

UNITED STATES OF AMERICA

FEDERAL TRADE COMMISSION

FROM TOWN CRIERS TO BLOGGERS:
HOW WILL JOURNALISM SURVIVE THE INTERNET AGE?

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NATIONAL PRESS CLUB
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JON LEIBOWITZ: I want to welcome all of you here today to the concluding FTC workshop about the future of news.

Let me also thank the National Press Club for allowing us to use this historic venue, which reflects so much of the history of journalism in America.

And I just want to say how honored I am to be here with my colleague and friend and partner Tom Rosch, who has been a strong voice for public policy initiatives and really for the Commission.

As we've pursued this project over the past year, we have learned a great deal about both the opportunities and the challenges facing journalism. And I would say especially in the last week, we've learned a lot about the passions Americans have, to their immense credit, for preserving freedom of the press without government interference.

Now, much of the criticism we've seen from the far right and the far left in the past few weeks is, of course, based on misinformation. After all, the document that staff circulated was only a compendium of proposals proffered by people who participated in our workshops or written on these issues. The staff didn't endorse any of the ideas in the draft, including any proposal to tax anyone. And the Commission, of course, would oppose any taxes to support journalism, or subsidize a particular brand of journalism.

Nonetheless, let me assure you, we do understand the notion of a limited government role here. Of course we do. But the FTC also does have a policy function going back to our origin in 1914, when Congress gave us the authority to investigate and make public developments in the marketplace and, where appropriate, to make recommendations.

Pursuant to that public policy function, we've looked at a wide array of market developments from healthcare, to patent reform, for marketing of violent entertainment to kids. And we've done seven reports on that and they've been enormously helpful, I think,

and greeted, I think, with appreciation by basically every stakeholder, from kids' groups to the motion picture industry.

To making sure generic drug competition isn't unfairly stymied. And our initiative on drug competition, for example, led to a series of cases in support for legislation that, if we're successful, will save consumers \$3.5 billion each year by stopping so-called pay-for-delay pharmaceutical settlements in which branded drug companies literally make pay-offs to their competitors, their generic competitors, to sit it out and not compete. It's a win/win for drug companies, of course, but it's lose/lose for consumers, who are left footing the bill and have to pay for far more expensive branded drugs than less expensive, but equally effective, generics.

Now we're looking at the future of news, a topic that is vital to the future of our democracy. Without the kind of journalism that holds government, business and others accountable, through thorough fact-checked reporting, we can't be the well-informed citizens necessary to a well-functioning democracy. I think we all know we can't.

So, to those who say we shouldn't even be looking at the future of news, my response is, we're doing exactly what we should be doing. We almost have an obligation to look at this critically important issue.

And many who participate in our workshops agree. From Rupert Murdoch, who was the keynote speaker at our first hearing and complimented the FTC for its "timely and important workshop," to Henry Waxman, who thanked us -- thank you, Bruce -- for holding a workshop reflecting "how vital a vigorous free press is to a vigorous democracy."

To be sure, journalism is going through a period of so-called creative destruction with the old business models dying and new ones emerging. And the creative part has been just truly astounding and immensely beneficial, I think, to all Americans. There's a much

greater access to a wide variety of news sources -- from bloggers to news sites all over the world -- than has ever before been possible. And we experience this really almost every day.

People can help create news stories. They can share them. They can react to and comment on them in ways that many of us never would have anticipated. The news is truly interactive now. And a whole world of mobile publishing has opened up with consumers able to get the news they want, when they want it, and how they want it. Consumers have access to a world of information right at their fingertips wherever they go.

But the nagging question, however, is about the destruction part of creative destruction. The end of April, ABC News bought out or laid off nearly one-quarter of its staff. Every sector in the commercial news business, except cable, lost advertising revenue last year with local television and radio advertising revenue declining 22%, almost as much as the 26% advertising revenue decline for newspapers.

Even the news about online news sites is somewhat disturbing. According to a national phone survey conducted in January 2010, by two of the Pew Research Centers, only 7% of the people who get news online have a favorite site that they'd be willing to pay for. And that same survey noted that only 21% of online news readers said they click on ads.

On the other hand, an article in the *Economist* this week reported that many American newspapers have returned to making profits, albeit lower than before. The *Economist* article also opines that consumers "will pay for news if they think it has value." And to ensure it has value, news organizations need to "deliver something that is distinctive." And let's hope the *Economist* is right.

In the midst of all this turmoil, though, could we lose some journalism that we really care about? The kind of journalism that beat reporters have been doing for years, where, for

example, they attend town council meetings to report on what's happening. The kind of investigative journalism that won ProPublica report Sherri Fink a Pulitzer Prize for her reporting on what happened in New Orleans's Memorial Medical Center in the aftermath of Hurricane Katrina.

Is Paul Steiger around? Thank you, Paul. Good work.

Today, we'll discuss whether there are any public policy ideas that might help ensure that this type of journalism finds a place in the future of journalism. We put up a document on our website that compiled all the ideas we've read about and we've asked for public comments on those ideas in addition to the discussion at this workshop.

Let me emphasize that there is an important threshold question before we even reach any proposal -- is there a government role here? It's a question that the Commission has not yet answered.

From my perspective, some of the ideas in the discussion draft may be good, others not so. For example, taxing anyone to subsidize journalism is just a non-starter. In addition, as a competition agency, we are pretty allergic to antitrust exemptions, as well as to changes to expand copyright law. Is that right? Thank you, Tom. [Laughter] He's always listening. I'm the one who has a problem paying attention and focusing.

So a few months ago, I visited the Chicago News Co-op. Does anybody-- Is Jim O'Hara here? Oh, yeah. Jim O'Shea, sorry. Jim O'Shea, thank you. And we had a very nice visit. Or I had a very nice visit. I thought I left something at your office, but it turned out I didn't; I had it with me.

And you guys are doing wonderful work. For those of you who don't know, it's the start-up of an online news site in Chicago. I would say a lot of you are former *Tribune* reporters. And the age demographic is a little different than most of the start-ups we visit.

But you guys are nevertheless doing great work. And your business plan -- I hope I'm not revealing inside information -- is to have three people covering Cook County, three people covering the State House in Springfield, and three people covering City Hall.

And as I understand it, if you-- when you, because I'm sure you will, get to that level, you will have more people on each of those beats than the *Chicago Tribune*. Now, to me, that's astonishing. And I don't know if I told you this, but when I left your office, I went back and I called the chief operating officer of the Small Business Administration, and I said to her -- who used to work at the Federal Trade Commission, that's Eileen Harrington -- and I said to her, "Are these guys eligible, this wonderful site eligible for a small business loan?" And she said no, because you're a non-profit.

Again, when we talk about some role for government, it seems to me why shouldn't new start-ups, like yours, like others, be eligible for loan guarantees from the Small Business Administration? There are some non-profits that are eligible.

And another role for government could be putting more information online, just to make your jobs easier. It seems to me that that's a useful role, from our perspective.

So this inquiry that we are doing, this initiative has always been about the future of journalism, not about saving the past. We recognize it'll take a myriad of approaches from crowd sourcing -- and we've begun to see this, I think, even in protests in Iran -- to bloggers, to subscriptions for online local high school sports news to sustain the journalism of the future. We support all of these efforts, none of which involve government. Moreover, we have no desire to see a bailout of newspapers; that is, no preference for one medium or one platform of news delivery over another.

So before we move to Commissioner Rosch and then to our first panel, let me again thank all of you -- it is an esteemed group of people here today -- for being here. And let me also thank the many folks who are not here, but who have generously shared their

time and expertise on these issues. We are enormously grateful to all of you, and we are looking forward to learning more.

And now I want to turn to Commissioner Rosch, again, a strong voice for the Commission's public policy work, and really a strong voice for the Commission. Commissioner Rosch. Thank you. [Applause]

TOM ROSCH: Thank you very much, Mr. Chairman. And let me echo my view, or your view about me. John has been a wonderful leader of the FTC, and it's been a great privilege to work with him on these matters.

Why am I here? Well, apart from trying to keep John Sturm's seat warm, which is quite a task in and of itself, I'm here because the Chairman has asked me to say a few words about the recent spate of publicity.

But before I get to that, let me, first of all, welcome all of you and thank all of you for your participation and attendance, and thank the National Press Club for making this wonderful venue available to us.

I have been really interested in this project -- and Susan can testify to this, because she's briefed me on several occasions -- because in around 2000, I represented the *San Francisco Chronicle* in a contested acquisition by the Hearst Corporation. The *Chronicle* had been around for 100 years. It was a wonderful institution in San Francisco. And I was really quite sad to see it go to Hearst at that time, only to see it shrink the last several times I've been out in the Bay Area.

And so, the survival of traditional journalism is something that is near and dear to my heart. I can guarantee you of that. That said, as John has said, there has been a spate of publicity in the last couple of weeks, which I think is most unfortunate.

Some newspapers and articles and blogs have implied that through a summary that Susan and her outfit disseminated for purposes of discussion today, that the FTC has somehow endorsed taxation and/or copyright changes as a means to keep traditional journalism alive. And that implication, I think, does need to be corrected.

The authors of those articles and blogs don't know the agency. And they've misdescribed what the agency's done and what this workshop is about. The summary does not reflect the views of either the Commission or its staff. It's merely a summary of third-party perspectives that have been submitted to spur discussion at today's workshop.

The agency frequently conducts workshops on cutting-edge competition and consumer protection topics, including industry-specific policy debates. In doing that, the agency is careful to summarize a range of viewpoints cutting across the ideological spectrum. But that's a far cry from saying that the Commission has endorsed or sponsored any of the suggestions or testimony discussed at this or other workshops.

We're a bipartisan agency. That means that a majority of the agency's commissioners would have to agree before the Commission or its staff would ever endorse the proposals contained in the draft, in the summary, such as taxation or copyright changes.

You've heard the Chairman say that that hasn't happened and the chances of it ever happening are nil. I want to echo his views entirely. Thank you. [Applause]

JON LEIBOWITZ: Thank you, Commissioner Rosch. And Susan, do you want to move to the next phase?

SUSAN DESANTI: Thank you very much, Chairman Leibowitz and Commissioner Rosch. I think we now have a much clearer idea of how the agency works and what the Commission thinks.

I'm going to give you two small notes before we start. First, if you haven't yet registered for today's National Press Club luncheon, where the featured speaker is Paul Steiger, you can do so at the table just outside this room.

Second, the wifi code is, if you go to your wifi and click on it, you want the choice that says "NPC wifi." And your password is, all in lower letters, "wireless4freeNPC," and that's all together.

And now I'm going to ask the first panel to please come up and join us.

Panel 1: Proposals Regarding Copyright and Antitrust Law

SUSAN DESANTI: Now, as any of you who have looked at the agenda know, we're already behind, and we had only scheduled 35 minutes for this panel. So what we're going to do is, I've asked each of the people on all of the panels to just do a three-minute summary of their reactions.

I'm not going to do introductions. On the agenda we have brief biographical highlights for everyone. In addition, we have bios. These are all very accomplished people with very long bios. But I encourage you to read them, because you'll be quite impressed.

And now I'd like to just start with the three-minute summaries. And Sri, would you please start us off.

SRINANDAN KASI: Let me see if I can cut this back in the interest of time. Good morning. I wanted to start by thanking the Chairman and the staff of the Commission for this opportunity to participate in this discussion as the FTC considers the future of journalism.

My thoughts today are from the perspective of the work we've been doing at the Associated Press. And so, as we consider the multiformat, multiplatform diversity of news publishing in the 21st century, it helps to start by looking at what has not changed.

The AP continues to operate as a not-for-profit membership cooperative. For those, looking at tax structures and so on, the not-for-profit nature of the business does not change the need for operating capital.

Second, we continue to adopt various means to keep focused on what is essential for journalism. And that means applying every new innovation and technology to help news get to the consumer faster and in new forms.

Just in the past few years, we've invested tens of millions of dollars in advancing various technological initiatives worldwide, so staffers in remote parts of the world have access to the same technology platforms as those that might be doing it from this room, for example.

And the fight on access matters. Freedom of information matters. And getting access to information from various places where news plays out, such as sporting events in South Africa, for example, those battles continue.

So the commitment to journalism has not changed, even though the ways the consumers access the news has changed dramatically.

But there's one other constant, and that is probably where I want to start in sort of framing a couple of points. And that is professional journalism on a global scale remains expensive, notwithstanding all the technology advances, notwithstanding all the diversity and choices the consumer may have.

It's not possible to predict when and where and how long news plays out. Getting journalists to the scenes of news, whether it be ordinary events, wars, conflicts, disasters, keeping them supplied and safe, and for what may be a lengthy duration, and keeping their reports flowing against various hurdles -- failures in technology, explosions, so on and so forth -- these things are significant expenses, and that needs to be factored in as we consider the future.

That's the constant. What has changed? Well, just over a decade ago, narrowband wired access to the Internet, expensive storage media and devices, and imperfect aggregation tools meant that most consumers still depended on newspapers and traditional broadcast outlets in discrete geographic markets for their news.

But that's changed. Today, broadband Internet, wireless access, high fidelity aggregation tools and mass market storage and media devices have allowed consumers to see and hear the news through all types of outlets, operating in a single, worldwide digital market.

Well, this shift has introduced what we believe are significant disruptions into the news supply chain. Briefly, on the supply side, what you've got is new capabilities that have allowed people to be able to aggregate and deliver the news in almost the same timeframe as those who have invested in generating in the first instance.

So what you have is a sort of free-writing activity, where this content is oversupplying the marketplace. And so, those who invested in creating the first copy and those who are able to aggregate are both competing for the same audience and the same monetization opportunities.

In today's digital publishing marketplace, it's far from clear what, if anything, would replace real news suppliers with journalists to pay when they exit the market entirely because of this oversupply problem.

On the demand side, you've got various surveys that'll affirm that interest in news, news readership, if you will, is on the increase, not on the decrease. But as the Chairman pointed out, choice is not necessarily there. People are availing of the news from fewer and fewer outlets, and that's because those who are able to influence where the consumer gets the news. People who provide the search and aggregation services are able to condition how consumers get access to the published news.

And so, most producers of news content who are one or two or three clicks removed from where the consumer starts the news engagement activity really have no way to participate in this economic opportunity. And no surprise, then, that the ad revenues are fractions of what others who otherwise access to broader audiences are able to avail of for this content, the content produced by original news suppliers.

A number of efforts have been put in place to try to solve this. I won't go through all of them, but I think it's useful to just point out that policymakers, as early as 1986, actually foresaw a lot of this in a study that they put out, where they said what they called then-emerging electronic networks were going to disrupt the whole content ecosystem.

Specifically at the AP, we've developed a couple of initiatives to try to address the disruptions as we understand them. One is a microformat that is designed to specifically help news publishers to be able to tag and identify their content in unique ways so that when a consumer is looking for that news item, they can arrive at that particular news item.

The other is a news registry, which is to track the usage of the news content, so that we can innovate around new business models for engagement, whether it's the consumer engaging with that news content, or digital intermediary that is engaging with that news content.

The news registry should be rolling out next month, and we're actively working to promote that, and actively working to overcome market hurdles that have always developed to our initiatives.

So in summary, we believe that disruption is at the distribution end of the media business, the news media business. Unless the economics of distribution are rationally linked to the economics of news gathering, I think the latter will become endangered.

So as the Commission examines the future of journalism, I'd suggest there are forces that shape four areas that ought to be examined. Here they are:

One, how consumers find their way to the published news content online. And by online, I'm not making a difference whether it's a website or a digital app. But how consumers find their way to published news content, and how those who control the channels by which the consumers arrive to those published stories can provide transparent and non-discriminatory access.

How digital network technologies diminish incentives for publishing news content on individual open websites, or in free apps, and so on, and what needs to be done so that those who gather and report the news can participate in the value generated by the audiences for that news, regardless of where they congregate.

Third, how market power over aggregated content, audience and advertising, the Internet, hinders innovation that can help the business of news, and what needs to be done to address such market power.

And finally, fourth, how experimentation of the relationship between end users and news outlets -- websites, applications, and so on -- could create better mechanisms for funding journalism through advertising, and how the rules governing consumer privacy can both protect the consumer and serve the public's right to know.

Thank you.

SUSAN DESANTI: Thank you very much, Sri. You've certainly put a lot of provocative ideas on the table. Sherwin, can I ask you to follow up, please.

SHERWIN SIY: So I was encouraged to hear the Chairman say that amending copyright law wasn't one of the prominent-- that the chances of that were so low. I think that I'll have done my job here today if I can emphasize why that should be so.

In terms of just addressing the copyright proposals within the discussion draft, I have to say that my immediate reaction to all three of them was actually quite negative. Largely because I think we need to be clear about what it is that we're trying-- what problems that we're trying to solve and how these proposed solutions fit in. I don't think they do particularly well.

They not only don't solve these problems, but they create new ones of their own. And I think that's, in part, because copyright is an extraordinarily powerful tool and hot news along with it. Because what we're talking about in these cases is a restriction upon free speech. I don't think that's an overstatement. I mean, copyright is a narrow restriction of speech, speech that's creative and originated by others.

And in order to ensure that we have that legal restriction in place, and that it operates, we need to ensure that it also is balanced against the First Amendment. And we do that in a variety of ways. We do that by limiting its scope and its definition of what we can and can't copyright. And we do that through the operation of limitations and exceptions, like fair use.

So I think to address each of these, the proposals in the discussion draft, on the hot news front, I think it's important to emphasize and not to confuse hot news with copyright law.

And one of the ways in which hot news as a doctrine stands out is that it explicitly covers ground that copyright law explicitly refuses to do, which is granting a property right in fact.

And this is a distinction between the fact and the expression, between the idea and the expression that long predates the current Copyright Act. It goes back at least 100 years or so. And it's in place because without that, property rights and ideas would impede just ordinary conversation. It'd impede correspondence. And that's clearly something we don't want to do.

I think hot news is limited in time I think its proponents say. How long is really sort of up for grabs. And I think it's important that if we look at the origins of that doctrine in the United States, if we look at the original case, if those facts were ported in to today's world, I think the question we'd be asking -- the facts of it being the AP was sending cables on war bulletins in World War I to the East Coast. INS was taking those published bulletins, taking the information in them, rewriting the stories and wiring them to the West Coast before AP's information got there, taking advantage of the time delay and of the different time zones -- I think the question, if that happened today, we'd be asking is, well, why wasn't the AP on the West Coast in the first place? Why weren't they getting there first, and why were people reading these INS reports instead?

I think that same question, if there are parasitic organizations that are riding, free-riding cheaply, they are providing some sort of value to the consumer. There's a reason consumer are being drawn to that. Is it in the packaging? Is it in the aggregation? Is it in the curation of particular types of information that consumers want? Are they looking for a particular selection?

And I think if it is in fact that cheap to do that, then there's something there. But what there isn't though is a case for copyright.

SUSAN DESANTI: Thank you, Sherwin. I think we're going to move on now to Barbara, and you'll have a chance later to expand on your remarks.

BARBARA WALL: In the interest of time, I'm not going to go to my prepared remarks. I just want to first echo what the Chairman said about the FTC report, i.e., I don't think there was any confusion in the report that it was meant to be a recommendation of the FTC. And in fact, we heard from one of our shareholders, simply because I was appearing here this morning, that I was endorsing all the views in the report, too. [Laughter] So I want to set the record straight on that. But I thought it was clear myself.

Anyway, I come here to represent the interests of our local newspapers. Gannett is probably best known for publishing *USA Today*, but we also have 82 daily newspapers in 30 states. And we believe that local watchdog journalism is our future.

And in our communities, we're now distributing our reporting -- I don't have to go into all the different devices -- in a lot of different ways. But we're doing some other things, I think, that may help sustain the business model that we hope will sustain journalism, which is what we're talking about today.

One is, we are looking at niche audiences. We are looking at specialized audiences, whether it be in print or on the Web. We're in the business locally of aggregating audiences for our core watchdog reporting, for special interests, like in Tallahassee, where it seems we can't produce enough content on the FSU Seminoles to satisfy anyone in the community. [Laughter]

We have MomsLikeMe sites that are attractive to young mothers in our communities. We have highschoolsports.net. We are aggregating so many people that our statistics show that in most of our communities, we are able to provide access to 70% of the adult market audience in any seven-day period. In many of our newspapers, it's 80%. And in some, it approaches 90%.

And when you couple that with actual ad sales representatives who know the needs of advertisers, you have a potent combination. And it's far more effective than the national sites that come up with local sites of various stripes, it seems like every week or so. But they don't have any connection to the community, either in tapping into the interests of the community, or to working with the potential advertisers that traditionally have supported our products, and we hope will continue to do so.

So just by way of background, we still think there's a business, and a good one, in local reporting.

But on the issue that we're focusing on, on the panel, today, this morning, which is the intellectual property rights, I hear two sides of the issue, and I think we come down somewhere in the middle from the local news gathering perspective.

Our product is unique and we want to be able to protect it. That said, we believe there's value in obviously the First Amendment interests that need to be protected in any sort of fair use environment. And we also see in the Internet age value in what the journalists call curating the Web for our audiences.

So I certainly don't think all aggregators are pirates. I think many of them are good journalists. But there are aggregators who are pirates. And I'll give you one example, and perhaps Sherwin would maybe be thinking of what defense you could raise to this.

A website that will go unnamed contains headlines and links to every single story posted on one of our local websites. In branding it, they use our trademark. They produce no original content. And they sell advertising against it.

Now, one might say they're providing an alternate avenue to reach an audience, and if the audience prefers that access instead of going to our local website, they should be entitled to access our news that way. We think it's just pure piracy.

So I do think there's a place for hot news. Do we need a federal hot news statute? At this point I think it's premature. There are a number of state court decisions, some very recent vintage, including the fly on the wall case that you're probably all familiar with, which suggest to me that the state courts are looking very realistically at the world we live in today, and coming up with remedies that I think fit the evils that we face, to the extent you would call them evils.

So I don't think it's time or even necessary at this point for the federal government to step in and say, "We need to legislate hot news." I do think there could be unintended consequences for free speech that those of us who care about journalism should be afraid of.

So instead, I think we ought to let the state courts take this issue and on very specific facts come up with doctrines that we hope will protect the need to protect what's most valuable about what we provide to our audiences without doing damage to the First Amendment. And I'll stop right there.

SUSAN DESANTI: Thank you, Barbara. Penny, would you please go next?

PENELOPE ABERNATHY: Sure, I'm glad to. I was rather surprised when I was put on this panel, since I do not have a legal degree, and I did what any good former reporter does, I interviewed three colleagues who did have legal degrees. [Laughter] And when they all said the same thing, I decided maybe I would talk about something slightly different. They basically raised economic issues with all of the legal ones.

So what I did yesterday was submit to SUSAN DESANTI -- who's posted it, and in the interest of time I will not go over it -- kind of the rationale for why I'm approaching the topic the way I am. And I want to lay out two business principles today that I hope will guide not just the discussion of consideration of these two proposals, but also throughout the day.

