The Deviant Organization and the Bad Apple CEO:

Ideology and Accountability in News of Corporate Scandals

What role do the media play in the identification and construction of white-collar crimes? Few studies have examined media coverage of corporate deviance. This study investigates news coverage of six large-scale accounting scandals that broke in 2001 and 2002. Using a variety of empirical methods to analyze the 51 largest US newspapers, the study tests several explanations for tendencies to run more or less coverage of the scandals in question. The study then examines the substantive focus of coverage. First, the results suggest that scandal coverage was influenced by the political ideology of newspapers, as opposed to economic interests or social structural ties between firms. Second, the analysis shows that attention to the adjudication of individual crimes and the punishment of individual offenders received the bulk of media attention.

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In 2002, a wave of accounting scandals shook the American business community. In print and broadcast media, the conduct of large corporations and highly paid executives came under a glaring public spotlight. Eventually, accounting malfeasance faded from national headlines, but the moment begs to be revisited analytically. The scandals provoked broad speculation concerning the nature of corporate crime: a "bad apple theory" emphasizing individual culpability was pitted against claims of more endemic corruption (Washington Post 2004).

For contemporary observers of the crisis, there was more at stake in this debate than the scope of actual wrongdoing: the scandals highlighted the role of the news media in identifying and defining cases of corporate deviance. President George W. Bush, while addressing a Wall Street audience, argued that "[t]he business pages of American newspapers should not read like a scandal sheet," and suggested that news reports neglected the overall health of the economy, focusing disproportionately on the work of a few isolated individuals (New York Times 2002). In contrast, an Op-Ed in the *New York Times* blamed the scandals on a "virus" of "infectious greed" which had long gone ignored by news media steeped in the same "blue-chip money culture" as the offenders (Andersen 2002). At play in these comments are two very different views of the media's treatment of corporate deviance. In the first formulation, the media appear as external "watchdogs" that may err on the side of overzealousness and sensationalism in their corporate crime reporting. In the second model, the media's insider status with regard to corporate culture renders them insufficiently watchful.

Although the comments cited above express subjective opinion, they touch upon issues of interest for researchers of the media. Journalists help to construct public understandings of the economy and of crime. For this reason, their relationship to corporate elites and their representations of deviance are topics of scholarly concern. News organizations are private businesses staffed by upper and middle-class professionals with opinionated views on politics and economics (Gans 1979; Lichter and Rothman 1986). Increasingly, these organizations tend to be owned by large corporations (Bagdikian 2000). Realizing the potential for any or all of these factors to influence news coverage, a multidisciplinary body of research has investigated the effects of journalistic ideology and parent company interests on the content of economic coverage. Do the characteristics of media corporations affect the way their newspapers cover other corporations? And do other aspects of news outlets, for example their geographic location or political culture, affect their treatment of local business elites?

A separate line of inquiry has examined legal and popular conceptions of white-collar crime, focusing on how corporate malfeasance is prosecuted and understood. Of central concern to this research are the mechanisms that legitimize differential legal treatment of organizational versus individual offenders. As Vaughn (1999) observes, a crucial challenge in studying the "dark side" of organizations is defining the conditions under which organizational deviance becomes public. "[W]e might hypothesize that in virtually all socially organized settings, routine nonconformity is met with efforts to keep it from becoming identified as mistake, misconduct, or disaster. What is the social organization of this clean-up work[?]" The present study seeks possible answers to this question in the dynamics of news coverage: by analyzing the likelihood that any given newspaper will cover a scandal, it may be possible to identify the factors that lead to more or less public awareness of corporate wrongdoing; by examining the scandal events that tend to be covered, we may gain insights into the *forms* of deviance (for example, individual or organizational) that are more likely to make it onto the printed page.

Building upon these parallel lines of inquiry, the present study investigates the coverage of six accounting scandals that broke between 2001 and 2003. The objectives of the analysis are twofold: first, to test possible explanations for the quantity of scandal coverage produced by any given newspaper; and second, to provide a descriptive account of the news stories that were published. Specifically:

1. During a moment of reputational crisis for corporate elites, what are the organizational and ideological factors that lead any given newspaper to produce more or less coverage of a given white collar crime? In other words: *Who covered the scandals?*

2. Second, to what degree did news reports emphasize the acts of individual criminals versus the organizational deviance of large corporations? And to what degree did news reports emphasize the investigation versus the adjudication of crimes? In other words: *What did they cover?*

The series of massive accounting scandals that began to surface in late 2001 and early 2002 offer an excellent context in which to seek answers for these questions. Largely absent from the existing research on media coverage of corporate deviance has been an approach that isolates revealing differences in the coverage produced by different media organizations during a time of corporate crisis. Gilens and Hertzman (2000) offer some guidance here, arguing that researchers seeking to assess the effects of corporate ownership on news content should select a news story that: "(1) [H]as received substantial coverage, (2) has clear implications for the financial interests of corporate media owners, and (3) has different implications for the interests of different corporate owners."

Large-scale corporate accounting scandals fulfill all three criteria. The scandals provoked a broad, multifaceted crisis for business elites. As news events, they provoked hundreds of thousands of articles in U.S. newspapers. Although an isolated incident of corporate malfeasance might have hurt investor confidence in the short run, the rash of large scale accounting scandals threatened not simply the short-term profitability of the stock market, but the very reputation of corporate elites. In the years after the first scandals broke, polls showed a persistent decline in the public trust and respect given executives at large corporations, who were surpassed in their perceived untrustworthiness only by politicians and car dealers (Blake 2003; Swanson 2003). As profound shocks to investor confidence, the scandals were devastating to advertisers and the stock market as a whole, and thus had clear implications for media corporations (Browning 2002). Finally, the accounting scandals did not affect all corporations equally. Because the scandals involved misreporting of profits to investors and regulatory agencies, large, publicly traded corporations bore the brunt of both federal regulatory attempts (Schroeder 2002) and loss of public confidence (Blake 2003; Swanson 2003), as well as other financial repercussions of the economic downturn (Weisul 2002). If ever there were a moment in which the interests of corporate media could be expected to visibly shape coverage, we might infer that it would be this one.

Making Crime Salient: Who Covered the Scandals?

A variety of empirical and theoretical arguments in media scholarship converge on the claim that newspapers owned by large, publicly traded corporations produce favorable coverage of business elites. In the process, however, they identify a wide range of mechanisms through which this effect ostensibly occurs.

One line of argument holds that newspapers owned by large corporations are embedded in a web of economic interest that impinges directly upon journalistic objectivity through the exertion of top-down managerial pressure (Herman and Chomsky 1988; Price 2003). Empirically, the effects of ownership on media content have been examined in several case studies focusing on “cross-promotion” of commercial products (Rossman 2003; Weis and Burke 1986; Williams 2002a). Other studies have examined coverage of attempts to regulate the media, a topic that presents a clear conflict of interest for large news organizations (Gilens and Hertzman 2000; Pratte and Whiting 1986; Snider and Page 1997). The majority of these case studies have found that the production of media content can indeed be overtly subjected to the economic interests of its producers, a potential that increases in significance as media companies become larger and their interests more widely dispersed (Bagdikian 2000).

