



**Cumulative or Discrete Numbers:
Should Bloomberg Measure the Bailout?
Teaching Note**

Case Summary

Financial reporting presents formidable challenges for journalists. To begin with, the journalist must have a solid grasp of the mathematically complex products and practices of modern finance, as well as an understanding of the greater economic environment at the national and international level. Furthermore, the stories—which by nature are full of numbers—must be palatable for readers. Thus it often falls on journalists to decide how best to present the figures so that the story is not only factually correct but also easy for readers to digest.

This case focuses on *Bloomberg News* as it covered one such story: the Federal Reserve's bailout of major banks during the financial crisis of 2007-10. As big banks struggled to keep themselves afloat after incurring huge losses in bundled subprime mortgages, the Federal Reserve created several emergency lending programs for banks. However, key details such as borrowers' names, amount borrowed and collateral were not disclosed. Such lack of transparency prompted reporters at *Bloomberg News* to file a Freedom of Information Act (FOIA) request in May 2008.

The Fed stonewalled *Bloomberg's* FOIA request, claiming that such information could undermine the effectiveness of the emergency program, because the market could interpret the loans as signs of grave financial trouble. Undaunted, Bloomberg took the issue to court in November 2008 and prevailed. Moreover, the 2010 Dodd-Frank Act on financial oversight also required that the Fed release more information about its lending. This confluence of circumstances led the Fed in late 2010 to release information sought by *Bloomberg* and other media outlets. After the Supreme Court refused to hear the appeal in March 2011, it released the remaining data.

But the material that journalists got was a data dump of tens of thousands of pages. The *Bloomberg* team had the resources and institutional support needed to analyze the data. Six editors and two dozen reporters scrutinized the records; they also enlisted the help of in-house data experts to create an interactive tool to give readers a better sense of the Fed's loans to banks. The

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dilemma, however, lay in which figure to emphasize in the stories: was it more accurate to cite aggregate loan amounts, or the individual amount that each bank owed every day?

The *Bloomberg* journalists knew the issue was a double-edged sword. While the bigger figure of the aggregate loans would maximize the story's impact by getting more public attention, they knew this could mislead readers who might not realize that each day the banks received fresh loans while paying back some of their debt. Using the daily amount, on the other hand, could create the opposite problem of trivializing the issue despite its policy significance.

Students using this case will get an inside peek at the workings of a prize-winning team of finance journalists, from Pittman's focus on the Fed's loans and the process of filing a FOIA request, to the challenges of working with a large database. Ultimately, students must decide how to present the figures in a way that serves the public good while retaining journalistic integrity.

Teaching Objectives

This case highlights various aspects of financial reporting, including how to navigate the banking industry and government institutions, and how to deal with large datasets. Use this as an example to discuss the challenges of covering business or finance, or any field that deals with numbers. Ask students to consider not only the specifics of the case, but also the greater question of whether journalism lived up to its obligations prior to the apogee of the financial crisis of 2008.

One theme in the case is transparency: its role in journalism, and ultimately democracy. While transparency often correlates with accountability, it is hardly a panacea for the problems of modern society. Was *Bloomberg* correct to push in 2008 for details of the Fed's lending? The central bank had good reason to keep details of its lending to financial institutions confidential, given that the loans were aimed at quelling market fears about bank viability. The Fed feared that making loan details public would cause a bank run. Are there cases where less transparency serves the public good, and if so, should journalists nevertheless push for more transparency? Ask students to reflect on cases involving corporate transparency—such as Northern Rock, which suffered when the BBC reported its emergency funding from the UK government.

Bloomberg created a dedicated team to work on the package of Fed stories. The team devoted at least eight months to reporting, collating data, analyzing it and writing the stories. Is this a good use of resources? Some journalism enterprises have the luxury of creating multipart stories that try to make sense of large events in the past. Is this a valid priority, compared to staying abreast of today's happenings or anticipating tomorrow's? Where does the best value to readers lie? What is best left to historians?

The case raises for discussion whether *Bloomberg* should emphasize the larger, aggregate loan figure or the smaller, individual amount in its headline. What does Friedman mean when he

says that “numbers are not always your friends”? Financial journalists constantly grapple with numbers and how to present them. Ask the class if any of them has ever had to report on a corporate balance sheet, or a government budget, and how they parsed the numbers. The situation becomes even more complex if the reporter has a beat, and reports continuously on a single company or industry. Discuss how a journalist can maintain inside sources and a trust relationship with an institution if the resulting stories are critical.

