

12-1-2004

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Recommended Citation

Oliverio, Mary Ellen and Newman, Bernard H., "Accounting Information in the First Issues of the Wall Street Journal: An Historical Note" (2004). *Faculty Working Papers*. Paper 41.

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WORKING PAPERS

No. 214

December 2004

**Accounting Information in the First Issues of
The Wall Street Journal: An Historical Note**

and

**Reporting On Company Financial Information
Before Gaap: In *The Wall Street Journal* for the
Year 1900**

by

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**ACCOUNTING INFORMATION IN THE FIRST ISSUES OF
THE WALL STREET JOURNAL: AN HISTORICAL NOTE**

by

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ABSTRACT

Medbery, in his book, *Means and Mysteries of Wall Street* (1870), does not make explicit the role of information in the success of the U. S. market activity. However, he does note the negative impact of "newspaper exaggerations" in London during the railway fever of 1824-25, for example. Early efforts to provide financial information in the United States as the selling of stocks and bonds moved beyond a small group of investors revealed the value of credible information.

The contemporary attention to the need for transparency of financial information in the global marketplace motivated the questions tentatively explored in this note: What was the nature of financial accounting reporting at the time *The Wall Street Journal* [hereafter referred to as *The Journal*] began publication in July 1889? What was the extent of attention to accounting-related information in the initial months of the publication?

While there had been a number of news agencies providing information to investors in the decades prior to 1889, there appears to have been a bold step forward with the first issue of *The Journal* on July 8, 1889. Clews, whose advertisement appeared in the first issue of *The Journal* wrote in memoirs of "inadequate information, false information, and defects of news agencies...."

In this note, the discussion is focused on (1) financial reporting at the time of the founding of *The Journal* ; (2) the mission of the publishers; (3) the response from other newspapers; (4) nature of reporting in the initial months; (5) comments on the nature of accounting-related information; (6) further historical exploration suggested.

This paper is an exploratory review. A more systematic historical analysis to track the nature and extent of accounting-related matters in *The Journal* is contemplated.

INTRODUCTION

...We are a borrowing nation...Our growth through foreign connections hinges, therefore, upon the repute of our stocks and bonds abroad. Germany, Holland, and England hold already about one billion of American securities in governments, railway bonds and stocks.... With the increase of a healthier tone in our finance, and the creation of fresh safeguards upon the management of corporations, thereby rendering dividends more secure and permanent, the confidence in American stock interests will expand proportionately (Medbery 1870, 343).

Medbery concluded his 1870 book with a prospective look that included the foregoing note. While he does not make explicit the role of information in the success of the U. S. market activity, he does in his concluding pages note “newspaper exaggerations” in London during the railway fever of 1824-25, for example. An overview of efforts to provide financial information as the selling of stocks and bonds moved beyond a small group of investors seems to support the value of credible information.

The contemporary attention to the need for transparency of financial information in the global marketplace motivated the questions tentatively explored in this note: What was the nature of financial reporting at the time *The Wall Street Journal* [hereafter referred to as *The Journal*] began publication in July 1889? What was the extent of attention to accounting-related information in the initial months of the publication?

While there had been a number of news agencies providing information to investors in the decades prior to 1889, there appears to have been a bold step forward with the first issue of *The Wall Street Journal* on July 8, 1889. Clews, whose advertisement appeared in the first issue of *The Wall Street Journal* wrote in memoirs of "inadequate information, false information, and defects of news agencies." At one point, Clews comments:

...I refer to those who make it a part of their business to circulate false information. Principal among these caterers are the financial news agencies and the morning Wall Street news sheet, both specially devoted to the speculative interests that centre at the Stock Exchange. The object of these agencies is a useful one; but the public have [sic] a right to expect that when they subscribe for information upon which immense transactions may be undertaken, the utmost caution, scrutiny and fidelity should be exercised in the procurement and publication of the news. Anything that falls short of this is something worse than bad service and bad faith with subscribers; it is dishonest and mischievous (Clews 1908, 203.)

In this note, the discussion is focused on (1) financial reporting at the time of the founding of *The Journal* ; (2) the mission of the publishers; (3) the response from other newspapers; (4) nature of reporting in the initial months; (5) comments on the nature of accounting-related information; (6) further historical exploration suggested.

