# *Measuring Newspaper Profits: Developing a Standard of Comparison*

*By Hugh J. Martin*

*Debate over newspaper profits centers on whether earnings are emphasized at the expense of journalistic quality. However, studies of newspaper profitability have used varying measures. This study uses economic theory to develop a long-run standard for comparison of newspaper profits. Profits earned by fifteen publicly-owned newspaper companies during an eleven-year period are compared to publishing company profits and to yields from government and corporate bonds. The comparisons show that average newspaper company profits could be considered excessive. Suggestions are made for refinement of the measures developed here.*

## *Introduction*

Newspapers in the United States are profit-oriented businesses given special legal protection to perform the public service of disseminating information and ideas. Journalists expect newspaper owners to resolve the inherent tension in these roles by accepting lower profits as the cost of providing quality news coverage.[1]

However, some journalists contend the balance between conflicting goals is shifting in favor of economic interests.[2] For example, Paterno detailed conflicts over profits and quality at the country's second-largest newspaper company, Knight-Ridder. The chief executive officer of the publicly-owned company acknowledged pressure from Wall Street to improve financial performance, but insisted this could be done without sacrificing journalistic quality. Critics, including journalists working for Knight-Ridder, said profits had become more important than covering the news.[3]

Meyer argued that newspaper companies have historically enjoyed profit margins of 20 percent to 40 percent because many newspapers are monopolies. As readership declined and competition for advertising increased, newspapers tried to maintain those profits. Meyer suggested that newspapers adjust to profit margins that are closer to other retail products – around 6 percent to 7 percent. Newspapers that cut costs by reducing news coverage or by cutting circulation in low-income areas eventually will lose their most important asset – the trust of the community.[4]

Lacy and Simon argue the relationship between newspaper profits, competition, and quality is more complex. Most U.S. metropolitan dailies have a degree of monopoly power, which gives them some discretion when setting prices for advertising and subscriptions. However, metropolitan

*Hugh J. Martin is a Mass Media Ph.D. student at Michigan State University.* *He thanks Michigan State Professor Stephen Lacy for comments on this study.*

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newspapers face competition from other advertising media and from newspapers in nearby cities and suburbs.[5]

Newspaper managers, who must balance financial and journalistic concerns, can easily evaluate profitability because it represents a quantifiable, short-term goal. However, evaluating a newspaper's quality or its contributions to public discussion requires qualitative judgments about long-term goals. Some newspapers cut editorial quality to increase profit, but managers may also disagree about what makes a quality newspaper. Lacy and Simon add that larger companies find it easier to maintain quality because they have enough financial resources to balance conflicting goals.[6]

The complex demands of managing newspapers imply that simply noting the level of profit is not enough to determine whether newspaper companies earn more than can be justified by economic conditions. This study develops a more objective standard of comparison for newspaper profits. The standard compares profits earned by newspaper companies with long-run returns from alternative investments because short-term comparisons cannot be used to establish trends. This comparison does not directly address differences between profits and spending devoted to news coverage, but it does take a step toward a better understanding of newspaper profitability.

## *Defining Profit*

***Importance of Industry Structure.*** Profit is measured by accountants as revenue minus expenses. However, economists define profit differently. Nicholson explains that economic profit is any return to a business owner that exceeds the amount that could be earned from alternative investments. This definition is based on one assumption about perfect competition – that nothing prevents firms from freely entering markets where positive economic profits can be earned. The assumptions of perfect competition also state that when a market reaches equilibrium all firms must sell at an identical price that equals their production costs, which results in zero economic profit.[7]

Litman explains production costs include payments for inputs, such as labor, plus a fair rate of return to entrepreneurs for their investment of time and capital. In competitive markets entrepreneurs cannot influence their returns because individual firms cannot control prices. Monopolists, however, can earn excess profits because the lack of competition lets them keep prices above production costs. Between these extremes of competition and monopoly lie other market structures such as oligopoly.[8] Oligopoly, which is closer to monopoly than to competition, is characterized by a relatively small number of firms that divide an industry's market while keeping prices high enough to earn excess profits. Explicit pricing agreements are illegal so oligopolists depend on tacit understandings to maintain pricing discipline, but such understandings are not always easy to reach or to maintain.

Litman locates most newspaper markets on a continuum from oligopoly to monopoly.[9] Commenting on a series of acquisitions by major newspaper chains, Morton argued the newspaper industry is "approaching the final stages of ownership concentration...."[10] Lacy and Simon describe a long-term decline in daily newspapers facing direct competition, but argue competition still exists between papers in large cities, their satellite towns, and regional suburbs.[11] The degree of competition in this model is harder to characterize, but Lacy and Simon state that newspapers in this model are not perfect substitutes.

These descriptions of the newspaper industry show it is far from the idealized model of perfect competition found in neoclassic economic analysis. The industry's structure seems to indicate that newspapers will earn excess economic profits.

***Measuring Profit.*** There is no general agreement on how to measure profits. For example, Harlan argued that economic rates of return should reflect the current replacement cost of a firm's assets. However, standard accounting uses the amount paid when an asset was acquired as the replacement cost. Stauffer argued that economic profit depends on another variable not found in accounting measures – time. Capital investments do not immediately generate returns, and the return may be spread over several time periods.[12] More generally, some economists argue business accounting, which helps managers control company operations, assigns costs and revenues in ways that have no systematic relationship to underlying economic rates of return.[13]

However, other economists argue accounting data must be related to true economic returns or else businesses could not use it to make decisions that influence their survival. These economists state that alternative measures are not readily available, so practicality dictates the use of accounting data if researchers compensate for its shortcomings.[14]

Another view questions defining profit by focusing on the effects of changes in market conditions. Parker and Stead argue the neoclassic economic analysis "obscures the dynamic, evolving conditions of real markets which do not usually move swiftly toward equilibrium but which constantly veer from one temporary position to the next under the continuing impact of new initiatives by businessmen."[15] Entrepreneurs make decisions in an atmosphere of uncertainty, and profits and the promise of wealth are the reward they seek.

This implies that entrepreneurs are more concerned with short-term profits than with an investment's potential value in future years. Parker and Stead argue investment decisions are based on profits from a single time period, the present. They acknowledge shortcomings in accounting measures of profit, but argue many improvements offered by economists are "counsels of perfection" that require accurate foresight about relevant variables.[16]

Lacy and Simon offer a practical definition of normal economic profit as the amount needed to ensure an entrepreneur will continue producing a product in uncertain conditions. Therefore, "normal profit must be above the rate of return for secure long-term investments."[17] Lacy also has discussed the focus on yearly or quarterly profits that many corporate newspaper managers are forced to adopt because they are evaluated according to how well the company stock is doing.[18]

Litman suggests that profit studies use either the return on sales or return on capital, two accounting measures which calculate the percentage of earnings using sales or capital investment as a base.[19] Both measures are used frequently by economists and business researchers,[20] despite concern about their shortcomings.

