

THE NOUNOU THING

CNBC & The Peter Principle – Ernest Nounou July 7, 2006*

“In a Hierarchy Every Employee Tends to Rise to His Level of Incompetence” –
Lawrence Peter in Wikipedia

Note: Similar observations have been recorded on the CNBC website, in some cases more articulately expressed than mine. I did connect many dots, and encourage readers and CNBC viewers to provide constructive feedback on the CNBC website. Thank you.

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Overview

In his bestseller “The Peter Principle” Lawrence Peter gives the example of the top salesman of a company promoted to Head of Sales, a position requiring managerial talent and different skill sets. Not possessing or having developed those skills, the top salesman fails miserably, having reached his level of incompetence. Taking the process to its logical conclusion results in an organization peppered with incompetence.

CNBC’s weekday business programming suffers this phenomenon. The once unquestioned leader, with a talented staff of top-flight reporters and resources, has taken a tabloidish turn. The result has been a lineup of mediocre offerings, where the total is way below the sum of its separate potential parts. Personnel are often in miscast roles, with management relying on glitz and gimmicks, and exhibiting a tin ear. How could yet another great franchise, and a GE subsidiary at that, lose its way?

As the most prominent and outspoken advocate of Six Sigma, GE states on its website, “Six Sigma is a highly disciplined process that helps us focus on developing and delivering near-perfect products and services.”

<http://www.ge.com/en/company/companyinfo/quality/whatis.htm>

Apparently not at CNBC, where the priorities are now more focused on ratings than quality business programming. How else to explain Ann Coulter's presence? This is not a commentary on her, but where's her relevance to business news? Rather it is an example of CNBC's prostituting its mission, and runs contrary to GE's stated core values.

The president of a major Wall Street firm said in a Maria Bartiromo interview that in the future financial returns would increasingly go to capital rather than to wages. That said, CNBC and GE have added responsibility to viewers for the quality and utility of the programming.

As a viewer of CNBC for reliable and actionable business news, I demand GE bring the Six Sigma process to CNBC's offerings. It has responsibility to apply the same quality standards and rigor to CNBC as it does to its jet engine production. As a long time investor in GE, I insist on it! As it is, if CNBC's quality standards were applied to the jet engine unit, we would all have to be concerned about airline travel safety.

FNN – CNBC Evolution

To understand CNBC's current state of affairs, it is instructive to review how CNBC got to this position, beginning with FNN. I came of investing age in the '80s catching FNN's afternoon programming. To this layman and many other fans, young reporters such as Bill Griffeth, Sue Herrera (ne McMahan), and Ron Insana reported insights not readily available to us newcomers to investing. I don't recall if it was their stated mission statement, but it sure felt like they helped level the playing field for individual investors.

Devoid of gimmicks, and with a simple set based in California, the crew more than made up for the sparseness and amateurism by producing and providing trail blazing information that had been unavailable to viewers. One had to admire their coming up the curve, and often making it up on the fly. FNN also had the late Ed Hart, who came on in the afternoon and provided calm and insightful perspective, having seen it all as an investment professional. Ed was never taken in by the mania de jour, and Bill, Sue and Ron held him in deservedly high regard.

Full Disclosure: Using the Peter Lynch principle of researching and investing in companies whose products one uses and likes, I made FNN shares the very first purchase for my baby daughters. I sold them at a decent gain and became a longtime fan.

After CNBC acquired FNN, Ed Hart never again looked comfortable, and not long after was off air. With the rising stock market the programming hit its stride, particularly with the introduction of Squawk Box, and Maria Bartiromo's trail blazing reporting from the NYSE floor. During the run up to the peak and the internet/dot.com mania, CNBC was the platform of choice for daily parades of "experts" promoting fantasies, unchallenged spiels about profits being bad; and equally fantastic metrics about the higher value of the number of eyeballs captured etc.

There was little questioning of the irrational exuberance and upside down logic, or the kind of perspective provided by Ed Hart. Incredibly, the most memorable questioning I recall was the Squawk Box team actually speculating that Warren Buffet didn't understand the "New Economy" and no longer seemed to get it. That's when I shared with friends my conviction all would end badly.

After the bubble burst and 9/11, CNBC reporters denied any previous cheerleading. While there were no pom-poms, CNBC's general failure to offer perspective and challenge to those experts provided them the platform and incredibly loud megaphone to the investing public. Note: I'm not blaming CNBC for the mania, but its reporting didn't cover it with glory either.

During the run up various reporters and anchors became celebrities in their own right – "Brain," "Cahuna," "Lawrence of America" etc. - and bashing socialist Old Europe was amusing. As long as the market was going up, it all worked. Viewership expanded beyond its core audience, as it was great fun to watch oneself getting richer.

Actionable News Diluted – Talk Show/Lifestyle Format

After the bubble burst and 9/11, viewership predictably receded to its core audience. A plethora of sources emerged on the Internet, both competing with CNBC as alternative information sources and educating viewers. CNBC core and potential audience became savvier.

CNBC's initial response was to offer more of the same, sprinkled with soft content such as glamorous vacations, time-shares, polls and the like. The hosts/anchors became celebrier and chattier, providing less actionable news, with the repetitiveness devolving into a lot of noise.

Reliance on Tabloid Drama & Glitz

Trials: Martha Stewart, Bernie Ebbers, Merck, Enron et al were certainly newsworthy events. But the sheer hours devoted to buildup, along with the "How does it feel..." questioning, review, and repetition, while easier to do, were less about providing actionable news, and more about drama.

