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THEN QUIT OR RIOT"

– Greg Palast, author of *The Best Democracy Money Can Buy*

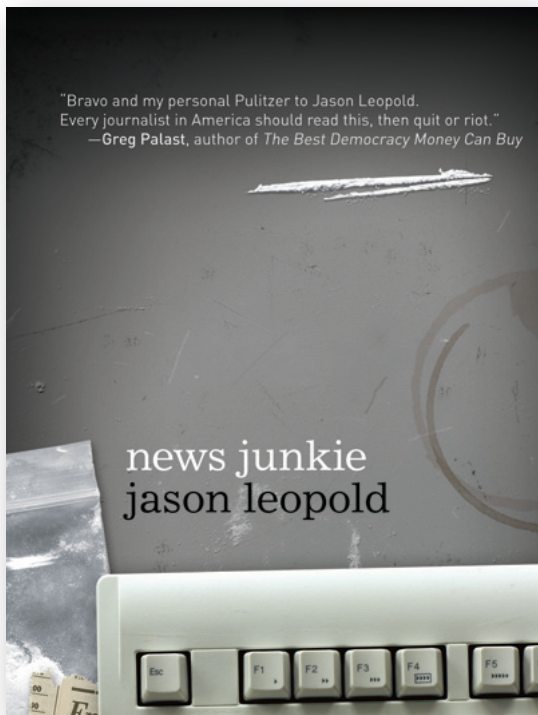
# THE INSIDER

An excerpt from

**NEWS JUNKIE**

By **Jason Leopold**





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News Junkie - \$16 – [www.Processmedia.com](http://www.Processmedia.com) - ISBN 0-9760822-4-1

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## CHAPTER ONE THE INSIDER

I guess you could say I was lucky. Maybe I was in the right place at the right time. Perhaps some higher power was looking out for me. Whatever the explanation, something made me call Steve Maviglio one Sunday afternoon in July 2001.

Maviglio had been Governor Gray Davis' press secretary for nearly a year and was miserable. He hadn't had a girlfriend in three years and people were beginning to question whether he was heterosexual. He was 42 years old and lived alone in Sacramento with his cat, Enzo.

His job was to make the governor look good by any means necessary, and Maviglio considered himself gifted at turning a bad situation into a positive news story. The lonely bachelor despised reporters, particularly those who called him only for information. His primary nemesis was a feisty reporter for the *Wall Street Journal*, Rebecca Smith. Whenever Smith called Maviglio for a comment, she'd push his buttons with, "Can't you do better?" or "Is that really what you want to say?" I would see Maviglio turn beet red, veins popping out of his pockmarked forehead, when he was on the phone with Rebecca.

Maviglio and I, however, got along quite well. I genuinely liked the guy. He could count on me for a good laugh. At least once a day I would send him e-mails making fun of the governor or the other reporters. We were both transplanted East Coasters. I'm from the Bronx. He grew up in New Jersey, a total Guido. When we reminisced about East Coast cuisine, I discovered that Maviglio had a soft spot for hot pastrami on rye, so I surprised him with one when

he was holed up in the governor's Los Angeles office doing damage control on the energy crisis.

I spoke to Maviglio more than any of my other sources. It made me feel important to say that Governor Gray Davis' press secretary was a friend. When Maviglio flew to Los Angeles, I would pick him up at the airport and comp his meal on my Dow Jones American Express card. Most of the time Maviglio seemed depressed and sounded robotic, never showing any sign of excitement. I always felt the need to cheer him up.

And though I made him feel comfortable enough, Maviglio kept secrets about the energy crisis close to the vest. When it came down to it, he knew that I was a journalist first and a friend second, and that I might sell him out for the price of a good pastrami sandwich.

When I phoned Maviglio that fated Sunday afternoon I was jonesing for a story. He answered on the first ring.

"Yo, motherfucker."

"What's up?"

"What's wrong this time?" I said. "You in need of an escort?"

Suddenly he asked, "What do you know about this investigation by the SEC?"