Media sociologists have also found that the profit motives of media companies may also filter down into newsrooms through deeply entrenched professional norms (Soloski 1989) or systems of “social control” (Breed 1955). Other researchers have argued that a pro-business ideological stance is broadly institutionalized in conventions of journalistic practice (Croteau 1998; Gans 1979; Reese 1990). In its most extreme form, this line of argument holds that reporters working for large, publicly traded media companies are rendered uncritical by the culture of the community they inhabit, exhibiting a brand of journalistic “professionalism” that exempts the entire business community from investigative scrutiny (McChesney 2004). The cross-sectional analysis utilized in this study is not (nor should it claim to be) capable of parsing the micro-level journalistic processes through which parent companies' interests might conceivably influence news coverage. It provides, however, a necessary complement to case studies and newsroom ethnographies, testing patterns of ownership and coverage consistent with their claims. Building on the body of research I have summarized above, the first two hypotheses are clear:

Hypothesis 1: Newspapers owned by large parent companies will be less likely to provide extensive coverage of prominent accounting scandals.

Hypothesis 2: Newspapers owned by publicly traded parent companies will be less likely to provide extensive coverage of prominent accounting scandals.

A second perspective holds that shared class interests are reflected in social structural ties between media professionals and corporate elites. Journalists and media professionals, it is claimed, share membership in formal and informal organizations, live in the same neighborhoods, and know the same people (Dreier 1982; Dreier and Weinberg 1979). Possible social relations between media professionals and non-media corporate elites are by no means limited to observable institutional links. Still, interlocking directorates, describing connections between companies through shared board members, have largely been considered an adequate proxy for the ties that could connect two corporations. An important characteristic of interlocking directorates for the purposes of this analysis is that, as Mizruchi (1996) observes, they "need not be the result of conscious decisions by a corporation's management to link the two firms in question." Instead, they serve a wide range of purposes for the corporations and the individuals involved, including "collusion, cooptation and monitoring, legitimacy, career advancement and social cohesion."

To the extent that interlocking directorates are limited in their ability to serve as proxies for relevant social ties between corporations and media professionals, studies of the social cohesion of corporate managers suggest that geographical proximity captures additional dimensions of substantive and theoretical concern (Mizruchi 1989; Mizruchi and Koenig 1991; Palmer et. al. 1986). As Palmer and his colleagues put it: "In the United States, geographic locale is an important basis upon which the capitalist class is internally differentiated." Business elites residing in the same region have shared interests, as well as shared friends, associates, and organizational affiliations. Furthermore, as Molotch (1976) has observed, media outlets have a rational incentive to protect local businesses: the commercial viability of metropolitan newspapers is wedded to the economic growth of the city and the local corporations that sustain it.

Among newspaper companies, any tendency to protect local firms and their executives from critical news coverage should be all the more salient, considering a professional mandate to do the opposite. An economic disruption on the scale of a major accounting scandal at a local corporation, whether or not layoffs accompany it, can be presumed to have broad local consequences, and as such, should generate substantial news coverage from a local newspaper. Moreover, local events are more highly valued by journalists, more readily responded to, and easier to cover, factors which have led social conflict researchers and media scholars to acknowledge geographical proximity as a principle component of media "sensitivity" to potential news events (e.g., Snyder and Kelly 1977; Shoemaker and Reese 1996). Using interlocking directorates and geographical proximity as empirical proxies for social ties and shared affiliations between journalists and corporate elites, a third and fourth hypothesis can be derived:

Hypothesis 3: Newspapers owned by a parent company that shares an interlock with a company experiencing an accounting scandal will be less likely to provide extensive coverage of that scandal.

Hypothesis 4: Newspapers geographically proximate to the corporate headquarters of a company experiencing an accounting scandal will be less likely to provide extensive coverage of that scandal.

A third perspective on the connection between corporate elites and media professionals suggests that news coverage of business bears the mark of journalists' political ideology. In recent years, arguing that the media's political allegiances lie on one "wing" or another has become a cottage industry of sorts, surfacing repeatedly in political rhetoric and trade books (e.g. Coulter 2002; Alterman 2004). The academic standard bearers of the "liberal media" perspective, S. Robert Lichter and Stanley Rothman, have argued that editors and reporters represent a privileged, highly-educated cross-section of society that holds hostile views toward both corporate and political elites, and that these views are echoed in antagonistic reporting on the actions of large corporations (Lichter et. al. 1986; Rothman and Black 2001). Surveys for the most part corroborate Lichter et. al.'s account of journalists' left-of-center political leanings (Weaver 1996; Weaver and Wilhoit 1986; Hess 1992). On the other hand, any conservative bias on the part of media managers or owners may have a more fundamental effect upon coverage if it plays into personnel decisions concerning liberal journalists (Klinenberg 2007: 76-79, 87-91)

Attempts to systematically measure ideological bias have proven exceedingly difficult, yielding mixed results (e.g. Niven 2003; Groseclose 2003). One way to sidestep this measurement problem is to focus on correlations between a newspaper's political endorsements and patterns of presumably objective news coverage. The endorsements of an editorial staff offer an objective indicator of a newspaper's espoused political ideology. Any relationship between political endorsements and news coverage should be deemed especially noteworthy considering the common practice of claiming a rigid separation between the objective decisions of the newsroom and the subjective stances taken on the editorial page. The sacrifice implicit in this methodological move is that it takes us away from "journalistic ideology" writ large, refocusing the lens on the political culture of individual newspapers. Reciprocating the findings of Lichter et. al. in order to stay consistent with the other hypotheses, a fourth hypothesis can be laid out:

Hypothesis 5: Newspapers that endorsed the Republican candidate in recent presidential campaigns will be less likely to cover incidents of prominent accounting scandals.

Defining Malfeasance: What did the newspapers cover?

Hypotheses 6 and 7 concern the substantive focus of coverage rather than the question of who produces it. A consistent finding of white collar crime research is that legal institutions tend to be blind to the severity of crimes committed by organizational actors. Malfeasance by governmental agencies or corporations ("juridical individuals") encounters lenience in the courtroom, while prosecutors reserve their harshest treatment for "natural individuals," elite or otherwise (Coleman 1987; Shapiro 1990; Griffin 2002). A number of studies have pursued this tendency into the media, investigating the construction of individualistic versus structural accounts of white-collar crime. A consistent finding of these studies is that newspapers focus on individual acts of wrongdoing rather than a pattern of organizational negligence, even when an organization is arguably more at fault than any one individual (Goff 2001; Lynch et. al, 2000; Evans and Lundman 1983; Burns and Orrick 2002; Wright et. al 1995). Media scholars have made parallel observations, arguing that journalists construct ordinary street crimes as discrete episodes rather than a larger "theme" (Iyengar 1991), emphasizing infractions by deviant individuals and highlighting the legitimacy of the process through which they are brought to justice (Ericson et. al. 1991; Fishman 1980; Graber 1980; Tuchman 1978). Regarding this latter point, however, studies of white-collar crime coverage have observed a different tendency, in which newspapers were far *less* likely to run stories on the adjudicative repercussions of corporate crimes (e.g., legal penalization, environmental cleanup initiatives) than the initial allegations (Burns and Orrick 2002; Wright et. al 1995; Molotch and Lester 1975). From the literature on media coverage of white collar crime, we can extract two hypotheses regarding the substantive focus of accounting scandal stories:

Hypothesis 6: The majority of coverage will focus on aspects of individual rather than organizational wrongdoing within any given scandal.

Hypothesis 7: The majority of coverage will focus on the investigation of crimes, rather than their adjudication and penalization, within any given scandal.