CNBC's programming also responded to the changing environment with show business type hype. **Monthly Statistics – Payroll; CPI; Consumer Confidence etc.** – were converted to media events. Experts on Payroll Survey projections, and more theatre than clarity replaced experts on the New Economy. During the “Jobless Recovery” these experts, including CNBC's own “Pit Bull” and “Lawrence of America” consistently predicted that based on this or that set of data, corporate America's animal spirits would kick in and robust new hiring was imminent. It was never clear whether these experts actually checked with corporations, who were (inconveniently for CNBC's projections) actually in restructuring and offshoring mode. Their nearly two year long projections proved vastly overstated and wrong.

“Heard it here first” (and reminded ad nausea): Or its alternative “Exclusively on CNBC” are more often than not “So what?” events devoid of actionable elements. The audience is already there and doesn't need constant reminding of exclusivity. Nor will any of this lead to expanding audiences, unless the content is merit-worthy, and its timeliness or exclusivity a real differentiator.

Consider the White House interview with the President on a day that Payroll numbers came in well under projections. Rather than break any new ground or speak politely a little bit of truth to power, it evolved into an obsequious “...greatest story never told...” exercise in flattery (possibly more appropriate for a job interview). What substantive value does CNBC think it imparted to its investor/viewers?

Web Site & TV Screen/Sound Effects: These serve as a perfect metaphor for CNBC's priorities. The TV template screen, moving parts, swoosh sound and special effects are, in viewer postings on CNBC message boards, reminiscent of World Wrestling Federation. Not only are the overall effects grating, the sound effects and motion frequently drown out the speakers and their messages. The information “bug” that appeared in the lower right corner of the screen was replaced with a parallel track at the top of the screen, making it nearly impossible for the eyes to focus efficiently. Who asked for this change? Who prefers it? Who still thinks it's a good idea?

As to the web site, under the guise of improving the message boards and providing “cool stuff” for viewers (Did anyone actually request it?) a new, cumbersome, and slower system is now in place. Viewers suspect it was done to discourage and reduce the negative feedback on CNBC offerings, shows, anchors, reporters, and general direction. If there was a genuine interest in improving the web site, why not focus on cleaning it up, providing easier navigation, and accurate information? Example: as of this date Michelle Caruso-Cabrera is still listed as co-anchor of Power Lunch – where's the priority?

Reporter – Anchor – Interviewer Skill Requirements: Each role requires different skills, and as is readily apparent, being good in one doesn't

automatically translate to being good at another. Implicit in CNBC's job hierarchy (and presumably rewards) is a pecking order of progression from reporter to interviewer, to anchor. Examples of people in miscast roles abound. Maria Bartiromo was a dynamite reporter, earning deserved acclaim. As an anchor the result is something else.

Mark Haines was a very effective anchor and arguably the star of Squawk Box in its old format. He wasn't a dispenser of monumental information, but his value was in keeping the show's moving parts in balance and fluid motion. His occasional skepticism and wry humor worked in that venue, but doesn't on Squawk on the Street, where his new role is more of a reporter/interviewer who has to exude high energy and skill for the program.

Only Erin Burnett, Michelle Caruso-Cabrera, and Ron Insana currently perform all these roles with ease. Their common denominators include knowledge, experience, and an ability to draw on their knowledge fluidly, rather than simply reading a teleprompter or repeating scripted messages from their earpieces or teleprompters.

“Davos Effect”: This expression is my short hand to describe the phenomena of reporters reporting on events, achieving celebrity status, and becoming participants in these programs. This fits with **Star System** mentality and approach, not just at CNBC. While seeming logical to improve access to people and information, it carries with it **inherent conflicts**; especially when reporters both report on and participate in the same program. Do they hold back on worthwhile stuff that's off the record? Do they pull their punches when interviewing fellow participants, resulting in cream puff interviews? If so, what's the point?

Perpetuating a star system among CNBC's anchors and reporters is an **illogical strategy**. Other than creating potential problems and higher payrolls, it adds little value. This is a niche viewership that values sound, actionable content - the real star. Useless chatter by ostensible or would be stars rarely results in any greater value, increased viewership, or viewer loyalty.

Anchors & Reporters + Guest**

CNBC's anchors and reporters are generally talented, telegenic, and effective when slotted in roles within their demonstrated skill sets. When miscast in roles beyond their skills and temperaments, and/or have to hype their offerings, the results are often cartoonish. A current example is Melissa Francis, who could become a trusted and respected energy/commodity reporter. But as a co-anchor, or worse, as Larry Kudlow's guest, opining on class warfare or penalizing success, she becomes a caricature - a disservice to her and her viewers.

To use a sports analogy, it is as though most of the players on a talented football team have to play quarterback, notwithstanding their being great receivers, blocking backs etc. The responsibility for this foolishness is not theirs, but management's.

Fine role players are frequently miscast, with disastrous results. In the original Squawk Box Joe Kernan began as a likable analyst. When he became "the Cahuna" he strained to live up to celebrity. When he became co-anchor of the new Squawk Box, the result has been farce. Viewers may be amused and tolerant in up markets, but are far less so in down markets.

CNBC's implicit strategy is to create on-air personas they expect will draw or retain audiences; but this is a total misreading of their viewers and mission. CNBC's viewers' foremost priority is informative, actionable news helpful for investment decisions. It is not a broad audience interested in entertainment with a business element. The star of CNBC is, or must be, the business content and news, not individual reporters or anchors.

