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The New Digital Press: How to Create a Brighter Future for the News Industry

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EXECUTIVE SUMMARY

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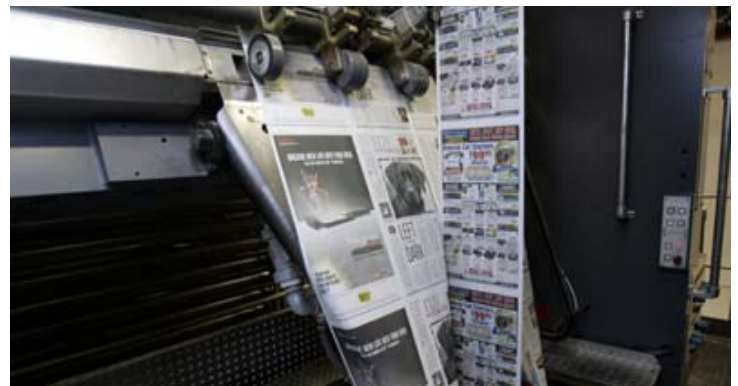
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The first day of my mass media class at Brown University in Spring 2008, I asked the 100 students who were present how many believed the news media were doing a good job covering that year’s presidential campaign. Only two hands shot up. Nearly all the others believed the press was performing abysmally. And this was before coverage of the Rev. Jeremiah Wright, Bill Ayers and Sarah Palin generated vociferous complaints from the left and the right about media unfairness.



© Reuters/Rebecca Cook - Newly printed Detroit News newspapers run thru the printing presses at the newspapers printing plant in Sterling Heights.

It is a depressing time to be in the news business. Not only do students at elite universities rate the news media poorly, many journalists are losing their jobs. A declining economy has placed enormous fiscal pressures on news organizations around the globe. The simultaneous declines in ad revenues and circulation levels have undermined the traditional business model of newspapers, radio and television. At the same time, the emergence of new competitors in the form of Internet web sites, blogs, Facebook, YouTube and Twitter have intensified the competition among media outlets.

This “perfect storm” of financial disaster for the American media arises at an inopportune time. With our financial system melting down, two wars and major domestic policy challenges confronting the nation, we need media organizations that inform the public. During this period of crisis, an informed and engaged



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citizenry is of utmost importance.

The latest round of dismal financial news has led to impassioned discussions regarding the future of the American news media. Aspen Institute CEO Walter Isaacson wrote a cover story for Time magazine on the embattled state of print journalism entitled “How to Save Your Newspaper.” Paul Starr has a New Republic article with the dire warning of “Goodbye to the Age of Newspapers (Hello to a New Era of Corruption).” John Nichols and Robert W. McChesney co-authored an article for the Nation, “The Death and Life of Great American Newspapers.” Others such as former reporter Tom Rosenstiel have warned of threats to civic discourse and democratic government based on the decline of traditional journalism.

There is no question we are witnessing a fundamental economic and technological transformation of journalism. Traditional business models are dying and new ones still are being developed. Increasingly, news consumers have shifted from a few general-purpose sources such as the evening television news and local newspaper to a larger number of niche publications and specialized news sources. Similar to a culinary smorgasbord, people graze business news from one source, weather from another, sports from still another, politics from someplace else, and commentary from other outlets.

In this multi-faceted, new-media universe, we need an information strategy for the news industry that expands upon the strengths of digital media such as diversity, immediacy and interactivity, while encouraging in-depth coverage. As discussed below, there are several steps in regard to digital payments, news presentation and changes in antitrust and tax laws to make sure our new digital press achieves its full potential.

A Perfect Storm of Financial Disaster

Virtually every trend in traditional print readership, viewership and ad revenues is down and not likely to improve any time soon. Daily print circulation has declined from 62 million to 49 million nationwide over the past 20 years. Circulation for leading newspapers such as the New York Times is down 10 percent just in the past two years.

With an economy in recession, advertising revenue at many papers has dropped by 25 percent since 2006. Newspapers such as the Rocky Mountain News have closed for good and the Seattle Post-Intelligencer has become online-only. Others such as the Chicago Tribune, Minneapolis Star Tribune, and Philadelphia Inquirer are in bankruptcy protection. In July, the Ann Arbor News plans to stop printing and become online only.

Double-digit size layoffs are occurring at many media outlets. The Los Angeles Times has gone from a news staff of 1,200 to 600 in the past decade. In a bid to cut costs, foreign bureaus have closed and so have many D.C. news

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bureaus. Papers are cutting book reviews, film sections and magazines.