Data and Analysis

In order to examine the "gatekeeping" or selection processes through which journalists deem certain events newsworthy and deserving of coverage (Zelizer 2004), the present study uses a counting technique to measure the amount of news coverage devoted to accounting scandals at six large companies: Adelphia, Bristol-Myers Squibb, HealthSouth, Rite Aid, Waste Management, and Xerox. The cases do not represent a random sample of accounting scandals. Instead, they were purposefully chosen to offer variation on a number of dimensions, including the amount of overall coverage generated, the legal and regulatory consequences, industry, and location of corporate headquarters. Practicality was also a consideration in sample selection. More prominent scandals, at the Enron and WorldCom corporations for example, generated far too many news stories to code and analyze in a multi-scandal research design. Other scandals were less prominent, failing to generate an advisable quantity of coverage for cross-sectional analysis across a sample of newspapers. The six cases examined here represent a sample of mid-level scandals compared to other concurrent cases, while still offering considerable variation in amount of coverage. Table 1 shows selected relevant characteristics of the five scandals, complementing the narrative summaries presented in Appendix A. [TABLE 1: "SCANDAL CHARACTERISTICS" ABOUT HERE]

For each of the above scandals, all news articles published in the 51 largest circulating US newspapers[1] during a seven-year period (from January 1, 1999 to January 1, 2006) were drawn from a sampling frame provided by three separate news databases: Factiva, NewsBank, and ProQuest.[2] Because the intent was to analyze the journalistic gatekeeping processes through which apparently objective information enters the public sphere, editorials and opinion pieces were excluded from the analysis, isolating the amount of *news coverage* devoted to the scandals by any given newspaper. The resulting sample of articles (N=1,938) represents all news articles at least 100 words in length devoted to any one of the above scandals and appearing during the aforementioned time span.[3] The time span was chosen to include both the earliest public indication of wrongdoing and the resolution of all major lawsuits pertaining to any of the scandals.

Independent Variables

To identify independent variables, data were gathered on the characteristics of the newspapers and media parent companies represented in the sample. Parent company size was measured using companies' self-declared revenue, and was drawn from Standard & Poor's Directory of Corporations and Executives (2002). The location of corporate headquarters and the directorial board information used to identify interlocking directorates were drawn from this same source, as well as annual reports (2002) and SEC filings on public record (2002). Publicly owned parent companies were identified using Hoover's Company Profiles and SEC filings. A variable measuring the editorial staff's espoused political ideology was created by averaging a dummy variable for each newspaper's presidential endorsements in the 2000 and 2004 general elections. Newspapers that endorsed the Republican candidate in 2000 and the Democratic candidate in 2004 received a score of 0.5 on this indicator. In the case of three newspapers, *USA Today*, the *Los Angeles Times* and the *Orange County Register*, the editorial staffs have a policy of not endorsing presidential candidates. In the case of the *Los Angeles Times*, however, it was possible to impute a value based the newspaper's endorsements for lower offices (e.g. governor or senator) during the period of analysis. The *Orange County Register*, like the *Wall Street Journal* (not included in this analysis) does not formally endorse candidates because the editorial board has an explicit commitment dating back to the newspaper's founding to honor free-market principles, which are thought to trump political allegiances. This ideological commitment, however, clearly positions the newspaper close to a politically conservative viewpoint on economic issues, so the author was confident in imputing a 1. In contrast, the editorial board of *USA Today* has an overt commitment to political neutrality dating back to the paper's founding (Barringer 2000). Contemporary editors acknowledge that the policy is a function of necessity: *USA Today*'s national focus is manifested in a more ideologically and demographically diverse editorial board than may be found in regional newspapers, resulting in a lack of political consensus (Porter 2004). For these reasons, a score of 0.5 was imputed on this indicator.

Control Variables

In addition to the seven theoretically derived hypotheses outlined above, a null hypothesis can be derived from reasonable assumptions of a market-oriented approach by journalists (McManus 1994; Hamilton 2004). On the assumption that newspapers serving relatively high-income readerships in large, urban markets would be more likely to provide business coverage (see Hong et. al. 2004), the analysis includes control variables for the population of the city in which a newspaper publishes and the mean income of the newspaper's readership. The population of the city in which the newspaper publishes was drawn from data published by the Population Estimates Program of the US Census for July 1, 2006. For *USA Today*, which is published outside of Washington DC, but circulates nationally, the sample mean was imputed, which may result in some bias if the newspaper's readership is concentrated in relatively large or relatively small cities. The average income levels of readers were gathered from the Audit Bureau of Circulation and the Newspaper Association of America, both non-profit organizations that collect survey data for the use of potential advertisers. Finally, a variable was created to measure each newspaper's "news hole": the amount of physical space available for any given story at any given time (Jones et. al., 1959). News holes are understood to vary by newspaper, depending on a newspaper's format, printing and distribution costs. When newspaper data is being gathered electronically, a control variable can be created by averaging the total number of articles returned by the database for any daily issue of a given newspaper. If newspapers differ in the amount of content they make available to databases, this technique may result in a less than perfect measure of the news hole in any given print edition. Nevertheless, it is expected to capture broad differences in the resources and formats of individual newspapers. The variable was created by averaging the number of articles appearing in the newspaper on three separate days: two of these days straddled the analysis period and the third fell squarely in the middle; the three days were chosen to fall on different days of the week and during different times of year. [TABLE 2: "SUMMARY OF INDEPENDENT VARIABLES" ABOUT HERE]

Analysis

The first stage of analysis attempts to answer the question, "Who covered the scandals?" The author tested the hypotheses in three separate ways using the data at hand. First, an event history data set was constructed that includes the publication date for each article as well as all independent variables. A Cox proportional hazard model for recurring events was fit, specifying the newspaper as the subject id and using robust standard errors to account for the interdependence of repeated "failures" (articles published) by any given newspaper.[4] The Cox model is an appropriate tool for this analysis because it does not force the analyst to specify a shape for the hazard curve over time, and thus controls for the erratic temporal sequence of events in the accounting scandals. When using a proportional hazard model, the dependent variable has a fairly intuitive interpretation: the "relative risk" that a newspaper will run a story on one of the six scandals in question on any given day in the period of analysis.

Although the author believes the first major assumption of the Cox model, independence of observations, to be met, efforts to test the second assumption, proportionality of risk over time, produced mixed results.[5] For this reason, the hypotheses were tested using two other methods: by conducting an event history analysis of each scandal individually; and by collapsing the event history dataset in order to use Poisson and negative binomial regression models to analyze counts of articles published by each newspaper on all six scandals. The latter method was replicated for the entire period of analysis as well as piecewise by week, month, and year. The results of all three methods were remarkably consistent, exhibiting coefficients that were comparable (when made commensurate) and highlighting the same variables when conventional tests of significance were applied. For these reasons, only the results of the Cox event history are presented, as this is the model that makes best use of the richness of the data.

The second stage of analysis describes the focus of the overall coverage of the scandals, seeking to answer the question: "What did they cover?" A basic content analysis was conducted. Articles in the sample were coded based on whether the primary news item represented an allegation of individual or organizational wrongdoing, isolating, in other words, which kind of actor (individual or organizational) constituted the object of the allegation, lawsuit, legal settlement, etc., that directly prompted the news story. To be clear, this meant coding the *event*, or "news item" that induced the coverage rather than the gist or tone of coverage. A news article prompted by a settlement agreement between a corporation and the S.E.C., for example, would have scored a zero (organizational actor). A news article precipitated by the testimony of an employee in the trial of a corporate officer would have scored a one (individual actor). Articles were also coded based on whether the primary news item focused on activities related to the investigation or the adjudication of a given crime. For example, both of the examples above would have been coded as adjudicatory events. An article responding to the announcement of an S.E.C. probe on the other hand would have been coded as investigation-related. (Coding samples available from the author on request.) In the overwhelming majority of stories, it was clear whether the focus of the article was the organization in question or an individual who was currently or formerly employed by the organization. In five of the six scandals, the investigation/adjudication variable divided the data cleanly and chronologically, indicating an early investigation stage and a subsequent adjudication stage that generally began with either the first major indictment of a corporate officer or the announcement of the first financial settlement in an ongoing SEC investigation. The relatively small subset of articles (61) that could not be confidently categorized according to this schema was excluded from this stage of the analysis.

