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Arkansas Democrat Project

Interview with

Walter Hussman Jr.
Little Rock, Arkansas
19 February 2009

Interviewer: Jerry McConnell

Jerry McConnell: This is Jerry McConnell. This is February the second—
February the nineteenth, 2009. I'm here in the office of
Walter Hussman Jr., preparing to interview him again for
the oral history on the *Arkansas Democrat* and the
[*Arkansas*] *Democrat-Gazette*. And the first thing I need to
do, Walter, is ask if I have your permission to make this
interview and to turn the tape over to the University of
Arkansas oral history archives [at the David and Barbara
Pryor Center for Arkansas Oral and Visual History].

Walter Hussman Jr.: Yes.

[Tape Stopped]

JM: Okay, very good, Walter. As I said, we have covered a lot of territory with some
of the other interviews, and so I'd like to go back in this one and start off with a
question about newspapers in general—sort of, what do you see is the state of
American newspapers? And then I'd like to get your opinion on the state of the

Democrat-Gazette. As we all know, or a lot of us know who keep up with it, it's a tough time for newspapers.

WH: Right, right. Okay. Well, there's two problems that newspapers confront in the United States today. One is a secular trend—what's been going on with newspapers and other media, and the other is a cyclical trend, which is what's going on with the economy. So we'll talk about the secular trend first. What has happened is the advent of the Internet has been very disruptive to newspapers—it's considered disruptive technology. And newspapers have confronted this before. They confronted it in the 1930s when radio came along, and they confronted it in the 1950s when television came along. And, you know, to a certain extent they've confronted it with the advent of cable television. Cable News Network [CNN] came along in the early 1980s, and then the proliferation of other cable news networks, and in the 1990s, the advent of the Internet. And so each one of these new technologies that came along for distributing news and information has been a challenge for newspapers, and newspapers have always kind of risen to the challenge and it's sort of changed the way newspapers operated or changed maybe what percent of the people they reach every day or how advertisers use newspapers to reach their customers. But newspapers have always adapted and continued to, you know, succeed. The Internet has been a little different than the other mediums. Each one of these mediums, of course, have been different from the other. But with the Internet, newspapers, I think, were very forward-thinking initially, and they thought, "Here comes a new technology. You know, we've had our experiences with the others—radio, TV,

cable television, you know? How should we respond?" And I think in general, newspapers thought, "Let's don't fight it or resist it. Let's embrace it and try to prosper using it." And so, in general, the theory was something along the lines of, "Let's use the Internet to be sure that we remain as a newspaper the leading information provider in our community." And so that's what most newspapers did, including the *Arkansas Democrat-Gazette*, and initially took their news and they put it on-line—made it on-line available for everyone to come see. And it did ensure that they usually remained the leading information provider in their community and usually resulted in their being the leading local Web site in their community. And many newspapers believed that this would be a terrific business opportunity to expand their reach and reach people in ways that were maybe more cost-effective because it eliminates certain costs, like newsprint and the distribution cost of carriers and cars and gasoline and things like that, and so that it might be a very profitable way to disseminate news. So that's kind of how newspapers initially looked at the Internet in the 1990s when it came along, and it has not changed a great deal up until maybe just recently. And by recently, I mean maybe the last six months or twelve months or just recently—you know, maybe the last two or three months. And what has evolved with the Internet is advertisers have learned to use the Internet in new and different ways that they've never used mediums before. And it's turned out it's not exactly what anyone really thought or what most people thought, and certainly not what newspapers thought. For example, what seems to really be an effective way to advertise on the Internet today is "search"—using "search." Not everyone thought that was

going to be a very effective thing initially. In fact, if you go back and read, there's a book on the history of Google [Internet search engine], and you go back and read about it—the people who created Google were willing to sell out to Yahoo [Internet search engine] for \$1 million, and Yahoo turned 'em down.

JM: [Laughs]

WH: And they thought, “Why? Why would we want to get involved with the search business? What we want to do is get people on our Web site and stay on our Web site a long time, because the longer they're on our Web site the more money we can make off of 'em being on our Web site. Why would we want to create something where people can so instantly and quickly find what they want and then get off of our Web site and go somewhere else?” You know, as it—as it turns out, they were wrong. It's not saying they were wrong-headed when they looked at it. No one really knew. But it's turned out that “search” is of great value to the consumer. They can get on the Internet, find out the information they want, and get off or go somewhere else. And that's very valuable to people. So, you know, again, it kind of falls in the category of every good business, try to figure out what's of the most value to your customers—not what's of the most value to you as a business. What's the most valuable to your customers? And if you follow that rationale, you'll probably be onto the idea of a really good business model. So, for example, today, with Google, I visited a—a bed-and-breakfast [inn] in Hot Springs a year or so ago, and I was talking to 'em, and a—they have a very nice bed-and-breakfast there on Lake Hamilton. And I asked 'em, “Where do you advertise?” And they said, “Well, we advertise with

Google.” I said, “Do you advertise anywhere else?” They said, “Not really.” I said, “Well, that’s interesting. How do you advertise with Google?” And they said, “Well, we buy the keywords, ‘Hot Springs bed-and-breakfast,’ and then if somebody from Oklahoma City [Oklahoma] or Dallas [Texas] or Memphis [Tennessee] or Shreveport [Louisiana] or somewhere is gonna come to Hot Springs for the weekend and they don’t want to stay in a big hotel—they want to stay in a bed-and-breakfast, they’ll get on Google and they’ll type in ‘Hot Springs bed and breakfast.’ We come up the very first site there, you know?” He said, “It really works for us and we keep our bed-and-breakfast full.”

JM: Hmm.

WH: And so there you have an economic model that really is valuable to the consumer. A person who’s gonna stay in a bed-and-breakfast is very valuable to the advertiser—in this case, the people that run the bed-and-breakfast—and it’s very valuable for Google, because they collect money for providing that service. And it’s hard to think of Yahoo being very competitive or anyone else being very competitive with that kind of model. What newspapers have done, and many others—particularly Yahoo and many other Web sites—is they don’t use “search” so much; they use what’s called banner ads and pop-up ads. And a banner ad is when you go and you’re reading something on a Web site—there’s a banner at the top or there’s a banner down one side or the other that’s got an advertisement on it—like a display ad in a newspaper. Or they’ll have a pop-up ad, which is very irritating. They pop up and they kinda cover what you’re trying to read.

JM: Uh-huh.

WH: And you have to figure out how to get that pop-up ad off the screen. These ads are not very effective. Anecdotally, if you'll go out and ask your friends, "When's the last time you saw something on a banner ad and you went out and bought something from reading that banner ad?" See how many people say, "Oh, yeah, I've seen something. I've gone out and bought something." So, first of all, it's not very effective. Second of all, it's pretty irritating, actually. Now, banner ads aren't as irritating as the pop-up ads. But the pop-up ads are very irritating. And, as a result of that, they're not very effective. They're not an effective way for people to advertise and get a good return on their investment. The second problem with that kind of a model, which most newspapers have embraced and others besides newspapers, is that if you're trying to sell a print ad in Little Rock, Arkansas, you can buy—you—if you're trying to buy a print ad in Little Rock, Arkansas, you can buy it from the *Arkansas Democrat-Gazette*. You can buy it from the alternative weekly here, *Arkansas Times*. You could buy it from the local business weekly, *Arkansas Business*. You could buy it from one of several magazines: *Soirée*; *Arkansas Life*, which is published by the *Democrat-Gazette*; *Inviting Arkansas*; *AY*—there's maybe eight, nine places you could buy a print ad. If you buy an ad on a Web site, there are thousands of vendors where you can run your ad. So think about the simple law of supply and demand. How many people are trying to supply something and how much demand is there for it? Well, there's a fixed—pretty much a fixed demand for advertising, but now you have thousands of people trying to meet [laughs] that demand instead of eight or nine. So this great imbalance between supply and demand means that the price gets

driven way down when you got too many suppliers. As a result of that, the price on banner ads and pop-up ads is less than a dollar per thousand.

JM: Hmm.

