

Alphabet Soup

For you news junkies out there, you're aware that local journalism is an endangered species. When reporters and editors are let go, stories, investigations and community news still need to be covered. With fewer people to do that, stories go unwritten, beats go uncovered and the watchdog on local government loses more teeth.

The Brown and White, the student newspaper at Lehigh University in Bethlehem, Pa., reporting on staff cuts at the Allentown Morning Call, the local daily newspaper, wrote last April, "The Morning Call no longer employs editors for sports, business, politics or state news, as noted at the 'Save Our Papers Summit' webinar. Other ... include the loss of a dedicated reporter for Easton (PA), cutting to one reporter covering all local arts and entertainment, only two reporters covering all crime and courts, and no reporter covering higher educa-



tion or school districts in Allentown, Bethlehem and Easton."

I've written in the past about the pernicious effect of large group and hedge fund ownership of newspapers, but I write today about the overall environment for local journalism today.

For smaller papers, digital advertising alone can't support a newsroom. Print advertising in newspapers has declined, mainly from the large chain and big box stores, and classified advertising has been siphoned off by free classified websites like Craigslist. Insert circulars have dropped off significantly over the past year, partly due to high paper prices. Print circulation is down, but traffic to newspaper websites and news sites that aggregate stories originally produced by newspaper is way up. And within that sentence is a nugget of what's part of the problem for traditional newspapers.

Local newspapers that employ reporters and editors are compelled to participate in this new economy, but they are not compensated for the news they publish when sites like Facebook and Google link to the local news. These sites may link back to the newspaper but they control the delivery of the content based on algorithms. They sell advertising that benefits from the traffic deliv-

ered by that news content, but rarely, if ever, share that revenue with the newspapers that originate that content.

Legislation is pending in Congress to allow newspapers to band together to bargain with these huge tech companies for compensation for the use of this content. This would essentially be a carve-out of the anti-trust rules not unlike that enjoyed by Major League Baseball, and would exist for a limited time. The bill, not yet introduced in Congress, is called the Journalism Competition and Preservation Act, and has bipartisan sponsors in both the House and Senate.

The JCPA probably wouldn't yield a lot of revenue for a small paper like The News-Gazette, but it opens the door to leveling the playing field between the some 7,000 individual newspapers that create the bulk of the news content online, and the huge tech firms that get rich off of the traffic it provides them.

Another piece of legislation called the Local Journalism Sustainability Act would provide relief to local newspapers and broadcasters in the form of tax credits for employing writers, photographers and designers, to local businesses that run advertising in local papers, and on local radio and TV station, and to individuals who buy subscriptions

to local papers. LJSA morphed into being included within the Build Back Better bill, with only the credit for employing journalists included. BBB is, of course, bottled up in Congress and may never become law.

Some commentators have written that the LJSA amounts to a subsidy for local media, with the attendant strings that could influence local papers, TV and radio from aggressively covering and investigating government. I think that's unlikely, and besides, when is not collecting taxes a subsidy? Beyond that, what's worse, a tax break with the unlikely effect of influencing news coverage, or no news coverage at all of city hall and county government because the local press has ceased to exist?

If either or both of these bills make it into law, I think that would be a good thing for local journalism, but neither is a magic bullet ensuring the survival of local broadcast stations or newspapers. Publishers and station owners still need to be creative about finding new revenue, and managing the pull between holding down costs and keeping a newsroom staffed appropriately.

Local journalism isn't just about making sure our local sports teams are covered, and our events get a photo spread. It's about watching our local officials to ensure that they are acting in the public interest. That's

not a slam on our local leaders – I think our local elected and appointed officials generally do a good job.

But there are many cases where local officials who have not received much scrutiny have abused their office. One of the most egregious examples in recent memory was in the city of Bell, Calif., a town of 38,000 people and one of the poorest in Los Angeles County, where the mayor, some members of city council and city administrators arranged to pay themselves annual salaries of hundreds of thousands of dollars. An investigation by the Los Angeles Times uncovered this corruption after it had existed for many years. I argue that if Bell had has a local newspaper, it's possible this would have been detected years earlier.

Bell's credit rating was downgraded as a result, making borrowing more costly for the city and its taxpayers. Studies have shown that in aggregate, localities without local media have measurably lower credit ratings than those whose government are regularly reported on by local newspapers.