Now, just to briefly give you a quick background. I have toiled in the trenches, so to speak, as both a reporter editor and as a business executive in roughly equal proportions. So I speak with all the passions, the hopes and the fears that anyone else who's addressed this has. But I've tried to be a much more dispassionate academician, which I've been for the last couple of years, and my research is basically informed by two avenues.

One is looking at other industries that have gone through periods of disruption such as this, for lessons we might be able to apply.

And second is wonderful analysis that I've been able to indulge in of more than 100 media companies, ranging in size from an 8,000 circulation rural daily in North Carolina, all the way up to the media conglomerates for that.

And there are two observations that I make that I think are relevant to this. One has to do that when you look at other industries who've gone through periods of disruption, they almost always measure the wrong thing for a significant period of time.

And so, what that does is, when you start measuring it in the beginning, invariably what happens as an industry is collapsing, you actually get an inrush of revenue in, witness what we did in the late '90s, and we said, "Oh, the dot-com is going to be the best thing that ever happened to us. Look at all the advertising we picked up." And you fail to foresee the waterfall that comes.

Then when the waterfall comes, you go immediately into catastrophic thinking -- the end is here. We haven't got any other source. Income, how are we going to ever support-- when we had 80% of our revenue coming from advertising, how are we ever going to support good journalism in the 21st century?

The reason that we think that way is actually an unstated belief in something called the theory of relative constancy, which Charles Scripps had no idea he was ever articulating in 1965, when he observed that despite the entrance of radio and television, the percent of advertising that was of GDP stayed roughly around 2%. Now, academics had a heyday and gave it a title, the theory of relative constancy, and spent the '70s proving that he was absolutely right, from 1920s to the 1980s.

Well, the great thing is Wall Street then picks it up, as do the ad agencies in the '80s, and they start tracking it. So what we have been looking at over the last 30 years is a barometer of traditional advertising.

Now, what was going on while we were looking in the rearview mirror? There's this other category of revenue that was sort of what we had in the days of the Middle Ages, when everybody gathered on the market square. And it depended on face-to-face contact. So it was everything from the discount couponing that you got when you bought a thing to encourage you to come back, to the loyalty programs, to the event sponsorships where you bring somebody in to do it.

That category was too small to even be measured when McCann Erickson started measuring this, and when Varonis and Suller did. They'd throw it in miscellaneous. And it wasn't even tracked until 2000.

So what I've done the last year at UNC, with the help of a lot of really smart graduate assistants, is try to update the theory of relative constancy for what was started being tracked in 2000.

Now, it's very hard to do because all the tracking is done by private firms, so you can't reconcile methodology. But even if you take a considerable discount or overlap of this, what is amazing is how much this has ballooned in the last 20 years, enabled by the interactivity of the Internet, and how much larger it is than traditional advertising, and how much faster it's growing than traditional advertising.

Now, that is also confirmed by talking with dozens of advertisers, courtesy of a McCormick grant for rural newspapers. And I will tell you, even the smallest advertiser no longer thinks of advertising and marketing separately. It's all one big pot. And they are more than anxious, because local newspapers still have the credibility, to give some of that money in a different sort of way, other than the clickthroughs and the CPMs we've been condemned to sell advertising with on the Web, provided we give them the opportunity.

I make this point just because I think as we look, we may be in fact measuring the wrong thing. And I'm a businessperson by extensive training, and there are two business adages I think that end up ruling the world. One is, you always head for where your customers are headed. And, you go where the money is, you follow the money.

And if we don't follow it, someone else will. This is not to say-- but having done that, you can then-- I can then envision a business model for both the largest news organizations and the smallest, the local ones, in which the business model in the 21st century will evolve into something not too different from what we've seen in the 20th century.

It will be a different sort of revenue. It will be revenue from the non-traditional advertising, so to speak. But what worries me is that I am totally stymied by what happens at the state and regional level. And that is vitally important.

And I hope that as we consider both priority setting, in terms of what we should look at first, and we consider where we should be focusing the attention, it is on the very vital state and regional, not just the large metros. I'm in North Carolina, the *Charlotte Observer* and the *News and Observer* have both had 25% cutbacks in staff. They both won, in a span of 15 years, they split three Pulitzer Public Services Awards, covering everything from brown lung in the textile industry to waste disposal in the state hog farms.

So it's vitally important that that link not be-- I think we will see, it's the newest industry we've had. If you look at it, the segment that usually fails first is the one that was the latest to develop, and the development of journalism on that state and regional level was actually a late-20th century development. But it is a vital link in an interconnected age in pursuing democracy and making sure there's a free flow. And I think it has a lot of relevance to other proposals on the table, from broadband to making government more accessible, information more accessible.

I want to close with this. The most pointed comment from my three legal colleagues commenting on this, and I leave this question in the air, looking at both the copyright and antitrust, was, Did we learn nothing from the music industry?

SUSAN DESANTI: Thank you very much, Penny. John Sturm, would you please give us your views?

JOHN STURM: Thank you. And I'd like to thank the Chairman and Susan and you and your staff for the hard work you've put in on this project already.

And to echo one of the remarks the Chairman made earlier, perhaps the most useful outcome, in my view, for all of this would be for the Commission to provide policymakers with a contemporary view of the marketplace for news and information when it is going through enormous change at a very rapid rate.

Also, like the Chairman and his disclaimer about the press coverage of the report, everywhere I go, when there are lights on, I have to say the following: For the record, the newspaper industry does not seek any direct or indirect government subsidy to underwrite the production of news content. In addition to being impractical, it's simply inappropriate for a lot of different reasons.

It's been fashionable for some time to talk about the digital divide, the difference between the broadband haves and have-nots. I'd like to suggest there is another form of digital divide between those who create the content we seek to foster here and those who exploit and monetize that content for their own benefit. Unfortunately, there is a divide between these functions, and at some point that has to change if journalism is to flourish over the long haul.

However, we may not be in the position yet to suggest a real perfect solution. First, in my opinion, content creators need to know where and how much of their product is being used by others without permission. We are on the threshold of this knowledge, which is an important precondition for everything that follows.

Second, the free market should be allowed to function in the normal course by allowing a period for negotiating licenses for commercial use of this content.

Third, to the extent that licensing falls short, there are likely to be enforcement actions taken under current law.

And finally, at some future point, maybe we may need a change in the copyright law, or another statute, to make sure those who create the content enjoyed by others get fair and reasonable compensation for their labors.

The other things that publishers need right now are an up-to-date view of the relevant marketplace in which they operate by the appropriate antitrust authorities. If newspapers only competed with each other, which is the current view of the Department of Justice, we would not be here worrying about the future of journalism.

And second, as noted accurately in the report that was issued by Susan and her staff, news organizations may need to be able to jointly agree on a mechanism to facilitate payments for the use of content by commercial aggregators and others. And to do so may require the assent of the appropriate antitrust authorities.

I rest my case, and look forward to the remainder of the discussion. Thank you, Susan.

SUSAN DESANTI: Thank you very much, John. And finally, Susan Athey, would you please share your thoughts with us?

SUSAN ATHEY: Sure, happy to. And I guess my disclaimer is, I'm here speaking on my own behalf and not on behalf of any organization.

So I wanted to talk a little about what might be accomplished with various kinds of antitrust exemptions and sort of make the argument that even if granted they might not necessarily accomplish what people hope.

So media markets are what economists call two-sided markets. Content is produced in order to attract viewers, and then access to viewers is sold to advertisers. In the world, we see a mix of pay-for content and free content. And a first mistake might be to assume that the free content is just the product of cutthroat competition. But there's actually lots of examples where a monopoly of providers of content have still chosen not to charge for access.

Google's a great example, even in countries where they have 99% market share, they still give their product away for free. And it costs billions of dollars to produce. Why? Each consumer who comes to a search engine site generates more incremental advertising revenue, and it's more profitable to attract more consumers than it is to limit the flow of consumers by charging them directly.

Of course, there's lots of other examples where content providers do charge, but these seem to be for items that are very unique or very popular or very timely, that have a lot of ability to differentiate themselves.

So commentators have noted that newspapers can't cover their fixed costs through advertising revenue. That may be true, but that's perfectly consistent with the view that the revenue optimal price to charge consumers is zero. That just means you can't cover your fixed costs that way, and that's a big problem. But it doesn't mean that charging it and reducing your revenue will help the problem. Instead, you might need to think about alternative business models and approaches, rather than just charging consumers.

It's certainly true that it's more likely for a large collection of publishers acting in a coordinated manner to be able to be profitable charging than if they were acting independently. But it doesn't necessarily mean that it would be in practice. After all, news stories, even in the presence of stronger copyright, would still be relatively easy to copy. And so, even if a large collection of newspapers coordinate on prices, there's nothing to stop a bunch of copycats.

Nonetheless, it seems possible that, if established, quality newspapers had a better product, better presentation, better writing, that consumers might be willing to pay a little bit. And so, it does seem to make sense to think about the prospect of micropayments.

I'm not sure myself if that's going to work, but it seems like a reasonable thing to consider. I certainly can't foretell the future that it won't work. And that would be a

market with strong market externalities. In order to work, you would want a lot of adoption. And so it does seem reasonable to think about the establishment of an entity that would help coordinate the invention of such a system of micropayments.

But it doesn't mean that we would necessarily need to coordinate on price. Like in radio, there was a lot of transition costs. You wouldn't want to be looking up different prices every time you played a song. But on the Internet, that's not really a problem. I don't really see the benefit of coordinating on price. There's no need to.

And in any case, the situations where competition would drive prices to be too low would also be the same kinds of situations where people outside of the micropayment system could also find it easy to copy content.

At the end of the day, if you want to charge, we need to have a differentiated product, and that's what's going to allow you to charge sort of reasonable prices, if you like.

I want to turn my attention, lastly, to an antitrust solution that I think will have an impact, and is very important, and is actively being debated today. And that's the antitrust surrounding online advertising platforms. In the end, as advertising gets more and more efficient, and as consumers browse more and more widely on the Web, newspapers themselves have less information about the consumer, what ads they've seen recently, and who they are, they're going to need to rely more and more on advertising platforms and other coordinated ways to know the consumers and get information about them and serve them the right ads and the most efficient ads.

Of course, ad platforms can also cut down on the cost of an advertising sales force, which is helpful for newspapers trying to lower costs.

However, there's no reason for ad platforms to share a lot of that revenue with the publishers. And it's only competition among ad platforms that drives the benefits of advertising to the publishers.

And there have been a lot of cases coming up recently where a dominant platform has tried to buy its competitors or extend its dominance to new venues. And that can really have an impact on publishers.

So in the end of the day, to the extent that you are relying on advertising and you may be more and more relying on advertising platforms, I think that the newspaper industry should care a lot about how much of that they're going to share in. And the competition in the Internet industry and the competition among portals, among aggregators, and especially among advertising platforms who have all the information about the consumers that allows you to monetize, is going to be crucially important.

SUSAN DESANTI: Thank you very much, Susan. And thank you very much to all of you.

I just want to, for the record, say, that although some people have referred to an FTC report during this discussion, which of course you're all used to seeing FTC reports, what was on the Web was only a discussion draft. So we'll just make that point one more time.

Chairman Leibowitz, is there anything that you would like to ask or add to this panel before we move on?

JON LEIBOWITZ: No, it was merely-- just for those of you who aren't attuned to nuance, it was merely a compendium of proposals by others. Is that what you were saying, Susan?

SUSAN DESANTI: Yes, that's what I was saying. [Laughter]

JON LEIBOWITZ: But we will have a report.

SUSAN DESANTI: Yes, eventually, we will have a report. All right, thank you all very much. [Applause] And we're going to move on to the next.

Panel 2: Proposals Regarding Additional Indirect or Direct Government Funding

SUSAN DESANTI: Thank you very much. Now we're moving on to additional ideas for public support for journalism. And as you know, if you've looked at the discussion draft, there are a wide variety of ideas here. So we've told our panelists they can choose anything that they want to talk about in this connection. And we're going to start today with Steve Coll.

STEVE COLL: Thank you, Susan. Thanks for having me. I thought I would use my time not to comment on the menu of particular ideas about which others I'm sure will have thoughts, but to try to frame the subject of public media policy more broadly, because at least I think some of us involved in this discussion find it frustrating that much of the discourse about the future of public media policy proceeds from the assumption that we don't already have a policy that might require reform.

And I thought the discussion draft did a good job of observing that the United States has always had public policy that affects journalism. And the question is, do we have the policy we need as a country to serve our interests looking ahead. And it's my view increasingly that you don't need a particular view about the crisis in journalism, so-called, or the prospects of the private sector in the media industry, or antitrust law, or any of the other important subjects in the remit of the Commission in order to believe that we need an updated public media policy to serve the interests of the United States.

Now, why would that be the case? Because the role of technology and media in the United States is changing so rapidly that whether or not we had had a crisis in the newspaper industry, policy written in 1967, for an analog television age, which itself was cautious in its embrace of the television age, is no longer able to serve the needs of American democracy, or quickly add American interests abroad.

So I just wanted to ask a series of questions that I thought might proceed from that observation. If you want to argue against changes in public policy, then it seems to me you have to make a case for the status quo. And the status quo is funding and policy around the Corporation for Public Broadcasting, which, left or right, avid consumer of public media or not, I think it would be difficult to say is adequate to the needs of its audiences in rural America, in reference to education, in reference to coming changes in the delivery of health services, in terms of access and equity.

And I think you can go much deeper than that. We don't have time to do it, but I wanted to touch on a few other elements that I hope the Commission will take into account when it finally moves from discussion draft and aggregation to its own views, that I think it is time for responsible leaders in government to ask questions about whether or not public media policy is adequate to the needs and interests of the United States.

I mentioned education and health as an example. This is a time when the United States obviously is trying to revive credible influence abroad. Do we really think that the legislative and funding framework around Voice of America is the ideal one for the interests of the United States over the next 20 or 30 years?

Do we believe that the incentives and funding that we've put into our public media system -- it's a mixed system, it should be, it always will be -- are they adequate to create the system of leadership, governance and innovation at the community level, whether it's on the National Public Radio network or the Public Broadcasting Network that's responsive to the needs of American communities?

Do we think that we have a system of funding and incentives in that system that is adequate to the digital changes that are going to shape the access that American consumers have to information about their government, as well as about their health and education?

So I think-- I'm asking these questions rhetorically; obviously, I have views about the answers. But because I think the frame is so often distorted, and that if you're going to make-- and the FTC's discussion draft has generated reaction that is typical of the distorted frame, it seems to me, because it proceeds from the assumption that we have not inherited policy. We have inherited policy. The question is, do we really have a national consensus that the policy we've inherited is adequate to our future needs? And I think the answer is no.

SUSAN DESANTI: Thank you very much, Steve. I'm skipping out of order for a moment to Joaquin Alvarado, who is going to have to leave shortly for his daughter's graduation.

JOAQUIN ALVARADO: Thank you, Chairman. I'll tell her you said so. [Laughter]

I agree with all that Steve has laid out. And I actually commend the FTC for engaging in this conversation. I think it's an important one to have, and I think there's opportunities in front of us. So I'll address just three quick things.

First, we absolutely need to look at the public media policy in this country. Everybody would agree with that, so why don't we go ahead and do it?

Two, the Web is driven, unless it's a core, novel technology, by fan culture, by participatory culture. And newspapers struggle with that, period. They don't have the people inside of their companies typically, and they don't know it. They don't understand

it. And until we bridge that gap, I don't think we'll get the kind of scale of transformation online that we'd all like to see in terms of preserving journalists and their jobs.

Three, public media, specifically public radio has actually developed a really intense fan culture, where a free service is mostly supported by people paying for what is essentially a free service. And that's membership support around the country. It's taken us 40 years to build it to the point where it's at, and it's not nearly strong enough.

But the ascendancy of NPR and a few of the public media companies out there, who are successful and well governed and well capitalized and able to invest in innovation speaks to the possibilities. If we had some targeted funding, we could do more. If there were incentives from the funding community, not CPB alone, but the entire foundation community, for greater collaboration, we could do more. All of those are achievable right now if we focus on it.

What we have done, or what's in my portfolio is something known as Public Insight, which is about seven years old at this point, but with Knight funding, we are building an open source platform to drive citizen engagement in their local journalism by providing sourcing into stories and feedback and contextualization. And that is heading towards 100,000 citizen participants in what will be 50 newsrooms by the end of the summer.

So we're investing as a company in models that reflect the realities online. We could do more with more funding, obviously.

One just observation though. Funders get away with a lack of clarity. If you are a journalism start-up in a major market, there is going to be a fair amount of competition for a limited amount of foundation funding for these kinds of activities. And until the foundations really create incentives for collaboration, don't expect to see it.

And in fact, where you have markets where there are strong journalistic start-ups and strong public media, there's a healthy level of competition right now. And I don't think that that's necessarily bad. I think that it's dangerous to think that you're going to get innovation out of non-profits.

Having served on a number of non-profit public media company boards, it's hard for them. You really need companies that really have venture backing to drive innovation. Is there anybody from a VC-backed firm in this room right now? It's a stunning omission.

And one last little, tiny note. For a country whose diversity is changing so rapidly -- I've been in, maybe this is my 20th forum -- there's a stunning lack of diversity in these conversations. So we actually have to also ask the question, as CPB is asking right now, and that was part of my work there, how do we actually make our thought process more diverse and reflective of the country that we're trying to serve? And until we raise that question, we won't really get there.

And the last little section at the end that talked about really being better about data, and understanding where data's going, and creating standards around that, and using the frameworks that are advancing in terms of data management, I think that's really important stuff, and we actually need to develop a higher IQ around that.

Thank you.

SUSAN DESANTI: Thank you very much, Joaquin. I'm going to ask Dan Gillmor to go next.

DAN GILLMOR: Thank you. I'm very glad to be here, and I appreciate very much that the FTC's asking these questions.

I'd like to just say I'm the probably relentless optimist in the room, compared to a lot of folks. Yes, there are some problems, but the panic feels really premature to me. And I just look around and see all the wild experimentation going on in methods and business models, and I come out of it thinking we're on the way towards something quite good.

I'm worried about the protectionist proposals that I keep seeing, and I'm glad to hear that they're probably not on the table for the final report, or not likely to be.

I do favor, however, a federal taxpayer piece of a mission that would, I think, have enormous value, not just to journalism -- that would almost be a byproduct, a wonderful one -- but to communications and commerce in a general way. I've posted a long piece yesterday on Salon about this. I won't read it, obviously not enough time. But there are two historical precedents of note. And actually there are many more, but this is in the area of projects that the nation has undertaken.

One is recent. The interstate highway system, which private industry and local communities could not possibly have put that together. There was just no way to do that. And there was a national purpose involved.

The second one goes back to the early days of the republic, which is the postal system, which became the conduit for communications in our early days and was a direct subsidy, in part to journalism, but to a lot of other commerce and media. It was what Bruce Bimber, the political scientist, called the Manhattan Project of communication. Maybe that's something we could do today.

What I'm suggesting is that instead of any direct subsidies, especially for journalism, what we might think about is getting the taxpayers behind putting broadband out ubiquitously to every home and business in America, not doing what seems to be the policy, which is a duopoly approach. Or, if we're lucky, some mobile broadband wireless in there, too. I don't think that's going to work for many reasons.

This would be a big project that's expensive, but what it would do for commerce and communications, and journalism in the end, would be enormous. If we put this system into place and let private providers light up the dark fiber that the taxpayers paid for, entrepreneurs, non-profits, all kinds of people would then light it up with journalism that, I think, would be extraordinary in its breadth, depth and in the experimentation that would produce something of great value to our society.

The FTC's pro-competition role, I think, at the very least, should make a recommendation that the FCC, the Justice Department and others require, at the very least, some form of network neutrality be insisted on and preserved over time, if we're not going to go to the larger approach.

And I'll stop there.

SUSAN DESANTI: Thank you very much, Dan. Paul Steiger?

PAUL STEIGER: Thank you, Susan. The mandate was to talk about government funding for the press, and I confess that I'm skeptical or at least cautious about just about every suggestion in this category collected by the staff in its impressively clear and comprehensive non-report [laughter] compendium.

My overarching thought is that government funding should only be done with the greatest care and on a strictly content-neutral basis. This is especially crucial in the area of investigative reporting where ProPublica operates, but I think the notion should apply quite broadly.

I lack confidence that political leaders, if given the opportunity to hand out discretionary funding to favor journalistic operations, could resist for long the temptation to intervene in what is covered and how. And that's particularly true with respect to those areas, such

as politics and the functioning of government, where the Constitution envisions the media as a watchdog.

As some have mentioned, and I certainly agree with this, I recognize that the history of the Corporation for Public Broadcasting suggests that these risks can be controlled. Certainly, public television and radio have done great work for decades now, and continue to do so. Indeed, our own time strikes me as a golden age of public radio. And we at ProPublica recently have done some marvelous collaborations with them.

But I'd argue that the Corporation for Public Broadcasting is something of a historical and political anomaly, an institution that would be hard to create today if it didn't already exist, and hugely difficult to insulate from government meddling if it didn't already have a well-established culture of independence.

I'd have no objection to expanding government funding for public TV and radio, provided that the expansion was not so large as to start crowding out the opportunity for for-profit and other private news organizations to succeed. And provided, also, that a sizeable aim of the funding increase would be to improve and expand local news coverage. Otherwise, I'd be very dubious about creating new mechanisms whereby elected officials or appointed bureaucrats would get to parcel out cash to their media favorites.

If we are going to go down the path of government support, I think that we should look at funding that is strictly content-neutral and non-discretionary, modern analogues of postal subsidies, such as tax exemptions or credits.

Tax credits for for-profit journalism companies or tax credits beyond mere deductions for contributions to non-profits strike me as acceptable from a policy point of view. One might want to cap the tax benefits to any individual or institution so that the vast bulk of

the subsidy went, not to media giants like Time Warner, Disney, or News Corp, or NBC Universal, but to start-ups and modest donors.

Even so, the journalist in me requires me to raise the issue of whether supporting serious news coverage, as important to democracy as I believe serious news coverage is, can compete with a wide range of urgent societal needs as pressure to cut deficits mounts. That's a question I'll leave to others.

SUSAN DESANTI: Thank you very much, Paul. Jan?

JAN SCHAFFER: Thank you, Susan. I agree with Steve, that policy needs to be addressed. Just yesterday, in a search of the Web, the US is inviting proposals for \$50 million in funding for media programs in places like the Palestinian territories, the Congo, Afghanistan, and elsewhere. I think we need to revisit how and what we want to support, but I do see some valid opportunities for modest government support for the future of news, particularly in areas where bottoms-up innovation is flourishing.