WH: So if you go out and buy advertising—Yahoo, the *Democrat-Gazette*, *New York Times*—wherever you're gonna buy it, generally speaking, you'll pay less than a dollar a thousand. So that means if a thousand people pull up that page on your Web site and your banner ad is exposed over there, for every thousand people that see it, you'll pay about a dollar or less. Okay, let's contrast that with a daily newspaper—a print edition—and let's say that Best Buy, which is a very popular store in most communities—they will run a circular—preprinted advertising circular in the paper every Sunday. You won't be—can't find a Sunday when you can't find their circular in there. Generally speaking, they pay slightly different rates, but they'll pay somewhere around \$35 a thousand to insert their section in your newspaper. In addition to that, they pay to have it printed. So, you know, they may be paying \$50, \$60 a thousand to the advertiser. But at least the newspaper is getting \$35 a thousand, instead of \$1 a thousand. Well, at \$35—and for that amount of money that Best Buy spends, they get results. If they didn't get results, they wouldn't be in there every Sunday, fifty-two Sundays a year. So it—newspaper advertising works. But why does newspaper advertising work so much better than advertising on the Web sites? Well, think about the person that sits down with their Sunday newspaper. The *Democrat-Gazette*—they might spend an hour with their Sunday paper perusing it. And they might spend most of all their time at once and they might come back later and look at it some more.

They might take those advertising sections out—set them aside—read them first or they might read them after they've read the news and the sports and the business and et cetera. But the typical person that goes to a Web site only spends a few minutes there. They really don't spend very much time there. So it's just not as good a place to advertise. Maybe someday it'll be a great place to advertise. Maybe something will happen to make it extremely effective. Maybe you can target these ads to certain types of people, which people are trying to do. Maybe that'll make it more effective. But the fact of the matter here in 2009—early 2009—it's just not a real effective place for people to advertise. So newspapers can't generate a lot of revenue from ineffective advertising. And since they can't generate a lot of ad revenue, they have found that this strategy had not worked very well to really rush headlong into the digital world and hoping that their on-line revenues are gonna offset their print revenue losses and they're gonna generate even more revenues. The sad fact of the matter is newspapers are generating less total revenues—even with their Internet revenues—than they were before the Internet was around. So it's a—it hasn't worked out very well. And the other thing that's a problem with it for newspapers is that by trying to maximize the audience on their Web sites, they give it away for free. And by giving their content away for free, there's less reason to read the print edition. Why subscribe to the newspaper for \$12.50 a month when you can get it for free on the Internet? And, as a result, newspaper circulations have gone down and declined. And so the insidious part of that development is newspapers have not dropped their advertising rates as their circulation has gone down. And

what's that done? That's raised the advertising cost on a cost-per-thousand basis to the advertiser. So if somebody's circulation goes down 10,000 and they had 100,000, they've got ten percent less. They're still charging the same thing for advertising they used to charge or maybe more, so the cost per thousand goes up. So it makes it a more expensive place for people to advertise and, hence, people don't advertise as much. So they've lost advertising as a result of losing circulation. I'm afraid that many people in the newspaper business—especially those that may not have been in the business a long time or may not have really understood it completely—they may have thought what's really important in this business is advertising, not circulation, because we get eighty percent of our revenue from advertising and we only get twenty percent of our revenue from circulation. You know, what I realized and having done this all my life and having gone through, you know, seventeen years in competing with another newspaper in the same community, is that the most important thing you have is your circulation, even though it only provides twenty percent of your revenue, because that is the audience that you deliver to your advertisers. And if the advertisers get really good results, they're gonna run more advertising with you—spend more money and you're gonna prosper. So, anyway, that's a—kind of a long answer to your question, I think.

JM: No, that's—I was very interested in that. Before I—are there any other reasons that newspaper circulation is going down, though, that . . .

WH: Oh, you know, there are other reasons why it's going down and in a lot of cases the quality of news has gone down. And some of that's because, you know, a—

some companies, you know, really emphasize short-term profits. And the public companies are under more pressure to deliver quarterly results as opposed to, say, private companies that can maybe think longer term and not have to produce the quarterly results. That's part of the problem. Part of the problem is, you know, it's just a changing society. You know, one part of the problem with on-line news has been in just recent years—and this is a very recent phenomenon—is the great increase in the percent of households in America that take high-speed Internet service. So before, when you had dial-up service and it took a long time to get the news delivered onto your screen, you know, it really may not have been such a great substitute. But now that you can get incredibly fast delivery in color and great graphics and everything, it is a better substitute for the print version. So there's a whole host and variety of reasons. You know, the advent of cable television news has resulted in a decline in circulation. You know, there used to be one cable channel, Cable News Network. Now there's CNN and Fox and MSNBC and, you know, a whole host of places people get news.

JM: But with all those and the [Internet] blogs and everything else, I have a feeling that a lot of people are reading the blogs rather than reading newspapers.

WH: They may be, you know? Unfortunately, you know, with the blogs anybody can write anything in a blog, and blog is basically just an opinion and . . .

JM: You don't know whether it's accurate or not.

WH: You don't really know whether it's accurate. But it's amazing how people think if it's in print—even if it's on a screen—if it's in textual form, they seem to think that maybe it's accurate. Maybe that's because of the long history of newspapers,

which go to great pains to try to deliver accurate content, and generally that has been in a text format—then when they see the text on the screen and it’s in an e-mail [electronic mail] or [laughs] it’s in a blog or whatever, they tend to attribute that same credibility to that. And, you know, often I’ll get e-mails with, you know, “Take a look at this.” Well, it’s something that’s totally bogus, but people are passing it around thinking that it’s true.

JM: Why are so many of the major newspapers in real financial trouble now, though?

WH: Well, it—a variety of reasons. You know, number one is all of ’em have pretty much embraced this idea of giving all their content away free and, as a result, they have lost a lot of circulation. You know, it really, really pains me to see the *Dallas Morning News*—I guess Dallas is the biggest city near Little Rock. It’s still 300 miles from here, but within 300 miles of Little Rock it’s the biggest city—they’ve lost 300,000 Sunday circulation in ten years, from 780,000 to 480,000.

JM: Hmm.

WH: And so I think the main culprit is just giving away your content for free. Now, there are other problems, though, besides that, and one is classified advertising and the migration of that to the on-line world. And that’s happened in different formats, because classified covers a lot of different categories. You know, at one point—well, I guess the initial—employment, real estate and automotive are the three big categories in classified. And so a company was started to try to just do on-line employment advertising, which was Monster.com. And newspapers—some newspaper companies responded to that by, “Let’s create an alternative to

Monster.com and try to out-Monster Monster.” And that was called Career Builder. And some of the biggest companies in the newspaper industry created that—I think three of ’em—Tribune and Knight-Ridder and Gannett maybe were the three companies that started that. Anyway, and so what they did is they did out-Monster Monster, but when they out-Monstered Monster.com [laughs], they really dealt a devastating blow to their newspapers. They really—every Sunday would promote Career Builder in their classified pages, and they really trained their readership that, “Hey, you know, instead of looking for this in the newspaper, go look for this on-line.” And it is—it has really hurt especially the big-city papers. Do I have any empirical evidence [laughs] for that? Well, I looked at our own newspaper and, you know, we have—we haven’t compiled all of our 2008 numbers to be able to compare with the rest of the industry and everything, but do have 2007 numbers. And the year 2000 was the best year ever in the history of the newspaper industry in America in classified advertising. I can’t remember the number, but it reached its peak and it’s gone down since then. In 2007 newspapers in America were running less than half of the employment advertising that they ran in 2000. The *Democrat-Gazette* was running about twelve percent less. We never affiliated with Career Builder. We never affiliated with Monster. We never affiliated with Yahoo Hot Jobs. And those are the Internet on-line sites. Those exist, and people in Little Rock, Arkansas, can go there, but not as many people in Little Rock think about it because we don’t promote it to 270,000 print readers every Sunday, you know? We still think print is a good way for people to find jobs, and so people still do.

[Tape Stopped]

JM: Do you see any signs that—I know that you for some time now have been charging for your newspaper on the Internet—do you see any signs that any of the other major newspapers are switching around—maybe gonna go that direction?

WH: Yeah. Let me answer that with a preface and say that there's a lot of misunderstanding about why we charge for content. We and the *Wall Street Journal* and maybe just a few other of the 1,600 daily newspapers in the United States do this, you know? And I'd like to say, first of all, we used to give all our content away free, too. And when we—the Internet first came along, we followed exact conventional wisdom of everybody else: "Let's embrace the Internet. Let's be the leading, you know, source of information in our community." And I would have people, you know, having the benefit of owning the newspaper and actually living in the town [laughs] the newspaper's published in—people would come up and say, "We really appreciate your putting all that content—all your newspaper on-line for free. We used to subscribe to your newspaper . . ."