At the same time that media finances have imploded, the popularity of the Internet has led many people to forsake traditional print and broadcast information for free online content. Nielsen Online estimates that 75 million Americans read papers online. For the first time in history, that number is higher than the comparable figure for print sources. Alone among traditional media, audience numbers for National Public Radio have risen by 9 percent from 2007 to 2008.

The convergence of social, economic and technological trends has been disastrous for print newspapers. The global recession has unfolded at the very time when old media outlets face their most serious competition. Yet there is emerging a new-media universe that offers several virtues from the standpoint of citizen involvement, democratic accountability and civic discourse.

Not Your Parents' News Media

An economic crisis is a perfect situation to consider alternative models because news organizations have to think about different ways of doing business to stay alive. We should not be nostalgic about the “good old days” of American journalism. We are not going back to the Walter Cronkite era of a few television networks, wire services and prestigious newspapers. Rather, the emerging news industry is large, edgy, noisy and opinionated.

While many bemoan the loss of responsibility and restraint in the new digital press, this system has a number of discernible benefits. It is more representative of America, more democratic, more engaging and more diverse than its traditional counterparts. Unlike the “objective” press of the 20th century that largely ignored alternative lifestyles, racial minorities, and social and political views outside the mainstream, today we have the greatest diversity of viewpoints in American media history. Ten thousand flowers have bloomed in terms of niche journalism, portals, news aggregators, citizen journalism, new content providers and new vehicles for investigative journalism, and we need to figure out how to harness the positive elements of the digital press for a brighter future.

Niche Journalism

The Pew Research Center's Project for Excellence in Journalism released a report that documented the commonly held view that general-purpose news outlets are in serious and probably irreversible decline. For example, ABC television's D.C. staffing dropped from 46 people in 1985 to 15 in 2008. NBC cut its D.C. bureau from 34 to 20 during this period, while CBS went from 30 to 16 staffers.

In the print arena, newspapers with D.C. bureaus went from more than 600

Traditional outlets are giving way, but they are not leaving an empty vacuum. There is a rich array of newsletters, specialty publications, digital newspapers and web sites that provide detailed substantive material and inform consumers.

in 1985 to 300 in 2008. Newhouse Newspapers, Copley News Service, the Los Angeles Times, Chicago Tribune, Baltimore Sun and Hartford Courant closed their Washington bureaus. The Washington Post recently ended its separate business section and merged financial content with its A section. Some newspapers such as the Christian Science Monitor have given up on print and migrated entirely to the web.

What received less attention in this report, though, was that niche and specialty publications are flourishing. For example, Washington-based newsletters rose more than 50 percent during the past two decades, from 140 to 225. Specialty news outlets such as Government Technology, Energy Trader and Food Chemical News have proven popular with specialists in relevant fields. Bloomberg News is one of the most successful specialty outlets, with 275,000 clients paying a large annual fee for detailed business-related coverage. And in public affairs, Roll Call, the Hill, National Journal, Congressional Quarterly, Huffington Post and Politico have carved out followings through their detailed reporting of political life inside the Beltway. Politico's founder Robert Allbritton was quoted in the New Republic recently predicting his outlet would turn a profit by mid-to-late 2009. "It wouldn't surprise me if the profit this year would count in the millions of dollars," he gushed.

Commentators like to focus on the first part of that story while ignoring the second. Traditional outlets are giving way, but they are not leaving an empty vacuum. Rather, these sources are being replaced by new variants. There is a rich array of newsletters, specialty publications, digital newspapers and web sites that provide detailed substantive material and inform consumers.

Portals and News Aggregators

Other media outlets have moved from being original content providers to becoming news aggregators that serve large masses of readers and viewers. They synthesize existing coverage from a variety of sources and serve as a clearinghouse for news information. This includes portals such as Yahoo, Google News, AOL and MSN, each of which attracts a large number of visitors every day. AOL even announced recently that it planned to start reporting the news and not just serve as a news aggregator. For its editor, AOL hired Melinda Henneberger, who has previously worked at Newsweek, the New York Times and Slate.

The website RealClearPolitics.com is a news aggregator that republishes commentary and news analysis from newspapers and media outlets across the country. On its homepage, it links to columns by liberals, moderates, conservatives and libertarians. As Cass Sunstein pointed out in his book, *Republic.com*, this is exactly the way a fragmented media system serves the public interest, by providing a rich diversity of perspectives.