Results

Who covered the scandals?

The results of the first stage of analysis are presented in Table 3. Unsurprisingly, large urban newspapers with the resources to publish a large number of stories on a daily basis were more likely to cover any given corporate scandal. However, a market-model interpretation of coverage fails to be completely supported: high-income readership is insignificant as a predictor. Similarly, the analysis does not offer support for the hypothesis that newspapers owned by large, publicly owned parent companies were less likely to cover the accounting scandals. Proximity to scandal headquarters has a significant, positive effect on the amount of coverage, supporting the intuitive null hypothesis that newspapers cover events affecting the local economy and workforce. On the other hand, interlocking directorates are insignificant as a predictor, suggesting that direct ties between scandal companies and newspaper parent companies did not affect coverage in this case. Finally, by far the most notable finding presented here is that editorial political endorsements proved to be a strong determinant of scandal coverage, suggesting that the political ideology of a newspaper's editorial staff was associated with decisions to cover or not to cover large-scale corporate scandals. Interpretation of the hazard ratio suggests that solidly Republican newspapers were approximately half as likely as their solidly Democratic counterparts to run an article on the scandals at any given time. [TABLE 3: "EFFECT OF NEWSPAPER ATTRIBUTES ON HAZARD OF PUBLISHING AN ARTICLE" ABOUT HERE]

What did they cover?

Table 4 shows the distribution of articles between different categories of content. As can be seen, coverage of individual wrongdoing far outweighed coverage of organizational wrongdoing. However, the data dramatically contradict a consistent finding of earlier research. Recent coverage of large scale accounting scandals exhibited more of an emphasis on the adjudication and punishment of white collar crimes than on the initial revelation and investigation of potential malfeasance. Examining the distribution of articles among the four "states" captured by these two binary variables, it is clear that aspects of individual and organizational wrongdoing received a relatively similar amount of coverage during the investigation stage. In the adjudication stage, however, news stories disproportionately focused on individual wrongdoing. It appears that news stories largely documented the trial and sentencing of individual corporate officers. In Figure 1, coverage is further broken down by category *and* scandal. Examining the distribution between scandals, it is clear that media attention to these events was most extensive in the case of the three most high profile scandals: Adelphia, HealthSouth, and Rite Aid. This finding is intriguing, suggesting that scandals with prominent individual culprits may receive the most media attention. [TABLE 4: "DISTRIBUTION OF NEWS STORIES BY TYPE" ABOUT HERE]

At this point, it might be useful to integrate the findings regarding the newspapers that were more likely to cover the scandals and the events that they were more likely to report, asking, in essence, “who covered which types of events?” Attempts to answer this question using the data suggested that the newspapers in the sample were extremely similar in their judgments of relative news value. Two dependent variables were created: one for the ratio of stories on individual wrongdoing to stories on organizational wrongdoing published by any given newspaper; and one for the ratio of stories on investigation to stories on adjudication. When these dependent variables were regressed on the independent variables in the analysis using stepwise OLS regression to probe for differences in preference for types of news event, standard tests of significance ($p<.05$) revealed only two fairly weak findings: large newspapers and those proximate to scandal companies were slightly more likely to favor adjudicatory events over investigatory events than were small or geographically distant newspapers. (Results available upon request.)

A different way to relate the prior findings regarding newspaper political ideology (“who covered the scandals”) to the present discussion (“what they covered”) is to plot separate hazard curves for strongly Republican and Democratic newspapers. The sample of newspapers was separated into two sub-samples: “solidly” Democratic newspapers (i.e., newspapers that endorsed the Democratic presidential candidates in *both* 2000 and 2004); and “solidly” Republican newspapers (i.e. newspapers that endorsed the Republican candidate in *both* 2000 and 2004).[6] Figures 2, 3 and 4 present the raw hazard curves for the three individual scandals that received the most coverage. Examination of the hazard curves corroborates the findings presented in Tables 3 and 4 while adding substantive detail: the news events that produced the most coverage are those that involved individual wrongdoing, and among these, adjudicatory events such as indictments, arraignments, trial proceedings and sentencing hearings were particularly generative. With regard to political ideology, any differential appeal of different types of news events would appear as overlapping hazard curves (signaling a violation of the Cox model’s assumption of proportionate risks). On the contrary, the shape of the curves is quite similar for Democratic and Republican newspapers in each case, indicating that newspapers separated by political ideology attributed news value to the same types of events, even if they differed drastically in the overall likelihood of coverage.

These results suggest that a degree of consensus may exist in editorial gatekeeping decisions concerning corporate scandals, an insight that shifts the focus away from differences in journalistic approach and toward the specific events that occur as a given scandal unfolds. When individual corporate officers come under a high level of scrutiny, it is common practice for organizational wrongdoers to minimize negative publicity by pruning the bad apples and avoiding any further news-making events, quietly settling any lawsuits aimed at the corporation (e.g. Day 2002). As can be seen in Figures 2, 3, and 4, in the case of Adelphia, HealthSouth, and Rite Aid – the three scandals that generated the bulk of the coverage – all of the executives who were eventually indicted either stepped down or were dismissed early in the developing scandal, a separation that may have raised their salience as individual culprits. In contrast, the corporations involved in the three scandals that produced the *least* coverage (Waste Management, Xerox, and Bristol-Myers Squibb) kept any corporate officers who were under suspicion within the fold, settling any lawsuits naming individual offenders.

A brief comparison of the Adelphia and Waste Management scandals is instructive. Although six Waste Management officers were eventually indicted, none of them went to trial, and coverage of the scandal, as can be seen in Figure 1, was accordingly muted, roughly divided between individual and organizational wrongdoing. There is a clear explanation for the limited coverage. Waste Management, well aware of the public scrutiny that would ensue if tales of individual corruption surfaced in heavily publicized legal proceedings, settled the former executives' fraud charges with the SEC, paying $17.1 million on behalf of one former executive to avoid a trial.

In the case of Adelphia, scrutiny mounted more rapidly, forcing a different response. The corporation chose to cooperate with the prosecution of former CEOs, disclosing information that supported the prosecution's case against founder John Rigas. At this point, accountability in the scandal became zero-sum. Rigas's guilt was equivalent to Adelphia's innocence, and any malfeasance that could be traced directly to the bad apple was an argument against a blight affecting the tree. Possibly in return for cooperation, Adelphia was spared criminal charges, declaring in a press release that the prosecution of Rigas "will help further distance Adelphia from the wrongful conduct of the Rigas family" (Williams 2002b). As president Ron Cooper later remarked, "[W]e're communicating that it's not the company on trial, it's the former executives who are no longer part of the company" (McCarthy 2004). [FIGURE 1: "SCANDAL COVERAGE BY CATEGORY" ABOUT HERE]

In both of these cases, the corporations attempted to defuse public awareness of organizational malfeasance, but in different ways. Waste Management successfully avoided trial coverage while Adelphia, seeing a trial as unavoidable, made a sacrificial offering of individual culprits to regulators and the media. With these considerations in mind, the journalistic preoccupation with individual white-collar criminals involves not just the "labelers" and the "labeled," but a third party, the corporation. The focus of news coverage on the adjudication of individual wrongdoing, then, is perhaps best seen as the result of a collaboration between the media and the corporation in question.

