



Written by [Raven Clabough](#) on July 18, 2011

Telephone Hacking Scandal Surrounds Rupert Murdoch's Media Empire

News of the scandal hit media waves earlier this month when the Rupert Murdoch-owned tabloid *News of the World* was accused of hacking into the cellphone records of victims ranging from celebrities, royals, and politicians to the grieving families of missing persons. The police have examined 4,000 people who have been targeted by the paper. *The Blaze* [reports](#):



Authorities say tabloid staffers may have interfered with police investigations by hacking into the cell phone of a 13-year-old girl who was eventually found murdered. The staffers are also being investigated on allegations of tampering with phones of victims of the July 7, 2005, terrorist attacks in London, which killed 52 people.

Those accused of hacking on behalf of Murdoch's publication were alleged to have employed a variety of ruses. Glenn Mulcaire, the private investigator at the center of the phone hacking scandal, once targeted members of Britain's royal household by duping phone operators into handing over their personal codes. Those PIN codes in turn allowed him and tabloid journalist Clive Goodman to listen in on the royal family's voicemails.

According to [boston.com](#), the hackers used relatively low-tech methods of hacking:

"Pretexting" is a common technique for fooling company representatives into giving up a customer's private account information. A pretexting scheme works like this: A hacker calls up the telephone company pretending to be his victim. An agent asks for personal information, such as mother's maiden name or a pass code, to determine the person's identity. The customer service rep then surrenders call logs or passwords if the information is convincing enough.

As a result of the scandal, one investigator and a former reporter for the tabloid have already been arrested. In addition, a number of companies have pulled advertisements in the tabloid. Likewise, the fiasco has taken a toll on Murdoch's efforts to take over British Sky Broadcasting.

Meanwhile, Rupert Murdoch's son James, head of *News of the World's* operations, officially shut down the tabloid in the midst of the controversy. Murdoch issued a statement regarding the close of the tabloid: "The good things the *News of the World* does ... have been sullied by behavior that was wrong. Indeed, if recent allegations are true, it was inhuman and has no place in our company. The *News of the World* is in the business of holding others to account. But it failed when it came to itself."

Still, as time progresses, the scandal is widening. This weekend, Rebekah Brooks stepped down as the



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head of Murdoch's British newspapers. She was arrested shortly afterward and questioned on suspicion of both conspiring to intercept communications and corruption. She is the tenth person to be arrested as a result of the scandal.

Les Hinton, who served as executive chairman of the British unit that oversaw the News Corp.'s U.K. tabloid newspapers, stepped down on Friday after he became the focus of the scandal. Hinton also served as a board member for the Associated Press and head of Dow Jones.

Hinton issued a statement explaining his resignation, asserting that though he was "ignorant of what apparently happened," he felt it appropriate to step down. He also sent out a farewell e-mail to his staff that read:

News Corp under Rupert's brilliant leadership has proved a fitting parent of Dow Jones, allowing us to invest and expand as other media companies slashed costs. This support enabled us together to strengthen the company during a brutal economic downturn, developing fine new products — not to mention one of the world's great newspapers led by one of the world's great editors, my dear friend and colleague Robert Thomson. However difficult this moment is for me, I depart with the certain knowledge that we have built the momentum to take Dow Jones on to ever greater things.

Murdoch then sent out a response e-mail to Dow Jones employees, which read:

On this difficult day we should appreciate that [Hinton's] extraordinary work has provided a platform for the future success of Dow Jones. And his great contribution to News Corporation over more than five decades has enhanced innumerable lives, whether those of employees hired by him or of readers better informed because of him.

London Police Commission Paul Stephenson was also implicated in the scandal, prompting his resignation. MSNBC explains:

Stephenson said he was resigning as commissioner of London's force because of "speculation and accusations" about his links to Neil Wallis, a former *News of the World* executive editor, who also worked for the London police as a part-time PR consultant for a year until September 2010. Wallis was arrested last week.

Stephenson said he did not make the decision to hire Wallis and had no knowledge of Wallis's links to phone hacking, but he wanted his police force to focus on preparing for the 2012 London Olympics instead of wondering about a possible leadership change.

Predictably, the Murdoch empire is taking a [financial hit](#) for the controversy. According to the *Washington Post*, News Corp. shares have fallen 89 cents to \$14.75 a share. The company has lost 13 percent since July 4, when news reports hit the tabloids that *News of the World* employees had intercepted the voicemail of Milly Dowler, a schoolgirl who was later found murdered. As noted by the *Washington Post*:

The slump has shaved more than \$6 billion off the combined value of the Class A shares and the Class B voting stock that gives the Murdochs control over the company. The Class A stock closed at \$15.64 on July 15 in Nasdaq Stock Market trading.

Overall, the scandal has prompted some — most notably California's liberal Democratic Senator Barbara Boxer — to call on U.S. authorities to investigate News Corp. for its involvement in bribery, phone hacking, and other crimes.



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On Wednesday, Senator Boxer [called](#) for an investigation of Murdoch's company to determine whether it has violated the Foreign Corrupt Practices Act, a 34-year-old law that has served as a model for other countries' anti-bribery laws, which "prohibits corrupt payments to foreign officials for the purpose of obtaining or keeping business."

Critics are now questioning whether a change of leadership is necessary at the company as well, and whether News Corp. will be able to retain its credibility in the midst of this scandal.

Boston University's School of Management Professor James Post, who has written about governance and ethics, remarked, "The shell of invulnerability that Rupert Murdoch has around him has been cracked. His credibility and the company's credibility are hemorrhaging."

Rupert and James Murdoch are scheduled to appear before a U.K. parliamentary committee tomorrow for a hearing, where they will face questions over their roles and responsibilities in the scandal.

Photo of Rupert Murdoch: AP Images



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