

# LOCAL JOURNALISM IN CRISIS

WHY AMERICA MUST REVIVE ITS LOCAL NEWSROOMS

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BROOKINGS

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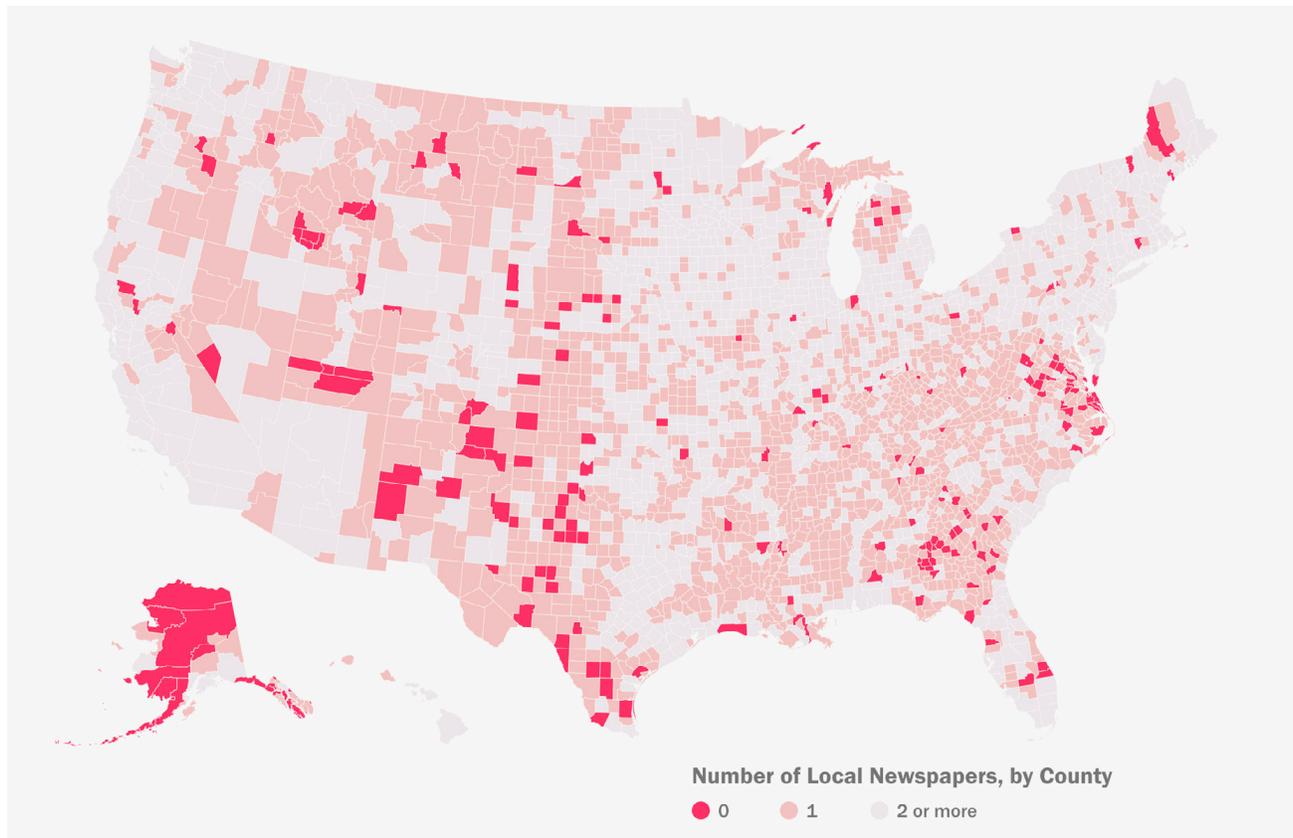
## Introduction

*The Vindicator*—the 150-year-old Youngstown, Ohio newspaper—ceased production at the end of August. Having lost money for two decades, *The Vindicator*'s owners struggled to find a buyer and announced its decision to shut down to a teary group of residents and readers.<sup>1</sup> Many worry the newspaper's closure is a harbinger for local newsrooms across the country, but its fate is just the latest chapter in a story already playing out in too many corners of America that are underserved by the local journalism industry today.

The economic challenges confronting local newspapers—which are uniquely positioned to devote the time and resources needed to undertake in-depth, investigative, and public interest journalism—has

contributed to significant coverage gaps in local news markets. Struggling financially, many newspapers around the country have closed in recent years. This has resulted in communities that lack local outlets, what the University of North Carolina's Center for Innovation and Sustainability in Local Media calls "news deserts."<sup>2</sup> Today, over 200 counties are home to neither a daily nor weekly newspaper, leaving over 5 million individuals in the U.S. without a local newspaper. Over 60 million individuals reside in the 1,530 counties home to just one local newspaper.<sup>3</sup> Of those newspapers remaining, many have merged, laid off reporters, reduced coverage, and pulled back circulation. This has left many parts of the country without local newspapers that adequately cover their communities.

**Figure 1: News Deserts, 2019**



Source: Author's analysis of data from UNC's Center for Innovation and Sustainability in Local Media's Database of Newspapers.

<sup>1</sup> Margaret Sullivan, "Democracy...Is About to Die in Youngstown' With Closing of the Local Newspaper," *The Washington Post*, July 7, 2019.

<sup>2</sup> Penelope Muse Abernathy, "The Rise of a New Media Baron and the Emerging Threat of News Deserts," University of North Carolina's Center for Innovation and Sustainability in Local Media, 2016.

<sup>3</sup> Author's analysis of data from the UNC's Center for Innovation and Sustainability in Local Media's Database of Newspapers and the Census Bureau's Population Estimates Program.

The loss of local newspapers has hit small towns and rural communities particularly hard. While few American cities benefit from the publication of competing local newspapers today, many of the country's less densely populated communities have no local newspaper at all. Meanwhile, nonprofit newsrooms trying to fill the local news void have largely sprung up in urban areas.

The local journalism crisis confronting communities that have lost local newspapers (or seen surviving newspapers become shells of their former selves) has left too many places without access to reliable local coverage on everything from school board meetings to state legislatures. The result is a diminished capacity to hold elected and other local leaders accountable and a general disengagement from local politics. But the consequences of this local news crisis extend beyond the geographic boundaries of the communities once served by today's vanishing and shrinking newspapers.

National outlets that once relied on local reporting to inform their own coverage have become increasingly disconnected from communities across the country as the local journalism industry has suffered. In addition to the ways in which the undersupply of local news has shaped national coverage, the vacuum left when local newspapers disappear has diverted readers toward outlets devoted to covering national stories that may have a strong partisan bent, or that focus heavily on partisan conflict. In places where news consumers cannot balance their news diet with local alternatives, voters tend to be more politically polarized.

This report evaluates the dimensions of the local news crisis, examines its causes, and surveys possible responses, which include providing tax relief to local newsrooms that produce public interest news, helping place reporters on the ground in more

communities, and addressing the ways in which the digital age has introduced new economic challenges to local news publishers.

Informed citizens are too essential to the health of America's democracy to let the local news industry that has long been responsible for performing this important task die off.

## Overview of the local journalism crisis

Declining circulation along with a dramatic fall in advertising revenue help explain the financial challenges confronting America's newspapers. The audience for newspapers has shrunk in recent years, evidenced by declining print and digital circulation.

At the same time, a primary source of revenue for newspapers—advertising—has dried up. Between 2008 and 2013, U.S. newspaper advertising revenue fell by 42%. Over the next five years, the newspaper industry experienced a 44% decline. In just 10 years, the industry saw a 68% decrease in its primary source of revenue.

As newspapers' subscription and advertising dollars disappeared, so did their workers. The American

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newspaper industry has lost thousands of employees over the past decade. Job losses at newspapers have driven the sharp decline in employment that has occurred in America's

newsrooms.<sup>4</sup> While total newsroom employment fell by 25% between 2008 and 2018, newspapers saw a 47% drop in employment. The decline in employment at newspapers was particularly steep in the wake of the Great Recession, but even as the nation's economy recovered, newspapers continued to shed jobs. In

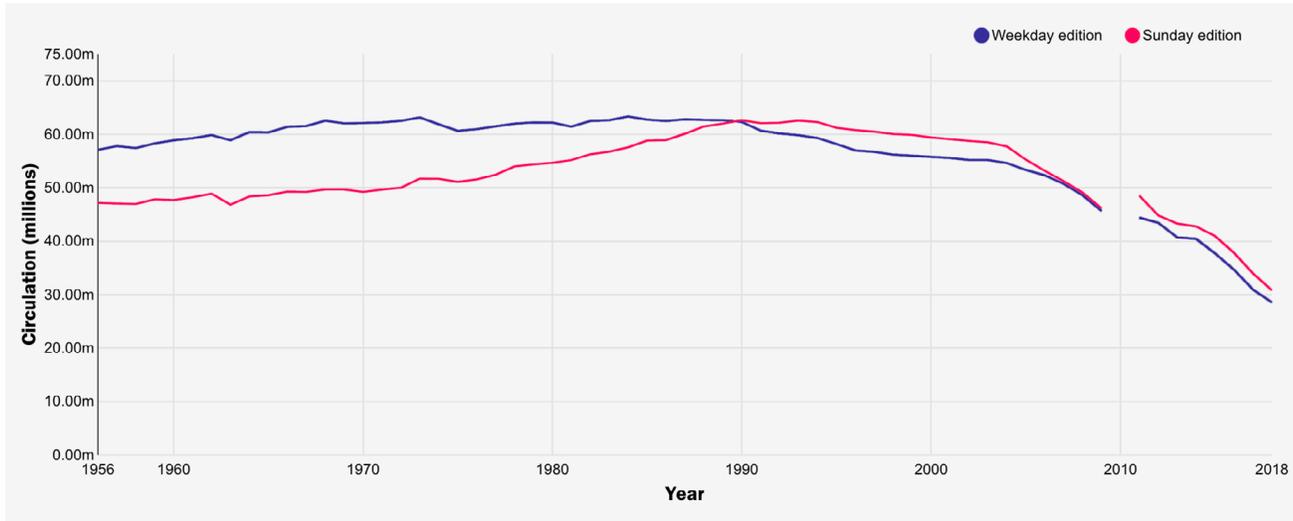
<sup>4</sup> Elizabeth Grieco, "U.S. Newsroom Employment Has Dropped by a Quarter Since 2008, With Greatest Decline at Newspapers," Pew Research Center, July 9, 2019. Bureau of Labor Statistics, "Newspaper Publishers Lose Over Half Their Employment From January 2001 to September 2016," TED: The Economics Daily, April 3, 2017. "Newspapers Fact Sheet," Pew Research Center, July 9, 2019.