One would think CNBC learned this lesson with Dennis Miller. A funny personality, he bombed both on CNBC and Monday Night Football, as did Rush Limbaugh. Their star power was no guarantee of success, and failed to carry over to their new roles.

Maria Bartiromo – Without doubt her reporting from the floor of the NYSE, interviewing brokers, specialists, and Dick Grasso were ground breaking. She was lucky to be in the right place at the right time; but she excelled, and in the process became one of the symbols of CNBC. Then she was brought on as a contributor to and substitute anchor on Squawk Box, but it just didn't work. What worked while being jostled and screaming to be heard over the din of the NYSE floor, became screechy, pushy, and worse when anchoring and doing studio interviews.

With celebrity status has come increased access, conflicts, and missed opportunities. Reporting from Davos, at a forum where she was also a panelist, is a prime example. Yes, it provides greater access for celebrity interviews, but where were the tough questions for a Sandy Weil or Steve Schwartzman, and why the deference? Other than showcasing Maria with celebrities, what information or value do we the viewers get? There are ample missed opportunities, which she has either chosen to ignore, or worse, doesn't see.

Example: Maria interviewed Intel Chairman Craig Barrett, who repeated his mantra that the US is failing to produce enough software engineers; thus Intel's investments in India and China. This was accepted at face value without challenge. A couple of weeks later Maria interviewed the head of the US Chamber of Commerce, who stated categorically there are no shortages of qualified US workers, and who moreover "...are the most productive workers in

the world” – again unchallenged. Wouldn't it be logical to reconcile these contradictory assertions through some serious questioning? Better yet, why not point out these contradictory views to the respective gentlemen, and suggest they come on air together to clarify matters? Sure tough questioning might jeopardize future access, but without tough questions what's the point of “exclusively on CNBC” or “heard it here first” that she constantly announces?

The Bernanke Flap – The Final Straw: Maria attended the White House Press dinner on a Saturday evening accompanied by Bob Hormats, Vice Chairman of Goldman Sachs International. The previous week the stock market hit new highs based on Bernanke's Congressional testimony, interpreted as interest rate increases would stop. In Hormats' presence Bernanke observed to her that the media and general consensus had gotten his intentions wrong about the halt in rate increases. The next Monday the market continued to rise until 3pm, when Maria broke her “exclusive, heard-it-here-first” scoop, following which the market tanked.

All the fuss focused on and steered to whether Maria betrayed a trust by revealing an off-the-record remark. In her own defense Maria rightly justified the reporting by noting Bernanke made his comments in front of the Vice Chairman of Goldman Sachs, and hence had made a public disclosure. But this was totally disingenuous and self-serving. The real betrayal of trust was waiting until 3pm on Monday to report it, while knowing Goldman Sachs knew it as early as Saturday evening.

If the information was too important to hold back, and Maria kept the scoop for her own show, she failed to realize her responsibility to report it right away, unacceptable for someone of her experience. If she did so knowingly, and intentionally kept the scoop for her own show, it was a betrayal of her viewers' trust and unforgivable! Goldman Sachs -and whoever else - had this important insider information and lots of time to trade on Asian and European markets. But not her viewers and other investors, who may have been buyers before her “exclusive” scoop.

Either way it is time to move on. Maria occupies two very important hours in the daily programming, and has overstayed her time at CNBC. She is no longer doing herself, her viewers, or CNBC any good. What a pity, and a cautionary tale of the perils and conflicts when reporters of news become the news.

Erin Burnett – A welcome addition to CNBC's lineup, she multi-tasks as an effective reporter, interviewer, and anchor. Certainly she has been blessed with natural attributes, which doesn't hurt. But her success derives from her knowledge and experience, enabling her to appear poised in various venues and business topics. Her interviews are fluid, rarely softball, and leave the impression she is drawing on her own knowledge and experience, rather than simply responding to cues.

If CNBC and Erin have the wisdom to resist the star temptation, and let matters take their course, she, her viewers, and CNBC will be well served.

Michelle Caruso-Cabrera – Michelle has evolved from an overbearing co-anchor on the morning programming several years ago to a consummate professional, who can multi-task as an effective reporter, interviewer, and anchor. Banished (my interpretation) to special reporting on various topics, and pinch-hitting for others, she took over as anchor of the Wake Up Call show from Liz Clayman, and blossomed. She always shows up well-informed, and requires little prompting. A great asset is her fluid follow up questioning during non-cream puff interviews.

Michelle is one of three anchors on the recently introduced World Wide Exchange at 4am – 6am, a fine addition for grown-ups to CNBC's lineup. If the program is a portent of programming to come, that's good for viewers, her, and CNBC. If not, it's a shame to relegate her to a time slot that fails to capitalize on her growing knowledge and experience with global markets and companies. Few if any of her US based colleagues have her comparable breadth and exposure.

Silvia Wadhwa & Adam Smallman – These two reporters are alphabetically out of sequence and presented together here to make a point. Neither is a CNBC stereotype, and both are highly professional. They know their stuff, are experienced, and can respond and converse without cueing or talking points. Silvia is definitely not a "Euro Babe." But in the less than five minutes she is on air to report on European news, she projects a presence and credibility. Her reporting is terrific, contextual, and leaves one reasonably well informed on what's going on in Europe.

Similarly, Adam Smallman of Dow Jones News in London does great reporting on energy issues. Like Silvia, he is devoid of glitz and hype, relying on superior content and context for his success and credibility.