I think much of J-Lab's work has helped to create community news sites. So I'm going to unabashedly focus my recommendations there. We funded 62 new start-ups in the last five years with only \$1million to great social return. And I think these proposals that we have received -- we received 2,700 proposals -- reflect a kind of robust reality that was not at all reflected in the draft report, which is that hundreds of communities right now are getting news and information about their towns that they have never received before, not even in the heyday of American journalism. They are rural communities, they are bedroom communities, and they are suburbs of metro areas.

Moreover, I think investigative journalism is undergoing a rebirth in discrete non-profit projects. According to a report last year we issued, they are the darlings of the foundation world, receiving more than 50% of the grants that we have tracked since 2005.

So who's generating much of this news? Well, sure, some of it's citizen journalists, but a lot of it is independent journalists, no longer associated with the mainstream newsroom. Is all the journalism going to make up for what we lost? No, not yet. Will the projects be sustainable? Time will tell. I think those that are good stewards of their communities, or their niche areas will probably be sustainable.

But we think that the government should consider some modest support in this area, because we think there's a bigger social return to be gained. We think the government, and I agree that major taxes for funding journalism is a no-brainer. But we think it's fair to consider some public support for public participation.

And we suggest that a lot of the new participation in media is a new form of civic participation. It's just not through the ballot box.

Over the last four or five years, we've seen how ordinary citizens and independent journalists are covering municipal meetings. They're profiling candidates for local office. They are spotlighting empty ballot positions. They are holding local officials accountable. They are crowd sourcing stories.

For some it's a new form of volunteerism. For others it's a hobby. For some, they hope it will be a business.

And major news outlets increasingly are coming to rely on and even partner with these new media makers, sharing content links and soon even revenues.

A lot of these sites are being launched out of the pockets of their founders or with their sweat equity. Others are cobbling up minor support. You can launch a site for as little as a dollar, for as much as two million, if you're a metro site.

We'd like to see these projects be supported with a public media participation fund. And frankly, I'd like to see it accompanied by an ad campaign, a public service ad campaign to make it cool to be a community watchdog.

It could be funded with a buyer tax, say a dollar, on each cell phone, laptop or TV purchased. Manufacturers could be asked to match these contributions, enticed with tax deductions if necessary. This could create a media pool of as much as a half-billion dollars that could fund start-up operations.

We also, and I agree with Paul, urge the use of tax credits to support these new forms of journalism. Allow news contributors to receive a tax credit for their civic media work. Allow mileage deductions for citizen reporters at a rate of 50 cents a mile, instead of 14 now allowed for charitable operations.

And finally, I think we also would urge the Corporation for Public Broadcasting to be recast as the Corporation for Public Media.

And as a condition of taxpayer support, we urge the government to require that public radio and television stations demonstrate very active collaboration with quality local news sites. How? Through content sharing, licensed content, microgrants, or serving as fiscal agents or providing co-working spaces for journalism start-ups in their communities. Local broadcasters could be the hubs of local news networks if we incentivize that.

We very much suggest, keep it simple, keep it modest. Nurture innovation and go for high social return. Thank you.

SUSAN DESANTI: Thank you very much, Jan. And now I'll ask Gil Klein to please--

GIL KLEIN: Thank you very much. In 2008 and 2009, the National Press Club sent me across the nation to hold forums on the future of journalism and how to protect its core values. I felt I was one step ahead of the Grim Reaper. At every stop I said I was there to hear ideas of how to transform the news business. And the reply was always the same -- "We were hoping you had come here to tell us."

You can find the results of that report at the Press Club's website, www.press.org/juncture.

The basic message I heard from print, broadcast and Internet journalists was that the newspaper newsroom was the foundation of journalism. Somehow it has to be preserved. It is the only way now to provide a comprehensive news in any community. And it is the only source of deep pockets to challenge government secrecy and defend against lawsuits.

In the short time I have here, I want to address two issues, one in response to an idea proposed here, and one on which I have been working for several months with Curtis Gans at the American University.

Of the proposals presented here, the one that intrigued me most was supporting universities that are conducting investigative reporting. This is happening now at a number of universities that see the advantage of hiring highly skilled reporters who have taken buyouts from their news organizations and teamed them with highly motivated students to produce quality investigative reporting.

Everywhere I went on my tour, I found that expensive investigative reporting has been the first victim of many news organizations as they have to find cuts. This is a huge loss to the watchdog role of journalism. These universities can produce the type of investigative reporting that can then be used by the local newspapers and television stations to fill this gap.

Tom Fiedler, the dean at Boston University Journalism School, was just beginning his program when we held the forum there in October 2008. He reported to me last week that his center is fast becoming an important source of investigative journalism in the New England region. It has provided stories for the *Boston Globe*, New England Cable News Network and WBUR-FM, the NPR affiliate.

It is operating with a grant from the Knight Foundation. He does not favor direct subsidies from the federal government. However, anything the government can do through the tax code to encourage private donors would be appreciated, as would scholarship help for students.

Right here in Washington, at the American University, Dean Larry Kirkman told me last week that the investigative reporting workshop his department has created has successfully combined the work of graduate students with PBS reporting on such high profile shows as *Frontline*. Much of the money for that work comes from the Corporation for Public Broadcasting.

Kirkman told me he thought that the best way for the federal government to support this kind of journalism would be to provide more money to public broadcasting. He does not favor direct subsidies.

I think there's great promise in these university-based programs, and additional ways of supporting them should be explored.

The second thing I want to talk about is a proposal that I have been working on with Curtis Gans, who many of you know. We see two problems in America that can be solved with one idea.

First, newspaper circulation is declining. People in their 20s and 30s aren't subscribing, so their children may not know what one is. Yet, everywhere I went on my tour, I heard over and over that the printed newspaper still provides the best way to organize and present news, and it still is the best way to raise money through advertising to support quality journalism.

Second, civic literacy and knowledge of current events among our students is terrible and getting worse. This is the basis for our democracy. It can't be shunted aside as a frill in our schools. We believe newspapers can play a dramatic role in improving civic education with the help of the federal government.

When No Child Left Behind is reauthorized, it should contain a civic literacy requirement. And to meet that requirement, the newspaper industry can produce weekly newspapers, written on age-appropriate levels, that can be developed and delivered to classrooms, from 4th grade through high school, along with lesson plans to use them in civic education.

We see a central newsroom, funded by the newspaper industry, not the government, that would produce the content for these weekly papers. That content would be sent electronically to local newspapers that would add a local story and print the paper under their name.

These papers would look like the local newspaper. They would be delivered to schools where teachers already would have received the lesson plans electronically. The role of government would be to pay for the printing and distribution, not creating the content. It would be an education subsidy for the schools.

My time is up, but I would be pleased to answer any questions about that at the appropriate time.

SUSAN DESANTI: Thank you very much, Gil. And now we'll get to John Nichols.

JOHN NICHOLS: I think we've reached the point where everything has been said, but not everyone has said it yet. [Laughter] And so, I will stipulate that I actually agree with every single thing that has been said on this panel. At least every idea and every embrace of things in the report. It's very, very good.

I also feel a little bit like the folks at the *Guardian*, who on April Fool's Day this year decided to tweak the entire edition of the paper and make every investigative article under 175 words.

There's an awful lot to be said. I think that the most important thing that we ought to say up front is a thank you to the Chairman and to Susan for the visionary work that they have done here. It is comic to me to hear suggestions that the American people and their government should not be involved in discussions about the future of journalism and the democracy that is underpinned by that journalism.

That notion is rooted in an elitist concept that suggests that media policy decisions, which are made by government all the time, should only be made by representatives of media firms, lobbyists, insiders with the door barred to the American people. The problem is not that the American people and their government want to be a part of this discussion. The problem is that they've been excluded for too long.

Over the last seven months, Bob McChesney and I have conducted more than 70 community events across this country, in every region of the country with all sorts of folks. We've actually seen some of the diversity that our friend from the CPB is looking for. And what we heard was this.

The American people know there's a crisis in journalism. They absolutely recognize it. And they are looking for answers. They're not looking for answers because they want to

employ journalists. They're not looking for answers because they even particularly like newspapers. Many of them have moved on.

I just did the keynote at the International Federation of Journalists event in Spain. Looked out over 300 journalists. I asked how many of them had brought a newspaper into the room with them. Only four had. Virtually everyone had a computer. Or a phone.

And so, the reality is that this is not about a particular platform, and it's also not about a particular craft or way of practicing it. What it is about is making sure that we produce the information that citizens need to govern themselves, and to make sure that that information comes in a free flow from many sources, consistently and at every level.

I was especially pleased to hear someone say today that they were most concerned about the local and state level. That's critical. Too much of our discussion is about great innovations, like ProPublica, that work largely on the national level. We will have sufficient journalism for wealthy people who can afford expensive newspapers and paywalls.

What we won't have is sufficient journalism for the vast majority of Americans if we don't step in and make innovative interventions in the coming months and years.

To that end, I would suggest just a couple of things. First off, supercharging or funding of public and community broadcasting is an essential step. I don't propose anything radical or extreme. I would only suggest that we come at a per capita level similar to that to a developing nation, and recognize that the United States has trailed every other developed nation in the world in this regard.

Second, I would recommend that we see broadband buildout as rural electrification for the 21st century, and that we take it to every home. Of course you need Net neutrality. Anybody who would say not is obviously trying to make a lot of money off this game. I

say build it out to everybody and make sure that they have access to everything that's on it.

Now, on a couple of interventions that could be very, very good for the federal government at this point. I like the mention of tax credits. That's an interesting one. It's been tried in other countries. I also like the idea proposed by Dean Baker of a citizen news voucher, where every American would have access to a certain amount of federal dollars which they could allocate to the independent, not-for-profit media that they like.

But there's a hundred other solutions and ideas in this regard, all of which-- many of which at least are in the report and can be looked at.

I also like ideas that get young journalists into the field. We have a Teach for America program. It makes sense to me that we might have a News for America program, where we send young journalists with a small stipend into underserved communities, particularly rural and inner city.

Secondly, in this regard and as I conclude, let me suggest that the biggest areas where I think the FTC and other federal agencies should be involved is in fostering innovation. Not in sustaining old media, which has steered the car off the cliff. And also not in buying in to the fantasy of new media fabulists who think that if you Google journalism, it will appear.

The reality is, what we need is to encourage those people who really are innovating and who are sending in all those grant requests to the Knight Foundation, and others, but not getting funding. There's insufficient resources out there.

So two areas that I like are looking for ways to encourage new ownership models. And working with the SBA. I was glad that the Chairman mentioned that early on. And also,

working with not-for-profit, and in some cases for-profit, and particularly educational institutions that are focusing on the area of computer applications, or apps.

Apps are the vehicle by which we, the people, can go into the cacophony of the Internet and get what we want. Unfortunately, the smartest people in the world who are developing apps right now are doing so with the purpose of steering the American people away from news sites and away from news content, and toward advertising. You make your money as an innovator in technology by getting people directly to the commercial content, not steering them through someplace they have to pay to get to the people. The idea of selling advertising is something that the industry now militates against.

So I think that the federal government has a terrific role to play here in encouraging the development of apps that help to steer people to journalism. And we're seeing this in almost every country in the world. The United States is way behind. Our current model is stifling innovation. And I think there is a role, a very important role, for the federal government in encouraging that innovation.

Thank you very much.

SUSAN DESANTI: Thank you very much, John. And I just want to say, if Joaquin Alvarado were here, he would not necessarily echo the federal government involvement, but he would certainly say we need to have these conferences with app developers and software developers being here, in addition to having greater diversity.

I want to thank everyone. This has been a terrific panel. Jon?

JON LEIBOWITZ: If I have a question, am I allowed--

SUSAN DESANTI: Yeah.

JON LEIBOWITZ: That would be great. So I have two questions and they're sort of subject to virtually, almost subject to yes or no answers.

Steve started off by pointing out that we seem to have a sort of de facto federal policy with respect to news, but it's an architecture that's kind of antiquated and Balkanized. Does everybody agree with that, just starting with John? And Steve, you don't have to agree with yourself, because we know where you are. But John, go ahead.

JOHN NICHOLS: If you want a yes or no answer, I'll give you the yes. If you want anymore, what I'll say is that the infrastructure that we have right now was created basically behind closed doors by interested players carving up the pie. The best way to understand it is the movie *The Godfather*, where all the mobsters sit on the-- *Godfather II*, where they sit on the top of the hotel in Havana, cut up the cake, and you get rackets, you get prostitution, you get that. And they say, "isn't free enterprise great?"

The reality is that we've had a closed system for defining our media, defined mostly by big media companies. I'd like to bring the people and journalists into that process in a much bigger way and define something that is much more sustaining of democracy, and hopefully also sustaining of journalism.

JON LEIBOWITZ: So you're not suggesting a *Godfather IV*? Okay.

JOHN NICHOLS: I don't think so, at this point.

GIL KLEIN: This is an area of expertise that I have to pass on to the next guy.

DAN GILLMOR: Certainly there is a de facto policy. I would like to, in the category with subsidies, we have a lot that are out there, why don't we unwind those to start and put more of a level playing field in place. The difference between the public broadcasting and other things that were set up at a time of highly concentrated media ownership and

concentrated media in general, because of high barriers to entry, we'd have no barrier to entry now.

So I'm cautious about the idea that we need to be pushing for these bigger things, rather, as Jan has done so well with J-Lab, the more we do to help and have an infrastructure for the small stuff, the better off we'll be.

PAUL STEIGER: The answer is yes, we do have a de facto policy.

JON LEIBOWITZ: And do you think it's antiquated, Balkanized?

PAUL STEIGER: Yes. But I also don't think that the answer is to try to do a top-down-

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JON LEIBOWITZ: Well, that was going to be my next question, but go ahead you can answer that.

PAUL STEIGER: Instead of a top-down, creating an orderly government-driven system for news. I think I'm more with Dan on this, that what we have is a tremendous outburst of creativity. And government should foster that, not by trying to control it, but by trying to support it.

JON LEIBOWITZ: So the role of government from your perspective should be pretty limited?

PAUL STEIGER: Yes. And it should be non-directive. In other words, I like the notion of tax deductions and credits way better than setting up big controlling enterprises.

JAN SCHAFFER: I also agree that it's Balkanized, uncoordinated and we need to revisit it, but I would hope that nothing-- that everything else is not put on hold while that

would happen, because you need to be nimble in this environment. And you need to help nurture innovation. And it can't wait.

SUSAN DESANTI: Okay, now we're going to move on to a panel that will talk about the potential for new ownership models. And thank you all very much.

Panel 3: Proposals Regarding Tax and Corporate Law

SUSAN DESANTI: This panel is discussing proposals for potentially revising the tax code, to make it clearer, that there can be non-profit news organizations. And also exploring an idea for a "hybrid model" or a for-benefit corporation, which allows both profit making and a focus on a social purpose at the same time. And of course, everyone is free to talk about anything they want to, in any case.

And we're going to start with Jim O'Shea.

JIM O'SHEA: Thank you very much, Susan. As a lifelong journalist, I should say that I'm leery of anything that involves the government involvement in journalism. But that's not to say that you don't have a role here, and I applaud the FTC for basically tackling a sensitive subject.

I am the editor and chief executive officer of the Chicago News Cooperative. It is an organization that was formed by some journalists and concerned citizens in Chicago to focus on providing this community with high quality public service journalism.

We want to develop several streams of revenue and be self-sustaining within five years. And we've been producing two pages of Chicago news for the *New York Times-Midwest Edition* for the past eight months. And we're in the process of upgrading our website with stories, features, blogs and other things for citizens in Chicago.

I know some people-- I hear all the time in speaking, people say to me, "What's the problem here? We still see newspapers coming out every day. I see television, investigative stories on TV." And I think it obscures a key point, and that is most of the things that you see a lot of times are episodic, are kind of gotcha journalism. A lot of it's designed to produce ad stacks, rather than news.

What is really under threat is the systematic examination of courthouses and state legislatures and city halls and police stations by reporters who man those beats and generate a lot of the public service kind of journalism that is crucial to a democracy. And I think that that is what is under threat today.

So the newspapers that continue to come out are smaller, thinner, require fewer reporters and editors and do less of that. And so, I think we really have to focus pretty heavily on doing what we can to sustain that.

I was asked to comment on the appropriate changes in corporate or tax policies that would help ease the problems. And as a leader of a start-up organization, I would urge the Commission to encourage the Internal Revenue Service, through a revenue ruling similar to its 1998 ruling regarding hospitals, to provide clarity regarding how a news organization can qualify as an organization that is "exclusively educational" in order to attain tax-exempt, non-profit 501(c)(3) status.

The biggest challenge facing the Chicago News Cooperative and the other start-ups that I know of around the country is raising the capital needed to experiment with alternative business models that can put journalism on a more solid financial footing, without running afoul of the tax code.

I don't know if future journalistic organizations will be exclusively non-profit, but I'm positive that non-profits will be a significant plank in the bridge to that future. And government, really I think the best thing the FTC could do is see what you can do to

remove barriers so that start-ups can achieve this non-profit status with the IRS, or other government agencies, through steps of clarification, and basically knocking down some of the barriers that exist.

And I'd also urge you to bring clarity to the confusion surrounding establishment of the L3C, limited liability low-profit corporations. The IRS could look at some of the state statutes authorizing L3Cs and say if they approve of them. That would be very, very helpful because you can then look at creating an alternative source of financing for start-ups.

The other area I would suggest would be to see if you could do something to streamline the rules governing program-related investments by foundations. As it now stands, these rules are so onerous that many foundations avoid these kind of investments, and it limits the kind of funding that new journalistic ventures can tap.

I think the markets can sort out all of these issues involving intellectual property law, and I don't think you should ease the antitrust law. And a major reason the newspaper industry is in such a mess is there's probably too much concentration in the ownership in the first place.

Tax subsidies and citizen vouchers sound really good, but I think they're both unrealistic in this environment.

So I guess my biggest thought would be, the best thing you could do is remove some of the barriers that will allow start-ups and other organizations to begin experimenting with alternative business models because the innovation, the experimentation and the fresh thinking is all coming from in the digital and the Internet and different start-ups with people trying to figure this out. And I don't think you're going to get them from existing news organizations. They're too busy perfecting the art of becoming a non-profit.

So I think the best thing to do would be to eliminate barriers. And that's a great role for government to do. And I applaud you for your efforts. Thank you.

SUSAN DESANTI: Thank you very much, Jim. I'm going to ask Rick Edmonds to go next.

RICK EDMONDS: Thank you, Susan. Two quick disclaimers. These are my views, not official views of Poynter. I do research and writing about the news business, the newspaper business, both its present and its future. Secondly, I'm not a tax lawyer or any other kind of lawyer, so I'm going to leave the fine detail to those who are.

With those disclaimers, these thoughts. We're clearly in a time of rapid transformation and experimentation. I think it's a good thing to have all sorts of options -- new non-profits, traditional newspapers, for-profit ventures.

There are very few sure successes, but it sure ought to be easy to try. And for those reasons, I echo Jim's sentiments. I think it should be possible to have a non-profit run a newspaper organization, should a local group be so disposed. I think community foundations and individual donors should be able to support that kind of transition in newspaper organization ownership with tax-free donations.

On the new media side, I think non-profits with multiple revenue streams should be able to sell ads without having to guess about whether they're courting some trouble with the IRS. So clarification in that regard would be very helpful. I think those ventures will stay. The test should be whether they stay non-profit, rather than whether they accept advertising, because realistically several different streams, as both Joel and Jim have demonstrated, may be necessary.

And I think this is an especially good fit because many of these organizations range in size from small to very small. And to burden them with the complicated lawyerly efforts to set everything right with the IRS may be expensive and onerous.

The political endorsements ban strikes me as not all that problematic in its early form. Certainly, public radio flourishes without making political endorsements. Some traditional newspapers, in fact, are backing out of the endorsements business.

And I do see possible negative effect should that ban be lifted, which is that we're all obviously aware of the presence of big money in campaigns. Dummy organizations taking out attack ads, that kind of thing. I just think it would be unfortunate to open this field to basically politically motivated lobbying groups.

Two further quick thoughts. First of all, I have 25-plus years in the *St. Petersburg Times* organization and Poynter. And I'm certainly not unbiased, but I think that structure -- that is, a for-profit newspaper owned by a non-profit school -- has produced a lot of good journalism at the paper, and some very important support for great journalism and the work we do at Poynter.

But it's a complex form of organization, difficult to replicate, especially in the way that Mr. Poynter chose to actually give his life work and his savings to a non-profit institution. There's not too many folks willing to do that. And it was put together by the best tax lawyers Mr. Poynter could find at the time, and is still sustained by that kind of work.

So that kind of doubles my wish that we make it possible for ventures in this field to do so simply.

Perhaps previewing the broader topic for this afternoon, I do think this is a great time to let traditional and new media, profit and non-profit, explore the many different veins of revenue and business models that are being explored.

Certainly sharing Chairman Leibowitz's worry about the loss of important journalism in the traditional sector, there's a very healthy free market dynamic playing out right now. And so in some ways it seems more time to watch and see this experimentation, rather than try to impose a complicated new structure.

SUSAN DESANTI: Thank you very much, Rick. Joel?

JOEL KRAMER: Thank you very much. It's a pleasure to be here. And some of what I want to talk about has been said, so I'll pass through that part briefly.

I run a non-profit site in Minnesota. It's two-and-a-half years old. I spent most of my career in the for-profit business, and I certainly hope that for-profit journalism business sustains itself, but I have some reasons for pessimism about that, that I want to briefly mention why. I think that there really is a significant crisis that I think is going to get worse regarding for-profit journalism.

First of all, the disintermediation by the people formerly known as advertisers, who are now getting their information out without going through the advertising channel is huge and growing.

Secondly, publishers always benefited from targeting. They could sell the idea to an advertiser that they'd reach a certain targeted audience, but now you can target with metadata and do it with technology partners, and you don't need publishers for that.

And finally, for the people, advertisers who still want to deal with publishers, they now have an almost infinite number of publishers because of the low barrier to entry. This

drives the price of the advertising down and means that the only players who will succeed in a low-price environment are the ones who don't spend a lot of money on the content.

So for those kind of high level reasons, I'm not very optimistic about advertising-supported journalism. And many of you know why. It's a big challenge to figure out how to get the readers to pay.

So at MinnPost, just one little thing more about background. We've been at it two-and-a-half years. We have now reached the point where we raise more than half-a-million dollars a year from members and donors, about a quarter-of-a-million dollars from advertising. Non-profit, okay? We're spending over a million and we make up the difference from foundations.

But we are trying to get to a point, in a couple of years, where we can break even without foundations, and use foundation support only for special projects. Not all my peers have that goal, and I'm not saying they should. But we're trying to figure out if that could be done.

To me, the most important thing that a government could do is the thing that Rick was talking about, is to clarify that publishing is an okay non-profit activity. We got our 501(c)(3) status, but we had to write on the form that we were an educational institution, or that at least we were an institution whose purpose was educational.