2008, newspapers employed 62% of the country's newsroom employees; today, it's less than half.<sup>5</sup>

The economic challenges confronting the newspaper business are largely a local phenomenon. While local newspapers have struggled, national newspapers have seen a significant uptick in subscribers in recent

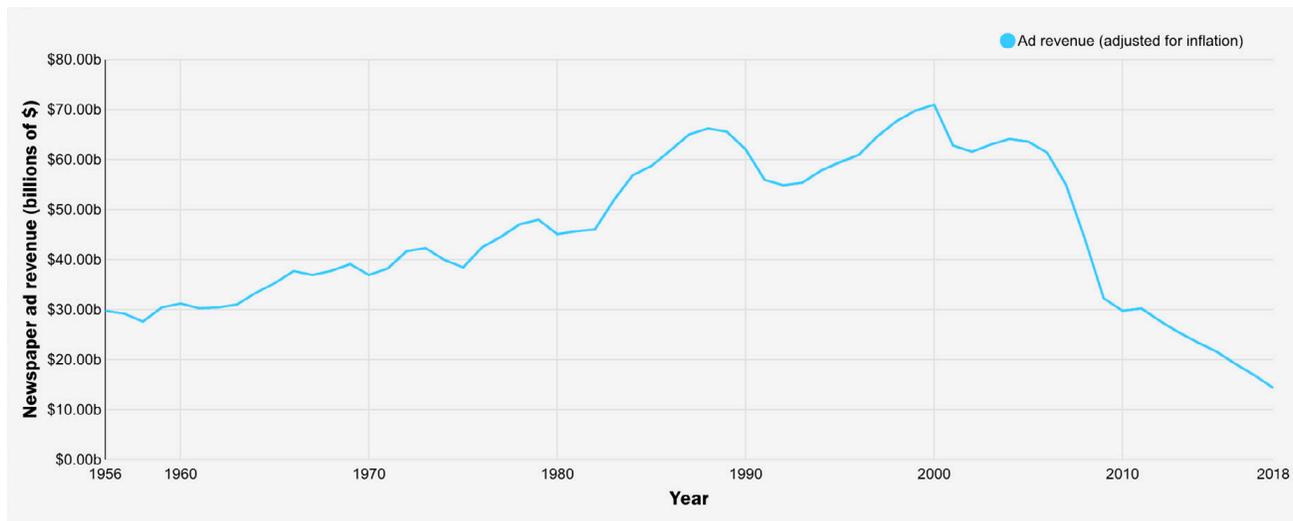
years and fared well financially.<sup>6</sup> *The New York Times* recently reported a net income of \$55.2 million in 2018.<sup>7</sup> A few years after Amazon CEO Jeff Bezos purchased *The Washington Post* it experienced two consecutive years of profitability at the start of 2018.<sup>8</sup> *The Wall Street Journal's* parent company, News Corp has seen increased revenue at its news

**Figure 2: U.S. newspaper circulation, 1956-2018**



Source: Editor & Publisher (through 2014). Estimates based on Pew Research Center analysis of Alliance for Audited Media data (2015-2018).

**Figure 3: U.S. newspaper advertising revenue, 1956-2018**



Source: News Media Alliance, formerly Newspaper Association of America (through 2012); Pew Research Center analysis of year-end SEC filings of publicly traded newspaper companies (2013-2018). Annual revenue figures shown adjusted for inflation (2018 dollars).

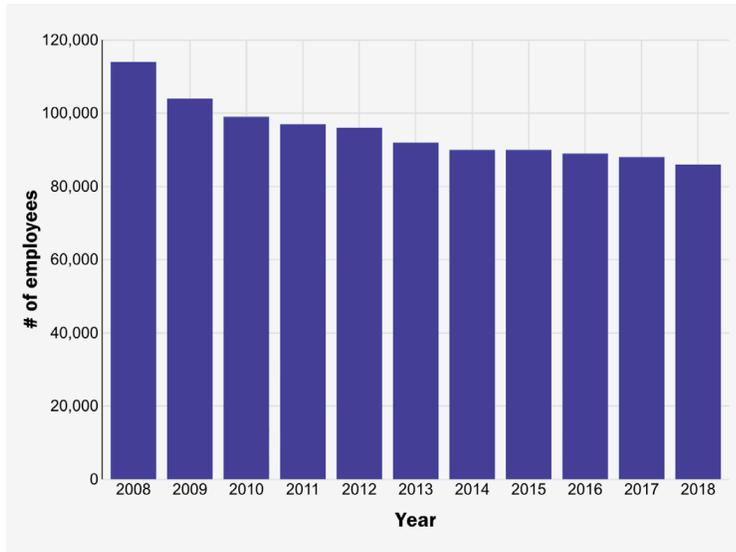
<sup>5</sup> Elizabeth Grieco, "U.S. Newsroom Employment Has Dropped by a Quarter Since 2008, With Greatest Decline at Newspapers," Pew Research Center, July 9, 2019.

<sup>6</sup> Nic Newman with Richard Fletcher, Antonis Kalogeropoulos, David A. L. Levy and Rasmus Kleis Nielsen, "Digital News Report 2017," Reuters Institute for the Study of Journalism, 2017.

<sup>7</sup> Jonathan Shieber, "Profits at The New York Times Show Media Dinosaurs Are Ruling the Internet," TechCrunch, February 2019.

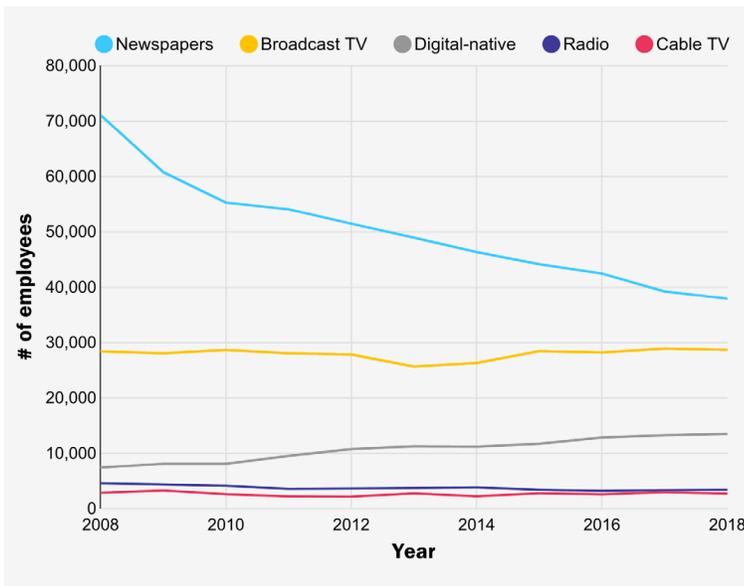
<sup>8</sup> Sara Fischer, "Scoop: WaPo Hits 2nd Year of Profitability, Plans Expansion," Axios, January 9, 2018.

**Figure 4: Number of U.S. newsroom employees, 2008-2018**



Source: Pew Research Center Analysis of Bureau of Labor Statistics Occupational Employment Statistics data.

**Figure 5: Number of U.S. newsroom employees, by sector**



Source: Pew Research Center analysis of Bureau of Labor Statistics Occupational Employment Statistics data.

and information division.<sup>9</sup> The country’s local newspapers, however, do not share the encouraging prospects of these national outlets.

Data from The Center for Innovation and Sustainability in Local Media at the University of North Carolina School of Media and Journalism reveal that one in five U.S. local newspapers has disappeared since 2004. The result is a loss of over 2,000 newspapers across the country over the past 15 years, leaving over 200 U.S. counties without any local newspaper.

Meanwhile, many newspapers still operating have laid off reporters in order to survive, creating resource-constrained newsrooms struggling to serve their communities. In March 2018, *The Denver Post* announced it would cut 30 out of its 100 newsroom employees.<sup>10</sup> Gannett—which owns newspapers across the country such as *The Detroit Free Press*, *The Cincinnati Enquirer*, and *The Indianapolis Star*—began a series of reporter layoffs in early 2019 to cut costs.<sup>11</sup> With fewer reporters, newsrooms have to make tough decisions about what to cover, often leaving important stories on everything from public health to crime untold.<sup>12</sup>

<sup>9</sup> News Corp, “News Corp Reports Fourth Quarter and Full Year Results for Fiscal 2018,” August 9, 2018. Spencer Kimball, “News Corp Earnings: 7 Cents Per Share Vs 1 Cent Expected,” CNBC, November 9, 2017.

<sup>10</sup> “The Denver Post Announces Newsroom Staff Reductions,” *The Denver Post*, March 14, 2018.

<sup>11</sup> Tom Jones, “Gannett Lays Off Journalists Across the Country,” Poynter, January 23, 2019.

<sup>12</sup> Tim Alberta, “Inside the Shrinking Newsroom of the Paper That Shapes the Primaries,” POLITICO, April 26, 2019. Charles Bethea, “Shrinking Newspapers and the Costs of Environmental Reporting in Coal Country,” *The New Yorker*, March 26, 2019.