From an editorial standpoint, what is the difference between a powerful headline and a sensationalist one? In 2011, Bob Ivry and his colleagues hoped the stories would have major public and policy impact. Is the calculus different if legislation is not in the offing, as it was in this case with bank regulation? Ivry felt the November 2008 story he co-authored with Mark Pittman fell on deaf ears. He believed a more assertive headline this time would make a difference in public impact. Discuss the pros and cons of his approach.

Ask how journalists should prepare themselves to report on complex subjects such as finance. Note that Mark Pittman used his cop reporter ethic and journalistic gut feeling—not an advanced business degree—to pursue the case. To what degree should journalists themselves be able to understand and interpret materials they are given? To what degree should they turn to specialists? Clearly, not many news organizations will be able to provide as many resources as *Bloomberg*. If journalists need specialist help—be it with science, finance or health stories—what are some reliable sources?

In a related matter, students should consider the challenges of working with big data. Increasingly, journalists find themselves sifting through large datasets that are impossible to peruse manually. FOIA document releases tend to be massive. How should journalists work with data? Should they take courses in data mining, or team up proactively with statisticians and engineers?

Case Plan

Use this case in a course/class about finance or business journalism, data-driven journalism, or investigative journalism.

Pre-class: Help students prepare for class by assigning the following question.

1) Should *Bloomberg News* use the larger aggregate or the smaller discrete number in the headline for a story on the Fed’s loans to financial institutions?

Instructors may find it useful to engage students ahead of class by asking them to post brief responses (no more than 250 words) to questions in an online forum. Writing short comments challenges students to distill their thoughts and express them succinctly. The instructor can use the

students' work both to craft talking points ahead of class, and to identify particular students to call upon during the discussion.

In-class questions: The homework assignment is a useful starting point for preliminary discussion, after which the instructor could pose any of the following questions to promote an 80-90 minute discussion. The choice of questions will be determined by what the instructor would like the students to learn from the class discussion. In general, choosing to discuss three or four questions in some depth is preferable to trying to cover them all.

a) Was *Bloomberg* justified in filing a FOIA request in 2008 about Fed loans to banks? What responsibility, if any, does the media have to larger societal goals, such as keeping the economy afloat?

b) The *Bloomberg* team analyzed the Fed data using a master spreadsheet and graphic visualizer. Was this an effective way to make sense of the numbers? What else might they have done?

c) *Bloomberg* was unusual in being able to call on a wide array of in-house data and graphics specialists to work on the package of Fed stories. What do you think of the array of skills on the *Bloomberg* team? If you were covering this story for a publication with no in-house experts, whom would you contact for expertise?

d) The *Bloomberg* team worked on this story for at least eight months. Was this the best use of resources? Do readers want analysis of past events from news organizations? When should that job be left to historians and when is it the responsibility of media?

e) Bob Ivry wants to use the bigger, aggregate loan figure because he thinks it would get more public attention and that, in turn, would help educate the nation about the extent of bank fragility during the crisis. What are the pros and cons of his argument?

f) Financial journalists, like any reporters on a beat, depend on good relations with the institutions they cover to be able to do their job. Do you agree with this statement? If yes, how does a journalist maintain that relationship and still report responsibly. If no, why not?

g) Is this dilemma any more confounding for financial than political reporters? Discuss your answer.

h) What kind of training does a business reporter require to do a good job? Is an MBA a requirement? Should data mining be a standard skill just like using a video camera or tape recorder?

Suggested Readings

Dean Starkman, *The Watchdog That Didn't Bark: The Financial Crisis and the Disappearance of Investigative Journalism*. New York: Columbia Journalism Review Books, 2014.

SYNOPSIS: This book provides students with a broader context for the case by looking into what the author considers the failure of the mainstream business press in the years leading up to 2008 financial crisis. According to Starkman, the roots of the problem go back to the early 20th century, when business news was created as a market service for investors. While such "access reporting" had been married to investigative-oriented "accountability reporting" in the 1970s, the former came to dominate again in the 1990s, with mainstream reporters spending more time on profiling executives and less on examining risky corporate behavior.