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In major policy areas, we see the emergence of policy-specific portals. In the education area, for example, EdNews.org represents a leading source of online news about elementary, secondary and post-secondary issues. It reaches 1.3 million unique monthly readers. ModernHealthCare.com has proven popular by providing the same type of coverage for the business and policy aspects of health care.

These mass and specialty aggregators offer helpful information for a democratic political system because they draw from a range of different content providers and gather the best material in one place. They serve a valuable function as “go-to” portals for news about particular topics.

Citizen Journalism and the Democratization of News-Gathering

One of the most noteworthy features of the new-media system is the democratization of news-gathering. In the old regime, professional journalists served as gate-keepers. They gathered the news, placed information in context and decided what was important. However, news-gathering is now more democratic because it involves a broader range of people serving as news-gatherers, commentators and interpreters of political events.

Citizen journalism takes a variety of different forms: instant news reporting from ordinary citizens, crisis coverage from eyewitnesses on the scene, and blogging and commentary. CNN has “I-Reporters” who upload video reporting, commentary, or analysis to the cable news network. Meanwhile, Current TV specializes in “viewer-provided-content,” which is news or entertainment features from viewers around the world.

Bloggers provide commentary on virtually every topic. For example, it is estimated there are more than 5,000 blogs in the United States devoted to education. Richard Lee Colvin of Columbia University’s Hechinger Institute on Education and the Media has a weblog outlining his views regarding problems of press coverage of education. There are blogs for current college students such as *College v2* and *Year One*. Blogs advertising the “latest news in the world of education” include *Eduwonk* and *This Week in Education*. Activists seeking to reform schools have blogs called *Change Agency*, *D-Ed Reckoning*, *Education Intelligence Agency*, *Practical Theory* and *Schools Matter*. There are blogs that focus on learning, such as *2 Cents Worth*, *Informal Learning Blog* and a *Random Walk in Learning*. Research-based blogs include *Free Range Librarian*, *Research Buzz*, *Deep Thinking*, and *Dissertation Research*. Teaching is the focus of *Are We Doing Anything Today?*, *Bud the Teacher*, *NYC Educator*, and *Teachers Teaching Teachers*. And instructional technology represents the focus of *Bionic Teaching* and *Ed-Tech Avenue*.

These citizen-run outlets make news-gathering more interactive and democratic than previously existed. During times of crises, disasters and

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emergencies when professional journalists are not yet on the scene, new technology allows eyewitnesses to inform the rest of us. They provide timely and relevant information that supplements the work of trained news-gatherers.

New Policy Content Providers: Foundations, Think Tanks, Universities and Nonprofits

As traditional news organizations have cut budgets and laid off employees, policy content is increasingly coming from universities, think tanks, nonprofits and foundations. Researchers from these “knowledge” industries undertake work and disseminate findings free of charge in order to maximize impact. Think tanks such as the Brookings Institution, Cato, Heritage, Center for American Progress and the American Enterprise Institute release policy reports, analysis, commentary, and video questions and answers. Nonprofit organizations and universities supply rich information on a wide range of policy issues. The Center for Independent Media is a nonprofit that provides online political news in particular states as well as nationally.

To deepen policy content, foundations subsidize reporting and beat coverage in specific areas. For example, the Spencer Foundation subsidizes reporting on education research at Education Week. In the health care area, the Kaiser Family Foundation has created a digital Kaiser Health News Service that undertakes original reporting on health care and makes that information available to news organizations free of charge. The Gates Foundation and Carnegie Corporation provide expertise and financial support for National Public Radio to generate education-related reporting.

New Vehicles for Investigative Journalism

The biggest challenge for contemporary news organizations is investigative journalism. This domain requires more time and financial resources than daily coverage, commentary, blogging or opinion writing. Most of the time, you cannot rely on citizen journalists to unearth government scandals or unethical behavior (though sometimes bloggers have broken major stories). Investigative stories take weeks and months to prepare and require substantial financial support for staff, research and communications.

The Center for Public Integrity represents a new model for investigative journalism. This nonprofit undertakes investigative reports in a variety of areas and makes that information available free to news organizations. In addition, the Huffington Post has set aside \$1.75 million in conjunction with the Atlantic Philanthropies foundation to support 10 investigative reporters who will write about the economy. The non-profit ProPublica provides investigative journalism on leading policy issues. In a world of declining general-purpose news outlets,

The most fundamental challenge right now is to make sure that consumers rely on multiple outlets.

these specialty outlets represent a way to encourage democratic accountability.