JM: [Laughs]

WH: ". . . you know, and we don't have to anymore, and you're saving us money." And I started thinking, "This doesn't make a lot of sense," you know? So that's when we, years ago, decided to say, "Look, let's give the on-line version to all of our print subscribers as an extra bonus-added value. But anybody that doesn't subscribe to our paper, they need to at least subscribe on-line to get it. And that way it will minimize the loss of circulation, where people pay \$35 a thousand instead of \$1 a thousand. So that's why we did it, and we recently went back and

said, “You know, how—?” Before I say this—it’s not really to collect the \$4.95 from—I think we have 3,400 people that do that. That represents not even one percent of our revenue.

JM: Uh-huh.

WH: That’s—the purpose is to maximize the print circulation, where you get paid \$35 a thousand. So we recently went back and said, “How have we done over the last ten years with our circulation? And how do we compare with other newspapers?” So we said, “Well, who are we gonna compare ourselves with?” And we said, “Why don’t we compare ourselves with other newspapers in this region?” So we took Arkansas and the six border states, okay? And we said, “Let’s look at larger markets like Little Rock. Let’s don’t look at the real small markets. What’s a market? Say, Little Rock’s 130,000 households within generally the county or what’s called the city zone. Let’s look at other markets in these seven states that have 100,000 households or more, and so we did. And there’s probably twenty-some-odd news—newspapers in those markets; generally, one in each market. And I’ve got the figures right here which I’m gonna give you. And you . . .

JM: Okay.

WH: . . . can attach to my transcript of this. [\[See Exhibit A\]](#) But . . .

JM: Great.

WH: . . . if you look at daily circulation, in September we—your newspapers are measured twice a year—September and March. The September six-month period we had 176,275. Ten years ago we had 173,316. We are the only newspaper of these twenty-some-odd newspapers that had a circulation gain in the last ten

years. You look at Shreveport. They've gone from 75,000 to 48,000. Dallas has gone from 479,000 to 338,000. I mean, several of these newspapers have lost over thirty percent of their circulation. Quite a few newspapers have lost over twenty percent. Most of 'em have had double-digit losses in their circulation. We've had a gain. You look at the same information on Sunday—we're 270,477; ten years ago, 273,505. We've lost right at one percent of our Sunday circulation. I mentioned to you Dallas has lost almost 300,000. The *Houston* [Texas] *Chronicle's* lost 168,000; Oklahoma City's lost 50,000. So, you know, that's why I think—that's why I think not giving your content away for free makes economic sense.

JM: Do you think that's the only factor in that, though, or are there—are there other . . .

WH: No, there are other—there are obviously—that's not—I think it's probably the most important factor. There are other factors. We do a lot of things. We put newspapers on the porch in the cities, like Little Rock and Conway, Fayetteville—places like that—and so we give much better customer service. We keep our prices low. Our subscription price is \$12.50 a month. Some of these other papers have charged more. I think—and, of course, this is subjective analysis—I think we put out a very good newspaper from a quality standpoint. We cover a lot of news. We have a lot of local news in it. We still carry national—international news, which a lot of newspapers have abandoned. I think people who buy a newspaper want a balance of what they think is really relatively the most important things in the world for them. And sometimes some of the

most important things for people that live in Little Rock, Arkansas, are what happened in Washington [DC] or what happened in Iraq or somewhere.

JM: Uh-huh.

WH: And the idea of, “Well, that’s national news. Let’s just let television cover that.” I think when you do that [you] sort of change the nature of what a newspaper is. And so we have more of a traditional approach to newspaper publishing. I think that’s helped and, you know, a lot of different—free want ads. We have a much more vibrant—a greater classified section and a much greater variety of merchandise for sale than the typical newspaper our size. That’s helped us a lot. So there’s a lot of things, but I think the giving away the content is just lethal.

JM: I suspect that you also have a larger news hole than a lot of those newspapers do, though.

WH: We do. We publish more news.

JM: Yeah. You dedicate more space [laughs] to the news.

WH: That’s right.

JM: A lot of that.

WH: We do that intentionally.

JM: Yeah. Now, there’s some of them—they start losing a little money and I think they start cutting down on their news hole.

WH: Yeah, yeah, yeah.

JM: But . . .

WH: We’ve had to trim a little bit lately ourselves. I told you I was gonna talk about the secular and the cyclical.

JM: Oh, okay.

WH: I kind of talked about the secular things and . . .

JM: Okay.

WH: And the cyclical thing that's happened is this recession we've been in now for a little over a year, and it's—newspapers have been losing revenue since 2006. The whole newspaper industry lost revenue in 2006, 2007, and 2008, and, of course, losing revenue in 2009. So it—because of the secular factors, it started losing revenues early—before there was a recession. Now that we have a recession, the fact that it's particularly—the recession has particularly hit the automotive business very hard and it's hit housing and residential sales very hard, and now unemployment is the highest it's been in decades. Those are the three mainstays of classified. So it's really hit newspapers hard. So even a newspaper like the *Democrat-Gazette* has not been affected much by the secular trends. We are being certainly hit by the cyclical downturn, and our advertising—it is down significantly. The *Democrat-Gazette* made a profit in 2008. It was nowhere near the profits we've made. It's down significantly from what it's been. And we could possibly lose money in 2009, and so we're having to—as I say, we're having to trim some newsprint expense here and there, and trim the size of our staff some, and we've had a wage freeze and a hiring freeze since August. And, you know, we're making a few [changes]. For example, we changed the format of our television magazine and that saved us \$350,000 a year. So we're having to try to—try to still provide a great newspaper, but—but trim expenses where we can.

JM: Okay. You—have you trimmed your news hole some?

WH: Not too much.

JM: Okay.

WH: A little bit, but not much—more in the feature areas.

JM: I know at one time that you were saying, and I think that was—I'm sure it was correct—that you never had any mass layoffs like, you know, when the people—
have you had do any of that in the . . .

WH: Well, no, we haven't had any across-the-board or mass layoffs. But we have selectively had to have some people take early retirement. In this case, many of the people were over sixty-five, you know?

JM: Yeah.

WH: And we're probably gonna have to have a few more of those, you know? We did something recently where we asked anyone if they would take a voluntary reduction in hours worked. For example, would they want to work four days a week instead of five days a week and make twenty percent less? And we've actually had some people come forward and agree to do that.

JM: Okay.

WH: In this particular—2009, I'm taking less salary. I've reduced my compensation twenty-six-and-a-half percent, because I feel like it ought to be throughout the organization. It ought to come from the top and affect the people at the top as well as the rank-and-file people throughout the company. So, you know, we're having to trim our sales a bit just to try to get our costs down to—and we'll get through this recession at some point. It may be longer than we'd like, but we

want to make sure we come through with as much of our circulation as possible and as much of the newspaper intact as it was so that, you know, we can thrive another day.

JM: I know you've said before that being family-owned, you can do things like that—say, “It's a bad year. We'll—it'll come back, and we can hang in there,” where some of the corporate ownerships that would—responding to the stockholders, might not have such a long-range view.

WH: Yeah. Well, basically what we did in 2008 is we just took a real beating on our profits, and we just waited till our profits got down significantly before we took any action to try to reduce our expenses, because we were hopeful that maybe the recession would be short-lived. Most recessions since World War II have been short. This one is gonna obviously be the—probably the longest one we've had.

JM: You don't have any prognostications [laughs] on it, do you? [Laughs]

WH: If I did I'm [laughs] not sure it'd be worth very much. [Laughs]

JM: [Definitely?] I don't think anybody knows. [Laughter] It keeps getting worse, but—okay, so the status—that sort of answers the questions that I asked at the beginning. The status of your newspaper, you still think you're—you've got a viable operation and . . .

WH: Right. Right. We think people—probably not as many people are gonna read newspapers twenty years from now as they do today. But I think you're gonna end up with—the people who are gonna continue to read newspapers are gonna be the best educated, the most affluent, the people who are the most concerned and committed to their communities. And if that's the kind of audience you deliver,

that's gonna be a great audience for advertisers to reach.

JM: Yeah.

WH: And I think there will be ways to maybe more successfully monetize content on the Internet, even if it isn't news content.

JM: Do you think we're gonna lose a lot of other newspapers—that we're gonna have more major newspapers going out of business?