Oh yeah, the Securities and Exchange Commission investigation. Bill Jones, a Republican Secretary of State and a fierce critic of Governor Davis, wrote a letter to the SEC insisting on an investigation into the governor's energy consultants buying stock in energy companies during contract negotiations.

When power utilities ran out of cash in 2001, California went through a half-dozen blackouts. Eventually, the state had to assume the role of buying electricity. The consultants' job was to convince the energy companies to sign long-term contracts with the state so that further blackouts were prevented.

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Maviglio's voice sounded strange that Sunday. I sensed he was worried, so I tried bluffing him about my knowledge of state affairs.

"Well, the SEC is seriously looking into the issue."

"How do you know that?"

"Jones' office told me. They got a response from the SEC saying so. In fact, I am going to write a story about it."

"Any idea who they would be investigating?"

"Everyone and their mother."

"Did Jones' office give you any names?"

"Yeah, but I can't tell you."

"Come on, asshole."

"Anyone who bought stock in energy companies during the negotiations."

Due to the fact I was a business reporter with experience dealing with government agencies, Maviglio bought my bogus SEC tale hook, line and sinker. Then it hit me.

"Steve, did you buy stock in any energy companies?"

"Off the record?"

"Sure."

"Yeah."

Jesus H. Christ. I just hit the jackpot.

"During the negotiations?" I asked.

"Yeah."

"Which ones?"

"Calpine."

"How much?"

"About \$12,000."

Maviglio also said he owned some Enron stock, but that he bought it in 1998. No matter when he bought it, it still made him look tainted.

If the SEC discovered that Maviglio invested in Calpine and was speaking publicly about the company in a way that boosted its stock price, it would appear as if he had an ulterior motive to increase his own financial stake.

Maviglio was present during contract negotiations and knew which companies were signing contracts with the state, for how much, and for how long. He admitted to me that he never filled out the financial disclosure form that everyone who works in state government is supposed to complete before they're hired. The form is also supposed to be turned in every year. Because Jones was making a stink about consultants failing to complete the paperwork, Governor Davis instructed his staff to dot the i's and cross the t's on all the financial disclosure forms so that his political enemies were deprived of attack ammunition. Once Maviglio turned in his disclosure form, it would be evident that he bought Calpine stock during contract negotiations, and would lose his job as a result. Davis had already fired five consultants who were heavily invested in a company that signed a contract with the state.

The energy crisis was spiraling out of control, and Gray Davis had already accused Enron of ripping off California, calling the corporate hierarchy "snakes" and "robber barons." California's Attorney General Bill Lockyer told a *Wall Street Journal* reporter he would like to see Enron's CEO Ken Lay get raped in prison.

A week earlier I asked Maviglio why the governor was spewing venom at all the other energy companies but left Calpine unscathed. Davis had even posed with Calpine's CEO Pete Cartwright for a photo that ran in several newspapers. If the SEC found out that Maviglio had invested in Calpine and was grooming the company publicly, the conflict of interest would appear, to put it mildly, inappropriate.

"Dude, you're fucked. Big time."

"Thanks, asshole. Like I don't know that already."

"Why the fuck did you do something so stupid?"

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“Because everyone told me it was a good investment and that I could make a lot of money.”

“You’re going to jail.”

“Fuck you. You better not write about this. Everything I told you is off the record. The only people that know about this are you, my broker, and my lawyer.”

Why Maviglio suddenly decided to confide in me I’ll never know, but there was no way in hell that I was going to zip my lips on this bombshell story. I immediately phoned Andrew Dowell, my Dow Jones Newswires editor, at his New Jersey home. I always called Andrew on weekends, and I’m sure his wife hated me for it. Whenever I called, they’d be out to dinner, or in bed. But journalism isn’t a nine-to-five occupation. If you get a call from your editor saying you have to cover a story, you can’t say, “it’s not my shift.”

“Drew, it’s Jason.”

“What’s up, dude?”

“Am I disturbing you? Are you in the middle of something?”