My hope is that taxpayers across the nation will voice their support for these measures if either or both make it to a vote, recognizing that healthy local journalism has a favorable impact on their taxes.

Clara Belle

Elsewhere in today's paper is the obituary for Clara Belle Weatherman, who worked as a copy editor at The News-Gazette for close to 30 years. She outlived two husbands and was definitely a force to be reckoned with.



I met her in 1971 when she, her husband Rom Weatherman and their three children were moving from Winston-Salem, N.C., to Lexington, where Rom had been hired as Washington and Lee University's news director. Clara Belle had been an editor at the Winston-Salem Journal, and stepped right into a similar role at The News-Gazette. I wasn't at the paper at that time, but I can imagine that

she did a lot more coaching and developing of our young reporters, many of whom were fresh out of college, as opposed to the more experienced journalists at the daily in Winston-Salem.

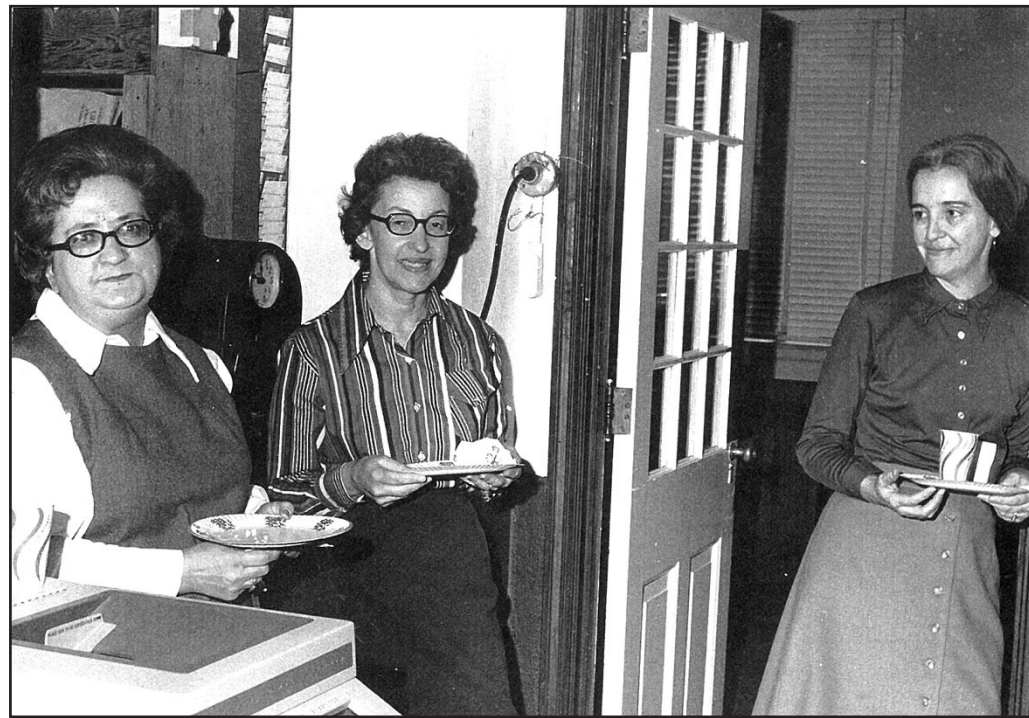
Clara Belle was a stickler for proper grammar and the AP Stylebook, except where AP's style conflicted with the "Clara Belle stylebook." Low Moor, over near Clifton Forge, was Lowmoor, according to Clara Belle, no matter what the atlas and the Postal Service called it. There were others that the writing staff knew to use rather than AP.

In the 1970s and early '80s, we used a production system that optically scanned reporters' typewritten copy. Editors would mark corrections on the typed sheets in red, because the scanner didn't see the color red. We had a rule that any sheet with more than eight red marks was sent back to the reporter to be re-typed. One young reporter taped a sheet that Clara Belle had marked with over 20 red marks, as a perverse badge of

honor. But, his typing and his writing improved such that he later was hired by the Richmond Times-Dispatch and went on to the Washington Times.

Don't think that she was just an eccentric editor. She had a deep love of writing and, in particular, newspaper journalism. She took it almost personally when a typo slipped past her, which was rare. Her insistence on precision in writing rubbed off on a generation of reporters and editors at The News-Gazette, and is still felt here among the staff that benefited from her tutelage.