The crisis in American journalism is a newspaper crisis, and the newspaper crisis is a local newspaper crisis. The consequences for communities across the country have become apparent in recent years.

Statehouse reporting has suffered from newspaper cutbacks and closures. As newspapers have shed jobs, the number of full-time journalists reporting from state capitals has declined considerably. Between 2003 and 2014, the number of full-time statehouse reporters sent to the capital by their newspapers fell by 35%. As of 2014, only 30% of U.S. daily newspapers sent at least one newsroom employee to the statehouse.<sup>13</sup> Newspapers have continued to confront financial challenges since 2014, suggesting the number of newspaper reporters assigned to cover state lawmakers has declined further.

Newspaper companies still holding on are now looking to consolidate to remain profitable. GateHouse, the nation's second-largest newspaper holding company, plans to purchase Gannett, the largest newspaper holding company, to save costs and to buy the newly merged company time and flexibility to adapt their business model in a changing media environment.<sup>14</sup> The combined company would control one of every six newspapers in the U.S. Both GateHouse and Gannett have a history of cutting newsroom staff, and the merger will likely entail another round of layoffs for local newspapers across the country as top executives aim to save \$300 million annually.<sup>15</sup> Meanwhile, the consolidation of the two largest newspaper companies has put pressure on others to combine. The megamerger may allow the nation's surviving local newspapers to remain profitable, but it does not promise to fill the significant gaps in coverage that

have emerged as newsrooms try and maintain quality reporting with fewer resources.

The industry's challenges have also threatened the ability of media organizations focused on covering diverse communities to serve their audience. While roughly 700 media sources served Indian Country in 1998, only 200 do today.<sup>16</sup> The black press has seen a serious decline in advertising while Hispanic daily newspapers have experienced a sharp decline in circulation.<sup>17</sup>

It is nearly impossible to quantify the effects of the local news stories that have gone unreported. But, given the impact that in-depth and investigative reporting at the local level can have, the effects on

communities that do not have enough reporters (or any reporters) covering the issues that affect everyday life are likely profound. When important stories go uncovered, communities do not have the information they need to

engage in the political process and hold government and powerful private actors accountable.

The harsh financial realities confronting many local newspapers today threaten the important investigative work traditionally carried out by newspapers that serve as watchdogs in their communities. Eric Eyre's reporting for *The Charleston Gazette-Mail*, for example, revealed drug companies poured painkillers into West Virginia in violation of state law. In 2017, Eyre received the Pulitzer Prize for Investigative Reporting, and the House Energy and Commerce Committee cited his work in its own investigation into the role of drug distributors in the opioid crisis.<sup>18</sup> Soon after Eyre received the most prestigious award in journalism, the *Gazette-Mail* filed for bankruptcy.<sup>19</sup>

**The crisis in American journalism is a newspaper crisis, and the newspaper crisis is a local newspaper crisis.**

<sup>13</sup> Katerina Eva Matsa and Jan Lauren Boyles, "America's Shifting Statehouse Press," Pew Research Center, July 10, 2014.

<sup>14</sup> Jonathan O'Connell and Rachel Siegel, "America's two largest newspaper chains are joining forces. Will it save either?," *The Washington Post*, August 5, 2019. Ken Doctor, "Newsonomics: It's looking like Gannett will be acquired by GateHouse — creating a newspaper megachain like the U.S. has never seen," NiemanLab, July 18, 2019.

<sup>15</sup> Margaret Sullivan, "When local news goes away, citizens suffer. Gannett's megamerger will probably just inflict more pain," *The Washington Post*, August 16, 2019.

<sup>16</sup> Jodi Rave, "American Indian Media Today," Democracy Fund, December 10, 2018.

<sup>17</sup> Angela Ford, Kevin McFall, and Bob Dabney, "African American Media Today," Democracy Fund, February 28, 2019. Jessica Retis, "Hispanic Media Today," Democracy Fund, May 13, 2019.

<sup>18</sup> Eric Eyre, "Drug Firms Poured 780M Painkillers into WV Amid Rise of Overdoses," *The Charleston Gazette-Mail*, December 17, 2016. Eric Eyre, "'Suspicious' Drug Order Rules Never Enforced by State," *The Charleston Gazette-Mail*, December 18, 2016. Eric Eyre, "Drug Firms Fueled 'Pill Mills' in Rural WV," *The Charleston Gazette-Mail*, May 23, 2016.

<sup>19</sup> Niraj Chokshi, "A West Virginia Newspaper Won Journalism's Top Award. Now It's Filed for Bankruptcy," *The New York Times*, February 2, 2018.

The financial pressures on the local news industry also mean that Americans have little information about what lawmakers in the nation's capital are doing on behalf of their communities. Local newspapers today can hardly afford to maintain a Washington bureau or support a Washington correspondent tasked with following a state's congressional delegation. As of 2016, local newspapers in 21 states had no D.C. correspondent reporting from Capitol Hill.<sup>20</sup> When reporters are not on the ground scrutinizing the behavior and actions of lawmakers, constituents back home are denied information that could help influence their voting decisions.<sup>21</sup>

Research also shows a strong relationship between the vibrancy of a community's newsrooms and its economic and political health. One study finds an increase in costs of municipal and revenue bonds in places that saw local news outlets close, costing local taxpayers by depriving communities of the investigative reporters that can expose the mismanagement of government deals.<sup>22</sup> Another study reveals that as the number of reporters covering a community decreases, so does the number of people running for mayor and the number of individuals who vote.<sup>23</sup>

The fall in local news consumption has corresponded with a general disengagement from local politics. As Americans have shifted away from local news, turnout in state and local elections has fallen. Local newsrooms, in other words, help promote local economic health, electoral competition, and voter turnout.

## The national consequences of the local journalism crisis

The decline in local journalism is not just a local concern, it is a national one, too.

The disappearance of local newspapers has not only

affected voting in subnational elections, it has affected voting in national elections. One group of researchers observe a decrease in split-ticket voting in communities that lose a local newspaper. Voters in communities that experience a newspaper closure are more likely to vote for the same party for president and senator compared to voters in communities that did not lose a local newspaper.<sup>24</sup> National outlets tend to report on partisan conflict, focusing on the polarization of national political elites. This type of national coverage may influence the voting decisions of Americans who live in news deserts by making them more likely to rely on partisan heuristics in national elections. In this way, news deserts, by dislocating the audience for local outlets to national substitutes, contribute to national political polarization. The authors of this study conclude, "Local newspapers need not supply substantial political information to be useful to democracy: their very existence acts as a bulwark against the domination of Americans' news diets by readily available national alternatives."<sup>25</sup>

Not only has the decline in local news coverage facilitated a general disengagement from local politics, the loss of local newsrooms threatens national political cohesion.

The important connection between national and local journalism has also broken down as local newspapers falter. Local coverage can serve as an important source of inspiration and information for journalists at national publications.<sup>26</sup> The poor health of local newspapers means national reporters have fewer local outlets to turn to and fewer sources on the ground to inform national coverage.

Meanwhile, the loss of local outlets and communities that closely follow local news appears to be yet another factor that explains Donald Trump's shocking victory in the 2016 presidential election. Unlike social media and partisan national publications, local outlets play an

<sup>20</sup> Kristine Lu and Jesse Holcomb, "In 21 States, Local Newspapers Lack a Dedicated D.C. Reporter Covering Congress," Pew Research Center, January 7, 2016.

<sup>21</sup> Paul Glastris, "Did the Fall of Local News Bring Us Authoritarianism in Washington?" *Washington Monthly*, July/August 2018.

<sup>22</sup> Kriston Capps, "The Hidden Costs of Losing Your City's Newspaper," CityLab, May 30, 2018. Pengjie Gao, Chang Joo Lee, and Dermot Murphy, "Financing Dies in Darkness? The Impact of Newspaper Closures on Public Finance," The Hutchins Center on Fiscal and Monetary Policy at the Brookings Institution, September 24, 2018.

<sup>23</sup> Sarah Holder, "When Local Newsrooms Shrink, Fewer Candidates Run for Mayor," CityLab, April 11, 2019. Meghan E. Rubado and Jay T. Jennings, "Political Consequences of the Endangered Local Watchdog: Newspaper Decline and Mayoral Elections in the United States," *Urban Affairs Review*, (April 2019).

<sup>24</sup> Joshua P. Darr, Johanna L. Dunaway, and Matthew P. Hitt, "Want To Reduce Political Polarization? Save Your Local Newspaper," NiemanLab, February 11, 2019.

<sup>25</sup> Joshua P. Darr, Matthew P. Hitt, and Johanna L. Dunaway, "Newspaper Closures Polarize Voting Behavior," *Journal of Communication* 68, no. 6 (December 2018): 1007-1028.

<sup>26</sup> Paul Glastris, "Did the Fall of Local News Bring Us Authoritarianism in Washington?" *Washington Monthly*, July/August 2018.

important gatekeeping function in national elections, vetting the rhetoric and platforms of candidates for national office for the local communities they serve. This may help explain why Donald Trump performed so well in communities with few print and digital newspaper subscribers.<sup>27</sup>

The merging, shrinking, or closure of local newspapers does not merely threaten life at the subnational level, the crisis in local news threatens the nation's political health.

## The regional dimension of the local journalism crisis

Where in the U.S. have local newspapers disappeared? In short, everywhere. The country's suburbs and inner-city neighborhoods, mid-sized and large cities, as well as small towns and rural areas have all seen local newspapers disappear or cut back coverage in recent years.