***Existing Measures of Newspaper Profits.*** Previous studies used various measures of newspaper profits. Pearce Demers used three profit measures in a random national survey examining how newspaper size and complexity affect trade-offs between profits and quality. The first measure offered survey respondents four profit categories ranging from losing money to making more than 15 percent profit on after-tax revenues. Two other

measures, the published single-copy newsstand price of the paper and open display advertising rates, provided indirect measures of profit. However, these measures lack the precision needed for a profit comparison.[21]

Blankenburg and Friend, in a nonrandom sample of forty-six newspapers, argued some larger newspapers could affect circulation by increasing newsroom spending, but added "apparently this is detrimental to profits." The calculation of the newspapers' "gross profit margin" was not described.[22]

Five other studies used varying measures, including some based on differences between revenues and expenses. In the first study, Blankenburg defined profits as the difference between revenue and expenses for a nonrandom sample of twenty-nine newspapers. The study concluded publishers compensated for a 1990 slump in the economy by increasing subscription prices.[23] However, the study's sample precludes generalization.

The second and third studies examined publicly-owned newspaper companies, concluding there is less emphasis on profit at companies where the original owners or their successors have more control. The second study defined gross profit as revenue minus operating expenses. The return on equity – earnings per share divided by the book value per share – was used to measure stockholder returns on investments.[24] The third study used the same measures of profitability, but also concluded companies with higher proportions of daily papers facing competition provide more financial resources to those newspapers.[25]

Both studies used nonrandom samples of publicly-owned newspaper companies. However, the nine-company sample in the second study and the eleven-company sample in the third study represent most American firms with annual revenues of more than $100 million that rely on newspapers for more than half of their earnings.[26]

Three measures of profitability were used in the fourth study to examine how size and diversification affected the performance of newspaper companies during a recession in 1990 and 1991. The first measure, operating income, subtracted production expenses from revenue earned through sales of products and services. A second measure, net income, was calculated by subtracting nonoperating expenses or adding nonoperating income to the first measure. A third measure, the return on sales, was calculated by dividing operating income by the revenue from sales of products or services.[27]

The study of fifteen publicly-owned newspaper companies concluded that larger firms felt the recession sooner than smaller firms and larger firms took longer to recover. The study included all but two of the publicly-owned newspaper companies in the United States.[28]

The fifth study examined the profitability of privately-owned newspapers during an eleven-year period. This study defined profit margin as before-tax profit divided by revenue. Newspaper performance was measured against pre-tax profits for "all manufacturing industries." The study, which concluded newspapers had higher profit margins than comparable manufacturing companies, is difficult to evaluate because no information was provided about the number of newspapers in the sample. However, newspaper data came from a nonrandom survey with an average response rate of 20 percent, so results cannot be generalized.[29] The study also failed to specify a theoretical rationale for comparing newspaper profits with manufacturing profits.

## Research Questions

***Requirements for Valid Measures.*** The literature review shows there is disagreement about how to measure profitability at both a theoretical and practical level. However, it does seem clear that a valid measure must be consistent over the long run. Litman suggests long-run profit studies last ten years. The literature also suggests that comparisons focus on quarterly or annual profit figures, because those are most likely to be used for economic decisions.[30] Therefore, this study will examine annual newspaper profits during the eleven years from 1984 to 1994.

A valid measure of comparison should be consistent, but it should also include multiple alternate rates of return. Neoclassic economic theory suggests the importance of using the most secure alternative long-term investment because earnings must be above this minimum to convince an entrepreneur to stay in businesses. Industrial organization models, which emphasize relationships between industry structure and economic performance, suggest the importance of using industries manufacturing similar products.[31] Comparisons based on both approaches would recognize that no economic model can describe to perfection the realities of a market economy.

Therefore, both theory and previous research suggest there are standards that can be used to measure newspaper profits. This, in turn, suggests two research questions:

(1) Do alternate measures of profitability provide theoretically consistent measures for comparisons of newspaper profitability?

(2) Can these measures be used to determine whether newspapers earn excessive profits?

## Method

***Selecting Measures.*** Three alternate measures will provide a baseline of comparison for newspaper profits. Bonds sold by the government and corporations to finance debt are the most secure investments available, so the return on bonds represents a minimum entrepreneurs must exceed to stay in business. Bonds issued by the U.S. Treasury, the safest investment available when held to maturity, will be one measure. A second measure will be corporate bonds with high ratings. Corporate bonds are relatively risk-free, but carry more risk and provide larger yields than treasury bonds.[32]

The third comparison measure will be profits in an industry similar to newspapers. Book and magazine publishing – like newspaper publishing – are protected by the First Amendment because they produce information and ideas.[33] The publishing and newspaper industries both enjoy scale economies where production costs are spread across the number of copies or pages printed, resulting in lower costs per unit as sales or circulation increase.[34] Like newspapers, many magazines also sell advertising.[35]

Publishing also differs from newspapers in two important respects. Booksellers can return unsold books to receive full credit from publishers, a policy that creates fundamental instability in a competitive industry. Magazine publishers compete with thousands of titles, and most new magazines fail within a few years.[36] These differences suggest that publishing is more competitive than the newspaper industry, where direct daily competition has steadily declined.[37] Therefore, publishing profits should provide a competitive comparison with newspaper earnings.

***Compiling Newspaper and Publishing Indices.*** Information about the long-run earnings of publicly-owned newspaper and publishing companies was obtained from annual reports and 10-K forms filed with the U.S. Securities and Exchange Commission (SEC). Data was collected for the years 1984-1994.

An index of fifteen publicly-owned newspaper companies was used to calculate newspaper profits. Most of the companies own other businesses such as television stations or magazines. However, criteria from two earlier studies of public newspaper company profits were used to select companies. Each firm, classified as a newspaper company by Value Line Ratings and Reports, was headquartered in the United States, reported annual revenues of more than $100 million, and received more than half of those revenues from newspapers.[38]

Data from the SEC filings showed all fifteen newspaper companies had annual revenues of more than $100 million each year they appeared in the study. All of the companies earned more than 50 percent of those revenues from newspapers during the study's first two years.