1. FINANCIAL REPORTING ENVIRONMENT BY THE LATE 1880s

After 1865 there was considerable movement to consolidation of smaller units in railroads and manufacturing. Considerable impetus developed in the industrial field in the late 1880s. As reported in the *New York Herald* on January 1, 1889 the largest volume of transactions in one day was 573,000 shares and the smallest, during a regular session, was 36,000 shares. Total transactions on the New York Stock Exchange were 62,000,000 shares, with an average of a little over 200,000 a day or 7000 shares a minute (Wyckoff 1968, 10, 11).

During the same period -- beginning after the Civil War -- interest in financial information grew in intensity. There was sufficient interest in timely, rapidly transmitted information during this period to encourage inventors to turn attention to the matter. By the 1860s, telegraphic adaptations were introduced. Wendt credits the Gold Exchange with the introduction in 1867 of a modified telegraph instrument that impressed electrical impulses on a moving tape, recording the fluctuations of the gold market. He continues his discussion by noting that Edison who studied a machine developed in Boston, came to New York where he visited a telegrapher friend who was using the system used at the gold exchange. As Wendt tells the story, when the equipment broke down and the manufacturers, maintenance people could not make the repairs, Edison got the job to undertake a solution, which resulted in his invention of an electromagnetic stock ticker which was placed on the market (Wendt 1982,12, 13).

One man who took advantage of the availability of the Edison stock tickers was John Kiernan who had been in business since Civil War days. He installed these tickers to provide supplemental service. Kiernan's memos were handwritten and carried by messengers to clients as news was received (Wendt 1982, 13).

Kiernan News Agency was identified as the leading financial-news agency in Wall Street in the two decade following the end of the Civil War. In 1880 Charles H. Dow and Edward D. Jones, who were two young newspaper reporters from Providence, Rhode Island, joined the Kiernan News Agency, where they stayed for two years. In the fall of 1882, these two formed a partnership. It appears that almost immediately a third fellow who had also been at Kiernan's was invited to join the two. He was Charles Bergstresser. The three agreed on the name Dow, Jones & Company (Feemster 1954, 10).

After seven years of providing financial information and introducing speedier methods, the partnership was ready to move to another venture, a daily newspaper.

2. THE MISSION AND OBJECTIVES FOR THE NEW PUBLICATION

The 4-page newspaper which began publication on Monday, July 8, 1889, carried an account of purpose in the right hand column of the first page, which had four columns. Under the heading Dow, Jones & Company, 26 Broad Street, New York, was the explanation:

The Wall Street Journal makes another step in the development of its business. Its object is to give fully and fairly the daily news attending the fluctuations in prices of stock, bonds and some classes of commodities. It will aim steadily at being a paper of news and not a paper of opinions. It will give a good deal of news not found in other publications, and will present in a market article, its news, its tables, and its advertisements a faithful picture of the rapidly shifting panorama of the Street.

We believe that such a paper will be of use to operators, bankers and capitalists who can find in its columns essential statistics compiled so that their pith and bearing can be easily remembered; also, the events which have moved or are moving prices, together with the drift of opinion in the Street. Our bond table is unique in that it gives the yield as well as the price, and enables the observer to observe the return on one issue comparable with another, without laboriously consulting tables of investments.

The fundamental principles in carrying on our news business, are these:

To get the news;

To publish it instantly, whether bull or bear

No operator controls or can control our news. Any prominent man can say in our columns substantially what he pleases over his name.

We are proud of the confidence reposed in our work. We mean to make it better, and we mean to have the news always honest, intelligent and unprejudiced.

As an advertising medium, *The Journal* claims attention both on account of its Wall Street circulation and because its early hour of issue enables it to reach subscribers in the entire tier of cities extending from Montreal to Washington and west to Buffalo and Pittsburg (sic) early on the morning after issue. This puts the out-of-town trader in a better position as far as information is concerned, than the New York speculator who depends for financial news upon the city morning papers; hence our large out-of-town circulation. Furthermore, the make-up of *The Journal* puts every advertiser in a preferred position next to the reading matter.”

