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Newspaper Chains, Ownership of

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The trend toward newspaper chains in the United States emerged in the late 19th century and expanded significantly following World War I. Sidney Kobre, in his 1969 book Development of American Journalism, dates the first U.S. newspaper chain to 1717, when publisher Andrew Bradford's Philadelphia-based The Mercury combined with the New York Gazette. Benjamin Franklin followed with his successful Philadelphia Gazette serving as a financial basis for investment in six other newspapers. Today, many newspaper chains are part of larger companies that include other forms of media, such as Hearst Communications, which also publishes magazines, and WEHCO Media, a regional company in Arkansas that also owns cable television systems.

Newspaper chains generally involve a series of newspapers located in geographically diverse cities and towns that are controlled by a company through some majority stock ownership arrangement, via outright majority shares, such as Gannett Co., Inc., a major newspaper publisher, or control of voting shares, such as through the Ochs-Sulzberger family, owners of The New York Times. Changing economics in the newspaper industry led to creation of newspaper chains during the 19th century. Significant capital was required to invest in new mass communications technology, such as steam presses, rotary press linotype machines, and photo engraving. The start-up cost for a newspaper in New York City after the Civil War reached $1 million. Such an industrial enterprise required wealthy individuals or families to shoulder the expense. Gerald Baldasty, in his 1992 book Commercialization of News in the Nineteenth Century, wrote that newspaper publishing in the late 19th century had evolved into a major industrial enterprise that required attention to a set of organizational and financial issues quite foreign to an earlier generation of publishers.

By the 1880s, newspapers had become big businesses. They built major downtown office buildings, employed small armies of journalists and production staff, and made a significant impact in the community by underwriting community events. In this era, a newspaper could be a significant and profitable business and reflected the business sense of other industrial enterprises such as Standard Oil or Union Pacific railroads, which engaged in mergers to attain economies of scale. Likewise, newspapers found that mergers afforded savings on costs of paper and machinery supplies. In this period, news content, such as features and cartoons, was being pooled and sold. An independent newspaper would have difficulty affording these resources or purchasing materials and content in the quantities of a newspaper chain. This entry discusses the forces that led to the growth of newspaper chains in the United States and the shift to public ownership of newspaper chains in the 1960s. It then discusses several examples of newspaper chains, the challenges facing newspaper chains due to the collapse of print advertising, and ongoing consolidation of newspaper chains.

Forces for Consolidation

The demise of partisan journalism, or papers owned by political parties, made it possible to reduce the number of papers and helped accelerate a consolidation in the newspaper industry after World War I, historian Frank Luther Mott wrote in his seminal 1962 book American Journalism. Other factors in driving chain ownership involved a more attractive sales pitch to advertisers, who found it less expensive and more convenient to buy space in one paper than in competing papers. Rising labor costs, the expense of pulp, and restrictions in the Associated Press membership that favored established newspapers were other factors pushing for consolidation.

During World War I, particularly in 1917–1918, the newspaper industry witnessed dramatic consolidation as stronger papers snatched up weaker competitors. Mott said by 1900, some 8 newspaper chains controlled 27 newspapers and some 10% of daily circulation. By the 1920s, some 60 newspaper chains owned more than 300 newspapers, comprising more than one-third of all U.S. daily circulation. Besides cutting production costs, publishers of combined newspapers found they could raise advertising rates, which further enhanced profits.

A broader cultural shift in management of U.S. business, where ownership became separated from control of firms as professional managers began to run companies, also affected the operations of newspaper companies. Historian Alfred Chandler Jr., in his influential 1959 article, "The Beginnings of 'Big Business' in American Industry," described how this managerial phase in capitalism led to creation of large, vertically integrated, centralized, functionally departmentalized industrial organizations that developed a bureaucratic managerial structure. This period of specialization meant publishers were now operating the entire business, bypassing the era when this task was performed by editors.

As newspapers became part of the U.S. industrial mainstream, publishers began to envision their readers not only as voters but also as consumers. This was a consequence of the rise of commercial advertising as a revenue source for newspapers, an evolution that influenced news content and helped shape the mind-set of a consumer society. As a result, the newspapers produced content that went far beyond the world of politics and voting.