Well, we're a publisher, okay. And we're a non-profit publisher. I'd like to be able to just put that on the form and leave it at that. I would like it to be clear that we can accept as much advertising as we can sell.

We do sell advertising, but many of my peers, as I talk to them around the country at the local level, are afraid to sell advertising because they don't know whether-- MinnPost is going to be challenged by the IRS because we're doing that.

We also accept political advertising. We accept advocacy advertising. We're taking the view that we're a non-profit publisher. It would be nice if the IRS would just make it clear that that was okay.

I think it's imperative that the IRS do this, because non-profit publishing is going to become a bigger and bigger source of serious public affairs journalism, and those kinds of rules ought to be cleared up.

I don't think it's critical that we be able to do editorial endorsements, but I do think it's critical that it be clarified that when individuals write for us and take advocacy or political positions, that doesn't endanger our status.

We ran an op-ed type piece by somebody explaining why they had switched-- after John Edwards dropped out of the race, why they switched-- a woman, why she switched from John Edwards to Barack Obama, instead of to Hillary Clinton. And we got somebody who complained to us that running an article like this from a person in the community, it was a violation of our 501(c)(3) status. They didn't challenge us on it, they just warned us.

But as I said, we've been aggressive about this, but I think it's very important that rules about that be made simple and clear, that non-profit publishing is a legitimate 501(c)(3) activity, and that as long as you're structured not to make money and return that money to investors, you should be able to operate freely in that space.

Thank you.

SUSAN DESANTI: Thank you very much, Joel. I'm going to turn to Charlie Firestone.

CHARLES FIRESTONE: Thank you, and thank you for your draft report, which I think helped focus us on what the possibilities are. So I appreciate the work that you and your staff did.

I am representing the Aspen Institute Communications and Society Program, which partnered with the Knight Foundation to create the Knight Commission, which released a report on informing communities, which actually could support a number of the points you made in the draft, including the importance of journalism to democracy, that information is a non-rivalrous public good, the strong support for public service media conditioned on more local, inclusive and interactive actions. And strong support for open government on transparency. And it also supported a couple of other points that some people made this morning.

As we think about public service media, and the role of non-profits is really where I'm going, because the Commission in its first two recommendations said, first, that market forces really will, they think for the foreseeable future, drive most of the journalism that we're going to see, the good journalism. So they really did not want to get into suggesting any one particular model that would prevail, but rather saw the period of experimentation that we're in as lasting-- and they didn't predict how long it'll last, but we can see that it's going to be long-lasting.

And so, obviously, and I think this supports again what everybody has said here today, which is, we don't want the government picking winners. We don't want the unintended consequences. I think you really have to be careful about how you look at support of organizations, because you don't want to be picking winners. You clearly don't want the government influencing content. And I think that's very clear.

So while the Commission said "stand back, let's see this period of experimentation, let's defer to market forces," at the same time it said, "but let's look at some-- we think the

government should consider some content-neutral measures." And it listed a number of tax measures.

And it did not publish a memo that we received from a woman named Stephanie Hoffer, who's a professor at Ohio State University, but I am going to hand it to you, because she has six very interesting proposals in the area of tax reform, several that were mentioned by the previous people here in terms of protecting non-profits and the need for clarity.

But suggested state sales tax exemptions for subscriptions. Tax credits for investigative journalism, which I personally think poses a problem of how do you decide what's investigative journalism and have the government in that.

She talked about the L3C, but also something called the community interest corporation that Great Britain uses, which she thinks has greater clarity than the L3C. It's something you might look into and recommend.

But the last three recommendations are ones I'd really like to point out. And they really go to the role of non-profits emerging in this competitive and experimental marketplace that's arising in new journalism.

The first would be to have a full, or at least a 50% deduction for a contribution of a journalistic enterprise to a non-profit. Today, I think it's 30%. We should suggest that. But we can't imagine that there's that many today who are out there, but it is a possibility that somebody would want to donate to a non-profit.

But the next one is even more significant, which I think is that right now the tax law prefers tax-free exchanges by corporations. So if a corporation wants to merge or get bought out, it's better for them to do a stock swap than to sell to a non-profit organization.

And what she suggests is that you consider a Section 1033 Exchange, which is like, as if Congress made you give up this property and in exchange-- what the tax treatment for that kind of transaction is, is that you defer your gain as long as you invest in a like property. So if somebody sold to a non-profit, they could then reinvest in some kind of media stock or whatever they want to do, and they don't realize a gain until they sell that subsequently.

So the point is to put non-profits on the same footing as for-profit organizations in the sale or acquisition of a journalistic enterprise.

And the last item being that you consider tax-exempt or tax-reduced bond financing for the non-profit acquisition of a journalistic enterprise. Again, this would be-- it really goes to non-profit law and tax treatment, but it tries to allow these non-profits to get into this business, where I think they're headed.

And especially as we see some of the public service media expanding, which is what we're certainly hoping, as they get into more interactive and expanding their operations and starting to bring in more and more journalistic people and enterprises, that it's important that they get an opportunity to be treated equally to the for-profit sector.

SUSAN DESANTI: Thank you very much, Charlie. I'd like to just clarify one thing for the record, which is when Charlie was referring to the Commission, he was referring to the Knight Commission, not the Federal Trade Commission.

And also, I'm going to turn now to Heerad Sabeti, who has been working for a long time on this issue of for-benefit corporations and what might be necessary to make them possible. This is a much broader movement than has simply to do with newspapers, L3C are only a small part of this. I'm hoping that Heerad can educate us some on this today.

HEERAD SABETI: Thank you, Susan. So basically as I step back and look at the news industry from a distance, essentially what you see is a series of functions that are performed. There's information gathering, analysis, fact checking, editorial function, publication and distribution, and so on.

And if you think about sort of throughout history, these functions, as technologies and opportunities have presented themselves, these functions have been unbundled and bundled in different ways through different business models.

And we're now in a period basically of massive flux, massive and rapid change in the industry because of all the different drivers that we've talked about. And given the critical importance of journalism to a vibrant democracy, it's obviously important for us to be looking at different ways to make sure that this transformation is as smooth and productive and constructive as possible.

So as we consider different kinds of interventions, I think it's interesting and it makes a lot of sense that we're looking at sort of three different levels of intervention.

There's the business models that are evolving, and every day people find opportunity and create new approaches, given the landscape.

The second level is sort of the external factors around these organizations. So policy incentives and so forth, a lot of the recommendations outlined in this discussion draft.

And then the third level's organizational form, which is different than business model. And that's an area that doesn't really get a whole lot of attention. It's often sort of taken for granted. There's a few different corporate structures. We take one off the shelf and we make it fit, depending on the particular sort of business model we're trying to deploy. But I think that's a really critical piece of the puzzle, and I'm really delighted that Susan and the Commission are paying attention to that arena.

So the focus of this panel is to talk about organizational forms, and I think directionally the proposals that are outlined in the draft make a lot of sense, and the idea of applying fourth sector approaches to journalism and news organizations makes a whole lot of sense. But I'm not sure the specific approaches that are outlined in there are necessarily the right ones. They may well be, but I'm not sure we have enough information and there's been enough basically analysis to know.

On the plus side, these hybrid forms, I think, hold great promise for the future of news organizations. They can bring new sources of capital on more suitable terms. And they can go a long way towards eliminating or reducing bias in journalism because of the structural sort of incentives inherent in the models. But I don't think they're ready for prime time.

A lot of the corporate forms that have been cited in the document, that have been recently adopted by different states -- L3Cs, flexible purpose corps, benefit corps, and others -- are relatively nascent and untested. And none of them were basically designed with journalism in mind as an application.

I do think though that directionally, as I said, fourth sector models merit more investigation. And my suggestion would be, in addition to looking at the surgical changes to the tax code, to PRI statutes, and so forth, that are outlined, that we sort of step back and take a more comprehensive look at the application of new organizational structures to journalism.

So basically, you would assemble a pretty diverse set of experts. You look at emerging business models. You look at the policy in capital markets and other sort of landscape infrastructure around those models. And you do an analysis of what kinds of-- if we're going to design the optimal sort of class of organizational structures, for-benefit organizational structures, tuned to the needs of news organizations, what attributes would

that class have? And then what external factors in the policy environment and capital markets environment sort of need to be coordinated to optimize the performance of that new class?

I think that's the approach I would suggest. And then the issues around tax treatment, the political activity or business operations that, again, have been outlined and surfaced in that document, I think would all be part of that more comprehensive analysis.

And this is not an unprecedented thing. In the recent health bill that passed, they actually created a new class of health insurance. Organizations are called co-ops. And there's a new IRS statute, 501(c)(29), that sort of defines what those things look like, what characteristics they have, and their tax treatment as well.

So we're sort of in a period of rapid innovation around new corporate structures, and I think it would make a whole lot of sense to sort of step back and look at how these apply to journalism.

SUSAN DESANTI: Thank you very much. And finally, we'll hear from Andy Schwartzman.

ANDY SCHWARTZMAN: Well, thank you, Susan. One of the benefits of going last is that just about everything that I was planning on saying has been said, and in some cases several times. So that gives me a moment to strongly endorse some of the themes from earlier this morning.

Local journalism is a public good. There is a market failure. We need to take aggressive steps, including government intervention, in order to preserve those journalistic functions. And I feel that strongly.

I also share the concern that at conferences such as this -- and this is not a criticism of the FTC, it's a general observation -- tend to lack diversity, and are particularly underrepresented with respect to the interactive nature of the evolving technologies. People upload and download, and new institutions need to be defined, taking those factors into account.

With respect to what's been said, let me try to pull a couple pieces together. The Internal Revenue Code is, for good public policy reasons, rather inflexible, and the Internal Revenue Service is rather inflexible about how it enforces it. It is resistant to change for good reasons, from a broad public policy standpoint.

However, as a practical matter, the obstacles that the Internal Revenue Service pose to getting non-profit, as well as for-profit, limited profit journalism ventures under way are considerable. Reference has been made to PRIs, or program-related investments. The problem is that a foundation or a philanthropist faces great danger in going ahead and funding something in the absence of a blessing from the Internal Revenue Service. If retroactively, IRS disallows a program-related investment, the penalties and the tax consequences are dramatic.

So the philanthropic sector and the for-profit journalism industry, for reasons I'll explain in a second, need to step up to the plate. We need legislation and we need an aggressive new way to help accommodate the tax code to promote the future of journalism.

I do want to speak again specifically to something that has been referred to several times, the L3C corporation model. This is a way to help benefit for-profit journalism. L3C low-profit limited liability corporations permit the creation of classes of ownership. So you can take altruistic investors, local philanthropists, people who are committed to their community, who are willing to take a lesser rate of return than they might otherwise get through a program-related investment in a journalistic entity. And they can combine that

ownership with more traditional investor and bond holders who are interested in a market rate of return through a corporate model that combines those ownerships.

The Internal Revenue Service is not going to let this happen, is not going to recognize the states where this is being done in the context of journalistic ventures without intervention.

So I think that we need to make reformation of the tax code, with full involvement from both the for-profit journalistic sector and the philanthropic sector, a major priority. Thank you.

SUSAN DESANTI: Thank you very much, Andy. And I'm going to thank everyone on this panel and invite the last panel of the day focusing on lower costs of journalism to please come up.

Panel 4: Proposals to Lower the Costs of Journalism

SUSAN DESANTI: Thank you very much. We're going to start talking about ways in which to reduce the costs. We've been talking about different revenue sources. Now we're talking about how to lower the costs of journalism.

I first heard about these kinds of ideas in connection with Jay Hamilton, who was doing a lot with-- what is it that you call it?

JAY HAMILTON: Computational journalism.

SUSAN DESANTI: Computational journalism, and I thought what on earth is that? And Jay will no doubt speak to that later. But today, we're going to start with Jonathan Miller.

JONATHAN MILLER: Good morning. Thank you. I want to add my voice to the others applauding the FTC and its continued efforts to explore how we can have a vibrant and robust free press well into our future.

As you may see from the background, I'm the chief digital officer at News Corp. But included in my background, I was chairman of AOL, which ran, does run one of the larger news operations on the Web. Prior to that I also did stints at WGBH. I'm on the board of WNYC, public radio in New York. And was a venture capital investor, with a focus on digital media and including some things in journalism, which I'll bring up.

So I tried to have a broad and fair and balanced [laughter] perspective on these matters. And I thought what was very good in the briefing material was a focus -- what I took away -- on not only government, information from governments and local governments, but the focus on local generally. Because if you look at amongst the things that are at risk, I think the local, real local news is one of those. I suspect it's probably a bit easier to keep going at the national level, but the local level, I think, is very threatened. Even though there's a lot of hope in that area as well.

And obviously we focus a tremendous amount in the commercial sector on the models for journalism. We're very much, as you may hear about our company, very much in favor of what we call dual revenue streams, obviously paid models in the digital space, as well as advertising supported. Simply do not believe that there's enough advertising to go around for all the content that can be created. And by the way, that's a comment on news as well as more broadly.

And so, if you believe that, then you also need to look at the cost side as well and the processes involved in that. And that does get you to a number of discussions, including the ones in the background materials and technology.

And as I was saying, I did invest in Semantic Web companies and things that are called CMSs, content management services, and things like that. So I've been trying to crack this in a lot of different ways. And I don't want to take everybody's time, but I have one suggestion that-- with a company that I was involved, am involved in, it predated News Corp. I've been there 14, 15 months. So I had some investments prior to.

It's a company called Vencore and it's around another emerging technology, collaborative innovation. I'm not here to talk about the technology, but what we did was, it's a commercial platform and it puts together people who may have ideas around certain companies or technologies.

But the relevant thing is we have gifted that technology. We created a dot-org, in addition to our dot-com. We have gifted that technology to the US government, first being used now through the DOE and the Department of Transportation as well. And the General Services Administration process has blessed it.

But the point is, we took this, and in essence we're open sourcing it and giving the non-profit aspect and use of it to the government so that it can be used more broadly in support of hopefully many good endeavors.

But I wonder, related to the stuff that's in the briefing, and the different kinds of things that could be done, there are probably many technologies and technology organizations out there that if it was going to be-- if those technologies were going to be used for the future of journalism, support of journalism, companies might be very willing to see that open sourced, and therefore provide a low-cost base for many different processes that could take place.

I personally don't believe the government should be anointing the winners in that, per se. So I think there's a level of interop that would need to take place. But there are many different technologies around content management, things like Semantic Web, things like

storage, and all of that kind of stuff that I think could greatly enhance, that could lower the cost for many people if it was used within certain boundaries. And I think there'd be a lot of companies and technology providers that would be supportive of that.

So I wanted to just introduce that into the dialogue.

SUSAN DESANTI: Thank you very much, Jonathan. That's very interesting. And next I'm going to ask Richard Gingras to please share his views.

RICHARD GINGRAS: Thank you very much. And also appreciate the opportunity to be here today.

I'm also a declared member of the optimist club. I do believe that journalism's future will be far richer than journalism's past in nearly all respects. I'm not saying there won't be issues or there aren't issues. But for the most part, I believe that is the case.

That optimism is based on a very simple fact that we all know very well, which is the Internet has indeed put a printing press in everyone's hands. Yes, one went to Craig Newmarket, and indeed that ended the classified advertising, a significant model of yesterday's newspaper business model.

But the Internet has also spawned, as we know, immense volumes of publishing activity, far more than our civilization has ever seen. Hundreds of thousands of professional content sites, a billion bloggers and counting.

Now, is much of that journalism? Of course not. I'm not suggesting it is. The wheat-to-chaff ratio is exactly what we'd expect. However, the sheer volume of publishing that we have seen in the last decade has generated more valued information than our society's ever seen and we are only at the beginning of that revolution, which is the important point.

The change of technology has not stopped. We have only begun to see the creative contributions of the generations who've grown up with this technology. And I think that's a hugely important point. Most of this discussion is being had by people who are only familiar with the old models. And we are distinctly uncomfortable, most of us, I think are distinctly uncomfortable with the new models just because they're different. So I think we have to keep that in mind.

To me, it is statistically illogical to think that this will not ultimately yield a richer journalistic ecosystem. It is currently chaotic and filtered and awkward, no question. But the potential is clear, and I think the potential is vast.

I would suggest that the real question, for those of us in the news business, is not how do we prop up old media models, but how do we guide and harvest this bounty of expression and participation? To me, the successful news entities of tomorrow will be those who develop the skills to manage and vet and source and present content from the hundreds of thousands and millions of those who are willing to contribute and participate in the journalistic ecosystem.

Salon alone has a network of 100,000 bloggers that we've begun to leverage and is now a significant contributor of our content. This is only one aspect of the innovation that I think both old and new organizations must explore as the next-generation news models are pursued.

Most of the proposals discussed today, and I think most of the ones that make us most uncomfortable, or me uncomfortable, particularly those relating to copyright, antitrust and government funding, are driven largely by traditional news publishers.

However, the decline of the print model should not be the issue here. The real question is, are we seeing a substantial and long-term reduction in the corpus of journalistic content? And if so, what might be done to address any deficits and coverage?

And I think the answer to that is far from clear. And I think we have to be careful about grand statements that the market has failed. I don't believe that's the case at all. It may fail in certain areas, and even then I don't think it's clear to what extent that is actually the case. And I think it's dangerous to draft public policy absent very thoughtful audits of what precisely has gone missing, and in what quantity.

Such audits have not yet been done, to my knowledge. We simply are making, I think, fairly general statements. I'm looking for audits that consider non-traditional as well as traditional sources of journalism, audits that make notes of positive as well as negative trends. Let's understand the precise deficits and then craft surgical solutions to those deficits.

But for the most part, when I look at newspapers that I've seen over the last decade, 95% of what we've seen in traditional metropolitan papers, you can find in greater quantity and depth from other sources online today. Is there a portion not there? Absolutely. But let's figure that out, let's understand it in detail and address it accordingly.

To the question of journalism at lower costs, I would offer the following:

First, I think we need to recognize that the world of online publishing demands a rethinking of every aspect of the business, from the business side to the editorial side. From the design of the news product to how we gather information to how we process it on a daily basis. Frankly, outside of new ventures, for the most part this has not yet happened.

And so, I think when we express concern about the decline of the business models, we have to recognize that we have addressed the overall structure of the news organization to fit the models as they evolve, instead of trying to force fit the old model into the new world.

Being an effective news operation also means an aggressive consideration of how we leverage new participants in the ecosystem. At Salon, for instance, we consider search engines and aggregators, for instance the likes of Google News, as opportunities, not enemies. To me, a headline and a snippet in Google News is the equivalent of the headline-blaring newspaper box that sits on appropriately granted public space. It is a gift.

Search engines have allowed us to find new audiences. They've allowed us to understand the questions that people were asking about healthcare reform so that we could position our carefully crafted editorial content as answers to those questions.

As we have evolved our model over the last year in that regard, we have increased our audience by 35%. So I think there, too, we can't simply look at search engines in this simplistic fashion that somehow they're stealing our content. We don't believe that's the case. We believe there's tremendous opportunity as we understand that vehicle through which many consumers gather tremendous amounts of their daily information.

To the policy proposals and their impact on cost, we favor any and all approaches that enable a rich marketplace of information without favor to any specific medium or any type of entity, and that seeks in a more Jeffersonian fashion to bias public benefit versus private gain.

We endorse all of the efforts to increase accessibility of government information. I personally think that is of singular importance to the evolution of journalism in an ever

more complex world. Hugely important, and I don't think it gets as much focus as it needs.

We endorse any and all efforts to stimulate innovation in a platform-neutral, content-neutral fashion.

We do not support antitrust exemptions to allow collaborations on pay models. It would, without doubt, have a harmful effect on the innovative efforts of entrepreneurial new players.

We do not endorse changes in copyright law. We don't see the public benefit, and it is largely antithetical to a journalistic ecosystem that is layer upon layer of derivative work.

Last, the exponential increase in Internet publishing is referred to as the long tail. There has always been on the tail of the curve of participation, but it used to be a whole lot shorter. The tail has also typically been a major source of journalism that challenges those in positions of power, because they're beholden to no one.

I think this is a very important consideration. Think back to the legendary muckraker, I. F. Stone. His audience was tiny, several thousand at the most. But his indirect impact on the news agenda reached far beyond his circulation. Think of I. F. Stone as the prototypical blogger.

We have created the most open and accessible communications infrastructure the world has ever seen. The potential for journalism's future is huge. But it'll be a far more varied ecosystem than we currently know in every way -- in how it's supported, in how it's operated, in who gets to participate.

And as a result, it'll likely be uncomfortable for those familiar with the more structured model of the past. Let's not let that discomfort drive rash and premature considerations of significant new public policy.

SUSAN DESANTI: Thank you very much, Richard. Now we're going to move to Mary Glick.

MARY GLICK: I'd like to start out with a little bit of brief background on the organization that I represent, because the journalists and newspaper people in the room may be familiar with it, but many of you aren't.

I work for American Press Institute, which was founded by US newspaper publishers in 1946, as a center for continuing education for mid-career professional journalists and others in the newspaper business. We've long prided ourselves as a neutral territory where diverse viewpoints can be expressed and analyzed. And we don't normally involve ourselves in matters of public policy.

But these are extraordinary times for newspapers and I'm happy to be here. And I'm also happy that I'm on a panel where I can applaud all the proposals that have to do with lowering the cost of journalism.

We're very comfortable supporting these policy proposals. Although the role of the federal government may be somewhat limited, it's absolutely imperative that it set a model for the rest of the nation to follow.

Each one of these proposals, we feel, would contribute to leveling the playing field for reporters who work for for-profit media companies, non-profit journalism centers and individual citizens looking into matters in their own communities.

Accessible and searchable public documents, public meeting webcasts and online archives are a logical place to start. And they constitute a very basic first step, in our opinion. We don't see any advantage to a wait-and-see approach to any of these proposals. They would be likely to close gaps in news coverage and contribute to more and better journalism almost immediately.

But these may not be the only or even the best reasons for pursuing these proposals. Digital reality has become a fourth dimension that we slip in and out of hundreds of times a day, as we go online to access news and information and share the details of our lives.

It's no longer optional for any institution that trades in the currency of information, especially one charged to operate in the sunshine of public scrutiny, to lag behind in making its records easily accessible to anyone in this digital dimension.

In other words, don't do this for the journalists, do it because it's important to provide public government information in the medium of the day to the citizens of this country and to the world.

We also believe it would be beneficial to liberalize and clarify who qualifies for FOIA fee waivers and reductions, and to protect the privacy of information that should not be made public.

The money required to access government records can run in the tens of thousands, even the hundreds of thousands of dollars on any particular project. As it is, large media companies often band together in their FOIA requests in order to save costs. These fees are certainly prohibitive for small, non-traditional news organizations, citizen journalists and bloggers serving the public interest.

One of the things that we also believe would be important in the FOIA recommendations is that there be training for people at all levels in how to administer the documents for the people who are requesting them.

