

HEARD ON THE STREET, AND AROUND THE WORLD

The Wall Street Journal Turns 125 Years Old

By Gregory DL Morris

ON ITS 125TH BIRTHDAY THIS YEAR, *The Wall Street Journal* surveys the worlds of business and journalism from its lofty perch as the largest circulation daily in the US. It finds itself feted as one of the last bastions of serious committed journalism. At the same time it finds itself, and especially its editorial page, criticized as the Plutocrat Defender.

The publication's first edition was printed July 8, 1889 by a trio of partners: Charles H. Dow, Edward D. Jones and Charles Bergstresser (a different Edward Jones founded the eponymous brokerage). Dow and Jones were up-and-coming business journalists at the Kiernan News Agency in New York who formed their own company in 1882 and published an index of transportation stocks in 1884. The Dow Jones Industrial Average (DJIA) was first published in 1896 (see *Still They Ride*, in *Financial History* issue #80).

It was a heady time for newspapers on both sides of the Atlantic. *The Times of London* was founded in 1821, *The New York Times* in 1851 and the *Financial Times* in 1888. So the *Journal* is the baby of the big four.

The fledgling publication was a success, and Clarence Barron paid \$130,000 for Dow Jones & Co. in 1902 (equivalent to \$3.7 million today). Its circulation at the time was a modest 7,000. Barron began publishing his eponymous business weekly in 1921 and died in 1928 with the *Journal's* circulation peaking at about 50,000 about that time. The Great

Depression hurt circulation, but the business survived, and Barron's descendants, the Bancrofts, maintained family control of Dow Jones until 2007 when they sold it to News Corp.

Today the *Journal* has a circulation of 2.4 million, just ahead of *The New York Times* at 1.9 million; and although the *Sunday Times* has a circulation of 2.3 million. The Grey Lady still leads her downtown rival in Pulitzer Prizes with 112, the most of any

Baker was named to those posts at the start of 2013, succeeding Robert Thomson, who was named CEO of the new publishing entity for News Corp. Baker brought a strong pedigree, including a stint at the Bank of England and a journalistic career through BBC, the *Financial Times* and *The Times of London*.

In many ways, the *Journal* still bears the imprimatur of its founding editor. According to the biographical sketch,

"New England Journalist: Highlights in the Newspaper Career of Charles H. Dow," by George W. Bishop, Jr. in a 1960 edition of *The Business History Review*, "It should be noted that before he was 30 years of age, Dow had served under both Samuel Bowles and George W. Danielson, two of the most outstanding editorial figures New England has produced. There is every reason to assume that this experience was of great assistance in his later newspaper career."

Dow started at the *Springfield (MA) Republican* in 1872 at age 21 under Bowles, and in 1875 went to the *Providence (RI) Star (morning) and Evening Press*, then to the *Providence Journal* under Danielson. Dow covered trade and transport in and around southern New England and was sent to cover the 1879 Colorado silver boom. In 1880 he moved to New York.

"Dow was soon known on Wall Street as a reticent but reliable reporter," Bishop wrote. "He made the rounds of the Street, and it was recognized that the quiet, financial reporter who took shorthand notes on his cuffs was turning routine financial



The first edition of *The Wall Street Journal*, which sold for two cents in 1889.

paper, to 34 for the *Journal*.

"People here are enormously conscious of the legacy of 125 years," says Gerard Baker, editor-in-chief of Dow Jones and managing editor of *The Wall Street Journal*. "This publication started at a time when there was not much reliable journalism, really just releases by companies. That history does inform the way people work here. People understand the legacy of fairness, accuracy, reliability and trust."

Courtesy of Kenneth Winans

WITHOUT FEAR OR FAVOR

reporting into expert financial analysis. By virtue of his service under Bowles and Danielson, Dow was looked upon as a master journalist. His training and personality were such that the financiers he interviewed recognized immediately that he could be relied upon to quote them accurately, and that he could be trusted with confidential news.”

Dow eventually joined the Kiernan News Agency, which had built its own reputation in the emerging field of business journalism. “Kiernan was the headquarters of the roving financial reporters of the New York daily press,” wrote Bishop. “Here they would rendezvous and exchange bits of news and Wall Street gossip.”

In November 1882, Dow and colleague Jones left the Kiernan News Agency to form their own firm at 15 Wall Street. According to Bishop, it was “a small room in the rear of a ramshackle building next door to the entrance of the Stock Exchange. A printed news sheet containing the principal news items, which Dow Jones began publishing in 1883, was included in the last delivery of the day. This news sheet could be subscribed for separately and was the forerunner of *The Wall Street Journal*.”

