" because a money-losing thrift such as CenTrust will require millions of dollars in fresh capital to stabilize the institution.⁷⁹⁷ *National Thrift News* clearly told readers what was at stake, saying CenTrust was "fighting for its

⁷⁹⁵ McTague, "CenTrust Stock Nose-Dives After Regulatory Action," 1989.

⁷⁹⁶ Cline, Kenneth, "Junk Bonds Cited in CenTrust's \$119.5 Million Loss," *The American Banker*, January 18, 1990.

⁷⁹⁷ Cline, Kenneth, "Capital Snags CenTrust Deal, Analysts Say," *The American Banker*, January 8, 1990.

survival” with the Ensign merger.⁷⁹⁸ The Ensign deal fell apart after CenTrust released its quarterly earnings report that showed a \$119.5 million loss.

Trading Suspension

Even though regulators were aggressively pursuing CenTrust in the fall of 1989, the news media coverage occasionally missed important developments. For example, *The New York Times* and *St. Petersburg Times* buried a major development in January 1990. Regulators had suspended trading in CenTrust’s stock, a highly unusual and aggressive move that would further drive shareholders away from the thrift and dry up a key source of external financing. *The New York Times* mentioned the trading suspension two weeks later in a report about the regulators seizing CenTrust.⁷⁹⁹ The *St. Petersburg Times* reported this in the last paragraph of a Feb. 2, 1990 story.⁸⁰⁰ The *American Banker* did not report on the suspension.

Yet *The Wall Street Journal* and *National Thrift News* saw the significance of this action. *The Wall Street Journal* reported on the suspension on January 24, 1990. The *National Thrift News* reported on it on January 29, 1990, predicting the action was a prelude to a full government seizure of CenTrust.⁸⁰¹ This article, one of the few included

⁷⁹⁸ Muolo, Paul, and Debra Cope, “CenTrust Bank, Miami, Seeks Merger With Ensign Bank, New York,” *National Mortgage News*, January 8, 1990.

⁷⁹⁹ Nash, Nathaniel, “U.S. Seizes Centrust Of Miami.” *The New York Times*, February 3, 1990.

⁸⁰⁰ Greiff, James, “CenTrust Informant Says She Was Threatened, Fired,” *St. Petersburg Times*, February 2, 1990.

⁸⁰¹ Muolo, Paul, “OTS Orders Halt in CenTrust Stock Trading,” *National Mortgage News*, January 29, 1990.

in the House Banking Committee hearing record,⁸⁰² spelled out the poor quality of CenTrust's junk bond investments in Braniff Airlines and Integrated Resources, both of which had filed for bankruptcy protection.

While the *St. Petersburg Times* may have buried this important development, the newspaper delivered some significant and critical coverage in this period. It published six articles critical about CenTrust and its business operations between December 9, 1989, and February 3, 1990. A December 9 article predicted CenTrust would fail — two months ahead of regulators' decision to seize the bank: "Bert Ely, a financial institutions analyst in Alexandria, Va., said CenTrust almost certainly will fail and speculated that the thrift office's order was issued to buy time until the branch sales can go through. 'CenTrust is a gone institution,' Ely said."⁸⁰³ The newspaper then followed up with a hard-hitting and critical portrait of Paul shortly before regulators seized the thrift, a 3,160-word story detailing Paul's opulence and personal insecurity.

Seizure of CenTrust

The Office of Thrift Supervision seized CenTrust on February 2, 1990. *National Thrift News* wrote an 885-word story on page one about CenTrust's failure, which emphasized losses in the junk bond portfolio. The *St. Petersburg Times* also wrote a major story, some 1,125 words, on the collapse of CenTrust, and *The New York Times* published a 741-word article. This collapse happened during a momentous period of the savings and loan crisis: Milken's Drexel Burnham Lambert, a cornerstone of the U.S.

⁸⁰² *CenTrust Bank, State Savings Bank: Hearing before the Committee on Banking, Finance, and Urban Affairs, House of Representatives, (One Hundred First Congress, Second Session, March 26, 1990, Washington: 1990).*

⁸⁰³ Huntley, Helen, "CenTrust Officers Blasted by Regulators," *St. Petersburg Times*, December 9, 1989.

corporate bond market, filed for bankruptcy protection on February 13 of the same year. This was a major event for the savings and loan industry since some 200 thrifts held junk bond investments and Drexel was at the center of the junk bond marketplace.

Shortly after the CenTrust collapse, the *St. Petersburg Times* published a 2,307-word article about accounting scandals and problems in savings and loans, which noted the role of CenTrust's outside accounting firm, Deloitte and Touche, in signing off on the thrift's accounts. After a dispute, Deloitte quit and CenTrust hired Price Waterhouse. The decision to switch auditors is a red flag and an event that business journalists are encouraged to research. The Office of Thrift Supervision, however, said CenTrust's annual report in 1989 did not meet accounting guidelines and that it was "impossible to determine CenTrust's true financial condition."⁸⁰⁴ The *St. Petersburg Times* report, which described controversies involving other banks, had this remarkable comment about accounting standards during the savings and loan crisis:

Little wonder that some people think an auditors' opinion isn't worth the paper it is printed on. 'I don't even read the auditor's statement,' said Susan R. Leadem, a thrift analyst with Robinson-Humphrey Co. in Atlanta. 'Our theory is that we don't believe what the auditors say.'⁸⁰⁵

A September 1991 article by *National Thrift News*' Stephen Pizzo provided a better explanation of the accounting problems at CenTrust. Paul took the junk bond accounting issue all the way to the U.S. court of appeals in Washington, one step short of the Supreme Court. This litigation gained little coverage besides the *St. Petersburg*

⁸⁰⁴ Grieff, James, "Asked to Account," *St. Petersburg Times*, April 30, 1990.

⁸⁰⁵ Grieff, "Asked to Account," 1990.

Times, which reported on January 18, 1990 ,about the Appeals Court backing enforcement of accounting regulations.⁸⁰⁶

Politics - Keating

Following the collapse of CenTrust, the five newspapers began to explore the political dimensions of Paul's activities, a narrative generally not reflected in coverage up to this point. The *St. Petersburg Times* was an exception, as it raised Paul's political influence in a April 23, 1989, editorial and in a December 12, 1989, article, focusing on Paul's contributions to then-U.S. Rep. Bill Nelson, D-Fla.⁸⁰⁷ It also reported on December 21, 1989, about Paul's contributions to Florida Comptroller Gerald Lewis, who was the main state regulator of CenTrust.⁸⁰⁸ *National Thrift News* made a brief mention of Paul's political contributions before the CenTrust collapse with a December 26, 1989, article describing Paul's contributions to Democrats and to Lewis⁸⁰⁹. The *American Banker* noted on December 12, 1989, that CenTrust had contributed to the campaigns of 19 Democrats and two Republicans since 1987, but this was not the main theme of the article.⁸¹⁰ *The New York Times* and *The Wall Street Journal* did not report on Paul's political contributions prior to CenTrust's collapse. After the thrift's collapse in

⁸⁰⁶ Cline, Kenneth, "Junk Bonds Cited in CenTrust's \$119.5 Million Loss," *The American Banker*, January 18, 1990.

⁸⁰⁷ Dyckman, Martin, "Money Is Drowning out the Voice of the People," *St. Petersburg Times*, April 23, 1989; Morgan, Lucy, "Democratic Candidates Clash over 'Tainted Money,' " *St. Petersburg Times*, December 12, 1989.

⁸⁰⁸ Grieff, James, "State Demands CenTrust Oust High-Flying CEO," *St. Petersburg Times*, December 21, 1989.

⁸⁰⁹ n/a, "Florida Seeks Paul's Ouster," *National Mortgage News*, December 26, 1989.

⁸¹⁰ McTague, Jim, "CenTrust Stock Nose-Dives After Regulatory Action," *The American Banker*, December 12, 1989.

February 1990, the political theme became prominent. *National Thrift News* reported in April about the thrift's frequent campaign contributions to politicians while noting the CenTrust collapse would cost taxpayers potentially \$2 billion.⁸¹¹ On October 29, 1990, on the eve of the midterm elections, the *National Thrift News* published a 1,993-word story detailing how candidates for state and federal offices would be affected by the savings and loan scandal: "Democrats from coast to coast who have been tainted by the savings and loan crisis are likely to suffer little damage come election day but some Republican congressmen could be big losers."⁸¹² This story defied the trade press norms of covering politics in such detail; as Elfenbein wrote, trade newspapers generally avoided political reporting and instead focused on coverage to advance professional and business development.⁸¹³

Keating-Paul Similarities

The analysis of Paul's political influence brought up numerous comparisons to Charles Keating's activities. In an Oct 25, 1990 editorial, *The Wall Street Journal* referred to Paul as the "Charles Keating of Florida."⁸¹⁴ As the section below describes, the similarities between the two were substantial. Paul and Keating even had the same lawyer, Chicago attorney Steven Neal.⁸¹⁵ Paul and BCCI investor Ghaith Pharaon visited

⁸¹¹ Collins, Brian, "CenTrust Loss Is 'Near \$2B,'" *National Mortgage News*, April 2, 1990; n/a, "CenTrust Gave Funds To Many Politicians," *National Mortgage News*, April 2, 1990.

⁸¹² Muolo, Paul, "Republicans Are Facing Most Political Damage," *National Mortgage News*, October 29, 1990.

⁸¹³ Elfenbein, *Business Paper Publishing Practice*, 1952.

⁸¹⁴ n/a, "Review & Outlook: The People's Business," 1990.

⁸¹⁵ n/a, "Paul's Trial Begins," *National Mortgage News*, October 11, 1993.

Keating's vacation home at Cat Cay in the Bahamas.⁸¹⁶ Like Keating, Paul sought to gain favor of top politicians to help with his fights against regulators over CenTrust's operations. As *The Wall Street Journal* noted on Oct. 23, 1990:

The similarities between the two thrifts are striking: a high-living chief executive, huge investments in risky real estate and in junk bonds underwritten by Drexel Burnham Lambert Inc., a combative and litigious attitude toward savings-and-loan regulators, and hobnobbing with politicians.⁸¹⁷

Paul had contributed \$328,000 to various Democratic political campaigns. Sen. Bob Graham, D-Fla., and former Sen. John Kerry, D-Mass. — both members of the Senate Banking Committee — were criticized for their meetings and flights on Paul's jet. Rep. Nelson returned \$33,000 in contributions to Paul amid this scrutiny.⁸¹⁸ *The Wall Street Journal* editorialized on September 11, 1991 that "Mr. Paul's political connections trumped those of even Mr. Keating."⁸¹⁹ Further, Paul "met frequently" with some of the Keating Five senators, Donald Riegle and Alan Cranston, who held fundraisers on Paul's yacht, the *Grand Cru*, *The Wall Street Journal* reported. The *National Thrift News* on December 18, 1989 carried one of the earliest articles to detail a Paul-Keating link and interference with regulators. This article described an October 1988 supervisory report by a Federal Home Loan Bank Board noting concerns about stock transactions between

⁸¹⁶ Pizzo, Stephen P. "Special Report: CenTrust's Deep Entanglement With BCCI," *National Mortgage News*, September 23, 1991.

⁸¹⁷ Thomas, Paulette, "CenTrust Donated Political Funds, House Data Show," *The Wall Street Journal*, March 27, 1990.

⁸¹⁸ Thomas, Paulette, "Ex-Chairman of CenTrust Bank Named In Civil Charges Filed by Thrift Officials," *The Wall Street Journal*, October 23, 1990.

⁸¹⁹ n/a, "Review & Outlook: A Culture on Trial," *The Wall Street Journal*, September 11, 1991.

Keating's American Continental Corp., CenTrust, and Drexel. Drexel had served as CenTrust's investment banker in past transactions. This report said Keating wanted to sell one of Lincoln's units to CenTrust.⁸²⁰

National Thrift News, *The Wall Street Journal*, the *American Banker* and the *St. Petersburg Times* described how Paul, like Keating, faced an aggressive regional regulator who sought to shut down or limit speculative activities. The Atlanta Federal Home Loan Bank sought to issue a cease and desist order against the CenTrust in 1985, four years before such an order was actually issued. *National Thrift News* reported on September 23, 1991, that supervisory agent T. Park Zimmerman of the Atlanta Federal Home Loan Bank office "turned to Washington regulators requesting permission to issue a cease-and-desist order against CenTrust" but the request "fell on unwelcome ears."⁸²¹ Zimmerman was concerned that BCCI investor Ghaith Pharaon had violated regulations with his purchase of a 28 percent stake in CenTrust. Zimmerman's request was turned down by Rosemary Stewart, the same official who played a similar role in the Keating case. "According to the congressional report, the Federal Home Loan Bank Board's head of enforcement Rosemary Stewart balked at the request, having her deputy write to Mr. Zimmerman to remind him that '. . . junk bonds are a very sensitive issue . . .' and that, if pushed too hard 'CenTrust may resort to the use of political pressure.' "

National Thrift News, in covering the April 1990 congressional hearing on CenTrust, reinforced the Keating narrative.⁸²² One article reported, "Mr. Paul and his consultants were able to keep the regulators at bay while CenTrust racked up huge losses

⁸²⁰ Muolo, Paul, "CenTrust Gets C&D Order," *National Mortgage News*, December 18, 1989.

⁸²¹ Pizzo, Stephen P. "Special Report: CenTrust's Deep Entanglement With BCCI," *National Mortgage News*, September 23, 1991.

⁸²² Pizzo, "Special Report: CenTrust's Deep Entanglement With BCCI," 1991.

on junk bonds and mortgage securities...”⁸²³ Such consultants working for CenTrust included former Federal Home Loan Bank Board chairman Richard Pratt and two former general counsels of the Federal Home Loan Bank Board. Ashton Williams, Jr., Florida assistant comptroller, described how these luminaries pressured his office: "You had people of the stature of Salomon Brothers, Lewis Ranieri, personally embracing the business plan and strategy of CenTrust, telling the regulators how wonderful everything was, and that we ought to relax and give them time, and it would all work out.”⁸²⁴

The Paul-Keating connection was made explicit in the 1992 criminal indictment against Paul. *National Thrift News* noted Paul was charged with conspiring to structure stock transactions with Lincoln Savings and Loan so that both institutions could book illusory profits.⁸²⁵ Paul and Keating were named as co-defendants in a January 1991 fraud lawsuit against Drexel’s Milken. This lawsuit described the three as part of a conspiracy to use inflated junk bonds to further their illegal schemes at the respective thrifts.⁸²⁶ Rep. Gonzalez also paired CenTrust and Lincoln. He described how Paul, like Keating, met with then-Federal Home Loan Bank Chairman M. Danny Wall several times while the regulator was considering new examinations of CenTrust. The article reported, “CenTrust has the same sad-bottom line (as the Lincoln case) -- Washington could not get up the courage to act forcefully and support its troops in the field,” chairman Gonzalez said.”⁸²⁷ This article also noted Paul’s propensity for litigation, a trait similar to Keating. *The New York Times* reported Paul paid \$12 million in legal fees to

⁸²³ Collins, “CenTrust Loss Is ‘Near \$2B,’” 1990.

⁸²⁴ Collins, “CenTrust Loss Is ‘Near \$2B,’” 1990.

⁸²⁵ Pizzo, Stephen, “CenTrust’s Paul and Associate Indicted on 100 Charges,” *National Mortgage News*, May 18, 1992.

⁸²⁶ n/a, “FDIC, RTC Suing Milken on S&L Junk Losses,” *National Mortgage News*, January 28, 1991.

⁸²⁷ Collins, “CenTrust Loss Is ‘Near \$2B,’” 1990.

his main outside law firm, Paul Weiss, between 1983 and 1990, using more than 55 of the firm's lawyers on various CenTrust-related litigation.⁸²⁸

This political narrative was dominant in the *St. Petersburg Times*, which regularly reported on Paul's influence on the Miami Beach mayor, state Comptroller, candidates for governor, and the state's U.S. Senators. The newspaper spelled out Paul's meetings with former president Jimmy Carter and his \$100,000 donation to the Carter Center, which was funneled through the CenTrust Foundation. Carter met with Paul and financier Pharaon, the BCCI front man.⁸²⁹ The *St. Petersburg Times* devoted numerous articles to Comptroller Lewis, criticized for his relationship with Paul and his failure to shut down CenTrust quickly. Republicans sought to impeach Lewis — the only elected banking regulator in the country — for his role in the CenTrust affair and other thrift failures.⁸³⁰ Other articles described how Paul hired lobbyists to block legislation that would have affected his business; in one instance, Paul paid \$100,00 to a lobbyist to block a bill backed by Lewis to expand thrift supervision.⁸³¹

The relationship between Paul and former U.S. Sen. Bob Graham, D-Fla. drew considerable attention. In a March 29, 1990, article, the *St. Petersburg Times* reported Sen. Graham and other Florida congressmen complained that the Federal Home Loan Bank in Atlanta was being too hard on Florida thrifts, echoing a complaint that Keating's

⁸²⁸ Pizzo, "CenTrust's Paul and Associate Indicted on 100 Charges," 1992.

⁸²⁹ Dahl, David, "Gifts to State's Universities Are Falling Short of Pledges," *St. Petersburg Times*, September 23, 1991.

⁸³⁰ Moss, Bill, "House Report Scolds State Bank Regulator," *St. Petersburg Times*, February 4, 1992.

⁸³¹ Dahl, David, "State Comptroller Tells Panel He Was 'Stymied' on CenTrust," *St. Petersburg Times*, January 16, 1993.

allies had made about the San Francisco FHLB examinations.⁸³² After a series of incremental reports, the newspaper pulled together the Paul and Sen. Graham meetings in a 1,691-word story on Aug. 11, 1991, remarkable for its detail and timeline of contacts.⁸³³ The *St. Petersburg Times* then followed up with an editorial that took Graham to task: "Since Paul elaborately flaunted those and other political connections, any regulators who proposed to crack down on CenTrust would realize the political minefield they were stepping into. One regulator says Paul 'threw Graham's name at me maybe eight to 10 times' during one discussion."

