Media Monitor

Volume XVI Number 5 September/October 2002

Scandalous Business

TV News Coverage of the Corporate Scandals

Major findings:

- **Big Business** The scandals accounted for over three-fourths of all business news. *Page 2*
- **Small Business** Other business news dropped by 68% from 2001 levels. *Page 2*
- **The Big Two** Enron and Arthur Anderson attracted 75% of corporate criticism. *Page 4*
- **Its not the Crime...** The heaviest coverage went to attempted cover-ups. *Page 4*
- **Blaming Bush** Over two out of three sources criticized the President's role and response. *Page 6*

In this issue of Media Monitor, we examine ABC, CBS, and NBC evening news coverage of the most significant domestic story of the year, the unrelenting wave of scandals in corporate America. The revelations that executives at some of the nation's largest and most successful companies had covered up billion dollar debts, defrauded shareholders and helped themselves to millions in dubious loans left Wall Street bruised, Main Street battered and the public calling for government to restore accountability in the marketplace. Our analysis begins when the media first announced problems at Enron on November 28, 2001 and concludes with the collapse of Worldcom at the end of July 2002.

After the dotcom bust and shockwaves from 9/11 left the U.S. economy struggling to avoid a recession, there was one more shock in store for Wall Street before the end of 2001. In November, the giant energy trading corporation Enron, previously one of the pace setters of the new economy, announced that it had overstated earnings by $600 million since 1997 and hidden more than $1 billion in debt in "off-the- books" partnerships. The revelations sunk a $23 billion merger with rival Dynergy, and sent Enron's share price into terminal free fall. Previously ranked number seven on Fortune magazine's list of the top 500 largest corporations, Enron was forced to file for bankruptcy protection on December 2, and its top executives were charged with fraud.

Enron held the dubious honor of being the largest Chapter 11 filing in U.S. history until Worldcom hit the bankruptcy court in July 2002, listing $107 billion in assets and $41 billion in debt. The telecom company, which owns the nation's No. 2 long-distance carrier MCI,

(continued on page 2)

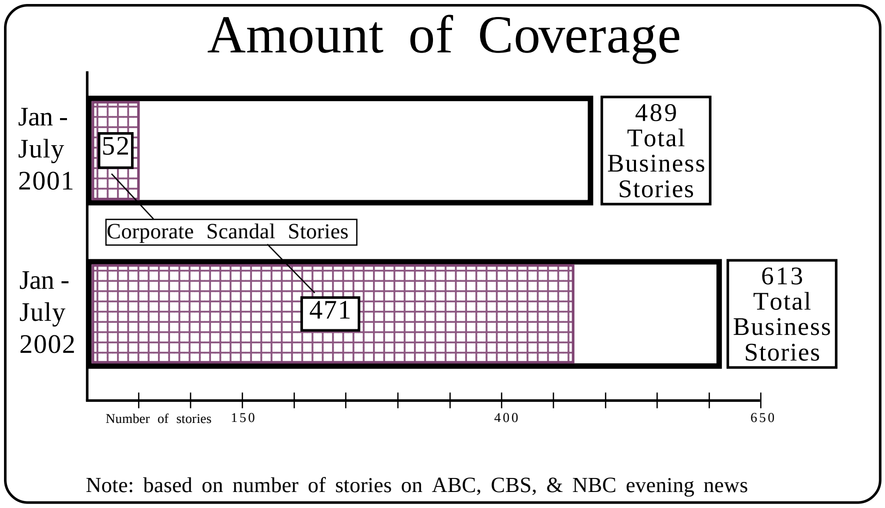
stunned Wall Street by admitting that it had covered up $7.2 billion in expenses.

In between Enron and Worldcom, the markets and the public were shaken by accounting scandals at Adelphia Communications, Global Crossing, Qwest Communications, Tyco and Xerox. Many other companies had their creditworthiness downgraded as tortuously dense balance sheets showed warning signs of "Enronitis."

To add insult to the financial injuries inflicted on investors, corporate duplicity was frequently accompanied by breathtaking corporate greed. In a scene that recalled Rudy Giuliani's daylight raids on Wall Street in 1987, prosecutors perp-walked Adelphia founder John Rigas and his two sons in front of the press in July after it was revealed that they systematically looted 3.1 billion dollars from the cable TV company.

