

Financing Dies in Darkness?

The Impact of Newspaper Closure on Public Finance

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This presentation represents my own opinion and not the opinion of the Federal Reserve Bank of Chicago or of the Federal Reserve System

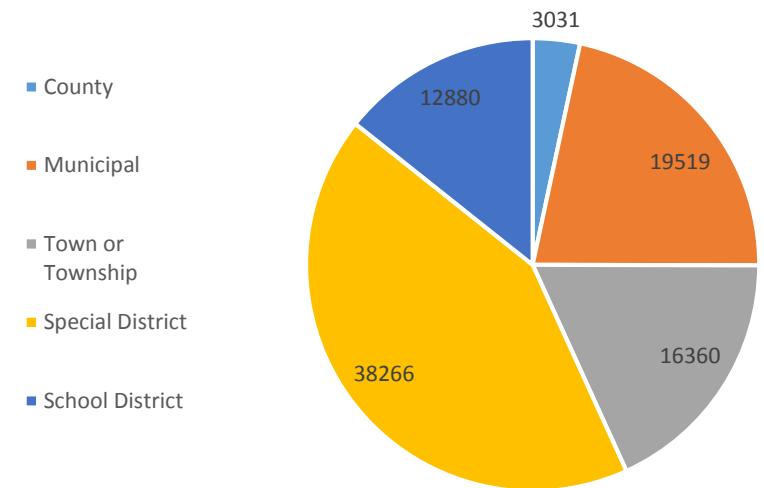
Main Conjecture Well Documented

- Newspapers think this is their role
 - “The Chicago Tribune is a citizen of Chicago, a newspaper committed to inform and lead public opinion, to foster commerce and industry, and **to furnish that vital check upon government which no constitution can.**”
- Following newspaper closure two things happen
 - Public finance spending increases
 - Wage bill, public employees increase, tax revenue up
 - Does population fall? (Numerator or denominator of for example county gov. wage bill/total wage bill)
 - Does overall borrowing increase (more issuance of debt)
 - This is not “inefficiency” but size – consistent with lots of models of government
 - Municipal borrowing costs increase by 5-11 basis points
 - Craigslist instrument really cool

Further Questions primarily relate to the mechanism

- More detail about how the results inform the mechanism
 - When do things matter? Trace out the timing both relative to the issuance of the bond and relative to the closure of the paper.
 - Why following three year period? (Depends on mechanism.)
 - What about bonds issued before newspaper closure?
 - Bond ratings as dependent variable rather than control?
 - Not operating through ratings
 - Ratings agencies are other watchdog
 - Do you think this is about the structure and issuance of the debt itself, the credit worthiness of the issuer (risky), or the information set of the lenders?
- Can we learn anything based on level of government?
 - School districts – still getting coverage, but lack of thoughtful analysis
 - In particular because many local issues are not topical enough for the dailies
 - Anything about weeklies?

Governments by Type, 2012



Some Other Thoughts

- Can we learn anything from other things these papers cover?
 - Local sports?
 - Obituaries?
- Who do you lose when you drop counties with three or more papers?
 - Is this a story about particular types of places. What places are at risk for closure. (For example have three not one paper?)
- Found “low isolation” vs “high isolation” state discussion unnecessary
 - Is there an way to also instrument with something related to housing market churn? Like migration? Advertising is now housing market.

Big Picture Thoughts

- Might pendulum be swinging in other direction?
 - Golden age of public radio
 - Constant consumption of news
 - The hyperlocal news
 - Not financially viable, more labors of love?
 - Serves different purpose?
 - Nextdoor