The editorial continued:

At the very least, though, public officials should have distanced themselves and their staffs from Paul as soon as CenTrust's problems became known. No national politician - and certainly not Bob Graham - can be naive enough to fail to understand the ways in which the David Pauls and Charles Keatings of the world can manipulate the political system to insulate themselves from scrutiny.⁸³⁴

BCCI

CenTrust had a financial relationship with the Bank of Credit and Commerce International, the Saudi-owned bank that laundered money for arms dealers and drug runners.⁸³⁵ Global bank regulators seized BCCI in July 1991 and later New York

⁸³² Dahl, David, "Florida Lawmakers Complained in '87 on Behalf of Thrifts," *St. Petersburg Times*, March 29, 1990.

⁸³³ Dahl, David, "GOP CenTrust Ties Could Hurt Sen. Graham," *St. Petersburg Times*, August 11, 1991.

⁸³⁴ n/a, "It Looked Bad," *St. Petersburg Times*, August 16, 1991.

⁸³⁵ Fialka, John J., and Peter Truell. "Rogue Bank: BCCI Took Deposits From Drugs, Noriega, And Now Is in the Red --- Offshore Operator Cultivated Powerful U.S. Friends And Hired," *The Wall Street Journal*, May 3, 1990; Wells, Rob, "Unusual Cash

prosecutors filed bribery and fraud charges. The Federal Reserve fined BCCI \$200 million for illegally infiltrating the U.S. banking system. Pharaon, the Saudi investor who fronted for BCCI, acquired a 28% stake in CenTrust in 1988. Through Pharaon, Paul engaged in a sham transaction whereby CenTrust deceived regulators about its financial health. This was done by temporarily “parking” a \$150 million debt offering with BCCI; this phony debt sale was designed to deceive regulators by falsely showing CenTrust had increased its capital cushion against loan losses.⁸³⁶ This illegal transaction allowed CenTrust to remain open for another two years and expanded the cost of the taxpayer bailout by \$250 million.⁸³⁷

All of the newspapers except *The New York Times* reported on Pharaon’s investment in CenTrust in 1987.⁸³⁸ The *American Banker’s* coverage was particularly noteworthy and forward-looking. In a September 2, 1987, article, it noted Pharaon was then the second largest shareholder in CenTrust and provided some brief but significant background about Pharaon’s investment history and heavy debt burden at one of his Saudi companies, issues that would later figure prominently in the BCCI investigation.⁸³⁹ *American Banker* on March 4, 1988, noted Pharaon was a close personal friend of Paul’s.⁸⁴⁰ The *American Banker* carried a rare interview with Pharaon on June 3, 1991,

Flows at Houston Bank Once Owned By BCCI Operatives,” *AP News Archive*, August 8, 1991.

⁸³⁶ n/a, “CenTrust’s Paul Sent To Jail For Contempt,” *National Mortgage News*, March 2, 1992.

⁸³⁷ Pizzo, “Special Report: CenTrust’s Deep Entanglement With BCCI,” 1991.

⁸³⁸ *The New York Times* did not address the Pharaon and Paul’s relationship until March 25, 1989.

⁸³⁹ n/a, “Regulators Role Cited in Sale of CenTrust Stake,” *The American Banker*, September 2, 1987.

⁸⁴⁰ Cline, Kenneth, “Georgia Federal Suitors Revealed; Barnett Among Firms Said to Be Interested In Fuqua Subsidiary,” *The American Banker*, March 4, 1988.

one of the major pieces exploring the Saudi investor's activities in the U.S. market.⁸⁴¹ The story came a month before international bank regulators seized BCCI. *The Wall Street Journal* did a major investigative report on BCCI on May 31, 1990, more than a year before BCCI's collapse. This report about BCCI's global reach brought the bank's activities to the attention of a mass audience. It mentioned the CenTrust connection in a paragraph of a 2,995 word story.⁸⁴²

National Thrift News published investigative stories about the BCCI and CenTrust relationship in 1991 that examined Pharaon's ownership in CenTrust and a California-based thrift, Viking Savings. It also discussed the geopolitical dimensions of the Pharaon's activities, particularly a Saudi businessman's relationship with Paul and other pro-Israel political fundraisers.⁸⁴³ A second investigative report in September 1991 described how CenTrust was becoming "a banking surrogate" for BCCI in the U.S, a significant advance in the understanding about the BCCI-CenTrust relationship.⁸⁴⁴ This story also defied trade press norms by covering politics and international affairs, something far beyond the normal scope of a trade publication as described by Laib, Elfenbein, and others.⁸⁴⁵

⁸⁴¹ CenTrust plays a secondary role in this extensive article about Pharaon's U.S. activities. Cline, Kenneth, "Mystery of Ghaith Pharaon: Front Man or Real Investor?" *The American Banker*, June 3, 1991.

⁸⁴² Fialka and Truell, "Rogue Bank," 1990.

⁸⁴³ Pizzo, Stephen P. "BCCI Figure Has S&L Ties," *National Mortgage News*, April 1, 1991.

⁸⁴⁴ Pizzo, "Special Report: CenTrust's Deep Entanglement With BCCI," 1991.

⁸⁴⁵ As Janet Laib wrote in her 1956 study of the trade press, "If they dilute the subject matter with political coverage and other supported irrelevancies, they will get a diluted audience, and a diluted audience would weaken their appeal to advertisers who want to reach a specialized market of readers" Laib, "The Trade Press," 1955. Also note Elfenbein, *Business Paper Publishing Practice*, 1952.

The *St. Petersburg Times* had a significant article about Pharaon's investment in CenTrust in August 1987, which emphasized the Saudi investors connections to Bert Lance, the former aide to President Jimmy Carter. The *St. Petersburg Times* story took a critical eye towards the Saudi's investment history, noting he overpaid twice the market value for Lance's National Bank of Georgia and was facing financial trouble due to falling oil prices.⁸⁴⁶ It also carried a major story in June 1990 describing the BCCI relationship and the investigation of the illegal debt deal.

Beat Reporting

The CenTrust content analysis showed the value of beat reporting and how the steady coverage of company announcements, with the additional analysis to place them in proper context, can provide valuable insights for journalists and readers. This is especially true when a company's fortunes begin to slide. While the savings and loan crisis was an extraordinary event, the basic beat reporting turned up numerous and important clues well before regulators voiced concerns about CenTrust: its unusual securities trading and junk bond investments; its rapid growth; and its aggressive accounting policies. In this way, reporting of "normal" banking announcements, with journalists alert to broader issues, can detect emerging "abnormal" activities.

Basic beat reporting can provide an important surveillance function. News organizations can warn readers through short, daily news stories if they provide sufficient context. The *St. Petersburg Times*, for example, published 66 brief items about CenTrust on earnings, legal developments, and other events in the case. *The Wall Street Journal's*

⁸⁴⁶ Greiff, James, "Saudi Financier Buys Stake In CenTrust," *St. Petersburg Times*, August 13, 1987.

reporting on the departures of two senior executives from CenTrust in April and July 1989 — shortly after the art purchase revelations — was an example of placing routine events into a broader context. The first executive departure was Alfred L. Teti, senior executive vice president and chief operating officer, who resigned in April 1989. He was followed by Walter D. Shealy III, president and chief operating officer, who resigned in July 1989. *The Wall Street Journal* treated Shealy's departure as "the latest in a series of recent executive changes at the loss-ridden thrift."⁸⁴⁷ This is an example of a newspaper penetrating beyond bland statements that an executive was leaving to "pursue other interests" or to "spend more time with his family." Another example of putting basic announcements into broader context involved *The Wall Street Journal's* reporting about the thrift's expansion and acquisitions. Such articles alerted the public to an important fact: CenTrust was moving fast to become a leader in South Florida. Readers and regulators would find this valuable since, as described earlier, rapid growth of a bank or a thrift was standard warning for potential trouble.⁸⁴⁸

Beat reporting cannot provide a public service unless the journalists provide proper context and write in plain language for everyday readers. The content analysis showed significant problems in the newspapers' coverage of CenTrust's earnings reports, which can contain important clues about the companies' operating trends. Most of the six earnings stories in *The New York Times* had no context whatsoever; they were reported as statistical tables. *The Wall Street Journal* had six brief stories on CenTrust's earnings but rarely reported any outside analysis of the earnings announcements. Some of the earnings

⁸⁴⁷ n/a, "Walter Shealy Quits His Two High Posts At Troubled CenTrust," *The Wall Street Journal*, July 12, 1989.

⁸⁴⁸ Regulators and bank analysts have regarded rapid growth as a red flag for loan and credit quality problems. See discussion in Methodology section. n/a, "An Examiner's Guide to Problem Bank Identification, Rehabilitation and Resolution" 2001.

articles were drowning in industry jargon. A *National Thrift News* earnings roundup on February 6, 1989, didn't explore why CenTrust reported a \$10.9 million quarterly loss for the most recent quarter. Instead, the article used a statement from Paul that was laden with industry jargon. "This net loss is primarily attributable to the impact of an inverted treasury yield curve on our net interest margin and a lower level of gains on sale of loans and investments," Paul said.⁸⁴⁹

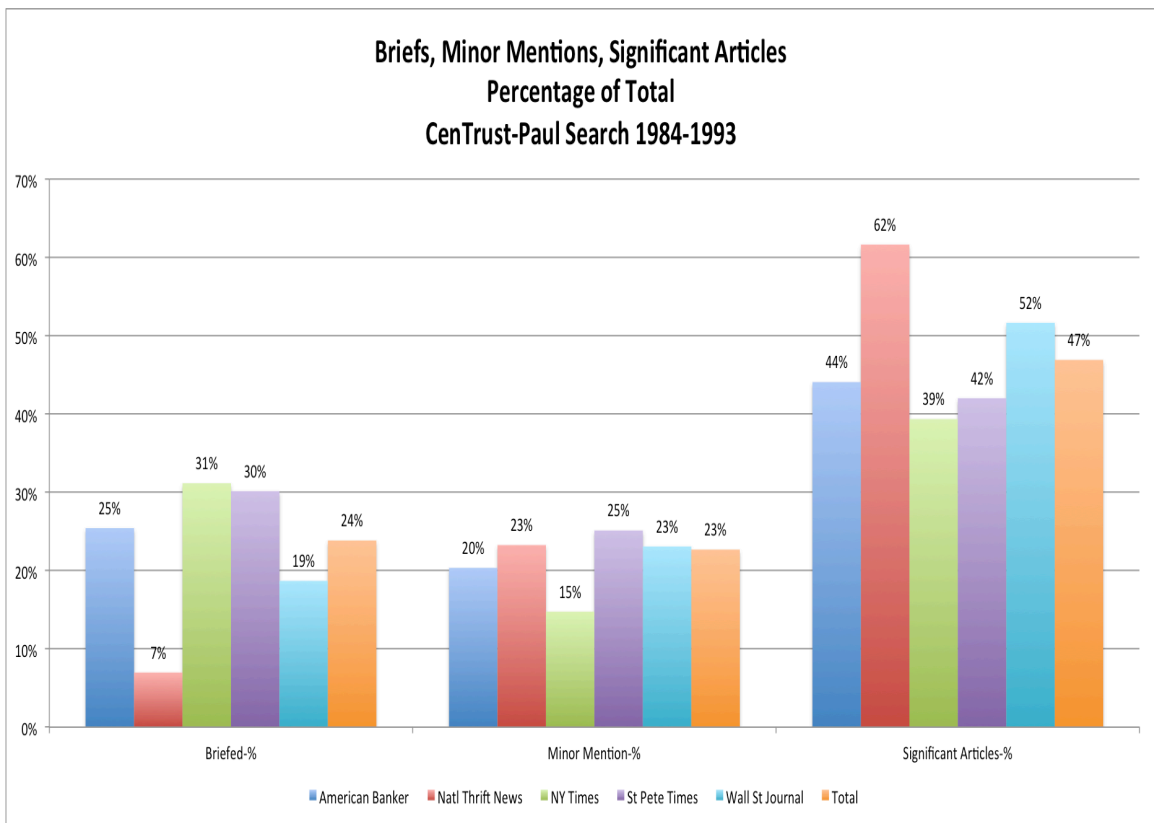


Figure 17. Brief stories on CenTrust, percentage of total coverage, 1984-1993. The frequency of brief stories can serve as a measure of beat reporting.

Another sign of beat reporting involves the amount of space news organizations devote to the articles. To measure this, the content analysis examined the number of

⁸⁴⁹ "H.F. Ahmanson Earns \$ 67 Million For Quarter, Up 47% from 1987," *National Mortgage News*, February 6, 1989.

significant articles published by each newspaper. Significant articles were coded as being greater than 200 words and with a primarily focus on CenTrust. Brief articles (200 words or less) or articles in which CenTrust drew only a passing reference in a broader story focused on another topic were not coded as significant articles. An example of a passing reference: an article focused on Drexel Burnham Lambert has a one-sentence mention of CenTrust as customer of the securities firm. Using these measures, the *National Thrift News* carried the highest percentage of significant articles about CenTrust. The analysis showed 62% of *National Thrift News* articles had a significant focus on CenTrust followed by *The Wall Street Journal*, with 52% of its reporting being significant CenTrust articles.

Paul Indictment and Trial

In 1992, Paul was indicted on 100 criminal counts that primarily alleged he misrepresented CenTrust's financial condition. During the trial, Paul did little to repair his public image. As the *St. Petersburg Times* reported August 4, 1992, "Ousted CenTrust Savings chairman David Paul walked out of his trial on federal civil charges Monday after lecturing the judge for 45 minutes about the proceedings."⁸⁵⁰ In November 1993, Paul was convicted of 68 counts of defrauding the bank. He was sentenced December 1, 1994, to 11 years, ordered to pay \$60 million in restitution, and given a \$5 million fine. Cheryl Bell, the financial crimes coordinator in the Miami U.S. attorney's office, told the *American Banker* that Paul was "south Florida's most notorious white collar criminal ...

⁸⁵⁰ n/a, "Ex-Thrift Chief Walks out of Trial after Lecture," *St. Petersburg Times*, August 4, 1992.

It's safe to say that there is no greater S&L crook on the East Coast than Paul.”⁸⁵¹ The newspaper said Paul's 11-year prison sentence and \$65 million in restitution and fines were slightly less than Keating’s punishment of 12 years in prison and \$122 million in fines. “These sentences are among the stiffest for crimes related to failed S&Ls, ” the newspaper reported. At sentencing, *The Wall Street Journal* on December 2, 1994, described Paul as "one of the most flagrant examples of savings-and-loan fraud." He served much of that sentence; U.S. Bureau of Prisons records show Paul was released Aug. 2, 2004.

Sourcing

One avenue to examine journalistic autonomy involves an analysis of disclosed sources in the news articles. Heavy reliance on business or government sources of information can suggest journalists are aligned with the worldview of the elites and may not serve the public at large.⁸⁵² Yet an analysis of sourcing alone does not prove journalists are biased towards elites, since many investigative reporters rely on government and business documents for their articles. Still, an examination of sourcing provides insight about the extent of research and diversity of voices in the reporting. This content analysis, for example, shows the newspapers generally relied on regulators and CenTrust as the primary sources. Industry officials and legislative entities also played a significant role.

⁸⁵¹ Rhoads, Christopher, “Prosecutions of ’80s S&L Figures Winding Down,” *The American Banker*, January 10, 1995.

⁸⁵² As noted in the Chapter 2 on Theory, Marx described how a ruling class with the means of material production can control mental production. See Marx and Engels, *The German Ideology*, 1845. Also note that Gramsci’s theory about a ruling class establishing a hegemony of ideas, a foundational concept in political economy theory. See Gramsci, *Selections from the Prison Notebooks*, 1999.

For example, *National Thrift News* relied heavily on regulatory sources, cited an average of 96% of all articles.⁸⁵³ The *American Banker* cited regulators the least, in just 55% of articles, yet the remaining newspapers tended to cite regulators about two-thirds

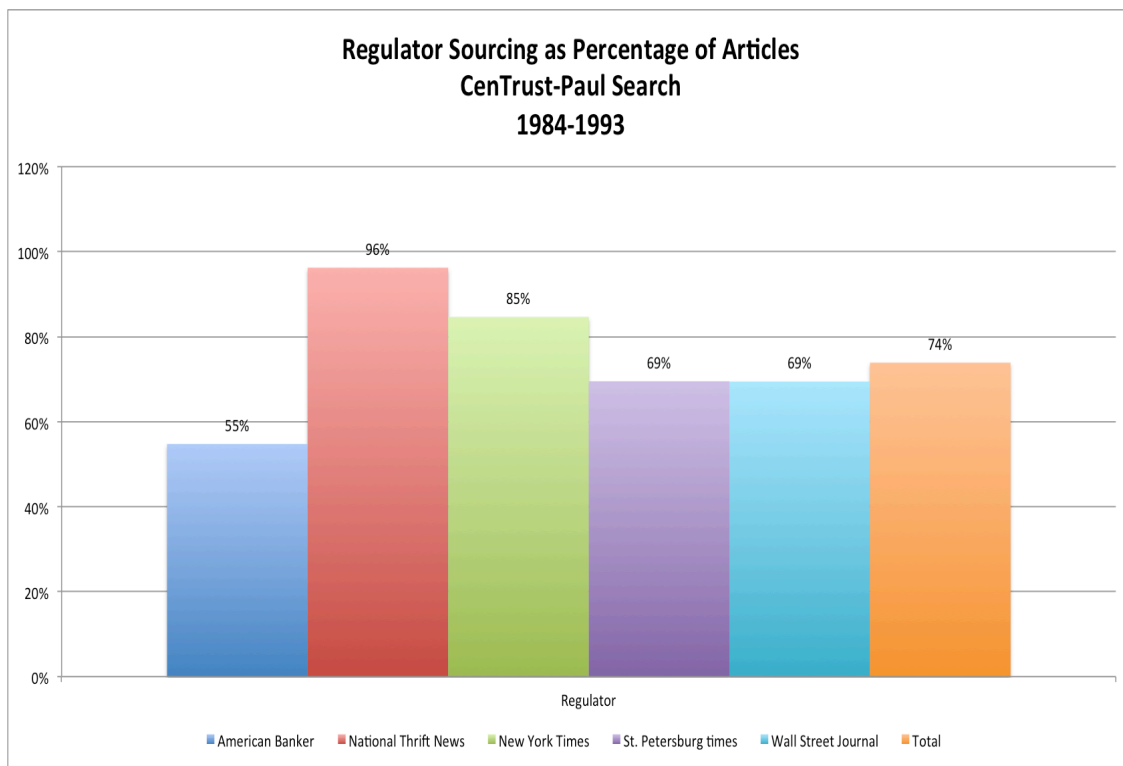


Figure 18. Use of regulators as sources, CenTrust coverage, 1984-1993.

of the time. This fits with a normative behavior of journalists relying on official sources for news coverage.⁸⁵⁴

⁸⁵³ A note about the sourcing calculations: Some articles cited more than one regulatory source or separate individuals from CenTrust. Each separate disclosed sourcing of a distinct source was coded, and the coding then was calculated as a percentage of the total articles. The exception involved David Paul, who was coded just once per article even if he was quoted multiple times. While not a perfect measure, these percentages allow a normalized measurement across the five newspapers. The absolute source coding is included in a separate table in the appendix.