Public Markets

A pivotal moment occurred in the mid-1960s when owners of media companies began listing their shares on stock exchanges, a shift from family ownership to corporate ownership. The trend toward public ownership started in 1963 when The Wall Street Journal's parent company, Dow Jones & Co., went public. This was followed by the Times-Mirror Company in 1964, Gannett Company and The New York Times in 1967, Knight Ridder in 1969, and the Washington Post in 1971. Some of these families were able to retain control, and therefore preserve editorial quality, through a dual-stock ownership structure, where the family controls the voting shares and public shareholders have nonvoting shares. This arrangement was used by the Bancroft family for Dow Jones, the Graham family for the Washington Post, and the Sulzberger family for The New York Times, where this dual-stock arrangement still exists. New York University professor Rodney Benson has drawn a distinction between media companies traded on the stock market versus those that are privately held by wealthy individuals or families, which are somewhat insulated from Wall Street pressure to show ever-increasing earnings.

The decision for newspaper companies to open up to public shareholder ownership has been widely criticized as injecting a new level of corporate influence that has led to profit maximization and cost-cutting at the expense of editorial quality. Numerous studies and commentators have expressed concerns that corporate advertisers were not only influencing what was covered but also influencing what newspapers would not cover. The Hutchins Commission, in its iconic 1947 study A Free and Responsible Press, said corporate ownership of news organizations is a powerful force that can weaken the autonomy of individual. Edward Herman and Noam Chomsky, in the 1988 book Manufacturing Consent, an influential media critique, cite conglomerate media ownership as a threat to independent journalism. The quality and depth of news production is a persistent concern. Research by Florida State University professors Deana Rohlinger and Jennifer Proffitt found independently owned newspapers cover controversial ideas more often than their corporate chain-owned counterparts.

Examples of Chain Ownership: Scripps, Hearst, and Gannett

Many historians believe modern newspaper chain ownership in the United States began with E. W. Scripps and his newspapers. Scripps was a contemporary of publisher Joseph Pulitzer, who primarily confined his operations to St. Louis and New York. Scripps, by contrast, looked for opportunities in the growing cities and towns in the Midwest and West.

The Scripps-Howard chain, which led to creation of United Press International, began in 1873 with the founding of The Detroit News. E. W. Scripps, his half-sister Ellen, and his brothers then founded The Penny Press in Cleveland and began an expansion that led to a chain of some two dozen newspapers by 1913. A steady stream of acquisitions ensued throughout the 1920s and 1930s with the purchase of newspapers in Pittsburgh, New York, Cincinnati, Akron, Memphis, Knoxville, Denver, El Paso, and more; at one point, E. W. Scripps owned 52 newspapers. Through consolidation, the chain settled into ownership of 19 daily newspapers by 1940, including the New York World-Telegram. Scripps's management owned 40% or less of the newspapers' stock and in the 1940s began allowing local editors to decide on state and local political matters.

The Hearst media empire began in 1880, when the father of William Randolph Hearst purchased the San Francisco Daily Examiner. W. R. Hearst soon expanded into New York, Los Angeles, Chicago, and Boston. He embarked on an aggressive expansion in 1917, buying a newspaper a year, and in 1922, he purchased seven newspapers. At the end of 1933, Hearst had 26 daily newspapers, the International News Service, King Features Service, 13 magazines including Good Housekeeping and Harper's Bazaar, a newsreel company, and an assortment of mines, hotels, and other properties. This empire shrunk by the time of Hearst's death in 1951, but he still controlled about 10% of U.S. daily newspaper circulation.

One of the most influential modern media chains began when Frank E. Gannett acquired partial ownership of the Elmira (N.Y.) Star-Gazette in 1906. He soon expanded though New York, Connecticut, New Jersey, and Illinois. Under the leadership of Al Neuharth, Gannett epitomized the corporate consolidation of major news media during the 1970s and 1980s. Neuharth brought home significant profits for shareholders by raising advertising rates while cutting costs, a business model emulated by other media companies. During Neuharth's 15-year tenure, Gannett's revenues grew to $3.3 billion, from $390 million. Neuharth was a significant industry innovator, and in 1982, he launched the only major national daily newspaper to begin publishing after World War II, USA Today. This paper's pioneering use of color graphics and photos and brief stories influenced newspaper content. At the same time, Gannett newspapers were criticized for reducing staff and skimping on in-depth coverage of local news.