“We’re eating dinner, but what’s up?”

“You are not going to believe what I just found out. I was on the phone with Maviglio and we were talking about this whole SEC crap that Jones sparked, and I asked him if he invested in energy companies and he said, ‘Yes.’ That he invested in them during the negotiations.”

“Holy shit! Which ones?”

“Calpine and he owns some Enron stock, too, but he said he bought the Enron in ‘98.”

“What a fucking idiot! Dude, you’re amazing. Tell me about the conversation you had with him.”

“Well, here’s the problem. He told me everything off the record.”

“What! He can’t do that. Call him back and tell him you have to report it.”



"I can't. I'll lose him as a source."

"Dude, you have to report this major story. Davis is trying to make it look like his consultants didn't do anything wrong. These guys are buying stock using inside information. That's criminal."

"I know."

"So what are you going to do?"

"Let me work on him. I mean, we wouldn't be putting this out on the wire today right?"

"Nah, no one's around. But we should definitely put it out tomorrow."

"Okay."

"Good work, dude."

"Thanks."

• • • • •

The off-the-record rule in journalism is one of those unwritten agreements journalists make with their sources. Like a handshake. But there's no law that says if you print anything off the record you'll go to jail. It just means that your sources will distrust you and it makes the job of getting information far more difficult. There comes a time when a decision must be made on how far you're willing to go to get the story. I decided then that I was willing to cross ethical boundaries and risk my relationship with a key source to use what Maviglio revealed to me "off the record."

I'm not a unique case in the history of journalism. Reporters routinely cut corners for a juicy story. I'm not looking for a way to excuse my behavior. I'm just saying that it happens more often than you might think. All journalists have their own set of personal rules, and some actually take them seriously. They're the ones who slam on the brakes when a traffic signal changes from green to yellow. Others like me speed up and race through the intersection before the light turns red.



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There is no feeling like breaking a news story. The only thing that comes close is when you snort that first line of coke and all insecurities vanish and you feel like you can conquer the world. The first time I felt that white powder trickle down my throat, everything in my life became perfect. Suddenly I was taller, better looking, and the pain of being rejected by my parents disappeared. High on coke, I could talk for hours with total strangers, and was no longer afraid of being rejected by women. Everyone was my friend. It was love at first sniff.

For years I tried chasing the feeling of that first high. The pathetic thing is that it never came back, and I nearly destroyed myself and my and loved ones in pursuit of it.

Somehow I managed to keep myself employed and even moved up the ranks at several news organizations as a full-blown junkie and alcoholic. There were times when I would go cold turkey for a month or two, but then I would start the drinking and drugging all over again. I even tried to OD one night by snorting one impossibly big fat line. My heart raced so fast that I was convinced it was going to burst through my chest or shut itself down—but the fucker kept on ticking. Worst of all were those high hours of extreme paranoia, when I feared that rats were in my underwear and were going to crawl up my body and chew my face off. I'd strip off my clothes and stand naked in my bedroom, swatting at my genitals. This drug-induced terror was worse than death.

After enduring this sort of behavior for an entire year, my wife Lisa finally came to the conclusion that I was going insane. Incredible as it sounds, I managed to hide my addiction from her. Lisa is what drug addicts call a *normy*. She's never been drunk, never experimented with drugs. She couldn't spot a drug addict if he was sleeping right next to her. The quality of Lisa's innocence attracted me to her, and I thought she could save me from myself. Deep down I wanted to be like her, but I enjoyed being out of control and self-

destructive. When Lisa could no longer deal with my psychotic episodes, she visited a therapist who told her that she was living with a drug addict. We went to see this therapist together, and the next thing I know Lisa's crying and telling me she knows I'm on drugs and that if I don't get help that she's going to divorce me. Of course, I denied everything and walked out. My first instinct was to jet to some other state where I could hide out—alone, with my drugs.

Then I had what addicts call a moment of clarity and walked two miles to my mother-in-law's house, knocked on the door and with my last bit of hope pleaded, "Help me."