⁸⁵⁴ Lashmar, Paul, “Subprime – the Death of Financial Reporting or a Failure of Investigative Journalism?” presented at the Technology, Education and Ethics Conference, University of Bedfordshire, UK, October 17, 2008.

The newspapers also relied heavily on CenTrust as a disclosed source, with the *American Banker* citing the company in 85% of articles reviewed whereas *The New York Times* cited it in just 37% of the articles. Statements or quotations attributed to David Paul were examined separately. Paul was cited in 27% of *National Thrift News* articles reviewed but only in 9% of *St. Petersburg Times* articles.

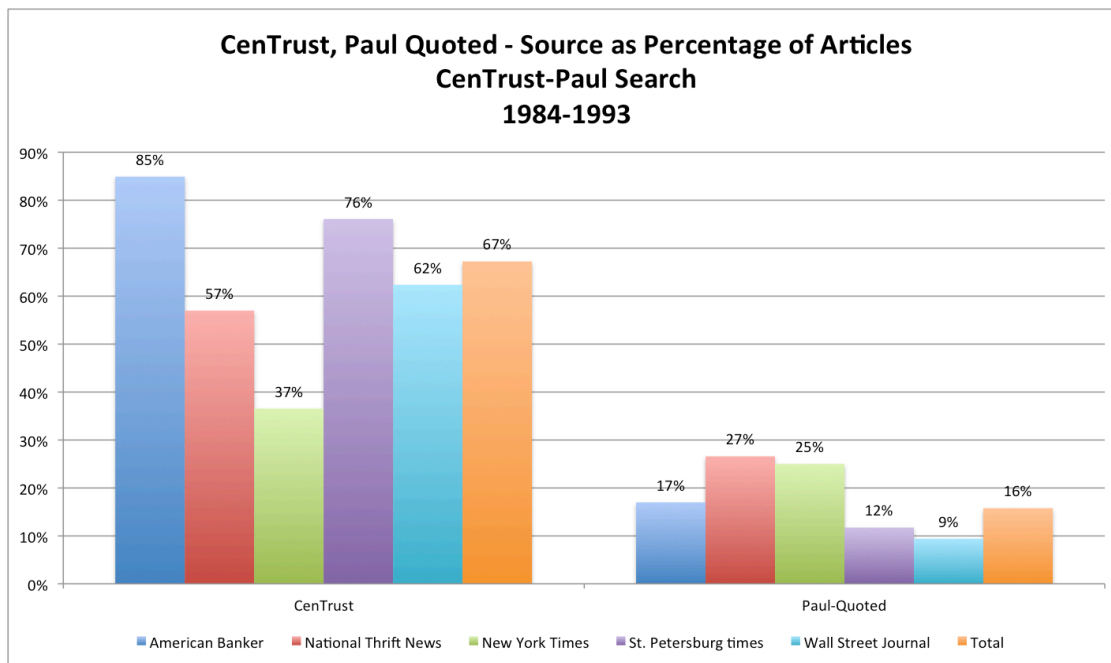


Figure 19. Percentage of stories with CenTrust, David Paul quoted, 1984-1993

National Thrift News may have quoted Paul most frequently, but the newspaper also cited anonymous sources most often, or in 11% of its articles, followed by the *American Banker*, which cited anonymous sources in 9% of its articles. None of the *St. Petersburg Times* stories reviewed cited anonymous sources. *The Wall Street Journal* cited industry sources in 62% of its articles, which ranged from competitors to data sources; *National Thrift News* cited industry sources the least amount, only in 19% of its

articles. And *The New York Times* made the heaviest use of analysts, citing them in 29% of articles, followed by the *American Banker* which cited them in 23% of articles.

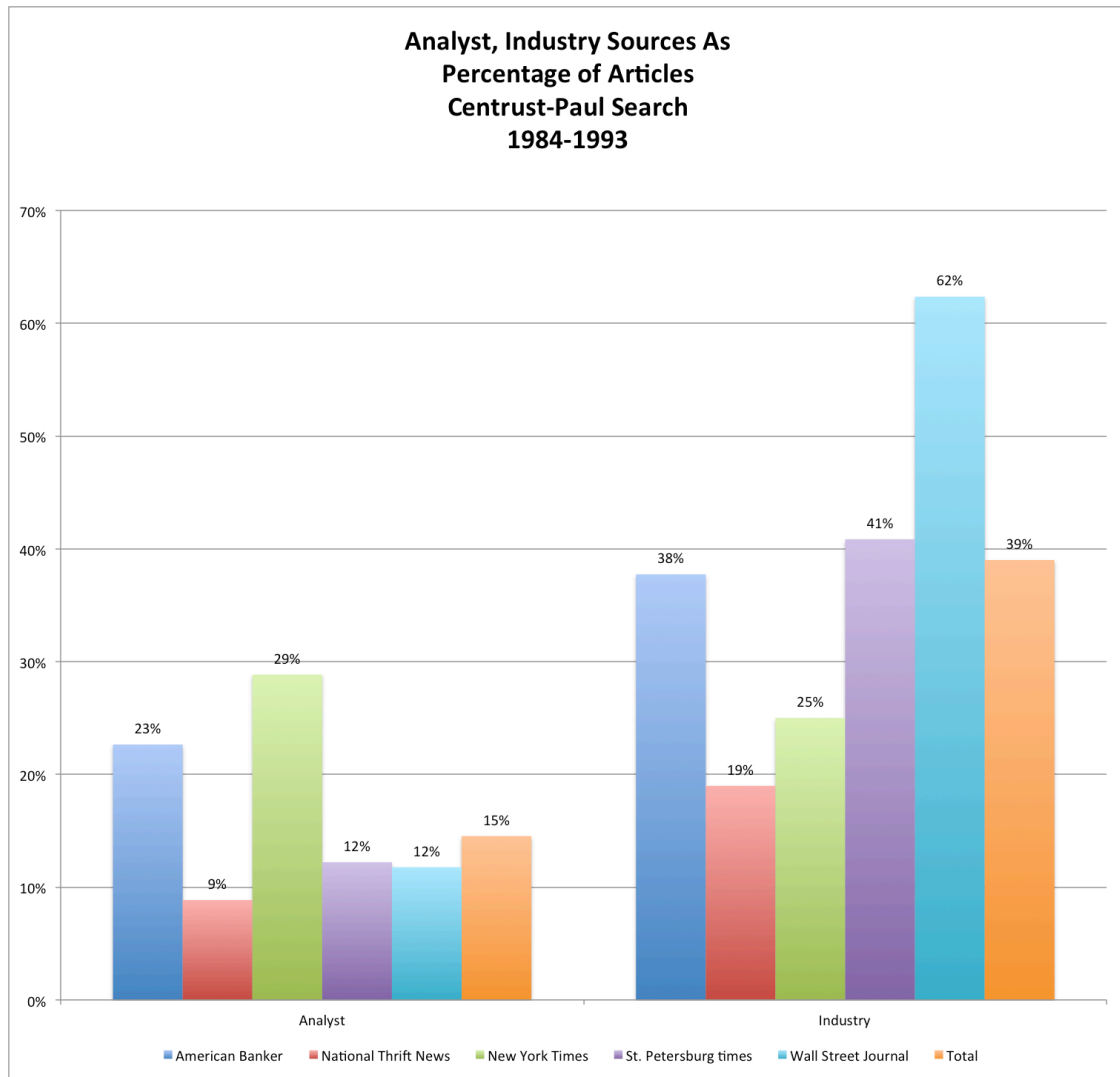


Figure 20. Percentage of CenTrust stories with analyst, industry sources, 1984-1993

The sourcing analysis can serve as an avenue to answer the second research question about the *National Thrift News*' role as a trade publication in reporting on CenTrust. Not many clear patterns emerge here. The newspaper's high use of regulatory and legislative sources could follow from the publication's reputation for deep

knowledge of the industry, which is a trade press norm. Yet this pattern is not replicated at the other trade publication under study, *American Banker*, which cited the fewest regulatory and legislative sources of the five newspapers. And a general interest newspaper, *The New York Times*, heavily cited regulatory sources while another general interest newspaper, the *St. Petersburg Times*, heavily cited legislative sources. *National Thrift News* also cited the highest percentage of anonymous sources in its coverage, 11%, well above the general interest newspapers, which could suggest it had some expert access. Alternatively, it could suggest that the trade press was more comfortable with citing unidentified sources, a practice generally avoided in mainstream publications. One surprising finding is the *National Thrift News* lagged all of the competing newspapers in citation of industry sources, cited in 19% of articles. It cited analysts in 9% of the articles. *The New York Times* cited analysts most often, in 29% of articles, whereas *The Wall Street Journal* cited industry officials the most, in 62% of its articles. Seeing the *National Thrift News* lagging in these two categories challenges the norm that a trade industry publication would serve as a forum for business voices in that profession.

There are other limits in the explanatory power of this coding scheme, as is the case with content analysis in general. Consider the finding that only in 9% of *St. Petersburg Times* articles carried quotations from David Paul. Yet the Florida paper had the heaviest coverage of CenTrust of all the newspapers examined. One reason for this is the sheer number of brief CenTrust articles carried in the *St. Petersburg Times* would reduce the percentage of articles in which Paul is quoted. Coding for attribution to Paul, as is the case with any coding scheme, has other limits. An article is coded for a Paul

quotation based on a single mention, but an article with multiple quotations also receives a single mention. So the coding does not reflect the content or depth of Paul's remarks. So this quantitative measure has its flaws, since the *St. Petersburg Times* did carry a highly important profile of Paul in May 1988, and the depth of this article is not reflected in the coding scheme. However, it does provide a useful overview of attribution patterns among the five newspapers.

Strachan and Coverage of Paul

The issue about Strachan's relationship with Paul speaks to one of the main research questions: the examination of a critical and autonomous business press. Did this politically active banker's social and professional relationship with Strachan shape the coverage?

Strachan was friendly with Paul, to the point of inviting him to his daughter's bat mitzvah at a time when Paul was awaiting sentencing.⁸⁵⁵ There are widely varying accounts of the depth of that relationship. Strachan's reporters alternatively called Paul a "friend" or a source. Pizzo recalled Paul "was a close friend of Stan's."⁸⁵⁶ Paul provided conflicting accounts. "I didn't know him that well," Paul said. Later, when pressed to elaborate, Paul said, "I would say we were friendly and I was a source for what was

⁸⁵⁵ Kleege, Stephen, Interview with Stephen Kleege, June 15, 2015; Wilson, Interview, June 23, 2015.

⁸⁵⁶ Pizzo, Stephen P. Interview with Stephen Pizzo, December 8, 2014.

going on. He would call and we would talk, as I am doing with you now. I have nothing bad at all to say about him. He tried to collect information.”⁸⁵⁷



Figure 21. Strachan and Paul.
In this undated photo, Strachan, left, and Lewis Ranieri visit at an industry conference with David Paul, second from right. Photo courtesy Hillary Wilson

A mutual friend of Paul and Strachan was Lewis Ranieri, who provided some insight. Like Strachan, Ranieri had a professional and personal relationship with Paul:

⁸⁵⁷ Paul, David L. Interview with David L. Paul, April 16, 2016.

Ranieri served on CenTrust's board for six months in 1987-1988.⁸⁵⁸ Ranieri said he and Strachan "both liked David Paul very much ... He was an amazing charismatic guy."

"Sometimes a charismatic nature can blind you to some things," Ranieri said. "I have no better explanation. I honestly did not think that he (Paul) was a bad guy. I thought he was kind of on the edge but not a bad guy. And I would let him speak for himself but that is probably what Stanley would say..."⁸⁵⁹

Strachan and Ranieri both took their families to Miami for a ride on Paul's 95-foot white yacht, the *Grand Cru*.⁸⁶⁰ Photos of that trip are in Strachan's family albums. "I got to ride on the boat like Stanley did," Ranieri said, adding he thought the gold ceilings in the yacht's dining room were "kind of odd."

Stephen Kleege, the *National Thrift News* associate editor, recalled that Paul attended bat mitzvah of Strachan's daughter, Hillary, in the early 1990s:

And David Paul was there and the videographer came around and David lifted up his menu to cover his face, because he didn't want to be on video. And in fact, I think he was due to go to jail in a few days, partly as a result of what Stan and other journalists had dug up.⁸⁶¹

⁸⁵⁸ McCoy et al. "Behind the S&L Debacle -- Hall of Shame Besides S&L Owners, Host of Professionals Paved Way for Crisis --- Auditors, Advisers, Officials," *The Wall Street Journal*, 1990.

⁸⁵⁹ Ranieri, Lewis, Interview with Lewis Ranieri, August 12, 2015.

⁸⁶⁰ The issue of other savings and loan executives splurging on expensive yachts was described in earlier *National Thrift News* coverage. See n/a. "Use of Vernon Yacht Will Cost Democrats." *National Thrift News*, July 13, 1987. This article describes the controversy of former U.S. Rep. Tony Coehlo, D-Calif., using a yacht owned by Vernon Savings and Loan chief Don Dixon. Coehlo used Dixon's yacht for campaign fundraising and did not reimburse the thrift executive.

⁸⁶¹ Kleege, Stephen, Interview with Stephen Kleege, June 15, 2015.

Strachan's relationship with Paul, however, is perhaps not remarkable or unusual at all. "David was a source of Stan's. They traded information like any reporter-source does," Muolo recalled.⁸⁶² It would be notable if the *National Thrift News* coverage somehow favored Paul or CenTrust, and the research does not show that was the case.

Clearly, Paul would not have been happy with some of the critical coverage in the *National Thrift News*. Some 29 percent of stories contained negative portrayals of Paul. The content analysis of *National Thrift News*' coverage clearly showed the newspaper, despite its smaller size, was competitive with the larger newspapers in its coverage of CenTrust and Paul. At the same time, *National Thrift News* did not break news early on major CenTrust developments, unlike in the Keating Five coverage. While *National Thrift News* did not break the painting story — it was behind the *St. Petersburg Times* and *The New York Times* — it advanced the Paul story with details about the thrift's shaky finances. It also provided considerable detail about the CenTrust-BCCI relationship, stories published before Paul's trial, which certainly could not have helped Paul's defense.

When looking at why was the *National Thrift News* did not lead on the CenTrust story, as it did with Lincoln Savings, one possible explanation involved timing and availability of resources. Muolo, Pizzo, and Fricker also were working long hours in late 1988 to finish *Inside Job* and meet a publisher's deadline.⁸⁶³ CenTrust's collapse,

⁸⁶² Muolo, Paul, Second Interview with Paul Muolo, December 8, 2014.

⁸⁶³ Fricker recalled that she went on part-time status at the *Santa Rosa Press-Democrat* to meet a critical November 1, 1988, manuscript submission deadline for *Inside Job*. Muolo and Pizzo had Strachan's support to juggle their reporting and book

beginning in the fall of 1989, came during a historic downturn and collapse of the savings and loan industry. Lincoln Savings became a dominant story and the subject of major congressional hearings at that time. CenTrust was seized by regulators two weeks before the bankruptcy of one of the most influential financial firms in the 1980s, Drexel Burnham Lambert.

Ranieri said Strachan did not seek out to write critically of his friends and business associates, but he didn't shy away from it. "He didn't do it on purpose but it didn't stop him. Stanley could like somebody a great deal and be very critical of him," Ranieri said. Ranieri recalled Strachan was upset about Paul's poor judgment about buying the art with CenTrust's money. "That didn't go over very well with Stan," Ranieri said. "And I just thought it was crazy."⁸⁶⁴

Pizzo recalled his conversations with Strachan about critical stories about Paul. "We started writing some very tough stuff on David Paul," Pizzo recalled. "He said boy you guys ought to be right...It wasn't the David Paul that he thought he knew." Despite this, Strachan allowed these critical stories to be published in the newspaper. "He never spiked a single story," Pizzo said.⁸⁶⁵ Muolo wrote stories about Paul's art investments and the junk bond dealings with Drexel and others. "Stan never once called me off doing any

writing duties. "Even with these accommodations, we were working nights (sometimes all night) and weekends...Looking back now, the years 1987-1989 are a blur," Fricker wrote. Fricker, Mary, "The Inside Story," *IRE Journal*, Spring 1990.

⁸⁶⁴ Ranieri, Lewis, Interview with Lewis Ranieri, August 12, 2015.