WH: I think so. I think particularly in the big cities that's gonna happen. You know, and the—one of the reasons the smaller-town newspapers have done better, even giving their content away [laughs] than the big-city papers, is that in a smaller town people tend to know each other [laughs] better. There's not as many people moving in and out of the community as there is in a—say, a community like Dallas. Well, a lot of people move into Dallas and don't even live there for five years before they move somewhere else. Those people don't really live there long enough to get really interested in what's going on in their community.

JM: Uh-huh.

WH: So to them, national and international news maybe is more important. Well, they can get plenty of that on television and on-line and elsewhere without getting it from a newspaper. So just the general turnover in the bigger markets the big markets have lost a lot of their classified advertising. I've—for years, I've been going around advocating that other newspapers should adopt free want ads for individuals—not for businesses, but for individuals—to try to get a lot more listings in their newspapers so they would remain basically the marketplace for their communities for classified information. Many of 'em did not do that, and as

a result, someone else came in and offered free want ads. And in general, it was Craigslist . . .

JM: Uh-huh.

WH: . . . which was on-line. And so, unfortunately, to me—the big cities—some of those newspapers have really lost the classified franchise. We still have it here in Little Rock because we offer free want ads. And when somebody hears about a free want ad on Craigslist, they might say, “Well, that’s great, but, you know, you’ve been able to get a free want ad in the newspaper since 1979.

JM: What are people in those big cities going to do for news sources [laughs] if they lose their major newspaper? What—where are they gonna go for reliable, accurate, in-depth news?

WH: That’s a really good question. I don’t know, you know, because television stations are really under a tremendous amount of economic pressure right now. In fact, really, the TV station business is really in worse shape than the newspaper business.

JM: Is it really?

WH: You don’t really hear or read too much about it. Stations here are laying off people. But there was a good article in the *Wall Street Journal* a week or ten days ago about the television station business. And, frankly, you know, now the TV stations are going to cable systems and asking them to pay the TV stations for carrying their signals, which generally you can get for free [laughs] off the air. And the networks are starting to say, “Well, why should the cable companies be paying the TV stations? Why won’t they pay us? Maybe we could just bypass

the TV station and go straight to the cable system and get the—?” And so if that happens, that—I mean, people aren’t gonna be able to look to television to get their local news, either. So I don’t know where they’ll get it. I think that probably some form of newspapers will survive. It may not be the papers that are there now, but newspapers without the legacy costs that the existing newspapers have—the labor unions, the pension costs, the high fixed costs of maybe their property and plant and equipment—their buildings and the property taxes—maybe other more efficient, less costly newspapers will spring up to maybe meet that need.

JM: This will bring us to another question that I wanted to ask you, and that—it seems to me that there’s always been a sort of a slim profit margin in newspapers in a way anyway. Is it a much more expensive operation to produce than other types of business or . . .

WH: Well, you know, for a long time the profit margins were real good for newspapers, and so they used to have good margins. But the fact is that newspapers [laughs]—some businesses are labor-intensive; some businesses are capital-intensive; and newspapers are both.

JM: Yeah.

WH: You know, it takes a lot of capital to buy a printing press; to build a building to print it; to have the facilities. And, of course, that was always a great barrier to entry to competition, because it did take so much capital to have a newspaper facility. But the fact is it’s also very labor-intensive—it’s—you know, to send reporters out to cover school board meetings and city council meetings and state

government and do some investigative reporting and edit all this content. And when stories come in, try to make sure actually they're accurate, and so you have to have editors and there's fact-checking and, you know, it's a—and then there are, you know, people that drive literally up and down every street in the community delivering the paper. So it's both capital-intensive and labor-intensive. And the fact is that the Internet in a way is a better delivery medium, because there is no paper and there are no distribution costs.

JM: Uh-huh.

WH: Or the distributions costs generally are paid by the consumer, because they pay for their high-speed Internet connection. So in that way the—you know, they eliminate a lot of those expenses. And there's no reason really somebody couldn't create a credible news site on the Internet. And, in fact, you know, some of the larger newspapers like the *Wall Street Journal* and *The New York Times*—they have Web sites, and I think when people go there they generally trust those organizations. So, you know, that may be where people get their information.

JM: Can they make enough money selling ads, though, just on a Web site to hire a . . .

WH: I don't think so.

JM: . . . staff that . . .

WH: Yeah. I don't think they can.

JM: Copy editors and reporters experienced at . . .

WH: I think it's a hybrid operation—part print, part on-line. They can probably do it, but I don't think they can do it all on-line.

JM: Just all—okay. I know that at one time in all of the interviews of this project

that's been going on for a few years now, you talked about one problem that you had when you came in and think—your costs were so high and you discovered that you thought there were a lot of antiquated union rules that—that was a problem, and that eventually—I know that eventually you wound up without having any unions. And they were all in here in the craft shops and the craft areas, not in the areas of reporters and editors and everything. But we never have talked too much about how that came about. Can you explain to me how that . . .

WH: Right. Yeah, when we bought the *Democrat* in March of 1974, you know, it had been declining in the readership and in circulation and advertising, so it was clearly a turnaround situation. [Editor's Note: The Palmer Group, headed by Walter Hussman Sr. and his son, Hussman Jr., purchased the *Democrat* from Marcus George and Stanley Berry for \$3.7 million] And so we were—because we were new ownership, we were—a lot of people were interested to see how we would do and were very, very accessible as far as trying to give us a chance. So we were able to drum up a lot of additional advertising and actually increased our circulation just in the first twelve months we owned the paper. But the oddest thing happened that we didn't anticipate. As we generated more advertising, we would lose more money.

JM: [Laughs]

WH: And we thought [laughs], “This is not the way it's supposed to work.” And we thought, “Why is this?” And we started looking at our costs, and our costs—our variable costs were so high, and a lot of it had to do with some of the antiquated rules we had to live by under the labor union contracts. And so at that point we

said, “Gee, you know, if we’re ever gonna make this newspaper viable, we’ve got to get our costs down . . .”

JM: This is side two of this tape. And Walter, you were talking about the situation with the labor unions.

WH: Yeah. So we decided we had to get our costs more in line, so we really started focusing on our internal cost structure and how to streamline it and make it more efficient. In general, it costs us over \$100 per page just for labor to generate a page of news content or advertising content, which was way out of line with what our other papers cost. And so we had to sit down and really negotiate with all the labor unions, and we did, and we reached, you know, a—we reached a point where we just couldn’t agree. I can remember, anecdotally, one [laughs] instance we had with the International Typographical Union in the—it was in the composing area where we set all of our type. And then we’d bought a new computer and we’d installed it, but we hadn’t set any type with it, because we had to negotiate with the union about whether, you know, we could use it. And we were negotiating and they didn’t—we hadn’t reached an agreement on whether we could use this new computer. And so this went on and on through lots of negotiating sessions, and I thought, “Gee, this just doesn’t make any sense. We’ve bought this computer and it’s just sitting there.” And so I remember I asked the fellow who was head of the union to come down to—and visit with me in my office, and thought, you know, maybe if I could just talk to this guy directly, you know, maybe we could work out something. And so I told him—I said, “Listen, I know y’all are probably scared of this computer and what it’s

gonna do and how it's gonna change your jobs and everything.” And I said, “You know, to be honest with you, we really don't know exactly how it's gonna change things. But we do think it's gonna make things better for everyone.” And I said, “So since you're worried about it and since we're really uncertain about it, why don't we do this? Let us turn it on. Let us set type with it for just three months. And at the end of three months, if you don't like it, we'll turn it back off again and negotiate some more about it.” And he told me, “That's an old trick.”

JM: [Laughs]

WH: And I said, “Do you realize I'm twenty-eight years old?” [Laughter] If that's an old trick, it's an old trick no one's every taught me. [Laughter]

JM: Yeah.

WH: So I said—you know, it was amazing, though, the mentality—how far apart we were in trying to reach an agreement. Anyway, we eventually—after many negotiating sessions with that union and each one of the other unions, we finally came to a point where we just couldn't reach an agreement, which, I guess, they say in labor terminology, you've reached an impasse. And once you've reached an impasse, then at that point whatever changes you wanted to implement, you can go ahead and implement the changes. And so in that case we were able to go ahead and turn the computer on and set type with it, et cetera. And, of course, the union—if they don't like the fact that you've done that, they can go on strike or have a slowdown or a sit-down or whatever [laughs] they want to do, you know? And so, anyway, that happened with four unions. And, of course, the fifth union was the one that was trying to organize the paper in the newsroom, and we won

that election thirty-one to fifteen as you probably remember.