We also think it's wise to begin thinking about ways digital government information can be organized for search by humans as well as machines. The proposal to collaborate in the development of a common taxonomy of metadata and tags for government information, we believe is the right idea at the right time.

In fact, as API looks to its future and the best role it can play in serving the needs of news organizations, we've considered the need for a non-profit research and development consortium that would pursue advancements in communication technologies and help the news media integrate them into their operations.

The concept is based on CableLabs, the successful R&D partnership in the cable television industry that developed common standards for the set-top box. We see developing metadata standards and a shared tag vocabulary as a part of this initiative. Others, most notably Associated Press and most recently a group of Midwest publishers and state press associations meeting later this month in Missouri, are addressing metadata as a way to track and archive content for research, historical and commercial purposes.

Other government agencies have tackled taxonomies, particularly as they relate to scientific information, and the time has come to apply the new rules to civic information, and this proposal has particular merit in our regard.

The costs involved in all these proposals are part of doing business in this transformative digital age. When all these proposals do is promote a culture of openness and transparency, which we applaud, lowering the cost of journalism is a side benefit. All Americans, not just journalists, have come to expect that information of all types be

accessible and delivered in the format they can use. The real impact of these proposals comes from using the latest digital tools to empower and inform American citizens.

SUSAN DESANTI: Thank you very much, Mary. And now, Jay Hamilton.

JAY HAMILTON: Thank you. Lowering the cost of discovering stories is a content-neutral, platform agnostic way to support accountability in journalism. If you think about it, government already funds the development of software tools that are related to public goods in fields such as national security and education. And the same logic of supporting public goods in positive externalities should lead agencies to support efforts to lower the cost of reporters who are covering public affairs.

There are many great ideas in the draft working paper, such as support for the transparency, movement to push raw data to the Web, many improvements in the FOIA process, and regularizing the release of information that has often been requested by journalists.

On this panel, I'd like to make two additional points that aren't in the working paper. The first is that journalists are often interested in administrative records rather than in structured databases. So people who are doing investigative reporting might be looking for correspondence or calendars or contracts or notes, and those often come in many different formats -- paper, digital, email, interagency internal databases.

Those are basically things that were not originally created to be data. And one of my fears is that in focusing on the current government transparency effort, such as data.gov, we'll be focusing too much on structured data and we'll miss the fact that journalists need help in pulling unstructured data out of government, too.

And the second related point is that government should fund open source or free software that could help journalists and citizens make better sense of government records. For

example, if you think about optical character recognition challenges, such as hand-written responses to forms, often with redacted information, that greatly hinders your ability to scan and analyze financial disclosure forms, crime and punishment records, administrative records.

Or if you think about the hundreds of hours that city council meetings or recorded court hearings or state legislative committee hearings or floor debates, it's very hard for you, if you're a reporter, unless you're willing to sit through that, to find the particular part of the debate that you're interested in. And it's hard today to create transcripts of those meetings because of difficulties with multiple voice automatic transcription software.

And then if you do have a text in a transcript, you often face further challenges of name and entity recognition, or topic clustering, or sentiment analysis.

So today, if I had a stack of 100 documents and I told you that they were dealing with the war on terror, the government has already funded software to help you pull information out of that. They funded great work at Carnegie Mellon and Georgia Tech, many other universities.

And if I said I've got a stack of recordings and they happen to be in Chinese or Arabic, the government has funded great software to help create automatic transcripts of that and pull information out of there.

But if I said I have a stack of documents and they deal with pensions in California, or they deal with contracting in Alabama, or they deal with oil and gas regulation in Louisiana, we don't have the software for that readily available to reporters.

There are many government agencies, including the NSF, the National Endowment for Humanities, the National Archives and the Library of Congress, who are developing tools

to do great content analysis and to help you pull information out and make sense of what government is doing.

And I'm hoping that some part of the government, it could be the FTC or it could be the FCC, some part of the government will serve as a focal point to help those agencies realize that what they're really trying to do could also help journalists hold government accountable.

SUSAN DESANTI: Thank you very much, Jay. Next we'll move to Kevin Harold.

KEVIN HAROLD: It's always good to be one of the last guys before lunch. [Laughter] I'll try to keep this as quick as possible.

The section of the document that I was looking at had to do with maximizing an easy access of all the government information for journalists, making it interactive, tagging it and leveraging other government IT resources for journalists.

And I would endorse almost all of the proposed ideas in the document. Not so much because I think they're going drive down the cost of journalism, but because I think they're going to be the enabler to get to the next level of journalism, where we're going.

Journalism, I think, is shifting from being the pure provider of information to the facilitator of information. We're seeing this a lot now in the blogosphere and it's starting to get more and more talked about than even traditional print operations.

There's a lot of different words for one of these parts-- I don't mean to describe this next thing as being the overarching thing, but rather as a plank or a part of it. A common name I've referred to it that makes kind of sense to me is data journalism.

And data journalism, by my definition, simply means the object of the journalist is to sniff through the macro and find the story in the micro. For example, NJ Spotlight, that I publish, we work at the state house level, but we only cover those areas we believe are going to have a high impact on local communities.

So if our reporters are looking through the vast corpus of information that's being kicked around in the state house, we want to pick out those mega or macro things that are going to impact Morristown. We want to be able to get through the ocean of data and bring it down to the level where it becomes relevant to an individual living in an individual community.

So the ability to sift through all of this data is now becoming more critical than ever. And the people, ironically, or not so ironically, maybe very apparently, who are best at this are the kids coming right out of college. These people, they're not intimidated by it. And they are more readily adaptable to the tools and work with them without fear.

It's interesting to watch a young person work with a piece of electronic equipment and then watch a middle-aged person do it. The young person will just take it and fiddle with it and go, "Well, I don't know why I did that." And then they'll keep fiddling with it, and they'll bang it a couple of times until they get what they want.

Because they grew up in a digital world, they're not afraid that a mistake is irreversible. If you watch a middle-aged person fiddle with a piece of electronic equipment, they're afraid. They're afraid of making a mistake, because in the mechanical world, you make a mistake and you'll shear all the gears off.

We think that moving forward the government's ability to help us access these enormous amounts of data is extremely useful. Again, not because it drives down cost. It hasn't demonstrated that yet. But that it enables where we need to go as a business entity.

I'll give you one example of this. In Rutgers University, the incoming class, coming in next fall, the next semester beginning, for the first time ever will be-- the white students will be the minority. Hispanics and Asians will be the majority.

Now, if you take an entire constituency, and I believe the census is going to reflect that is happening across the entire citizenry. I think the next census will show that, in the state of New Jersey, the whites are now the minority and Asians and Hispanics are the majority.

That means they have an entirely different suite of information needs. Information needs surrounding healthcare for Hispanics, around immigration, around law, around education are much different than they have been for several generations of whites residing in the same geographic area.

And the same is also true of Asians. That's going to mean, if we can sift through this enormous amount of government output and craft new, more relevant information servings to our audience, this is what we want to do.

One final note. Again, in the corpus of information that was provided to us, there was a passing reference to tools. I think the government does a lot with tools, information technology tools that could be transferred to other sectors. And I'll give you one brief example and then I'll get off it.

The Department of Energy has a site called DSIRE. I think the University of North Carolina actually puts it together for them. But it is a quick and easy to use calculator for people who are contemplating adapting to clean energy, both in the green sense, i.e., conserving energy, and in the energy generation, i.e., using solar or wind or micro hydro, or anything that would get down to the retail residential level.

And this tool is a calculator. And it enables the user to calculate what they're currently paying for electric, what they're currently paying in other areas, and what the state

incentives are. Some of these state incentives are very generous. New Jersey is very generous, and so is Connecticut. And some of them aren't so generous.

So it's another example of if the user had to do that themselves, they'd have to take a night course at MIT and devote 90 days to this. And here they have it.

So those kinds of areas where the government's already producing easy-to-use tools, we would also endorse and encourage. And that's all I have. Thank you.

SUSAN DESANTI: Thank you very much, Kevin. And last, but certainly not least, Alan Bjerga.

ALAN BJERGA: Hi, my name is Alan Bjerga, and I'm a reporter. I do this every day. I was also born in the 1970s. We've had discussion about diversity on these panels. I'm speaking last. I'm standing between you and your lunch break. I appreciate your time.

I'm also the president of the National Press Club, the building, facility that you're standing in here right now, and I hope that you're enjoying your time and getting a lot out of this morning.

The National Press Club has 3,500 working journalists and communications professionals in its organization which is a range from major news organizations with deep pockets, to one-man bands that actually work in the ethernet connections that we've set upstairs this year because we have freelancers who need a place to do their jobs, where two years ago their news bureau was employing them.

So this is real stuff. And the solutions we're coming up with here are to real problems. And I appreciate the FTC for having this discussion here today, because this is important stuff, and I'm glad we haven't lost sight of that and that people are having this conversation.

What we're talking about here is trying to make journalism less expensive, which thus means more accessible, which means more opportunity for people to do good work. And as a reporter, I appreciate that. There is a journalism mythology of the lone journalist who is working doggedly for truth. You see that everywhere from *All the President's Men* to the idea that with everyone being a publisher now, everyone has an access to their own truth.

There is some truth to that, but there's also the truth that it's not often the case that such things can happen. The bad guys will have lawyers who will bleed your organization dry if you are a freelance journalist. Sometimes the government FOIA desk just really can't get around to fulfilling your request. And if they do get around to fulfilling it, it may be very, very expensive. And it could take some time.

Stonewalling, obfuscation and sometimes a simple lack of time can impede the public's right to know and the ability of a journalist and a news organization to fulfill its important civic purpose. So before us we have proposals to lower journalism's costs. I think we can applaud much of what is written here.

Digital recordkeeping has made information much easier to organize and much less cost prohibitive. Future efforts for that should be encouraged and applauded. This ability makes some stories available that in the past simply wouldn't have been told. These stories would be even easier to tell if state, local and federal government would make a more proactive effort to make data easier to organize and less expensive to collect.

Things like open source software that are suggested, common platforms, more aggressive online archiving, all would help journalists like myself and my colleagues do their jobs better.

Once the initial costs were spent, the start-up costs would decline rapidly once more robust systems are in place. Government would be more transparent, the public would be better served. And certainly I think that many folks in the media community can support those efforts.

It's not a pipe dream. Examples abound of governments who actually have made themselves more open, everything from THOMAS being launched in the 1990s, which simply saves you the time of finding bills, to things like recovery.gov today.

There are frustrations as a working journalist though that remain. And since there are representatives of the United States government here today, it may be worth pointing that the biggest, maybe the toughest to eradicate, because it's based on human flaws, rather than technological -- what happens when the owners of data don't want you to have it?

FOIA, which is meant to give reporters fast access to vital public information is clearly a mixed bag, varying from agency to agency. And I see some of the journalists in this audience giggling or nodding their heads at this. We all have our war stories to tell. Happy to share them with you.

It's still too easy for someone, and I found this especially when I was a beat reporter in Sioux Falls, South Dakota, and Wichita, Kansas, folks in offices who should give you information just simply aren't going to because they aren't informed of the rules. And as soon as it seems this clarity is mandated, a new technology or a new exception comes into play and creates another barrier.

Just as the quality of a story is only as good as the information received, so will the openness of giving this information only be as great as the demands of a society that that information be available.

And that's the point that I would like to make, and this actually is appropriate for rounding out this session. So I'm glad I'm speaking last here.

Ultimately, the question of making journalism less expensive through being more open via the government isn't necessarily an economic question. It's often a social and political one. If people want it, if people understand and value good journalism, federal, state and local governments will fund these initiatives and create them.

If they don't, journalists will bang their heads against closed doors. A few always will get through. Good work will continue, whether by pluck or by luck. But that will mainly serve to further the myth. The reality for news gatherers and the public will be much more painful.

And with that, enjoy your time at the National Press Club. Thanks.

SUSAN DESANTI: Thank you very much, Alan. Well, I really appreciate everyone who's spoken this morning. We will reconvene here at 2:30, after the National Press Club luncheon. And please join me in thanking everybody who has spoken this morning.

[Applause]

Begin Panel 5

SUSAN DESANTI: I'd like to begin the afternoon by noting for you that the OECD issued a report yesterday on the future of news and the internet. And I haven't read it, but the description says, "It provides an in-depth treatment of the global newspaper market and its evolution with a particular view on its economics, the development of online news, related opportunities and challenges and policy approaches." So for those of you who are interested in these topics, you may want to check it out. The OECD website is www.oecd.org.

Now, this afternoon I'd like to both narrow and broaden the discussion. First, I'd like to narrow the discussion to see if there is a consensus on some of the points I thought I heard this morning. First, in terms of the news coverage that's out there. I think we can all agree that there's more news than ever available online. And people now have access to news, for example, specifically about crimes in their neighborhood on local sites than they might have had before.

But there are still news gaps. And Richard Gingras had an idea that we should do an audit, which is a perfectly sensible idea, but I don't think the FTC can do that. So I'd like to get input from all of the afternoon panelists on where do you see the gaps? Are there gaps, and what are the most important? Is it geographic? Should we think about it in terms of national, state or regional, or local? Should we think about it in terms of the types of journalism, should we think about it in both of those categories and there are different things that are missing. It would really help us to get information input on that.

Second, Jan Schaffer, I think, put it very well in terms of saying that she would encourage government to look at what kind of policies there might be that would encourage or nurture the innovation that is just widespread in the news business these days. And she was contrasting that with a top down government policy versus a government policy that nurtures the grass roots. And I think that's a helpful concept.

What I'd like to know from the panelists this afternoon is do you agree with that, or do you think that there is no role for government here? And if you agree with Jan, which out of the many ideas we've talked about so far today, including new ideas that were put on the table this morning, which of those do you view as most important?

Finally, I'd like to broaden the discussion in the sense of broadening it beyond public policy. We have many people here who have thought a lot about for profit, the business of for profit journalism and what insights can you offer on what you think is most likely to be successful, at least at this point in time. And I'll stipulate that all of these are observations at this point in time. And six months from now, things are going to be different. But it would be very helpful to get at this point in time, what do you see as most likely to be successful?

So we had agreed among the panelists-- actually, there wasn't an agreement-- there was a fiat that you have three minutes in the afternoon. So I think we're just going to go down the row. And then I would ask each of you to please keep to the three minutes so that we can have a discussion among the panelists and hopefully get some information relevant to the ideas I just raised. So we're going to start with you, Andy.

ANDREW JAY SCHWARTZMAN: Well, let me start by denying that there's a consensus on the first point. Depending on how you define it, I don't think there is more news out there. If by news you mean professional journalists covering news about local issues, there are demonstrably fewer reporters covering city halls, fewer reporters on metro staffs, a decimation of State House reporting corps in the state capitals. There are more platforms carrying more repurposed news, and I assume many of the people here are familiar with the recent PEJ study in Baltimore showing how much news on the internet was basically repurposed from the *Baltimore Sun* and a little bit from the TV stations.

I think the number of professional journalists covering serious issues in communities is much lower. And the quantity of reporting being done for purposes of that definition is indeed reduced. And that is part of the problem that I was alluding to this morning. In terms of solutions, I am of the school that under the First Amendment, government has an obligation to create a platform for creating a well informed electorate. And that that includes, as it has historically, government taking an affirmative role in making sure that its public receives information about important issues and ideas in the community. If that means some sort of governmental role without getting to the thorny question of what, I think that that's important and I think that this should be a core recommendation coming out of the commission's analysis.

SUSAN DESANTI: Thank you, Andy. Dan?

DAN GILLMOR: We sure do disagree on a lot of things here. The definition, I think, that we've just heard frames what journalism is in far too narrow a context. And I'd put it somewhere in the middle of saying there's certainly more information available than ever. And moreover, there's more good trustworthy information available than ever before. Sorting out what that is from the part that's not is difficult, and one of the areas we need to work in. The journalism, the local journalism by professional journalists was never as comprehensive as, I think, our mythology holds to begin with. We certainly didn't get government covered beyond typically the city that had its name on the newspaper.

I'd like to see us move a little bit beyond this thought of, well, what was the purpose of this accountability journalism? What did it achieve? In part, it achieved something that is, I think, really important to remember, the stories that don't get written because the people who might be doing bad things suspect somebody else might be paying attention. And is it necessary that we create the same old structure to do that that we had before? Could we not think creatively outside of the things we've done? Perhaps hire in a group of communities a forensic accountant who would work with citizen tips and then work with other people who can tell stories and then find a way to get good information out. Would

that be more cost effective? I don't think we've given any sufficient time for the new ecosystem to shape itself. And it will shape itself.

Quickly on what Jan said, I'm largely in agreement with Jan because Jan is one of my heroes on these things. But as with the notion of the infrastructure that I'm hoping we would do and leave it at that, I want to see innovation of every kind, not just journalistic, supported because then that will include the journalistic. And again, I don't see a lack of innovation out there now anyway. My God, look at all the stuff that's going on.

So again, I'll just say that I'm not prepared to-- there's some things that we have to worry about, but an awful lot more I think we have to celebrate.

SUSAN DESANTI: Sri?

SRINANDAN KASI: Well, I think that there are sentiments here that I could pick up that-- and I agree and disagree-- but it boils down to this. I think if you're talking about generating information clearly the barriers are lowered and you can have that across topics, across geographies, across 24/7. But to turn that into something that actually puts it into the context for a community, for a person, providing that social context, I think, is where I think that traditional journalism has done an important role and perhaps is wanting.

If you use the number of professional journalists, it was interesting in a recent engagement of a different kind, I was using an expression such as professional journalism, and they said, "What does that mean?" And we quickly got into trying to define things that escape easy definition. So avoiding that, I would say that I think finding mechanisms to be able to provide that context is something that I think would be very, very helpful.

And the other is same point that I made in the morning and goes to a point that Jan made, which is innovation. That I'd focus the innovation on the economics. Finding a way to create that incentive for people to do this and do it systematically. Because it's not doing it in one place, in one town, how do you do this so that as a nation you have this constant fabric of storytelling? And I think that there, there is tremendous innovation going on, but I also think the market forces that control modernization where the audience meets the content, there are market forces that actually impede innovation, we're experiencing that firsthand. And I think that paying attention to that would actually bring benefit to everyone involved in this exercise.

SUSAN DESANTI: Thank you. Steve?

STEVE COLL: You asked what's been lost, I think previous speakers describe it correctly. Maybe we can explore some of the consequences of what they describe. There has been a loss of professional journalism. There have been audits by Pew and others that describe it in broad terms, the loss is most acute at the local level and at state houses. There is also a loss of American originated professional journalism abroad that is equally significant in quantitative terms.

In all of those cases, but in international reporting in particular, the loss has been accompanied by the rise of access to other sources of information that may replace some of the function of the professional journalism that's lost. What we've already heard is a debate about whether or not the documented loss of professional journalism really matters, in what way it matters and how it might be replaced, if not by itself. And I think those are important discussions to have, but I would say that the kind of professional journalism that Paul Steiger embodies and is seeking to advance at ProPublica, it's an accident of history. It arose from a business model that came out of the evolution of the newspaper industry and the allocation of scarce broadcast spectrum in the '50s and '60s. It lasted for a while. It was destroyed by technological and business innovation and/or is being destroyed.

And it was also an accident of changes in society and culture. The rise of social sciences, the rise of profession, the rise of the empirical method in the social sciences. All these things created the profession that journalists had and define and now try to argue about the value that it creates.

I think that there's no doubt that the value it creates in a democracy is related to its watch dog function. So it may be that forensic accountants can replicate that watch dog function, but I just close by noting, I appeared at this rather odd Senate Commerce Committee hearing that John Kerry held maybe six, eight months ago. And David Simon was there, and Arianna Huffington and a lot of other people. And David Simon brought the house down by saying that this was the-- he pointed to the senators and said, "This is your apex. This is going to be the great era of public corruption. You're in the right profession."

And Claire McCaskill, who's a senator, I guess, from Missouri, was on the panel. And she said when she was a public prosecutor, ran a U.S. attorney's office, I guess, in St. Louis, if I'm remembering it correctly. And she said every day she came to work, and like every U.S. attorney, she had incredibly difficult judgment calls to make about prosecutorial discretion, about the conduct of colleagues in her office, whether or not-- how to supervise them. And she said every time she made a difficult judgment, which is to say several times a day, she thought to herself about the most skilled, most experienced *Post Dispatch* reporter who had been on her beat for ten years. She literally pictured him in her mind and said, "He will find out about this. How will he judge it?"

So, I don't know whether that function can be replicated by something other than professional journalism. I do know that it is possible both to overvalue and undervalue the skills, professional culture and time that it takes to create that effect in the mind of a public official.

SUSAN DESANTI: Thank you. Joaquin?

JOAQUIN ALVARADO: So, I'd like to just focus on where I think some positive pressure could be applied to sort of me and some of these challenges. I absolutely agree that broadband and its deployment in this country is going to be critical. I think that's an enormously complicated proposition just given where we are both in terms of BTOP stimulus, the market dynamics, the net neutrality issue. We can't hold our breath.

Public media and the question of what is our policy and should the government do more around that I think needs to be contextualized with the fact that it's not a fringe community that consumes and supports public media. It's 40 to 50 million Americans who vote. So we're not isolated, we're actually an important part of the culture and the life of this country. And I think that if you were to make some targeted investments at bolstering the journalistic assets, people inside of public media companies and/or incentivized collaboration with journalistic startups, you could get a toehold that would be significant and realistic and sustainable.

I think that there are numerous collaborations that we can point to all the time. We've collaborated with many people. The system right now in public media is collaborating on what's known as the public media platform, which I'm sure Vivian will talk more about. There's plenty of collaboration going on. We need much more of that. But we have to identify some points. And there is a precedent here I think is important. ITVS is the independent television service. It was created as a targeted bolt on to CPB's funding to support American independent long-form documentary filmmakers. It is a phenomenal success and it produces some of the best long-form documentaries in the world. But certainly tells the story of this country in a significant way and supports American filmmakers. I think something that is narrow scope like that premised on building on top of the existing infrastructure so you don't have to start over, is a really important first step.

And to Jan's point, there's a tremendous up swell of energy in this country around meeting these needs. But they are going to be frustrated, as in similar cases like with education. It's really hard for communities to actually make their voices heard all the way up to D.C. and I think that's why the FTC's hearings or meetings or-- I don't know what to officially call these-- this is so important because if we can connect a few of those dots, I think we can have a significant, positive impact.

SUSAN DESANTI: Thank you. Jan, I'll let you say whether I've mischaracterized you or not.

JAN SCHAFFER: That's good for a start, I think. When we talk about audits, I think part of the problem is to unpack what you're counting. And I think what we're seeing happen now is there is Big "J" journalism, small "J" journalism, what I would call baby "J" journalism. And the Big "J" journalism is very threatened because right now if you look at metro news sites, they're hard pressed, they're very constrained in their portfolios. They are able to cover enterprise stories, they're able to cover city hall and they cover sports. But they don't do national coverage much anymore, and they don't do international coverage much anymore, and they don't do hyper local coverage much anymore. So, the portfolio is limited and arguably unique. Fewer reporters for a more constrained portfolio.