### The local news crisis in urban America

Not long ago, many of America's largest cities benefited from the publication of competing daily newspapers. It is now rare to find more than one major daily newspaper serving a large metropolitan area.<sup>28</sup> Some large cities have seen major daily newspapers close, such as the Pulitzer-Prize winning *Rocky Mountain News*, which ceased production in 2009 after serving the Denver metro area for over 150 years. Other cities have seen major dailies merge. For instance, the *Honolulu Star-Bulletin* and *Honolulu Advertiser* merged in 2010.

Many large metro dailies have also bought up local weeklies, depriving communities within and around metro centers of the hyperlocal coverage that they once enjoyed. Analysis from the Center for Innovation and Sustainability in Local Media finds that half of the newspaper closures and mergers that took place between 2004 and 2018

took place in metro areas with populations over 1 million, in large part due to the disappearance of small weeklies.<sup>29</sup> For example, *The Washington Post* purchased *The Gazette* in the early 1990s, which published weekly community newspapers in the Maryland suburbs surrounding Washington, D.C. In 2015, *The Washington Post* made the decision to close *The Gazette*.

With the recent closure of *The Vindicator* in Youngstown, some fear news deserts may soon expand to the nation's cities. While the emergence of the one-newspaper city has so far been the story of the local news crisis in urban America, the fate of *The Vindicator* suggests the beginning of a new chapter: the rise of the no-newspaper city.

### The local news crisis in small-town and rural America

While dailies in large metro areas were hit hard initially by the rise of digital advertising, leading many to shutter or merge, small-market newspapers were initially spared.<sup>30</sup> Looking at the performance of small-market newspapers in recent years, however, shows newspapers in less densely populated areas have not fared as well in the time since. For instance, small-market newspapers owned by Lee Enterprises—a newspaper holding company—once out-performed urban newspapers, but recent years show that Lee's small-market properties have been hit hard by the same digital disruptions as their large, urban counterparts.

Lee's performance is indicative of the challenges facing small towns and rural areas which have been hit hard by the local news crisis. Sixty-eight percent of the counties without any daily or weekly newspaper are found in counties outside metro areas.<sup>31</sup> These nonmetro counties, home to small towns and rural communities, have seen more than 500 newspapers close or merge since 2004.<sup>32</sup>

<sup>27</sup> Shawn Musgrave and Matthew Nussbaum, "Trump Thrives in Areas That Lack Traditional News Outlets," POLITICO, April 8, 2018.

<sup>28</sup> Penelope Muse Abernathy, "The Expanding News Desert," University of North Carolina's Center for Innovation and Sustainability in Local Media, 2018, 23 and 11.

<sup>29</sup> "The Expanding News Desert," 18.

<sup>30</sup> Joe Mahon, "News flash: Small-market papers prosper," fedgazette, January 1, 2017.

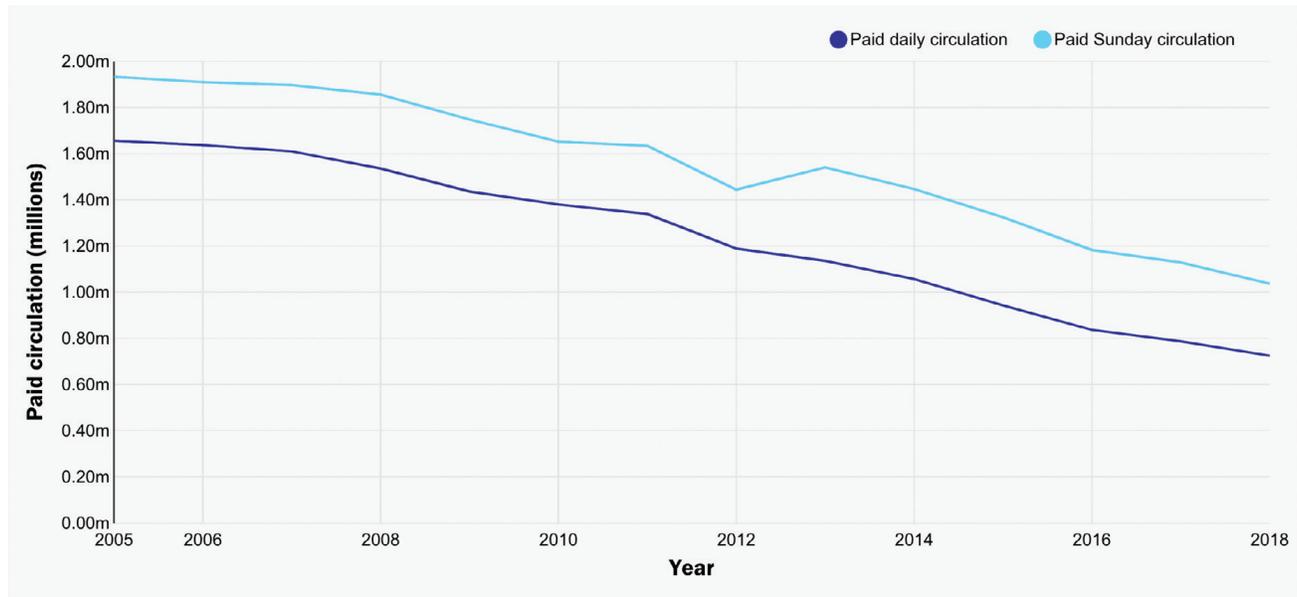
<sup>31</sup> Large metro areas include counties located in metropolitan statistical areas with an urban population of 1 million or more; mid-sized metro areas include counties located in metropolitan statistical areas with urban populations between 250,000 and 1 million; small metro areas include counties located in metropolitan statistical areas with urban populations of less than 250,000; nonmetro areas include all nonmetro counties which lie outside the country's metropolitan statistical areas.

<sup>32</sup> "The Expanding News Desert," 11.

The story for rural America is particularly bleak: 45% of the country’s news deserts—communities without any daily or weekly newspaper—lie in rural counties. The most remote rural areas alone account for nearly a third of the country’s news deserts. This leaves these

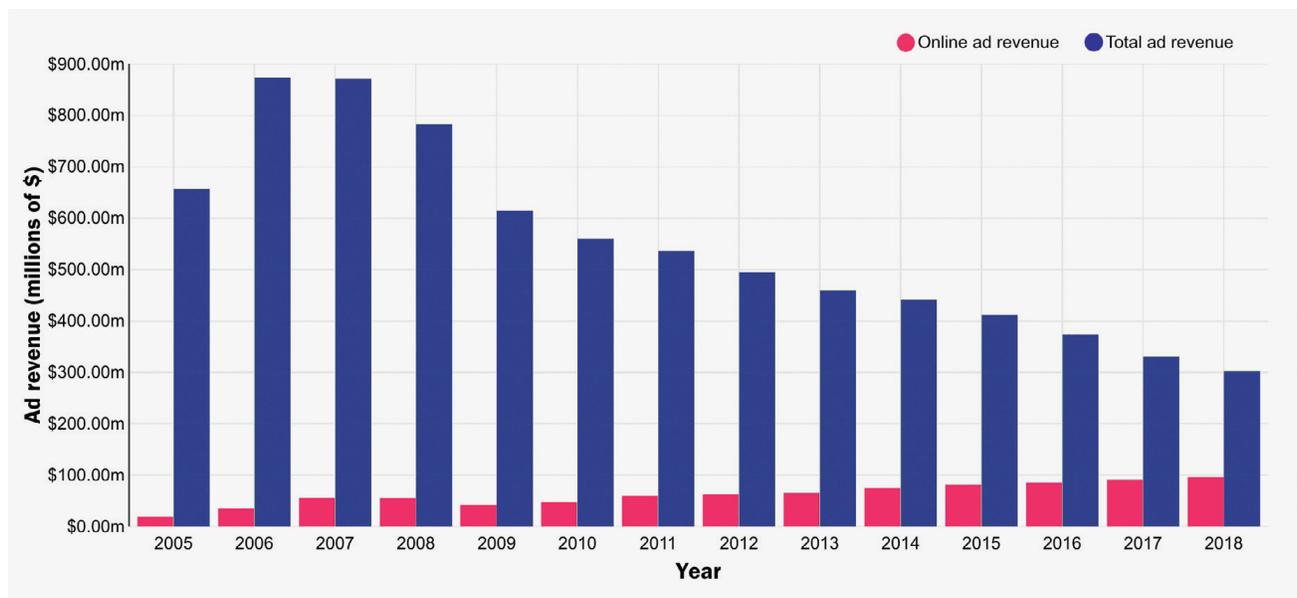
communities without a reliable and trustworthy source of local news.<sup>33</sup> One survey found that 57% of rural Americans say local news media mostly covers an area other than where they live, compared to 62% of urban Americans who say local news media mostly covers

**Figure 6: Paid circulation of Lee Enterprises’ daily newspapers, 2005-2018**



Source: Lee Enterprises’ SEC filings.

**Figure 7: Advertising revenue for newspapers owned by Lee Enterprises, 2005-2018**



Source: Lee Enterprises’ SEC filings.

<sup>33</sup> Rural is defined here using the United States Department of Agriculture Economic Research Service’s [rural-urban continuum codes](#) 8 and 9. “The Expanding News Desert,” 11.

where they live.<sup>34</sup> This view aligns with reality. Rural Americans are more likely to live in news deserts than urban Americans.