Liz Clayman – A good schmoozer, Liz co-anchored the original 5am – 7am Wake Up Call, reviewing the previous day's events, the current day's headlines, and occasionally doing glamorous "Breakfast with the CEO" interviews. It was easy and acceptable fare in that time slot. But as a co-anchor in the 10am – Noon slot, with open markets, breaking news, opportunities for relevant interviews, and offering context, she adds little value. Invariably her show feels like it's treading water or marking time.

Jim Cramer – Mark Haines had it right years ago when he referred to him as the "priest of the church of what's working." He is a momentum player, in keeping with his trader background. It is not clear how beneficial his advice is for non-trader investors. His demolition derby shtick is both popular and loathed. But he

does give actionable information, and CNBC provides several pages of disclaimers prior to the beginning of his show. So tune in and follow his advice blindly at your portfolio's peril. It speaks to the paucity of CNBC's offerings that they rerun his show twice more in the course of an evening.

David Faber – A reporter with perspective, he was arguably even better prior to becoming “The Brain” and celebrity. A good role player on the original Squawk Box with Joe Kernan, he has done some fine original reporting such the Walmart series. That's what he's good at, and let's have more. Note to CNBC: don't even think of making him an anchor; you tried it with Joe Kernan, and it didn't do him, CNBC or viewers a service.

Steve Forbes**- If the economy were a complete do-over, it would be easy to subscribe to some of his ideas. It's a pity other guests/commentators don't directly address his case for flat taxes or medical savings accounts. Since it's not a clean slate, I would welcome his leadership for some realistic compromises, so his ideas can begin to take hold. For example, what persons who endured the root canal of filing their recent tax returns would object to a form of flat tax? Instead of a single rate, how about two or three, so it has a chance to pass? It would be a great service to the country and to his ideas, if he were to take them on the road and discuss them with ordinary Americans. My guess is he would better appreciate underlying issues and resistance, rather than assuming he understands them through reading statistics. In turn, the country would get a better appreciation of his ideas, which might be refined and then accepted.

Melissa Francis – CNBC's programming needs intelligible commodities reporting, and Melissa appears to be the designated point person on energy reporting and attending OPEC meetings. She has developed direct access to the Saudi oil minister, and could come up the curve to be a highly credible commodity markets reporter in direct proportion to the effort expended. However, in predictable CNBC standard procedure, that effort is diluted, while they try to make her a celebrity. Whether as an occasional co-anchor substitute on daytime programs, or guest on Larry Kudlow's show, the evidence to date is she will have far more value developing commodities expertise, rather than evolving into another B- co-anchor.

Charlie Gasparino – Apparently Charlie was a successful newspaper reporter on financial markets and players, and a good guest on CNBC. The transition to a regular on CNBC, co-anchoring and participating in interviews has not gone well; and is yet another example that success in one medium or role doesn't necessarily carry to others.

Bill Griffeth & Sue Herera – Extremely personable, these veterans from FNN are now miscast. Their two hours on Power Lunch from Noon – 2pm are more a lifestyle show, softball interviews, and recycling of the day's news. Their

interviews rely very much on scripted questions and cueing, with little value added, and missed opportunities. Here's a thought: Over the years when Lou Rukeyser went on vacation, and one of his regulars would pinch hit for him, the results were painful. Great guests didn't translate to great hosts, making one appreciate Lou that much more. Not till Bill and Sue took turns pinch-hitting did the show not skip a beat. So why not recast their venue to that kind of format to bring out the best in them?

Mark Haines – The major catalyst for the original Squawk Box's success, Mark was recast from anchor of a popular show to pseudo high-energy reporter/co-anchor on two shows. As a skill for the programming, his persona has also shifted from gravitas anchor to a parody. Why this is being done, or why Mark goes along with it - at great cost to his credibility - is a mystery. It often appears that he is just playing out the string. If so (I hate to say it), it's time to move on.

Mike Huckman – A pharma industry reporter is a good idea, and if Mike can do more in depth reporting on companies, trends, pipelines etc. to help investors, that would be good value. Ambulance chasing every Merck trial, and interviewing each side's attorneys adds little. Recycling it throughout the day, after the news value has gone (not his fault), becomes lame and unfairly splatters on him.

Ron Insana – The third veteran from FNN, Ron has grown from an on-air extra (who brought his mom's cookies and cake for the crew) to a pro, who can do reporting, interviewing, and opining as needed. He is heir in the best sense to the Ed Hart role of providing trusted perspective. There is plenty of room in the daily programming for him to do so more frequently. For a while he had a bit of Davos Disease, but he weathered it with his credibility intact.

Joe Kernan – For a good indicator of how far CNBC's programming has declined, have a look at Joe Kernan's evolution. As an analyst and occasionally wry observer of the financial scene and players, Joe was a valued contributor to the original Squawk Box success. After Mark Haines nicknamed him The Cahuna, his performance deteriorated as he tried to live up to his on-air persona. As the lead co-anchor of the new Squawk Box, he mostly gabs and opines on everything, including his own lifestyle. Unfortunately, very little of it is interesting or of value, rendering his performance a caricature. Viewers are left to appreciate the skills Mark Haines brought to the old Squawk Box.

Larry Kudlow – Where to begin? One of our instructors during my military service used the expression, "A mind is like a parachute; it only works when open." Using this standard I urge Larry Kudlow to avoid heights! His certitude in his own views is boggling, given his dismal predictive track record. More boggling, CNBC, and by extension GE, allow him to do it in their name, and without the disclaimer they insert for Jim Cramer.