If you look at small "J" journalism, which is mostly citizen or independently derived journalism, you get very hyper local coverage that's very good in terms of covering town hall meetings and covering the legislature in sort of a more informational type of reportage instead of what we would classically define as journalism. It's very good, but for the most part citizens in communities don't know how to pull the threads on stuff that in their guts they know is wrong. Deerfield, New Hampshire, can't figure out why the Deerfield Fair is a big nonprofit parcel of land in the middle of town and where does that money go anyway? Those citizens cannot pull the thread on that story. So that is a gap.

I think when you look at baby “J” journalism, a really overlooked part of the ecosystem is, for any of you who live in neighborhoods, very robust. Neighborhood “listserves” that have extremely high utility, extremely high efficiency, high civility, much more than the comments on any blogs. And they are providing a hyper local usefulness that we have not seen before. If anybody were to create the algorithm that would begin to scrape neighborhood listserves, you would begin to develop the patterns that could lead to Big “J” journalism.

So there's a lot of connective tissue here, and opportunities of things that could happen. I think when you talk about innovation, though, people tend to look at applications or new business models. And I think that probably the focus for innovation is really almost more in different processes. So that it becomes how do you define journalism? And is the definition of journalism broken in a way that it doesn't achieve the utility that news consumers need. So it's not just the business model, but are scorecard stories effective? Are false equilibriums effective for us? Is there a better way to serve the needs of citizens in a democracy than what we have been trained to call journalism?

In the citizen media world, a news story is a misdemeanor, not a felony. What does that mean in a community when you start geo tagging teenage drinking parties? Well, there's a whole other kind of thing happening here, whole other different sets of issues that I think we're not paying attention to and we need to pay attention to. I think processes or how do you crowd source stories, how do you get people to pay attention to stories. I think crowd sourcing is how do you define and get feedback on stories?

So, we have to expand the definitions of innovation and I think it will be content sharing and collaboration, will fall under that innovation rubric as well. Let me just leave it there for now.

RICHARD GINGRAS: And Jan, I couldn't say it any better than what you just did in terms of, I think, the need to really redefine things and reconsider the definitions of

things. I'd like to make a few quick points. First of all, I just want to clarify from this morning, I think there's a huge amount of good in the various proposals that have been surfaced here. In fact, I think I'd say they're virtually all good. The only segment to me I found onerous and nefarious were the big areas of public policy like, again, copyright and licensing and antitrust exemptions because to me, they're not only bad public policy, I think they represent Big J journalism fighting change. And I think it's usually a wrong direction for all kinds of reasons.

I think this is so much about transformation at every level and at every part of our organizations and at every dimension of what we think of as journalism. And as I said this morning, I think that it is still the case that internally, most traditional news organizations are not addressing that need for transformation. I still see most news sites building very expensive content and it goes into the archive after two days, never seen again. Never properly SEO'd, never properly surfaced, just thrown away.

When I was at Google, I worked with a couple of major news organizations including one that wanted help on how they did topic pages. And it ended up telling me in the end that the only way they could truly build out the topic pages was to hire more rewrite people. And I'm saying, "Wait a second. You've got editors and reporters who own that story and you tell me they can't own that page?" We've got the model reversed if you can't understand the need to own the digital output of what you do end to end deeply in your bones. We're not there if we're still having those discussions.

And talk about broken models? It might be broken on the revenue front, but it's also broken on the cost front if you can't address things properly in that fashion. And I think it is also true that transformation does involve us figuring out how to work with others. I think the extent that we continue this dichotomy of professional journalists and everything else doesn't matter is completely wrong. And I know most people don't really agree with that anymore. They've gone beyond that.

And I'm not saying by any means that when I talk about leveraging our 100,000 bloggers that they're going to be investigative journalists. I understand the skill sets of professional reporters and I hold them in awe. But for the most part, journalism isn't rocket science and lots of these people can help in lots of ways, even if it's in our case using our community to generate recipes or reviews of the latest episode of "American Idol" because that helps flesh out our content at extremely low cost, and I can use that as a way of subsidizing other, more serious things. There are lots of ways to cut this, lots of ways to approach this. And I think that's the depth of transformation we need.

And my last point about the audit, I do think it's necessary, and I know some folks are trying to approach this. I want to clarify. I didn't say that because I didn't feel that there were areas that were missing. There are clearly areas that are missing. But I think we do need very honest audits of getting very specific about what is missing, losing this definition that if it's not done by professional journalists it doesn't count. Because again, there are lots of areas where that's simply not true. And I mean in important areas of civic information where that's not true. We can and should be leveraging this. People are leveraging this. So, when we do that audit, it's not just showing what is missing from the traditional news organizations who aren't doing it anymore, but what is in some cases being filled in by other approaches that we can all learn from.

So, it's the generalities that concern me that we make, because those generalities lead to general conclusions and attempts at public policy, which I think is wrongheaded. I apologize if I went long.

SUSAN DESANTI: No problem.

JAMES O'SHEA: Well, since everybody said all these things, I get to go short. But anyway, I'll just say in the year that I've been doing this, one of the things that I've noticed, and I think it's a big gap, and that is the decline of reporting, something that's as basic to journalism as you can see. And I saw it in-- I have a blend of traditional people

and older people and younger people. and the younger people, some of them just out of school, some of them with a year or two under their belt. And the younger people can take a piece of information and they can put it all over the place and it's spellbinding to me. I've never seen anything like it. They can put it on Facebook and this book and that book and all over the place. If I had to do that, I'd be lost.

But if I said to one of them, "All right, go out in the streets of Chicago, the crime capital of the world, governor's in jail, everybody-- and in 24 hours come back with a story," it's deer in the headlight time. They don't have a clue to how to go report a story. And I think that's a big gap and I think it's getting worse. And I keep telling them, "We report, we don't just repeat." And that's a value that I try to instill in them and I'm getting there. But I think that's making the gap in the skill sets and the levels worse.

And I agree with you, I think there's room in this for a lot of different people and a lot of different reporting styles, but there's not room for no reporting. And I think that's a big problem. I don't really find the innovation part of it a problem. I believe very strongly that journalists can solve this with help from other people. And if we, as I said this morning, remove some of the barriers that are inhibiting the ability to raise the kind of initial capital to try some of these experiments, I think some of them can work. And I think the audience is going to change, a lot's going to change. There's a transformation, it is as sweeping as anything I've ever seen.

But it's not impossible. Journalists are some of the smartest people I ever worked with. I mean, they really could figure almost anything out. They could find out some of the most arcane details that I've ever seen. And if they can do that, they surely can solve these problems. They just have to be put in the atmosphere and given the kind of encouragement and not viewed as some sort of woolly-eyed idealists that don't understand how to add two and two. So I think that could be.

And then I think there are models out there. You'd look at an offshoot of the OSI called the Media and Development Loan Fund. They started 15 years ago with \$500,000. They now have a – and they lend strictly to media. They've created newspapers, blogs, websites, all over the world in some of the most horrible conditions that you can ever see. And they do it by basically making loans and capital available to people that want to try something. And they've been very successful and doing a job that is, frankly, when you see what they do it's really heartening to see it.

So I think if you can figure out ways to remove barriers so that people can try things, and then leave them alone, they'll kind of figure this all out. And it may take some time and it'll be pretty rough and people will have a lot of bandages on them and professional journalists have to get off of their high horse and begin realizing that there are other ways of doing things. But I think it's solvable and I think the best thing government can do is remove the barriers.

SUSAN DESANTI: Thank you. Mary?

MARY GLICK: I would like to echo much of what Jim has said, actually. I think we're living at a time when public trust in institutions is waning and we're more likely to look at enterprises and innovators to solve our problems. The best role for government now, and Jim just said it, and I think somebody said it this morning as well, may be to eliminate the barriers and make it easy for innovative business models to emerge. The chairman of our board at API is the publisher of the *Times Dispatch* in Richmond. Last week, we were in a meeting with him and he was talking about how he'd recently been asked to speak to an organization of local retailers in this community.

And at that event, he thanked them profusely for the role that they had played in his newspaper's watch dog reporting. For without their advertising in his newspaper, that reporting simply would not have taken place. And for many of them, he said, it was the

first time they'd ever really felt that they had a role in democracy that was and it was a really revealing and enlightening moment for them.

And I think they'll still have a role to play. But now, even traditional media companies such as the ones that API works with day to day are looking at diverse revenue streams. Is nonprofit journalism the answer? In the short-term, I think it may provide a link to new kinds of business models as creative people keep experimenting with new ways forward. And I think the best role for government now is to make it easier for these nontraditional businesses to succeed.

SUSAN DESANTI: Sherwin?

SHERWIN SIY: So, in terms of where there are gaps, I think it's important, agreeing with a great deal of what I've heard, I think it's important, though, to keep in mind that the gaps aren't necessarily just the gaps that have appeared in recent years through downsizing of newsrooms. There are gaps that have persisted throughout the ages that have just never been served in minority communities and other underserved communities. Not just that, but also in terms of niche communities that have been far too distributed until recently to show a need for coverage of their particular issues.

So I think just in keeping in mind where gaps might be, I think it's important not to just take as status quo a status of a few decades ago and assume that that is the beginning point.

In terms of the role for government, I think one of the things about the caution that everybody is eager to express about the role of the federal government in media is this fear of bias, this fear that the government either will or will have the appearance of having a thumb on the scales in reporting, having influence over those institutions that are supposed to hold them accountable. I think that's an entirely reasonable caution and a reasonable fear. I think it's also a reasonable caution if you're to worry about the

influence of intermediaries other than the government that are involved. I think net neutrality has come up in a variety of contexts, and I think that's another level of insurance that not only government interests, but also larger corporate interests don't overtake or don't influence reporting.

And finally, I think just since I'm here, I suppose mostly to talk about copyrights, I think because copyright is such a ready hammer, it's a very easy tool to grab at when things seem to be going wrong. I think we've seen this happen in cases where defamation really is the issue at hand, where trademarks really are the issue at hand instead of actually copyright. And I think that tendency to reach for that ready hammer is a little-- is a very strong one and one that ought to be resisted.

SUSAN DESANTI: Thank you all very much. I'd like to pursue this idea that Richard and others have introduced of you don't need-- on the one hand, yes professional journalism is very important. On the other hand, there are ways in which citizen journalists or crowd sourcing, or whatever you want to call it, can help. And I'd like to ask a little bit more about that. But before I do, speaking to Dan's point about the watch dog journalism and the forensic accountant to work with citizen tips, one of the things that we heard at our December workshop from Paul Bass, who runs the *New Haven Independent*, an online news site, is that when his reporters started to go to the school board meetings, they found that not only was there no reporter there, there was no school board there. The school board wasn't meeting. The school board started meeting after they started showing up, and the other newspaper, the other news organization in New Haven also started to show up.

Same thing happened with the zoning board. So, I just want, as we're talking about all of these new ways, which is a very important topic and certainly we've heard a lot about-- especially from Josh Marshall at our December workshop-- the advantage he feels he has because he doesn't come at his news site with a newspaper framework in the back of his

mind as to how things work. That's very important. But on the other hand, are there some things that you can't really get a forensic accountant to take care of?

So, I wanted to start out by asking you, Richard, you have, I think, what, how many bloggers? But how do you find that you're able to use that in connection with your journalism?

RICHARD GINGRAS: Well, here's what we're doing to date. And I fear that I come off as extremely critical and somehow suggesting that these are easy things to do. They're not. We've not cracked the nut of effectively operating this business. We've made a lot of changes in the last year. We've shaved 35 percent of the cost and increased audience by 35 percent. So we made progress, but we're nowhere close to being there. And it's hard stuff. We don't know the answers. But I know the only way we'll find the answers is to try stuff, experiment, learn from it.

I know the only way we'll get our organization to adopt things is to try things, show them how they work and they will adopt them. Initially, the whole notion of SEO was like saying the very wrong thing at a party. But once they understood what it really meant and how they could simply by careful acknowledgement of search analytics tune what they did to drive usage against the content that they carefully created, they went, "Ah, okay. I get that. We can do that. I like that." My audience goes up. So give them examples, show them how they can be effective and folks will typically follow. Perfectly understandable on their part.

But to the point about the bloggers, I mean the basic way we've started, and there's a lot more we want to do, is we crafted a system that, one, helps us organically through internal signals, surface the better content. It generates, I don't know, five, six hundred articles a day. We don't have the resources to read them and surface them ourselves. So we largely let the organic mechanism surface that. And then we have an editor who does

take and pull pieces and recommend pieces that we can use, and so on. Now, that's just over the transom stuff.

Now, we're increasingly getting more proactive and starting to do more open calls and we've got other stuff under development that will take this another level where we can let that audience know what we want to work on, what we would like them to work on so that they could respond.

Over time, where I foresee going with that is the development of systems that really help structure that so explicitly that for certain kinds of information, if we wanted to do, for instance, calls to every member of Congress, we could, for instance, pop up a form and tell them what questions to ask and where they could drop in the answers so we just got all this structured information back.

My point is there's nothing-- again, journalism isn't rocket science. It's complex, it's difficult, but it's not rocket science. We can tell people how to do it. And so I think if we can develop those approaches, if we can give them key pointers on what our policies are, what our ethics are, what our behaviors are, people will follow them. Not everyone will be able to do it. But as we find-- the other thing, at every level of this, and even what we're doing today, as we do more of this, we can also begin to identify who in the community can actually accomplish certain kinds of tasks. And then we can actually begin to go back at them such that now we've surfaced folks who we know they can every week do an interesting and fun synopsis of a TV show. And we know that'll get good traffic for us, and we can trust them and do it. I mean, that's just tiny examples, but we do it piece by piece, we try and we learn and we'll grow from there.

SUSAN DESANTI: Great. Dan, I want to give you a chance to speak since I questioned the forensic issue.

DAN GILLMOR: I certainly was not suggesting that was a comprehensive answer to anything. I was framing that in the context of something that we agree is going missing, although I got to keep cautioning that it was never entirely there to begin with. The accountability, the watch dog function, what I'm suggesting is that there are ways that we haven't even tried, we haven't even thought about some creative ways to get out of the-- what we need to hire these professional journalists and if we don't do that, then nothing will work. I just don't agree with that, and I don't think we've tried much else. And I revere professional journalists. But I'm not sure that going to school board meetings is actually maybe the best thing we can do with professional journalists, among other things.

So what I'm trying to get at is that we-- and in Richard's idea of coming up with some clarity of what we have, what we don't have, wouldn't it be good if we had a list of the things that we all agree we need and we could break down by function and by who could help do them, how we would pay for it, and how we would offer to the people who participate more than just a pat on the back, by the way. I think we need to be looking at not just distributed crowd sourced reporting, but crowd sourced paying as well. And all kinds of other things. But to just to simply move away from the idea that only this group of people can do the whole thing when that seems obvious to me that that's just not the case.

SUSAN DESANTI: Anyone else?

RICHARD GINGRAS: I'd just say one quick add. I had the opportunity over the last few years to spend a fair amount of time with folks at Wikipedia. I personally think that Wikipedia is just an extraordinary phenomenon. Perfect? No. But amazing for what it is and its comprehension. And the most interesting thing I heard as to why that was-- I keep asking, "Why do you think it works? Why do you think it works?" And the thing that came back that was both simplistic and resonated was that enough people understood the basic structure of an encyclopedic article. And to have a million people who understand

it, but to get 5,000 people who understand it and who are willing to participate? That's a powerful thing.

And I think that same model can be applied to certain areas of journalism. The school board meetings might be a good example. Can you guide people to actually go to a meeting and report the basic facts and submit it? There are a hundred other examples like that, where there's enough structure to the approach relating to the type of information being covered that it can be reasonably replicated by a reasonably smart individual who's willing to spend their time doing it.

And if there's one thing that the web has told us over the last ten years is people are willing to do things because they like to express themselves and they like the recognition they get. They want to participate, so let's figure out how best to take advantage of that.

JAMES O'SHEA: I guess I'd like to just raise a question about this because the best journalism that I saw over my career usually was often a beat reporter who covered something every day and would see something going on. And the best example I could take would be the police reporter at the *Chicago Tribune* who basically kept watching all the racial mix of people being sentenced to death and decided to take a systematic examination and look at whether a poor black man in Illinois had a greater chance of being sentenced to death. And in fact, it was true. He documented it through painstaking detail. And literally for his stories, not only saved people's lives, but it really kind of-- the parameters of the death penalty debate changed because of some of the coverage that he did. And that took a long time, and it took a lot of work. And I just can't figure out how anybody can do that. That's hard. That's hard work. It's boring, it's dull sometimes. You're sitting there pouring through records.

And I think that's what's disappearing. I think that's what's going away, is that systematic examination of institutions, both civic and government, that it's crucial to having a democracy and having them function efficiently and fairly. And I can't see-- I can see

how some stories could be done in crowd sourcing and all sorts of other things. But that's the thing that's bothering me. That's what I'm afraid is going to go. Give me your view on how that's going to get done?

RICHARD GINGRAS: Again, I'm not saying there are approaches that are perfect for every area. But speaking to that, and looking at approaches to computational journalism, look at the kinds of things that Adrian has done at EveryBlock, for instance, and others are beginning to do as well. Does suggest that in certain areas like that, to the extent that we can get unified access to data and so on, that a lot of that actually can be automated. Again, I'm not saying it's the answer to all of the challenges and all of the things we want to do as journalists. But there are systematic approaches that I think can be effective and people are beginning to explore them.

JAMES O'SHEA: In all due respect, I just wanted to add one little point and then I'll get out of this thing. In all due respect to Adrian, and I know Adrian and I admire what he's done. But that is not--basically, it's reporting without names half the time. There's no detail, you don't know if it's a trend in a neighborhood or what. It's very raw data and they put it up, but it's not reported. And I guess I think-- and that's why I say, nobody has been able to answer the question for me, who's going to do the dirty work?

SUSAN DESANTI: Joaquin?

RICHARD GINGRAS: And I guess I should step out as well, but that's why I say we are very early in this. The one thing I look forward to is like two generations hence. When we get two generations of the folks of the ilk of Adrian Holovaty who've been digging into this and who know it in their bones and can take entirely new approaches, I want to see what results from that.

SUSAN DESANTI: Okay. Joaquin and then Jan and then Andy?

JOAQUIN ALVARADO: So I think we have to be careful when we project that available open data sets is going to somehow solve the data opportunity or problem. You really need to have certain requirements. You need human resources to manage that data, to get at that data, to frame that data. But one thing that we don't leverage very well is in the open source community, open source developers are highly disciplined, do rigorous work in a very destructured, decentralized way and their work is worth billions of dollars, Linux being one of the key often-cited examples. But in content manage, Drupal and learning management systems. Mootal, they all sound a little funny but essentially you've got tens of thousands of coders working on architectures, data and code. So, could we look at building a community ecosystem where the hacker and developer community comes together just like they do with some Anticweb, Meetups or you name it, and it becomes a resource for journalists getting access to public data. Could we require that any federally funded project has to report their data in a certain way? Yeah, we could do that in a state and local level also. Foundations could do that as well, and then everybody else could opt in.

So there's some cultural pieces, but there's a huge, I think, gap in terms of having really great developers who are ready to go in there and bang on data sets. I don't think that that's a given.

And I think also, I mean I agree, not all of this is just going to be surfaced by data, and who owns the data is another critical question, right? I mean, what are the business imperatives for those who manage the data centers? Google's an amazing company. What happens if they're not in ten years or if their bottom line issues start to raise questions around how they manage or trade data? I think we haven't talked-- I missed a lot. Maybe we talked about Facebook. But you've got to start interfacing with Facebook if you want to address how people are going to get information. How many people are getting "You will like this" from people you don't really like as a result of Facebook like? I mean, what they're willing to do with your personal data and reporting on stuff is way beyond the pale of anything we're talking about. And you have 400 million people who

have opted into that and are going to choose to stay in that environment. So we just have to close that gap.

RICHARD GINGRAS: Well, maybe they don't know, maybe they don't care or not. I don't know the answer to that. But the reality is they're there.

SUSAN DESANTI: Jan?

JAN SCHAFFER: I think there are many value propositions in the ecosystem and while certainly a journalist who's able to pull the threads and connect the dots on complicated stories is certainly a significant value proposition, I think we're just beginning to see the value propositions of other kinds of expertise. Experts through crowd source stories who aren't journalists. And civic catalysts who may sit in a town hall meeting versus a journalist and give you an entirely different story about that meeting can often be more valuable than a journalist sitting there. And so I think we have to sort of be loose enough to study all of it and get what's happening.

SUSAN DESANTI: Thank you. Andy, you get the last word, as well as the first.

ANDREW JAY SCHWARTZMAN: Well, my comment is pretty much in line with what Jan was just saying. Ultimately over the long-term, I'm very optimistic because-- and I think I can integrate this-- while I insist that this professional journalism function is essential, I believe that it is cumulative, what I think Jan has referred to as baby journalism and little "J" journalism, the crowd sourcing, blogging. This morning I talked about the importance of interactivity because I think those are important contributors. But they have to work with each other and we have to learn how to integrate these different elements.

For example, in the blogging world, particularly in the public policy sphere in which I operate, it's increasingly the case that PR firms employ people to lurk on blogs and to

create sponsored blogs which are not identified to pursue particular policy objectives. The BS detector that professional journalists have are not necessarily shared. Covering legislatures, even school boards, understanding that an amendment to substitute a study for an appropriation is a way to get to be able to vote for something and appear to look like you're voting for something when in fact you're against something is not a thing that a nonprofessional journalist will always understand in a straightforward, just the facts, kind of reportage that may happen from citizen journalists. But they work together. There is no question that these new functions and these new distribution mechanisms improve the overall quality and amount of information that's available to us. But they are not substitutes for each other.

SUSAN DESANTI: Thank you very much for an extremely interesting panel. Now, I will ask the next panel to come up, and please join me in thanking this panel. [applause]

End of Panel 5

Begin Panel 6

SUSAN DESANTI: With our next panel, which is going to have one additional person on this, Vivian Schiller will be joining us. And the people on the last panel who are willing to stay until 5:30 will get more time to talk because there will be fewer people on that panel. I think that's fair. So at any rate, I throw out the same questions I did before. But in addition, there was one audience question which is what about the role of journalists as sort of representatives of the public? In a sense, doing jobs for citizens, helping us all become well informed for the purposes of democracy? So I'll put that issue on the table as well. And I'll ask John Nichols to please start.

JOHN NICHOLS: I'm delighted. I think we may have reached the point where the panelists outnumber the crowd. We can take ya! If need be. [laughter] Well, I'm going to come off right where Susan began in a second after I say that I'm just absolutely

delighted by what's happening here and by the dialogue that has occurred. Because we don't all agree, by any measure, but this is such an exciting moment.