However, in 1986 the Washington Post Company first reported less than half of its revenues came from newspaper publishing, a trend that continued. In 1994, the last year of the study, approximately 44 percent of the company's revenue came from newspapers. The rest came from *Newsweek* magazine and broadcast and other businesses. However, when magazine and newspaper revenues are combined, the Washington Post Company earned 65 percent of its 1994 revenues from those businesses. Therefore, the company was included in all years of the study because its primary business is publishing news.

The E.W. Scripps Company also earned less than 50 percent of its revenues from newspapers in the last four years of the study. However, the percentage of revenue from newspapers was increasing – in 1994 it was 49 percent – so the company was included in the study for those years.

The picture is more complex for the fifteen publishing companies used to compile a profit index for comparison with newspaper companies. Publishing companies also were selected from Value Line listings and headquartered in the United States. Publishers earned more than $100 million in revenue for each year of the study and received more than half of those revenues from publishing. However, the publishing industry is characterized by turmoil – private companies go public and public companies vanish in mergers with other firms. As a result, eight of the fifteen companies were not included in at least one year of the study. The highest number of publishing companies included was thirteen during the first three years of the study, and the lowest was nine during four other years.

The reasons publishing firms go in and out of the study vary. Four firms were sold or involved in mergers. A fifth firm, Time, was excluded from the study after 1988 because revenues from magazine publishing decreased to 24 percent of the company's earnings in the first year of its 1989 merger with Warner Communications.

Two other publishing companies did not begin filing public reports until after the eleven-year study period began. Another company did not file comprehensive annual data in the last two years of the study.

***Calculating Profits.*** The annual before-tax return on sales was selected as the profit measure[39] for newspaper and publishing companies. Some version of return on sales – revenues minus expenses divided by revenue – was used to measure newspaper profits in five previous studies.[40]

The use of a percentage also allows comparisons across different size companies and investments.

This study's ratio for return on sales was suggested by Loth:[41]

$$\text{Return on Sales} = \frac{[\text{Operating Revenue} - \text{Operating Expenses} - (\text{Non-operating Expenses} - \text{Non-Operating Income})]}{\text{Operating Revenue}}$$

Operating revenue is from the sale of products and services. Operating expenses include items such as production costs and depreciation. Non-operating income and expenses include investment income and interest expenses.[42] All calculations used information from consolidated statements of income.[43]

***Compiling Bond Indices.*** Information about yields from U.S. government bonds was gathered from Standard & Poor's Statistical Service. Information about corporate bond yields was gathered from Moody's Investors Service. Interest paid by all bonds in the study was available for the entire eleven-year period.[44] All interest payments were subject to federal income taxes.

Standard & Poor's reports interest yields for three different categories of treasury securities. Long-term securities have more than twenty years before maturity, intermediate-term securities mature in more than six and less than nine years, and short-term securities mature in more than two but less than four years. Standard & Poor's calculates weekly indexes based on the median yield for each of the three government bond categories, then reports monthly and annual averages.[45] The annual averages were used in this study, which combined all three bond categories to create an index.

Moody's Investors Service rates corporate bonds according to their risk. The highest quality bonds are Aaa, which carry the lowest risk.[46] The monthly averages for Aaa bonds were used to calculate annual averages that provided another index of comparison.[47]

## Results

***Consistency of Measures.*** The first research question focused on developing theoretically consistent measures of profitability. Annual profits for individual newspaper companies and averages for all of the companies are reported in Table 1.

All but four of the fifteen newspaper companies earned money every year from 1984 to 1994, and the four companies with a negative return on sales only lost money during a single year. The fifteen companies collectively had an average profit of 14.04% during the eleven-year study,

***Comparison Indices.*** Statistics for the fifteen publishing companies in the study reported in Table 2 show six of the companies had a negative return on sales during at least one year, and two companies averaged negative profits throughout the years they were in the study.

The collective average publishing profit for the eleven years of 8.00% was just over half the comparable figure for newspapers. The publishing profits also had more variability than the newspaper profits – the average standard deviation for newspaper return on sales was 6.33% as compared with 7.80% for publishing.[48] Lower, more variable profits are consistent with the description of publishing as more competitive than the newspaper industry.

The index for government bonds, reported in Table 3, shows positive interest payments throughout the study. The average yield for all government bonds was slightly more than publishing profits. However, the average standard deviation was only 0.56% for government bonds. Publishing and

**TABLE 1**

*Newspaper Return on Sales (Figures in Percentages)*

| Time Period | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 11-year average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Newspaper Company | | | | | | | | | | | | |
| Affiliated Publications | 16.51 | 19.26 | 21.05 | 21.52 | 16.18 | 13.57 | 7.81 | -21.45 | 10.98 | —[a] | — | 11.71 |
| A.H. Belo Corp. | 27.16 | 11.53 | 15.72 | 12.05 | 5.46 | 10.46 | 10.41 | 4.31 | 11.93 | 13.87 | 17.18 | 12.73 |
| Central Newspapers | —[b] | 16.13 | 17.67 | 14.21 | 12.29 | 15.66 | 14.30 | 12.25 | 12.17 | 14.58 | 15.53 | 14.48 |
| Dow Jones & Co. | 25.46 | 24.87 | 29.19 | 27.73 | 28.02 | 33.22 | 10.58 | 9.24 | 12.89 | 14.82 | 16.20 | 21.11 |
| Gannett Co. | 21.98 | 21.94 | 19.28 | 19.17 | 18.33 | 18.40 | 17.96 | 14.87 | 16.55 | 18.36 | 20.45 | 18.84 |
| Knight-Ridder | 15.73 | 13.81 | 13.97 | 13.51 | 11.27 | 12.99 | 10.58 | 9.32 | 10.29 | 9.93 | 10.95 | 12.03 |
| Lee Enterprises | 26.12 | 27.73 | 27.56 | 31.92 | 24.37 | 23.32 | 21.09 | 15.38 | 17.83 | 18.22 | 21.09 | 23.15 |
| McClatchy Newspapers | 10.18 | 9.05 | 12.73 | 13.57 | 13.46 | 14.55 | 10.96 | 9.88 | 12.32 | 13.12 | 14.76 | 12.23 |
| Media General | 11.72 | 8.76 | 3.94 | 10.53 | 1.92 | 5.04 | 7.09 | -8.99 | 4.55 | 6.47 | 22.83 | 6.71 |
| New York Times | 14.04 | 13.88 | 15.15 | 15.88 | 13.17 | 8.39 | 6.20 | 3.70 | 0.51 | 5.35 | 0.18 | 10.38 |
| Pulitzer Publishing | 12.38 | 14.67 | 10.56 | 7.79 | 8.64 | 12.72 | 5.42 | 3.79 | 7.34 | 8.95 | 13.57 | 9.62 |
| E.W. Scripps Co. | —[b] | —[b] | 7.87 | 9.67 | 11.85 | 13.73 | 8.97 | 10.57 | 16.65 | 21.08 | 17.84 | 13.14 |
| Times Mirror | 12.38 | 12.50 | 18.11 | 14.69 | 15.50 | 12.84 | 6.50 | 1.78 | -0.23 | 3.38 | 7.38 | 9.53 |
| Tribune Co. | 10.39 | 11.95 | 25.77 | 12.50 | 16.18 | 16.71 | -3.99 | 11.86 | 11.09 | 17.07 | 19.89 | 13.58 |
| *Washington Post* | 16.88 | 20.53 | 16.84 | 25.20 | 31.83 | 23.13 | 20.26 | 13.78 | 15.45 | 17.59 | 17.78 | 19.93 |
| Population Statistics | | | | | | | | | | | | |
| Average | 16.99 | 16.19 | 17.03 | 16.66 | 15.23 | 15.65 | 10.27 | 6.02 | 10.69 | 13.06 | 16.67 | 14.04 |
| Standard deviation | 5.91 | 5.62 | 6.77 | 6.79 | 7.72 | 6.62 | 6.16 | 9.55 | 5.34 | 5.24 | 3.97 | 6.33 |
| *N* for time period | 13 | 14 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 14 | 14 | 15 |

