

# Los Angeles Times

## Op-Ed: How to stop hedge funds from wrecking local news

*By Steven Waldman, June 8, 2021*

With Alden Global Capital's recent [acquisition of the Tribune Publishing](#) newspaper chain, the country has reached a troubling milestone: Half of the daily newspaper circulation in America is now owned by hedge funds.

This is a real threat to democracy, because hedge funds and private equity firms have a track record of cutting the reporting staff of local newsrooms to increase profits. We must stop viewing this trend as inevitable. We need to confront it head on, including with public policies.

With its latest move, Alden now controls the Baltimore Sun, the Chicago Tribune, the New York Daily News, the Allentown Morning Call, the Virginia Pilot, the Orlando Sentinel, the Hartford Courant and the Capital Gazette of Annapolis. All of these papers are now owned by an economic interest divorced from the communities they serve. Some 1,200 newspapers are now owned partially or entirely by hedge funds, private equity or investment firms, according to Penny Muse Abernathy, an expert on the local news industry.

The problem is not that hedge funds or private equity firms are run by evil people. It's that when it comes to newspapers, their aim has been to maximize cash flow by slashing costs (namely, the reporting ranks), without investing in digital subscription growth that could make the papers sustainable in the long run.

These financial institutions did not by themselves cause the local news crisis that has left thousands of communities without adequate information. The number of reporters has dropped by 60% since 2000 largely because the internet dismantled newspapers' revenue sources — advertising and subscriptions. Industry consolidation — big newspaper chains buying other big chains, all financed with large amounts of debt — also contributed to the crisis. And many news organizations failed to adapt, even as the challenges became obvious. But hedge fund ownership will make it nearly impossible for these papers to climb out of the ditch.

While these seem like seismic forces, we can counter them if we adopt a strategy to “replant” struggling newspapers back into communities. Hundreds, if not thousands, of the [6,700 local newspapers](#) in the U.S could be strengthened if acquired by local nonprofit institutions.

That’s what happened with the Salt Lake Tribune, which converted into a nonprofit organization. Sometimes a local business group or family can take over. That’s how the Berkshire Eagle was saved in Massachusetts.

In Colorado, a new nonprofit called the [National Trust for Local News](#) (of which I’m a cofounder) last month [acquired a chain of suburban weeklies](#) with the help of local and national philanthropy. The trust is operating these papers in partnership with the Colorado Sun, which was formed by reporters who had left the Denver Post after it had been gutted by Alden Capital. The philanthropic world needs to help such efforts to preserve local ownership.

But the big action must come from Congress. It could offer incentives for owners to sell these papers to local interests by waiving capital gains taxes if the acquirer is a local nonprofit organization or public benefit corporation. It could give a time-limited payroll tax break to the acquiring organizations. Congress could also, through the Small Business Administration or Commerce Department, provide loan guarantees for low-interest financing for such transitions or special tax credits, similar to those available to businesses operating in enterprise zones.

These tax changes would also benefit family newspapers that have served their communities for years and want to find new owners. Many — including newspapers historically rooted in Black and Latino communities — may want to sell their operations to community-based owners, but may not be able to find a buyer right now other than a hedge fund.

We also need to consider improving antitrust enforcement. The Justice Department could block newspaper mergers that have a high likelihood of hurting communities. [Safeguarding “localism”](#) has been a staple of communications policy in America for almost a century. It’s the right idea.

These strategies would be more likely to work if Congress also took a few steps to help local news more generally. A bipartisan bill called the [Local Journalism Sustainability Act](#) provides tax credits for consumers to either buy a news subscription or donate to a local news nonprofit. It also provides a tax credit for small businesses to advertise in local newspapers.

This measure has support from both political parties because consumers and businesses choose which newsrooms to subsidize, not someone at a federal government agency. In addition, Sen. Maria Cantwell (D-Wash.) has proposed including [assistance for local news](#) in the infrastructure bill. Local news is the infrastructure of democracy, and it is crumbling.

This is not a partisan issue. If I were a conservative Republican, I'd be worried that the great majority of counties that have become news deserts are Republican. And fiscal conservatives should be very concerned. The decline of local news is associated with more [government waste](#).

Beyond that, the closure of newspapers also causes higher political [polarization, decreased voter turnout](#) and increased corruption. A well-informed citizenry is essential to solving local problems.

The collapse of local news was caused by powerful forces. But that doesn't mean we're powerless to change the course. It starts with a simple principle: Keep local news in local hands.

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