From Dow and Jones to Barron, the *Journal* seems to attract a certain type of journalist, the way different banks and brokerages attract their own distinct types. John Prestbo is a prime example. Prestbo, freshly graduated from Northwestern University’s Medill School of Journalism, found that 1963 was a lousy time to find a job as a reporter and returned to his alma mater for a master’s degree. He was able to secure a fellowship to support that effort, which he took to be a positive sign.

On the mulligan in 1964, Prestbo learned that the Chicago bureau chief for *The Wall Street Journal* was interviewing journalists, and was only seeing master’s candidates. “When I went into that interview, I had read the *Journal* exactly once,” Prestbo recalls. “I got an offer from the *Journal*, and also from the *Evanston* (IL) *Review*. And if you can believe it, I actually had to weigh the decision,” he adds with a laugh.

Including several assignments around the Dow Jones organization, Prestbo was with the *Journal* for close to half a century, which is an astonishing tenure in a business notorious for turnover and headcount reductions.

John Prestbo, who spent nearly five decades with *The Wall Street Journal* and Dow Jones, recalls four instances that helped solidify the *Journal*’s reputation.

Texas Gulf Sulphur: In the 1960s sulfur was still mined. In 1964, the Texas Gulf Sulphur Company received a favorable report from a prospective mine in Canada. There was chatter that the mine could be profitable, but the company issued a press release downplaying the potential. Company executives bought shares in advance of the formal announcement of the mine potential and profited when the stock price rose on the public news. An investigation and litigation by the Securities & Exchange Commission (SEC) ensued, and the eponymous case established prohibitions against trading on insider information.

“Before Texas Gulf,” recalls Prestbo, “there was no requirement of disclosure. The response to many questions from companies was that they did not have to tell about what was going on inside the firm. After the decision came down, the *Journal* was among the most aggressive publications in demanding disclosure. As a reporter I started asking a lot of questions that would have gotten me tossed out of their offices. But I would just cite, ‘full disclosure.’ Companies had to learn to be more forthcoming. It was a very important change to the way everyone conducted business.”

Toxic Shock Syndrome: Beyond the disclosure requirements of the law, companies vary widely in their openness to the press. “One of the more tight-lipped companies was always Procter & Gamble,” recalls Prestbo. “The only information out of them beyond SEC requirements was press releases. When I became Cleveland bureau chief, I made it my goal to change their stance. I went down to Cincinnati and slowly got them to consent to interviews. Then, in early 1980, the news broke about Toxic Shock Syndrome and its link to a new type of superabsorbent tampon. This was a very big problem for P&G. It

mushroomed very quickly. But because I had built trust with them, they let me come down and talk with them about how they were handling it. It became a two-part series in the *Journal*.” Later that year the company voluntarily recalled its Rely brand and all manufacturers modified their warning labels.

Stealing the Show: Auto makers’ new model releases are not a matter of life and death, but they often treat them as such. “Car companies like to keep the new looks a secret,” says Prestbo. “General Motors was the most secretive, literally keeping the vehicles under tarps before the formal unveiling. We had a reporter in Detroit who wanted to break the story and break that secrecy. He staked out the routes to the showrooms and got pictures of the cars before the unveiling. As is policy, we called GM for comment. They were so honked off that they threatened to pull all their ads if we ran the story. Of course we ran it anyway, and they did pull their ads. For nine months. But we did not back down, and eventually they had to come back because they needed our demographic.”

Prestbo adds an emphatic declaration: “we have a right to report and write. You can fight us if you want, and we will run your comments. But we will run the story.”

The Crash of ’87: “We did not see that one coming,” recalls Prestbo. “At the time we had a Quotron for prices, and every time we punched in “InDu” for the Industrial Average the afternoon of October 19, it was down far and fast. We did not know where to turn. None of our usual sources would return our calls. Some of the lines were jammed, but we found out later that some people just took their phones off the hooks. But it was the *Journal* that got to the bottom of the story. From the initial bewilderment we recovered well by the end of the week. Daniel Hertzberg and James B. Stewart won the 1988 Pulitzer Prize for Explanatory Journalism for their coverage of the crash.”

From 1964 to 1974, Prestbo worked in the Chicago bureau, one of 17 that the *Journal* had worldwide at the high point. “We had a man — and in those days they were all men — in St. Louis, Pittsburgh, Atlanta, Dallas,” he recalls. “Internationally we had a bureau in Beirut, and other places that might seem unusual today.” That global coverage has not been without cost. Daniel Pearl was South Asia bureau chief for the *Journal*, based in Mumbai, when he was kidnapped and murdered by militants while on assignment in Pakistan in 2002.

