

When local papers close, costs rise for local governments

By Dermot Murphy, *Columbia Journalism Review*

During the past 15 years, local newspaper circulation numbers dropped by roughly 30 percent, while the number of statehouse reporters covering local government issues dropped by 35 percent. Academic studies suggest that a lack of local media coverage is associated with less informed voters, lower voter turnouts, and less engaged local politicians. My colleagues and I, as finance professors, wondered whether a decline in local journalism would also lead to higher borrowing costs for local governments.

Local governments frequently borrow money to finance public works projects such as schools, hospitals, and roadways. Lenders demand higher interest rates if they think they are lending to a riskier borrower—that is, a borrower who is more likely to default on a loan. We suspected that if local media is not present to keep their government in check, then there would be a greater likelihood of mismanaged public funds and other government inefficiencies. As a result, governments lacking local media coverage would be perceived as riskier borrowers and forced to pay correspondingly higher interest rates on the funds they borrow for public works projects. The costs stemming from higher interest rates would ultimately be borne by local taxpayers.

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