⁸⁶⁵ The term "spiked" is a journalistic term for a story being killed. Pizzo, Stephen P. Interview with Stephen Pizzo, December 8, 2014.

kind of reporting on CenTrust...That never happened,” Muolo said.⁸⁶⁶ Pizzo, in a 1997 remembrance printed after the editor’s death, recalled Strachan:

...Had the opportunity many times to ‘play along’ with the high-flyers. After all, Stan enjoyed the good life as much as anyone I’ve ever known, and he could have had plenty of it if he’d killed the right stories at the right time. But Stan never did that. Not once. He let his reporters call it the way they saw it, even when it hurt. That's what he meant when he said, "this is a reporter's newspaper."⁸⁶⁷

The one anomaly, when compared to the Keating Five coverage, was this: the *National Thrift News* did not publish an editorial containing the terms “David Paul” and CenTrust during the time period examined. Neither did *American Banker* nor *The New York Times*, for that matter. These are curious omissions given the gravity of Paul’s crimes and the cost to the taxpayers for bailing out CenTrust. The *St. Petersburg Times*, however, mentioned CenTrust and Paul in 15 editorial or commentary pieces, primarily references to Paul’s attempts to influence local and state political leaders. And *The Wall Street Journal* wrote six editorials or opinion columns on the CenTrust scandal.

Critical Press - Before & After the Fact

This dissertation seeks to understand what patterns and practices constitute a critical business press. The outstanding example in the CenTrust coverage was the *St. Petersburg Times*, particularly with its May 16, 1988 critical profile of Paul, an extensive article that questioned his business activities and highlighted his lavish lifestyle. This

⁸⁶⁶ Muolo, Paul, Second Interview with Paul Muolo, December 8, 2014.

⁸⁶⁷ Pizzo, Stephen P. “A Friend And Colleague Remembers Stan Strachan,” *National Mortgage News*, January 13, 1997.

story came a full 10 months before regulators began to act and the news media narrative turned sharply critical against Paul and CenTrust. This May 1989 *St. Petersburg Times* article was a rare instance of a significant story that was not pegged to an official announcement or regulatory action. Was Alecia Swasy's hard-hitting profile of Paul the equivalent of the *National Thrift News*' expose of the Keating Five meetings? The only similarity would be Swasy's article described some aggressive business practices that would up being at the heart of CenTrust's financial problems. Read in hindsight, the

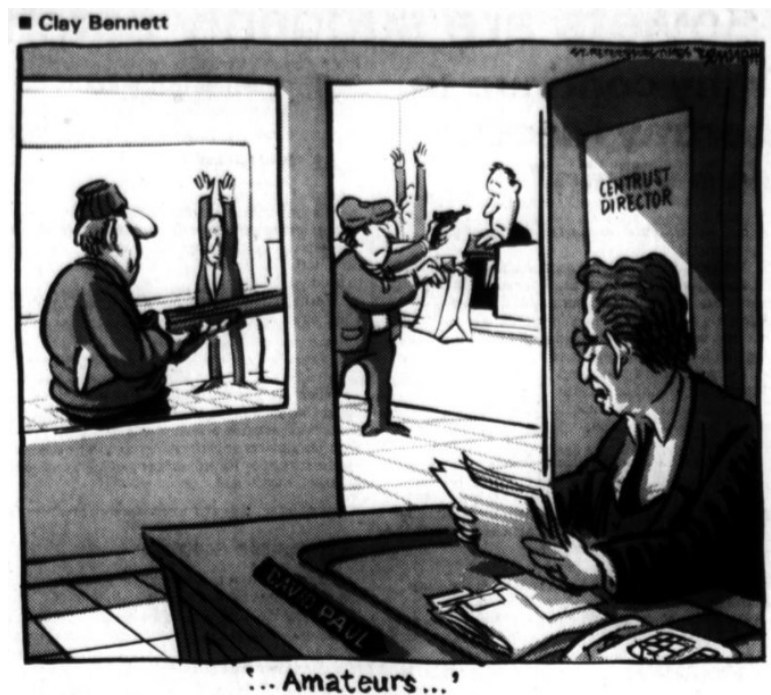


Figure 22. CenTrust-Bank Robbery. This Feb. 6, 1990 *St. Petersburg Times* editorial cartoon depicts two types of bank robberies. Credit: Clay Bennett, *St. Petersburg Times*.

profile offered clear clues about Paul's extravagant lifestyle that turned into significant regulatory problems. And, like the Keating Five story, the rest of the news media essentially ignored Swasy's profile of Paul until state regulators announced their concerns about the art collection in March 1989 — at development the *St. Petersburg Times* also was first to report. The similarities end there, however. The *National Thrift*

News report on the Keating Five clearly described influence peddling at a national level and involving five U.S. Senators.

Aside from the Swasy profile, few articles prior to the regulatory action challenged the business plans of CenTrust and Paul. Below are a few examples of articles prior to regulators' seizure of CenTrust that offered a challenge to Paul. A 1984 report in *The Wall Street Journal* described questionable accounting practices at Dade Savings & Loan, the CenTrust predecessor. This article spelled out one of the core accounting controversies between CenTrust and its regulators.⁸⁶⁸ Another example of critical coverage was the *American Banker's* reporting on Pharaon's investment in CenTrust and his connections to BCCI. *National Thrift News*, in following up on the Rubens painting controversy, described deeper regulatory problems with CenTrust that would surface seven months later when state and federal officials finally began taking steps to close the thrift. There were many critical stories about CenTrust and Paul, yet a majority of them came after the seizure of CenTrust in February 1990.

Another measurement of the critical business press: a tally of negative articles about Paul or CenTrust. As described in the Methodology chapter, articles were coded as negative based on regulatory action, violation of banking industry norms, guilt by association, or descriptions of Paul manipulating the political or regulatory process. Negative articles, therefore, would describe Paul as in regulatory trouble such as under criminal investigation; as violating banking industry norms as "flamboyant" or "risky"; as seeking to sway politicians to intervene on his behalf through campaign donations.

⁸⁶⁸ Berton, Lee, "Salomon Brothers Uses Novel Method to Lift S&L Client's Profit," *The Wall Street Journal*, May 17, 1984.

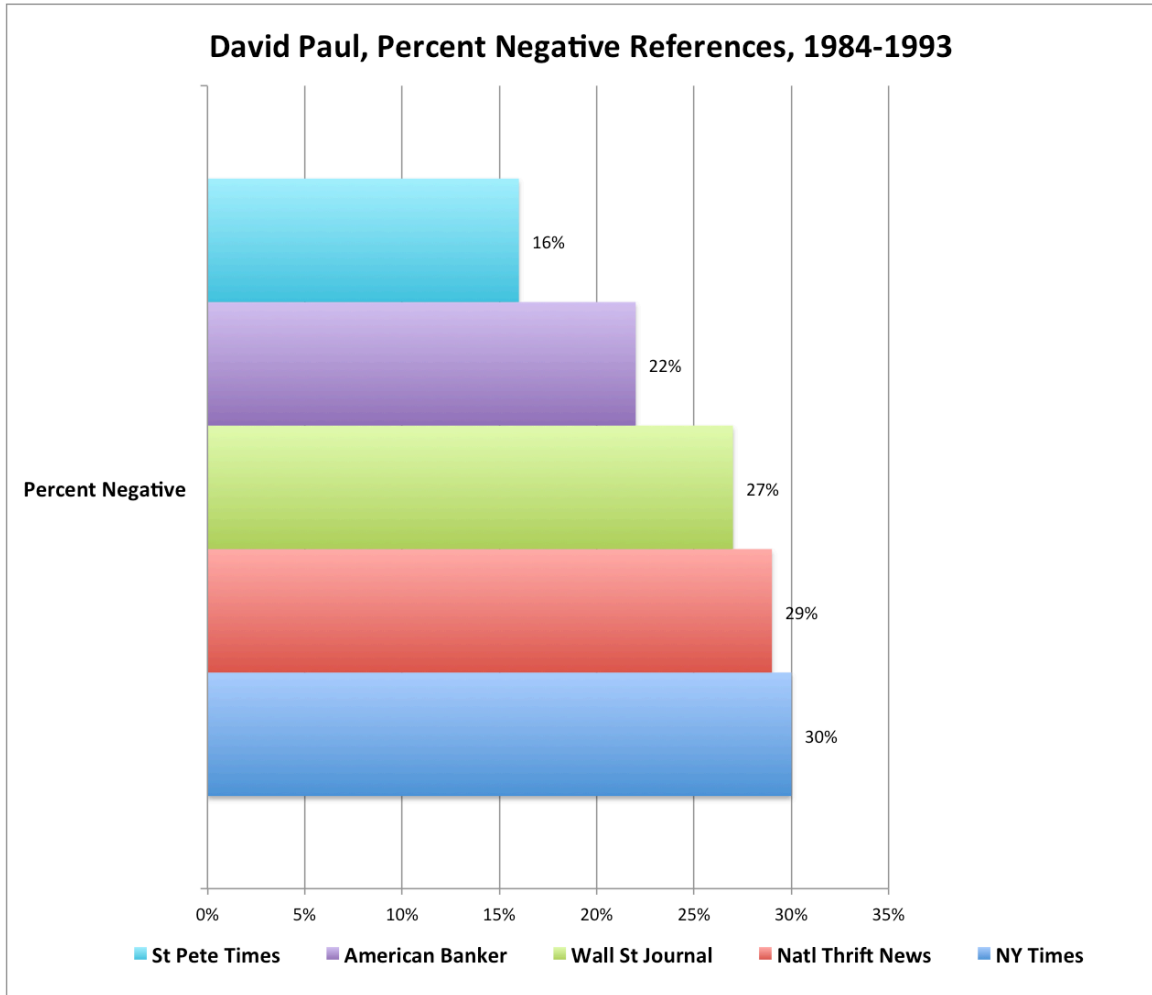


Figure 23. Negative references to David Paul, percentage of coverage, 1984-1993.

The *St. Petersburg Times* carried the lowest percentage of negative articles, at 16 percent (At the same time, the *St. Petersburg Times* published the greatest number of negative articles, at 36, which again was due partly to its comprehensive coverage of Paul and CenTrust). Negative coverage of Paul in the other newspapers: *The New York Times*, 30 percent; *National Thrift News*, 29 percent; *The Wall Street Journal*, 27 percent; and *American Banker*, 22 percent. This would be due to the greater news interest in Paul's problems and the CenTrust failure than in coverage of a "normal" bank where such problems do not arise. One important element of critical business journalism involves the

press identifying problems early on, hopefully in time to mitigate damage to society. This is a high standard, and the review of all the news coverage showed there is room for improvement in this regard. As described in the introduction, none of the newspapers carried negative articles about Paul prior to regulators' public enforcement action against Paul and his \$25 million art purchases in March 1989. The analysis did find some challenges to Paul's business plans prior to this time but no explicit negative coverage as spelled out in the Methodology.

To be sure, there was some very important and insightful journalism after the CenTrust failure. Consider *The Wall Street Journal's* 7,000-word post mortem on the S&L crisis. In this exhaustive article, the newspaper made an important observation about the overlooked importance of lax state regulation in the debacle:

Many students of the S&L scandal consider Congress's 1982 Garn-St Germain Act a watershed event, freeing thrifts to invest in wind farms and racehorses. But it was a relatively modest proposal compared with what some state legislatures later did. Most of the huge losses chalked up in the second half of the 1980s came from state-chartered institutions, such as Mr. Keating's Lincoln Savings.⁸⁶⁹

Such an observation was useful. Yet timing is everything: the newspapers did not question the role of state regulators in the CenTrust case only until the weeks prior to the thrift's seizure. After all, Florida Comptroller Lewis, the state banking regulator, raised the issue in March 1989 about the money-losing CenTrust spending \$28 million on rare

⁸⁶⁹ McCoy, Charles, Richard B. Schmitt, and Jeff Bailey, "Behind the S&L Debacle -- Hall of Shame-- Besides S&L Owners, Host of Professionals Paved Way for Crisis --- Auditors, Advisers, Officials," *The Wall Street Journal*, November 2, 1990.

art. Why didn't the regulator shut down CenTrust then? The *American Banker*, in December 1989, raised the issue about whether regulators moved against CenTrust in wake of the publicity about the Keating hearing.⁸⁷⁰ *National Thrift News*, also in December 1989, noted Paul was a former political supporter of Lewis, and at the time Lewis was the only elected state banking regulator in the country.⁸⁷¹ This became a prominent theme in the *St. Petersburg Times* coverage after the CenTrust crash as Lewis sought re-election. The *St. Petersburg Times* hit this theme much harder in December 1989, quoting banking analyst Kenneth H. Thomas as asking, "But I don't know why the state banking department didn't come in early on and do this."⁸⁷² The newspaper noted Lewis accepted \$12,600 in contributions from CenTrust and its affiliates in his 1986 election campaign. Lewis said the money had no effect on the case, which took a long time to build because CenTrust's records were in disarray. The newspaper published an editorial a week later questioning the state's "anything goes" banking laws and asking why Lewis failed to seek more examiners and resources to properly police thrifts such as CenTrust.⁸⁷³ In January, the *St. Petersburg Times* noted Paul had argued in court filings that "Lewis and the Florida Department of Banking and Finance have known all about CenTrust for years" and he was just acting in late 1989 because of his looming re-election.⁸⁷⁴

⁸⁷⁰ Cline, Kenneth, "Regulator Orders CenTrust Chairman to Step Down," *The American Banker*, December 21, 1989.

⁸⁷¹ n/a, "Florida Seeks Paul's Ouster," *National Mortgage News*, December 26, 1989. Reference to only elected banking regulator in: Moss, Bill, and Lucy Morgan. "Proposal 'Garbage,' Lewis Charges," *St. Petersburg Times*, March 3, 1992.

⁸⁷² Grieff, James, "State Demands CenTrust Oust High-Flying CEO," *St. Petersburg Times*, December 21, 1989.

⁸⁷³ n/a, "The Maharajahs," *St. Petersburg Times*, December 30, 1989.

⁸⁷⁴ Grieff, James, "Burning A Hole In the Bank." *St. Petersburg Times*, January 22, 1990.

The regulatory failure in the CenTrust case, this delay in closing down the thrift amid numerous warning signs, serves to reinforce the importance of journalistic autonomy, the topic at the center of this dissertation. As noted in the earlier theory chapter, Tuchman wrote, "news is an ally of legitimized institutions." Strachan's trade press reporting would suggest a refinement of Tuchman's formulation: "critical news, warts and all, is an ally of legitimized institutions." Strachan believed an industry was best served if journalism reported candidly on its bad actors, and his newspaper's coverage of Paul and CenTrust was an expression of that viewpoint. Such coverage can allow the industry to police itself and evolve. This is a tradition of some of the best of the trade press journalism and watchdog journalism in general.

Ch. 7: Findings, Impact & Recommendations

What can other news media outlets and journalism scholars learn from the experience of the *National Thrift News*? How can this small newspaper's experience translate to other publications, and to business journalism in general? This final chapter will discuss the findings of the dissertation and then describe the impact of the *National Thrift News*' reporting. The chapter concludes with recommendations about ways business journalism can evolve and improve.

Findings

One central finding of this dissertation involves how agency and institutional factors combine to advance journalistic autonomy. First, the ownership structure of a publication is a significant factor. Strachan was co-owner of the paper, which allowed him greater control over the editorial product. He fought back efforts to cut staff during the savings and loan industry's contraction. He took significant editorial risks with the Keating Five coverage and the examination of CenTrust and its ties to BCCI. One of the other owners and a main investor, Wesley Lindow, was a published financial writer as well. Lindow, a veteran banker, wrote *Inside the Money Market*, published by Random House in 1972, and also wrote a column called "Investors Corner" in *National Thrift News* in the 1980s.⁸⁷⁵ Epstein wrote about how media ownership is so important in shaping the final news product. Further, Epstein wrote how an employer's viewpoints can

⁸⁷⁵ "Thomas Rollo v. John Glynn Et. Al. 020079-1982" (New York State Supreme Court, August 11, 1982), 12.

result in journalists aligning their views to those of their employer.⁸⁷⁶ Epstein elaborated on this idea:

While undoubtedly there is some connection between what a newsman values and what elements of an event he chooses to emphasize or ignore, these values may come from the requisite of news organizations, rather than being deep seated individual beliefs or ideologies.⁸⁷⁷

This ownership by a journalist allowed him to shape the culture of the newsroom. In the case of *National Thrift News*, all former employees agreed: *National Thrift News* was a “reporter’s paper” and Strachan created an environment where reporters were encouraged to pursue their own stories aggressively. This was an environment that supported individual agency for reporters, and such editorial freedom enabled Strachan to attract and grow talent. "When I said we were a reporter's paper, we brought the stories to the editors. Stan and Mark (Fogarty) always gave us carte blanche to do what we wanted," Muolo said.⁸⁷⁸ This is in sharp contrast to other newsrooms such as *The Wall Street Journal*, known for being run by teams of editors.⁸⁷⁹

Further research is needed into other news organizations with business models similar to *National Thrift News*, where a journalist is co-owner. The research could determine if other publications enjoyed similar editorial autonomy. Certainly the literature suggests innovation and autonomy are more likely in smaller newsrooms and

⁸⁷⁶ Epstein, *News from Nowhere*, 1973.

⁸⁷⁷ Epstein, *News from Nowhere*, 1973, 201.

⁸⁷⁸ Muolo, Paul, Interview with Paul Muolo, October 19, 2014.

⁸⁷⁹ Dealy, *The Power and the Money*, 1993.

this is an encouraging idea considering many of the modern digital newsrooms are much smaller than their Industrial Era predecessors.⁸⁸⁰ This could apply to today's small digital newsrooms, where considerable innovation is taking place. One promise of these newsrooms involves their small size and the potential for greater autonomy, assuming they are able to secure steady funding. Researchers could examine the new digital publications within the Investigative News Network, a confederation of nonprofit news outlets, now has 100 members.⁸⁸¹

One empirical measure of newsroom culture: Does the editor still report and publish news articles, and what is the nature of that reporting? Strachan set the tone in the newsroom with his reporting, which allowed him to remain in close contact with the most important players in the industry. Some of this was also by necessity, since *National Thrift News* was a smaller newspaper. The tone Strachan set with his reporting made an impression on his staff. "We who learned from him saw his persistence, his indefatigable energy when pursuing a lead," Fogarty recalled. "We saw, and hoped to learn, his attentiveness to fact and detail, his quickness in turning a story around and his facility with the language of journalism."⁸⁸² Industry officials describe Strachan as a determined and prolific reporter. In 1992, after delivering a speech, economist David Olson recalled encountering Strachan. Olson wrote, "Stan stayed after and grilled (Olson) for two hours. All the questions were good and to the point ... No other reporter had ever penetrated as

⁸⁸⁰ Weaver, *The American Journalist in the 21st Century*, 2007, 84

⁸⁸¹ n/a, "Investigative News Network » About INN," *Investigative News Network*, December 6, 2014. <http://investigativenewsnetwork.org/about/>.