[a] Affiliated Publications was acquired by the New York Times Co.
[b] Data for these years has not been made public.
*Note:* Negative signs indicate a loss that year.

newspaper profits had more than 90% more variability during the eleven years. The relatively small variability in bond returns is consistent with low risks offered by this investment.

The yields from highly-rated corporate bonds, reported in Table 4, were also positive through the study. The eleven-year average corporate

## TABLE 2

*Publishing Return on Sales (Figures in Percentages)*

| Time Period | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 11-year average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Publishing Company | | | | | | | | | | | | |
| Commerce Clearing House | 18.55 | 18.07 | 17.89 | 17.49 | 13.39 | 9.33 | 9.87 | 7.66 | -1.78 | —[a] | —[a] | 12.27 |
| Grolier | 3.37 | 4.45 | 5.28 | 6.40 | —[b] | — | — | — | — | — | — | 4.88 |
| Harcourt General | 8.52 | 10.77 | 13.88 | -8.50 | -11.58 | -26.08 | 3.17 | -12.26 | 4.80 | 6.15 | 4.83 | -0.57 |
| Harper & Row | 8.74 | 7.95 | 5.65 | —[c] | — | — | — | — | — | — | — | 7.44 |
| Houghton Mifflin | 11.52 | 11.71 | 12.42 | 12.17 | 10.55 | 9.15 | 7.41 | 8.66 | 6.26 | 10.59 | 17.62 | 10.73 |
| Marvel Entertainment | — | — | — | — | —[d] | 7.78 | 13.11 | 25.94 | 25.34 | 22.74 | 20.26 | 19.19 |
| McGraw-Hill | 22.06 | 20.90 | 20.72 | 18.70 | 22.68 | 4.84 | 15.61 | 13.29 | 13.04 | 3.02 | 12.51 | 18.32 |
| MacMillian Inc. | 11.41 | 12.21 | 12.69 | 12.73 | —[e] | — | — | — | — | — | — | 12.26 |
| Meredith Corp. | 14.09 | 14.68 | 14.45 | 10.00 | 8.08 | 5.49 | -0.10 | 4.99 | 0.26 | 4.47 | 6.78 | 7.56 |
| Playboy Enterprises | 5.18 | 4.53 | -5.44 | 6.85 | 0.19 | -2.06 | 4.16 | 3.38 | 2.37 | 0.22 | -6.96 | 1.13 |
| Reader's Digest | 3.54 | 5.33 | 9.96 | 11.97 | 13.93 | 12.82 | 14.15 | 14.50 | 14.58 | 14.64 | 16.51 | 11.99 |
| Time Inc. | 13.73 | 11.37 | 16.64 | 12.33 | 11.74 | —[f] | — | — | — | — | — | 13.16 |
| Western Publishing | 3.21 | 3.08 | 9.24 | 9.56 | 8.63 | 9.20 | 6.84 | 2.77 | 4.02 | 4.35 | -10.27 | 4.60 |
| Wiley & Sons | — | — | — | — | — | —[g] | 8.00 | 2.07 | 1.71 | 3.87 | 5.80 | 4.29 |
| Zondervan | -4.88 | 0.30 | 0.40 | 1.45 | —[h] | — | — | — | — | — | — | -0.68 |
| Population Statistics | | | | | | | | | | | | |
| Average | 9.16 | 9.64 | 10.29 | 9.26 | 8.62 | 3.39 | 8.22 | 7.10 | 7.06 | 7.78 | 7.45 | 8.00 |
| Standard deviation | 6.93 | 5.84 | 7.02 | 6.98 | 9.08 | 11.13 | 4.80 | 9.42 | 7.85 | 6.66 | 10.04 | 7.80 |
| *N* for time period | 13 | 13 | 13 | 12 | 9 | 9 | 10 | 10 | 10 | 9 | 9 | 15 |

[a] Data is not available for these years.
[b] Grolier was sold to Hachette S.A.
[c] Harper & Row was acquired by News Corporation Ltd.
[d] Marvel was owned by New World Entertainment until 1989, and first offered stock for public sale in 1991.
[e] MacMillan was acquired by Maxwell Communication Corp.
[f] Time Inc. merged with Warner Communications, making cable television and film the company's primary business.
[g] Wiley & Sons began public filings in 1992, and hasn't made information from before 1990 public.
[h] Zondervan merged with Harper & Row.
*Note:* Negative signs indicate a loss that year. Data for McGraw-Hill from 1990-1994 was obtained from an annual report that was not filed with the SEC.

