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?
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