Discussion

At the start of this paper, an overarching question was posed: how do the media report on corporate scandals during a moment of broad crisis for business elites? To some degree, the present study is an exercise in falsification, notable for the support it does *not* offer for a number of prominent theories: it does not appear, based on the data, that large, publicly owned media companies suppress coverage of corporate crime during such moments of widespread crisis; similarly, it does not seem that measurable social ties between scandal companies and media companies affect newspaper coverage, or that newspapers protect local elites by limiting reporting on scandals affecting geographically proximate companies. [FIGURE 2: "ADELPHIA SCANDAL COVERAGE" ABOUT HERE]

Two of the study's findings are especially surprising with regard to prior research. First, the evidence marshaled here supports the contention that editors and reporters do *not* always put their politics aside when they cover business. This insight has theoretical weight, contradicting arguments in media sociology that attribute primacy to the economic interests of media owners, pro-business journalistic norms, or "responsible capitalist" ideological orientations hermetically sealed against political sentiment. Second, the evidence strongly conflicts with earlier research on white collar crime, which has consistently found that the media devote more coverage to the investigation of a breaking scandal than to the adjudication of crimes. In the remainder of the paper, these findings are placed in historical context with an eye toward developing plausible explanations and suggesting directions for further research.

Political Bias and Accountability Contagion

Why were politically liberal newspapers more likely to cover the scandals and conservative newspapers less likely? Lichter and Rothman's work suggests a liberal anti-authoritarianism among media professionals, but a perusal of editorials published on the scandals in question supports a different interpretation.[7] The scale of the crisis brought into play editors' fundamental assumptions regarding the functioning of the economy, and these assumptions varied along lines of political ideology. Editorials published by several Democratic editorial staffs pushed for broader governmental regulation, highlighting the possibility of an endemically flawed "system" or "culture" binding corporate and political elites (Bookman 2002, Buffalo News 2002b). In contrast, a number of conservative newspapers formulated a neoliberal response to the scandals, emphasizing the misdeeds of individual corporations and pointing to the "self-correcting" capacities of markets (Columbus Dispatch 2002, Orange County Register 2002), while cautioning against a "drastic expansion of the federal regulatory system" (New York Post 2002). If newspaper editors believed that economic health and transparency would be restored by the market (or had already been restored, as some argued), this may have suggested a less pressing requirement for the media to play a "watchdog" role. In contrast, a belief in the need for regulatory attempts would have called for continuing journalistic scrutiny of the crimes.

Given the timing of the crisis, it is quite possible that relations between political and economic actors further politicized scandal coverage. George W. Bush's connections to Enron and CEO Kenneth Lay were well documented in major American newspapers, and had a tangible effect on public concern over the administration's ties to large corporations (CBS 2002). Ethical questions also surrounded SEC Chairman Harvey Pitt, who was alleged to have conducted illegal meetings with a Xerox CEO when the company was under investigation (Buffalo News 2002a). If Republican officials came under scrutiny for their ties to corporate offenders, conservative commentators saw cynical political opportunism in the vociferousness of the Democratic response, a criticism based in part on the revelation that campaign contributions by several of the largest offenders either favored Democrats or were evenly split between the parties (Detriot Free Press 2002).[8] These charges and counter-charges broadened the scope of the "elite crisis" represented by the scandals, implicating political as well as economic elites and highlighting the variety of ties that bind corporate and political actors, which include friendships, past business associations, campaign contributions, and shared membership on advisory boards. This contagion of accountability may have made political allegiances more salient in editorial decision-making, adding partisan fuel to the fire of public outrage. [FIGURE 3: "HEALTHSOUTH SCANDAL COVERAGE" ABOUT HERE]

For the purposes of the present study, this brief and speculative discussion suggests that a broad crisis of confidence in economic elites is likely to be politicized in two ways: first, by triggering ideological commitments to differing views of economic health and accountability; and second, by spreading to political actors, a phenomenon that, given a densely interwoven network of elites that crosses institutional boundaries (political, economic, religious, juridical, etc.), is not likely to have been specific to the scandals of 2002. In both cases, the scope of the crisis was instrumental in the blurring of lines between economic and political realms. It is unlikely that an isolated scandal would have led to a broad questioning of market assumptions or called into doubt the appropriate relations between political and corporate actors. Future research might add to the theoretical contribution implicit in these insights, identifying and investigating other moments in which an elite crisis has proved contagious, spreading to actors in other institutional fields and changing the factors deemed relevant to a typically bounded area of discourse.

Faceless Corporations and Courtroom Dramas

Why, in contrast to prior research, did newspapers devote more coverage to the adjudication of corporate crimes? As is the case with the findings regarding political ideology, this surprising result is partially explained by the scope of the crisis. In 2002, as public attention to corporate malfeasance mounted, so did calls for public accountability. In this context, rather than using organizational resources to defend individual offenders (for example, by settling lawsuits out of court), many corporate boards severed their connections to malfeasant executives, forcing them to stand trial alone. In doing so, they redirected public attention away from organizational wrongdoing and toward individual wrongdoing, offering the media fodder for extensive trial coverage focusing on the exploits of individual criminals. [FIGURE 4: "RITE AID SCANDAL COVERAGE" ABOUT HERE]

By offering up corrupt CEOs when a high level of scrutiny becomes unavoidable, deviant corporations play to the media's preference for individual offenders. A trial of an individual white collar criminal may provide months of riveting legal drama, punctuated by the testimony of key witnesses and new disclosures of wrongdoing; an isolated corporate press release announcing a settlement agreement provides less grist for the journalistic mill. By extension, accounting scandals in which the primary offender is, as one newspaper put it, "some faceless corporation" (Chicago Tribune 2002) will fail to offer a sufficiently intriguing narrative to newspaper editors. At a fairly early point in these scandals, both liberal and conservative newspapers were left to cover the lurid exploits of individual criminals, which, as we have seen, they did extensively.

This finding suggests an imperative for research on white-collar crime to look beyond the executive boardroom, the jury box, or the pages of the business section for the processes that shape societal treatment of organizational deviance. The content of media coverage appears to reflect not just independent judgments of news value, but the concerted attempts of corporate actors to shape public knowledge and opinion of corporate crimes. Public understandings of white-collar crime may in many cases be a product of "elective affinities" between corporate interests and the media calculations of newsworthiness. Concretely, this insight suggests that future research might fruitfully examine coverage of cases in which the ability of organizations to deflect blame is inhibited, for example when accusations center upon long-held corporate practices or organizational cultures. Examples might be found in the private sector, such as the tobacco industry's policy toward scientific insight into smoking risk, but they might equally be found in the public sector or in religious organizations such as the Catholic Church, which has come under fire for allegedly ignoring repeated cases of sexual abuse by clergy. Examination of media coverage of such cases would provide further evidence of the media's framing of different forms of organizational deviance, paving the way for a fuller understanding of how the selection mechanisms employed by media gatekeepers and the damage control strategies undertaken by scrutinized organizations interact to produce public understandings of organizational wrongdoing.