JM: [Laughter] Yes, I do.

WH: And—but the other four unions—eventually—well, of all the other four we would—we'd got to an impasse. We went ahead and started operating with our new procedures. One of those unions went on strike, which was the pressmen. And we did get a few people that worked at our other newspapers to come in and help us, but they didn't have to work very long because several of the guys who went on strike, within a day or two they were back working for us.

JM: Uh-huh.

WH: I remember with the pressmen, our biggest point of contention there [laughs] was our printing our Sunday paper. And their rules required that we had to have so many people, depending on how many press units were being used to print the paper. And because our Sunday paper was much bigger than our other days, we didn't have enough people on our payroll to print our newspaper. And so what would happen is some of the *Gazette* pressmen would come over on Saturday night to help print our paper. But when I would go back there and look, I'd see some of 'em would be laying down on a cot asleep. So they were requiring us to hire more people than we really needed. And, as I told 'em, "You know, I'm having a hard enough time meeting my own payroll without helping meet part of the *Gazette*'s payroll [laughs], too, you know?" And so we just had, you know, difference of opinion on that.

JM: Was that your impasse over the manning—how many people that you had to have?

WH: That was, yeah, one of the things that we reached an impasse on, I'm sure. I can't remember. It's been, gosh, so long ago.

JM: It's been about seventy—seventy—1975. I don't know how long ago this was.

WH: Seventy—yeah. [Laughs]

JM: Somewhere along in there.

WH: [Laughs] Yeah. Thirty . . .

JM: So that strike did not last very long.

WH: That didn't last very long at all. And, eventually, what happened with the unions—even though, you know, went on strike; they came back off of strike—they still were—still the bargaining unit for those employees and they were still representing those employees. But, eventually, you get to a situation where, you know, the employees are saying, you know, “Why am I paying these union dues, you know? What benefit am I getting out of this? All these other employees are getting all these benefits and, you know, I'm not getting 'em and, you know, 'cause I have to negotiate for 'em, and we never can reach an agreement negotiating.” And so a lot of 'em would finally say, “I don't want to be in the union anymore,” and they could file a petition. The employees could file a petition with the National Labor Relations Board that said, “We want to vote on whether or not we want the union to still represent us or not.” And that's called a decertification election.

JM: Uh-huh.

WH: To get—just like employees become—a union becomes certified to represent employees; employees can have a union decertified so they don't represent 'em

anymore. And those are elections that were conducted by the National Labor Relations Board under stringent rules and secret-ballot elections, et cetera. And, one by one, each one of the labor unions here at the *Democrat* eventually decertified.

JM: Uh-huh.

WH: And so we didn't have any unions anymore and haven't had since the late 1970s.

JM: Uh-huh. And in the case of the ITU—let me—I think I understand what happened there, but you can tell me—that because you had started using the computer to print news and everything else, and you switched over to cold type, also, it took a lot less . . .

WH: Took a lot fewer people.

JM: . . . lot fewer people to make that operation. And you could let those people go as long as there just wasn't a job for 'em. You couldn't fire them for some . . .

WH: You'd have to have some cause. But if you didn't have work for 'em, then you don't have to . . .

JM: And so, eventually, it got down to the point where there weren't nearly as many people in the ITU. Is that correct?

WH: Right. Right. Yeah.

JM: And when they voted to decertify the . . .

WH: I can't remember how many people were in it at the time, but eventually we went from maybe over sixty people down to less than twenty people.

JM: Okay. And the other unions were the . . .

WH: The pressmen, and then we had the stereotypers, which were the people that made

the plates. And then we had a mailers' union, which were the people that handled the papers after they came off the press.

JM: Yeah, the stereotypers—you didn't need them anymore—or did you?

WH: No, we didn't make plates anymore.

JM: You didn't make plates that way when you went to the cold type. Is that . . .

WH: Right.

JM: Is that correct?

WH: Right. Right.

JM: Okay. Okay.

WH: Yeah, we converted our press to a modified offset process called direct lithography, and we didn't need those type of plates anymore.

JM: Do you happen to know offhand, and I was here, obviously, at the time when they had the election in the newsroom. Do you know offhand how many people signed the petition? I know you—I think you said at one time it was a majority of the . . .

WH: Yeah, actually, I don't, 'cause I—we didn't own the paper when . . .

JM: You didn't own it then.

WH: No, we didn't own it. When we got here it had already been—you know, the—there was already gonna be an election.

JM: Uh-huh. Stanley . . .

WH: Berry.

JM: . . . Berry and Marcus George owned it then.

WH: Right.

JM: And just for my own edification, do you remember the name of the attorney from Tulsa that was . . .

WH: Yeah, his name was Bill Toney.

JM: Bill Toney.

WH: Uh-huh.

JM: T-O-N-E-Y?

WH: I think it's T-O-N-E-Y.

JM: Yeah. I think you're right. Okay. I'll try to . . .

WH: He was with a law firm that we'd used at our other companies.

JM: If—what would you have done if the ITU had won that election in the newsroom?

WH: Well, we would've negotiated with 'em.

JM: You would have?

WH: Oh, yeah.

JM: Yeah.

WH: Yeah. Well, you'd pretty much have to.

JM: Yeah. Yeah.

WH: You don't have any choice.

JM: Yeah. And among—I've got a few questions here and some of 'em are—just take a short answer and everything. And in some of the other interviews that I've read in this, somewhere it was suggested that you had tried to hire Mike Masterson as a managing editor here before you hired John Robert [Starr]. Is that correct?

WH: No, that's not correct.

JM: Okay. And then Carrick Patterson [former co-owner of the *Arkansas Gazette*]

said in his interview that you had—you were backed by a newspaper and broadcast and oil interests. Did y'all have oil interests?

WH: No. I mean, my grandfather had speculated in a few things, and I may have gotten \$500 last year in oil royalty checks [laughter] just from scattered things, you know? But there were—he certainly wasn't in the oil business, but he'd probably invested in a few wells from time to time and bought some mineral rights and . . .

JM: Who was this, Clyde Palmer?

WH: Yeah.

JM: Yeah, yeah.

WH: And occasionally somebody'll come across those mineral rights, you know?

JM: But you didn't have any significant oil interests. [Laughs]

WH: No. No.

JM: Back then and everything.

WH: No. [Laughs] Didn't have any gold mines, oil wells [laughs] or anything like that.

JM: Yeah. Okay.

WH: And that's a great myth. You know, it's interesting—the size of our entire company was no greater—and, in fact, probably smaller than the single newspaper, the *Arkansas Gazette*, in 1974, when we bought it. In fact, I've got some—I've got—I dug out some information on that.

JM: Okay.

WH: Yeah.

JM: Good.

WH: In nineteen—let's see—yeah, well, our news—that's all of our companies. Of course, in 1974, the *Gazette* had revenues of \$14,487,000. All of our newspapers combined had revenues of \$11,311,000. And they would say, "Yeah, but you had some cable TV operations then, too." In [laughs] 1974 our cable TV operations were so tiny, and I guess I could dig up how much their revenues—but they were very, very small. Eventually, they grew, because the companies did prosper and did well. But in 1978, when, you know, we decided to put out as big a paper as the *Gazette*—1978, the *Gazette*'s revenues were \$22,494,000—all of our newspapers combined were \$16,657,000. We had an agreement with our bank, because back about 1978, we were actually building out a lot of our cable systems and we had to go to New York to the Bank of New York and borrow money, and so they restricted us. We could not transfer any money from our cable TV operations over to our newspapers, 'cause the bank [laughs] wanted to make sure the money stayed there [laughs] so they'd get paid off. So even though we did have some cable operations that were really starting to expand and grow, we didn't really have access to those funds. So it's a great myth that we were some big, huge company compared to the *Gazette*. But the fact is the *Gazette* was bigger than all of our newspapers combined. It wasn't until about 1982 that—because the *Democrat*'s revenues started growing so rapidly that we passed the *Gazette* for our whole newspapers operations. I'm gonna leave you that.

JM: Okay. Good.