A lot of us who are working journalists have argued for a very long time that we need to have rich, nuanced dialogue about the future of journalism and it ought to be done in the context of the future of democracy. These are not unrelated entities. Certainly the founders understood a connection between journalism and democracy.

And that goes right to Susan's question of journalists as representatives of the people. I have been working in journalism since I was 11 years old, always for newspapers and magazines. And always paid a little bit, less now than when I was 11, but the thing that I've been passionate about from the beginning of my time in this field is to never be called a professional. I think that's a horrible word. And I think it is a word that conveys elitism. I think it also conveys some sort of separation out from the community.

I also am equally offended by the term citizen journalist. I think that's a horrific term. Every journalist is a citizen. All of our rights and privileges as journalists, all of our ability to do things extend from our citizenship. We do what citizens can do as well. The only difference is that we have hopefully the time and the resources to do it. And so this dialogue has to always come back to those core questions. How do we assure that the people who practice journalism, whether they call themselves citizens or professionals or whatever, are able to do so in the daytime with their clothes on, not their pajamas, and with a little bit of resources and a little bit of the security that comes from that.

And I think that this is what concerns me so much about some of the-- I'm always fascinated. I transitioned daily newspapers from print to online, I've done these things. I worked for regional and small dailies. And the fantasy that somehow small dailies are doing well is, of course, comic. They're not. They've laid off enough journalists so they can turn a profit, but that's not doing well. The fact of the matter is that we've seen a massive disappearance of journalism in this country as the representatives of people who

are going out and covering meetings that people would like to go to, but maybe they can't do so.

And so yes, we see a diminishing of journalism. And the worst part is the big change hasn't come yet. The years 2000 to 2010 were really a period where advertising left the field. The next big shift is going to be where subscriptions and payments leave the field. Every time an ambulance goes by, it's either somebody who's willing to pay for media dying or somebody who will absolutely be unwilling to pay for media being born. That's just the simple reality. And anybody who doesn't think that is so is probably an awfully lot closer to the person in the ambulance that's going the wrong way.

And so we need to understand that the resources are not going to be there in the traditional forms. And so all of our dialogues, all of our dialogues ought to be about how do we make sure that journalists, whatever we call them, have the resources to go out and do the job in the 21st century, to cover government, to ask questions, to challenge power? If we don't do that, if we don't do that, we will have a very elite journalism that serves very, very wealthy people and gives them the information they need. But this dialogue ought not be about a person who reads the *New York Times*, *Huffington Post* and watches MSNBC. Or a person who reads the *Wall Street Journal*, *Drudge* and watches Fox. Those are people who've separated themselves out. They're info junkies, it's wonderful.

I'm worried about the single mom or single dad who's got two kids and two jobs and finds a few minutes at about 10:00 at night to get the information they need. How do we make sure that that person has all the information they need to govern their own affairs? To be a fully engaged citizen? If we tell them they have to troll the web looking for it, if we tell them that they have to go out and cover things themselves, it isn't going to happen. And our democracy will be dramatically diminished. That's why this discussion is so important.

SUSAN DESANTI: Thank you, John. Vivian?

VIVIAN SCHILLER: Well, first I want to thank you for not including NPR in that first group that you described with the *New York Times* and the *Huffington Post* and MSNBC.

JOHN NICHOLS: This goes right up the middle, my dear, yes.

VIVIAN SCHILLER: Thank you. That was a slow pitch. So, I too, I disagree with you on only one point. I agree with you on all the rest. And I agree that we should not get too hung up on the concept of it's either professional journalists or it's whatever you want to call them, citizen journalists, bloggers, data gatherers, whatever. The place where I disagree, I actually think professional journalists, the notion of calling someone a professional journalist actually is important because there are skills and there's experience that's needed that comes with professionals. Which isn't to say-- although I agree with you, I don't like citizen journalists, that sounds very weird and minute man-like. But, it's-

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JOHN NICHOLS: I kind of like the minute men, though. See, you may be bringing me around the other way.

VIVIAN SCHILLER: But there is room for all of these different groups. And frankly, I'm not sure it's a great use of our time to say it must be one or the other. I think that there is plenty of opportunity for everybody to participate in this profession that does, in fact, enhance our democracy. But the difference, the difference between-- the key factor to me is a profession in the world of journalism that at least for the part of this session that I've heard, that I have not heard come up, which is editors. And that to me makes all the difference. Yes, you need to have professional journalists. It's fine to have bloggers, it's fine to have citizens. But the last line of defense, the first and last line of defense is editors. And that is something that is the difference between a news organization, no matter what platform you are, any source of legitimate news, and the muck of everything

else. So I want to put a good word in for editors. They go by many names. Sometimes they're curators, what have you. But at the end of the day, they're all editors.

The second point I want to make is, just to be really blunt, I think where crisis in journalism has become such a cliché, but I'll use it now. Where the crisis in journalism is specifically, mostly not exclusively, but mostly, local and foreign. I really, despite the latest report about how few reporters there are covering every department of the federal government, I'm not too worried about there being a deficit of Washington coverage or economic coverage or certainly coverage of Hollywood or anything else. But I'm very concerned about both the local and the foreign, which is an area that, frankly, public media has started to-- including NPR is trying to fill in because of the shrinking ranks of professionals. And as Steven Coll pointed out, American journalists abroad, I think that's an important distinction, that it is American journalists who are tying what's happening abroad to make it relevant to American audiences.

Two recommendations I want to make in terms of-- although if you drill down they're not wildly specific at this point in terms of the role of government-- I will, perhaps not surprisingly, make the case for continued support and increased support of public broadcasting. Let me explain why, particularly in news coverage. This country, the federal government in particular, has made a sustained investment in public broadcasting for over 40 years now. Hundreds of millions of dollars has been invested in building up an infrastructure that largely works and that attracts mass numbers of people.

Public radio stations attract 37 million people a week. I know public television is something like 118. I don't know what their numbers are in terms of specifically news. But even if you just stick with radio right now, that's 37 million people. We in public radio specifically, we have the infrastructure. We have bricks and mortar in every community. We have brand, we have trust. And most importantly we have the audience. I am as huge a supporter as anybody in this room, or maybe outside this room, in new not-for-profit startups. But what the problem there is, not the journalism, not the dedication,

but what David Carr recently in the *New York Times* called the tyranny of small numbers. And the fact is, we've got to be realists and there are so many entities out there that have small audiences and how will they survive?

Now, this does not mean, just to be really clear, I'm not advocating that only public radio should exist, not all of these entities. On the contrary. I think the new not-for-profit startups is one of the most wonderful things that's happened to public media writ large, at least in my professional career. And what I've been trying to evangelize is collaboration and deep partnership, not merger, it's important that there be independent news organizations. But deep collaboration and support between established public radio entities in every community and the new not-for-profit startups.

If I had more than three minutes, I would give you a whole bunch of ways of how that could work and why that's important. But in public radio, like it or not, we have the megaphone and I would like to see us use that megaphone to expand the wonderful reporting that's going out to our audiences to include not just NPR and public radio news and information, but news and information from all of the new not-for-profits. We are beginning to collaborate a lot, but I think at the local level that could happen and it could be very strong.

The very last thing I want to support is something that also, and forgive me that may not have been brought up here, which is news literacy for young people. You know, we focus so much on the-- most of this conference based, I can hear, has been focusing on the supply side of journalism and not the demand side. And there is a critical need for in secondary education, and even in college education, to teach the critical thinking skills so that young people who are the future of our democracy will-- not to tell them, "Oh, you should only read the *New York Times* or listen to NPR or log onto ProPublica," but rather to make sure that they have the skills, are taught in school, so that they understand what it is they're looking at. And I realize education is not the domain of the federal government.

But nonetheless, I think it's an important thing for us to support. There are several excellent organizations out there that are beginning to do this. Thank you.

SUSAN DESANTI: Thank you, Vivian. Barbara?

BARBARA WALL: Well, Vivian just mentioned the bricks and mortar public radio stations in the communities that might partner with the new entrants. But let me also remind everyone here that most communities in this country do still have a newspaper and reports of our death, I think, have been greatly exaggerated. As I mentioned this morning, we do, at least at Gannett, we have 82 daily newspapers around the country in 30 states. We do have a plan for monetizing content. It involves with watch dog local journalism at our core finding niche audiences as well, aggregating those audiences for local advertisers. We're reaching 80-plus percent of the adult members of our markets. And with that, we think we have a business. And that business can sustain journalism.

And as I think I also mentioned this morning, watch dog local reporting is what we believe to be our future. And by that, I mean something very specific. It's the accountability reporting people have been pining for in the comments today. And I think rightly so. We think it's important because it's what we have and what's unique and what we can offer that nobody else has. NPR has terrific reporting and they have local radio stations, I don't mean to use you as an example of something, but we have the local reporters, the feet on the street, the editors who know the community, the reporters who have beats, who have sources.

I think it was Dan Gillmor, I appreciated Dan's comment that there's sort of this mythology that local communities were always well covered and now they aren't. And, of course, he's right about that. But he also was talking about hiring forensic accountants to look at this, that and the other thing. I mean, reporters are there, reporters are there. What makes them valuable is their skepticism and their curiosity and the fact that they're paid to do what they do for a living. I mean, in Brevard, for example, we have a newspaper in

Brevard, Florida. Last year, 2009, one of the worst in the newspaper industry, reporter learned that somebody who had been in jail, sentenced for murder, had been let go. Tried to figure out what was going on. Long story short, he spends a month in a room with 16 cases to review. Turns out that in Brevard there had been a-- get this-- dog handler who was being used by the authorities in murder cases and it turned out the dog handler was a big charlatan. And so there were all these murder cases in Brevard, Florida, where the evidence had been completely tainted by this testimony.

So he spends 30 days looking at that. Now, while he was in that room looking at that issue, maybe there were other things going on that should have also been covered. But if you've got good editors, if you've got good reporters, if you've got good sources, you're looking at things that matter and you have some perspective on the community.

And I think, and not to beat the drum too much, but I think the days of newspapers and their websites and their mobile platforms providing that service are far from over. And in that regard, let me just say-- I would be remiss if I didn't, and I know John Sturm will probably say the same thing on the next panel-- in terms of what the government can do for us, one of the things that's most important is to recognize that we're no longer our own market for antitrust purposes. And for the journalists in the room, you may not understand the meaning of that. I'm not saying you don't understand it, but the point is that the Justice Department historically, and the courts historically, have looked at newspapers as being, even daily newspapers, as being one market so that it's been difficult for us to do the kinds of partnering-- you all call it partnering, we call it mergers or acquisitions or other things along those lines-- that we think are necessary in today's world.

I mean, clearly it's fatuous to think that we don't have competition. Why would we be having this discussion in the first place if we were a market unto ourselves? We're not. So we would appreciate the government recognizing that. And we've been heartened, I should say, by some of the Justice Department rulings on proposals that have been made

to them about collaboration. And so we see that I think that gradually that will change. But that's important.

And as well, there are other government restrictions on us to this day that suggest we're this monopolistic power that needs nothing more than to be reined in. And again, if that were the case, we wouldn't be here today.

So I guess in closing what I would say is that I think what newspapers do continues to add a lot of values to communities. We're certainly welcoming the competition of new entrants, but we need the government to realize what our position is in this day and age. And as we talked about this morning as well, there needs to be some sort of way to monetize the content that we pay to create. And so we're not asking for copyright, statutory revisions at this point, but the underpinning of content creation has to be one that protects the investment. Otherwise, none of the initiatives that we've been talking about today will be able to sustain themselves.

SUSAN DESANTI: Thank you, Barbara. Gil?

GIL KLEIN: Barbara, you made a lot of sense here. I hope that they take your comments and put them up on the wall of the Newseum, acts of a First Amendment. [laughter] I just want to say in September 2007, folks came up from Richmond to the Media General Washington bureau and said, "We're remaking this bureau. No longer are you going to be a newspaper bureau, you are a web first bureau. You have to file for the web by 11:00. You have to update during the day. You have to file something new for the papers in the next morning. You have to blog and I would like a little video, if you please." And I took one look at that and said, "That isn't going to work." And I took the very nice buyout and walked out the door.

And sure enough, they created this bureau. And 19 months later, it folded completely and now all the 25 papers in the Media General bureau are getting zero, zero news from

Washington that is specifically geared to them. So, was that a great innovation? As I toured the country, I found this over and over again. The staffs are being cut, but who's ever left has got to blog, has got to do this, got to Tweet and they're getting burned out. I had the St. Louis reporter said he covered a debate and he was required to Tweet and to blog during the debate and then to write the story after the debate. And he said, "There were 14 people following my Tweet. What is the advantage of this?" He said, "I went to the editors and said tell me the economic sense that this makes, that I have to do all this extra work. The quality of the final product is not as good, for 14 people following my Tweet? Where is this making money so that we can hire more reporters?" And of course they can't come up with it.

So, the other thing-- let's see-- so it's hard to get out of the office. People are not doing the type of reporting that they used to, like Jim O'Shea was talking about. I'm also worried about the loss of mentors. It used to be they'd keep a few old reporters around to train the new ones coming in. Now, all those old reporters have got their buyouts and they're in their pajamas and they've got their blogs, but there's no one left training the new reporters coming in.

The Washington bureaus are gone. Cox, Newhouse, Media General, Copley. The Copley Bureau won a Pulitzer Prize by ferreting out corruption of their congressmen. The first thing they did was get rid of the Pulitzer Prize winners and then they closed the bureau completely.

AUDIENCE MEMBER: I fired them.

GIL KLEIN: Oh, yes. And there you go. [laughter] But they're not reporting specifically for that region anymore. They're doing what you're doing. There's also this legal issue of the citizen journalists. This came up over and over again on my tour. The citizen journalists, you have a certain legal obligation. You can have all these people put stuff up on your web and then you're not responsible for it. But as soon as you use their

material and put it into your story, then you are responsible for the accuracy of that. You're legally responsible, so watch out.

Where are we? Now we have Rupert Murdoch who was up here just a few weeks ago when the iPad was coming out. And he showed this iPad and he said, "This is the future of journalism." He had it up on the screen here and showed how the *Wall Street Journal* can be transformed into something that was really remarkable, what you could get. It was organized like a newspaper, unlike what you usually see on the internet, which is a mishmash of stuff that you can't find anything on. And he was showing how you can click on a photo and the photo comes to life and it's talking to you.

And he said, "What we're going to do is we're going to charge for this. Imagine that. We're going to charge people for this and we're going to wean ourselves away from giving it away for free on the internet." Somehow that is where this has to all end up. So, I was particularly interested in Susan Athey talking about micro pricing. That's something that didn't come up much again, but that's something that should be explored here.

So I want to reiterate what Barbara said. Don't write off newspapers. In our Ottawa forum a reporter said that there was a poll taken of both the people in the newsroom and the readers. And they said the staff was all way ahead of the readers, that they wanted this all to go online. But the readers still wanted it in their nice old newspaper there. So, while the ambulances may be carting off our readers, I do think that there's still a real need for this. And on that, I will end.

SUSAN DESANTI: Thank you, Gil. Jay?

JAY HAMILTON: In the language of economics, news about public affairs is both a public good and generates positive externalities. What this means is that since most people choose to be rationally ignorant about the details of most policies, news about

government may not be highly demanded and news outlets cannot fully monetize the benefits of the costly investigations that they undertake.

I think it's important to acknowledge that the market is less likely to provide ideal amounts of public affairs coverage, especially at the state and local level. And acknowledging this market failure may, in turn, alter how you think about different public policies. And I'll name just two. One is behavioral ad targeting. The FTC has recently hosted three roundtables to discuss the valid privacy issues that are involved on the internet. And one of the topics that they've talked about is behavioral ad targeting, which essentially entails use about your surfing and searching on the internet to target you for particular online ads.

I live in the 27th largest media market in the U.S., Raleigh-Durham, and Yahoo! has partnered with McClatchy, which means that the *News and Observer* in my neighborhood is able to charge a higher ad rate because it's using behavioral ad targeting information that it has from Yahoo!. So, as the FTC does conduct future debates about privacy on the internet, one thing that it should take into account is that that behavioral ad targeting can help provide revenues that help prevent another market failure, which is insufficient provision of public affairs reporting.

A second public policy that's involved here is campaign finance laws. And if you think about the incentives people have to create information, it could be, "I want you to pay me money." That's the subscription model. Or, it could be, "I want to sell your attention to other people." That's advertising. It could be, "I want to change the world by changing what you think about." That's the nonprofit model. It could be, "I want your vote." That's the partisan model. Or it could be, "I'd like to express myself." And we focused a lot today on four of those incentives, but we haven't really talked about the provision of information that's meant to get your vote.

And if you think about campaign finance laws, one way to think about campaign finance laws is that they try to, in some ways, restrict or alter the expenditure of money that is involved in discussion of public affairs. There are valid reasons for that. It may be to prevent the selling of access or votes, or it may be to prevent the appearance of impropriety. Or, it may be to prevent or alter the way that the distribution of income affects political discourse. But I think that it's important if we're thinking about public affairs and accountability coverage that you may want to think about how the definition of property rights to information in campaign finance reform actually affect the way that information that affects your votes reaches you.

And I'd like to point out two studies that have been done that are field studies by Yale political economists that I think are related here, and show the relationship between campaign finance and journalism and politics. In one study, the researchers took the *Washington Post* and the *Washington Times* and paid for it to be dropped on people's doorsteps who are not current subscribers. And I guess that's one way to increase the market for journalism. And that they found afterwards, looking at voting records and surveys, is that people who got the *Post* or the *Times* both were more likely to vote for a particular candidate, the Democratic candidate in that election. And that there was some slight evidence that there was an increase in their voter turnout in the next midterm election. So that was an example of information being dropped on your doorstep. And some people took advantage of it, and it changed some minds.

Another Yale political science field experiment that they analyzed was in 2004, Move On had a program that got neighbors to knock on the doors of their neighbors to try to get them to turn out and vote. And it was a great natural experiment and it looked as if the neighbor to neighbor contact increased voter turnout by nine percentage points, which was a huge margin. So, as we talk today about the different incentives that lead to the creation of information that can lead to how we make our political decisions, I think it is also important, although unpopular, to also think about campaign finance reform. Thanks.

SUSAN DESANTI: I think that's provocative enough, Jay, yes. Susan?

SUSAN ATHEY: Thanks. I just want to pick up on a couple of comments here. I thought Jay did actually a really nice job of laying out some of the economics of the market failures here. And I think it can be easy to confuse the fact that some of the regulatory solutions to those problems are not particularly attractive with the denial that the problems are there. And just because copyright isn't going to fix the problems doesn't mean the economic problems aren't very real. And it certainly doesn't mean that the market will just take care of it if we just let innovation flourish. Instead, I think, as a good economist, I think that it's all about incentives. And so what this innovation is going to bring is incentives for some things and less for others.

And so I guess to think a little bit about what will be over-provided and under-provided, I don't think I'm going to come to any super surprising conclusions, but maybe I'll talk through a little bit of the logic of how I think the market structure will evolve. So I talked in my comments this morning about the crucial role played by competing ad platforms and the possibility of monopolies in those areas should be very alarming to publishers.

Let me talk now a little bit about market structure in publishing itself. And I think the comments that Barbara made about antitrust are very important because I think we're going to see a lot of activity, mergers and consolidation, as one rational response to a lot of the economic incentives that are taking place. And so the regulators are going to be called on to weigh in on those types of mergers and acquisitions. And there can be a big tendency to always be fighting yesterday's monopoly. I guess that can sound kind of funny coming from Microsoft. But if you fight yesterday's monopoly while a new monopoly comes and flourishes, it actually has even bigger impacts on society that can have a lot of consequences.

And the same could be true for newspapers who once did have a very nice monopoly and aren't the most interesting monopoly anymore if one could think of them at all as being a monopoly.

And so let me talk about some of the issues, though, that I think will arise because I do think that we will see some publishers grow quite large. As a participant in the online services industry, I'm acutely aware of all the economies of scale in providing any kind of online service. Just creating a website, creating algorithms to understand the people coming to your website, predicting their clicks, optimizing the use of your screen real estate, understanding your users so that you can sell advertising to them. Understanding them well enough to do behavioral targeting. All these are things that bring a lot of value and that have huge economies of scale. You can have a programmer create a statistical algorithm and that's going to work just as well for one city worth of users or 50 cities worth of users.

And so if we're trying to cut costs, people can't cover their fixed costs. We're going to see a natural consolidation occurring here. There are lots of benefits to being large in terms of participating in an ecosystem as well, especially an ecosystem that has other big players like large ad platforms. If you are a bigger publisher, you're going to get better revenue shares from Google on search indication, you're going to get better terms with ad platforms. You're also going to be able to provide a larger reach to advertisers, which makes you more attractive. You can control waste of impressions by making sure that you don't serve the same ad to the same consumer 50 times. And that's going to make you more attractive to the advertiser base. So these are all things that help you.

You learned the examples from Gannett were very nice. You create a mother's group in one city and it's very popular and then you can take that model and apply it to other cities and it's going to-- you only have to have one person designing the website. You have to do a little more work in each city, but not that much. Google has entered countries with

hundreds of millions of revenue before they had 10 employees. So these kind of economics make a lot of pressure for this consolidation scale.

Then what does that do to incentives for content? Well, we're going to get some kinds of content provided very well, very efficiently. These bigger organizations are going to be able to fund more research and be able to send reporters to foreign countries, we hope, and so on. But we're also going to potentially lose some things. And so there's a question, I thought it was very interesting to hear about how Gannett being-- on the one hand is getting scale from being large, but is also maintaining local investigative reporting. But there's a question about whether there is sufficient incentives for that. And some markets presumably will be left out where the economics don't look quite as good.

So on the one hand, I think the regulators really can't stop a lot of this consolidation and it would be silly to think they're going to eventually maintain all of the little firms which probably can't all cover their fixed costs. At the same time, we have to then be very cognizant of what we're going to lose.

And my last comment's actually slightly unrelated, but I also want to pick up on this point about behavioral targeting. It's actually really-- of course, we care about privacy and of course we care a lot that users understand how their data's being used. And in the end, competition in the ecosystem will help make sure that the benefits that come from behavioral targeting accrue to consumers and to publishers and to all the people in the ecosystem. It's not that somebody got to spy on your data and they were the only one who had it and they can earn monopoly profits on it and no one else benefits. So that's something to worry about.

But at the same time, behavioral targeting doesn't have to be evil. And opposing it can be quite regressive. And so we just have to remember that this behavioral targeting creates a lot of value, and it especially helps poor people. It helps provide free services and that can be extremely valuable. In general on the privacy debate, the benefit side of data can

be overlooked. I had a student who did a paper on well intentioned regulation for electronic health medical records, states that enacted especially strict laws, ended up with a disproportionate share of infant deaths, especially from poor women. And the problem is that people came to the hospital, then there was no information sharing. If they just went to the nearest emergency room to deliver their baby, they didn't have the records, they couldn't manage the case properly and babies died.

