

# MBA's killing the newspaper business

Long ago in a galaxy far, far way (South Carolina) I was working the county courthouse beat when Mr. Eubanks brought in his annual one-page operating statement for the county's Farmers Market.

It was splendidly simple. "We spent \$37.87 and took in \$520.92." That was it. No more was needed. Mr. Eubanks had run the market for 16 years. He had the magic touch of success—he took in more than he spent.

Running a newspaper is only two steps above Mr. Eubanks's business. A newspaper has two sources of money, advertising and selling the papers. Its inventory is also splendidly simple — only paper and ink. Its product is reports of public events that swarm around every community every minute of every day.

The idea is to take in more money than you spend while reporting those events. A daily check of the cash register is necessary. Back in those days, even a dead head could make money in the newspaper business. I have personal evidence of that.

But it came to pass some smart guys thought their efficiency and good looks could double any profits we were making. They set up a school for that

and graduates got piece of paper called an MBA which eventually had two meaning. First, it was a Masters degree

## Media Meditations

by R.L. Taylor

in Business Administration. The second was Murder By Accounting.

The MBAs did not have to be on the scene but they could do more damage quicker sitting in the publisher's office.

There, the MBA created the Budget and the Budget is the key to everything. He budgeted how much revenue his paper would have and then budgeted how much he could spend to make the magic word "PROFIT" a reality. Any change at any level at any-time automatically set off an alarm button that read "Re-Visit the 'Budget.'"

The PROFIT entry could never be changed.

It was great system for running a running a cotton mill but not good for the news business. Around the Triangle sports editors had to predict how many local ACC teams would be playing the NCAA basketball championship games and how much it cost the paper to report those games.

The city desk had to know how many snow and sleet storms had to be covered. Everybody worried about how many hurricanes might hit and

how many days stores may be closed or roads blocked. Once in Durham, one of the grocery chains pulled it ads from the paper and distributed them through the post office.

That instant cry "We Must Revisit the Budget" echoed over the city. The profit figure has to be made at any cost and most of that cost was loss of quality in the paper.

It took a lot of people to make the Budget system work. In the good old days when I was younger, a very large newspaper got along splendidly with one business manager and five ladies who counted all the nickels and dimes, made the deposits, charged out the ads to the customers, completed a weekly report as well as an end of month operating statement.

The Budget system at the same paper required 22 full-time clerks to track down missing nickels, dimes and quarters.

The usual result of a Budget crisis was the firing of more news reporters

and feature writers. Editors were constantly reminded that reporters did not produce any revenue. Thus, an editor made his reputation not for the quality of the paper but for his ability to make Budget every year.

My point is the two local newspapers crying the loudest and getting smaller and smaller are both run by MBAs.

Smaller dailies and most weeklies have been spared the MBA presence and for the most part are still doing well for their loyal readers. Their business is pretty good.

I am proud to say the *Chatham County Line* stands with the small papers doing an excellent job.

*R.L. Taylor is a regular contributor to Chatham County Line. He has been a newspaperman for more than 50 years, working as a reporter, editor and publisher. He worked as Director of Special Project for the Durham Herald Company from 1982 to 1991.*



# Don't let myths, conventional wisdom wreck health care

By Don Lein

"Le mieux est l'ennemi du bien" was penned by Voltaire in 1772. Although not literal it is most frequently translated as "the perfect is the enemy of the good". Initially our publisher asked us to write on the Chatham County economy and nothing better sums it up than Voltaire's observation. While we are striving for the perfection of pristine water, air, green jobs, environment, sustainability, etc. we are in danger of throwing the good under the bus.

Of much more currency is the health care/insurance debate. Both sides wish for some sort of reform to take place, and both agree that health care is far too expensive and both should agree that our quality of care is such that many more foreigners come to the U. S. for treatment than vice versa. The disagreement comes from what the two sides see as causing the problem and how to solve it.

On the one side we have claims of greedy doctors (unnecessary operations, tests, etc.), greedy insurance execs and lack of meaningful standards and regulations to enforce these standards with the bottom line being that the government could ameliorate these woes by legislation and direct regulation of the industry by boards, panels and other agencies. Since the President remarked in his town hall at Portsmouth that FedEx and UPS are fine whereas the Post Office is in terrible trouble, one wonders where the efficient governmental organization paradigm will come from. On the other side we have claims that the government has caused most of

these problems and further intervention will simply exacerbate the problem.

Let's look at the present marketplace. Because of actions taken by the government at the behest of industry in the 1930's and 40's we have a system whereby most health coverage comes through one's employer. Since the coverage costs the employee the same whether they use the most expensive alternative or not, or even if they overuse the system and since there is no penalty for overuse/misuse, that is what ensues. To correct this situation one side suggests that bureaucrats make treatment decisions based upon mathematical formulae based upon such criteria as cost divided by QALYs (quality adjusted life years), with preference being given to those whose score is higher, such as they do in England.

The other side says simply put price sensitivity back in the equation by taking the employer middleman out of the equation. Give equal tax breaks to individuals and to employers when purchasing health insurance. Allow tax advantaged health savings accounts where the consumer must weigh the costs of each procedure. Allow insurance companies to offer low cost catastrophic health insurance policies. States regulate what is offered and many health care offerings are burdened by acupuncturists, chiropractors, in vitro fertilization, midwives, etc. which all raise the basic price of the health care premium. The lobbyists get to the politicians, and you know the rest — see Jim Black.

The 800-pound gorilla in the room, which, thus far, no one has discussed is

malpractice. A neurosurgeon having to pay \$200,000 for malpractice insurance certainly raises the price of health care. Any doctor or health institution in today's environment must practice defensive medicine by giving unnecessary tests and procedures simply to build up their record in the event they are sued. How many billions are wasted? How many multi-million dollar homes do the John Edwards of the world need? No one has discussed what other countries do with malpractice in situations where government controlled health care prevails. Generally there are little or no malpractice suits allowed.

One major rationale offered for regulating health care is that preventive medicine is cheaper than healing sick folks. The claim that all those tests, checkups will make us healthier and will save money, seems intuitively obvious, but, is empirically wrong. In an August 7 letter Congressional Budget Office Director, Doug Elmendorf indicated

"Researchers who have examined the effects of preventive care generally find the added costs of widespread use of preventive services tend to exceed the savings from averted illness." Alas, another conventional wisdom bites the dust.

Two other myths that research disproves are that primary care doctors can diagnose and treat diseases as well as specialists. Heart disease patients treated by generalists are often misdiagnosed and incorrectly treated. They are readmitted to the hospital more often and die sooner. The second and ugliest myth is that living longer is a burden on society. Medicare data proves that a 67-year-old's end of life health care costs three times as much as a patient who lives to be 90!!

Myths will abound and the debate will go on.

*Don Lein is a regular contributor to Chatham County Line. He is involved in a number of civic organizations.*

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