WH: That's the information on that and it can go in the interview, too. [\[Exhibit B\]](#)

JM: Carrick in his interview said some very flattering things about your operation as a newspaper and everything. But one point that he made, and he said that he didn't think the *Gazette* could afford to compete with you and some of the things you were trying because they needed to buy a press. Does that—is that logical? Could they have competed in other ways if they'd been so a mind?

WH: You know, first of all, let me say, I don't dismiss the fact that Carrick probably really does believe that. But the fact of the matter is that we were both newspapers in Little Rock, Arkansas. We both had older presses, you know? [Laughs] We—they had two older presses and we had one older press. [Laughs] So, you know, they didn't need presses any more than we needed presses. We both hired from the same labor pool of people available to work in Little Rock [laughs], Arkansas. We were both in the same business and bought from the same vendors. And so, you know, I think the fact is if you go back and look at how much money did we spend to produce our newspaper back after 1978 when we put out as many pages as they did, we spent \$10 million a year less than they spent. We were just a lot more efficient. So I think there's—yeah, you know, they would've had to be a lot more efficient than they were.

JM: Did that involve the unions mostly or were other—ways too?

WH: Part of it was the unions. Yeah. Part of it was that and part of it was just trying to be innovative and, you know, come up with new and better ways to do things.

JM: I know that they're—some people think that [*Arkansas Gazette* publisher] Hugh Patterson just didn't want to compete—that he didn't want to spend that money, and a lot of suspicion that he really thought you were gonna go out of business—

that . . .

WH: Yeah. Well, that was a pretty good assumption [laughs] at that point, that we would go out of business, because we almost did there in 1978. You know, we were—it was looking pretty bleak for the *Arkansas Democrat*. And, you know, he turned down an opportunity to be in a joint-operating agreement. And I really think that he turned it down because he thought, “These people aren’t gonna last very long.”

JM: Uh-huh.

WH: And that was probably not a bad assumption on his part, because most people probably would’ve given up at that point.

JM: But it was a bad assumption [laughs] in the way it turned out eventually, too.

WH: You know business—that’s one fascinating thing about business. It’s a lot of risk and you really never know what’s gonna happen.

JM: This is a little side issue, too, and everything—Jack Meriweather, who was the general manager at one time at the *Gazette*, said that at one point in time that you had called a meeting in the Men’s Grill at the Little Rock Club to explain to your advertisers that you were getting reading to take on the *Gazette* and what you were gonna do and everything, and that some of the *Gazette* people were sitting there. Is that correct? Do you know if that . . .

WH: You know, I do remember—we did have a lunch, and—where we were—I can’t remember whether we were announcing the free want ads or we were announcing we were gonna start putting out as big a paper as the *Gazette* . . .

JM: Yeah.

WH: . . . or maybe come out with our morning edition. But we thought, “Hey, let’s try to get a major impact by getting a lot of the major business people in the community to come. And I think we did have it at the Little Rock Club, and I think they said, “Gee, you know, to have a group that big, we gotta have it in our main dining area.”

JM: Yeah.

WH: “But we can’t tell our regular customers they can’t come have lunch that day.” So anyway, we said, “Fine.” And I—actually, I think they’re right. I think that maybe Jack was there. I don’t know—I didn’t know Jim Williamson very well, but they very well may have been there. That could be true.

JM: Well, at any rate, he said you just went right ahead with it. Another question that we’ve had is that there are various stories about why Bill Dillard [of Little Rock, founder of the Dillard’s department store chain] got so mad that he pulled all his advertising out of the *Gazette*, and there’s supposedly some different newspaper stories that irritated him or maybe one that really set him off. Do you know—happen to know which story it was that . . .

WH: You know, I don’t know exactly what story it was, but—and it wasn’t an earth-shattering story, but I think it was a story maybe where the *Gazette* may have had some errors in the story and that—you know, I’m sure they didn’t make the errors intentionally, but that—when there are errors in a story and it’s about you or your company [laughs] sometimes you’re still upset about it.

JM: But you had gone to Bill Dillard and told him, I think, at some point in time that you know, “Do you know that they are charging some of their other major

advertisers less than they're charging you?"

WH: Yeah. And what—how that happened is this. The *Gazette*, after they'd been here for a while, were a little frustrated that we were still competing with 'em [laughs]—or Gannett was a little frustrated we were still competing with 'em. And so they started getting very aggressive on discounting their advertising rates, and so they would target those advertisers that still ran most of their advertising in the *Democrat*. And they would target 'em by saying, "If you will run with us, we will charge you a really low, discounted rate," thinking if they could get the business out of us that would hurt us, you know? And so I remember they did that with Kroger [retail food chain]. 'Course, Kroger was one of our bigger advertisers, and they cut their rate and I think they cut the rate in half. And they said, "What are we gonna do?" And I said, "We gotta cut the rate to Kroger to match the *Gazette*," you know? And I remember even going to Memphis and meeting with the Kroger guy, and I told him, "You know, we'll match it—match the rate," 'cause we just couldn't afford to lose Kroger. But they kept doing this with more and more advertisers, and literally they're gonna bleed us to death [laughs], you know, doing this, if it continued. So we told advertisers, you know, "Look, here's how we're gonna respond to this. If the *Gazette* makes you an offer that is a lower rate than what we're charging—" and generally our rates were a little lower than the *Gazette*'s because we had less circulation. "If you—charges you a lower rate and you can document it—I'm not just gonna take your word for it." I mean, most advertisers are honest, but not every advertiser. [Laughs] "And if you will document it, then we will either match the rate or we'll say, 'We're

sorry, we can't match the rate. And if you're gonna go to the *Gazette*, there's not much we can do about it." That became our official policy of responding to what the *Gazette*—what Gannett was doing with the *Gazette* rates. And so they said, "Well, how are we gonna document it?" I said, "You gotta have an invoice. If the *Gazette* sends you an invoice and it shows \$12.11 an inch, that's our documentation. You tell us that—no, we need to see an invoice." Well [laughs], we started getting tons of invoices [laughs] over here that advertisers gave us. They were their invoices they'd gotten from the *Gazette*. And they'd say, "See, here's rate," and we'd say, "We'll match it." "I'm sorry, we can't match it." "We'll match it." "We can't match it," or whatever, you know? And so by the time this thing came along with Dillard's, which was months after we started getting all these invoices—you know, they got mad and they pulled out of the *Gazette*. And so I had told Bill Dillard that—I said, "You know, it's amazing—" He would ask me, you know, "How are things going?" I said, "Well, we're really having a tough time, because the *Gazette*'s undercutting us on prices to advertisers." "Oh, really?" You know? "How are they doing that?" Well, I told him kind of how they were doing it. He said, "Nobody's paying a lower rate than we are." And I said, "Well, actually, they are, you know?" I was telling him the truth. And so he just kind of filed that away in the back of his mind. And so after he pulled out of the *Gazette*, he called me one day and he said, "You told me that the *Gazette* was selling advertising. I'm the *Gazette*'s best—was the *Gazette*'s biggest advertiser, and you told me they were selling advertising for rates lower than what Dillard's was paying." He said, "Can you prove that?" And I said,

“Yes, sir.” And he said, “Well, come down here. I want you to prove it to me.” And so I pulled out some of these invoices and I got the tear sheets from the day—which referred to the ad—you know, on the invoice it would list the day it was published, the size of the ad, and maybe a little description of what words were in the ad, the rate per inch, and the total cost. And so I took the tear sheets and the invoices, and I sat down with him in his conference room, and I said, “Here’s Rex TV. They’re a much smaller advertiser than you are. Look here. The first ad every month, they pay the full rate, and every ad after that they pay half price, which is less than what you’re paying, you know? Okay, here’s [Little Rock clothier] Jimmy Karam—” You know, a tiny advertiser was paying less than Dillard’s. And so he looked at several of those things. I said, “I got more.” He said, “I don’t need to see any more.”

JM: [Laughs]

WH: “I’ve seen enough, you know?” [Laughs] “You’ve got me convinced.” And so I left, and as he told me later, the people from—somebody from Gannett came down here and he asked ’em point blank. He said, “You’re selling advertising to my competitors at less than I was paying, and I was your biggest advertiser.” He said, “Isn’t that true?” He said, “We never did that.” Now, either the person from Gannett didn’t know they were doing it or they just weren’t being honest. But that just—I think that cemented his decision that he couldn’t trust those people.

JM: Yeah. Okay. How—how much of an impact would that have been on the paper at that time, to lose all the Dillard’s advertising?