Amount of Coverage

The parade of corporate scandals was one of the dominant news stories of the year on the networks. The democratization of wealth in the 1990s meant the trillions of dollars lost on Wall Street would have a direct impact on the fortunes of Main Street. Images of personal greed also helped to put a human face and a dramatic angle on abstruse accounting practices and complex business deals.



From November 28, when the Enron collapse became public through to the end of July, when Worldcom filed for bankruptcy, the three network newscasts devoted a total of 15 hours and 25 minutes of air time to covering the avalanche of bad news. NBC gave the most coverage, which at five hours and 38 minutes was over an hour longer than CBS devoted to the topic. NBC had also the longest average story length at two minutes and five seconds. ABC's stories were, on average, the shortest, at one minute and 43 seconds.

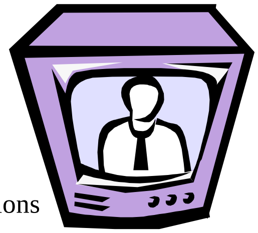
During *all* that period, the networks broadcast almost as many stories on corporate scandals as they did on business stories for the same period a year before. Over three quarters (471) of the 613 business stories on the evening newscasts from January through July 2002 dealt with corporate scandals. This compares with 489 business stories from January through July 2001, of which 11% (52) related to similar types of corporate fraud.

With scandal coverage accounting for 77% of all business news stories, other business news received short shrift compared with the previous year. There was considerably less attention paid to positive business news, such as stories on new products or acquisitions and mergers, and no news at all about profits. There were only half the number of stories on consumer protection issues during the same period in 2002 as there was in 2001, while there were eight times as many pieces on government regulation.

Stories on corporate scandals built slowly, peaking at the end of 2001, before exploding in January and February 2002. January and February account for almost half of all scandal news (45% of stories). Violence in the Middle East drove business scandals from the news until midsummer. Spurred by news of indictments and more corporate disclosures, coverage rose sharply in July. In

It's Scandalous

Top Issues in the News



Impact on Economy 392 discussions

Details of Wrongdoing 371 discussions

Penalties and Consequences 278 discussions

Corporate connections to Congress 195 discussions

Corporate connections to White House 188 discussions

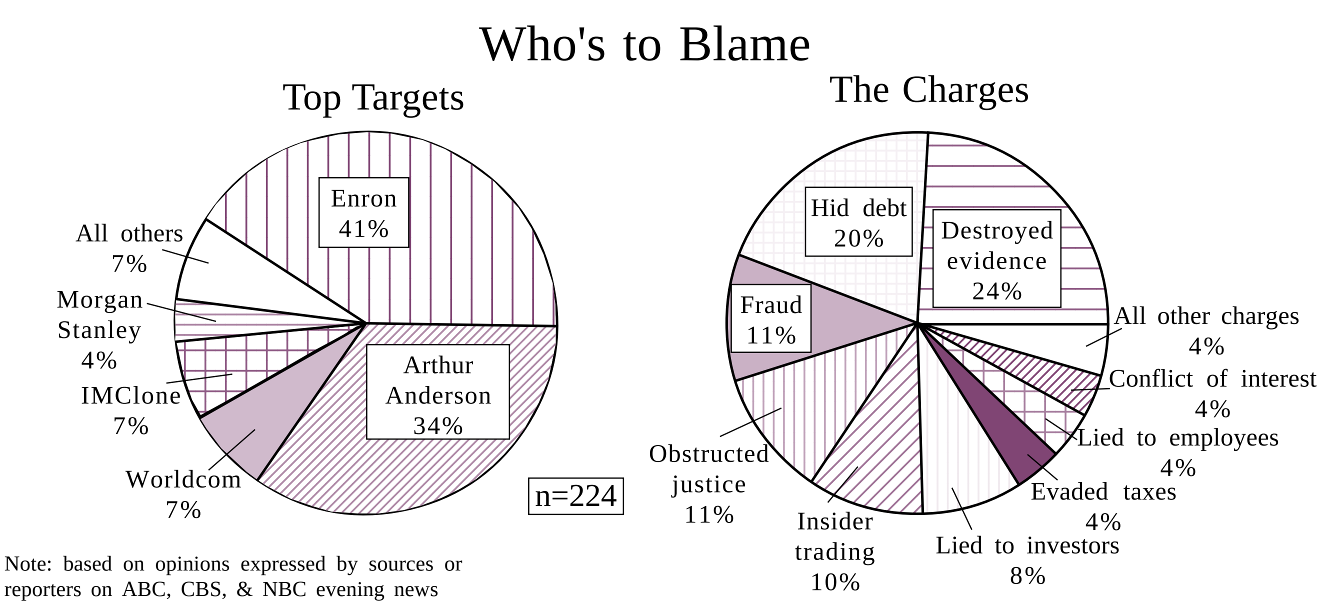
Note: based on extensive issue discussions on ABC, CBS, & NBC evening news