⁸⁸² Fogarty, Mark, "Requiem for a Reporter," *National Mortgage News*, January 13, 1997.

far or for so long.”⁸⁸³ Strachan described his reporting philosophy in editorials as well as in a *C-Span* appearance in 1989. He faulted the press generally for failing to challenge information provided by regulators, industry officials, and others. “We’ve been much too quick to accept the official version of things,” he said.⁸⁸⁴

Another empirical measure of newsroom culture would be the news organization’s hiring practices. Strachan tended not to hire industry experts or veteran reporters, but instead hired young and aggressive reporters. This approach has some precedent in business journalism: Henry Luce hired non-traditional journalists and even poets to cover business for *Fortune* in the 1930s.⁸⁸⁵ Strachan’s method of training and mentoring reporters: leading by example. The *National Thrift News* offers important lessons for today’s digital newsrooms. It sought to expand its influence — and thereby preserve its autonomy — by establishing a “brand” in the marketplace for this knowledge and using multiple communications channels to leverage that influence. Strachan did not just stick to print. The *National Thrift News* experimented with video news reports in the mid-1980s to gain additional advertising revenue for its coverage of industry conventions.

Power of Professionalism

The dissertation describes the power of the journalistic professional values and contends that great journalism can be produced in unconventional venues, ranging from a regional daily newspaper to a small trade newspaper. The political economy theory,

⁸⁸³ Olson, David, and Christine Clifford, “An Industry Remembers Stan Strachan,” *National Mortgage News*, January 20, 1997.

⁸⁸⁴ “Where Was the Press During the S&L Crisis?” 1989.

⁸⁸⁵ Baughman, *Henry R. Luce and the Rise of the American News Media*, 1987, 72.

operating from its institutional tradition, would predict a different outcome, a more timid type of journalism unwilling to challenge its core advertisers and sources. The *National Thrift News*' conduct can be explained on several different levels. First, Strachan and his business partners saw a market opportunity to provide straight, hard news about the savings and loan industry. Lindow and his partner John Glynn clearly saw a market demand for traditional hard news reporting on the industry. Their 1975 business proposal for *National Thrift News* said: "Developments now taking place within the industry demand a publication with greater news reporting, national coverage and frequency than now exist in this industry."⁸⁸⁶

Industry officials valued this hard-edged style of reporting since it would help them identify problems and regulate their behavior. "He was truly a power to be reckoned with and he used it to educate thousands in the industry and push for appropriate reforms," David Olson, a prominent industry economist formerly with mortgage giant Freddie Mac, wrote.⁸⁸⁷

This raises a question about the political economy theory -- does it have a blind spot in its analysis of the relationship between reporters and the industry? Graham Murdock and Peter Golding suggest the political economy theory should better account for the importance of agency in the complex interplay between reporter and source. Murdock and Golding write: "The relationship between the material interests controlling the media and the cultural products they provide is a complex one, not explicable in terms

⁸⁸⁶ n/a, "Proposed New Publication for the Savings and Loan Industry," in *Thomas Rollo v. John Glynn Et. Al.* 020079-1982, (New York State Supreme Court, August 11, 1982).

⁸⁸⁷ David Olson and Christine Clifford, "An Industry Remembers Stan Strachan," *National Mortgage News*, January 20, 1997, sec. Letters to the Editor.

of conspiracy or conscious intent.”⁸⁸⁸ Kurt and Gladys Lang argue that Herman and Chomsky’s interpretation of political economy, with its embrace of the classic “transmission model” of communications, fails to account for the interactions at multiple levels when journalists have an adversarial relationship with sources.⁸⁸⁹ Perhaps Herman and Chomsky’s interpretation of political economy does not account for the industry’s desire for independent report that can help police bad actors. Further research on this point would be useful.

Direct Impact

Assessing the impact of a newspaper’s work is complex. The direct effects would include cases where a news article helped launch a civil or criminal investigation that lands the subject in jail. For the purposes of this section, I am guided by Harold Lasswell’s linear media effects model, which describes how the news media’s role in society as contributing to social stability and performing a surveillance function.⁸⁹⁰ Another example of a direct effect would involve a news article that prompts a public official to take some new action, such as returning campaign contributions. Indirect effects would involve the influence reporting had on other journalists or regulators, and much of the

⁸⁸⁸ Graham Murdock and Peter Golding, “For A Political Economy of Mass Communications,” *Socialist Register* 10, no. 10 (1973).

⁸⁸⁹ The “transmission” model of communications is an older paradigm that views the news media as a sender and audience as a receiver, with little opportunity to shape the media’s message. Modern communications theory posits a more robust interplay between the media and audience. Reference for Kurt Lang and Gladys Lang, “Noam Chomsky and the Manufacture of Consent for American Foreign Policy,” *Political Communication* 21, no. 1 (2004): 93–101.

⁸⁹⁰ Lasswell, Harold. “The Structure and Function of Communication in Society.” In *Communication of Ideas*, 37–51, 1948.

National Thrift News' impact falls into this category. A discussion of the newspaper's direct and indirect impacts on the savings and loan crisis follows. As described in the Keating chapter, mainstream and general business news outlets largely ignored the *National Thrift News*' reporting on the savings and loan crisis. Yet the newspaper's influence was evident in other ways. Mainstream journalists recognized and acknowledged Strachan and his newspaper for their work on the savings and loan reporting, primarily after crisis was at its peak. *National Thrift News* won the George Polk Award Financial Reporting for its 1988 savings and loan coverage, and the judges acknowledged the newspaper's influence on other journalists:

National Thrift News, a weekly trade publication for savings executives, found a new market last year — print and broadcast reporters anxious to understand a national story that seemed to be growing faster than the national debt.

The story - the demise of a significant segment of the savings and loan industry, initial government efforts to paper over the problem, and the ultimate realization that American taxpayers would absorb tens of billions of dollars of bad debt - became front-page and top-of-the-telecast news months after it was covered in the pages of *National Thrift News*.

Throughout the year, and especially in a remarkably complete and readable report in October, *National Thrift News* alerted those closest to the crisis of its immense implications in an impartial, credible and thorough manner.

National Thrift News has done itself proud and we are pleased to present it with the George Polk Award for Financial Reporting.⁸⁹¹

Columbia Journalism Review, *Newsweek*, and *The New York Times* were among those celebrating *National Thrift News*' work on the Keating Five case, albeit long after

⁸⁹¹ Text of Polk Award program, personal files of Hillary Wilson, undated, believed to be 1989.

the newspaper published its exclusive stories.⁸⁹² Strachan reacted to this praise in a matter-of-fact manner. He told *The New York Times* in 1990, if his newspaper "wasn't way ahead of everybody else on this story, I'd be asking myself what was wrong... We're supposed to see the trends and have the best connections."⁸⁹³ It was highly unusual but not unprecedented for a trade publication to win a prestigious national journalism award. The *American Banker*, for example, won Gerald Loeb Awards in 1981 and 1983, and the trade publication *Corporate Financing* won Loeb awards in 1970 and 1973.⁸⁹⁴ Trade publications won Polk Awards six times between 1948 and 1987.⁸⁹⁵ Strachan was awarded the New York Financial Writers Association's Elliott V. Bell lifetime achievement award in 1990 "for a distinguished career as a reporter and editor in financial journalism." (The New York Financial Writers Association continues to award journalism students a Stan Strachan scholarship on alternate years.⁸⁹⁶) Other winners of the New York Financial Writers' Association Elliott Bell award included business

⁸⁹² Ross, "When Trades Lead The Pack," *Columbia Journalism Review*, November 1990; Martz, L. "S&Ls: Blaming the Media," *Newsweek* 115, no. 26 (June 25, 1990): 42; Quinn, Kathleen, "As S&Ls Sink, a Trade Weekly Is Soaring," *The New York Times*, August 27, 1990.

⁸⁹³ Quinn, "As S&Ls Sink, a Trade Weekly Is Soaring," *The New York Times*, 1990.

⁸⁹⁴ For list of historical winners, see <http://www.anderson.ucla.edu/gerald-loeb-awards/historical-winners>

⁸⁹⁵ Trade publications that won Polk Awards prior to the *National Thrift News* award include *Sponsor Magazine*, 1951; *The New England Journal of Medicine*, 1977; *The Chronicle of Higher Education*, 1978; the *American Banker*, 1982; *Chemical & Engineering News*, 1984; *Science News*, 1987.
<http://www2.brooklyn.liu.edu/polk/prevwinn.html>

⁸⁹⁶ The Stan Strachan Scholarship dates back to at least 1997, when it was mentioned in an NYFWA awards program. n/a, "New York Financial Writers' Association Inc. Annual Awards Dinner." New York Financial Writers' Association, May 6, 1997; Tunick, Britt, Email from Britt Erica Tunick, Executive Manager, New York Financial Writers' Association. Email, April 20, 2016.

journalists such as *The Wall Street Journal's* Vermont C. Royster, television pioneer Louis Rukeyser, and personal finance columnist Sylvia Porter.

Inside Job

One direct impact of the *National Thrift News's* reporting was the publication of *Inside Job*, an award-winning book by Stephen Pizzo, Mary Fricker, and Paul Muolo.⁸⁹⁷ It was one of the first books to argue the savings and loan crisis was a national phenomenon, in contrast to the prevailing view that it was a regional problem. *Inside Job* gained significant national publicity for its findings about organized crime links in the savings and loan crisis. “At nearly every thrift we researched for this book, we found clear evidence of either mob, Teamster, or organized crime involvement,” they wrote. “Only one conclusion was possible: The mob played an important role in the nationwide fraternity that looted the savings and loan industry following deregulation.”⁸⁹⁸ After the book’s release, the Federal Bureau of Investigation invited Pizzo and Muolo to the FBI Academy in Quantico, Va. to lecture about their findings. “That was quite an honor,” Muolo recalled.⁸⁹⁹

The *National Thrift News* collaboration occurred after Pizzo could not get *The Wall Street Journal* interested in following up on his reporting on Centennial Savings and Loan in nearby Santa Rosa, Calif. *Journal* reporter G. Christian Hill met with Pizzo and Fricker to discuss their Centennial investigation, and examined their notes and files. Hill

⁸⁹⁷ Pizzo, et al., *Inside Job*, 1989. Pizzo was a *National Thrift News* correspondent, Muolo was a senior reporter, while Fricker was a business reporter for the *Santa Rosa Press-Democrat*. Pizzo, et al., *Inside Job*, 1989.

⁸⁹⁸ Pizzo, et al., *Inside Job*, 1989, 303.

⁸⁹⁹ Muolo, Paul, Second Interview with Paul Muolo, December 8, 2014.

could not get his editors interested in pursuing the Centennial story.⁹⁰⁰ “No national publication did a good job uncovering the savings and loan scandal. With us, it was a question of territorial imperatives. The Balkanized structure of the bureaus didn’t allow for national cooperation and coordination,” Hill told Francis Dealy.⁹⁰¹

The reporting for *Inside Job* began when Strachan sent Muolo to meet with Pizzo and Fricker in 1986 and discuss their reporting. The three soon agreed they had a national story and began pursuing leads from Texas to New York. With *Inside Job*, the authors presented an exhaustive, almost prosecutorial report to back up their theory that fraud and corruption were significant factors in the savings and loan crisis. The book described the dealings of 22 major characters and supplied the transcript of the Keating Five meeting with regulators on April 9, 1989. There are profiles of shysters and con-men, from developer Sid Shah in Sonoma County, Calif. to businessmen Don Dixon in Vernon, Texas to Mario Renda of Long Island. Kleege recalled watching Muolo as he worked to document some criminal behavior in the industry. “He spent a week tracing a check that had gone from some gangster to a savings and loan, Kleege said. “It was nose-to-grindstone investigative journalism.”⁹⁰²

The densely written and detailed account provided an indictment of the industry as well as financial deregulation. This is the book’s enduring value. The political dysfunction in Washington, regulatory gaps, and neoliberal ideology so richly described in *Inside Job* blew up again, 20 years later, in the 2008 financial crisis, an even more severe financial meltdown that triggered a major recession and put some 11 million people out of work. Students of contemporary financial crises can find valuable insight in

⁹⁰⁰ Dealy, *The Power and the Money*, 1993.

⁹⁰¹ Dealy, *The Power and the Money*, 1993.

⁹⁰² Kleege, Stephen, Interview with Stephen Kleege, June 15, 2015.

Inside Job as it documented a dangerous mix of ideology and deregulation operating in a corrupt political system.

Several prominent journalists found *Inside Job* to be a significant and influential work on the savings and loan crisis. Warren Hinkle of *The San Francisco Examiner* wrote: “When it comes to understanding the eighties, *Inside Job* plays the same role that Upton Sinclair’s *The Jungle* or Lincoln Steffens’ *The Shame of the Cities* did at the turn of the century.”⁹⁰³ Jonathan Kwitny, a top investigative reporter for *The Wall Street Journal*, said, “Stephen Pizzo is the person most responsible for exposing what many consider the worst financial scandal since the days of the robber barons.”⁹⁰⁴ The book was a *New York Times* bestseller and winner of an Investigative Reporters and Editors award. Pizzo, Muolo, and Fricker spoke about their findings at journalism colleges, public policy forums, and on television shows such as *Donahue* and the *McLaughlin Report*.

Indirect Impact

The *National Thrift News* had indirect impact in other aspects of the savings and loan crisis. One was on financial news broadcasts. Strachan began appearing on television in the late 1980s to discuss the savings and loan crisis, and was a regular guest commentator on *CNN*. As such, Strachan had a prominent voice through this cable channel and an indirect impact on the public debate about the savings and loan crisis. At *CNN*, veteran broadcasters Stuart Varney and Myron Kandel were among Strachan’s friends and admirers. “We had him on *CNN* frequently. He was so knowledgeable,” Kandel recalled in an interview. Kandel, a pioneer in broadcast financial journalism, was

⁹⁰³ Dealy, *The Power and the Money*, 1993, 299.

⁹⁰⁴ Dealy, *The Power and the Money*, 1993, 299.

impressed by the quality of Strachan's journalism and said he nominated him for a Pulitzer Prize.⁹⁰⁵

Other evidence of indirect impact included Sen. Riegel's decision to return \$76,100 in campaign contributions from Keating and employees of American Continental Corp. in March 1988. He said at the time he wanted "to avoid the appearance of a conflict of interest,"⁹⁰⁶ which was the point of Strachan's editorial and the Keating Five coverage.⁹⁰⁷ Riegel's decision came seven months after the *National Thrift News* reported on the Keating Five meeting, but Detroit newspapers raised the issue in early 1988 and political opponents planned to raise the conflict of interest issue during his primary election.⁹⁰⁸ It is unclear if the Detroit newspapers knew of the *National Thrift News* reporting on Keating Five. DeConcini returned his contributions in September 1989, nearly two years after the *National Thrift News* report.

There was some evidence congressional investigators were influenced by the *National Thrift News* reporting. Richard Lowy, in his recap of the S&L scandal, *High Rollers*, cited such an influence on the July 1990 U.S. Senate Judiciary subcommittee investigation led by former Sen. Howard Metzenbaum, an Ohio Democrat. "Most of what Metzenbaum's subcommittee found out – at who knows what cost to taxpayers – had been published in the *National Thrift News* a year earlier," Lowy wrote.⁹⁰⁹ In 1996, Strachan reflected on the impact of the paper's Lincoln Savings coverage. "Four years

⁹⁰⁵ Kandel was unable to locate the nomination letter to the Pulitzer Prize board and there is no record of Strachan being a Pulitzer finalist. Kandel, Myron, Interview with Myron Kandel, July 13, 2015.

⁹⁰⁶ Kleege, Stephen, "Lincoln Funds Returned," *National Mortgage News*, March 21, 1988.

⁹⁰⁷ n/a, "Money & Politics," *National Mortgage News*, September 28, 1987.

⁹⁰⁸ Kleege, "Lincoln Funds Returned," 1988.

⁹⁰⁹ Lowy, Martin E. *High Rollers : Inside the Savings and Loan Debacle*, (New York: Praeger, 1991).

after our stories appeared, a steady stream of "knowledgeable" regulators and legislators told a Congressional hearing that they first learned of Lincoln's condition from articles in this newspaper."⁹¹⁰

Recommendations

I want to provide journalists and educators with some insights from this research on ways to improve reporting and better connect with readers and viewers. The following recommendations are intended to add to an ongoing conversation about advancing the profession.

Early Warning Journalism

Investigative journalist Michael Hudson led the field with his reporting on the subprime lending abuses for the *Roanoke Times* of Virginia.⁹¹¹ He endorsed the idea of “preventative journalism,” or reporting that focuses on the internal watchdogs of the corporate world, such as the risk managers, quality control staff, internal fraud investigators, loan underwriters, and real estate appraisers. Hudson made a point to speak to these internal corporate watchdogs and found a pattern: “They did their jobs, they found fraud, they red-flagged it. But instead of being rewarded and promoted. . . they were ignored, marginalized, harassed, demoted or fired, or some combination of the above.” Hudson said encouraging reporters to flag early warnings would provide an immense public service: “You may not always be able to completely stop bad practices or a meltdown from happening, but good, early, hard-hitting reporting can at least reduce

⁹¹⁰ Strachan, “Looking Back Over 20 Years,” 1996.

⁹¹¹ Starkman, Dean, “The Reporter Who Saw It Coming,” *Columbia Journalism Review*, May 3, 2012. Hudson’s subprime lending reporting is reflected in his 1996 book. See Hudson, Michael, *Merchants of Misery*, (Common Courage Press, 1996).

the level of damage, popping the bubble early or forcing bad actors to rein in their worst practices.”⁹¹²

Set The Agenda

Business journalists could adopt the format of popular “fact check” columns, used primarily in political reporting, and apply them to corporate announcements.⁹¹³ Such columns can let journalists set the news agenda, tell readers what is important, and assess the level of misinformation coming from business leaders.⁹¹⁴

Combat Insularity.