Prior Experience With Providing Information

As the first issue also indicates, Dow, Jones & Company had had a service, beginning in 1882, that consisted of printed bulletins that were issued and delivered in Wall Street on an average of one every eight minutes from nine in the morning until three in the afternoon. The publishers claimed that subscribers included "nearly all the large operators and active commission houses in the Street. Fifty people were in the employment of the Company at this point. When they began operations in November 1882, they had six employees, including the three partners. They stated that "our means for the rapid reproduction of news has evolved from the slow, indistinct, manifold process to clear type and a press which gives 200 or more copies per minute."

Current Capability

The company had a private wire to Boston, and telegraphic connections through the Postal Telegraph Co with Washington, Philadelphia, and Chicago, which "insure prompt transmission of inquiries and news," as was noted. There were correspondents in Chicago, Washington, St. Louis, Pittsburg (sic), Philadelphia, Albany, Boston and elsewhere. The first issue noted that..."Our London correspondent, The Exchange Telegraph Company, has its employees in every considerable town in Europe."

The Advertising Department

That first column also noted that the Company was prepared to place advertisements in city or country papers in this country or Europe, from the smallest "want" to the largest financial or proprietary announcements upon the most favorable terms.

3. REACTIONS OF OTHER PUBLICATIONS

Each day for the first month of publication, *The Journal* quoted from statements about the new newspaper in other newspapers. Some of the quotations were repeated for a number of days. Such quotations appeared throughout the month of July. Below are some from the July 10 issue:

The Wall Street Journal is the name of a new financial paper started by Dow, Jones & Co. the well-known news agents. As the name implies, it is devoted to Wall Street (sic) interests; and it will undoubtedly serve them with the enterprise its managers always display (*Commercial Bulletin*).

The News Agency of Dow, Jones & Co. has expanded its enterprise into what is almost equivalent to the publication of an early evening financial journal. While frequently open to criticism, the service of this concern has been appreciated by Wall Street and with fewer "opinions in the form of "special dispatches" there ought to be little doubt of the success of the enlarged circular (*New York Sun*).

Messrs, Dow, Jones & Company have inaugurated a new feature....The first number...is a handsome four-page sheet, containing all the news of the day in regard to the financial and railroad situation with tabulations of the fluctuations of the stock bond and other speculative markets. The bond table is particularly worthy of attention, as it gives the income yielded by securities at the current prices. In one respect The Wall Street Journal is unique, as it is designed to be a paper of news and not of opinions....It presents information afforded by the news agency through the day in a compact form, and supplements it by varied statistical and financial intelligence not found in any other daily publication. Wall Street is a large and growing field for journalistic enterprise, and it can be said that the plans...seem eminently calculated to meet the requirements of the investing and speculating public (*New York Star*).

The Wall Street Journal...It is a broad, clear-typed paper, presenting a most prepossessing appearance and as full of information as an egg is of meat. If it gets out somewhere near the time announced for daily issue, 3:15 p.m. it will be early sought after by the large class who purchase the regular evening papers for the comparatively brief financial intelligence imparted (*Daily Financial News*).

...they have unusual facilities for obtaining prompt and accurate information (*Mall and Express*).

4. NATURE OF REPORTING IN THE INITIAL MONTHS

The first issue, as noted earlier, appeared in the afternoon of July 8, 1889, which was a Monday. There were four pages each of four columns. The outside columns, from the first issue were used for information about the publication, as noted earlier in this note, as well as advertisements. The price was 2 cents per copy or \$5 per year. Delivery to those who were subscribers to their regular news service would be by carrier. Special rates were provided to brokers and bankers. There was to be an edition six days a week.

The first issue provided a structure of what would be expected as well as the type of news included. Among the stories in the first issue were the featured financial briefs about specific industries, interviews with top executives, a review of the day's late news from other cities, tables with bond quotations and stock activity, government financial activity and London financial news.

Financial Briefs - Industries

In the initial issue is a story of the coal trade. The story described what was happening and provided figures:

...There is no doubt that some of the companies are stocking coal at Western lake ports and in the East, so as to supply the demand when it comes....The coal sent to market week ending June 29 was 838,402 tons against 577,774 tons in 1888. (The source of the figures was noted as Philadelphia Ledger.)

The advance in prices ordered by the anthracite companies on July 1 has not stimulated business as was expected, and orders are coming in very slowly....(The source was noted as the Philadelphia Inquirer.)

The story continues to discuss that a remedy for the limited orders may be another advance in prices...and concludes with the statement that "a large amount of coal is being shipped West and this, with the line and local trade and the New England demand, is sufficient to take all the coal that is being minded."