fact that single month accounted for almost one third of the scandal stories (32%).

It's Scandalous

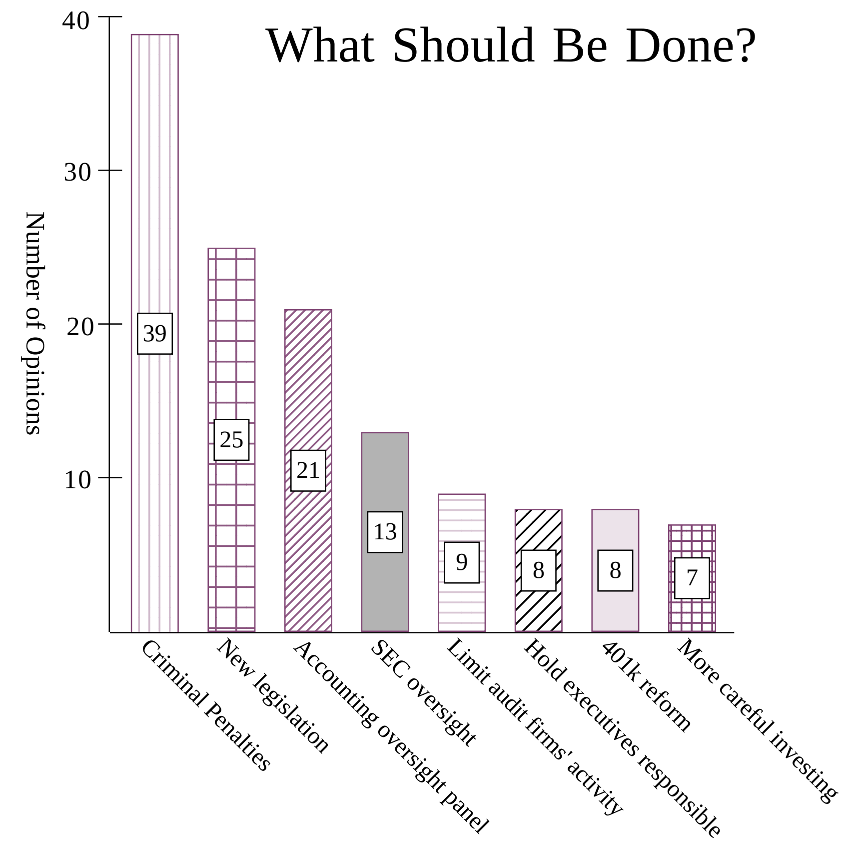
Reporting on corporate scandals focused on two main concerns: the impact the disclosures were having on the economy or country (392 stories) and the details of the wrongdoing (371 stories). Thus the scandals were framed for viewers as a national and systemic problem, in addition to the misdeeds of particular individuals or companies. Discussions of the scandals' impact focused on the effects on the stock market, pension plans, employment and long term confidence in the economy. Discussions of penalties and consequences for illegal or unethical behavior were found in 278 stories. These discussions included criminal indictments, law enforcement investigations, firing of top executives, bankruptcies and other penalties for companies or individuals involved. The nexus of business and political interests rounded out the top five areas of coverage.