**TABLE 3**
*Yields from U.S. Government Bonds*
*(Figures in Percentages)*

| Time Period | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 11-year average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bond | | | | | | | | | | | | |
| U.S. (Long term)[a] | 12.34 | 10.74 | 8.14 | 8.76 | 9.11 | 8.62 | 8.81 | 8.24 | 7.61 | 6.46 | 7.43 | 8.75 |
| U.S. (intermediate term)[b] | 12.30 | 10.52 | 7.72 | 8.19 | 8.73 | 8.57 | 8.50 | 7.57 | 6.50 | 5.26 | 6.48 | 8.21 |
| U.S. (short term)[c] | 11.68 | 9.38 | 7.10 | 7.30 | 8.14 | 8.60 | 8.17 | 6.44 | 4.77 | 3.96 | 6.05 | 7.42 |
| Population Statistics | | | | | | | | | | | | |
| Average | 12.11 | 10.21 | 7.65 | 8.08 | 8.66 | 8.60 | 8.49 | 7.42 | 6.29 | 5.23 | 6.65 | 8.13 |
| Standard deviation | 0.30 | 0.60 | 0.43 | 0.60 | 0.40 | 0.02 | 0.26 | 0.74 | 1.17 | 1.02 | 0.58 | 0.56 |

[a] More than 20 years to maturity.
[b] More than six years and less than nine years to maturity.
[c] More than two years and less than four years to maturity.

bond yield of 9.23% is higher than the 8.13% average for government bonds. Corporate bonds had an average standard deviation of 1.59% – almost three times the figure for government bonds. These results are consistent with the higher risk associated with corporate bonds. However, corporate bonds also had an average standard deviation at least 74% less than comparable figures for publishing and newspaper profits.

***Profit Comparisons.*** The second research question focused on comparing newspaper profits to alternate sources of returns. The annual average profit for newspaper companies was separately compared to each of the three other indices: (1) the annual average profit for publishing companies, (2) annual average yields for government securities, and (3) the annual average yields for corporate bonds. Results of these comparisons are reported in Table 5.

Newspaper profits were above the comparison indexes in all but one of the study's eleven years. During the recession year of 1991, average

**TABLE 4**
*Corporate Bond Yields*
*(Figures in Percentages)*

| Time Period | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 11-year average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Aaa bonds | 12.71 | 11.37 | 9.02 | 9.38 | 9.71 | 9.26 | 9.32 | 8.08 | 8.14 | 6.61 | 7.96 | 9.23 |

*Note:* The standard deviation for the 11-year study period is 1.59.

**TABLE 5**

*Newspaper Profits Compared to Other Indices (Figures in Percentages)*

| Time Period | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 11-year average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Average Newspaper Profits | 16.99 | 16.19 | 17.03 | 16.66 | 15.23 | 15.65 | 10.27 | 6.02 | 10.69 | 13.06 | 16.67 | 14.04 |
| Average Publishing Profits | 9.16 | 9.64 | 10.29 | 9.26 | 8.62 | 3.39 | 8.22 | 7.10 | 7.06 | 7.78 | 7.45 | 8.00 |
| Difference | 7.83 | 6.55 | 6.74 | 7.40 | 6.61 | 12.26 | 2.05 | -1.08 | 3.63 | 5.28 | 9.22 | 6.04 |
| Percent difference | 85.56 | 67.95 | 65.49 | 79.94 | 76.71 | 362.20 | 24.94 | -15.21 | 51.40 | 67.81 | 123.70 | 90.04 |
| Average U.S. Bond Yields | 12.11 | 10.21 | 7.65 | 8.08 | 8.66 | 8.60 | 8.49 | 7.42 | 6.29 | 5.23 | 6.65 | 8.13 |
| Difference | 4.88 | 5.98 | 9.38 | 8.58 | 6.57 | 7.05 | 1.78 | -1.40 | 4.40 | 7.83 | 10.02 | 5.91 |
| Percent difference | 40.30 | 58.57 | 122.60 | 106.21 | 75.89 | 81.98 | 20.97 | -18.87 | 69.94 | 149.64 | 150.62 | 77.98 |
| Corporate Bond Yields | 12.71 | 11.37 | 9.02 | 9.38 | 9.71 | 9.26 | 9.32 | 8.08 | 8.14 | 6.61 | 7.96 | 9.23 |
| Difference | 4.28 | 4.82 | 8.01 | 7.28 | 5.52 | 6.39 | 0.95 | -2.06 | 2.55 | 6.45 | 8.71 | 4.81 |
| Percent difference | 33.67 | 42.39 | 88.79 | 77.63 | 56.87 | 69.01 | 10.19 | -25.50 | 31.31 | 97.52 | 109.37 | 53.75 |

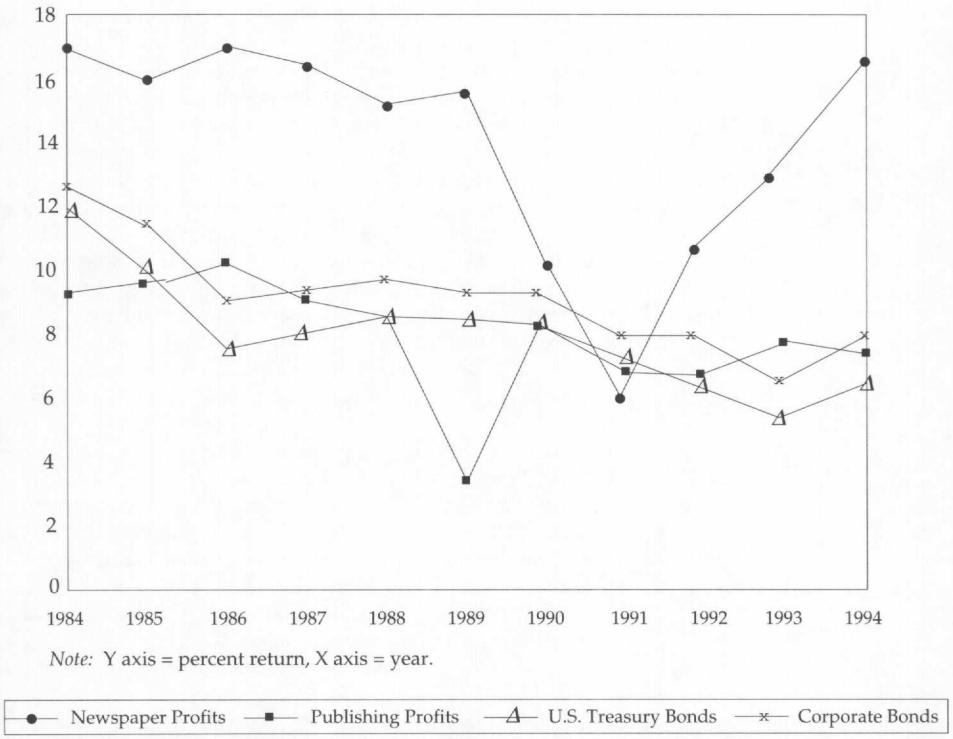
*Note:* Differences are newspaper profits minus comparison index. Percent of differences uses comparison index as base. Some differences may not be exact due to rounding of results.

newspaper profits fell below the other measures. However, for the entire study period newspapers companies averaged profits 90.04% higher than publishing company profits, and 53.75% higher than interest payments from corporate bonds.

