James J. Cramer, President of Cramer and Company, a private money management firm, and a contributing writer for *Smart Money* magazine, praised three small companies in which his firm held substantial shares of stock in a recent column he wrote for *Smart Money*. Shortly after publication the stock in these companies, which usually is not traded heavily, soared in value in unusually heavy trading. Mr. Cramer did not violate any laws, but his actions violated the conflict of interest rules for employees of Dow Jones, the co-owner of *Smart Money* magazine, which strictly prohibit employees of the Company's publications from profiting, or even appearing to profit for a coming article. Steven Swartz, the editor of *Smart Money*, contends that this policy does not apply to Mr. Cramer, who is not a Dow Jones employee, and who was asked to write the column, according to Mr. Swartz, because he is an active money manager, and not a journalist. Mr. Swartz also stressed that Mr. Cramer disclosed in his column that his firm owned shares in the companies about which he wrote.

Was it ethical of Mr. Cramer to praise the three companies in his column even though his firm held stock in them? (reported in the New York Times 2/20/95)

MODERATOR'S ANSWER: It was unethical of Mr. Cramer to praise the three companies. He took unfair advantage of his position as a contributing writer to a mass circulation magazine on financial investment. That he disclosed in his column that his firm held stock in the companies is not a sufficient ethical justification of his actions. Someone with the kind of access to mass media that Mr. Cramer had has special obligations owing to his greatly enhanced influence. Even though the Dow Jones code of ethics doesn't technically apply to Mr. Cramer the substance of its conflict of interest provision is directly relevant to his situation.

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