

Going Postal

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In July, thousands of small magazines will see 20% hikes in their mailing costs. Increases for larger magazines will be much lower, and critics say that's because Time Warner created the new rate scheme. U.S. Postal Regulatory Commissioner Ruth Goldway insists it's a fair plan, but *Free Press* President Bob McChesney says it undercuts a basic tenet of American democracy.

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BROOKE GLADSTONE: This is On the Media. I'm Brooke Gladstone.

BOB GARFIELD: And I'm Bob Garfield. I don't know if you want my two cents, but the U.S. Postal Service does. On Monday, the price of the first-class stamp will go up to 41 cents, the second rate increase in as many years. But before you go feeling sorry for yourself, consider the situation for magazine publishers. Apparently, many in that industry expected a rate hike of 11.7 percent. That's what the Postal Service first recommended to government regulators.

But when some publishers looked at the fine print, they realized that their actual postage rates could go much higher, depending on how well they conformed to new efficiency standards.

BROOKE GLADSTONE: To take two examples, *The Nation* and *The American Spectator* learned that their rates would go up by 18 percent, and an analysis by McGraw-Hill found that 7,000 small- and medium-circulation magazines will see increases of more than 20 percent.

As for large-circulation magazines, well, the same analysis found their rate hikes won't go so high. Little surprise, say critics, considering that media giant Time Warner drafted the rate scheme that was mostly adopted.

Media reform activist Robert McChesney is leading the charge against the rate hike. He's says it strikes at the heart of the post office's historic role to foster America's marketplace of ideas.

ROBERT McCHESNEY: In the 1790s, newspapers counted for 70 percent of the weight of the post office traffic but only two percent of its revenues, and the reason was they were heavily subsidized. It was the biggest subsidy in the government budget.

The founders - Madison, Jefferson, Franklin, Washington, even Alexander Hamilton, the notorious penny-pincher, all understood that unless you had a viable press system you couldn't make the Constitution work. And they knew that the cost of mailing was such a big cost that if they made it very low, artificially low, they would encourage the spread of newspapers, literacy, ideas and civic participation.

It was a central policy. It's one that all Americans should be very proud of. This decision really turns it on its head by giving the largest publishers the best rates and the smallest publishers the highest rates.

BROOKE GLADSTONE: I mean, it sounds as if you're saying that, you know, the corporate boot has just come down on the post office when really they're just applying what would seem to be logical formulas. You know, if you send out in bulk, you get a lower rate. Right?

ROBERT McCHESNEY: Absolutely right, and if this were a competitive industry, so that The Nation or National Review or anyone who wants to start a magazine could go find competing people to be their mailers, that would be fair enough. In other areas, the post office is competing with UPS and a lot of other companies – Fed-Ex.

In this area, they are what's called a market-dominant firm. They are the only game in town. So when the post office decides to give the best rates to the biggest firms, it's basically protecting their market power and making it much more difficult for new magazines to start or small magazines to survive.

BROOKE GLADSTONE: Well, how small is small in this case?

ROBERT McCHESNEY: Well, it's not that small. You look at magazines like the National Review, let's say The Nation, with a circulation approaching 200,000. It's looking at an increase in expenses of a half a million dollars as a result of the increase they're going to face.

This is really something they're not prepared to pay. They're not a wealthy publication. But 200,000 people's a lot of Americans who subscribe to this, and many more who read it, maybe, in libraries or lying around the house somewhere.

So it's not just the smallest zines that are starting, although those certainly will get clobbered, but it's going up to fairly substantially-sized publications.

BROOKE GLADSTONE: But we keep hearing that print is pretty much on the way out anyway. You know, today distribution is practically free on the Internet. I mean, if the point was to

promote the marketplace of ideas, isn't it just as easy to do that on the Net?

ROBERT McCHESNEY: Well, you know, that's a really great question, and I think this is really sort of an ironic point – that our oldest media policy, post office subsidies for periodicals, is now really a digital communication Internet policy. Because if you go to the Internet, a very high percentage of the material that people read on the Internet that's journalism comes out of periodicals and newspapers, print publications. And what will happen is if we put these periodicals out of business, it means that there will be less material online to comment on, to be spread around.

National Review put it best. In their website, they said to their readers, they said look, if you like National Review online, we've got news for you. If our print publication goes out of business, our online operation goes out of business, too. We depend on our print model to generate the resources to be online.

BROOKE GLADSTONE: But that's not going to be forever, right? I mean, eventually they'll figure out how to monetize the Web.

ROBERT McCHESNEY: You know, eventually they will. We have to assume that. But that's not happening overnight. It certainly doesn't make any sense as a policy to have postal rates go up to such an extent that a lot of our most creative, original media die off and there are not reporters getting paid money to do stories, and then think magically down the road that they'll find a way to make money on the Web.

The smart thing is to keep them alive, keep them healthy and have a gentle, soft landing as we segue to the digital era.

BROOKE GLADSTONE: All right, thank you very much.

ROBERT McCHESNEY: My pleasure.

BROOKE GLADSTONE: Robert McChesney is the president of Free Press and host of Media Matters on WILL Radio in Urbana, Illinois. Ruth Goldway is a member of the U.S. Postal Regulatory Commission, which sets the rates charged by the Postal Service. She takes issue with McChesney's characterization of the rate scheme as a boon to big media paid for by the little guys.

RUTH GOLDWAY: Well, I think it's unfair to say that that's what the new rate system has done. The new rate system gives benefits to those magazine publishers who will be more efficient in the way they process their mail. And some of the magazines that seem to be concerned about this, if they paid attention to the details, will actually get lower rates. Others may get higher rates, but if

they try to make some adjustments to the way they present their magazines to the Postal Service, they might even get lower rates than they had before.

BROOKE GLADSTONE: So, just to be clear, you are categorically denying the conclusion of the researchers at McGraw-Hill who found that to a very great extent this rate change will disproportionately hurt the smaller magazines.

RUTH GOLDWAY: I'm denying that charge. We're the regulatory watchdog, and we think we've come up with a system which is fair for everyone. And the rates that we have proposed, in terms of the balance of small magazines versus high magazines, is, in fact, better than what the Postal Service presented to us in early 2006, when they first made their case. The average rate increase was going to be 11.7 percent. It was never 11.7 percent for every magazine, only on average.

BROOKE GLADSTONE: Wouldn't it serve the public interest better if it were simply a uniform 11½ increase, so that the playing field were more level for the smaller magazines?

RUTH GOLDWAY: Well if that were the case, then no mailers would be encouraged to bundle their mail, put computer labeling on them, take them to a destination closer to where the readers are. We would have a system where the Postal Service had to pay far more money in terms of handling magazines, and the rest of the mailing community, the individual people who buy what will be a 41-cent stamp, would be hurt. And I might have then had to do a 42-cent stamp.

BROOKE GLADSTONE: So if some of these small magazines actually do go out of business, as they claim they may have to, the larger public good is served because, you know, the rest of us don't have to pay an extra penny on that stamp?

RUTH GOLDWAY: We believe that there's a social purpose for the Postal Service that is for everyone. And part of that is magazines, but certainly not all of it. It includes personal correspondence and bills and people who don't have the Internet who need to communicate with one another. And I suspect the real threat for magazines is the Internet, not postage.

BROOKE GLADSTONE: All right, thank you very much.

RUTH GOLDWAY: Thank you.

BROOKE GLADSTONE: Ruth Goldway is the Commissioner of the United States Postal Regulatory Commission.