Notes

1 See Appendix B for the list of newspapers included in the sample. Although the *Wall Street Journal* is one of the largest circulating newspapers in the United States, it is excluded from the present analysis. It was assumed that the sheer quantity of business coverage produced by the *Wall Street Journal* and the newspaper's unique position as a source of information for the business community would make the newspaper an outlier in cross-sectional research.
2. Dummy variables for Factiva and Newsbank were included in the analysis in order to test for sampling error. Neither of these variables proved statistically significant for any stage of the analysis, so they were excluded from the final analysis presented here.
3 Articles devoted to accounting scandals in general were excluded in order to accurately specify scandal-specific independent variables such as the existence of an interlocking directorate or geographical proximity. "News digest" articles which include short blurbs on a number of different news events were excluded for the same reason, and in order to remain consistent across newspapers in cases where extremely short individual news articles substitute for news digests, all articles shorter than 100 words were excluded.
4 The author also tried accounting for interdependence of observations by including a control variable for the number of accounting scandal stories previously published by each newspaper. The results were consistent with those presented here. Because the robust standard errors are believed to offer a more conservative approach, the results of the analysis that utilized them are presented.
5 Although visual inspection of Martingale and Schoenfeld residuals, as well as raw hazard curves, suggested that the proportionality assumptions of the Cox model were likely to have been met, a formal test of the significance of interaction terms between several covariates and log(time) raised concerns that the effects of several variables were varying over time in ways that could not be accounted for by merely including interaction terms for time. Because the results of the Cox analysis were corroborated by a piecewise analysis sensitive to temporal variation, the author feels confident in presenting the Cox results in spite of this test.
6. Plotting these sub-samples has the effect of omitting newspapers that switched the party of their endorsement during the period of the analysis, confining the analysis to newspapers whose political position is relatively unambiguous.
7. As previously mentioned, editorials were excluded from the quantitative analysis in order to isolate patterns of purportedly objective news coverage. However, drawing upon editorials for the purposes of this discussion is justified by the fact that (as the quantitative analysis shows) editorial political endorsements *predict* scandal coverage. Because newspaper's political culture was not contained to the editorial page, we may look to the editorial page for interpretive (and admittedly speculative) insights as to how ideology may have influenced coverage.
8. The author verified that the political contributions of WorldCom were evenly split between the parties using a search of corporate campaign contribution records on OpenSecrets.org.

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Figure 1. Accounting Scandal News Stories published by 51 Largest US Newspapers by Category of News Item (1999-2006)

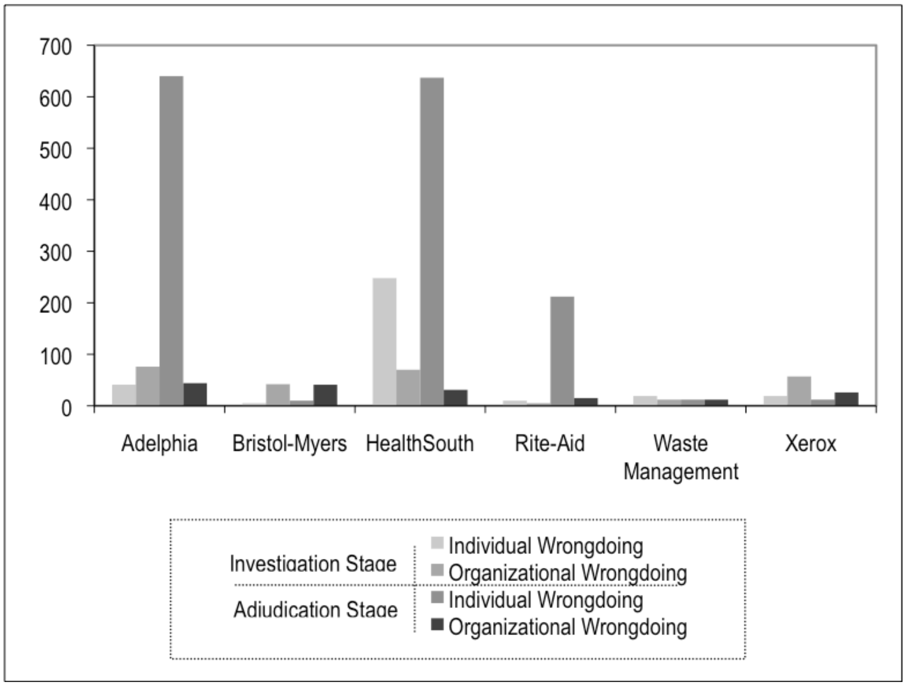

Figure 2. Smoothed Hazard Estimates for Risk of Publishing a News Story on the Adelphia Accounting Scandal, Sub-Samples of the 51 Largest US Newspapers, by Political Ideology, 2002-2006.

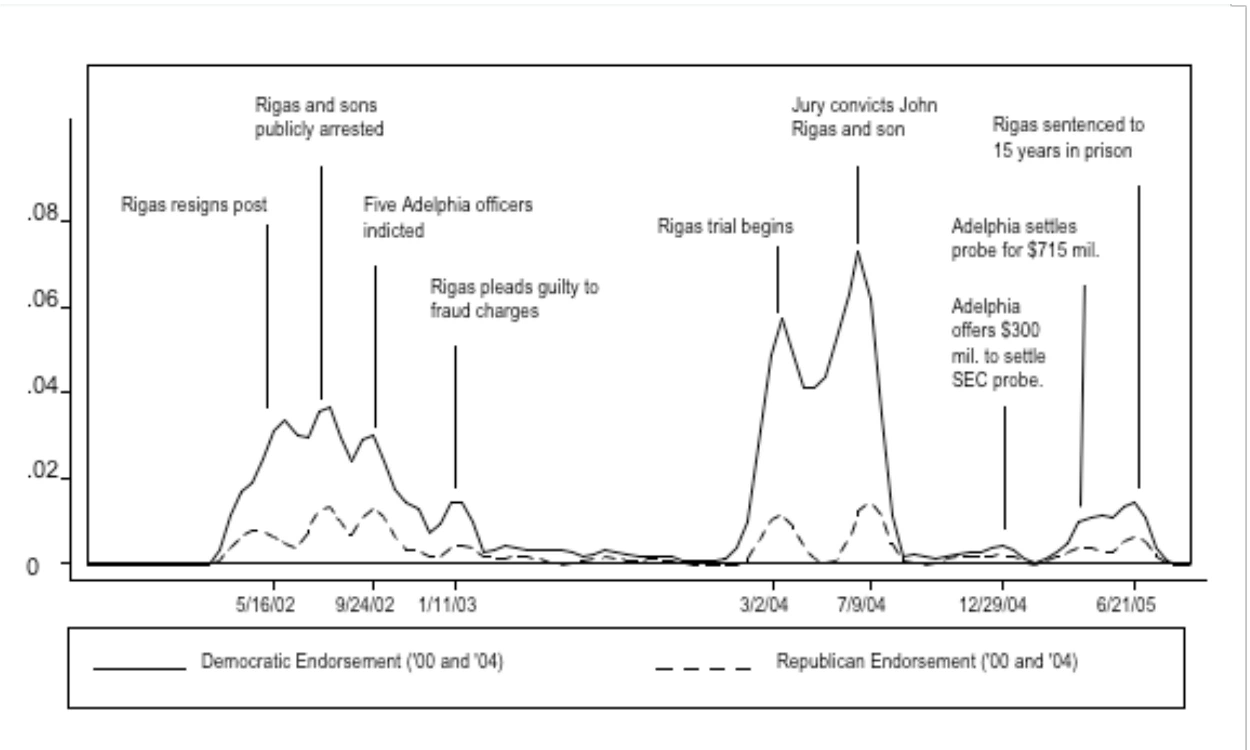

Figure 3. Smoothed Hazard Estimates for Risk of Publishing a News Story on the HealthSouth Accounting Scandal, Sub-Sample of 51 Largest US Newspapers, by Political Ideology, 2002-2006.