I chose to ask my mother-in-law for help because she treated me like her own flesh and blood. It was nothing like the stereotypical in-law relationship portrayed in books or movies. We were friends. She knew everything about me, or so she thought.

Still, I was sure that when the dust settled I would be judged by her and everyone else in Lisa's family, just like my blood relatives judged me. My father always compared me, particularly my intelligence, to the other children in our neighborhood, who apparently were all geniuses.

On my wedding day, my father asked me if Lisa knew everything about me, all the sordid tales of my life. I said, "Yes, she knows everything."

"Wow. I don't think I would be so accepting if Michelle brought someone like you home," my father said, referring to my sister. That's when I stopped speaking to my parents. It was either that or commit suicide. My father's words made me doubt myself and wonder what my wife saw in me.

A bed was reserved for me at the rehab clinic and my mother-in-law and her sister, a psychoanalyst, drove me there. When I arrived, I was interviewed by a doctor who asked:

"Did you do cocaine last night?"

"Yes."

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“How much?”

“I don’t know. Two, three grams.”

“Do you smoke?”

“No.”

I smoked like a fiend but never in front of people. My mother-in-law was sitting in the chair next to me and I didn’t want her to know that I smoked. Here I was admitting that I ingested a shitload of cocaine, but denied being a smoker because I was afraid of what my mother-in-law might think.

This was the same rehabilitation clinic in Marina Del Rey in which Kurt Cobain was confined the day before he escaped, flew back to Seattle, and blew his brains out. My rehab began like Cobain’s, through intervention. And like Cobain, I hated myself and wanted to die.

After a month in that clinic I went home and have been sober ever since. I attend Alcoholics Anonymous meetings regularly. But I replaced my addiction to drugs and alcohol with an addiction to breaking news stories. Once you get a taste of the notoriety and the incredible feeling of power that come from breaking news, there is nothing else like it. Even in sobriety, I behaved like a drug addict. Instead of trying to cop a gram of coke, I was now hounding sources to see if they had any good scoops.

The anticipation of getting a news story, of being the first one to uncover a major development or a top-secret document, made my legs twitch and teeth chatter just like when I would be close to scoring an eightball of coke. My sources were now my dealers, and I called them whenever the high from breaking a previous story was beginning to wear off.

I woke up at 7 a.m. Monday morning, showered, got dressed, and headed to a coffee shop. This was my morning routine. The only way I was able to work and stay high-strung was with my quadruple macchiato. Four shots of espresso in my stomach and pow—I was

a freight train. The reason I got along so well with the French when visiting Paris is that I drank more coffee and smoked more cigarettes than they could. I only knew five French words and I would repeat them over and over: “*Un café s’il vous plait.*”

The Dow Jones Newswire Los Angeles bureau, of which I was chief, was only two miles from my house. The bureau housed two other reporters and was not your typical newsroom. It was a small space—one room to be exact—no bigger than a studio apartment in Manhattan. But we had an amazing view of the Hollywood sign from the 15th floor of the Wilshire Boulevard high-rise. Three large file cabinets and two dividers separated me from the other two reporters. Some genius thought that putting dividers in a 300-square-foot office would invite a level of privacy, but I could tell you everything that went on in my fellow reporters’ lives.

Because Monday was going to be a big news day I needed to get pumped up. I turned on the CD player in my car and cranked up Slayer’s *Seasons in the Abyss*. The combination of strong coffee and heavy metal was like a shot of instant adrenaline. I felt mean. I clenched my teeth, looked in the rearview mirror, and made a mean face like the Mafia figures I admired. I lit a cigarette and sucked it down to the filter. After rehab, I kicked the drugs but still couldn’t stop smoking.

Jessica, the other reporter who covered energy, got to the office an hour after me. She had just graduated from a journalism school in Texas and this was her first real reporting gig. Unlike most neophyte reporters I’ve worked with, Jessica had passion. I think she fed off of me. I told her the whole story about Maviglio buying stock in Calpine during the contract negotiations and she was floored.

