



Cumulative or Discrete Numbers: How Should *Bloomberg* Measure the Bailout? Epilogue

Starting on August 22, 2011, *Bloomberg News* published a series of articles based on the Federal Reserve data. The first, "[Wall Street Aristocracy Got \\$1.2 Trillion in Secret Loans,](http://www.bloomberg.com/news/2011-08-21/wall-street-aristocracy-got-1-2-trillion-in-fed-s-secret-loans.html)" listed big-name banks like Morgan Stanley, Citigroup Inc. and Bank of America as the biggest borrowers from the Fed, taking loans that had until then been secret.¹ Bob Ivry had decided to support the use of a daily tally rather than an aggregate number because it was more accurate. The headline trumpeted the largest single-day borrowing by big banks from the Federal Reserve.

The story was accompanied by an interactive graph developed by graphic artist David Yanofsky based on Kuntz's number and other contributions from a dozen reporters and editors. The graph illustrated how much each bank had borrowed on any given day. Titled "The Fed's Secret Liquidity Lifelines," it showed the amounts that the biggest borrowers had out on each day of the crisis.² It combined the borrowing peaks and valleys with quotes from bank officials. For instance, on September 16, 2008, a day that Morgan Stanley held \$21.5 billion in outstanding loans from the Fed, Chief Financial Officer Colm Kelleher assured the public that matters were fine. "Things are frankly getting out of hand and ridiculous rumors are being repeated. We continue to strengthen our liquidity," he said.³

¹ Bradley Keoun and Phil Kuntz, "Wall Street Aristocracy Got \$1.2 Trillion in Secret Loans," *Bloomberg News*, August 22, 2011. See: <http://www.bloomberg.com/news/2011-08-21/wall-street-aristocracy-got-1-2-trillion-in-fed-s-secret-loans.html>

² "The Fed's Secret Liquidity Lifelines," *Bloomberg News*, August 22, 2011. See: <http://www.bloomberg.com/data-visualization/federal-reserve-emergency-lending/#/overview/?sort=nomPeakValue&group=none&view=peak&position=0&comparelist=&search=>. The team also explained its methodology: Phil Kuntz, "Fed Data From 29,000 Pages Show Banks' Bailout: Methodology," *Bloomberg News*, August 22, 2011. See: <http://www.bloomberg.com/news/2011-08-21/fed-data-from-29-000-pages-show-banks-borrowings-methodology.html>

³ Ibid.

The team felt the graph was as powerful as the story. “You know, a picture’s worth a thousand words,” says Keoun.⁴ “There are some things that just lend themselves better to graphics than to a story. It’s easier to understand, easier to comprehend, it gives you context and magnitude.” Kuntz recalls that “I wanted to show that at the time that [banks] were hitting these peaks, they were probably not speaking very forthcomingly about how much trouble they were in.”

The stories wouldn’t have had nearly as much impact without the graphic. And the graphic wouldn’t have had nearly as much impact without the stories. They’re two pieces of a whole and that’s what journalism is at its best.⁵

Bloomberg dubbed its package of stories on the bailout [“The Fed’s Trillion-Dollar Secret.”](#) The capstone story ran on November 28, 2011. Headlined “Secret Fed Loans Gave Banks \$13 Billion Undisclosed to Congress,” the article repeated the \$1.2 trillion daily peak lending number. It summarized and analyzed the significance of all the data the team had processed. By comparing day-to-day fluctuations in money borrowed to comments by bank executives about their institutions’ financial health, the reporters had a built-in narrative. Still, they checked and double-checked the material. Says Ivry:

We were out on a limb. The corollary of nobody else looking at this stuff is that we’re all alone. Nobody else is doing this. We have to be beyond reproach. This time, we were the ones that ended up flicking the Fed off our shoulders, and that’s only because we made decisions the way we did, to be accurate, to break it up, to give the topography, to present the material in a more responsible way.

The careful fact-checking allowed *Bloomberg News* to respond to criticism quickly and credibly. For example, on December 6, 2011, Ben Bernanke wrote a [letter](#) to senior lawmakers stating that news reports about the Fed’s lending contained “egregious errors.” It said:

One article asserted that the Federal Reserve lent or guaranteed more than \$7.7 trillion during the financial crisis. Others have estimated the amounts to be \$16 trillion or even \$24 trillion. All of these numbers are wildly inaccurate. The inaccurate and misleading estimates could be based on several errors, including double-counting.⁶

⁴ Author’s interview with Bradley Keoun in New York, NY on May 10, 2013. All further quotes from Keoun, unless otherwise attributed, are from this interview.

⁵ Author’s interview with Phil Kuntz in New York, NY on May 8, 2013. All further quotes from Kuntz, unless otherwise attributed, are from this interview.

⁶ For the original of the letter, see <http://www.federalreserve.gov/generalinfo/foia/emergency-lending-financial-crisis-20111206.pdf>

While Bernanke did not name any news organizations directly, *Bloomberg News* issued [a response](#). It wrote in part:

Bloomberg News reported that Fed lending peaked at \$1.2 trillion, a figure that didn't include any double-counting. Instead of adding all the outstanding Fed loans to get a large number, Bloomberg used peak loan amounts that were outstanding on a single day. On the day after the Nov. 28 story, the Fed published that \$1.2 trillion figure, affirming Bloomberg's calculation.

The \$16 trillion number cited by the Fed may refer to a Government Accountability Office report of July 21, 2011, that used a different methodology. Bloomberg built its database to show amounts outstanding, while the GAO tallied cumulative loans. For example, if a bank borrowed \$1 billion overnight for 100 nights, Bloomberg would say the bank had a \$1 billion balance at the Fed for 100 days; the GAO would say the bank borrowed \$100 billion. The former is a more useful economic measurement.⁷

Bloomberg News won several awards for its reporting on the financial crisis, including a 2009 George Polk award for national reporting; a Barlett & Steele Award for Investigative Business Journalism Honorable Mention; an *Editor & Publisher* Eppy for the interactive graph; an FOI Award from Investigative Reporters & Editors; and a special citation from the Goldsmith Prize for Investigative Reporting.

Though Pittman did not live to see the final stories produced by *Bloomberg News* or collect the awards, he, too, recognized the importance of thorough reporting on the crisis, including the Fed's involvement. "We realize this is a defining moment for business journalism and for Wall Street" Pittman said in a 2009 interview.

I think that this organization, this news department, was built for this crisis. We've got more tools than anybody, we've got the will, we have the assets to go after this in a huge way. Hopefully, we will be able to inform the people enough to know how badly we're getting screwed [laughs]. We need to know how to prevent it from happening again.⁸

⁷ Bloomberg News, "Bloomberg News Responds to Bernanke Criticism of U.S. Bank Rescue Coverage," December 7, 2011. See: <http://www.bloomberg.com/news/2011-12-06/bloomberg-news-responds-to-bernanke-criticism.html>

⁸ Ryan Chittum, "Audit Interview: Mark Pittman," *Columbia Journalism Review*, February 27, 2009. See: http://www.cjr.org/the_audit/audit_interview_mark_pittman.php?page=all