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Private equity investors and hedge funds devastated the newspaper industry in the first two decades of the twenty-first century, Margot Susca argues. In *Hedged: How Private Investment Funds Helped Destroy American Newspapers and Undermine Democracy*, Susca insists these financial giants sought to extract a maximum return from the industry without any regard for the future or the public service that newspapers had traditionally provided. In her book, Susca has compiled extensive research using primary materials to document the profit-taking strategies of private equity firms and hedge funds as they gutted the newspaper industry.

After an introduction, Susca provides a short chapter tracing the evolution of newspapers from the colonial period, through the partisan and penny press, and into the mass-market era. Susca then divides her book into chapters that focus on the key features of what she has dubs the “private investment era” (p. 6): excessive profit taking, mergers and acquisitions of newspapers and chains, massive debt weighing down newspapers, layoffs of newspaper workers, and the decline of editorial substance. Susca uses corporate reports and government documents, as well as trade and popular press accounts, to build the chapters on ownership, debt, and private equity profits. For the chapter on layoffs, Susca conducted personal interviews with thirty-eight current and former journalists; the chapter on the impact on editorial quality was based on interviews with eighty-five current or past newspaper subscribers.

Susca dates the turning point in the newspaper industry to 2003, when the private equity funds Blackstone Group and Providence Equity Partners purchased a 40 percent share of Freedom Communications Inc. The private equity firms siphoned revenue out of the company through dividends and management fees even as advertising...
revenue declined, driving the company into bankruptcy five years later and into the arms of hedge fund Alden Global Capital and others.[1] “Over the two decades since,” Susca writes, “overharvesting for profits, mergers and acquisitions, debt, layoffs, and labor issues impacting reporters’ role as a function of the Fourth Estate have defined and shaped this era, creating what I call the newspaper industry’s neglected audience: citizens unable to rely on local newspapers to stay informed about the inner workings of their local boards, commissions, and governments” (p. 6).

Newspaper companies and their private equity owners engaged in mergers and acquisitions as a strategy to generate revenue. Instead of working to make a digital transition, newspaper companies cut investment and sought to profit from buying and selling newspaper properties, Susca argues. Newspapers and whole chains were changing hands at a rapid pace in 2005 and 2006. Lee Enterprises purchased the Pulitzer chain for $1.5 billion in 2005. Fortress Investment Group bought Liberty Group Publishing, a company that would become GateHouse Media and then Gannett Company. In 2006, McClatchy Company made the disastrous decision to buy Knight Ridder for $4.5 billion and assume $2.0 billion in Knight Ridder debt. The deal was financed with $3.75 billion borrowed from Bank of America and JPMorgan Chase Bank. Not long afterward, the newspaper industry suffered a significant downturn in the national recession.

Between December 2008 and December 2009, ten newspaper companies, including Tribune Publishing, Journal Register Company, and Freedom Communications filed for Chapter 11 bankruptcy protection to allow corporate reorganization. All came under ownership of hedge funds. Seeing newspaper companies struggling with debt while still profitable, Susca notes, “hedge funds were the sharks that smelled blood in the water and struck, transforming debt to equity and then dismantling the newspapers piece by piece” (p. 21).

Critics issued dire warnings about the state of the industry in the late twentieth century.[2] In many communities and especially in the newsrooms that once hummed with activity just two decades ago, those years might seem like the good old days for local newspapers. Although the newspaper industry was facing substantial headwinds in the late twentieth and early twenty-first centuries, Susca insists that the current condition of the industry is the result of management decisions. Readership was declining, the internet provided new competition for eyeballs and advertisers, electronic classified advertising deprived the newspaper of a significant source of revenue, and the industry was already weakened through decades of cost cutting, especially in newsrooms. Rather than addressing the problems, Susca argues, private equity firms and hedge funds magnified the crisis by employing strategies designed to maximize short-term profits. The consequences were substantive. The Pew Research Center has reported that employment in newspaper newsrooms fell by more than half between 2008 and 2020.

The shareholder capitalism practiced by private equity firms and hedge funds, Susca argues, has greatly diminished the capacity of local newspapers to monitor and hold government and powerful private interests accountable. Susca insists that it is important to reveal the role of private investment, both as equity investors and hedge fund operatives, to confront the belief that the industry is suffering largely from the emergence of the internet and the failure to adapt. Over the last two decades, most US newspapers have come under the control of the private equity firms and hedge funds. As Susca notes, the problem for newspapers is not that they do not make money. It is that the money goes to owners instead of being invested in the newspaper and its editorial operations. “Local newspapers don’t have a profit problem. They have an ownership and investment problem. The crisis has, in part, been created by these firms’ money-making strategies
and their entry and expansion into the newspaper market, sucking profit away and creating conditions that have confined newspaper companies that should have focused on the impacts of the internet” (p. 64).

Susca acknowledges that her analysis does not apply to all newspapers. The New York Times, for example, has withstood investor control, and the Washington Post is among papers now owned by billionaires who can afford to thumb their noses at private equity. However, billionaire owners demonstrated in 2023 and 2024 that their pockets are deep but not bottomless. The New York Times reported in October 2023 that the Washington Post, owned by Amazon founder Jeff Bezos, would cut 240 jobs, about 10 percent of its total employment. In January 2024, the Times noted that the Los Angeles Times, owned by biotech billionaire Patrick Soon-Shiong, laid off 115 journalists and cut newsroom employment by more than 20 percent. Billionaire Warren Buffett, once considered a strong supporter of local newspapers, sold his newspaper properties in January 2020 in a $140 million cash sale to Lee Enterprises. To control costs at the Buffalo News, the “crown jewel” in Buffett’s former holdings, Poynter.org noted, Lee later cut the newsroom budget, transferred page design to an out-of-state design desk, and moved production three hours away to Cleveland, affecting 160 local employees as well shaving hours off news deadlines. Buffett, Susca notes, is still making money off the newspapers. His Berkshire Hathaway lent Lee the money for the sale and refinanced other debt, earning a healthy 9 percent interest for twenty-five years.

Susca concludes with a chapter that laments the political power of hedge funds and private equity firms and briefly discusses the potential of nonprofit news gathering. She acknowledges that newspapers were and are flawed institutions. “Even before private investment fund control, as newspapers made stratospheric revenue for family and chain owners, low-income citizens and people of color were left out of many editors’ day-to-day decision-making” (p. 144). Also, Susca notes that some good newspaper work, such as the Miami Herald investigation that led to the conviction of Jeffrey Epstein and an Indianapolis Star investigation into the sex abuse of USA Gymnastics team doctor Larry Nassar, is still being done. Susca comments, “Imagine how much more those journalists still at hedge fund newsrooms and other corporate chains could do if they were not constrained by the financial world’s locusts” (p. 143). For Susca, a former journalist and now journalism professor, what the industry would be like now without the depredations of private equity investors and hedge funds is, in a word, better. Newspapers would do a better job of covering communities, more journalists would be working, readers would be more satisfied and informed, and democracy would be better served.

Notes


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