Many successful journalists work diligently to expand their contacts, diversity of sources, and to listen carefully to outside voices. A consistent criticism of business reporters is their over-reliance on market and business sources,⁹¹⁵ which results in a type of intellectual capture of the industries they cover.⁹¹⁶ Capture can happen when business journalists rely too heavily on securities analysts, regulators, and business executives and reporters begin to share their worldview. This capture problem, of course, is not unique to business journalism, as it is a source of criticism for political journalism and sports journalism.⁹¹⁷

⁹¹² Hudson, Michael, Interview with Michael Hudson, August 2012.

⁹¹³ The *Washington Post* had published a regular column called “The Fact Checker” since 2011. Kessler, Glenn, “About The Fact Checker,” *The Washington Post*, September 11, 2013.

⁹¹⁴ Here is an example of how such an approach can question the agenda of major banks: Wells, Rob, “New Banking Trend: Loan Mega-Pledges to the Underserved,” *The Associated Press*, February 13, 1994.

⁹¹⁵ Manning, “Financial Journalism, News Sources and the Banking Crisis,” 2012.

⁹¹⁶ Capture is discussed in Starkman, *The Watchdog That Didn't Bark*, 2014.

⁹¹⁷ One example of capture in the political journalism realm would involve the lack of reporting on the adultery of Presidents John F. Kennedy and Lyndon Johnson, even though the press knew about it at the time. See Bai, Matt. “How Gary Hart’s Downfall Forever Changed American Politics,” *The New York Times Magazine*, September 18, 2014.

The dilemma of capture is a longstanding issue in business journalism. It has been blamed as a factor in business journalists missing major stories from the 1929 market crash to the savings and loan crisis to Enron. In 1938, for example, Harold Carswell criticized business reporters for relying excessively on the New York Stock Exchange for news.⁹¹⁸ This critique about narrow sourcing continues today: "In comparison to their political counterparts, financial journalists use fewer sources per item, are more reliant on PR and they take less initiatives in contacts with sources."⁹¹⁹ Going outside the official sourcing channels can allow reporters to break news about systemic problems in the markets. Hudson learned about the subprime loan problem in his community from legal aid attorneys whose low-income clients were losing their homes due to foreclosure.⁹²⁰

Workplace Culture

Reporters should be alert to the culture and sociology of a business, and understand that dysfunction within an organization can spill out and cause public harm. Gillian Tett, now U.S. editor of the *Financial Times*, provided original and insightful reporting on how the dysfunction within large banks in London contributed to broader lending problems, an issue in the 2008 financial crisis. Tett, who holds a doctorate degree in anthropology, viewed the separate departments in modern banks -- the trading desks for bonds, commodities, and stocks -- as warring tribes. She wrote this conflict led to a breakdown in the bank's risk management culture and was a cause for some of the major

⁹¹⁸ Carswell, Howard, "Business News Coverage," *Public Opinion Quarterly* 2, no. 4 (1938): 613–21.

⁹¹⁹ Kalogeropoulos et al. "Are Watchdogs Doing Their Business?" 2014.

⁹²⁰ Starkman, "The Reporter Who Saw It Coming," 2012.

trading losses.⁹²¹ Donald MacKenzie made a similar observation, saying the media can play a useful outsider role examining the organization and identifying problems that specialists do not see.⁹²² Reporters also should pay attention to workplace culture and the messages delivered by senior management. Journalist Bethany McLean, in her path-breaking reporting on Enron and the 2008 financial crisis, found that stubbornness and excessive ambition were common traits of senior executives who led their organizations into disaster.⁹²³ The content analysis in this dissertation showed the character traits of Paul and Keating, such as their litigiousness and tendency to take significant risks, figured into later regulatory problems. The reputation of a firm is important and should be explored more carefully.

Journalistic Ecosystem

Business journalists can improve coverage by building on the strength of the existing media ecosystem. The watchdog function of the press works best when multiple media outlets recognize quality reporting and follow up with their own stories, helping bring about visibility and possible change regarding an issue. In this vein, *National Thrift News* often cited the important stories of other mainstream publications such as the *Arizona Republic* and the *Orange County Register*, two hometown papers for the Keating business empire. The content analysis did not reveal similar behavior by *The Wall Street Journal* or *The New York Times*. Some journalists in the trade press have been

⁹²¹ Tett, Gillian, *Fool's Gold : How the Bold Dream of a Small Tribe at J.P. Morgan Was Corrupted by Wall Street Greed and Unleashed a Catastrophe*, (New York: Free Press, 2009).

⁹²² MacKenzie, Donald, "The Credit Crisis as a Problem in the Sociology of Knowledge," *American Journal of Sociology* 116, no. 6 (May 2011): 1778–1841.

⁹²³ McLean, Bethany, and Joseph Nocera, *All The Devils Are Here*, (New York: Portfolio/Penguin, 2010); McLean, Bethany, *The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron* (New York: Portfolio, 2004).

performing an aggressive watchdog role for years and their findings can benefit the broader public, such as the work of *Engineering News* in the 1907 Quebec Bridge collapse. Their reporting “was an indictment on the entire profession” and helped lead to needed construction safety reforms.⁹²⁴ Gussow observed one of the normative roles for the trade press is providing leadership function in their industries.⁹²⁵ Even early issues of the *National Thrift News* showed it was taking a leadership role by reporting on lending discrimination, a highly controversial issue for the thrift industry. The paper’s second issue, Oct. 14, 1976, reported on mortgage discrimination. A page one story on November 1976 previewed Senate redlining hearings. Strachan wrote editorials about lending discrimination on December 9, 1976, and on April 14, 1977. Lending discrimination plagued the banking industry throughout the 1980s, and still does to this day. It gained considerable national attention in 1988 after the *Atlanta Journal-Constitution* earned a Pulitzer Prize for its investigation on mortgage lending discrimination, a series that employed computer-assisted reporting techniques.⁹²⁶

A more contemporary example of the power of news media collaboration was the 2016 reporting of the Panama Papers tax shelter investigation. The International Consortium of Investigative Journalists worked to uncover tax shelters involving world leaders and celebrities in Russia, Iceland, Saudi Arabia, and China. *The New York Times* and *Bloomberg News* were not included in this project, yet both news organizations gave

⁹²⁴ Burlingame, *Endless Frontiers*, 1959.

⁹²⁵ Gussow, *The New Business Journalism*, 1984, 129.

⁹²⁶ Dedman, Bill, “The Color of Money,” *Atlanta Journal-Constitution*, May 1, 1988.

significant coverage to the consortium's findings after the initial release on April 4, 2016.⁹²⁷

Training

Journalists' illiteracy with numbers and market concepts are longstanding problems, dating back to the beginnings of modern business journalism.⁹²⁸ Many commentators have called for journalists to improve their basic financial skills. To see what a difference these skills can make, consider Stephen Pizzo's training and how it helped him report on the crisis and write *Inside Job*. Pizzo was a real estate agent before becoming a journalist, which allowed him to conduct property research and trace financial transactions. Such skills allowed him to raise original questions about the transactions of Centennial Savings and Loan well before other media caught on.

The need for basic accounting skills is a common theme in the professional development surveys. Fluency with these basic concepts allowed reporters at *The Wall Street Journal* to advance their coverage of CenTrust. The newspaper's coverage in 1984 warned about Paul's unusual accounting practices, and these issues were the topic of a regulatory battle for the next several years.⁹²⁹ A 1989 *Wall Street Journal* story detailed the potential impact of new capital standards on the industry provided considerable detail about industry's woes, noting the capital levels of some 800 savings and loan associations

⁹²⁷ "Panama Papers: Where's What We Know." *The New York Times*, April 4, 2016.

⁹²⁸ Carswell described poor training for business journalists in the 1930s. Carswell, Howard, "Business News Coverage," *Public Opinion Quarterly* 2, no. 4 (1938): 613–21.

⁹²⁹ Berton, "Salomon Brothers Uses Novel Method to Lift S&L Client's Profit," 1984.

fell a total of roughly \$20 billion short of required levels.⁹³⁰ Even a general orientation about the role and operations of accounting firms could have led to more aggressive reporting. For example, *The New York Times* reported in 1989 Keating's company hired Jack Atchison, formerly a lead accountant for Lincoln's outside auditors Arthur Young (now Ernst & Young), as a vice president of American Continental Corp.⁹³¹ Such a hire suggested the outside auditing firm lacked the requisite independence from its client. This was a red flag that gained little attention until Atchison's conflict and advocacy for his client were described in the House Banking Committee hearings.⁹³² In addition to accounting training, business journalists should improve skills for handling large datasets and producing data visualizations. Such approaches can help provide better context about issues and improve reader engagement.

The considerable criticism of the savings and loan crisis media coverage led to a debate about the role of business journalism in society.⁹³³ Journalist Diana Henriques cited the media failures in savings and loan episode as a call for more robust business journalism: "It took us far too long to connect the dots."⁹³⁴ Such a theme was repeated in the analysis of media coverage of the technology boom in the late 1990s and the Enron

⁹³⁰ Duke Jr., Paul, and Thomas, Paulette. "Thrift Agency Says About 800 S&Ls Won't Meet New Capital Requirements," *The Wall Street Journal*, November 7, 1989.

⁹³¹ "Group Bids For Lincoln," *The New York Times*, March 15, 1989.

⁹³² Berg, Eric N. "Losing \$2 Billion - An Accounting Quagmire; The Lapses by Lincoln's Auditors," *The New York Times*, December 28, 1989.

⁹³³ Significant works include Kurtz, *Media Circus*, 1993; National Commission on Financial Institution Reform, Recovery and Enforcement, "Origins and Causes of the S&L Debacle: A Blueprint for Reform, 1993; McChesney, "The Problem of Journalism" 2003.

⁹³⁴ Henriques, Diana, "Business Reporting: Behind the Curve," *Columbia Journalism Review*, December 2000; Henriques, Diana, "What Journalists Should Be Doing About Business Coverage - But Aren't," *Harvard International Journal of Press/Politics* 5, no. 2 (Spring 2000): 118-21.

Corp. scandal in 2001.⁹³⁵ From this debate arose more professional development opportunities from groups such as the Donald W. Reynolds National Center for Business Journalism, founded in 2003 to improve business and economics coverage. The Reynolds Center, which funded research into business journalism and funded academic fellowships, provided resources in addition to existing professional training offered by the Society of American Business Editors and Writers and the Investigative Reporters and Editors Inc.⁹³⁶ Business journalism education has expanded at universities, although more work needs to be done.⁹³⁷ As Henriques wrote, “I submit that there is no form of ignorance more widely tolerated in the American newsroom than ignorance about business and finance.”⁹³⁸

This project raised a host of issues about the relationship between mainstream news media and the trade press. Further areas of research could involve case studies about how other financial trade press publications influence the mainstream news agenda and whether these smaller publications provide adequate political and social context to their reports. Ragas’ work on intermedia agenda setting in business news is a useful point of departure for such a project.⁹³⁹

⁹³⁵ Sparrow, *Uncertain Guardians*, 1999; McChesney, “The Problem of Journalism” 2003.

⁹³⁶ Disclosure: The author has received compensation from the Reynolds Center. I was a 2012 Reynolds Visiting Business Journalism Professor at the University of South Carolina and have been a paid speaker at subsequent Reynolds seminars.

⁹³⁷ Pardue, Mary Jane, “Most Business Editors Find Journalism Graduates Still Unprepared,” *Journalism & Mass Communication Educator*, October 14, 2013.

⁹³⁸ Henriques, “What Journalists Should Be Doing About Business Coverage - But Aren’t,” 2000.

⁹³⁹ Ragas, M.W. “Intermedia Agenda Setting in Business News Coverage,” In *Communication and Language Analysis in the Public Sphere. Information Science Reference*, 335–57, 2014.

Urgency of Business Journalism

Changing and improving business journalism, and bringing it out of the backwater and into the mainstream of American watchdog journalism, is an urgent matter. The power and influence of large businesses and financial markets over American life has expanded dramatically in recent years as deregulation reduced the government's oversight role.⁹⁴⁰ This deregulation and neoliberal ideology are encapsulated in the idea of an "ownership society," an idea of individual responsibility advocated by Hayek, which later became a mantra for President George W. Bush's administration. In an "ownership society," for example, citizens initiate their own retirement planning decisions with little corporate or governmental support. This makes consumers more vulnerable to the market's downturns and gains. To put it plainly, consumers are "on their own" when trying to navigate crucial investment decisions. Bush's attempt to partially privatize Social Security in 2005 was an example of the ownership society at work. In this "ownership society," the public is looking to the news media to help navigate investment decisions, understand how modern markets work, and identify the bad actors. Consumer demand for personal finance journalism, especially in the 1960s forward, provided some evidence the public turned to journalism for answers on how to manage their money.⁹⁴¹ Hubbard in 1966 wrote about the "explosive demand for business news" in a survey of business and financial editors at daily newspapers,⁹⁴² a trend that continued through the early 2000s. An editor of a New England daily newspaper noted "the experts,

⁹⁴⁰ Davis, Gerald F. *Managed by the Markets: How Finance Reshaped America*, (New York: Oxford University Press, 2009), 193.

⁹⁴¹ Lucht, *Sylvia Porter : America's Original Personal Finance Columnist*, 2013; Tofel, *Restless Genius*, 2009; Hubbard, Timothy W. "The Explosive Demand for Business News," *Journalism Quarterly*, no. Winter (1966): 703–8.

⁹⁴² Hubbard, "The Explosive Demand for Business News," 1966

political and economic, do not know the answers. Hence more people are looking for their own explanations and relying more on their newspapers to help them understand.”⁹⁴³ Generally speaking, the public still values the broader watchdog and investigative functions of journalism,⁹⁴⁴ which should encourage business reporters to continue their oversight of companies and markets.

This is where business journalism must modernize and evolve. It faces continuing criticism that it has not fulfilled a watchdog role over the markets.⁹⁴⁵ An explicit watchdog role is not mentioned in the Society of American Business Editors and Writers mission statement or code of ethics.⁹⁴⁶ Henriques wrote the press is one of the remaining institutions left standing to counter the power of the complex markets and companies.

Today, the voice of labor has been reduced to a whisper, the consumer advocates and other nonprofit guardians are scattered and poorly funded, government regulation has become a dirty word, and Big Business stands alone on the stage, free at last from any meaningful countervailing social or civic power—except the power of the press. Business now dominates every corner of the world we cover to a degree that would have been unthinkable two generations ago.⁹⁴⁷

⁹⁴³ Hubbard, “Business News in the Post Watergate Era” JTW Hubbard, 1976,

⁹⁴⁴ Pew Research Center, “Amid Criticism, Support for Media’s ‘Watchdog’ Role Stands Out,” *Pew Research Center for the People and the Press*, August 8, 2013.

⁹⁴⁵ Starkman, *The Watchdog That Didn’t Bark*, 2014; Stiglitz, Joseph E. *Freefall : America, Free Markets, and the Sinking of the World Economy*, (New York: W.W. Norton & Co., 2010); Sparrow, *Uncertain Guardians*, 1999.

⁹⁴⁶ “SABEW’s Code of Ethics,” *Society of American Business Editors and Writers*, Accessed September 24, 2014.

⁹⁴⁷ Henriques, “What Journalists Should Be Doing About Business Coverage - But Aren’t,” 2000.

These financial problems will not be going away in our generation. We live in an era of financial turbulence due to the disruptions of technology, neoliberal ideology, and globalized financial markets.⁹⁴⁸ Since 1970s, the U.S. has suffered through the savings and loan crisis, the bursting of the technology stock bubble, and the 2008 financial crisis. Major frauds have occurred ranging from Michael Milken’s Drexel Burnham Lambert to Enron Corp. to Bernard Madoff’s investment scheme. The 2008 financial crisis was not an abstract exercise for ordinary Americans, as some 8.3 million people lost their jobs in 2008-2009 and retirement savings accounts lost one-third of their value, or more.⁹⁴⁹ At the same time, institutional barriers to quality business journalism remain in place. The Reynolds Foundation and the American Press Foundation released a 2002 survey that found media executives gave business reporting a low priority and provided fewer resources and less attention than other beats in the newsroom.⁹⁵⁰ Business journalists need to band together to leverage their oversight power to serve the public interest. Part of that oversight function involves paying closer attention to quality trade journalism, which can be found in unlikely places such as the *National Thrift News*. Strachan articulated the path forward for the profession when he wrote: “We still have the strong sense of outrage that makes it difficult for swindlers to evade our notice for very long.”⁹⁵¹

⁹⁴⁸ Minsky, “The Financial Instability Hypothesis,” 1982.

⁹⁴⁹ Financial Crisis Inquiry Commission, *The Financial Crisis Inquiry Report*, 2011.

⁹⁵⁰ See Roush, Chris, *Show Me the Money*, 2004; Cited in Darie, Tatiana, “Lessons From the Financial Crisis: What Have We Learned? Business Journalists Speak Out,” University of Missouri-Columbia, 2015.

⁹⁵¹ Strachan, “Looking Back Over 20 Years,” 1996.

Appendix 1: Methodology

To examine media coverage of Keating and Lincoln Savings, database searches were conducted of the *National Thrift News*, *American Banker*, *The New York Times*, and *The Wall Street Journal*. The first case study analyzed coverage by the *National Thrift News* of the Keating Five scandal and compared it to *The Wall Street Journal* and *The New York Times* as well as a leading financial industry publication, the *American Banker*. The second case study examined the *National Thrift News*' coverage of Miami-based CenTrust Savings and Loan. *The National Thrift News* CenTrust coverage was compared to reports in *The Wall Street Journal* and *The New York Times*, the *American Banker*, and the former *St. Petersburg Times*, a significant regional newspaper that covered CenTrust from its beginning to its end. I first sought to examine CenTrust coverage in the *Miami Herald*, but full electronic access to *Herald* was not available on the University of Maryland's library databases. The newspaper is not included in LexisNexis Academic. Factiva carries the Miami Herald only back to Oct. 7, 1994, well after the scope of this study.