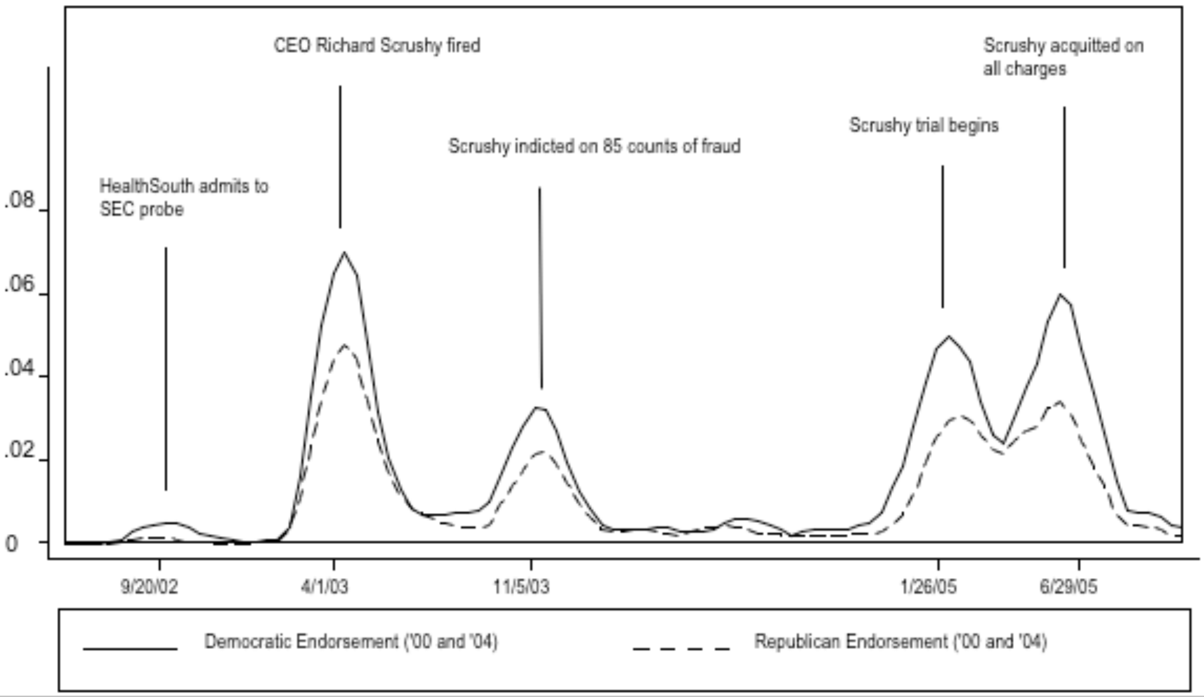

Figure 4. Smoothed Hazard Estimates for Risk of Publishing a News Story on the Rite Aid Accounting Scandal, Sub-Sample of the 51 Largest US Newspapers, by Political Ideology, 1999-2005.

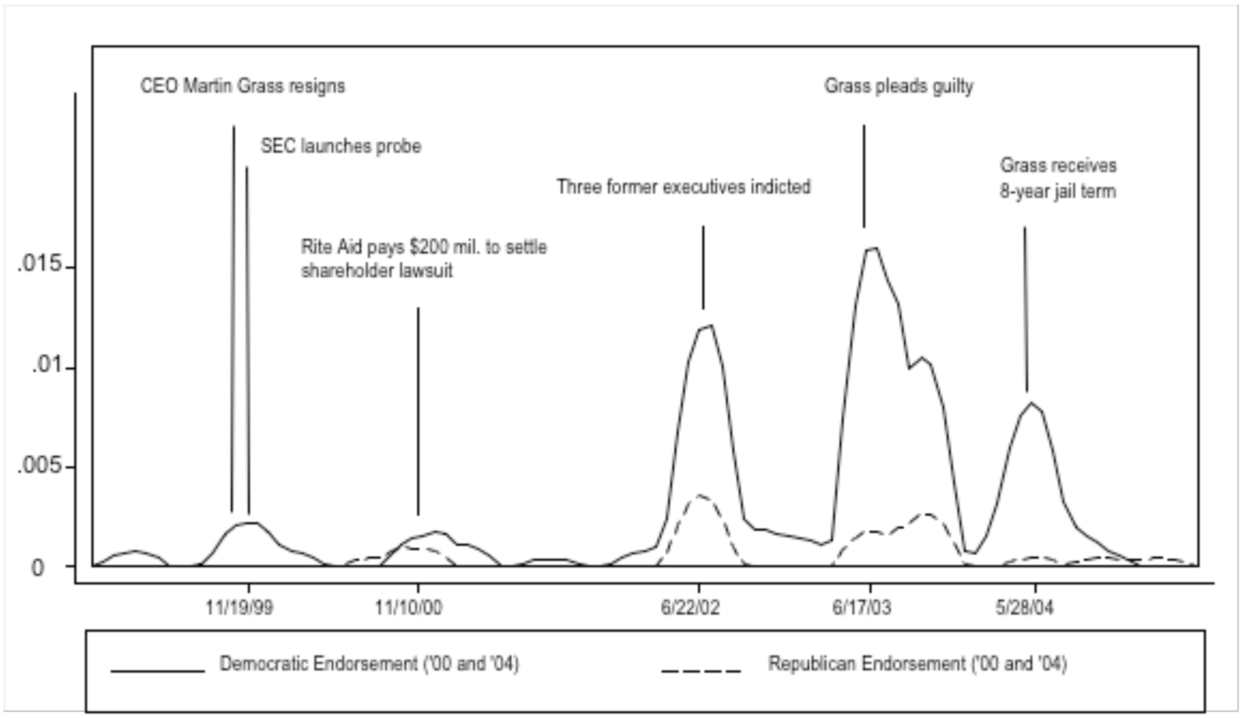

Table 1. Selected Characteristics of Accounting Scandals, 1999-2006.

Company	Industry	Location of Headquarters	Indictments	Largest Individual Penalty	Corporate Penalties
Adelphia	Communications	Coudersport, PA /Denver, CO	3	20-year sentence	$715 mil.
Bristol-Myers Squibb	Pharmaceutical	New York, NY	2	Awaiting trial	$909 mil.
HealthSouth	Health Care	Birmingham, AL	15	5-year sentence	$450 - $500 mil.
RiteAid	Retail	Camp Hill, PA	6	9-year sentence	$200 mil.
Waste Management	Waste Hauling	Houston, TX	6	$2.3 mil. settlement	$525 mil.
Xerox	Office Equipment	Stamford, CT	6	$8.6 mil. settlement	$10 mil.

Table 2. Summary of Independent Variables

Variable	Units	Source	Unit of Measurement	Range	Mean
News Hole	Articles	Factiva; Newsbank; Proquest	Newspaper	[37, 285]	162
City Population	100,000s	Census (2006)	Newspaper	[1.24, 82.14]	11.38
Average Reader Income	$10,000s	Audit Bureau of Circulation (2000-2005)	Newspaper	[5.19, 10.19]	7.13
Republican Endorsement (2002, 2004)	Binary	Published Editorials	Newspaper	[0, 1]	.47
Geographical Proximity	Binary	Standard & Poor's Directory of Corporations and Executives (2002); Public Filings (2002)	Parent Co.	[0, 1]	.24
Interlocking Directorate	Binary	Standard & Poor's Directory of Corporations and Executives (2002)	Parent Co.	[0, 1]	.18
Parent Company Size	$Billions	Standard & Poors Directory of Corporations and Executives (2002)	Parent Co.	[0, 13.44]	2.74
Public Parent Company	Binary	Hoover's Company Profiles, SEC Filings (2002-2004)	Parent Co.	[0, 1]	.54

Table 3. Cox Proportionate Hazard Ratios and Robust Z-Ratios, Effect of Newspaper and Parent Company Attributes on a Newspaper's Hazard of Publishing an Accounting Scandal Article, 51 Largest US Newspapers, 1999-2006.[a]