The chart in Figure 1 shows how the relationship between newspaper company return on sales and the comparison indexes changed throughout the study. The chart shows average newspaper profits were well above the other indices until newspapers felt the effects of the recession in 1990 and 1991. Newspaper profits made a strong recovery from the recession beginning in 1992, returning to pre-recession levels of more than 16% by 1994.

Average publishing company return on sales, however, fluctuated throughout the study when compared with the bond indexes. Publishing profits felt the recession earlier than newspaper profits, and publishing profits did not recover as dramatically as newspaper profits did. Publishing profits also were closer to government and corporate bond yields – which paralleled each other – than to newspaper profits.

**FIGURE 1**
*Comparing Profit Indices*




## Discussion

***Answer to First Question.*** The first research question asked if theoretically consistent measures could be developed for comparison of newspaper profits. The answer is yes.

The difference between average newspaper company profits and the other indexes is consistent with theory. The newspaper industry was described as closer to oligopoly than to competition, which suggests newspapers have market power. Market power allows newspaper companies to compensate for competitive risks, so their returns are higher than the competitive publishing industry and the low-risk alternatives represented by bonds.

Differences in standard deviations show that newspaper profits vary less than publishing profits. These results are consistent with the description of publishing as similar to the newspaper industry, but more competitive. Publishing companies earn smaller variable profits than the variable profits earned by less competitive newspaper companies. Profits from publishing are therefore closer to low-risk bond measures which provide a baseline for alternative investments. The publishing industry is apparently so lacking in market power that the largest long-run difference in returns was between

newspaper and publishing companies, not between newspapers and the lower risk bond measures. The fact that indices for publishing and bond yields are generally close over the long run also shows the publishing index is consistent with measures that have less variability.

The pattern of differences between treasury securities and corporate bonds also is theoretically consistent. Corporate bonds, which carry more risk, had higher yields than government bonds, but both low-risk alternatives had far less variability than either newspaper or publishing profits.

***Answer to Second Question.*** The second research question asked if comparisons can be used to determine whether newspaper companies earn excessive profits. The answer to this question is also yes.

Normal economic returns should be higher than earnings from secure alternative investments because entrepreneurs must be compensated for risking time and capital. Litman points out that no objective standard exists for determining how much higher earnings should be before profits can be considered above normal. However, Litman argues, a rate of return twice the base of comparison would certainly be excessive. He offers a rule of thumb that earnings 25% to 50% above a comparable measure represent above-normal profits, and earnings 51% to 75% more than the comparable measure represent excess profits.[49]

Using Litman's suggestion,[50] the fifteen newspaper companies averaged excess profits in twenty-three of the thirty-three annual comparisons using publishing and bond indices that are reported in Table 5. That means newspaper companies earned excess profits in 70% of the comparisons. Newspaper companies also averaged above-normal profits in another four, or 12%, of the comparisons.

Newspaper companies averaged normal profits in just three comparisons, all as newspaper profits declined during the recession year of 1990. For the remaining three comparisons, in 1991, newspaper profits fell below other indices.

Particularly noteworthy is the finding that newspaper companies earn so much more than their counterparts in the publishing industry. This result should be interpreted cautiously because of incomplete information from publishing companies. However, long-run publishing profits roughly match long-run returns from low-risk investments – apparently because competitive pressures make it difficult to compensate for risks and push publishing profits closer to "normal" levels.

Newspaper companies, on the other hand, earned excess profits throughout most of the study period despite the effects of what one analyst called "the biggest advertising recession since World War II."[51] Newspaper companies apparently had enough market power to return to pre-recession profit levels in three years.

Although these results represent a non-random sample that cannot be generalized, the newspaper companies in this study represent a substantial portion of the industry. Therefore, critics who accuse newspapers of protesting too much about their financial situation may have a point.

## *Conclusion*

This study shows that meaningful comparisons of newspaper profitability are possible by constructing indices to measure economically relevant rates of return. These comparisons show that public newspaper companies average profits far in excess of both low-risk alternatives and of publishing companies. This suggests some large newspaper companies benefit from

operating in an industry that is less than perfectly competitive. These companies may be able to afford improvements in the quality of their product.

However, the measures used in this study require further development. Data about companies should be expanded to account for (1) distortions from accounting measures, (2) firm variables such as the degree of diversification, and (3) market structure variables such as competition. For example, Picard and Rimmer reported newspaper companies that depend on newspapers for lower percentages of revenue enjoyed higher profits. Lacy, Shaver, and St. Cyr reported competition increases spending on newspapers.[52]

The index for a comparable industry could be expanded to other media companies. Such comparisons would be useful because publicly-owned newspaper companies must respond to stockholder expectations that are based on comparisons with other firms that may also earn above normal returns.

More research is also needed to identify trends over long periods. For example, Udell compared newsprint consumption to economic growth from 1960 to 1988 to identify trends in newspapers' financial health.[53] When possible, data from private newspaper companies should also be added to the mix.

This study, by offering a standard of comparison, takes a step toward a better understanding of how many of these important variables affect newspaper profits.

NOTES

1. Joan Konner, "The Last Nickel," *Columbia Journalism Review*, November/December 1995, 4.

2. Douglas Gomery, "Mass Media Merger Mania," *American Journalism Review*, December 1995, 46; Konner, "The Last Nickel," 4.

3. Susan Paterno, "Whither Knight-Ridder?," *American Journalism Review*, January/February 1996, 19-27.

4. Philip Meyer, "Learning to Love Lower Profits," *American Journalism Review*, December 1995, 40-44. Meyer ("Learning to Love," 43) reported the 1994 profit margins for the ten publicly-owned newspaper companies with the highest revenues ranged from 10% to 23.1%.

5. Stephen Lacy and Todd F. Simon, *The Economics and Regulation of United States Newspapers* (Norwood NJ: Ablex Publishing, 1993), 91-123.

6. Lacy and Simon, *United States Newspapers*, 266. Lacy and Simon (*United States Newspapers*, 136-40) also argue that newspapers don't try to maximize profits by matching the marginal cost of production to marginal revenue as predicted by traditional economic models. Instead, individual and organizational goals influence newspaper owners who may try to maximize revenue, or to maximize circulation, or just to produce good journalism.

7. Walter Nicholson, *Microeconomic Theory: Basic Principles and Extensions*, 6th ed. (NY: The Dryden Press, 1995), 462-63. Nicholson also explains that perfect competition assumes that all firms in a market have identical cost curves. Firms produce additional goods until the price equals the marginal cost of producing another unit. In equilibrium, this marginal cost also equals the average cost of production.