*The Daily Guide*, which once served the 5,200 residents of Waynesville, Missouri, shut down in 2018. With *The Daily Guide*'s closure, residents stopped receiving information about community events, the local bank was no longer able to check the newspapers' obituaries to protect against fraud, and the town lost a primary source of reporting on its drug problem.<sup>35</sup>

In addition to the closure of rural and small town newspapers like *The Daily Guide*, newspapers in large metro area have reduced their coverage of adjacent small towns and rural areas. In the words of local media expert Penelope Muse Abernathy, this pullback has "dealt a double blow" to smaller communities that already lost their local newspapers.<sup>36</sup>

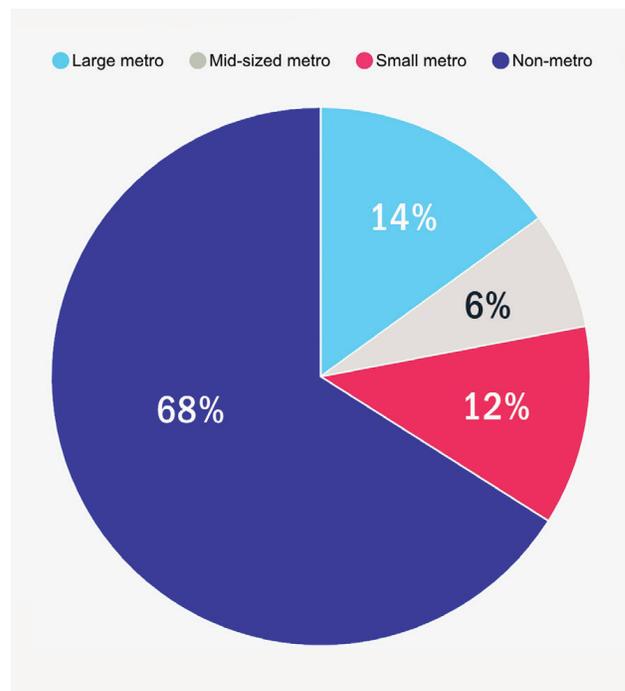
While every community—rural or urban—loses when a local newspaper disappears, media ventures that have sprung up to fill gaps in local coverage left by newspaper closures have mostly done so in urban areas.<sup>37</sup> Local news sites focused on delivering coverage to communities without any local newspaper have emerged in only two counties in the U.S. without a newspaper.<sup>38</sup>

## The causes of the local journalism crisis

### The shift from print to digital and changing consumer demand

The shift from print to digital news consumption created a serious financial challenge for many of the nation's newspapers. Today, few Americans regularly get their news in print, increasingly turning to online sources.<sup>39</sup> While local newspapers across the country have successfully built online audiences for their

**Figure 8: Share of counties without daily or weekly newspapers, by type**



Source: Author's analysis of UNC Center for Innovation and Sustainability in Local Media data.

websites and apps, many have struggled to convert online readers into digital subscribers.<sup>40</sup> This leaves them stuck maintaining expensive print and circulation operations catering to a smaller and smaller number of print subscribers as readers moved online. This is not a problem for top-tier national newspapers such as *The New York Times* or *The Wall Street Journal*, which have continued to amass subscribers (a majority of whom hold digital, rather than print, subscriptions). But even in the era of digital news consumption, *The Boston Globe* is the only local newspaper that can boast having more digital than print subscribers.<sup>41</sup>

Declining subscription revenues also reflect the diminishing consumer demand for local news, political

<sup>34</sup> Elizabeth Grieco, "For many rural residents in U.S., local news media mostly don't cover the area where they live," Pew Research Center, April 12, 2019.

<sup>35</sup> David Bauder and David A. Lieb, "Decline in readers, ads leads hundreds of newspapers to fold," Associated Press, March 11, 2019.

<sup>36</sup> "The Expanding News Desert," 21.

<sup>37</sup> "The Expanding News Desert," 38.

<sup>38</sup> "The Expanding News Desert," 43.

<sup>39</sup> Elisa Shearer, "Social Media Outpaces Print Newspapers in the U.S. As a News Source," Pew Research Center, December 10, 2018.

<sup>40</sup> Keach Hagey, Lukas I. Alpert, and Yaryna Serkez, "In News Industry, A Stark Divide Between Haves and Have-Nots," *The Wall Street Journal*, May 4, 2019.

<sup>41</sup> Joshua Benton, "Another Milestone Passed for Newspapers: The Boston Globe Is the First Local Newspaper to Have More Digital Subscribers Than Print," NiemanLab, May 21, 2019.

scientist Daniel Hopkins finds.<sup>42</sup> Each successive technological advancement in disseminating information to news consumers—from print, radio, cable and satellite television, and the internet—allowed news producers to cultivate an audience across a more expansive geography. This created an incentive to reach as many individuals in as many places as possible, facilitating the shift away from what Hopkins calls “spatially bound media sources.”<sup>43</sup> Indeed, news consumers today are generally drawn to read, listen, and watch content from national outlets and are less interested in following local sources of information. At the same time, the rise of specialized media has diminished the reach of local news. By bundling information, local newspapers help ensure that a reader interested in the sports or style section also sees stories about local politics. But a news market made up of outlets focusing exclusively on one coverage area—such as sports or fashion—makes it less likely that today’s news consumer will naturally come across local news stories.

While the audience for local news has declined over time, changes in the appetite for local journalism likely play one role among many factors in accounting for the decline of local news. An evaluation of the state of local reporting should examine the crisis as both a demand-side problem and supply-side problem.

### **Have local newsrooms lost talent to digital media startups on the coasts?**

The changing employment opportunity and geography of the larger news industry may be responsible for local newspapers’ decline. While newspapers across the country have suffered severe job losses, digital media ventures in large, coastal metros have driven the industry’s growth in recent years.<sup>44</sup> As a result, local newspapers may be losing talent to start-up media ventures located in coastal cities.

Rather than facilitating the proliferation of online media organizations in local media markets across the country, the internet has given rise to a winner-take-all media market as innovative media organizations concentrate in just a few cities and cater to national audiences. Meanwhile, media startups that do focus on reporting for a local audience have sprung up mostly in cities, leaving less densely populated places with severe coverage gaps.<sup>45</sup>

While the map of journalism’s job growth and decline shows a distinct geographic pattern, it is unlikely that media ventures concentrated on the coasts are employing individuals who might otherwise work at local newspapers. Despite growth in the media industry’s burgeoning digital newsrooms, they are not large enough to have offset the steep job losses that have plagued the nation’s newspapers, suggesting that newsroom employees displaced as newspapers have closed or shrunk have left the industry altogether.

### **The rise of digital advertising**

As readers have moved online, so has advertising. Newspapers, however, have been unable to make up for the loss of revenue from traditional print advertising as readers consume news on their computers, smart phones, and tablets.<sup>46</sup> While U.S. newspapers have seen growth in digital advertising revenue, newspapers have experienced a sharp decline in total advertising revenue. Digital advertising revenue, in other words, makes up a growing share of a shrinking pie.

The emergence of digital advertising may have created a new revenue stream for newspapers, but the shift away from print advertising has ended up seriously cutting into local newspapers’ revenues. In the words of one publisher, “‘print dollars were being replaced by digital dimes.’”<sup>47</sup> Meanwhile, revenue from classified advertising all but disappeared as websites such as

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<sup>42</sup> Daniel Hopkins, *The Increasingly United States: How and Why American Political Behavior Nationalized*, University of Chicago Press, 2018.

<sup>43</sup> Daniel Hopkins, “All Politics Is National Because All Media Is National,” *FiveThirtyEight*, June 6, 2018.

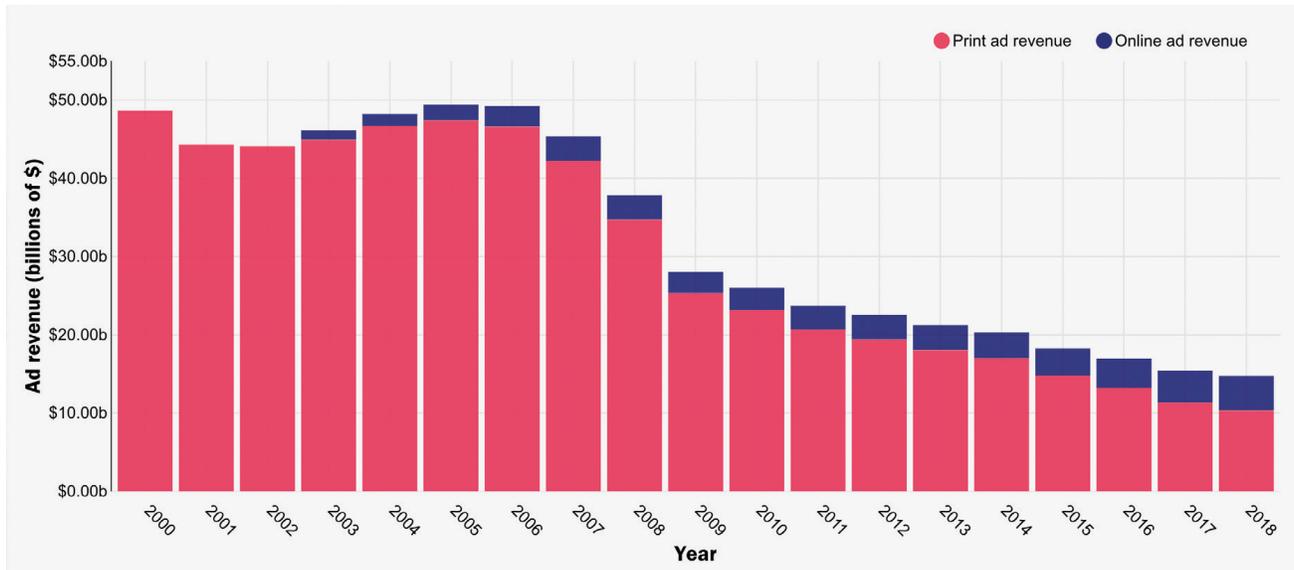
<sup>44</sup> Bureau of Labor Statistics, “Newspaper Publishers Lose Over Half Their Employment From January 2001 to September 2016,” TED: The Economics Daily, April 3, 2017. Jack Shafer and Tucker Doherty, “The Media Bubble Is Worse Than You Think,” *POLITICO*, May/June 2017.