The content analysis examined 334 newspaper articles⁹⁵² that mention the terms "Keating" and "Lincoln Savings" from January 1, 1986, to January 1, 1990, a period that represented the emerging fight between Keating and financial regulators and culminated with the U.S. House Banking Committee hearings shortly after Lincoln's collapse. These congressional hearings on Keating and Lincoln in the fall of 1989 put the crisis on the

⁹⁵² LexisNexis Academic was searched for the *National Thrift News*, *American Banker*, and *The New York Times*. Factiva was used for *The Wall Street Journal* as this newspaper is not in LexisNexis. The initial search yielded 363 articles, but 28 were rejected as they were brief digest or index items referring to longer articles in the same issue; calendar notices about upcoming hearings; items too brief for a full study; or otherwise not relevant to the study.

front pages of major newspapers. This time period also aligned with the peak of the savings and loan crisis. The Federal Deposit Insurance Corp. reported 48 thrifts failed in 1987, 185 in 1988, and 327 in 1989.

The second content analysis examined coverage of Paul and CenTrust from 1984 to 1993 in five newspapers: *National Thrift News*, *American Banker*, *The New York Times*, *The Wall Street Journal*, and the *St. Petersburg Times*. The content analysis examines 516 newspaper articles⁹⁵³ that mention the terms “David L. Paul” and “CenTrust” or “David Paul” and “CenTrust.” The period of January 1, 1984 through December 31, 1993, covered the growth of CenTrust and then its decline, seizure by regulators, and Paul’s criminal trail and conviction. This time period also tracked the rise and the ebb of the savings and loan crisis.

The case-study approach provided important insights about the media coverage of the savings and loan crisis, but like any study, it had its limits. The 334 Keating articles were a fraction of the total savings and loan coverage published in these four newspapers over the four-year period. While these findings speak to universal themes in coverage, they do not represent the entire universe of the savings and loan reporting. For example, a broader search for the term “savings and loan” yielded 23,797 articles in the *National Thrift News*, *American Banker*, *The Wall Street Journal*, and *The New York Times* between January 1, 1986, and January 1, 1990. As such, this dissertation did not capture the newspapers’ coverage of other thrift failures in the country, such as Texas and

⁹⁵³ After reviewing the initial results, I conducted four supplemental searches to gather articles on executive appointments, regulatory action and corporate earnings announcements that were not captured by the “David L. Paul” and “CenTrust” terms. These additional searches were necessary to ensure an accurate representation of the newspaper’s coverage of CenTrust. These details were described at the end of this section.

California, which escalated dramatically during this period and were an element of the savings and loan narrative. The depth of this content analysis, however, provided an important contribution to the academic research on business journalism and the savings and loan crisis.

Both the Keating and Paul episodes were analyzed with the same codebook, which is appended at the end of this section. In addition, the grounded method theory of content analysis is used, which resulted in additional codes to fill gaps in the Keating and Paul case studies and obtain the most accurate representation of these newspapers' work on the story. These additions were described below. The following section spells out the method for analyzing the portrayal, narratives, and sourcing in both the Keating and Paul episodes.

Keating Portrayal

This category measured whether Keating was portrayed in a positive, negative or neutral fashion in the news coverage. It helps answer RQ 1, how *National Thrift News* differed from the four newspapers in the Keating case and the five newspapers in the Paul case. A textual and rhetorical analysis was conducted of how Keating was described in each article. Adjectives, adverbs, and other descriptors were examined using a keyword search for "Keating." The portrayals were reviewed for the immediate context in the paragraph containing "Keating" or immediate preceding or following paragraphs. This approach is in keeping with Neuendorf's emphasis to maximize reliability and replicability by clearly defining the unit of analysis,⁹⁵⁴ which in this case would be the

⁹⁵⁴ Neuendorf, Kimberly A. *The Content Analysis Guidebook*, (SAGE, 2002), 12-13.

immediate or companion paragraphs. This approach is consistent with Berelson's writings that qualitative analysts should state as precisely as possible the relevant indicators in the particular context for the categories in mind: "The analyst's subjectivity must be minimized in the effort to obtain an objective description of the communication content."⁹⁵⁵ In sum, readers should not have to hunt through the article to discern a negative portrayal. In developing this approach, I reviewed the discourse analysis approach to content analysis, which Neuendorf described as engaging "characteristics of manifest language and word use, description of topics in media texts, through consistency and connection of words to theme analysis of content and the establishment of central terms."⁹⁵⁶ This method is intended to analyze manifest content, such as a literal reading of the material, or "what you see is what you get," versus an exploration of latent content, or "reading between the lines." This approach is in keeping with face validity measurement concept to examine the passages "as freshly and objectively as possible."⁹⁵⁷ This classification method was designed with empiricism and replication in mind.⁹⁵⁸

To develop and refine the definition of negative portrayal, I consulted research on measurement of negative portrayals in content analysis. Scharrer used a rating scale of 1 to 5 to assess negative to positive tone in news coverage of Hillary Clinton's U.S. Senate

⁹⁵⁵ Berelson, *Content Analysis in Communication Research*, 1952, 171.

⁹⁵⁶ Neuendorf, *The Content Analysis Guidebook*, 2002.

⁹⁵⁷ Neuendorf, *The Content Analysis Guidebook*, 2002, 115.

⁹⁵⁸ Some scholars do not believe content analysis should explore latent meanings. Berger cites one scholar's objection: "If content analysis is the study of manifest content, ... then how could the analyst possibly draw conclusions about the reader – actual or intended. To do so requires making assumptions and jumping to conclusions that cannot possibly be supported by the text." Berger, Arthur Asa, *Essentials of Mass Communication Theory*, SAGE Publications, 1995. For further discussion of manifest versus latent content, see Riffe, Daniel, Stephen Lacy, and Frederick Fico. *Analyzing Media Messages: Using Quantitative Content Analysis in Research*, LEA's Communication Series, (Mahwah, N.J.: Erlbaum, 1998).

campaign. Coders rated an article “very negative” or a score of 1, if stories contained clear and blatant words used to connote a sense of disapproval or disregard, accusations or unflattering comments, or words or phrases that portrayed the subject in a bad light throughout.⁹⁵⁹ The Keating and Paul content analysis procedures followed a similar approach, but with a more detailed typology as described in the appendix. In assessing negative tone on coverage of the Occupy Wall Street movement, Cissel focused on conflict and a tone of downplaying or dismissal of the concerns of protesters.⁹⁶⁰ Measures of conflict were a central element of the Keating and Paul negative assessment below. Jamieson et al. surveyed approaches to content analysis of negative political advertising.⁹⁶¹ Definitions of “negative” used in the Jamieson study were broad and lacked the precision necessary for this dissertation. For example, one category examined if political advertising focused on the candidate’s positive aspects or the opponent’s liabilities and faults. Others measured negative through a binary approach, with positive ads classified as focusing on the candidate and negative ads on the opponent. This approach lacked the linguistic precision needed in this dissertation. As a result, I developed a taxonomy of terms about normative values in the banking industry.

In my approach, an article was coded as a negative portrayal if it described behavior that deviated from the norms of the banking industry, such as if Keating was

⁹⁵⁹ Scharrer, Erica, “An ‘Improbable Leap’: A Content Analysis of Newspaper Coverage of Hillary Clinton’s Transition from First Lady to Senate Candidate,” *Journalism Studies* 3, no. 3 (2002): 393–406.

⁹⁶⁰ Cissel, Margaret, “Media Framing: a comparative content analysis on mainstream and alternative news coverage of Occupy Wall Street,” *The Elon Journal of Undergraduate Research in Communications* 3, no. 1 (2012): 67-77.

⁹⁶¹ Jamieson Hall, Kathleen, Paul Waldman, and Susan Sherr, “Eliminate the Negative? Categories of Analysis for Political Advertisements,” In *Crowded Airwaves: Campaign Advertising in Elections* by James Thurber, Washington, D.C., United States: Brookings Institution Press, 2000.

subject to regulatory action, violated banking industry norms, or was described as manipulating the regulatory process. A final frame involved whether Keating's reputation amounted to guilt by association (terms are defined in the appendix). Articles were read in their entirety twice and were only given one portrayal code, positive, negative, or neutral, even if there were multiple positive or negative references. Articles with mixed portrayals were rare, and these were not coded.

The portrayal typology is as follows:

Regulatory Action Frame. This would include references to Keating under criminal investigation, the subject of regulatory enforcement actions, such as allegations of fraud, seizure of his thrift or a freeze of his bank accounts, or references to his bankruptcy filing. References to Keating's involvement in an expensive thrift bailout, typically described as the largest S&L rescue ever, were coded as negative. For example, Keating's decision to file for bankruptcy in April 1989 and the regulatory seizure of Lincoln Savings were coded as negative.

Banking Normative Behavior Frame. Other instances involved descriptions of Keating or his activities as "aggressive," "risky," "controversial," "unsafe and unsound," or "flamboyant" which would be outside the normative values of bankers.⁹⁶² To establish normative behavior in the banking system, I consulted academic literature on business ethics and practices in the banking system. Fetiniuc wrote, "Ethics in the banking sector refer to the moral and ethical relations, but they are closely related to the legal norms that

⁹⁶² Some of the normative values include accountability, transparency of operations, safe asset management, contributing to the safety and soundness of the financial system. Gumuła, Wiesław, "Banking and Ethics," July 15, 2015.

comprise the banking legislation.”⁹⁶³ Her analysis emphasized an industry normative value of “fostering collaboration, avoidance and resolution of external conflicts of banks,” norms that Keating and CenTrust’s David Paul violated with their constant litigation against regulators and industry actors. Fetiniuc cited several principles of banking ethics that include the “principle of business compromise and business tolerance” and thus seek “to harmonize conflicting interests of participants in the business process.” Keating often violated these norms. Material describing Keating’s contentious relationship with bank regulators, which said he was “clashing” or “fighting” with the Federal Home Loan Bank Board, was coded as negative. A more neutral description of Keating as “an outspoken critic” was not coded as negative. The Federal Reserve Board’s “Commercial Bank Examination Manual” addressed normative behavior in a discussion of reputational risk, which “is the potential that negative publicity regarding an institution’s business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions.”⁹⁶⁴ Keating’s explicit attempts to manipulate the regulatory system through campaign contributions posed risks to the institutions’ reputation, for example.

Manipulation Frame. This included descriptions of Keating manipulating or attempting to manipulate the political and regulatory process. The text was scanned for the following descriptors of Keating’s activities: manipulate, control, influence, exploit, maneuver, engineer, steer, direct, rig, distort, alter, or change. One example included

⁹⁶³ Fetiniuc, Valentina, and Ivan Luchian, “Banking Ethics: Main Conceptions and Problems,” *Annals of the University of Petrosani Economics* 14, no. 1 (January 2014): 91–102.

⁹⁶⁴ n/a. “Commercial Bank Examination Manual,” Federal Reserve Board, October 2015.

references to Keating offering a job to Ed Gray in order to remove the regulator from his job; this was coded as negative since it represented Keating's attempt to manipulate the regulatory process and was a form of bribery. References to politicians "under the spell" of Keating were coded as negative.

References to Keating's political contributions were not coded as negative unless the immediate context⁹⁶⁵ described a manipulation of the regulatory process or that his contributions were excessive or somehow violated industry norms. A simple description of Keating as "a major contributor to Republican candidates" was not coded as negative unless the reference showed Keating was trying to benefit his company.

Guilt by Association Frame. Other negative portrayals included suggestions of notoriety, such as references of someone's association to Keating as if this mere existence of a relationship was newsworthy. For example, an article was coded with a negative portrayal when Sen. Riegle returned Keating's campaign contributions; Keating's reputation was so negative that a politician was compelled to return his money. Sen. William Proxmire's opposition to Federal Home Loan Bank Board Commission nominee Lee Henkel, based on Henkel's association with Keating, was coded as negative. This suggests Keating was somehow politically or ethically toxic. Any ambiguity or uncertainty about a negative portrayal was coded as neutral.

⁹⁶⁵ This refers to the paragraph or immediate preceding or following paragraphs; readers should not have to hunt through the article to discern a negative portrayal.

Paul Portrayal.

As with Keating, text and rhetoric were analyzed to measure whether Paul was portrayed in a positive, negative or neutral fashion in the news coverage.⁹⁶⁶ Negative portrayals were grouped in the same four frames as the Keating case study. Several elaborations and modifications specific to the Paul case are described below:

a) Regulatory action. This refers to Paul being subject of regulatory enforcement actions, under criminal investigation, references to fraud allegations, or descriptions of Paul in jail or going to jail. Other negative portrayals included his inability to pay bills due to legal case from regulators. References to Paul's involvement in an expensive thrift bailout were coded as negative.

b) Violation of banking norms. The normative behavior of bankers described above also applies to Paul. Articles were coded as negative that describe Paul or his activities as "aggressive," "risky," "controversial," "unsafe and unsound," or "flamboyant." Since conflict resolution and avoidance were banking industry norms, Paul's contentious relationship with bank regulators were coded as negative. He also put the CenTrust brand at risk with his acquisition of the expensive artwork with bank funds. Paul also violated a banking industry norms by pushing the rapid growth of CenTrust. To federal regulators, fast growth at a bank has "long been viewed as a potential precursor to credit quality problems."⁹⁶⁷

⁹⁶⁶ As with the Keating analysis, I examined the adjectives, adverbs, and other descriptors about David Paul. The portrayals were reviewed for the "immediate context" as the paragraph or immediate preceding or following paragraphs. The analysis focused on manifest content.

⁹⁶⁷ n/a, "An Examiner's Guide to Problem Bank Identification, Rehabilitation and Resolution," (U.S. Comptroller of the Currency, January 2001).

c) Manipulation. Examples of Paul attempting to manipulate the political and regulatory process were coded as negative. Simple references to Paul's political contributions were not coded as negative unless the immediate context described a manipulation of the regulatory process or that his contributions were excessive or somehow violated industry norms. A simple description of Paul as "a major contributor to Democratic candidates" was not coded as negative unless the reference showed Paul was trying to benefit his company.

d) Guilt by Association. References to someone associating with Paul was coded as negative when the article described his reputation running a failed thrift. Other negative portrayals included suggestions of notoriety, as in the mere relationship with Paul was somehow newsworthy. For example, an article that described how Sen. Graham returned Paul's campaign contributions was coded as negative.

e) Positive Portrayal. Examples of positive portrayal category included reporting that elevated Keating or Paul's stature and emphasized their narrative without any rebuttal or element of skepticism. Put another way, it would involve a simple summarizing of a Keating or Paul press release or statement that spoke to growth of the business without any additional outside reporting to verify if this were the case. One example involved Keating's claims that his purchase of Lincoln Savings rescued the bank; there was no attempt to verify such a claim, resulting in this article being coded as a positive portrayal. Another example involved coverage of Keating's business plan without any mention of risks. Coverage of Keating or Paul's civic engagement, kindness, generosity, or philanthropy fell under this category as well.

f) Neutral Portrayal. Examples of neutral portrayal included references to Keating or Paul that did not contain value judgments about his activities or such a judgment was implied or suggested. “Free-market thrift executive” was one example.

g) Story Narratives. These following seven narrative categories emerged from the study of the savings and loan crisis history and news coverage of the Keating and Paul episodes. Coding articles with these narratives allowed for an in-depth comparison among the four newspapers and their coverage priorities and emphasis. A single article generally was coded with one narrative, although some articles have multiple narrative codes.

1) Accounting. The article primarily dealt with accounting issues involving the thrift industry. Accounting coverage was significant since many of the savings and loan frauds involved illegal inflation of property values, capital reserves, and similar measures. Subsequent analysis showed these loans were inflated and property values were far less than prevailing market rates.⁹⁶⁸ This code could overlap with “Regulation” below; an article coded with “Accounting” primarily focused on these issues whereas a “Regulation” code could involve accounting and other issues.

2) Congressional Oversight. The article involved oversight of Congress in the savings and loan industry.

3) Regulation. The article primarily involved a dispute between a savings and loan executive and the regulator over rules to restrict investment options or how regulatory actions have devalued loan portfolios. These were key issues in Keating and Paul’s disputes with regulators. This code will overlap with FHLBB Leadership category discussed below but was a separate category to show when the media organizations

⁹⁶⁸ Curry and Shibut, “The Cost of the Savings and Loan Crisis,” 2000.

reported in significant depth. This code also captured a discussion of deregulation, a priority for the Reagan administration. This was a complex narrative filled with attempts by some regulators to crack down on thrifts' egregious investments and behavior.

4) Thrift Failures. This code described coverage of savings and loan failures besides Lincoln or CenTrust. Such a code was useful to analyze whether a newspaper was looking at broader industry issues.

5) S&L Industry Trend. This code was used for articles that primarily reported on general trends in the S&L industry; Keating or Paul were not the focus of the lead paragraphs or the story but were mentioned in the material elsewhere.

6) Politics. This code was used for articles that primarily focused on political campaigns or political issues, such as Keating or Paul's contributions to candidates.

7) Other. This code was used for articles that did not fit into any of the coding described above.

Category: Keating Specific Narratives

These following codes describe other dominant narratives in the Keating coverage and help align the individually coded articles to the broader historical timelines about the savings and loan crisis.

1) Elderly Bondholders. This code is used for articles that referenced elderly investors who lost money in American Continental Corp. bonds

2) FHLBB Leadership. This codes was used for articles that described the Federal Home Loan Bank Board (FHLBB) leadership and their decisions. Keating had a significant fight with the FHLBB Chairman Edwin Gray, who sought to crack down on thrift industry abuses. Gray's replacement, M. Danny Wall, was a deregulatory advocate

who accommodated Keating. This code will overlap with “Regulation” and this was necessary in order to provide more detail for the beat reporting analysis.

