

## Weekly Financial Report with Scott Roulston

**August 30, 2002**

Scott Roulston, CEO of Fairport Asset Management, discusses the shift in activity from the consumer to the business sectors, the investigation of IPO shares directed to CEO's who reaped huge profits, and the search for a new leader for the County's economic development.

**April Baer** – The stock market has lost some ground against the bearish news backdrop. Wall Street turns again with an eye on Jackson Hole, Wyoming today where Fed Chairman, Alan Greenspan, speaks to the Kansas City Fed's economic meeting. Investors will be looking to see how Greenspan reads the tea leaves. But why wait for the Fed Chairman when we have Scott Roulston of Fairport Asset Management who joins us every Friday morning to talk about the business news of the week. He's with us today. Scott, good morning.

**Scott Roulston** – Good morning, April.

**April Baer** – As we begin, let's just take a snapshot of what's been going on this week in the economy. The Commerce Dept. had some promising news. Orders for big ticket items surged up last month – I think 8.7%. However, at the same time the overall growth of the economy screeched down to 1%. And consumer confidence took a hit. What does all this mean exactly?

**Scott Roulston** – First of all, I think as you indicated, the markets kind of looked at this information as bad and were still somewhat in a mode where the market grasped bad news and dismissed good news. I think of all the activity, it may appear right now that economic activity is shifting a little bit from the consumer to the business sector. That durable goods number you reported was very encouraging. The consumer confidence – you know, the important thing here is jobs and income. It's nice to have consumer confidence but you can't spend confidence. Growth is coming from productivity gains, not employment gains right now, which explains why consumers are not so joyful.

**April Baer** – I guess all the news about consumer confidence sort of begs this question - remember all the activity related to corporate governance that's happened in the last couple of weeks? The arrests, the indictments – was all that for naught?

## Weekly Financial Report with Scott Roulston

**Scott Roulston** – Well, I don't think that really helps consumers as far as their confidence and spending. They are very concerned about their jobs and their income. So I think it will help over the long term in terms of the integrity of stock market investing, but there is still a lot of anger and mistrust towards the stock markets, even.

**April Baer** – Hey, speaking of corporate oversight, Salomon Smith Barney this week did something kind of unusual. The company retracted a denial – you still with me on that? They retracted a previous statement that it had offered its bigger clients a first crack at lucrative Initial Public Offerings, which then could be turned around and sold at a lucrative profit. Given some of the other excesses that we've seen reported lately, Scott, how bad is this?

**Scott Roulston** – It was bad because it's pretty much shown right now that they were giving people like Bernie Ebbers (the Chairman of WorldCom) a lot of options for these IPO's and people like Ebbers were turning around and flipping them and selling them for a profit very quickly. The dirty little secret on this thing *might* be (and we don't know for certain but it's been alleged) that what the brokerage firms were doing is they were letting some people – namely those executives – out early and telling other investors they had to hold on to their stock. That would be a real problem.

**April Baer** – Well, what's the difference between preferential treatment for a nice customer and an out-and-out right illegality here?

**Scott Roulston** – Well, theoretically the brokerage firms can allocate the IPO's to whomever they want. I mean, they can do that – there is nothing in the law right now that prevents them from doing it, as far as I understand. Now whether that is a good idea or makes sense is a whole different question. But locking up some people and not locking up others – I think that's a problem. I'd have to talk to a lawyer about it but I think there's a real problem there.

**April Baer** – Cuyahoga County is looking this week for a new person to steer economic development. The man who used to hold the job, Steve Sims, was hired away by Cleveland's Mayor, Jane Campbell. Now this week Commissioner Tim McCormick told [Crain's Cleveland](#) that business leaders are being asked for their input, so that has led to a lot of speculation that maybe the County is going to go with someone from industry. Scott, do you have any thoughts on what might be good for the County at this stage of its economic development?



## Weekly Financial Report with Scott Roulston

**Scott Roulston** – We really have to get our act in gear. I mean, I would frame this as a tremendous opportunity for the county. This news about GE that just came out – while appliances and lighting are two of their smallest and least profitable divisions, it really hurts losing a position of leadership and especially losing to Louisville. To answer your question, I think – you know, we really need to have some standards for economic development that everyone understands. For example – job creation. I mean, moving Cisco from Bedford to Cleveland, that’s not what this is all about. We’re talking about creating jobs and bringing companies here and keeping the companies we have. This is a great opportunity for the Commissioners and the County to say we’re serious about economic development. Get in somebody in there who really understands business. People have been complaining about this “quiet crisis” series that you’ve been carrying and in the Plain Dealer – I hear some rumblings about it. But I think it’s right on the mark. We should be all over our political and business leaders to really show us some tangible results in economic development.

**April Baer** – Scott, thanks for your time.

**Scott Roulston** – You’re welcome. Have a good holiday.

**April Baer** – You, too. Scott Roulston of Fairport Asset Management joins us every Friday morning to talk about the business news of the week.