<sup>45</sup> “The Expanding News Desert,” 43-45. Keach Hagey, Lukas I. Alpert, and Yaryna Serkez, “In News Industry, A Stark Divide Between Haves and Have-Nots,” *The Wall Street Journal*, May 4, 2019.

<sup>46</sup> Keach Hagey, Lukas I. Alpert, and Yaryna Serkez, “In News Industry, A Stark Divide Between Haves and Have-Nots,” *The Wall Street Journal*, May 4, 2019.

<sup>47</sup> Steve Waldman, “The Information Needs of Communities: The Changing Media Landscape in a Broadband Age,” Federal Communications Commission, July 2011.

**Figure 9: U.S. newspaper advertising revenue, 2000-2018**



Source: WSJ analysis of BIA Advisory Services data.

Craigslist enabled many individuals and companies to directly post classified advertising free of charge.

Another supply-side explanation helps account for the financial woes of so many local newspapers: the rise of digital advertising and Facebook and Google’s dominance in the market. An

increasing number of Americans receive their news via Facebook and Google. But these companies do not merely distribute and aggregate news, they “compete against news publishers for user attention, data, and ad dollars,” as technology and antitrust expert Sally Hubbard explains.<sup>48</sup>

Facebook and Google dominate the market, hitting local news publishers particularly hard. While the two companies account for 58% of digital advertising

Large online platforms have not only changed how readers access and consume news, they have forced publishers to re-evaluate the business model that has sustained them for decades.

revenue nationally, in local markets, the two companies account for 77% of digital advertising revenue, a serious squeeze for local news publishers.<sup>49</sup> As a result,

large online platforms have not only changed how readers access and consume news, they have forced publishers to re-evaluate the business model that has sustained them for decades.

### Aggressive cost-cutting measures pursued in local newsrooms

Hedge fund owners favoring cost-cutting at their newsrooms also threaten the provision of local journalism. Alden Global Capital, a hedge fund based in New York City, has majority control of Digital First Media, which owns nearly 100 daily and weekly American newspapers. Unlike many newspapers across the country, those owned by Digital First Media are

<sup>48</sup> “Testimony of Sally Hubbard to the U.S. House Judiciary Committee’s Subcommittee on Antitrust on ‘Online Platforms and Market Power, Part 1: The Free and Diverse Press,’” Open Markets Institute, June 11, 2019.  
<sup>49</sup> Keach Hagey, Lukas I. Alpert, and Yaryna Serkez, “In News Industry, A Stark Divide Between Haves and Have-Nots,” *The Wall Street Journal*, May 4, 2019.

uniquely profitable. Their financial success, however, is not the result of Alden's investment in local news production, but rather the drastic cutbacks it has forced its newsrooms to make.<sup>50</sup> Since entering the newspaper business 10 years ago, Alden has eliminated more than 1,000 newsroom jobs across its various newspapers.<sup>51</sup> Nearly a third of the Alden-owned *Denver Post's* newsroom staff was laid off in 2018. Just weeks after *The East Bay Times* won a Pulitzer Prize for its coverage of a fire at an artist collective that killed 36 people, Alden began its first round of layoffs among its Bay Area newspapers.<sup>52</sup> Alden has also bought and sold newspapers' offices and printing plants. Digital First recently sold *The Delaware County Times'* office, forcing the newspaper's remaining staff to work out of a converted CVS and bicycle repair shop. Employees at other Digital First newspapers whose office space was sold work at home or from coffee shops, according to *The Washington Post*.<sup>53</sup>

Struggling newspapers—whether cash-strapped from the erosion of advertising revenue or under-resourced due to cost-cutting measures pursued by owners—find themselves stuck in a negative feedback loop: Efforts to ensure a newspaper's short-term survival can threaten its long-term viability. For example, laying off reporters, shifting away from investigative reporting, and even reducing coverage altogether may help cut costs, but a newspaper that is understaffed is unable to sustain and attract readers who want to pay for a product whose quality has diminished. As long-time newspaper editor John Carroll notes, “relentless cost-cutting ... is rendering newspapers less valuable to their readers each year.”<sup>54</sup> James Bruggers, an environmental reporter based in Kentucky, similarly observes that the declining capacity of newsrooms to investigate potential stories not only renders newspapers less valuable to news consumers, but also results in a newspaper that is less valuable to the community it serves:

People would call from way out in the state and say, you know, “My neighbor just put up these chicken barns and the flies are terrible.” They'd call with some sort of environmental complaint like that. We had the bandwidth to look into those. Then the staff got smaller and smaller, the bandwidth shrinks, and, eventually, the people stop calling, because you can't help them. You didn't help them the last time.<sup>55</sup>

The traditional business model that once supported local journalism—relying on print subscribers and advertising to generate revenue—is no longer viable in the digital age. While digital technology has enabled new ways for reporters to tell stories, readers to discover and consume news, and newsrooms to sell advertising, local newspapers have lost more than they have won as readers and advertisements have moved online.

### **Will the market for local journalism correct itself?**

Do the challenges confronting local newsrooms reflect a process of creative destruction or evidence market failure?

Some argue that the old commercial model for news is now in search of a new profitable model in the digital age, which it will find by reducing its dependence on advertising and subscription revenue and experimenting with new revenue streams.<sup>56</sup> Evidence suggests this has occurred. Many local news organizations have put up paywalls to encourage readers accustomed to accessing free content online to purchase digital subscriptions. Other local newsrooms now host ticketed live events to generate additional revenue.<sup>57</sup> Despite such efforts to adapt to a changing media environment, local newspapers still struggle to sustain past profit levels. Even prominent digital media startups—which have never had to rely on revenue from print advertising and subscriptions—have not fared

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<sup>50</sup> Paul Farhi, “As a Secretive Hedge Fund Guts Its Newspapers, Journalists Are Fighting Back,” *The Washington Post*, April 13, 2018.

<sup>51</sup> Jonathan O’Connell and Emma Brown, “A Hedge Fund’s ‘Mercenary’ Strategy: Buy Newspapers, Slash Jobs, Sell the Buildings,” *The Washington Post*, February 11, 2019.

<sup>52</sup> Jonathan O’Connell and Emma Brown, “A Hedge Fund’s ‘Mercenary’ Strategy: Buy Newspapers, Slash Jobs, Sell the Buildings,” *The Washington Post*, February 11, 2019.

<sup>53</sup> Jonathan O’Connell and Emma Brown, “A Hedge Fund’s ‘Mercenary’ Strategy: Buy Newspapers, Slash Jobs, Sell the Buildings,” *The Washington Post*, February 11, 2019.

<sup>54</sup> Steve Waldman, “The Information Needs of Communities: The Changing Media Landscape in a Broadband Age,” Federal Communications Commission, July 8, 2011.

<sup>55</sup> Charles Bethea, “Shrinking Newspapers and the Costs of Environmental Reporting in Coal Country,” *The New Yorker*, March 26, 2019.

<sup>56</sup> Edward J. López, “Is the Decline of Newspapers a Market Failure?” Foundation for Economic Education, September 22, 2010.

<sup>57</sup> Christopher Ali and Damian Radcliffe, “Small Market Newspapers in the Digital Age,” Tow Center for Digital Journalism, November 15, 2017.

well in the digital age.<sup>58</sup> This suggests the problem lies not with a lack of innovation and ingenuity in “old media,” but with the underlying economics that make generating a profit in the digital age a difficult task for any news publisher.<sup>59</sup> Meanwhile, some of the greatest innovations in local reporting have taken place outside the market, driven by the belief that a commercial model for news cannot adequately supply public interest journalism.<sup>60</sup>

Just a few years ago, ProPublica, a nonprofit newsroom that specializes in investigative journalism, launched its Local Reporting Network. The network funds major investigative projects done in partnership with local newsrooms.

Report for America, an initiative of the nonprofit news organization, GroundTruth, has placed over 60 reporters in newsrooms across the country to fill local coverage gaps. A combination of funding from Report for America, the local news organization, and local philanthropy and institutional support pays the salary for each reporter.<sup>61</sup>

Local media ventures such as The Texas Tribune, CalMatters, and MinnPost, operate as nonprofit, nonpartisan newsrooms focused on state politics and policymaking. Other nonprofit outlets, such as The Daily Memphian, are springing up in places that suffer from a lack of high-quality local journalism.<sup>62</sup> These projects are funded by a range of donors, from large foundations to individual readers.

NewsMatch, a national campaign funded by The Knight Foundation, Democracy Fund, The MacArthur Foundation, and others, has raised more than \$14 million for nonprofit newsrooms since it was founded just four years ago.<sup>63</sup>

Such projects seek to address what is seen as a market failure in local journalism.

Understanding local news as any other product one might purchase in the market, the declining supply of local

news simply reflects falling demand, an assessment that sees no need for intervention. But understanding local news as a public good leads to the view that there is currently an undersupply of local journalism that warrants public consideration. In other words, when those who read, listen, and watch the news are thought of purely as consumers, the economic challenges confronting today’s local newsrooms are not particularly troubling. But when news consumers are also seen as citizens and participants in civic life, threats to the commercial viability of the local news industry greatly diminishes the ability to meet the demands of living in a democracy.

Public policymakers should take up this debate, consider measures aimed at insulating local news from market pressures and strengthening news publishers’ hand in the digital age, and help ensure a future for local journalism in every corner of the U.S.

## Addressing the local journalism crisis

### Provide public funding for journalism

New forms of public funding for local journalism could support more newsrooms’ ability to provide timely, in-depth coverage to the communities they serve.