WH: It was a pretty major impact, ’cause that was probably their biggest [advertiser]—

it was their biggest advertiser. So it had a definite impact on it.

JM: Yeah. In fact, you . . .

WH: But it not only had an impact on 'em financially, it had a major impact on 'em from a circulation standpoint because Dillard's was the biggest store in the whole market. And a lot of people shop there and a lot of people wanted to see the advertising information in the newspaper. And then suddenly, you know, they couldn't get it in the *Gazette* anymore. So that hurt 'em.

JM: Yeah. So they were people who wanted to see that Dillard ad, and they couldn't get it from—they had to go to the *Democrat* to see the Dillard ad.

WH: Which helped our circulation.

JM: Yeah. Did you have—? And I've heard it suggested somewhere along the line that you all also had a better relationship maybe and—with Wal-Mart than the Gannett or the *Gazette*. Is that correct?

WH: Yeah, we—I think we did. I mean—Jerry, I would—I used to go on a lot of sales calls, you know?

JM: Yeah.

WH: And I would go to Bentonville with [*Arkansas Democrat-Gazette* President] Paul Smith or our ads director or whatever, and we'd—you know, I make—I'd help make sales presentations. And I think a lot of people appreciate when the top executive at the newspaper comes along on a sales call. And so if we had a better relationship, it was probably because of that. I actually got to know Sam Walton and respected him a great deal, and I think he respected us for what we were doing—trying to run an efficiently run operation. And so I assume maybe we had

a better relationship.

JM: Did they ever pull any advertising out of the *Gazette*, are you aware?

WH: Yeah, at—from time—no, not—they had historically been with the *Democrat*.

JM: Oh, had they?

WH: The *Democrat*—yeah, even when we bought the *Democrat*. The *Democrat* when we bought it was an afternoon paper—had a stronger audience with the middle-income to lower-income—lower middle-income people, with people—K-Mart, Wal-Mart, the discount stores—they did better advertising with the *Democrat* than they did the *Gazette*. The *Gazette* was really a—had a more upscale readership than we had.

JM: The story that I'd mentioned to you, that I know that when we first—when I was here and we first went into using a computer to put out the newspaper and everything, we wound up with one computer and four terminals. Did—is that correct, that you bought two at one time, but took one to Texarkana and one here?

WH: I think that story is a variation on another story, which is almost the same. First of all, we never had as much money as the *Gazette* to operate.

JM: Yeah.

WH: I mean, despite this myth that got perpetuated that we had [laughs] oil wells and all this kind of thing to use. We really—we just didn't have as much money. The *Gazette* bought a new front-end system. They paid \$1.2 million or \$1.3 million for their front-end system. [Laughs] We didn't have \$1.2 million to buy a front-end system. So what did we do? We bought a used front-end system from the *Raleigh Observer* [North Carolina]. I think we paid \$50,000 for it. We brought it

over here and it was so big, we took one—a part of it and we put it in the *Democrat* and then we took the rest of it and put it in the [*Hot Springs*] *Sentinel-Record*.

JM: Oh, okay.

WH: And for \$50,000, as opposed to \$1.3 million. That is really why we ended up winning the newspaper war. We were a lower-cost operator. And, you know, the day the *Gazette* closed, I looked at their balance sheet and they had \$49 million as the original cost of property, plant and equipment they used to publish the newspaper. We had \$19 million to their \$49 million—the original cost of our property, plant and equipment. They spent \$10 million a year more than we spent to publish their newspaper, and yet we published more news, more classified ads—you know, we were just a more efficient operator.

JM: What was the story? I know that one time the computer crashed and you were having trouble getting it back up. You never did actually fail to publish—did you ever fail to publish one day?

WH: No, I don't believe so. I think we published every day.

JM: But you had to publish—some days you had to publish without remaking some of the pages from the day before. Is that correct?

WH: I—you know . . .

JM: That's what somebody told me.

WH: It could be. I don't remember that. I know some days we were late, you know? One of the problems of not having all the extra equipment and redundancies and everything, is sometimes we would be late in getting out the paper.

JM: And you had—they flew to Texarkana, I think, to get some of the stuff produced—to print out some stuff that you would use up here. Is—do you remember that?

WH: I don't specifically remember that, but that's—that could very well be that we relied on our sister papers from time to time if there was some kind of an emergency.

JM: But the one—with the one computer, if it went down at the wrong time [laughter] . . .

WH: Yeah, we were in trouble.

JM: . . . you had a problem, as I remember.

WH: That's true.

JM: Did—? Another old side issue has come up here—but did you ever try to hire Richard Allin and Charlie Allbright from the *Gazette* when they were still with the *Gazette*? I know you got their contracts when you bought the *Gazette* assets.

WH: Yeah.

JM: But had you ever made an offer to them before that, to try to hire them?

WH: No. You know, we didn't make an offer to Orville Henry, even though he came over to the *Democrat*. We got a call, and Orville Henry wanted to talk to us.

JM: Yeah. Okay.

WH: So, no, we never tried to hire Richard Allin or Charlie Allbright. I mean, I certainly didn't talk to 'em and didn't know of anybody that talked to 'em.

JM: Yeah. I know you did hire [horse racing handicapper] Randy Moss away from the—from the *Gazette*.

WH: Was he at the *Gazette*?

JM: Yeah.

WH: I remember that Randy was really helpful to us.

JM: Yeah. Yeah. And, in fact, you don't happen to know what kind of circulation bump you got from—when Oaklawn [Park Race Track in Hot Springs] started and then how much of a bump that you got—might have gotten out of Randy, do you?

WH: I don't, but I do know that every year when Oaklawn would get going, we would have a significant increase in circulation. Yeah. People—a lot of people would read the paper because of the race coverage.

JM: I interviewed Randy about a week ago.

WH: Oh, really?

JM: Yeah, and I had sorta forgotten about him, and some—he called me up one day—said, “I just saw that series of interviews on the Web site and everything.” Said, “They're really good. Why didn't you interview me?”

WH: Yeah, that's a good point.

JM: And I said, “I will.”

WH: You will. Good. Yeah, I—now, I know that Randy was the—he was the most-respected person on the races, and we got such a good increase in circulation. It did help our circulation.

JM: What is—and I know—don't know the details and everything—just know that there's been some fussing about the *Gazette* photograph collection. What is—what's that about?

WH: I don't know. I don't know. All I know is that Bobby Roberts [director of the Central Arkansas Library System] continues to talk to us about wanting to buy it from us. That's all I know about it.

JM: Do you know where it is? That . . .

WH: Yeah, we've got it. It's a lot of the pictures—for example, if we go back and get a *Gazette* photo that was taken, you know, years ago and we publish it in the paper, then we scan it and we automatically put it in our electronic archive. Otherwise, we just keep—you know, we're in a great big cylindrical drum over there, if I remember correctly, you know—where they stored 'em all. And we took 'em all out and boxed 'em, and I don't know exactly where they're stored right now.

JM: Yeah.

WH: Barry Arthur would know that.

JM: Who?

WH: Barry Arthur. [Editor's Note: Arthur is the *Democrat-Gazette's* assistant managing editor for photo and electronic media]

JM: Oh, okay. How do you stand on archiving the *Democrat*? Do you—your old past articles and everything—aren't you doing that?

WH: Yeah. Yeah, we've been doing that since—oh, I guess since the 1980s and 1990s. We, you know, when we—recently I wanted to find something from the archives about our coverage of the genocide in Rwanda. And I went back, and at the time that was going on, which was in 1994, I found out that we were not archiving all the wire service stories. We were just archiving the local, you know, interests and

sports and business stories. So I couldn't find out how much, you know, coverage we had on the Rwanda genocide. So over time, we've archived more and more. Today—you know, you go back in the archives—you can look at the whole paper from a year or two or five years ago.

JM: I noticed an article in the paper not too long ago that you'd hired a new man to run your Web site—your Internet site. What's the—you have any [idea]—what direction are you—changing directions there?

WH: No, we're not really changing directions, but we just want to intensify what we're doing. What we're using our Web site for is—we do put news on there, but you only get the headline and the first sentence or two, you know, with the idea that we don't want to give away all our content and hurt or cannibalize our product. But we want to put things on our Web site that compliment the newspaper and actually help us in storytelling, you know? For example, if we go out and cover something, like Win Rockefeller's funeral. He was the lieutenant governor. He died. We may run two or three pictures in the paper. We might offer twenty or thirty more photographs on our Web site. We just didn't have room for 'em in the newspaper, but this is a way to tell a more complete story. We run—we had a video of that also. That was available. So things that can help us in storytelling and help give more context and more depth to our coverage, we're using our Web site in that way.