During the Jobless Recovery he served as guest host and one of the quartet that opined on the corporate job creation numbers on the original Squawk Box. Month after month he confidently predicted job creation was around the corner/next quarter/2nd half of the year/corporate animal spirits about to kick in etc. When it didn't happen, he always had a rationale for why the numbers were better than they looked, with little pushback from the other guests or CNBC's own economist. Finally, after one spectacular miss from the anticipated number, he went into his standard mode, and before he could finish, one of the four regulars, a mustachioed economist/strategist from Morgan Stanley said to the effect, "...Larry, these are disastrous numbers, and there's just no other way to spin it." That is precisely Larry Kudlow and what he does.

He routinely cherry picks data to support his fixed opinions, dismissing inconvenient ones that don't. When the evidence is overwhelming, his acknowledgement is grudging and dismissive. Examples:

- Inflation, what inflation? The increased gold price no longer anticipates inflation. Lately, he grudgingly acknowledges there is some inflation.
- Jobless Recovery? A myth! Look at the Household Survey rather than under performing Payroll Survey used by the Fed and explicitly endorsed by Greenspan in Congressional testimony.
- Declining confidence surveys? What's the matter with them; why don't they get that this is such a great economy? They must be victims of "The greatest story never told" media conspiracy. Average incomes are rising after all, (notwithstanding it is a somewhat flawed statistic), while the median income is actually declining. Don't believe me (Larry)? Let's ask Steve Moore.

And what hypocrisy in touting markets as interpreters and predictors! All the data, surveys, and feedback IS THE MARKET! When markets go against his views, they have it wrong. When they agree, they are trotted out as reaffirmation and proof. When inconvenient, "...it's only one month data." When favorable, the one-month factor is no limitation.

Larry Kudlow's finest on-air moment was his tribute to Lou Rukeyser, in which he admitted his past personal failings, and Rukeyser's giving him a second chance by inviting him on his show. A kinder more empathetic Kudlow I thought, but the moment was quickly dashed, when he was dismissive of Ben Stein's suggested surtax on millionaires, with the proceeds to go to soldiers fighting in Iraq - some of whose families, Stein pointed out, depend on food stamps. Bravo, Ben Stein, a conservative Republican economist/Renaissance Man, for your decency! Shame on Kudlow for pooh pooing it as promoting class warfare.

And by the way, on what basis does Larry Kudlow presume to speak for average Americans; telling them in effect to stop whining, as they've never had it so good? What contact does he have with average Americans, other than through

his reliable statistics? Is it when he stops at the gas station to fill up his Escalade? Read the viewer scorn on CNBC's website asking what universe he occupies.

Let's be clear, Larry Kudlow is not a dispassionate observer of the economy and markets, but rather a policy advocate with a fixed view. Nothing wrong in that, but that's not how he is presented. Where is the disclaimer? "We are right on America ..." qualifies as blather, not disclaimer. Why is a disclaimer necessary? Check out his affiliations: National Review Online, Wall Street Journal contributor, past affiliations with Cato Institute etc. Nothing wrong with that either, and no laws broken. But any pretense at balance or open-mindedness is good merely for its insult value. Invariably the guests on any of his panels are stacked both in numbers and time allotted against competing views. Having the Wall Street Journal's Steve Moore, Arthur Laffer, John Fund, and Robert Reich (together with himself) is a 4:1 ratio – his idea of balance! And it all comes across as tribal mantra, the questioning of which is treason, so not done.

As to interviews of Administration officials from the President to Advisor Al Hubbard, every policy is just right, and their only mistake is poor marketing of the "Greatest story never told." Take his June 2 interview with Labor Secretary Chao, along with Messrs. Moore and Reich, immediately after the Payroll Survey came in at 70,000 for May, well under the predicted 130,000 – 150,000. Secretary Chao's initial response was everything was fine, and after all the US is creating far more jobs than Europe, as though that answered anything. Kudlow and Moore echoed the superiority of the Household Survey, followed by Kudlow's presentation as fact that the Main Stream Media was in cahoots to bad mouth the economy, when "...we've never had it so good." Does that include the Wall Street Journal, whose reporter David Wessell talked about a problematic economy that very evening?

Clearly he has access to the current administration; but to what purpose, if the interviews are bogus? Is CNBC really that bereft of ideas that it puts up with this? Is this really a service to its viewers, or a nod to its need for ratings?

Equally clear, he occupies a very important time slot with an opportunity and obligation to provide sense and clarity for the day's events. But it will remain a failed obligation and lost opportunity for CNBC. Therefore, it is time to revert Larry Kudlow to occasional guest status, because an echo chamber for him and guests to reaffirm each other's established conclusions and mantras no longer has value. We the viewers need an honest broker in that time slot who will consider opposing views, get guests to address and respond to each other, and enlighten rather than proselytize us. This past week he was away and Michelle Caruso-Cabrera did a great job substituting. Guests got to respond without being shouted over, and viewers received context and perspective, rather than spin – even from the usual suspects. Our financial well-being requires perspectives like this far more than a daily mantra of being right on America.

Steve Liesman – A question for CNBC’s Senior Economist: In very poor visibility over treacherous terrain, would you allow your family and loved ones to board a plane whose instruments and avionics are as reliable as your economic indicators – and in use at least since the twin-engine prop plane era? Remember that God forbid if the plane flies into an unforeseen mountain, it can’t be assumed away or eliminated from the core flight plan. What say you?