A tax deduction for personal subscriptions to eligible local news organizations might incentivize more individuals to pay for local journalism and boost the revenues of local outlets. This is an idea that has been considered and implemented abroad. The Australian Competition and Consumer Commission has identified making personal subscriptions tax deductible as a way to provide public financial support to news organizations, and Canada’s most recent federal budget includes a tax credit for subscriptions.<sup>64</sup>

Canada’s budget also provides tax relief for publishers that produce public interest news. To help defray

<sup>58</sup> Farhad Manjoo, “Why the Latest Layoffs Are Devastating to Democracy,” *The New York Times*, January 30, 2019.

<sup>59</sup> Farhad Manjoo, “Why the Latest Layoffs Are Devastating to Democracy,” *The New York Times*, January 30, 2019.

<sup>60</sup> Victor Pickard, “Can charity save journalism from market failure?” *The Conversation*, April 27, 2017.

<sup>61</sup> Report for America, “A Call to Service: The crisis in journalism has become a crisis for our democracy.”

<sup>62</sup> Bill Dries, “The Daily Memphian to Launch in Fall as Memphis’ Definitive News Source,” *The Daily News*, July 16, 2018.

<sup>63</sup> Josh Stearns, “NewsMatch 2018 raises \$7.6 million, fueling growth in local news and investigative journalism,” *Medium*, February 12, 2019.

<sup>64</sup> Jan Schaffer, Corporation for Public Broadcasting, “A Billion-Dollar Pot for News Initiatives,” March 27, 2019. Christine Schmidt, “Canada Introduces a \$595 Million Package in Support of Journalism,” *NiemanLab*, November 26, 2018. House of Commons of Canada, “Bill C-97: An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2019 and other measures,” June 6, 2019.

the costs associated with original reporting, Canada allows news organizations to claim a tax credit for each newsroom employee producing “original, written content.”<sup>65</sup> The Australian Competition and Consumer Commission is considering providing similar offsets for eligible production expenditures incurred by newsrooms.<sup>66</sup> The Canadian policy and Australian proposal offer just two examples of how governments can help newsrooms manage the costs of producing public interest news.

Lawmakers in the U.S., meanwhile, have considered supporting a nonprofit model for news. In 2009, Sen. Ben Cardin (D-Md.) introduced *The Newspaper Revitalization Act*, which would have treated newspapers’ advertising and subscription revenues as tax exempt and contributions as tax deductible.<sup>67</sup> While the bill never made its way onto the floor for a vote, some local newspapers have already succeeded in transforming themselves into nonprofit operations. In 2016, the owner of Philadelphia Media Network—which included *The Philadelphia Inquirer*, the *Philadelphia Daily News*, and Philly.com—donated his properties to a nonprofit organization, which now owns and operates all three Philadelphia news organizations.<sup>68</sup> This year, *The Salt Lake Tribune* sought permission from the IRS to operate as a nonprofit entity.<sup>69</sup>

In the run-up to the 2020 presidential election, tech entrepreneur turned Democratic presidential hopeful Andrew Yang has proposed a public fund for local journalism. This idea has backing by some media experts who argue that existing government funding for public television and radio should be expanded to support a wider range of local journalism and provide a structural solution to the crisis confronting the traditional business model for journalism in the digital age.<sup>70</sup> For his part,

Yang proposes establishing a \$1 billion “Local Journalism Fund.”<sup>71</sup> Under his proposal, the Federal Communications Commission would allocate funding to states that would provide grants to encourage local newsrooms to transition to nonprofits or experiment with public-private partnerships to move away from a commercial model based on advertising and subscription revenues.

Yang’s campaign has also proposed creating an “American Journalism Fellows” program, which would fund a four-year fellowship in all 50 states for reporters working with local news organizations to cover important community issues. The number of fellows in each state would be equivalent to the number of members of Congress each state elects.<sup>72</sup> In a staff discussion paper, the Federal Trade Commission similarly considered creating a journalism division of AmeriCorps to place young reporters in newsrooms to fill local coverage gaps.<sup>73</sup> Internationally, the BBC already funds 150 journalists at local outlets throughout the United Kingdom. In addition, the recently passed Regional and Small Publishers Jobs and Innovation Package in Australia created a Cadetship Program that provides funding for early career journalists working for small and regional publishers mostly in remote areas.<sup>74</sup>

### **Address the ways large online platforms undercut the business model for local news**

In addition to increasing public funding for local journalism, new regulations and antitrust enforcement targeting large online platforms can play a role in sustaining local media. In fact, the first hearing the House Judiciary’s Antitrust Subcommittee held in its own investigation of online markets concerned the role of online platforms in introducing new economic challenges that confront the journalism industry today.<sup>75</sup>

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<sup>65</sup> Jan Schaffer, “A Billion-Dollar Pot for News Initiatives,” Corporation for Public Broadcasting, March 27, 2019. Christine Schmidt, “Canada Introduces a \$595 Million Package in Support of Journalism,” NiemanLab, November 26, 2018. House of Commons of Canada, “Bill C-97: An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2019 and other measures,” June 6, 2019.

<sup>66</sup> Australian Competition & Consumer Commission, “Digital Platforms Inquiry,” December, 2018.

<sup>67</sup> “Senator Cardin Introduces Bill that Would Allow American Newspapers to Operate as Non-Profits,” March 24, 2009.

<sup>68</sup> Robinson Meyer, “Will More Newspapers Go Nonprofit?” *The Atlantic*, January 14, 2014.

<sup>69</sup> Tony Semerad, “Salt Lake Tribune seeks to become a nonprofit ‘community asset,’ a first for a legacy newspaper,” *The Salt Lake Tribune*, May 9, 2019.

<sup>70</sup> The Conversation, “Can charity save journalism from market failure?” April 27, 2017.

<sup>71</sup> Friends of Andrew Yang, “Local Journalism Fund.”

<sup>72</sup> Friends of Andrew Yang, “American Journalism Fellows.”

<sup>73</sup> Federal Trade Commission, “Potential Policy Recommendations to Support the Reinvention of Journalism.”

<sup>74</sup> Australian Government Department of Communications and the Arts, “Regional and Small Publishers Jobs and Innovation Package.”

<sup>75</sup> U.S. House Committee on the Judiciary, “Online Platforms and Market Power, Part 1: The Free and Diverse Press,” June 11, 2019.

The following proposals represent how policymakers around the world are thinking about reining in the ways platforms like Facebook and Google have threatened local journalism.

### **Charge platforms that aggregate and display news content**

In 2006, a Belgian court found Google in violation of the country's copyright laws for failing to obtain authorization for displaying Belgian newspapers' content on Google News and Google Search.<sup>76</sup> In 2013, the German parliament passed a law requiring news aggregators and search engines to pay publishers to use their content, while Spain passed a similar copyright law in 2014 requiring aggregators to pay a monthly fee to content creators whose content they display.<sup>77</sup>

But these national efforts were largely seen as a failure. The Belgian newspapers that sued Google eventually settled. After experiencing a significant drop in traffic, many publishers in Germany abandoned an effort to force Google to share profits with content creators, and the Spanish law led Google News to stop displaying content from Spanish news outlets altogether, an outcome that was especially painful for smaller publishers.<sup>78</sup>

However, a larger-scale effort could prove effective. The European Parliament recently passed a new copyright directive that includes a "link tax" that allows publishers to charge platforms like Google for using their content.<sup>79</sup> While Google threatened to remove Google News Europe in response to the tax, doing so would mean abandoning a much larger news market.<sup>80</sup> Notably, smaller publishers sided with Google in lobbying against the "link tax," arguing that Google News provides an important mechanism for directing traffic to news websites.<sup>81</sup>

There may be other ways to address to the unbalanced relationship between large platforms and content creators.<sup>82</sup>

### **Allow news publishers to collectively negotiate with large online platforms**

A bill recently introduced in the U.S. House of Representatives could help news publishers extract fairer terms from their relationships with large online platforms.<sup>83</sup>

*The Journalism Competition and Preservation Act* introduced by Reps. David Cicilline (D-R.I.), the chairman of the House Judiciary's Antitrust Subcommittee, and Doug Collins (R-Ga.), a ranking member on the subcommittee, would exempt publishers from antitrust laws. This would allow them to negotiate collectively with Facebook, Google, and other large online platforms.<sup>84</sup> The goal of the bill, Collins notes, is not "propping up a failed business model," but instead creating "a level playing field so [news publishers] can negotiate with these much larger essentially new companies that are causing an advertising drain."<sup>85</sup> The bill, if passed, would establish a 48-month safe harbor from antitrust law for publishers.<sup>86</sup>

The relationship between publishers and large online platforms is characterized by mutual dependence. As content creators provide online platforms the raw material that populates a Google search or a Facebook News Feed, online platforms direct users to material they might not otherwise come across or consume, enlarging the audience for news publishers. This relationship, however, is one-sided. Publishers, more so than platforms, lose out when their content is removed, leaving a single publisher at a disadvantage in bargaining with online platforms that aggregate and distribute their content. The proposed safe harbor for

<sup>76</sup> Paul Meller, "Belgian Court Tells Google to Drop Newspaper Excerpts," *The New York Times*, September 19, 2006.

<sup>77</sup> Alison Langley, "German bill would charge for aggregation," *Columbia Journalism Review*, January 16, 2013. "German 'Google tax' to force search engines to pay for showing news extracts," *The Telegraph*, March 1, 2013. Alex Hern, "Spain moves to protect domestic media with new 'Google tax,'" *The Guardian*, October 31, 2014.

<sup>78</sup> Mark Scott, "Google News to Shut Down in Spain," *The New York Times*, December 11, 2014. "The Cairncross Review: A Sustainable Future for Journalism," February 12, 2019.

<sup>79</sup> Joan Calzada and Ricard Gil, "News aggregators and the reform of the copyright legislation in Europe," *Vox CEPR Policy Portal*, April 30, 2019.

<sup>80</sup> Natasha Lomas, "European parliament votes for controversial copyright reform (yes, again)," *TechCrunch*, March, 2019.