8. Barry Litman, "Microeconomic Foundations," in *Press Concentration and Monopoly: New Perspectives on Newspaper Ownership and Operation*, ed. Robert G. Picard et al. (Norwood NJ: Ablex Publishing, 1988), 4-17. Litman ("Microeconomic Foundations," 8-9) also describes monopolistic competition, a market structure closer to perfect competition than to monopoly. In monopolistic competition, firms attempt to differentiate similar products using service, location, or advertising. However, readily available substitutes mean individual firms have only marginal control over prices.

9. Litman, "Microeconomic Foundations," 14-17.

10. John Morton, "Chains Swallowing Other Chains," *American Journalism Review*, July/August 1997, 52.

11. Lacy and Simon, *United States Newspapers*, 95, 112-15. Lacy and Simon describe an "umbrella model" with up to six layers of newspaper competition. The first layer is regional metropolitan dailies; the second layer is satellite-city newspapers emphasizing local coverage; the third layer is suburban dailies; and the fourth layer is weeklies, shoppers, and specialized newspapers. National dailies are a fifth layer of competition, and group-owned suburban newspapers make up a sixth layer.

12. Kenneth M. Harlan, *Accounting Distortions and the Consistency of Firms' Performance Measures*, vol. 65 of *Research for Business Decisions* (Ann Arbor: UMI Research Press, 1983), 1-4; Thomas Reynolds Stauffer, *The Measurement of Corporate Rates of Return, Outstanding Dissertations in Economics* (NY: Garland Publishing, 1980). Stauffer's (I-5) formula for calculating a simple economic rate of return is the root of a polynomial of degree N:

$$I_0 = \sum_{i=1}^{N} \frac{K_i}{(1+r)^i}$$

where $I_0$ is the investment at time $t_0$. In this formula, $r$ is the interest rate and $K_i$ is the net cash received at the end of the $i$th period.

13. The basic arguments against using accounting measures to infer economic returns are made by George J. Benston, "The Validity of Profits-Structure Studies with Particular Reference to the FTC's Line of Business Data," *The American Economic Review* 75 (March 1985): 37-67; Franklin M. Fisher and John J. McGowan, "On the Misuse of Accounting Rates of Return to Infer Monopoly Profits," *The American Economic Review* 73 (March 1983): 82-97; Franklin M. Fisher, "The Misuse of Accounting Rates of Return: Reply," *The American Economic Review* 74 (June 1984): 509-517.

14. Arguments defending accounting measures in economic studies are made by William F. Long and David J. Ravenscraft, "The Misuse of Accounting Rates of Return: Comment," *The American Economic Review* 74 (June 1984): 494-500; Stephen Martin, "The Misuse of Accounting Rates of Return: Comment," *The American Economic Review* 74 (June 1984): 501-506; Richard Schmalensee, "Inter-Industry Studies of Structure and Performance," in *Handbook of Industrial Organization*, vol. 2, ed. Richard Schmalensee and Robert D. Willig (NY: Elsevier Science Publishers, 1989), 960-69. A summary of the debate by authors who argue for research with accounting data is in F.M. Scherer and David Ross, *Industrial Market Structure and Economic Performance*, 3d ed. (Boston: Houghton Mifflin, 1990), 415-22.

15. David Parker and Richard Stead, *Profit and Enterprise: The Political Economy of Profit* (NY: St. Martin's Press, 1991), 5. Uncertainty is not the same as risk. Uncertainty exists because entrepreneurs do not have perfect information about market conditions. Parker and Stead (*Profit and Enterprise*, 6-7) explain the neoclassic model assumes entrepreneurs do have perfect

information and therefore can calculate the risk, or probability of a given outcome, associated with their decisions.

16. Parker and Stead, *Profit and Enterprise*, 14.

17. Lacy and Simon, *United States Newspapers*, 59.

18. Stephen Lacy, "Ideas for Prospering in a Changing Market," *Newspaper Research Journal* 13 (summer 1992): 88.

19. Barry R. Litman, "Appendix B: The Industrial Organization Model," in *The Motion Picture Mega-Industry* (Boston: Allyn & Bacon, 1998), 293.

20. For example, two economic studies that used accounting measures to examine differences in profitability are Michael E. Porter, "The Structure Within Industries and Companies' Performance," *The Review of Economics and Statistics* 61 (May 1979): 222; and Richard Schmalensee, "Do Markets Differ Much?" *The American Economic Review* 75 (June 1985): 345. These studies influenced business strategy researchers, who continue to use accounting measures. See, for example, Charles W.L. Hill, Michael A. Hitt, and Robert E. Hoskisson, "Cooperative versus Competitive Structures in Related and Unrelated Diversified Firms," *Organization Science* 3 (November 1992): 512; Michael Lubatkin and Sayan Chatterjee, "Extending Modern Portfolio Theory into the Domain of Corporate Diversification: Does it Apply?" *Academy of Management Journal* 37 (February 1994): 123; Constantinos C. Markides and Peter J. Williamson, "Related Diversification, Core Competencies and Corporate Performance," *Strategic Management Journal* 15 (summer 1994): 161; Constantinos C. Markides and Peter J. Williamson, "Corporate Diversification and Organizational Structure: A Resource-Based View," *Academy of Management Journal* 39 (April 1996): 354-55; James Robins and Margarethe F. Wiersema, "A Resource-Based Approach to the Multibusiness Firm: Empirical Analysis of Portfolio Interrelationships and Corporate Financial Performance," *Strategic Management Journal* 16 (May 1995): 286-87; N. Venkatraman and John E. Prescott, "Environment-Strategy Coalignment: An Empirical Test of its Performance Implications," *Strategic Management Journal* 11 (January 1990): 8. An economics handbook that describes accounting measures as useful for determining profitability is Schmalensee, "Inter-Industry Studies," 960-66.

21. David Pearce Demers, *The Menace of the Corporate Newspaper: Fact or Fiction?* (Ames IA: Iowa State University Press, 1996), 283-84.

22. William B. Blankenburg and Robert L. Friend, "Effects of Cost and Revenue Strategies on Newspaper Circulation," *The Journal of Media Economics* 7 (2, 1994): 12, 5.

23. William B. Blankenburg, "Hard Times and the News Hole," *Journalism & Mass Communication Quarterly* 72 (autumn 1995): 634-41. Profit rates at the newspapers ranged from 13.4% to 19.5% during the study period (Blankenburg, "Hard Times," 637).

24. William B. Blankenburg and Gary W. Ozanich, "The Effects of Public Ownership on the Financial Performance of Newspaper Corporations," *Journalism Quarterly* 70 (spring 1993): 68-75. Blankenburg and Ozanich ("Public Ownership," 73) also measured (1) cash flow, or earnings plus depreciation expense; (2) cash flow as a percentage of revenue, which was used to make comparisons across companies; and (3) retained income, which measured how much a company invested in itself. A Value Line calculation of earnings predictability for a five-year period also was included in the study.