Independent Variable	Model 1	Model 2	Model 3	Model 4
News Hole (10s articles)	1.02***	1.02***	1.03***	1.03***
	(3.38)	(3.39)	(4.53)	(4.76)
City Population (100,000s)	1.11***	1.11***	1.10***	1.08**
	(4.04)	(3.47)	(3.24)	(2.78)
Reader Avg. Income (10,000s)	0.88	0.90	0.89	0.93
	(-0.60)	(-0.53)	(-0.65)	(-0.42)
Publicly Traded Parent Co.		1.01	0.87	1.06
		(0.03)	(-0.40)	(0.17)
Parent Company Size (Billions of Dollars)		0.95	0.97	0.95
		(-0.96)	(-0.65)	(-1.17)
Republican Endorsements			0.47**	0.50**
			(-2.48)	(-2.47)
Interlocking Directorate				0.62
				(-1.60)
Proximity to Scandal Headquarters				2.31***
				(2.61)

* p < .05 ** p < .01 *** p < .001 (one-tailed tests for hypothesized effects, otherwise two-tailed)

a. N = 1,983; Z-ratios in parentheses; Efron method used to handle tied failures. Hazard ratios represent the relative risk of publishing an article on any given day: a hazard ratio above 1 indicates that newspapers registering one unit higher on the independent variable were more likely to run a story; a hazard ratio below 1 indicates that newspapers registering one unit higher were less likely to run a story.

Table 4. Distribution of Accounting Scandal News Stories Published by 51 Largest US Newspapers by Category of News Item, 1999-2006 (*N*=1,922)

	Investigation Stage	Adjudication Stage
Organizational Wrongdoing	194 (10%)	147 (8%)
Individual Wrongdoing	295 (15%)	1,286 (67%)

Appendix A:

Narrative Descriptions of Scandals in Sample

Adelphia: In the Adelphia scandal, which broke in March 2002, one of the nation's largest cable television operators was abruptly hit by public allegations of "self-dealing," an illegal process in which representatives of a corporation make personal use of corporate funds. Prosecutors would eventually allege that the 77-year old founder of the company, John Rigas, and his two sons, Michael and Timothy, had issued themselves $1.6 billion in stock (Starkman 2005). Adelphia paid a total of $715 million to settle inquiries brought by regulatory agencies, while John and Timothy Rigas received 15 and 20-year jail sentences, respectively.

Bristol-Myers Squibb: In April 2002, Bristol-Myers Squibb was forced to revise sales and earnings forecasts in order to compensate for having inflated apparent revenue by intentionally bloating distributors' inventories, a practice known as "channel-stuffing." In 2004 and 2005, the company paid approximately $909 million to settle government probes and shareholder lawsuits related to the scandal. Although CEO Peter Dolan came under intense scrutiny from investors and government regulators, he was never linked with the company's accounting malfeasance.

HealthSouth: In September 2002, the SEC initiated an investigation of possible insider trading by Richard Scrushy, the founder of HealthSouth, a health care services provider based in Alabama. In November 2003, Scrushy was indicted, but was later acquitted at the conclusion of a 2005 jury trial, in spite of the testimony of 15 subordinates who cooperated with the prosecution in exchange for reduced sentences and fines. By early 2006, the HealthSouth corporation had paid between $450 and $500 million in separate fines and settlements.

Rite Aid: Although the first indication of accounting impropriety at Rite Aid came in early 1999, a full-fledged scandal only broke in 2002, as governmental investigations intensified after the revelation of scandals at Enron, WorldCom, and Adelphia. As a result of these investigations, six Rite Aid executives were eventually charged. A yearlong trial and sentencing process began in mid 2003, culminating with a 9-year jail sentence for former CEO Martin Grass.

Waste Management: In May 1999, Waste Management's board of directors unexpectedly withheld payment from several ex-executives who had overseen major growth and transformation at the company during the 1990s. In August, the Houston-based corporation admitted to an SEC probe and fired its CEO. For two years the company floundered, restating earnings and losing profit amid sporadic disclosures of accounting irregularities. Finally, in 2001 and 2002, the company settled the SEC probe for $457 million and six former executives were accused of fraud. In August 2005, the corporation, along with the executives who had been charged, paid $30.8 million to settle the fraud case.

Xerox: In 2001, the SEC began an investigation of Xerox's American operations, focusing on the company's procedures for reporting income from the leasing of copiers and other office equipment. In April 2002, Xerox announced that it had paid a $10 million civil fine to settle the investigation. Federal regulators, however, soon expanded their inquiry to include six current and former company executives who allegedly conspired between 1997 and 2000 to misstate company profit and inflate stock prices. In June 2003, the six executives paid a total of $22 million to settle the government's lawsuit.

Appendix B:

Newspapers in Sample, with Endorsements in Presidential Races, 2000 and 2004

	Newspaper	2000	2004
1.	Arizona Republic	Bush	Bush
2.	Atlanta Journal Constitution	Gore	Kerry
3.	Baltimore Sun	Gore	Kerry
4.	Boston Globe	Gore	Kerry
5.	Boston Herald	Bush	Bush
6.	Buffalo News	Gore	Kerry
7.	Charlotte Observer	Gore	Kerry
8.	Chicago Tribune	Bush	Bush
9.	Cincinnati Enquirer/Post	Bush	Bush
10.	Columbus Dispatch	Bush	Bush
11.	Daily Oklahoman	Bush	Bush
12.	Denver Post	Gore	Bush
13.	Denver Rocky Mountain News	Bush	Bush
14.	Des Moines Register	Gore	Kerry
15.	Detroit News/Free Press	Bush	Kerry
16.	Fort Worth Star-Telegram	Bush	Bush
17.	Hartford Courant	Bush	Bush
18.	Houston Chronicle	Bush	Bush
19.	Indianapolis Star	Bush	Bush
20.	Kansas City Star	Gore	Kerry
21.	Little Rock Arkansas Democrat-Gazette	Bush	Bush
22.	Los Angeles Times	None	None
23.	Louisville Courier Journal	Gore	Kerry
24.	Miami Herald	Gore	Kerry
25.	Milwaukee Journal Sentinel	None	Kerry
26.	Minneapolis Star Tribune	Gore	Kerry
27.	New York Daily News	Bush	Bush
28.	New York Post	Bush	Bush
29.	New York Times	Gore	Kerry
30.	Newark Star-Ledger	Gore	Kerry
31.	Omaha World-Herald	Bush	Bush
32.	Orange County Register	None	None
33.	Orlando Sentinel	Bush	Kerry
34.	Philadelphia Inquirer	Gore	Kerry
35.	Pittsburgh Post-Gazette	Gore	Kerry
36.	Plain Dealer	Bush	None
37.	Portland Oregonian	Bush	Kerry
38.	Sacramento Bee	Gore	Kerry
39.	San Antonio Express-News	Bush	Bush
40.	San Diego Union Tribune	Bush	Bush
41.	San Francisco Chronicle	Gore	Kerry
42.	San Jose Mercury News	Gore	Kerry
43.	Seattle Post-Intelligencer	Gore	Kerry

44.	Seattle Times	Bush	Kerry
45.	South Florida Sun-Sentinel	Gore	Kerry
46.	St Louis Post-Dispatch	Gore	Kerry
47.	St Paul Pioneer Press	Bush	Bush
48.	St Petersburg Times	Gore	Kerry
49.	Tampa Tribune & Times	Bush	None
50.	USA Today	None	None
51.	Washington Post	Gore	Kerry