An Information Strategy for the News Industry

Through citizen journalism, niche journalism, news aggregators, and new forms of policy content and investigative reporting, we have a media system that looks very different from 20th-century journalism. In that period, all these functions were centralized in prestigious newspapers and broadcast networks. They were original content providers that provided substantive content and investigated politicians.

Today, these functions are spread over a variety of news outlets. Specialty publications provide detailed substance. New content sources such as think tanks offer in-depth research. Nonprofits investigate government actions and raise questions about unsatisfactory behavior. And citizens stand ready with video cameras and impromptu questions to hold leaders accountable.

With new digital technologies, we have a more democratic and participatory news industry than ever before. News-gathering is interactive and draws on a broad range of amateurs and professionals. Various parts of the system provide policy content and investigative journalism.

As long as consumers rely on multiple news outlets, there is little to fear in the noisy cacophony of contemporary voices. Readers understand that each outlet has a particular perspective, and that they need to read articles with a grain of salt. Individual outlets can be loud and boisterous, but news consumption in the system as a whole is protected by the large number of voices represented.

The most fundamental challenge right now is to make sure that consumers rely on multiple outlets. In order to move the system in the most constructive direction once the economy recovers, there are several steps that would increase news consumption. This includes alternative systems for digital payment, more efficient online news presentation, changes in our nation's antitrust rules, tax credits for news subscriptions, and offering newspapers the option of becoming tax-exempt, nonprofit organizations with favorable tax benefits. Taken together, these moves will reposition the news industry for a brighter future.

Digital Payment Systems: An iTunes Model

Walter Isaacson has proposed in Time magazine an "iTunes" model for journalism. According to him, newspapers' biggest problem is an inability to charge for online content. When newspapers set up free websites in the 1990s, readers got used to accessing information without cost. As online content proliferated, it became increasingly difficult to impose fees because the great

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supply of free online news.

To deal with this dilemma, Isaacson has suggested news organizations use an iTunes model to charge for content. Micropayments could come in the form of a “one-click” digital system that allows “impulse purchases of a newspaper, magazine, article, blog or video for a penny, nickel, dime or whatever the creator chooses to charge.” According to him, this would allow news organizations to adapt to the digital era and make money at the same time.

Commentator Michael Kinsley, though, disputes the premise behind this concept. In a New York Times op-ed column, “You Can’t Sell News by the Slice,” he argues the funds raised through this system would be insufficient for any major newspaper. Using the example of the New York Times, he calculates that the paper sells a million copies a day. If you charged \$2 a month to access the entire paper, that would raise only \$24 million a year, well below the \$1 billion in annual revenue currently collected by the New York Times.

This is a case where each writer is partially right. Kinsley clearly is correct that charges of a nickel, dime or dollar will prove insufficient in raising the revenues required to save print newspapers. Isaacson understands the fundamental challenge of the current era. We require easy “fee for content” mechanisms in order to diversify people’s information acquisition. The central virtue of an iTunes model is that it allows people to access information from a wide variety of news outlets. That kind of strategy satisfies the protection-in-large-numbers standard and helps insure that the future news industry serves democratic principles.

More Efficient Online News Presentation

We need to figure out how to load and display online news sources more efficiently. As Google CEO Eric Schmidt noted in a recent talk to the Newspaper Association of America, “the online experience can be thought of as terrible compared to what I view as this wonderful experience with magazines and newspapers.” It takes longer to read online newspapers than print publications because digital stories are divided into multiple pages, pop-up ads interfere with news reading, and slow broadband creates annoying waits while text, audio and video load on the screen.

As newspapers and magazines shift to the Internet, they have to configure them in a way that makes for faster and more pleasant news consumption. Consumers require an online experience that is at least as good if not better than the print counterpart. It will be very difficult to charge for online content if the readership experience is not rewarding for consumers.

Tax law should be changed to provide a credit for news subscriptions for any filer, regardless of whether that person itemizes deductions or the news product is related to work.

New Antitrust Provisions and a National PressPass

We need to alter current antitrust provisions in a manner that encourages multiple news outlet consumption. In an article in *National Journal*, “How to Save Newspapers—and Why,” journalist Jonathan Rauch suggests a more general variant of the iTunes model called “PressPass.net.” According to this formulation, reader subscriptions would provide access to hundreds of digital news sites. Rather than a subscription allowing readership of a single outlet, PressPass would allow access to the universe of major news sources for a simple fee. This would allow readers to scan a variety of outlets and become their own news aggregators.