The man has possibilities, but must get out more, and avoid relying solely on his economic data tea leaves. By falling back too often on abstract measurements that don’t tally with real people’s experiences and perceptions, he fails to demonstrate his grasp of why Economics is referred to as the “Dismal Science.” Relying exclusively on statistics and data points, designed in a non-globalized economy and era, to forecast today’s GDP growth, inflation, job growth, or other economic topics; he expresses surprise when the numbers come in so wrong? Some examples:

- **Inflation** – Why fight the real world evidence in the silly back and forth with Becky Quick on real people’s experiences? (Not her fault.) Inflation has now been officially ratified by the Fed, so is undeniable. Wouldn’t viewers have been better served if his analysis and reporting anticipated, rather than merely ratified the conclusion?
- **Job Growth** – If he, along with other “experts” consistently overestimated the monthly payroll growth numbers, any thoughts that maybe the economic instruments used for a changed economy is the problem? If corporate profits go up, and capital expenditures and job growth normally follow, what if these increasingly take place offshore, resulting in fewer American jobs? (No, I’m not Lou Dobbs in disguise, but offshoring undeniably results in leakages the instruments don’t properly measure.)
- **Consumer Confidence surveys** – Like Larry Kudlow he is surprised a majority of Americans express their discontent and concern for the economy in surveys. He’s said things like, “...how can you argue with 4% GDP growth?” Well, Steve, maybe 4% GDP growth doesn’t mean what it used to? Better yet, why don’t you go out and do research for yourself in some of the households you place great stock in for job creation? Now that kind of reporting would provide value.

If Steve Liesman were to get out more into the economy beyond New Jersey Malls and gas stations; and if he occasionally visited corporate sites and saw for himself what was going on – both good and not so good – rather than simply relying on conversations with fellow economists, he would a) understand the economy better, and b) be able keep some of his guest economists honest, when they go into auto pilot mode. I’ve heard him express concern and need for on air etiquette, but if that trumps timely needed push back, than who needs him?

Finally, he needs to define his mission, including who is his target audience. It is not fellow economists, with whom his interplay often seems an exercise in seeking affirmation. He is capable of doing it all, and CNBC should give him the resources to become the most relevant, and effective economist in the media. Otherwise, replace him with a cost-effective secretary to book guest economists to do their unfettered blather on the air.

Steve Moore ** - Unlike other WSJ reporters on CNBC, Steve Moore is from its editorial board, and comes with an agenda. His resume reads like a list of the elite conservative think tanks. This is all to his credit, but he is presented on air as an objective observer, rather than the policy advocate he has every right to be. But where are the disclaimers? He speaks with unmitigated certitude on his own agenda, regardless of the facts supporting opposing views - which he rarely acknowledges.

Like Larry Kudlow, he is an unmitigated partisan, but more formidable. He has no right to accuse anyone of partisanship - in Congress or out – not that it would stop him. And I've seen him pressed only once (by Dylan Ratigan) to address another guest's point. He ignored it and kept going on and on till cornered. It shocked and rattled him so much, that he forgot the question and asked that it be repeated. His flustered response indicated he is generally not used to actually having to respond to opposing views. If not, what's the point of having him on the air so much? Why not a **James Glassman** of American Enterprise Institute, who at least listens to and addresses opposing views? If it's a nod to the WSJ – CNBC partnership, then viewers at the very least deserve a disclaimer.

Bob Pisani – As a reporter of NYSE activity, he is fine. But as an independent commentator on market direction, expressing frustration why the markets went down rather than up as he had predicted, he is screechy; and the results are painful. Going forward: reporting on Art Kashin et al's opinion is fine; informing us Bob Pisani's opinion, with all due respect....

Becky Quick – What a pity she got to co-anchor the new Squawk Box with that bunch, proof that a “promotion” at CNBC is not necessarily a step up, or favor to her. She is talented, and if allowed to grow journalistically, will develop gravitas and be very good. Management should stop changing or hyping her on-air persona. Let her do serious reporting without the perky hype. And don't force her to shill for the programming by having to claim what a full set of important topics await Squawk Box viewers. It blows her credibility.

Carl Quintanilla – I wish him no ill, but for the life of me I can't figure out what he is doing on a show that reports on or discusses business. His contributions to the sophomoric discussions on the new Squawk Box are simply banal. Nor will it get any better than it did the last time. He is totally miscast - no favor to him or to his career.

Dylan Ratigan – Life can be unfair. Here's a guy whose substance is good, and his interviewing, especially of two opposing speakers, is the best on CNBC. His style is tough to take. But his May 4 Morning Call interview of Steve Moore and Jason Furman re tax cuts should be the template for all CNBC anchors and moderators. Moore posed a question to Furman, who answered it at Ratigan's prodding. Furman then posed a question to Moore, who ignored it and kept on going. Ratigan pressed him to respond, a new experience for a startled and rattled Moore, who had to be reminded what the question was, and mumbled something lame.

Rick Santelli – Here is a guy who knows his stuff and does great reporting on interest rates and currencies from the Chicago Board of Trade. CNBC is attempting to raise his profile and leverage it into theatre. I hope he has the wisdom not to fall for it, and in the process blow his credibility. Note to CNBC: this is one of the few successes; leave him alone!

CNBC Shows

Warren Buffet's partner Charlie Munger once remarked his disdain for Wall Street analysts and experts, preferring the services of a good plumber. It takes time and experience - in my case a fair amount of watching CNBC programming - to appreciate Mr. Munger's wisdom. Thank you, Mr. Munger.