Among the industries that received detailed, up-to-date treatment were railroads, sugar, grain and flour, iron and steel, live stock, and communications companies, such as Western Union.

Interviews with Executives

The first issue contained an interview with President Roberts of the Pennsylvania Railroad which was first reported in the *Philadelphia Inquirer*. The conclusion was that President Roberts did not think the trunk line outlook was bleak and there was no prospect of the trunk lines drifting into the same condition as the roads west of Chicago. Mr. Roberts was quoted as saying: "Why the Baltimore & Ohio reduced rates is more than I can understand...."

Mr. Roberts continued to be candid in his assessment of the strategy that seemed to be in place. His confidence in the ability of the Trunk Line Association to dispose of the matter was expressed.

Some key players in the market were interviewed from time to time. In fact, when they would not comment, that was noted. For example, in the July 10 issue there was a discussion of the current traffic of Western railways. Below the article, there was a one-sentence note: "Mr. Pierpont Morgan was very noncommittal yesterday as to his opinion of the western railroad situation."

Review of the Day's Late News From Other Cities

Correspondents in the various cities were collecting news stories and forwarding them to the headquarters office. Items of varying lengths appear daily. Typical of the type of item that appeared regularly is the following, which appeared in the first issue:

Chicago special -- In addition to the reduction in live stock rates announced last week Alton will also reduce rates on related articles. Dressed beef will be reduced by Alton, Kansas City to Chicago, from \$28 to \$23, packing house products from 20 to 18, and live hogs from 25 to 18 cents.

Bond and Stock Comment and Tables

Each day there appeared a lead article which was a summary of the average movement of stock prices For example, on December 11, 1889, the following comment appeared in the lead article, The Market To-Day (sic):

Chicago Gas, New England, Reading, Western Union and Sugar have been fairly active to-day....Sugar has been consistently weak principally on the idea that the starting of the new Spreckels' refinery in Philadelphia cannot fail to affect the earnings of the Trust unfavorably...Western Union made a very handsome statement and gave the stockholders \$646,432 in the form of an extra dividend...The change in the position of Western Union is strikingly shown by the fact that the estimated net revenue for the current quarter is just double the revenue the company for the same quarter in 1886....

Tables with prices and activity level were provided on a daily basis They typically showed highs and lows and the changes in prices.

Government Financial Activity

Treasury statements and bond purchases by the Treasury were provided. Accounts of the money in the country, by type, were also included.

London Financial News

London prices, with their equivalents in the United States were reported on a daily basis.

An Overview

Reading the daily issues, just to get an overview, during the first approximately eight months of publication provides evidence that the publishers were adhering to their mission. Clear identification of sources was provided in most instances. For example, in an article headed "One View of Business," (July 8, 1889) appeared the source as "extracts from Chicago letter in the Evening Post, dated Chicago, July 6..." In the same article, appeared the comment: "In referring to the situation, the Commissioner of one of the Western associations stated to a person friend..."

Accessibility to the source of information appears to have been the style of the day. The presidents and board members themselves seemed to have been intimately aware of what was going on in their own company and in competing companies. These individuals, when asked direct questions, seem to have provided candid, to the point responses. For example, in the July 19, 1889, issue Vice-President McMullin of the Chicago & Alton RR was seen by a Journal reporter. The story stated..."Vice President McMullin has been seen by us at his hotel and in reply to inquiries says:

I have come to New York on personal business only, and have not been in consultation with Drexel, Morgan & Col., nor any other bankers except the fiscal agents of our road. I am not negotiating the sale of Chicago & Alton. . . ."

The follow-up of stories may have been a factor in the candidness of providers of information.

5. NATURE OF ACCOUNTING-RELATED INFORMATION

As noted earlier, the purpose of this initial review of *The Journal* was an interest in determining the nature and extent of reporting accounting-related information. In the initial months, there seem to be no references to information provided by the bookkeeper or accountant. There appeared to be no reservations about the financial information provided. Illustrative reporting includes:

In the December 13, 1889 issue, under the article The Market To-Day is this paragraph:

We publish to-day a report made by the Missouri Pacific Company for the year ended June 30, 1889. It is of interest as the latest exhibition of the business of the company. Although not as full and satisfactory as the report made to the Kansas Commissioners last year, it is full enough to show why Missouri Pacific has remained heavy all this year. The essence of the report, as far as the stock is concerned, is that the company earned only a very small portion of the dividend paid.