3) Henkel. This code was for articles on the appointment of Lee Henkel to Federal Home Loan Bank Board. Henkel was pushed by Keating to advance a deregulatory agenda and to fight FHLBB Chairman Gray.

4) Keating Five. This code described articles that mentioned the five senators’ meeting with Charles Keating.

5) Lincoln Sale. This code described articles involving attempts to sell Lincoln Savings.

6) Media Leak. This code was used when articles referenced media leaks, a source of friction between Keating and the regulators.

Category: Paul Specific Narratives

1) BCCI. This code referenced CenTrust’s involvement in the international bank scandal of Bank of Credit and Commerce International or BCCI, a significant investor in CenTrust.

2) CenTrust Expansion. This referenced articles that emphasize CenTrust’s rapid expansion, including merger announcements, new executives, and the new headquarters.

3) CenTrust Decline. This referenced articles focusing on the thrift’s demise up to the Feb. 3, 1990, when it was seized by regulators. This code would also involve regulatory actions such as orders to suspend dividend payments, cease and desist orders, or earnings reports that emphasize losses.

4) Faked biography. This referenced articles that described Paul’s faked biography.

5) Junk Bonds. This referenced articles that described risky debt financing at CenTrust.

6) Opulence. This referenced articles that contained descriptions of a lavish lifestyle, including expensive art, yachts, or expensive meals.

Category: Beat Reporting

To measure beat reporting, the study tabulated the number of stories and their length, based on word count, devoted to the thematic topics above. Individual reporter bylines were examined to determine the number of people writing about Keating and Paul. The more articles by a single reporter would suggest they gained more depth in the topic. The number of corrections was tabulated. The coverage patterns were examined to determine “scoops” and which newspapers were first with a particular story, a common industry measure of how well beat reporters do their jobs.

1) Earnings. Corporate earnings stories were examined closely to see if they repeated company announcements or provided additional context about the broader industry or skepticism about the company’s performance.

2) Briefed. This measured articles in which Paul or Keating were referenced in package of briefs or a roundup.

3) Long Form Journalism. This measured articles longer than 1,000 words or if an article employed investigative techniques such as analysis of corporate or regulatory documents.

4) Legal Beat. This measured stories documenting the legal developments in the court fight with regulators.

5) Minor Mention. This coded articles that mentioned Paul or Keating in three sentences or less. This was designed to measure a passing reference.

The CenTrust beat reporting analysis differed in one significant way from the Keating analysis. The initial review revealed gaps in the newspapers' coverage of CenTrust due to the search terms, "David L. Paul" and "CenTrust" and did not fully reflect beat reporting on routine company announcements such as corporate earnings and executive changes. A second search was performed⁹⁶⁹ for these beat reporting topics only: the search was for "CenTrust" and "net income" or "Teti" or "Shealy" or "Ranieri." This second search was necessary since the content analysis examined omissions in coverage. The second search captured 35 additional articles necessary for a complete analysis of beat reporting at these five newspapers. To assess the frequency and quality of the earnings stories, 176 CenTrust press releases were retrieved from the Business Wire and PRNewswire database from 1984 through 1994. A subset of this file contained 11 CenTrust corporate earnings announcements, as well as the dueling releases between CenTrust and its regulators, described in Chapter 4.

⁹⁶⁹ To capture all earnings stories, an additional search was conducted for "CenTrust" and "net income" for all dates. This yielded added 25 earnings stories; for *National Thrift News*, six additional earnings stories; *The New York Times*, six stories; *The Wall Street Journal*, four stories; *American Banker*, four stories; and the *St. Petersburg Times*, five stories. One supplemental search was conducted to examine news coverage of the appointment of Lewis Ranieri to the CenTrust board. The search was for "Ranieri" and "CenTrust," all dates, for the five publications. This search yielded a single story in each of *The New York Times*, *The Wall Street Journal* and *American Banker* about Ranieri's appointment. There was no story about Ranieri's CenTrust board appointment in either the *National Thrift News* or the *St. Petersburg Times*. An additional search was conducted for Teti and Shealy's departures, and each of the newspapers carried an item. The search terms were ("Teti" or "Shealy") and "CenTrust" and all dates. To capture stories about the bank being seized by regulators, an additional search was conducted for "CenTrust" in the January 30-February 10, 1990 time period. It yielded an additional story each for the *American Banker* and *The New York Times*.

Category: Sourcing

The sourcing of quotes and other attribution practices were coded for each article and tabulated. This count of sourcing attributes allowed for examination of differences between the *National Thrift News* and other media coverage. This also measured reliance on official sources, identified as a problem for business journalism.⁹⁷⁰ This tabulation of manifest content⁹⁷¹ helped analyze the diversity of sourcing and reporting in the business news articles. As such, this survey can help answer RQ 4, the question about components of probing and critical business journalism, RQ 2, the exploration of the *National Thrift News* and the norms of trade journalism, and RQ 1, how the *National Thrift News* differed from mainstream publications.

An article can contain multiple items from the list below:

Analyst Source. Securities analyst.

Anonymous Source. No individual identified.

Consumer Source: A consumer group or individual customer.

Editorial: Editorials or opinion articles on the topic.

⁹⁷⁰ Studies have shown newspapers' heavy reliance on government and corporate sources. Culbertson studied use of unnamed sources and found federal sources were 20% of unnamed sources in news coverage and corporate sources accounted for 19%. "Technical and management people outnumbered those in the labor movement by about six to one." See Culbertson, Hugh M, "Veiled News Sources: Who and What Are They?" *News Research Bulletin of the American Newspaper Publishers Association* 3 (May 1975): 24; Powell, Larry, and William R. Self, "Government Sources Dominate Business Crisis Reporting," *Newspaper Research Journal* 24, no. 2 (2003): 97; Starkman, *The Watchdog That Didn't Bark*, 2014; Kurtz, *Media Circus*, 1993.

⁹⁷¹ Manifest content refers to a literal reading of the material versus latent content, which requires interpretation. Berelson describes manifest as the denotative or shared meaning as opposed to connotative or latent "between-the-lines" meaning. Berelson, Bernard, *Content Analysis in Communication Research*, 1952.

Industry Source: S&L executives, analysts or others who make a direct living from the industry.

Legal Source. Lawsuit, court record, judge, or jury only. Not attorneys.

Legislative Source. Member of Congress, state lawmaker or other city-county elected official.

Non-Industry Source: An independent academic or similar non-industry official.

Other Media. A publication other than those under study.

Other Source. A catchall for material not captured here.

Regulator Source: Agencies such as the Federal Home Loan Bank Board.

Note that a person quoted or cited several times in an article was coded only once.

Category: Sourcing Specific to Paul

The first review of the CenTrust and Paul articles led to creation of additional codes to better analyze and interpret sourcing of this episode.

CenTrust Source. This code identified articles where David Paul or a CenTrust spokesman or official was cited as a source.

Paul Quoted. This code was for articles containing direct quotations from David Paul.

Lawyers-CenTrust-Paul: This code was attorneys representing either Paul or the company.

Category: Trade Press Norms

To assess RQ 2, *National Thrift News*' trade publication status, the content analysis identified instances where the newspaper met or defied trade industry norms. These norms are described in Chapter 2, Norms of Business Journalism. Articles coded as "Trade Press Norms" would describe how the trade press played a functional or professional education role to assist a business grow. It could also use technical language specific to that trade or business. This code would be consistent with the trade press normative values described by Flynn (1944), who wrote such publications would help the markets and business community improve profits and "fostering commercial enterprise."⁹⁷² Articles were scanned for the following characteristics:

1) Meets Trade Norms. The article contained jargon or technical language aimed at a specialized audience. An example would be a attributing a bank's loss to the inverted Treasury yield curve, a technical measurement of bond market yields. It also examined lack of broader context on a particular story, especially if this context was reflected in competing news coverage. The articles were examined to determine if its primary purpose was to impart specialty knowledge to industry players or to inform general readers.

2) Doesn't Meet Trade Norms. The article contained labor - management reporting, political coverage, general news, or coverage of crime, all trademarks of general news typically not covered in the trade press.⁹⁷³

3) Trade Norms Unclear. It was unclear if an article did or did not fulfill classic trade press norms.

⁹⁷² Flynn, "The Development of Business Papers in the United States," 1944.

⁹⁷³ See Elfenbein, *Business Paper Publishing Practice*, 1952.

Category: Impact

To assess RQ3, the impact of the *National Thrift News*' reporting, the content analysis identified instances describing impact of its reporting. This was a very limited category that required an explicit description of impact. Examples would involve a newspaper's articles cited by competing news media as a source or actions directly attributed to the reporting, such as a politician returning campaign contributions following critical news reporting. It was important to examine the impact of all four newspapers in order to make any valid claims about the *National Thrift News*' coverage of the Keating and Paul episodes.

1) Impact_NTN: This measured instances where *National Thrift News* articles were cited by competing news media as a source or actions directly attributed to the reporting, such as a politician returning campaign contributions following critical news reporting.

2) Impact_WSJ: Instances where other media credited and followed up on *The Wall Street Journal* articles.

3) Impact_NYT: Instances where other media credited and followed up on *The New York Times* articles.

4) Impact_AmBkr: Instances where other media credited and followed up on *American Banker* articles.

To assess RQ4, the elements of a critical business press, the analysis examined beat reporting on earnings and company announcements to see if the newspapers provided additional context about trends concerning the company and the savings and loan industry. In other words, did they go beyond the press release? One example would

be CenTrust reporting losses from its bond trading: did the article then describe the broader controversy about junk bonds in the industry? The analysis also measured which newspapers warned about the emerging problems in CenTrust's business model, such as its trading in securities and junk bonds. The analysis looked for when the newspapers published investigative or long-form articles that placed company developments into broader context. Such articles, more than 1,000 words, involve investigative reporting techniques, such as use of complex or confidential documents, multiple interviews with a range of sources and a story line that was not necessarily dictated by a company or a regulator.

Coding Sheet for Keating, Paul Content Analysis

Unit of Data Collection: News articles

All items coded by the author.

Category: Negative Portrayal (For Both Charles Keating / David L. Paul)	
Codes	Explanation
Regulatory Action	Regulators undertaking or have undertaken the following: seizing a thrift, filing charges, assessing fines or taking similar enforcement action against an institution.
Banking Normative Behavior	Descriptors such as "aggressive," "risky," "controversial," "unsafe and unsound," "embattled," "flamboyant." Behavior that results in a negative reputation, such as an arrest or assault. References to filing for bankruptcy or involvement in S&L bailout.

Manipulation	Sought to influence public policy process through campaign contributions in direct exchange for personal or immediate business advancement. Examples include advocating for appointment of regulators who would not enforce rules. Attempts to remove or undermine regulators who are enforcing rules. The text was scanned for the following terms as descriptors of Keating's activities: manipulate, control, influence, exploit, maneuver, engineer, steer, direct, rig, distort, alter, or change
Guilt by Association	Suggestions of notoriety, such as references of someone's association to Keating / Paul as if this mere existence of a relationship was newsworthy. Examples include articles about political campaigns and association with disreputable bankers. Revelations of a relationship that causes action, such as returning campaign contributions.
Category: Positive Portrayal	
Positive Portrayal	Articles that elevate stature and emphasize his narrative without any rebuttal or element of skepticism. Articles that portray business in a positive light without any interviews from outside commentators or similar industry context. References to civic engagement, kindness, generosity or philanthropy.
Category: Neutral Portrayal	
Neutral Portrayal	References that do not contain value judgments about his activities or such a judgment was implied or suggested.
Category: Story Narratives	
Accounting	Article primarily deals with accounting issues at the banks
Congressional Oversight.	Congressional hearing, report or article primarily focused on work of Congress
Regulation.	Regulatory actions and behavior, from rulemaking to enforcement.
Thrift Failures.	Details about thrift failures besides Lincoln, CenTrust
S&L Industry Trend.	Broader industry trends described in more than one paragraph
Politics	Article primarily focused on political campaigns or political issues
Other	Themes that do not fit into the categories above
Keating Specific Narrative Codes	
Elderly Bondholders	Articles referencing elderly investors who lost money in American Continental Corp. bonds
FHLBB Leadership.	Addresses Edwin Gray or Danny Wall's leadership initiatives
Henkel	References to appointment of Lee Henkel to FHLBB

Keating_Five	References to the five senators meeting on Keating's regulatory problems.
Lincoln_Sale	Attempts to sell Lincoln Savings from 1987 forward
Media Leak	Measures references to a media leak in the article.
Paul Specific Narrative Codes	
BCCI	One paragraph or more referencing Bank of Credit and Commerce International
CenTrust_Decline	Coverage of the thrift's demise up until the Feb. 3, 1990 seizure by regulators. This would involve regulatory actions such as orders to suspend dividend payments, cease and desist orders
CenTrust_Expansion	Coverage of the thrift's rapid expansion, primarily through 1988
Faked_Biography	Coverage of Paul's faked biography
Junk Bonds	References to risky debt financing at CenTrust, which was financed by Michael Milken in many instances
Opulence	References to purchases of art, yachts, large houses, expensive meals
Category: Beat Reporting	
Author	Number of stories by individual author
Briefed	Articles where CenTrust or Paul are referenced in package of briefs or a roundup. The item was newsworthy but not the subject of a standalone story.
Earnings	Corporate earnings articles.
LongForm	Articles longer than 1,000 words and / or employ investigative techniques such as analysis of corporate or regulatory documents
Legal_Beat	Stories documenting the legal developments of Paul's court fight with regulators. This measures some of the detail the newspapers were willing to devote to the CenTrust story.
Minor Mention	A mention of 3 sentences or less in a broader story. A passing reference
Category: Sourcing	
Analyst_Source	Securities analyst, industry consultant or person who speaks about general industry/economic trends.
Anonymous_Source.	No individual identified in text
Consumer_Source	A group representing consumers' interests, such as Consumer Union or AARP, or individual customer.
Editorial	Newspaper editorial or opinion-page article. Not a news story
Industry_Source	S&L executives, analysts or others who make a direct living from the industry

Legal_Source	Lawsuit or court record
Legislative_Source	Member of Congress, state lawmaker.
NonIndustry_Source	An independent academic or similar nonindustry official.
Other_Media	A publication other than those under study
Other_Source	A catchall for material not captured here.
Regulator_Source	Agencies such as the Federal Home Loan Bank Board, Office of Thrift Supervision, Federal Deposit Insurance Corp.
Sourcing Specific to CenTrustPaul	
CenTrust Source	David Paul or a CenTrust spokesman or official cited as a source
Paul Quoted	Direct quotations from David Paul
Category: Trade Press Norms	
Meets Trade Norms	Functional role: assist business or professional education
Doesn't Meet Trade Norms	Labor - management reporting, political coverage, general news crime.
Trade Norms Unclear	Unclear if an article does or does not fulfill classic trade press norms
Category: Impact	
Impact_NTN	Instances when National Thrift News is cited by competing news media. Articles prompt action, such as a politician returning campaign contributions following critical news reporting.
Impact_WSJ	Citations or action based on The Wall Street Journal articles.
Impact_NYT	Citations or action based on New York Times articles
Impact_AmBkr	Citations or action based on American Banker articles.

Appendix 2: CenTrust Sourcing

Major Codes for CenTrust Sourcing

	Total Articles	Regulator	Analyst	Industry	Anonymous	CenTrust	Paul-Quoted
American Banker	59	29	12	20	5	45	9
National Thrift News	86	76	7	15	9	45	21
New York Times	61	44	15	13	1	19	13
St Petersburg Times	219	148	26	87	0	162	25
Wall Street Journal	86	59	10	53	5	53	8
Total	516	356	70	188	20	324	76
	Legislative	Lawyers-CenTrust-Paul	Legal	Consumer	Editorial	Other-Media	Other-Source
American Banker	9	3	4	0	0	2	0
National Thrift News	26	14	11	0	0	6	2
New York Times	3	11	11	3	0	2	14
St Petersburg Times	127	20	25	0	15	21	28
Wall Street Journal	17	15	14	0	6	5	15
Total	182	63	65	3	21	36	59

Figure 24. Major coding, CenTrust sourcing.

Appendix 3: Keating Sourcing

Total Coding for Keating Sourcing

	Total Articles	Regulator	Analyst	Industry	Anonymous	Keating Said	Lawyers-Keating
American Banker	92	148	3	127	60	9	3
National Thrift News	94	149	11	115	59	5	5
New York Times	85	112	14	56	23	7	6
Wall Street Journal	73	137	8	133	13	5	8
Total	344	546	36	431	155	26	22
	Legislative	Legal	Consumer	Editorial	Non-Industry Source	Other Media	Other Source
American Banker	103	23	11	0	4	14	5
National Thrift News	99	25	9	4	2	26	4
New York Times	121	23	16	7	1	5	21
Wall Street Journal	141	28	17	6	0	26	13
Total	464	99	53	17	7	71	43

Figure 25. Total coding, Keating sourcing.

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A Lexis-Nexis search (“Stan Strachan” and “National Thrift News” and all dates) produced 345 articles bylined by Stan Strachan. A Factiva search (“Stan Strachan” and “National Thrift News” and all dates and all publications) produced numerous written tributes to Strachan from top mortgage industry figures after Strachan’s death in 1997.

Search for Keating Five Stories

Lexis-Nexis search, researchport.umd.edu, search terms: “Keating and McCain and DeConcini and Glenn and Cranston” all newspapers 9/25/87-12/31/89;
 Factiva search, researchport.umd.edu, search terms: “Keating and McCain and DeConcini and Glenn and Cranston” all newspapers 9/25/87-12/31/89;
 ProQuest search, researchport.umd.edu, search terms: “Keating and McCain and DeConcini and Glenn and Cranston” all newspapers 9/25/87-12/31/89.

Search for David L. Paul Stories

Lexis-Nexis search, researchport.umd.edu, search terms: “David L. Paul” and “CenTrust” or “David Paul” and “CenTrust” all newspapers, 1/1/84 through 12/31/93.

Factiva search, researchport.umd.edu, search terms: “David L. Paul” and “CenTrust” or “David Paul” and “CenTrust” all newspapers, 1/1/84 through 12/31/93.

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