CNBC's management, not individual anchors and reporters, is responsible for the programming's shortcomings; including three fundamental flaws and major sources of viewer dissatisfaction: The first is the closed loop of its programming. Mostly it's the same recycled conversation with the same usual suspects – economists, Wall Street firm representatives, and think tanks. Except for the Walmart story and two or three others, CNBC does little original reporting, relying largely on second or third hand input.

The second flaw is the incredible amount of miscasting of talented people in unsuitable roles. Together, both flaws result in predictable shows, relying increasingly on tabloid formats. Sound actionable news is a casualty of this approach.

The third flaw is the programming's to a fault US centric structure. Understandably US markets and companies should be a primary focus and emphasis; but not to the exclusion of other markets. How else to explain the recent July 4th infomercial-like programming, while European and Asian markets were open? Aren't we constantly reminded of globalization, dangers of protectionism, and the need to diversify investment holdings overseas? CNBC anchors are typically dismissive of everything Europe; and Asian markets are touted in the abstract, rather than in specific detail. Go figure!

Worldwide Exchange

CNBC got it right with this welcome addition that replaces Wake Up Call. The format of three co-anchors, Michelle Caruso-Cabrera in the US, Ross Westgate in London, and Christine Tan in Singapore provide terrific insight into Asian and European companies and markets, recap of the previous day's US close, and upcoming events. The show has little idle chitchat, and all three are professional, skilled at anchoring, reporting and in depth interviewing. Guests usually appear alone, have adequate time to discuss topics, and provide more reason and logic; in contrast with the typical hype of their US counterparts.

The anchors invariably have logical follow up questions, and the overall result is satisfying; informative, and contextual. It is valuable preparation for the opening of US markets. Its lone downside is the 4am – 6am time slot. Interestingly, foreign commentators on US markets appear far more objective and on the mark than their US counterparts.

Squawk Box

The original Squawk Box began as a groundbreaking program, with guest hosts, good chemistry among the role players; and a perfectly cast anchor in Mark Haines, who made the program work. When he was on vacation, it didn't work as well. At its height it was arguably the most popular show in the CNBC lineup. Eventually the show tired, and the Brain, Cahuna, et al became predictable. Rather than fix it, CNBC changed the entire show, format and cast.

The new Squawk Box is banal, a combination of talking version of the New York Post and Gong Show. The three anchors – Joe Kernan, Becky Quick, and Carl Quintanilla – have little chemistry, and especially with Charlie Gasparino, banter on as though their personal insights or exclusive gossip has real added value. Would that it did.

Joe Kernan, the host of the program, is simply miscast. What worked in the early days of the Cahuna (his pithy chiming in on the original Squawk Box) is now buffoonish for a 3-hour host. The show's content, casting, visuals, and sound effects results in just so much noise, and accomplishes nothing. If viewers really wanted a talk show, Imus is a far more interesting and funnier choice.

Squawk on the Street – Mark Haines cast as a high-energy reporter/interviewer from the NYSE floor, for viewers who have known him as a great anchor/moderator, is jarringly clownish. Erin Burnett's co-anchoring/reporting and David Faber's reporting/commentary provide the show's value. The show is a net plus, but it is sad to have to point out the cause of its shortcomings.

Morning Call – The producers seem confused about their objective. This is not the Today Show, and Liz Clayman is not a business show equivalent of Katie

Couric. The requirement is for informed; value added analysis and observations at market openings for viewers to consider in making investment decisions. It is not about making nice with viewers, with Liz also in charge of the recycle button. Mark Haines adds little in this venue, and Melissa Francis proves she has a greater future as an energy/commodities expert. The overall effect is two hours of trading water, or marking time until the serious reporting arrives. That is an absurd waste.

Power Lunch – What should be real heavyweight programming has evolved into a two hour lifestyle program on vacation getaways, recycling of world news, and very light business reporting/interviewing. Bill Griffeth and Sue Herera provide very little value in this venue. The venue should change to their taking turns hosting a daily Lou Rukeyser type show on the half hour, interviewing, a couple of guests along with Ron Insana for perspective. The other half hour would be reporting of actionable news from world markets. Or, if this venue stays, change the co-anchors. Sorry, Bill and Sue, but this show doesn't showcase what you do best, and provides us marginal value.

Street Signs – Of all the daytime programming, this show, along with World Wide Exchange, provides the best actionable content, and could easily be expanded to two hours. Here's hoping CNBC and Erin Burnett have the wisdom to resist urges to convert her into a celebrity. It never works for very long.

Closing Bell – The 3pm – 5pm slot indeed occupies two of the most important hours of the daily lineup. It covers the final trading hour and the first post closing opportunity to assess the trading day. Prior to the Bernanke flap, Maria Bartirano was doing a barely passable job as senior anchor, and it is time to move on. Four candidates would do a superior job: Ron Insana, Erin Burnett, Michelle Caruso-Cabrera, or Bill Griffeth.; or any combination of two of them.

Kudlow & Company – The 5pm – 6pm slot is also a very important opportunity to provide serious perspective on the day's major business developments, and context for the next trading day. Larry Kudlow analysis and commentary is totally predictable, and of little value. Any of the four candidates to replace Maria Bartiromo on Closing Bell would do a superior job in this slot as well. (Name change, of course!)

Mad Money – Jim Cramer has proved there is a niche market for this program, which relies more on theatre for its popularity, than accurate calls. Since there is an adequate disclaimer, viewers can watch and make up their minds at their own risk. But re-airing it is an open admission of the weakness and lack of imagination in CNBC's lineup.