“Shit, man, I wish I got that story.”

“You wanna work on it with me?” I offered.

“Hell yeah!”

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I figured that having another reporter on the story would serve two purposes: one, it would take some of the heat off because I could pass the buck to Jessica and make her call Maviglio for a comment; and two, it would show my superiors in New York that I wasn't one of these reporters who refused to share a byline.

I told Jessica we needed to figure out how to report this story without having me call Maviglio and tell him to come clean.

"Too bad Bill Jones doesn't know about it," Jessica said. "You know he would immediately put out a press release on this."

The last thing I wanted was for anyone else to get this story, and Jones had this terrible habit of using the *Los Angeles Times* to break stories. I hate that—politicians using the biggest newspapers to pimp their own agenda and deprive everyone else in the press a fair shot at the same story. I wasn't going to let that happen.

I figured a way to use Jones to help me report the scandal. I told Jessica to write the story as if we were going to send it out on the wire. Then I told her to be ready for my call.



On a traffic-clogged drive to a noon haircut appointment, my brain was seething with the story's repercussions. The public had a right to know that the Davis administration was padding pockets as a result of their knowledge of the energy crisis. Fuck worrying about violating journalism's code of ethics, I rationalized. The story was too fucking big.

On the barber chair, I called Bill Jones' Communications Director.

"Beth, hi, it's Jason Leopold with Dow Jones. I need you to do something for me. It's going to really benefit Jones."

"Oh yeah?"

"What I am about to tell you is highly confidential and I don't want you to let anyone know that it came from me."

"What is it?" she said, almost whispering.

“Steve Maviglio bought stock in Calpine during the contract negotiations. He also owns stock in Enron. He was in on the talks with the generators and he bought about \$12,000 worth of stock in Calpine afterward. He hasn’t handed in his form that says what his financial holdings are, but I want you to call the *Sacramento Bee* and leak this story to them.”

“Jason, this is really big. Are you sure about this?”

“Yes. I spoke to Steve yesterday and he told me this off the record. I need to report this story. I want you to tell the *Bee* that you found out from a mole in Davis’ office that he bought the stock and hasn’t told anyone in the state yet.”

“Oh my God. He should be in jail. What he did is...”

“Listen, Beth, I’m on a deadline here.”

“Okay.”

“After you call the *Bee* I want you to call Jessica Berthold in my office and tell her the exact same thing you told the *Bee*. But don’t tell her you spoke with me.”

“Why?”

“Because that’s how I’m going to break this story.”

Then I phoned a Republican energy industry source and made him all hot and bothered with the Maviglio story, asking him to leak it to the *Los Angeles Times*.

I chose the *Bee* and the *Times* because the Sacramento newspaper champions itself as being ahead of the curve on political scandals, and the *Times* is so slow and methodical that they’d give Maviglio the impression that they’d been looking into his stock purchases for weeks. Both papers wouldn’t be able to report my discovery until the following day, but the wire service I worked for could break it immediately. Voilà, the story would be sent out to the top newspapers and half a million subscribers, and I’d get credit for reporting it first.

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This was the most fulfilling haircut of my life, and I didn't even bother looking at the result. It hadn't even been 20 minutes since I asked Beth to spill to the *Bee*, but already I received an urgent voicemail.

"Leopold, it's Maviglio—I need you to call me NOW!"

My heart started racing. I didn't want to call him. I gripped the steering wheel as tight as I could until I felt pain in my knuckles. I tore the cuticles off my fingers with my teeth until my fingers started to bleed. Now I felt alive. It brought me back to my childhood, when I was about to get hit by my father. I knew I had to speak to Maviglio, otherwise he would know for sure that I was the source of the leak. I practiced my greeting out loud. I wanted to make sure I sounded like I had no idea what was going on. I punched the steering wheel and dialed his number at the governor's office pressroom. He answered right away.

"Hey...What's up?"

"I'm going to fucking kill you. You told the *Sacramento Bee* about me."