That far-flung network represented the evolution of the paper from a daily business publication to a full-fledged major city morning paper. “By the time I joined the provincial days were gone,” says Prestbo. “Those ended in the 1950s. By the mid ’60s we had become a newspaper with international appeal.”

Prestbo adds that there were two reciprocal trends taking place at the time that drove the evolution of the *Journal*. “Our traditional readers in business and finance began to enjoy reading the *Journal* for coverage of all the news,” he says. That trend has continued to this day with weekend sections on Fridays and coverage of travel and recreation, luxury goods and softer style topics. The other trend was the mirror image: non-traditional readers started to turn to the *Journal* as a straight morning paper.

Baker is particularly proud of the long form feature stories and continuing coverage that has been cultivated at the *Journal*. “There has been really extraordinary reporting on the ground of the war in Syria. Our team there has really done that in more depth and in better detail than anyone else. In our core coverage of finance and economics, we broke all the major stories about the [tapering of stimulus by bond-buying] and nomination and confirmation of Janet Yellen [as Fed chair].”

To deliver that reporting the *Journal* has relied upon many journalists and editors; Baker notes a few that he knows or knew personally. “Bob Bartley was editorial page editor and was a very strong voice for the paper and in the country during the Reagan years. Mike Miller, senior deputy managing editor, has handled features that have had an extraordinary impact. I

also credit my predecessor Robert Thomson. I worked with him also at the *Times* and the *FT*. He built out and broadened this paper while retaining its core mission. Jim Browning, our markets editor, has done some fine analysis, as has Jason Zweig. Jerry Seib, our Washington bureau chief is a rare figure in that town. He fits in, but still writes with real authority.” [Jason Zweig sits on the *Financial History* editorial board. —ed]

In his time in the financial press Baker has had the chance to interview and work with leading figures in business and finance. He is drawn to complex characters. “Steve Jobs was a famously difficult personality, but clearly an innovative genius. Similarly Ben Bernanke, I saw a lot of him. He was justifiably criticized over some things but still a leading figure in public policy. In the financial sphere Jamie Dimon, the CEO of JPMorgan Chase, has shaped Wall Street to a remarkable degree, though not without his critics too. Globally Angela Merkel, chancellor of Germany, has extraordinary reach and power. And I would include Robert Murdoch. I have seen a lot of him too over the last few years. People worry about the future of journalism, but I can report that he is deeply committed to it.”

Prestbo underscores the deep focus on elemental financial reporting: “My initial training as a reporter was months and months of earnings reports and dividend announcements. We used to print balance sheets and income statements in agate type (six-point type, the same as still used in many papers for sports box scores).”

The first mistake Prestbo made that required a correction befell him when he took a dividend over the phone. “I did not know what a record date was, so I got it wrong. Reporters at any level were severely reprimanded for any errors. The feeling on staff was that we were the publication of record. A lot of investors made their decisions based on what was in the *Journal*. People were relying on us, so we had to have everything correct to the last digit.”

After his decade in the Chicago bureau, Prestbo moved to New York to join the Page One editorial staff, then worked on the commodities desk, then moved to Cleveland as bureau chief. Far from being an edge-of-the-empire garrison post, Prestbo states “those were four good

years in Cleveland. I enjoyed being bureau chief.”

The late ’70s and early ’80s were the incipient years for what today is the technology revolution. The *Journal* has poured out oceans of ink covering hardware and software businesses and leaders, but the publication was also an early adopter itself. And just as the paper reports on entrepreneurs, it also has created internal opportunities. One of those lured Prestbo back east from Cleveland. He took the post of editorial vice president for Dow Jones Radio 2, based in South Brunswick, NJ.

“At the time we called it interactive radio, but I like to think of it as an early version of the customized news streams that many people get today on their mobile devices,” says Prestbo. “Subscribers had specially-equipped radios. They would call in and use their telephone touch-tone keypads — very high tech — to code in the news that was of interest to them.”

The radio signals would have the codes embedded, so that subscribers’ radios would turn on automatically, play the news the subscriber had requested such as anything about aviation, or grain futures, and then turn off again.

“It didn’t work,” says Prestbo. “The technology worked, but people did not like being interrupted. They were not ready to receive the news.” The service was revamped to something called Dow-Phone, where subscribers could call in and enter the codes for the news they wanted. The staff was reduced, and Prestbo went back to the *Journal*. He was markets editor until moving over to Dow Jones Indexes in 1996; he retired from that group as executive director in 2012 and is now a lecturer with the Rutgers University Business School in Newark, NJ. \$

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For more on the history of Dow Jones and *The Wall Street Journal*, see *The Market’s Measure* by John Prestbo (Dow Jones & Company, 1999).