

Controversy marks Newsweek's comeback

March 8 2014, by David Bauder



Dorian S. Nakamoto listens during an interview with the Associated Press, Thursday, March 6, 2014 in Los Angeles. Nakamoto, the man that Newsweek claims is the founder of Bitcoin, denies he had anything to do with it and says he had never even heard of the digital currency until his son told him he had been contacted by a reporter three weeks ago. (AP Photo/Damian Dovarganes)

A mystery man. A splashy reveal. A media frenzy. Newsweek staked its return from the dead on a story it knew would get attention. A cover story claiming it had uncovered "the face behind bitcoin," the world's

most popular digital currency.

It got plenty of attention, all right.

Twenty-four hours after identifying bitcoin's creator as a 64-year-old former defense contractor employee living in Los Angeles, the controversy over whether or not Newsweek had outed the right man was so furious that Newsweek reporter Leah McGrath Goodman made the rounds on Bloomberg TV and CBS Morning News to defend her reporting against Dorian Nakamoto's denials that he is the father of bitcoin. The magazine issued a statement standing by the story and said it had to hire a security detail for Goodman because of threats made against her.

In the comments section under Newsweek's statement backing the piece many people suggested the magazine had jumped the gun by publishing the story before it was fully reported out. Newsweek said Goodman's research was conducted under the same high standards that have guided Newsweek for more than 80 years, and that it expected the story, like any major news revelation, to spark controversy. Saying he was prepared for the "s---storm," Newsweek editor in chief Jim Impoco told digital network Mashable on Friday that he remains confident in the story as reported and didn't see a need to frame the article more skeptically.

"Go large or go home. This is Newsweek," Impoco told Mashable. "We are raising the dead here. And you know what? People are aware of it now."

Newsweek had been struggling for years when The Washington Post Co. sold it in 2010 for \$1 to stereo equipment magnate Sidney Harman. Before he died the following year, Harman married Newsweek to IAC/InterActiveCorp's The Daily Beast website, with Tina Brown as editor, in a move intended to help widen its online audience. The plan

failed, and Newsweek canceled its print edition at the end of 2012. The online magazine was sold to IBT, which owns Web publications including International Business Times, Medical Daily and Latin Times, last August for an undisclosed sum. This week it launched its comeback in print.

Since its inception, bitcoin's creator has been known only as "Satoshi Nakamoto," which many observers have believed to be a pseudonym for one or more people. In its debut cover story Thursday, Newsweek detailed its search for the mysterious Nakamoto. It claimed it found Dorian Prentice Satoshi Nakamoto living in Temple City, Calif. Born in Japan but raised in the U.S., the engineer had worked on missile systems for the U.S. Navy and Air Force, and was employed by the Federal Aviation Administration starting around 1999, but was laid off following the Sept. 11, 2001 attacks.

"Somebody founded bitcoin," Impoco told The Associated Press on Friday. "It's the most influential crypto-currency out there. A lot of people tried to find him and we think we found him."

The Newsweek story begins with a conversation about bitcoin between Nakamoto and Goodman on the front steps of his Los Angeles County home, in the presence of two sheriff's deputies that Nakamoto had called after finding Goodman sitting on his front porch. It quotes Nakamoto as saying, "I am no longer involved in that and I cannot discuss it."

The two L.A. County sheriff's deputies confirmed Friday that they were present for the brief conversation and that the quotes as published by Newsweek are accurate. But Nakamoto, in an interview with The Associated Press on Thursday, said that Goodman misunderstood him. He said he was referring to no longer being involved in engineering, not in bitcoin.

On CBS This Morning on Friday, Goodman fought back, saying that's not what happened and that he definitely acknowledged bitcoin.

Goodman told Bloomberg TV that the detail she reported was "100 percent correct, all the research was true and the story and all the backup research." But she went on to say that forensic research isn't about supporting what you think is true.

"You are eliminating candidates. We cannot eliminate this man at all. And in my confrontation with him he confirmed his involvement," she said. Pressed as to whether Nakamoto actually told her that he created bitcoin, Goodman admitted that he did not, only that he said he was no longer involved. The police shut down the conversation after that, she said.

What's left is a mystery: Goodman may be right, and may have scored an important scoop. Or she may not have. Newsweek's credibility, and longevity, may hinge on the outcome.

Controversy is a risky strategy but in a harsh publishing world for general interest magazines, it may be the best approach for long-term survival, said David Renard, author of "The Last Magazine" and partner in the research firm mediaIDEAS.

"In the industry these days any attention, whether good or bad, gets more faces looking at your product," Renard said.

"They needed to make a splash. If it should blow up on them, then they're reborn under a bad star, with what would be a terrible start," said Ken Doctor, a media analyst for consulting company Outsell. "If the story holds, it's wonderful for them because they need a lot of attention."

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