25. Stephen Lacy, Mary Alice Shaver, and Charles St. Cyr, "The Effects of Public Ownership and Newspaper Competition on the Financial Perfor-

mance of Newspaper Corporations: A Replication and Extension," *Journalism & Mass Communication Quarterly* 73 (summer 1996): 332-41. Lacy, Shaver, and St. Cyr ("Newspaper Competition," 336-37) also included the percentage of revenue spent on expenses by a company's newspaper division as a performance measure. Yet another study tested the argument that group ownership results in emphasis on profit at the expense of quality. The study of publicly and privately-owned newspapers found no systematic effect on quality regardless of the type of ownership. The study concluded the willingness of owners to make financial resources available to newspapers is more important than the type of ownership. See Stephen Lacy and Frederick Fico, "Newspaper Quality & Ownership: Rating the Groups," *Newspaper Research Journal* 11 (spring 1990): 42-56.

26. Blankenburg and Ozanich, "Public Ownership," 72; Lacy, Shaver, and St. Cyr, "Newspaper Competition," 335.

27. Robert G. Picard and Tony Rimmer, "Weathering a Recession: Effects of Size and Diversification on Newspaper Companies" (paper presented to the Media Management and Economics Division at the annual meeting of AEJMC, Anaheim, CA, August 1996), 14-15.

28. Picard and Rimmer, "Weathering a Recession," 8, 27.

29. Marty Tharp and Linda R. Stanley, "A Time Series Analysis of Newspaper Profitability by Circulation Size," *The Journal of Media Economics* 5 (spring 1992): 3-12.

30. Litman, "Appendix B," 293; Lacy, "Ideas for Prospering," 88; Parker and Stead, *Profit and Enterprise*, 14.

31. Lacy and Simon, *United States Newspapers*,59; Nicholson, *Microeconomic Theory*, 462; Litman, "Appendix B," 293-94.

32. Douglas Sease and John Prestbo, "Bonds: The Secure in Securities," ch. 4 in *Barron's Guide to Making Investment Decisions* (Englewood Cliffs NJ: Prentice Hall, 1994).

33. Lacy and Simon, *United States Newspapers*, 5; Ken Auletta, "The Impossible Business," *The New Yorker*, 6 October 1997, 54; Charles P. Daly, Patrick Henry, and Ellen Ryder, "Overview of Magazine Publishing," ch. 1 in *The Magazine Publishing Industry* (Boston: Allyn & Bacon, 1997); Albert N. Greco, *The Book Publishing Industry* (Boston: Allyn and Bacon, 1997), 1.

34. Benjamin M. Compaine, *The Book Industry in Transition: An Economic Study of Book Distribution and Marketing* (White Plains, NY: Knowledge Industry Publications, 1978), 15-19; James N. Dertouzos and William B. Trautman, "Economic Effects of Media Concentration: Estimates From a Model of the Newspaper Firm," *The Journal of Industrial Economics* 39 (September 1990): 12-13; Greco, *Book Publishing*, 160; Lacy and Simon, *United States Newspapers*, 70-72.

35. Daly, Henry, and Ryder, *Magazine Publishing*, 113-15.

36. Greco, *Book Publishing*, 27-30; Daly, Henry, and Ryder, *Magazine Publishing*, 10-12, 29.

37. Lacy and Simon, *United States Newspapers*, 95; Litman, "Microeconomic Foundations," 14-17.

38. Blankenburg and Ozanich, "Public Ownership," 72; Lacy, Shaver, and St. Cyr, "Newspaper Competition," 335.

39. Litman, "Appendix B," 293.

40. Blankenburg and Ozanich, "Public Ownership," 73; Blankenburg, "Hard Times," 636; Lacy, Shaver, and St. Cyr, "Newspaper Competition," 336; Picard and Rimmer, "Weathering a Recession," 15; Tharp and Stanley, "Time Series Analysis," 5.

41. Richard B. Loth, *How to Profit From Reading Annual Reports* (Chicago: Dearborn Financial Publishing, 1993), 40. This ratio is different than the return-on-sales ratio used by Picard and Rimmer ("Weathering a Recession," 15). Picard and Rimmer's ratio eliminates interest expenses, a legitimate cost of business, from the calculation. Picard and Rimmer also eliminate income from sources other than sales, which may at times be warranted. However, it is not always clear that other sources of income do not represent a legitimate return on a firm's investments.

42. This method of calculation follows the format used in SEC filings. Alternate calculations were made by also adding non-operating income to and subtracting non-operating expenses from the revenue figure in the denominator. This resulted in a lower percentage of profits in years when there was net income from the non-operating category, and a higher percentage of profits in years when there was a net loss. However, changes in profit rates resulting from the alternate calculations were usually less than a percentage point. The alternate calculations did not substantially alter any results reported in this study.

43. These statements routinely report figures for the most recent three years. Some companies also file summary income statements covering periods as long as eleven years. Figures from both kinds of statements were used to calculate percentages for pre-tax profits. Some companies made adjustments in the data used for long-term summaries. However, these adjustments did not substantially affect overall percentages for profits. In addition, normal business adjustments are to be expected in a long-term study, and are unlikely to significantly affect the results.

44. *Security Price Index Record* (NY: Standard & Poor's, 1996); *Moody's Bond record*, vol. 53 (NY: Moody's Investors Service, 1986); *Moody's Bond Record*, vol. 59 (NY: Moody's Investors Service, 1992); *Moody's Bond Record*, vol. 63 (NY: Moody's Investors Service, 1996).

45. *Security Price Index*.

46. *Moody's*, vol. 63.

47. All SEC and bond data was entered in Microsoft Excel for Windows 5.0, and results were calculated using standard functions in the program.

48. Differences in variability are also reflected in the range of standard deviations for publishing and newspaper profits. The largest standard deviation for publishing was 11.13% in 1989, and the smallest was 4.80% in 1990. The largest standard deviation for newspapers was 9.55% in 1991, and the smallest was 3.97% in 1994.

49. Litman, "Appendix B," 294.

50. Litman, "Appendix B," 294.

51. John Morton, "A Shadow Over the Newspaper Business," *American Journalism Review*, March 1995, 56.

52. Picard and Rimmer, "Weathering a Recession," 27-28; Lacy, Shaver, and St. Cyr, "Newspaper Competition," 338-39.

53. Jon G. Udell, "Recent and Future Economic Status of U.S. Newspapers," *Journalism Quarterly* 67 (summer 1990): 331-39.