I read too many articles, and even books, that would have benefited from Clara Belle's red pen. Editing is a function that has been largely sacrificed in the slash-and-burn cost cutting prevalent in our industry today. There are papers that have one editor for multiple weeklies and small daily papers. There's no way to give individual stories anything more than a superficial look. Beyond that, report-



CLARA BELLE Weatherman (right) is pictured here with News-Gazette employees Mildred Lewis and Marie Knick at an office party in the 1970s. Weatherman was the news editor and copy editor for the paper from 1971 until her retirement in 2000.

ers get little feedback on their writing or help with developing their skills.

Weekly newspapers are often the training ground for new reporters, whether just out of school, or increas-

ingly, amateurs who love to write but need the structure and guidance of working for a paper. We're always proud of our "alumni" who go on to the larger newspapers and bigger cities. But it's editors

who help them develop at writers and reporters.

My sense is that there are a lot fewer editors at weekly papers like Clara Belle these days. And our industry is poorer for it.

INK SPOTS

MATT PAXTON

Fair is Fair

We often hear the expression that small businesses are the backbone of the American economy. I think that's generally a true statement. According to the U.S. Small Business Administration (SBA) Office of Advocacy, small businesses have generated 64% of net new jobs over the past 15 years. The SBA considers companies with less than



500 employees to be “small businesses,” which makes up 99.7% of all businesses that have employees in the U.S.

Yet, small businesses don't always get the same treatment from governments, suppliers and large lenders.

The recently announced Inflation Reduction Act of 2022, which is a slimmed down version of the Build Back Better legislation that never got a vote, includes a minimum corporate tax of 15% on large businesses. That's at least a start toward leveling the playing field insofar as what large corporations effectively pay in federal corporate tax.

According to American Progress (americanprogress.org), many large American corporations paid little or nothing at all in corporate income taxes in 2021. None of this is illegal – these companies took advantage of all provisions in the tax code to

minimize their tax. The issue to me is that many of those provisions are available only to the largest of companies.

You've probably seen some of these numbers in the past, but some examples of what some large companies' effective tax rates were last year include Amazon at 6.1%, Exxon Mobil at 2.8%, JPMorgan Chase at 5.9%, and Dow Chemical at -3.1%. For 2021, The News-Gazette Corporation has an effective federal tax rate of 21%.

You might argue that our company ought to take advantage of the tax code to minimize our federal tax. Our accountants certainly look at every legal deduction and credit due to us, but the fact is, small businesses just don't have access to many of the credits and deductions available to large companies.

The federal statutory corporate tax rates start at 15%

for the first dollar of earnings. Small businesses that operate as S corporations, sole proprietorships or partnerships are taxed minimally at 10%. I don't think it's unfair to expect the biggest of American companies to pay a minimum tax equal to the lowest corporate tax bracket.

Small businesses also suffer when it comes to raising capital. Many smalls have a hard time borrowing money, especially from the larger national banks. We're fortunate here in Rockbridge to have several excellent community banks that work with small businesses on their financing needs. I've written before about how our local banks worked hard to secure PPP loans for many local businesses during the first months of the pandemic in 2020. Many small businesses across the country failed because they did not have ready

access to a financial institution willing to help with the application process for those life-saving loans.

Small businesses, especially retailers, complain that the big box stores are able to sell merchandise cheaper than the little guy can buy it wholesale. True economies of scale might justify lower wholesale prices to the big guys, but it may also be the case that the bigs use their market power to squeeze suppliers for special pricing.

Decades ago, there was a concept called Retail Price Maintenance, whereby manufacturers could dictate a minimum retail price for their goods. This was struck down by the courts as anti-competitive. Arguably, the low prices on goods offered by Mega-Mart are beneficial to the consumer, but if the cost is driving out the smaller retail stores, it may be a short-term

benefit which costs the consumer choice in local shopping alternatives, and fewer local employers. Of course, online shopping throws all of this into another level economic complexity.

But, back to where we started; talking about a corporate minimum tax.

I don't think large corporations are necessarily bad. I think they are incentivized largely by the quarterly earnings report, and are governed by in-bred boards of directors not particularly responsive to the stockholders. And, I think proper control and regulation of them is necessary to maintain some semblance of competition in the marketplace. Making them pay minimal taxes that are comparable to what small businesses, and what most of us pay as individuals, is not too much to ask.