The column next to the letter of the above comment showed the financial condition as of June 30, 1889, and the revenues and expenditures for year ending June 30, 1889. (with cents omitted) Following these statements, *The Journal* "put these figures together so as to be quickly understood:" There followed: (figures omitted here)

Gross from traffic
Operating expenses, taxes and rentals
Net
Interest
Deficits
Other expenses as shown in the revenues and expenditures
Deficit
Four dividends

The total deficit as determined by *The Journal* is reconciled with the deficit shown by the Company. However, *The Journal* continues with this comment:

There is no mention in either balance sheet of the \$6,000,000 advanced by directors, and the issue of stock and bonds is exactly the same as on December 31, 1888. Therefore, Missouri Pacific probably owes a little over \$10,000,000 net.

The mileage question is probably adjusted in this way:

On December 31 Missouri Pacific proper had 1,415 miles of road and now has 1,422. The branch lines December 31 were 1,703 and the result on these is probably the "deficit in branch line earnings '\$124,539.'"

The first reference to a bookkeeper or accountant noted was in the March 28, 1890 issue. This is the story:

HE DOESN'T LIKE IT

The Philadelphia Press has a half column to the effect that Claus Spreckels' confidential bookkeeper and his chief accountant have been discharged for sending information to one Robinson, a tobacco dealer in New York. Mr. Spreckels talks of a conspiracy to injure him, but would not say what Robinson did with his information, though he intimated that the Sugar Trust received it, so that the Trust could checkmate what Mr. Spreckels tried to do.

An exchange in October 1889 reflects the position of *The Journal*. A letter to the Governor of Kansas, which was published in the November 27, 1889 Supplement to *The Journal* follows;

October 23, 1889

Hon. Lyman U. Humphrey,
Governor of the State of Kansas

Dear Sir: I am obliged to your [sic] for your note of October 19th in which you say you will Inquire into the matter of the withholding of railroad reports by the Commissioners of your State.

I write you again because Kansas is the only State with a Railroad Commission which refuses to give the reports of railroads to it to the public at once.

The Secretary of the Commission writes that the reports are suppressed at the instance of railroads which complain at garbled abstracts.

The Missouri Pacific Railroad Company reports once a year to its stockholders, generally in March for the year which ended the preceding December 31st. Last year I secured from the Kansas Railroad Commission a report of Missouri Pacific, all of which I printed. It made an immense sensation and was discussed

not only in this country but abroad. I printed others, filed in the State of Kansas, which created no special excitement, simply were well received as full and good reports. The Gould party has never stopped protesting to this day, and to the best of my knowledge and belief has been able to put the State of Kansas in the unenviable position of conspiring with Jay Gould to keep all knowledge of the earnings of his property from the public, reports to be the speculative perquisites of the Gould party and the Kansas Railroad Commissioners.

I write to you at length because I believe you do not appreciate the circumstances, and that when you do you will take pleasure in joining with me in stopping that kind of work. I have as yet published nothing in regard to the matter, desiring that full opportunity be given the Kansas Commission to see in what a peculiar position it has placed itself...the only state in the Union which has a railroad commission that keeps reports from the public and the press until so much time has elapsed that they are valueless. I am

Very truly yours,
EDWARD D. JONES

It is very interesting to note that the first Supplement to *The Journal* should be related to financial reporting from companies. After this preliminary review of the initial months of *The Journal*, the staff reflected an understanding of the leadership role they could have in the encouragement of fair and complete financial information.

6. FURTHER HISTORICAL EXPLORATION

As suggested in the preceding section, additional analysis of the evolving interest in quality of financial reporting by companies whose activities and achievements are chronicled in the business press, including *The Journal* seems worthwhile.

This initial exploration to date provides a hint that the publishers were aware of the significance of financial information. Possibly, they continued, after initial efforts in the fall of 1889, in such a role. It is that role that is to be reviewed and assessed. To date, histories (that have been reviewed) of *The Journal* and its leaders and memoirs of key Wall Street participants have not provided emphasis, so it appears, on this aspect of *The Journal*.

There is an interesting story here, possibly.

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