Gannett merged with New Media Investment Group, the parent company of GateHouse Media, in 2019 to form the nation's largest newspaper chain, with 250 U.S. daily newspapers such as the Detroit Free Press and the Arizona Republic. It also owns several hundred nondaily publications. Gannett and GateHouse projected a combined $4.2 billion in revenue for 2019, assuming they were combined that year. Despite these large revenues, Gannett was planning to cut costs to pay off a $1.8 billion private equity loan that New Media used to help finance the deal.

Collapse of Print Advertising and Ongoing Consolidation

Daily newspaper circulation in the United States peaked in 1984 at 63.3 million before declining 56% to an estimated 28.6 million in 2018, according to the Pew Research Center. Meanwhile, advertising revenue peaked in 2005 at $49.4 billion, about a decade into the evolution of the commercial Internet. It has since declined 71% to an estimated $14.3 billion in 2018. The period leading to the 2008 financial crisis was a pivotal era for U.S. newspaper chains, which were shocked by the sudden decline in advertising revenues and looked to outside investors for a rescue. Several of these high-profile acquisitions did not fare well.

The shrinkage of print advertising led to unusual corporate transactions with financiers. One significant example involved bond trader Sam Zell and his 2007 purchase of the Tribune Company. Tribune Co., then-owner of the Los Angeles Times, Chicago Tribune, Baltimore Sun, and other newspapers, borrowed an estimated $8.2 billion to complete Zell's transaction that placed the company in private ownership. Zell was a Wall Street legend, known as the grave dancer for his reputation of profiting from distressed companies. One unusual aspect of the Tribune deal was the decision to finance the Zell acquisition by borrowing against the future revenues of employee pension plans. In less than a year, Tribune sought bankruptcy protection due to its extreme debt burden.

Zell's ownership was marked by a major newsroom backlash over his inexperience in running a professional journalism enterprise and his cost-cutting measures that led to hundreds of newsroom layoffs. Other private equity firms and hedge funds purchased newspaper chains in the wake of the Great Recession, including Alden Global Capital, a hedge fund that purchased the parent company of the Denver Post and subsequently laid off dozens of reporters there. Alden's stewardship led to an extraordinary newsroom revolt, with the Denver Post editorial page harshly criticizing its owner in an April 2018 editorial. The trend of layoffs accelerated at newspapers of all types of ownership with the spread of COVID-19 in the United States beginning in early 2020. The Louisiana Times-Picayune announced temporary furloughs of 10% of its 400-person workforce; Poynter Institute, a media think tank, counted about 80 separate instances of newspaper industry layoffs, furloughs, pay cuts, and suspension or reduction of print publication as of late April 2020.

These examples illustrate the concerns raised by multiple authors who find the crisis facing American newspapers has been accelerated by the for-profit business model that prioritizes profits. Loss of local news coverage is a major concern. College of Charleston professor emeritus Jack Bass has concluded that one feature of modern newspaper chains involves concentrating their holdings in tight geographic groups to reduce production costs. A key goal of such arrangements is for two or more papers to share the same printing plant, thus yielding a major cost savings. Such geographic proximity is attractive to advertisers, who can more easily blanket a region of the country through a chain newspaper group.

Bass said some of these acquisitions led to higher quality journalism—Cox's acquisition of the Greenville (N.C.) Daily Reflector in 1996 led to a new computer system and Washington coverage of its congressional delegation, for instance. Other scholars agree that public interest journalism can be produced by some newspapers in commercial ownership. Yet concerns remain amid consistent rounds of layoffs and newspaper closures.

The consolidation continues unabated as of 2020. Penelope Abernathy's 2018 report, The Expanding News Desert, notes that 25 companies controlled the fate of nearly one-third of all papers in the United States. Abernathy wrote that roughly half of all newspapers in the country changed ownership over the past 15 years, some multiple times. Family-owned newspapers or small regional chains have been frequent targets of consolidation since 2014.

Chain ownership remains controversial to this day. University of Pennsylvania professor Victor Pickard and scholar Josh Stearns of the Democracy Fund, in a 2011 study on financing community journalism found that efforts to increase profits led to job cuts in the U.S. newspaper industry and closings of newspaper bureaus of various governmental agencies.

See also Antitrust; Commission on Freedom of the Press; Gannett; Media Conglomerates; Media Monopoly; Media Ownership; MediaNews; Tribune Publishing Company

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