Under current law, of course, this type of collective pricing mechanism likely would violate antitrust collusion rules. It would probably take an act of Congress to legalize this approach, and legislators would need to relax antitrust rules. The PressPass would allow newspapers to work together in a way that benefits news consumers. Like the iTunes model, this provision allows visitors to draw on multiple outlets and thereby take advantage of the diversity of perspectives available in the contemporary news universe.

Tax Credits for News Subscriptions

Right now, if people file an itemized tax return, they can deduct legitimate information expenses related to their jobs. For businesspeople, that could include subscriptions to financial publications. Professionals can deduct trade publications in their area of expertise. Others may write off newsletters, magazines or other information sources that are related to their work.

Of course, most people don’t itemize so they’re are not able to take advantage of these tax incentives. According to the Internal Revenue Service, only 0.3 percent of individual filers itemize their deductions and therefore are able to write off subsidized information. Most Americans do not avail themselves of tax deductions or are not able to justify deductions because expenses are not related to their work.

Tax law should be changed to provide a credit for news subscriptions for any filer, regardless of whether that person itemizes deductions or the news product is related to work. Nichols and McChesney suggest a tax credit for the “first \$200” spent on daily newspapers. But they attach unnecessary limiting conditions: The paper has to publish at least five times a week, be a minimum of 24 pages each day, and have less than 50 percent of its space devoted to advertising.

The problem with this proposal is that it privileges daily newspapers over all other content, such as magazines, weekly newspapers or online content. And it caps the credit for news consumption at \$200, which wouldn’t even cover a

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subscription to a single daily newspaper. We need a larger tax credit and one that encourages news consumption from a variety of newspaper, magazine or paid online news sources.

A larger tax credit for news subscriptions would contribute to an informed citizenry, raise our civic dialogues and help people hold leaders accountable. It is a policy change that would be good for American democracy. We no longer should tie subscription deductibility to the job expense argument. Even if a news subscription is not related to your job, we should understand that consuming and producing news represents a collective good for society, politics, and civic discourse. French President Nicolas Sarkozy recognized this virtue when he recently promised his country's 18-year-olds a free annual newspaper subscription!

The current economic meltdown has exposed the limits of a laissez-faire approach to the news. We need a national strategy that thinks both about the supply and demand of public affairs information. As Nichols and McChesney point out, it is a myth that the government plays no role in the flow of information. Newspapers and magazines long have benefitted from subsidized postage rates. Television stations enjoy virtually free broadcast licenses. Cable outlets have achieved near-monopoly status in many communities around the country.

A shift toward tax credits would help news organizations move toward charging for online content because those expenses would be subsidized for any American subscribing to a news source. Economic incentives have worked in areas from financial investment to child care and education. They are an effective way to encourage information acquisition and help news organizations move into the digital era.

Newspapers as Tax-Exempt, Nonprofit Organizations

Sen. Benjamin L. Cardin of Maryland has introduced the Newspaper Revitalization Act that would allow newspapers to become tax-exempt, nonprofit organizations under the U.S. tax code. Similar to public broadcasting stations, this change would offer two advantages to struggling newspapers. It would allow donors to deduct charitable contributions in support of "coverage or operations" and it would make tax-exempt advertising and subscription revenue that the newspaper generated. There would be no restrictions on news coverage or campaign reporting, but newspapers no longer would be able to endorse candidates for office.

The greatest virtue of this proposal is that it identifies the news industry as an important national priority and provides the same type of favorable tax treatment as nonprofits and charities that work in the public interest. By offering important financial support, this legislation would inject much-needed assistance

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to an industry that is important to the long-run well-being of the country.

Maximizing Press Diversity

From a financial standpoint, there is no doubt that contemporary print journalism is on life support. The global recession and the rise of new technologies effectively have undermined the financial rationale for print newspapers. Hoping for a return to “objective” news-gathering, though, is not going to bring back the era of responsible journalism.

Instead, we should focus on the future and support changes that protect basic democratic principles in the new digital era. As Thomas Jefferson argued two centuries ago, we need a press that engages and informs citizens, holds leaders accountable, and maintains oversight over government agencies. Through blogs, citizen journalism, niche publications, and new means for policy content and investigative reporting, we have the potential to satisfy these conditions and insure the future vitality of American democracy. We need to focus on easier payment systems, more efficient news presentation, tax law changes that maximize diversity of content, and mechanisms to encourage people to access and pay for multiple news outlets. If we can develop a coherent information strategy, we will have a brighter media future than generally envisioned.

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