The corporate connections to Congress (either specific members or general mentions) were addressed in 195 stories, while business associations with the Bush administration followed close behind in 188 stories. Business connections with Congress often received the harshest comments in the wake of the campaign finance reform act. As Sen. Fritz Hollings (D-SC) “This is a big political scandal. And I look on it as an opportunity to finally get on top of this corruption of money and politics. Go right to the point.” (CBS 2/10/02) The Administration connections that drew coverage included the personal friendship between Enron CEO Ken Lay and President Bush, as well as accusations of accounting irregularities at Halliburton while Vice President Cheney was the CEO.



Note: based on opinions expressed by sources or reporters on ABC, CBS, & NBC evening news

Attention also shifted over time, from the impact of the scandals to the penalties and consequences. In November and December 2001, the impact of the scandals accounted for 46% of all coverage. By January 2002, the proportion fell to 29% and continued to drop to 22% in February. Coverage of the impact continued to fall through the spring and early summer, until rebounding in June and July to 22% and 31% respectively. Interest in the penalties for consequences of these scandals rose as discussion of the impact fell. From November through February, discussions of consequences occupied only eight percent of the coverage. In March, discussions of penalties accounted for 49% of coverage and 41% in April. A new wave of charges reduced coverage of consequences to 28%, but the subject rebounded in June to 50% of the coverage.



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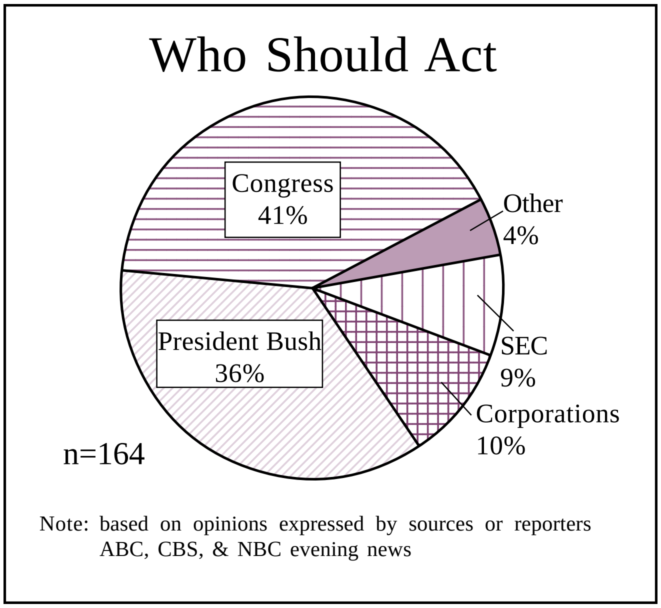
Who's to blame

Despite disclosures of irregularities and possible wrongdoing at numerous companies, Enron and Arthur Anderson together accounted for three out of four discussions of corporate wrongdoing. Far less attention was paid to the insider-trading scandal involving Martha Stewart and ImClone or the record breaking bankruptcy at Worldcom (although this is partly explained by Worldcom's failure to disclose its full debts until August). In many respects, the corporate scandals that followed Enron's collapse were fairly straightforward - debts were hidden, money was stolen, laws were broken. Enron provided the media with much more: it may have manipulated the California and Texas energy markets and bribed foreign governments for contracts. Further, the company had ties to the Republican party and President Bush.

Enron accounted for 92 discussions of corporate misbehavior followed closely by Anderson with 77 discussions. Trailing far behind were IMClone (16), WorldCom (15) and Morgan Stanley (8 discussions). The dominance of these two companies is reflected in the charges that were discussed. One in every four charges leveled on network news referred to "destroying evidence" (24 percent). For example, Deputy Attorney General Larry D. Thompson charged, "Employees were told to work overtime, if necessary, to finish the job of destroying documents. The shredder at the Anderson office in the Enron building ran virtually constantly." (ABC 03/14/02). These were followed by allegations of "hiding debts" (20 percent).