<sup>81</sup> "The Cairncross Review: A Sustainable Future for Journalism," February 12, 2019.

<sup>82</sup> "The Cairncross Review: A Sustainable Future for Journalism," February 12, 2019.

<sup>83</sup> "Cicilline, Collins Introduce Bill to Provide Lifeline to Local News," April 3, 2019. "Collins Op-Ed in the AJC: Helping Level Newspapers' Playing Field," April 8, 2019.

<sup>84</sup> "Cicilline, Collins Introduce Bill to Provide Lifeline to Local News," April 3, 2019. "Collins Op-Ed in the AJC: Helping Level Newspapers' Playing Field," April 8, 2019.

<sup>85</sup> Keach Hagey, "Lawmakers Look to Even Playing Field Between News Media, Tech Titans," *The Wall Street Journal*, April 3, 2019.

<sup>86</sup> "Cicilline, Collins Introduce Bill to Provide Lifeline to Local News," April 3, 2019. "Collins Op-Ed in the AJC: Helping Level Newspapers' Playing Field," April 8, 2019.

publishers from antitrust enforcement tries to address this collective action problem by allowing the journalism industry to negotiate for a more sustainable business relationship with online platforms that have become unavoidable partners in the distribution of content.

### **Scrutinize the dominant position that Facebook and Google hold in the digital advertising market**

The U.S. newspaper industry experienced a \$31 billion loss in advertising revenue between 2006 and 2016.<sup>87</sup> Meanwhile, Facebook and Google have made billions from their digital advertising businesses in the past year alone. In 2018, the two companies accounted for nearly 60% of all digital advertising revenue.<sup>88</sup>

The ability of both Facebook and Google to track users across the internet and apps gives the two a significant informational advantage over their competitors.

For instance, when Facebook licenses its “Like” button or log-in to publishers, it gains the ability to track a news site’s readers. As a result, publishers’ audience data is no longer proprietary. Armed with new information about a news website’s audience, Facebook has undercut the advantage publishers have long held in advertising: exclusive access to their readers.

In testimony before the House Judiciary’s Antitrust Subcommittee, News Corp General Counsel David Pitofsky said, “Many in Silicon Valley dismiss the press as old media, failing to evolve in the face of online competition.” This view is misguided, he argued. “We’re not losing business to an innovator who has found a better or more efficient way to report and investigate the news. We’re losing business because the dominant platforms deploy our news content to target our audiences, to then turn around and sell that audience to the same advertisers we’re trying to serve.”<sup>89</sup>

Beyond the massive amount of data Facebook and Google hold on news consumers and use to sell digital advertising space, the two companies have created challenges for news publishers in other ways.

A user who clicks on a news article displayed on Google Search or Google News on a mobile device will view the article in Google’s Accelerated Mobile Pages, a version of the web page that offers faster load times than if the reader were redirected to the publisher’s website. Some publishers note that the load time is so fast that a reader might finish an article before any advertisements have loaded.<sup>90</sup>

Similarly, a user who clicks on an article displayed in Facebook’s mobile app will view the page in Facebook’s Instant Articles. By offering faster load times on Instant Articles, Facebook creates incentives for publishers to display content through the feature and users to view articles in Instant Articles rather than on the publisher’s website.<sup>91</sup> When news content is displayed in Instant Articles, however, publishers are prohibited from using third-party ad servers to sell ads. This steers publishers toward Facebook’s own ad server—from which Facebook takes a 30% cut.<sup>92</sup>

Facebook is considering offering millions to select publishers to license their content in a news section it plans to launch this year. The news-licensing agreements might offer publishers a better deal than their current arrangement with Facebook; however, some fear Facebook will scrap funding if its news product fails.<sup>93</sup>

An antitrust investigation should consider whether these practices constitute anticompetitive conduct and warrant remedies such as prohibiting Facebook and Google from tracking individuals without their consent.<sup>94</sup> Similarly, privacy legislation that prevents online platforms from tracking consumers across the internet and mobile apps

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<sup>87</sup> Michael Barthel, “Despite subscription surges for largest U.S. newspapers, circulation and revenue fall for industry overall,” Pew Research Center, June 1, 2017.

<sup>88</sup> US Digital Ad Spending Will Surpass Traditional in 2019,” eMarketer, February 19, 2019.

<sup>89</sup> C-SPAN, “Impact of Digital Media on News Industry,” June 11, 2019.

<sup>90</sup> “The Cairncross Review: A Sustainable Future for Journalism,” February 12, 2019.

<sup>91</sup> The Capitol Forum, “Facebook: By Prioritizing Natively Published Articles in its News Feed, Facebook Risks Antitrust Enforcement, Cuts off Traffic and Data to Publishers,” November 4, 2016. The Capitol Forum, “Facebook: The Capitol Forum Tested Facebook Browser Load Times; Facebook’s Slow Load Times for In-app Browser Likely Push Users Towards Instant Articles and Native Content. Raising Antitrust Concern in the EU,” November 22, 2016.

<sup>92</sup> “The Cairncross Review: A Sustainable Future for Journalism,” February 12, 2019.

<sup>93</sup> Benjamine Mullin and Sahil Patel, “Facebook Offers News Outlets Millions of Dollars a Year to License Content,” *The Wall Street Journal*, August 8, 2019.

<sup>94</sup> Dina Srinivasan, “How Digital Advertising Markets Really Work,” *The American Prospect*, June 24, 2019.

would chip away at Facebook and Google’s advantage in digital advertising and help spur competition.

The Australian Competition and Consumer Commission has already launched a digital platform inquiry that will consider whether the practices of large platforms threaten publishers in a way that violates competition or consumer protection laws. The commission

recommends creating a digital platforms ombudsman charged with responding to complaints from publishers about online platforms. Similarly, a review commissioned by the United Kingdom recommends an investigation into

whether online platforms like Facebook and Google are excessively dominant and operating in violation of competition laws.<sup>95</sup> Meanwhile, the country’s Competition and Markets Authority is already considering an investigation into the digital advertising market.<sup>96</sup>

## Conclusion

A free press plays an indispensable role in any democracy through informing the electorate and holding public leaders accountable. Writing in 1823, Thomas Jefferson noted that the free press is “the best instrument for enlightening the mind of men, and improving him as a rational, moral, and social being.”<sup>97</sup> Jefferson also argued that a free press preserves democracies’ capacity for self-correction and can safeguard against threats to the political system. “This formidable Censor of the public functionaries, by arraigning them at the tribunal of public opinion, produces reform peaceably, which must otherwise be done by revolution,” Jefferson wrote.<sup>98</sup>

Journalism continues to play the essential role Jefferson identified. This is true at the national level as well as the local level where news organizations—and local newspapers in particular—equip voters with information about their communities, instill trust in the media, stave off polarization, and encourage political participation.

Local newspapers also help facilitate a sense of

community, essential to cultivating the active citizenry necessary to support a healthy democracy. Reflecting on *The Vindicator’s* closure in Youngstown, one reader remarked, “The Vindy connects us all. A community without a strong,

central newspaper is missing leadership — and a big part of its identity.”<sup>99</sup> Americans who regularly consume local news tend to vote more consistently in local elections, exhibit a strong connection to their community, and participate in civic life—from attending city council meetings to joining a local sports league—compared to Americans who do not regularly consume local news.<sup>100</sup>

Even still, sustained local coverage benefits all members of a community, not just the most avid news consumers. Clay Shirky, who studies and writes about the effects of internet technologies on journalism notes:

Print media does much of society’s heavy journalistic lifting, from flooding the zone — covering every angle of a huge story — to the daily grind of attending the City Council meeting, just in case. This coverage creates benefits even for people who aren’t newspaper readers, because the work of print journalists is used by everyone from politicians to district attorneys to talk radio hosts to bloggers.<sup>101</sup>

<sup>95</sup> “The Cairncross Review: A Sustainable Future for Journalism,” February 12, 2019.

<sup>96</sup> “The Cairncross Review: A Sustainable Future for Journalism,” February 12, 2019.

<sup>97</sup> “From Thomas Jefferson to Adamantios Coray, 31 October 1823.”

<sup>98</sup> “From Thomas Jefferson to Adamantios Coray, 31 October 1823.”

<sup>99</sup> Margaret Sullivan, “‘Democracy . . . is about to die in Youngstown’ with closing of the local newspaper,” *The Washington Post*, July 7, 2019.

<sup>100</sup> Amy Mitchell, Jesse Holcomb, Michael Barthel, and Jessica Mahone, “Civic Engagement Strongly Tied to Local News Habits,” Pew Research Center, November 3, 2016.

<sup>101</sup> Clay Shirky, “Newspapers and Thinking the Unthinkable,” March 13, 2009.

At a time when the president of the United States lambasts some news organizations and members of the media, many Americans have demonstrated a renewed commitment to journalism. Subscriptions to national outlets have surged and journalism schools have received an influx of applicants. Local outlets, however, have been largely excluded from these positive developments. A constitutional and public commitment to a free press on its own does not ensure the economic viability of local news, but possible public intervention can help sustain and support local independent media for every community in the U.S.

In the House Judiciary Committee's inaugural hearing as part of its antitrust investigations into internet giants, Chairman Jerry Nadler (D-N.Y.) articulated this point.

"Today as the Internet becomes the dominant platform for accessing news, and as this platform grows more and more concentrated in the hands of just two major companies, the news media once again faces serious threats and congressional action once again may be required," he said.<sup>102</sup>

The need for local journalism has not changed over time, but the economic dynamics capable of sustaining a profitable model for local journalism have. The result is a local journalism crisis confronting many communities in the U.S. that threatens to become worse. Efforts to stave off this crisis can ensure Americans know what is happening in their community no matter where they live.

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<sup>102</sup> C-SPAN, "Impact of Digital Media on News Industry," June 11, 2019.

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