Alan S. Blinder, *After the Music Stopped: The Financial Crisis, the Response, and the Work Ahead*. New York: Penguin Press, 2013.

SYNOPSIS: This book offers an insider narrative to the financial crisis and its lessons, and also makes for a good introduction to the US financial system in general. Blinder, a Princeton professor and former vice chairman of the Federal Reserve Board, chronicles how the sheer size and complexity of the financial system almost led to its undoing, how the US was nevertheless able to prevent a total meltdown, and throws in his own recipe for reform.

Damian Tambini, *What is Financial Journalism For? Ethics and Responsibility in a Time of Crisis and Change*. London: London School of Economics and Political Science, 2008.

SYNOPSIS: Written from the perspective of a British researcher, this paper looks at financial journalism not as a watchdog or observer of the financial industry but as a key player, alongside investment banks and government regulatory bodies. Using the Northern Rock scandal as a case study, the author calls for dismantling the walls that separate journalists and experts, as well as journalists and public relations, and for financial journalism to play a bigger role in corporate governance.

<http://www.lse.ac.uk/media@lse/POLIS/Files/financialjourn.pdf>

David Warsh, "In Which the Bloomberg Kids Put on a Show," *Economic Principles*, April 22, 2012.

SYNOPSIS: This article offers background information on the controversy surrounding Bloomberg's case against the Fed. The author outlines historical, philosophical and cultural differences represented by Mark Pittman and John M. Berry, a onetime Bloomberg columnist who supported the Fed's argument that releasing the names of financial institutions in real time could undermine the effectiveness of emergency lending.

<http://www.economicprincipals.com/issues/2012.04.22/1360.html>

US Government Accountability Office, Report to Congressional Addressees. *Opportunities Exist to Strengthen Policies and Processes for Managing Emergency Assistance*. July 2011.

SYNOPSIS: This 253-page report provides an exhaustive overview of how the Fed dealt with the financial crisis. Students may find it worthwhile to check the timeline, tables and figures that visualize various aspects of the emergency measures taken by the Fed.

<http://www.gao.gov/new.items/d11696.pdf>

Matthew Winkler, *The Bloomberg Way: A Guide for Reporters and Editors* (11th Edition). New York, Bloomberg Press, 2011.

SYNOPSIS: This book by the editor-in-chief of *Bloomberg News* is more than a style guide. Aimed at reporters who want to duplicate *Bloomberg's* speed and financial acumen, it goes into the practicalities of reporting on business and finance, including how to learn about the financial industry.

Other Resources:

The Audit on the Business Press, *Columbia Journalism Review*.

SYNOPSIS: This ongoing series of the *Columbia Journalism Review* is written by business journalists and industry experts alike. Students looking for a critical take on financial coverage would find its in-depth analyses useful.

http://www.cjr.org/the_audit/

Poynter's "Articles about Data-Driven Journalism" website

SYNOPSIS: Poynter's website offers not only news about data-driven journalism, but also online courses and short tutorials for journalists looking to become tech-savvy and use big data for stories. Many of the 250 courses under the "training" tab are free or low-cost.

<http://www.poynter.org/tag/data-driven-journalism/>

Frontline: The Warning (2009)

SYNOPSIS: In its search for the roots of the 2008 financial crisis, this PBS documentary goes back to the 1990s, when a battle on whether to regulate the then-nascent derivatives market was fought between high-ranking members of the Clinton administration. Former chair of the Commodity Futures Trading Commission Brooksley Born emerges as the Cassandra of the financial crisis, her voice ignored by the likes of Alan Greenspan, Robert Rubin and Lawrence Summers.

<http://www.pbs.org/wgbh/pages/frontline/warning/>

Inside Job (2010)

SYNOPSIS: This award-winning documentary by Charles H. Ferguson recaps the financial crisis by offering a historical overview of the rise of the finance industry. In the process, the director unveils an incestuous cabal of politicians, bureaucrats and academics who made major decisions recklessly, and also sheds light onto the international and sociocultural dimensions of the crisis.

Unofficial URL: http://www.filmsforaction.org/watch/inside_job_2010/