A second tier of charges comprised accusations of "obstructing justice" (11 percent), charges of fraud (11 percent) and allegations



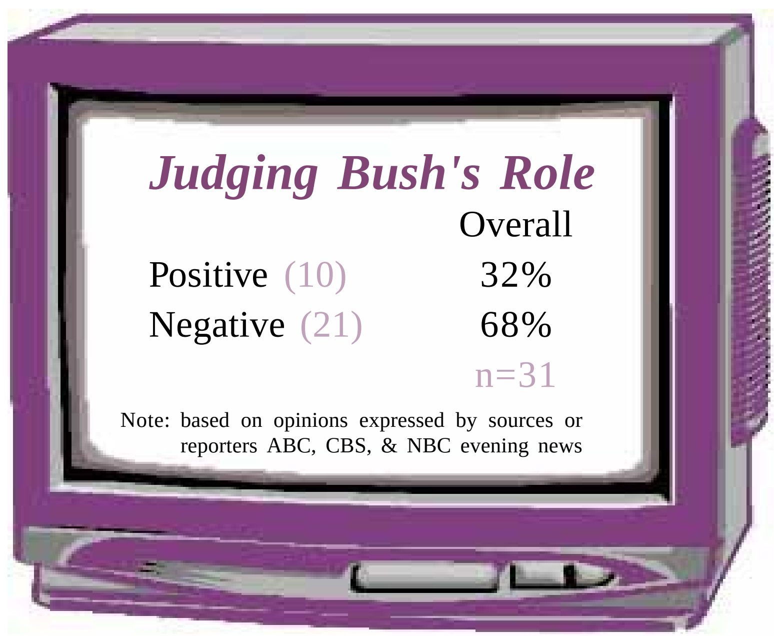
of insider trading (10 percent). As Rep. Billy Tauzin (R-LA) charged, "We're now finding evidence of intentional investor fraud and if we keep uncovering that, as we turn it over to federal investigators, somebody may end up in the pokey over this." (NBC 02/03/02)

Managers in Manacles

In terms of what should be done in the wake of these scandals, criminal penalties were mentioned most frequently, accounting for 39% of these discussions. Many in Congress, like Rep. Mark Strickland (D-OH) led these calls, "If crimes have been committed, it is my fervent hope that those responsible will see the inside of a jail cell."(ABC 6/28/02) New legislation to clarify and strengthen accounting rules and corporate disclosures were found in 25% of discussions. President Bush put it succinctly when signing the new Corporate Responsibility Act, "This law says to every dishonest corporate leader you will be exposed and punished. The era of low standards and false profits is over. No boardroom in America is above or beyond the law." (NBC 7/30/02)

The creation of an accounting oversight panel appeared in 21% of discussions. SEC Chairman Harvey Pitt voiced a common concern about such a panel, "The only way a private sector disciplinary body will work is if it is comprised of a dominant majority of people who have no affiliation with the accounting profession." (NBC 1/20/02) Improving Securities and Exchange Commission enforcement (13 percent) and limiting the consulting activities of auditing firms (9 percent) rounded out the top five solutions. Two consumer oriented solutions, 401K plan reforms and more careful investing placed at the bottom of the list with 8% and 7% respectively.

As to who should act, the overwhelming majority of opinions favored government intervention. Better than four out of five opinions (86%) looked to government to act. Opinions favored Congressional action over Presidential action to clear up the problem (41 percent) vs (36 percent) respectively. Just nine percent of opinions asserted that the SEC should act to fix the problem. Given the disclosures of 2002, only ten percent thought that corporations should police themselves.



Bush's Role

Though not a major focus of corporate scandal coverage, President Bush was drawn into the story initially through his previous ties to Enron co-founder and chairman Kenneth Lay. Reports that he had received favorable loan deals at Harken Energy Company in the late 1980s to buy shares, which he then sold just before a sharp drop in Harken stock, pulled the President into the story.

Overall, 68% of evaluations of the President's role in the scandals were negative. For example, Sen. Tom Daschle (D-SD) faulted the administration for a permissive environment, "I don't think we can place the blame on the administration but I do believe that we can say that it helped create the kind of environment that exists today." (ABC 6/29/02) Opinions on NBC were roughly balanced (53% negative vs. 47% positive). On CBS and ABC combined, critics accounted for 92% of all evaluations of the President.

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