Economic Reporting – It is a component of most programs, but in its current format is merely one more voice indulging in abstract statistics, and seeking guest and colleague affirmation. Rather than wasting too much time creating

drama as to whether the Fed will hike or pause, how about some first-hand reporting from outside CNBC HQ? Otherwise, replace the CNBC Senior Economist position with a reliable scheduler, to book guests for shorter segments. Less wasted time and opportunities to sow confusion.

Solutions - Directions

Only a lack of will or imagination holds CNBC back from capitalizing on its vast resources and talents to offer truly great programming. That it doesn't is maddeningly frustrating – sort of like when Charlie Brown goes to kick the football, and Lucy pulls it at the last minute. The following is not an exhaustive list for success, but should help:

First Principles – To get it right, management needs a clean sheet of paper and examine the lineup's structure and reasons for being, including:

- **Audience** – Who is the target audience that CNBC serves? Is it viewers seeking objective, actionable information for investment decisions, as most viewers think? Or is it a broader, more general viewership, as the content implies? Here's a thought: The audience is likely one audience of significant numbers, distributed globally, tuning in at different hours, all united in seeking a trusted source for investment perspectives.
- **Clear Mission Statement** – Viewers may assume CNBC's mission is to provide the best, objective, actionable content for leveling the investment playing field. Does CNBC see it that way? Clarification, please.
- **Economics** – Certainly CNBC must strive for increased viewership and profits, but not by prostituting its mission and diluting quality. If margins are low, reduce overhead. Size the cost structure within the revenue streams. If that means offshoring some of it to CNBC Asia, it is entirely likely to result in a double victory – reduced cost and improved quality. Get the content right, and viewership and advertising will follow.

Refocus – Content, not any individual anchor or reporter is the star on CNBC. Ideally, great personnel would present great content. It was the case, once. With the exception of Cramer's entertainment value, no one watches CNBC to catch any particular anchor or reporter. So great content presented by capable cost-effective staff is a winning formula. Schlock presented by celebrities and aspirants is not.

- **Create More Global Content for US Viewers** – It's no longer only about the US economy and companies. Plus, there's a wave of stock market consolidations that will lead to 24-hour trading days. It makes

little sense to proclaim faster growth in overseas markets without providing specifics. CNBC should integrate significant amounts of CNBC Europe and CNBC Asia's existing content to replace much of the noise and filler that is much of the present lineup. Coverage of foreign companies, and how US investors can invest via ADRs or local exchanges would provide great value.

- **CNBC Europe and CNBC Asia Personnel** – Particularly CNBC Asia, has a whole stable of professionals who would be welcome cost-effective additions/replacements as needed. If restructuring takes place, that's where to draw replacements.

Interviews – CNBC interviews would greatly benefit from more discovery and less interviews for interviews' sake. What's the point of affording guests propaganda platforms, especially those who spin and fail to answer questions? Polite but firm follow up to insure questions are answered is always welcome. And please don't condone guests' shouting. Viewers want to be informed, not indoctrinated.

Less Gimmicks, Glitz, and Talk-show Formats – If viewers were into that, Imus would be a far better alternative. If, as anchors constantly repeat, CNBC is truly interested in what viewers think, how about fixing the website to make it more user friendly? Viewers are convinced it was intentionally "upgraded" to be slower and discourage negative posts. How about getting some serious viewer feedback by replacing some of those silly poll questions with some of the following, and broadcast the results at the end of each show:

- What did you think of this show?
- Grade the anchor and reporters on a scale of 1 – 10
- Include specific comments where space has been provided.

By the way, CNBC, viewers have informed you what they think of all the swooshing and screen movement. If the website wasn't so lame, you would have far more responses. Are you listening? Is anyone there? Hello?

Economics Reporting – The opportunities are huge to do it right. Give Steve Liesman some resources and latitude, push him out of the office, and demand the best economic reporting in media. For example, if households and small businesses are the economy's primary growth engines, why no first hand reporting? Why rely on statistics and data from Wall Street and think tank economists? When do they actually get out of their own offices to visit households and small businesses? Asking the question reveals the absurdity of the status quo. When was the last head of a household or small business brought to CNBC for an interview, as with their corporate chieftain equivalents? Other examples:

- **Productivity** – How real are the statistics, and how much of it is illusory? In doing the research Steve Liesman might also discover the answer to his own conundrum: what’s wrong with 4% GDP growth, and why aren’t most Americans happy with the economy’s direction?
- **GDP = C + I + G + NE** – If GDP’s 4% growth depends largely on **C** rather than **I** or **NE**, why is that necessarily such a good thing, especially when **C** is financed by debt? How will deficits and the national debt be reduced by increases in **C**? Seriously, what are we missing?
- **Statistics** – After yet another big miss today in the June payroll numbers, how about checking some of these economic barometers to see if they still work?
- **US Bond and Treasury Bills** – Is their creditworthiness still undoubted? Do the major investors in the paper, especially in other countries, still think so?
- **Balance of Trade/Payments** – Even if the dollar gets trashed, will these twin balances improve to a significant extent? How about some first hand investigation and reporting to see if the US actually makes enough competitive stuff that other countries want, that would benefit from a lower dollar? Otherwise won’t we simply end up with the worst of all worlds – no improvement in trade balances, and the trashing of all dollar denominated assets?

Quality reporting, please, you can do it! We need you to do it!

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