To avoid beatings at the hands of my father, it had paid to be defensive and at least sound like I was telling the truth.

"Are you out of your mind? What the fuck are you talking about? I never spoke to anyone at the *Bee*. I hate those bastards."

"Well, I just got a call from the *Sacramento Bee* and they said that Jones' office told them that I bought stock in Enron and Calpine. The only people I told about that are you, my lawyer, and my broker."

"Dude, think about this for a second. How would it benefit me if I told the *Sacramento Bee*? That makes no sense. Did you tell anyone in your own office about this?" I asked.

"The press office knows, but that's it."

"Any chance anyone there would have said anything?"



“No fucking way. I don’t know how the fuck Jones could’ve found out. This is fucked. Now I have to go to the governor and fucking tell him about this. I really hope you didn’t say anything because if I lose my job I’m gonna kill you.”

“Come on, dude. First of all, you know Jones is on a rampage and he has connections at the SEC.”

Maviglio slammed the phone down. Back at the office, Jessica was a nervous wreck. She said she got a call from Beth at Jones’ office that the *Sacramento Bee* and the *Times* were running Maviglio stories in the next day’s paper.

“Relax. I leaked the story to Jones.”

“You *what*?” There was disgust in her voice.

“Look, we needed to report this story. Sometimes the public good outweighs everything else. Maviglio never should have told me this off the record.” I was lying. I didn’t give two shits about the public good. At least not then. I simply sensed a big splash and wanted to boost my career and my ego.

“Well, what should we do now?” asked Jessica.

“I want you to call Maviglio and tell him that you got a call from Jones’ office about him buying shares in Calpine and Enron. I want you to ask him how much he bought, whether he intends to sell the stock, and if he thinks it was a conflict of interest.”

Jessica was dreading the call as much as I was, but I used her to stay as far away from Maviglio as I could.

My only contribution to the story was a comment from Bill Jones and a quote from the Fair Political Practices Committee, a state agency that decides the punishment for government officials who break rules about financial disclosure. I called Jones first. His secretary patched me through and Jones didn’t even wait for a question.

“Hi, Jason. This latest news is extremely troubling. Steve Maviglio should immediately resign as press secretary. He should imme-

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diately sell the stock and I am asking that the SEC investigate Mr. Maviglio to determine if he broke any laws.”

I didn’t need anything else. Jones said it all. This is one reason journalists are not supposed to befriend their sources. If it ever gets to the point to where you have to expose your source for one thing or another, emotions can take over and you hesitate about writing the full story. But I wasn’t one to hesitate, not even with Maviglio, who I hung out with, and genuinely liked.

I called the Fair Political Practices Committee office and the spokesman there read me the conflict-of-interest code stating that any state employee who has a financial interest in a company while doing state business with the same company can be heavily fined. And if the SEC investigated Maviglio, he could very well be jailed for insider trading.

I desperately wanted to get this story out on the wire. When Jessica hung up, she let out a huge sigh and said she felt really bad for Maviglio. I did, too. I knew what I was doing was sleazy.

“What did he say?”

“He said he’s not selling the stock, that he wasn’t involved in the negotiations, and that he has no business dealings with any of the companies he invested in.”

“Did he say anything about me?”

“No. He actually was pretty understanding. He said he knew he would have to talk about this sooner or later.”

Jessica wrote up her part of the story, and we shared a byline. It took about 40 minutes total, between writing and editing, before it went out on the wire. The headline was damning.

GOV’S PRESS SECRETARY BOUGHT ENERGY  
STOCK WHILE STATE NEGOTIATED POWER CON-  
TRACTS: SEC OF STATE CALLS FOR SEC PROBE

## JASON LEOPOLD

The next day every major newspaper in California had picked up the story and the *Sacramento Bee* and the *Los Angeles Times* wrote their own versions. Jessica and I shared a \$50 award from Dow Jones for breaking the story.

By the end of the week, every daily newspaper in California called for Maviglio's resignation.

# **WRITING WORTH READING FROM AROUND THE WORLD**

**ColdType**

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