JM: What—how is the situation in northwest Arkansas going?

WH: It's going—we think it's going pretty well for us, competitively—*vis á vis*, the other newspaper. [Editor's Note: In late 2009, Arkansas Democrat-Gazette, Inc.,

publisher of the northwest Arkansas edition of the *Democrat-Gazette* and smaller weekly and daily newspapers in the region, and Stephens Media LLC, publisher of *The Morning News of Northwest Arkansas*, merged operations in northwest Arkansas to form Northwest Arkansas Newspapers LLC.] We think we've consistently gained market share. But the people that own the other paper [*The Morning News*] up there—they're Arkansas people, too, and they're very committed to the state, and so they're very tough competitors, you know? And the newspaper there, like everywhere else, is suffering through this economic downturn, you know? So that's been a problem for us. I'm sure it's a problem for them, too. So financially, probably neither one of the papers up there is doing as well as they used to do, but we're happy with where our competitive situation is.

JM: How about Chattanooga [Tennessee]?

WH: *Chattanooga [Times Free Press]* has done well. The economic down cycle has really hurt Chattanooga, too, so the profits are way off there. We'd also made a profit in Chattanooga in 2008 and then we'll see how we do in 2009. But we are very pleased with the people that we have running the paper there. We've got an excellent president—the guy who's—runs the business side of the newspaper. We've got a great [executive] editor, Tom Griscom, and he does a great job. We have good editorial—we have two editorial pages every day. We're still maintaining that. We've done that—we started out with that when the two papers merged. Everybody thought, "This is a gimmick. This won't last six months."

JM: Yeah.

WH: And it's ten years later. We still do it. [Laughs]

JM: Yeah. Yeah.

WH: So, anyway—and it gives a great diversity of opinions, you know, to—for the community. So we're happy to have the newspaper there and I hope we are good stewards of it.

JM: And you—did you not recently buy a newspaper in Jefferson City, Missouri [*Jefferson City News Tribune*]?

WH: We did. We bought that last April.

JM: Okay.

WH: And we were real fortunate. But Jefferson City is a smaller town. It's 40,000 population. A little unusual. Every day the population swells to about 80,000 during the weekdays, because it's the state capital, and literally there are not enough people that live in Jefferson City for all the state government jobs that are there, so the people have to drive in from the surrounding counties. So it makes it a very appealing market—it's a very stable market 'cause it's the state capital. And it's a good market, and the paper, this is the first year we've owned it—but it has done well—has held up pretty well considering the economic downturn.

JM: You don't own anything else that—any—you haven't bought any other newspapers recently . . .

WH: No. No, no, Jefferson City was the last one.

JM: Yeah. Yeah, okay. How big a newspaper is that? Do you know what your circulation is there?

WH: Yeah, we're about—I think we're, like, 22,000 Sunday and maybe 18,000 or

19,000 daily.

JM: Okay.

WH: A little bit larger than Hot Springs.

JM: Okay. Okay, let me see. I think that's about covered the questions that I had intended to ask. Anything else that you can think of, Walter, than we haven't touched on that you might want to touch on?

WH: No. You asked me in a second e-mail, I think, about the finances for the *Democrat* prior to, you know, our acquiring it. And I have some information for the five years before we bought it, but I don't—and I couldn't find anything for . . .

JM: You don't have 'em back on—like you did for the *Gazette*—back to 1912.

WH: No.

JM: Yeah. Okay.

WH: I don't have any . . .

JM: I was curious since we—this is gonna touch on a little history back in there—the *Gazette* never did lose any money during the [Great] Depression, but I got a sneaking suspicion that the *Democrat* might have lost some money back there in the Depression then.

WH: They might have, but remember the [laughs]—everybody talked about how tight-fisted [K.] August Engel [longtime publisher and owner of the *Democrat*] was . . . so I []. [Laughs]

JM: Somebody said that they were—some of the food grocers were paying him in [laughter] bread or supplies or something like that for their—they were paying for

their ads with the [laughs] with merchandise and so some—somebody'd told me that story. And he thought he was in real trouble there at one time, but—okay, I can't think of anything else, unless you can . . .

WH: Okay.

JM: Okay.

WH: Well, that sounds good. But if you have any—there's that information on the *Democrat* for that five years— you wanted that.

JM: Oh, okay, great. And if I have any other questions come up, I'll just e-mail them to you.

WH: Yeah.

JM: Okay. All right. Very good. All right. Thanks very much. Oh, there'll be one more question. What is your official title with the organization, now?

WH: Me? I'm—let's see, I guess I'm president of WEHCO Media, Inc., which is the parent company for all of our operations.

JM: Yeah.

WH: And chairman and CEO [chief executive officer] and president of WEHCO Media. And I'm publisher of the *Arkansas Democrat-Gazette*.

JM: Okay. But Paul Smith is now the president . . .

WH: He's president of the *Arkansas Democrat-Gazette*.

JM: . . . *Arkansas Democrat-Gazette*.

WH: He's also president of WEHCO Newspapers, which is one of the two main subsidiaries under WEHCO Media.

JM: Let me ask you one other question. And I think you said something about that at

some point in time do you sort of feel that maybe the *Democrat-Gazette* should be considered a continuation of the *Gazette*—that the oldest newspaper west of the Mississippi River is still publishing?

WH: I do. I know a lot of those people that worked at the *Gazette*, you know, when it went out of business—they don't feel that way. But I think history's gonna look at it that way. I think they're gonna consider it not only a continuation of the *Gazette*—I think they're gonna consider it a continuation of the *Democrat*.

JM: Yeah.

WH: Yeah. No one talks about the fact that *Arkansas Democrat* went out of business on, you know, October the eighteenth [laughs], 1991. But, in fact, it did. And when the *Gazette* went out business and a new newspaper was created the next day, which is really a continuation of both of those newspapers.

JM: Well, you know, that happened all the time back in the 1800s.

WH: Uh-huh.

JM: The *Gazette* changed ownership every for a period there, it seemed like they changed every year or every two years or every three years and . . .

WH: Yeah.

JM: . . . and I don't know whether they had a new party [laughter] or they were in charge of some—but a lot of those—they were party organs back in those days and everything. But . . .

WH: I mean, look at all the markets around the United States where the newspapers have a hyphenated name.

JM: Yeah.

WH: Tons of 'em.

JM: Yeah.

WH: Are those newspapers continuations of the newspapers that preceded 'em?

JM: The *Herald Tribune*, which you know . . .

WH: Right.

JM: . . . originally was the *New York Herald*, I guess, and the *New York Tribune* . . .

WH: That's right.

JM: . . . was—is a . . .

WH: That's right.

JM: Yeah.

WH: There was the *Chattanooga Times* and there was the *Chattanooga Free Press*, and today it's the *Chattanooga Times Free Press*.

JM: Yeah. Okay.

WH: So . . .

JM: I've had the feeling that you might feel that way about it, and I think that maybe some people, you know, who were there just at the time—and it had been a stable operation for some time, but they they don't remember that, hey, way back there it wasn't real stable, you know, there for a long period of time. It was changing over, but they still called it the *Gazette*.

WH: Yeah.

JM: And still considered it a continuation, even though they'd had a lot of changes of ownership and everything else.

WH: Right.

JM: But, yes, I thought . . .

WH: There was even one point back there where there was an *Arkansas Democrat-Gazette*. I think there was a time back in the 1860s or something or maybe the *Gazette* bought the *Democrat* or . . . [laughs]

JM: Yeah. No, there was a time there when—I think you’re right—it was—there was a *Democrat-Gazette* back in the 1840s or 1850s or 1860s—somewhere along in there. So, anyway, that’s just one—but I thought you might feel that way, and I think that my own belief is, you know, it is a continuation.

WH: Yeah.

JM: But I know the people who were there at the time—they were so mad. “Well, it’s not the same editorial page.” Well, probably wasn’t in the 1840s, either.

WH: Yeah, that’s right. [Laughs]

JM: Okay. Thank you very much, Walter.

WH: Sure.

[End of Interview]

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