So we have to remember, and I think for all the journalists in the room when you're reporting about this, yes be very strict and let people know and inform them how their data's being used. But don't forget to report on all the positive benefits so that we make rational policy.

SUSAN DESANTI: Thank you very much, Susan. Paul?

PAUL STARR: At this point in the day, I think the most useful thing I can do is to highlight one idea that I don't believe has been mentioned, that I think could generate significant resources for news. And particularly at the local and the state level. Vivian Schiller talked about the public media, the system we already have and the logic of building on it. The public broadcasting system is sitting on enormous assets that could be better used in other ways. And I mean specifically the television broadcast channels.

In its recent report for a national broadband strategy, the FCC calls for repurposing I think it was 120 megahertz from the TV broadcast spectrum to broadband. And of course most of the people who watch television don't actually rely on the broadcast signal. Less than 10 percent of the TV audience gets that broadcast signal, and that number is going down. If we actually have universal broadband, there'll be even less of a reason to retain that television broadcast spectrum at all.

It's going to be quite a fight to move the commercial part of that spectrum into broadband. But the public television part of that broadcast spectrum ought to be moved.

And the revenue from auctioning it off for broadband could establish a very significant endowment for public media. It shouldn't be limited to television, it should be used for all kinds of public media at the local and state level.

The public broadcasting system has done a tremendous job of doing national news, but except for some localities where there are strong chiefly local public radio stations, it doesn't really have the local journalistic resources. But those could potentially be created by repurposing the broadcast spectrum for these uses. And that could be done in stages, first by selling off the white spaces, repacking the spectrum. But then ultimately, I think, getting rid of the broadcast channels all together and monetizing those assets and then using them to support public journalism.

SUSAN DESANTI: Thank you, Paul. Alisa?

ALISA MILLER: Interesting comments across the panel. I'd like to focus on two principles as I look at kind of what's happening within the market and to try to answer some of your questions about unmet needs and what we could do. For me, the overarching principle is that we seek to incentivize and strengthen the economy or the ecology or the ecosystem that's emerging and not lament the system that was, or wished that we had it back. Because the fact is, it wasn't all that great to begin with. Journalism researchers for years have documented the decline of substantive journalism at a local, national and international level by commercial media. And there's a lot of great work from Pew and others on this.

And in recent years, it's become more acute, particularly when we look at actually where people go for news. It's not that there isn't a lot of news and information out there, it is in the places where people are actually going to get the news and information. Things like science, the environment, education, social justice, receive scant coverage at best in commercial media.

We also kind of have accepted certain structures that I think it's kind of interesting to think about what can happen in this really disruptive innovation environment. So for example, that much of national journalism is primarily controlled and is east coast centric. Why is that? We're entering into an environment where-- and I'm not to say that D.C. and New York aren't really important, because they are, of course-- but there is a lot that can be thought of as national in terms of both capacity and storytelling and perspective. And I think that in this disruptive environment, innovation can take hold where we won't necessarily have perhaps an eastern corridor perspective that's driving the national agenda.

The bottom line is I think there's opportunity for this new ecosystem to emerge, or let's just say it's already emerging and so how can we foster it? So I know our assignment was to look through all of the proposals and to say what do we think from those proposals could be some potential next steps and what other ideas do we have. From a government perspective, while I don't see a posture of wait and see completely being the way that we should go, I do think that we should proceed with an abundance of realism, that the solutions that we could end up going for depending on their scale and scope could cause more problems than what we're trying to solve. Disruptive investigation is under way and that's a good thing.

In the end, what we're trying to do, I think, is to foster this entrepreneurial spirit to serve the public with credible journalism, knowledge and information. So a couple of the key observations that drive my review of the proposals are the following. Of course, they're based on my perspective. And the first is that what's clear to me, at least in this transitional (sic) period and perhaps beyond, is that not-for-profit media will increasingly take on a lion's share of in depth reporting at a local, national and international level on really serious topics of importance. And this is, in part, because it's difficult over the longer term to see exactly how for-profit media is going to be incentivized to continue to invest in the depths in these areas over the longer term.

So that leads me to say let's strengthen not-for-profit media. And I know that's a shocker considering I work in not-for-profit media. So as a part of that, I think you can't ignore that more funding for CPB is important, and for public broadcasting. As imperfect as it may be in some critics' eyes, it's hard to see how in this political climate that something wholly new that would be structured and established would do any better. CPB is a mechanism that has and can in the future provide an important and critical firewall between government funding and journalistic entities, and to fund innovation.

Increasing its annual funding base through appropriations and also to potentially further investigate some of the other ideas through spectrum auction tax proceeds and other things, could be some options. Along with this funding, then I think we can explore expanding its scope by evolving it to more easily embrace more not-for-profit media players who adhere to journalistic standards. The public media sector can serve as a backbone, in part, as a part of the solution for quality journalism in America. All the seeds are already there. A number of the panelists have already talked about this. It has local, national and world news as a part of its fabric.

Strengthening the sector will also position it to build out its partnerships and its own presence and own megaphone which is considerable. But also, to partner with for-profits who have their own megaphones on the internet and in traditional media so that quality content can find the mass outlets and does not become something that's relegated to niches. Again, where people are going for news and information.

The second area that I'd like to talk about is that it's this notion, and a number of folks on the earlier panel talked about this, too, is that journalism is no longer solely a profession. It's becoming a process and becoming a place where more people are getting into that process and fostering conversation around what they're learning. And this is a really important development. More people than ever are consuming and sharing and commenting on, and some are even contributing to journalism, knowledge and information for the public good.

I'm on a for-profit startup called Allvoices.com, I'm an advisor. And this is an example of an organization with a tiny staff who is now generating through 300,000 contributors, a thousand reports each day. This is the kind of activity that's being unleashed in this environment and I think it's really positive. So it's where broader market principles like net neutrality are important in order to have a level playing field.

And on a related point, further government transparency, it's something that was talked about quite a bit in the proposals, and information and data, is going to be incredibly important because that could help to lead to more accountability and allow for crowd sourcing and analysis, not only by long-term journalism organizations, but also those feisty bloggers and people who can come together to try to solve problems.

So I just wanted to leave with a final thought. I recently saw a video of an 18 month old effortlessly playing with an iPad the first time he ever saw the iPad. And his father, who happened to be, I think, an Ad Age executive, remarked in his post that, "Nine times out of ten, the child will choose interactive media versus a passive form." [laughter] So, what we're talking about today is how do we foster an ecosystem in which this 18 month old is already beginning to play in? I'm excited about that future.

SUSAN DESANTI: Thank you, Alisa. Joel?

JOEL KRAMER: Well, when I started MinnPost a few years ago, my passion was, and remains, to find a sustainable model to do serious journalism as I was watching the current model deteriorating. I love profit. I actually made a lot of money myself in the newspaper business back in its glory days, and I assumed that the ultimate sustainable model is a for-profit model. If you can figure out how to do that, it's a better model. I'm in the nonprofit world now, but I totally still believe that.

However, I don't see that there is such a model and I don't see any smart, new money going into the business of trying to support high quality journalism, private money. There are many established media companies trying to figure out how to survive and sustain themselves. There are new media startups, but they don't, in my mind, have a serious focus on high quality, serious journalism. And the reason is it's not that there aren't smart entrepreneurs out there, there are lots of very smart business people, lots of very smart techie people. But they go to things where if they're in the for-profit mode where they can make money. I don't see any of these smart entrepreneurs creating for-profit modern art museums, either. And my view is that for better or worse, journalism, serious public affairs journalism, is-- right now does not look like it's going to be a for-profit activity anymore. I know that's a controversial statement, but that's the way I see it.

So what my view is, regardless of the debate here, eventually the government will be more involved in the sector whether it's ready to decide that now, whether the people are ready, whether the professionals are ready. We are going to get there for the same reason that we are there in the arts. The arts are very important to our quality of life, the arts are full of innovation, but the arts are not a place where a lot of people can make a living. And most of the people active in the arts are not making a real living at it. And much of the arts is sustained by philanthropy and government.

And I believe that is where we're headed in journalism, too. Now, I'm very sensitive, however, to the solution to that being the government putting a lot of money into existing institutions. Everybody has their perspective. I don't work in public radio or public television. I applaud Vivian's point that public media that get this money could cooperate with other public media, but I don't see that in Minnesota where Minnesota public radio will not even allow its nonprofit competitors to buy advertising or they call it underwriting, on their stations because they're competitors. And maybe it's better in other local markets, I don't know, but that's my personal experience.

I think that the innovation should support and sustain a very large number of players. And since I'm the person that David Carr was writing about when he wrote about the tyranny of small numbers, I'll just say that yeah, we're small. We only have about 15 or 20 journalists, but in the internet world it is possible to accumulate large numbers of small players into a very serious part of the total picture. And I think it's important that public policy make an effort to sustain a significant number of players and I would also love to see the private sector accomplish that. But I'm not too optimistic that that will happen.

So, in terms of specific policies about how this might be done, well I'm not exactly sure what will work, but I do believe that it would work for journalism to have things like a voucher system for the public to be able to send public money to places they're interested in. I think it could also work to support the journalists themselves, much the way some money goes to artists rather than to the museums.

I believe there are many possible creative solutions for how to spend public money without favoring particular players and without adopting policies that require the government to say that this person should get the money and that one shouldn't. It would be more desirable if it could be done the other way. I will remain watchful and I'm hopeful that I'm wrong about the for-profit component.

And I mentioned this this morning, but I'll just close with this point. The reason why I'm not hopeful is that I think the larger issue that is not getting a whole lot of attention is that the value proposition of content creation is in serious decline and I'm not only talking about journalism, the economic value proposition of content creation is in serious decline. The public doesn't want to pay much for it, if anything, and the advertisers are no longer bound to send their dollars that way. And the result, I think, is going to be transformative and I'm not sure that any for profit entrepreneurs are going to figure out how to avoid that outcome. Thank you.

SUSAN DESANTI: Thank you, Joel. Now we move to Kevin.

KEVIN HAROLD: Thank you. I just have a couple of thoughts I wanted to share. I'm one of the few guys on the panel that's purely from the business side. I'm a publisher, I've been a publisher for a very long time. And just want to share a few thoughts on journalists as opposed to journalism. And then my recommendations for what the government might do to help us out.

I have occasion, and have had occasion over the last 10, 15 years to meet with a lot of recently graduated students of journalism, with degrees in journalism. And I almost always ask them, I'm very curious about what they're teaching because the industry's changed so fast, and always has changed so fast. And I agree with Alisa, it was never that great in the old days. New Deal, it wasn't new and it wasn't a good deal.

But I'm curious what they're teaching them in college. And one of the questions I ask them is do they know who Walter Lippmann was? Do they know who William Shearer was? Do they know who Edward R. Murrow was? And almost to a person, they do not. I don't resurrect this to go down memory lane, but I do because it's very telling of an industry what qualities they celebrate, what qualities they admire and what qualities they reward. And we're facing really serious challenges, as serious as since the printed word.

Walter Lippmann was invited by Woodrow Wilson to help him write the 14 Points for the League of Nations. William Shearer broadcast the invasion of Poland, occupied Poland, right next to Goebbels, with Goebbels looking over the transcripts and Goebbels saying to him, "Maybe you'd like to get in one of those trucks."

Edward R. Murrow in those days, CBS's show was single sponsored. Alcoa Aluminum was the single sponsor and he did a special on migrant workers, "The Winter of our Discontent." And Alcoa Aluminum didn't want to run it. They said, "We don't like it, don't run it." So my point here is that courage and intelligence has always been a part of the journalism industry. And that the challenges were always great. I mean, those are

pretty scary stuff. Woodward and Bernstein were making \$12,000 a year when they wrote the story on Watergate.

So, moving forward, what do I see happening now? I think there's going to be three new groups. Not new groups, but a melding. I think that the kids, as I said this morning, the kids are simply better with this notion of data journalism. They're not intimidated by it, they jump into it as a baby would in the cradle. They're better with social media. It's very, very intuitive to them. How to leverage Twitter, how to leverage Facebook, how to spread that content around. So I think they're going to play a big, big role especially in the kind of journalism we do at New Jersey Spotlight.

The second group is a group that I think is going to behave and think less like reporters and more like analysts. The value add has always been in surrounding the content with context, and talking about the implications of what the story is. I think that the next group that's going to come along is going to behave and think like Yankee group people, like Data Quest people, like International Data Group analysts that exist in other industries. And they're going to be able to read into the implications of this story and explain that to the reader, and therein lies the value add.

The third group, and I echo Jim O'Shea's remarks earlier. They're the old school beat reporters. I mean, you cannot replace that stuff. We're only five weeks old today. We might be six weeks old today. On our third day where we went live on New Jersey Spotlight, we broke a story that said that the public utility had not been paying a fee called the social benefit fund, to the social benefit fund. They had not been making a contribution, which is mandated by state law. The amount that they would have had to pay last year was \$47 million. They didn't pay anything. That mandated by law had taken place ten years ago, so we're roughly talking about maybe half a billion dollars. We ran the story and the morning *Star Ledger* picked it up. By the afternoon, state senate had called the state's attorney general to bring suit against the public utility. And we were in a major controversy.

Now, the reason we broke the story is because our reporter had covered energy for 30 years and he had sat in on the hearings. The defense of the utility right away was, "No, no, we were allowed, we were given a waiver from the governing body on that." Our reporter had been at those endless, boring meetings and knew that that was not the case. They had not. If we had used a young reporter or if we had used someone without that experience, we would have not broken that story. So I see the old shoe leather tough guy Mickey Spillane guys with the thing sticking out of their back-- I don't see them going away. I think they're going to play a vital role going forward.

Now finally, and I'll get off this, my final thing on recommendation, what the government may do to help us, we have to access capital. The difficulty in accessing capital is nearly insurmountable. One of the speakers this morning said, "Why are there no VCs in the room?" Because the VCs are not interested in the kind of return media profits are going to give them. So neither are private equity guys, neither are institutional investors. We have to be able to make-- and the bond market did this, other markets did this. Years ago, the tranche-- am I pronouncing that right?-- tranche investing was formed when they wanted to move bonds 150 years ago. So they break apart the instrument to less risky elements. And then they disaggregate it and farm it out to the investors and then reassemble it.

So if the government can help us, I think in the most immediate, concrete way, it would be to help lower the risk of investing in media companies and investing in news organizations. So that's all, thanks.

SUSAN DESANTI: Thank you, Kevin. And Alan, you get the last word.

ALAN BJERGA: Well, that's what I'm here for. It's fascinating, listening to this discussion and all the different perspectives and this entire process, which I think is very helpful. Governments intervene when there is a market failure. And we are here because

there is a perceived market failure as well as a lot of proposed-- not even so much solutions, but potentially helpful remedies to what is ailing this industry. Listening to people talk, I find myself trying to prioritize what may be more or less useful among the proposals here. I'm not offering a lot of specific endorsements, sort of my own hierarchy of evaluation.

So where is the market failure? Is the market failure in a lack of coverage of Washington? Well, I came to Washington as a regional newspaper reporter and that job for the *Wichita Eagle* of Kansas no longer exists as an independent entity. I would consider that a loss. But on the other hand, there are a lot of Capitol Hill publications and such that didn't exist when I arrived here a decade ago. So that market seems to be functioning in a different sort of way. But there's still lots of eyeballs in this town to see if somebody's doing something bad or not.

Is the market failure when a newspaper with a staff of a thousand cuts down to 800? Once again, that is a loss for the consumers of that media, which tends to be a more elite media, which tends to get a lot of attention. But those communities still have a lot of people who are covering them in a lot of different media outlets and a lot of eyeballs looking at the news there, too. So maybe that is not as much of a market failure as some other areas.

Is it the loss of foreign bureaus? Well maybe there were five newspaper reporters someplace 20 years ago. But I sitting in the heartland could probably only access one of them because I didn't have the internet. Now I have the internet. Maybe there's only two newspapers left, but I can read both of them, whereas once upon a time I could only read one, even though there was five. So maybe the market is working a little bit there.

From my own personal experience and from what I have seen, where I see the biggest market failure is the smaller community that can't cover the city council meeting because they just don't have anybody to send there. When it is a city hall and the only person who

shows up is the local newspaper and that person isn't showing up, that is a failure of the market, that is a failure of the community, that is dangerous for democracy.

And there are a lot of solutions here, and no one of the other problems that I discussed are not serious or not real or don't need to be addressed. But when I'm looking at some sort of hierarchy through my own experience as journalist and having had a bit of a career at this point, I'm looking at these proposals, different forms of media organization, the benefit model which is sort of the hybrid for profit, nonprofit, it seems interesting in that that is kind of what newspapers always said they were to begin with anyway. And an organization that might reflect that reality has a certain thought with it.

The expansion of public broadcasting operations into local communities, if that helps a person cover city hall fairly, that's something to look at as well. There are other proposals there to look through and look at. But when I go back tonight and reexamine everything that has been suggested in that document, having had the discussion today, I will be looking at it and asking the question, "Will this change that is being proposed help city hall get covered independently and fairly by journalists who know their communities, that 30 year old guy, excuse me, or 30-year guy?" Thirty year olds can know these things as well. That is how I will be personally evaluating these proposals. Because looking at the hierarchy of market failures and the possible solutions, that is a framework that personally I would endorse people examine seriously going forward.

SUSAN DESANTI: Thank you very much, Alan. And I want to thank everybody on this amazing panel. Today has been fairly amazing in terms of the breadth of the ideas and the visions and the insights. And I would ask that all of you join me in thanking this panel. And then the next panel can come up. [applause]

End of Panel 6

Begin Panel 7

SUSAN DESANTI: The last panel to please join us so that we can perhaps even get out of here before 5:30. Thank you very much. I'm going to hope this last panel will feel free to speak on anything that you think is important that's sort of related to both public policy and the future of news. And I think I'll start with this side, with Charlie Firestone, please?

CHARLES FIRESTONE: Well, thank you and I'm just amazed. This is the real hard core, the people out here. Thank you for staying around. So this morning, I mentioned a couple of provisions we thought would help nonprofits. And what I want to do this afternoon-- that was really representing the views, at least of the Knight Commission and what they hoped that the government would consider, thought they didn't endorse it, any one of them specifically.

This afternoon I'd like to just sort of put my frame, my own personal frame, on why the nonprofit is such an important form in this consideration. And that is I have something I call the pixelization (sic) of journalism, which is essentially a matrix. One side is the unbundling functions of journalism from fact finding and verification, authentication, contextualization, analysis, editing, filtering, aggregation, linking and distribution. All those things that were done by one entity at one time is now unbundling. So you have ProPublica doing the fact finding and authentication, but somebody else doing the distribution and various other forms of unbundling, or re-bundling.

On the other side of that axis, I have various sources of revenue including advertising, subscriptions, fees, micro payments, barter, corporate underwriting, philanthropy gifts, voluntary contributions or tip jars, endowments, and possibly government, hopefully indirect. And the suggestion is that over the next five to ten years, I think there's going to be a period of experimentation where people will be lighting up different cells in that matrix of different forms of revenue for different functions. And that we're just going to have to endure this process for quite a while.

Now of those, the philanthropic gifts-- got it right finally-- the philanthropic gifts and possibly corporate underwriting, though that's basically advertising-- but those are available solely to nonprofits. And I would suggest that any time we can get any revenues, any form of revenues, we're in a period where it really is important to get whatever revenues you can, that that's useful. So we should allow and encourage nonprofits as an organizational form.

So what's the difference? That gets to the question of nonprofits competing against for-profits. There's a concern. One group is taxed and one isn't. And on the other hand, the nonprofits who aren't taxed, and I certainly would endorse a lot of those comments that came out this morning about getting the IRS to be clear about what can be taxed and what isn't and be more liberal about journalistic organizations. But essentially what they're doing is returning their revenues to the enterprise. And the for-profits, okay, they get access to capital that nonprofits don't get and they get shareholder returns.

Now, it was suggested a little bit earlier, well, there's not much return to investors anymore. But I think there are some new organizations where there's going to be some substantial returns. I would suspect that the founders of Huffington Post are going to make a lot of money some day when that's sold, if it is. But the point is that any of those journalistic entrepreneurs are most likely going to, in this environment, respond to market forces in how they get their revenues, how they will try to get advertisers, how they'll try to get subscribers, which going back to the Knight Commission was something that we wanted to see. But at the same time, there will be occasional times where you don't want to respond to market forces and presumably the nonprofit can also do that.

So my comments, which I hope didn't go too long, essentially to give a frame for this period of experimentation that we're in and why it's important to favor, or certainly foster-- I shouldn't say favor because I don't want to favor-- why we want to foster nonprofits getting into this business.

SUSAN DESANTI: Thank you. Penny?

PENELOPE ABERNATHY: I want to respond to two questions you asked earlier, one on policies to nurture innovation and also where the gaps in news gathering going forward. And I want to respond wearing two hats. I mentioned before, I'm bilingual. I've been both a journalist and a business-side person. And let me just observe first, listening to comments made today as a journalist, I would say journalists are much further along in the grief process than the business side, for all that. [laughter] And I think we need to be very aware of that. I think a lot of the business side is still in the denial stage and also of wondering if they're in the catastrophic thinking.

I do not share Joel's very bleak outlook for the future of for-profit journalism. And as I mentioned this morning, especially if you're looking at large – at the national level or at the local level. If you're talking about policies to nurture innovation that we've heard today, I want to just highlight three things. One is the behavioral targeting that has always – has been very well covered by both Jay and Susan. I'll leave it at that.

The second is broadband, the broadband initiative. Some of the work I'm doing right now with a small paper in North Carolina that publishes twice a week, is 15,000. It has an incredible website with Twitter feeds, with Facebook, with thousands of loyal friends that they're looking to morph into a class reunion website where they would become class reunion central. Back to what Barbara says, there's a lot of innovation going on out there in the smaller communities of aggregating and re-aggregating the communities around. And also thinking through ways to tap into this new source of revenue that we talked about. Behavioral targeting is very essential for that.

But with broadband, one of the things we found we did extensive online surveys of online readers, we found a interesting thing. While broadband is only 60 percent in the county, 99.9 percent of the people who use the website are broadband. We also found another interesting thing. They tend to be about 20 years younger than the average reader of the

newspaper. I think that's two things going on. One is because they are accessing the broadband, is what they told us, because they get a capability on broadband, on the website, that they cannot easily access and use to complement the newspaper. But secondly, our younger readers consume news differently than we do. They are not newspaper readers, they consume in an agnostic environment and they need the complementary functions that come for that.

It's also important, too, because as they look and talk to advertisers about things that they can then sell for a much higher price, as I said, than dependence of the CPMs and the click throughs that we've had dictated to us, is the only way to sell web advertising. It's very important to have the functionality to be able to offer that to advertisers, too, going forward.

And then the third thing to do is anything that promotes what was talked about on the last panel, which is a standardization of government reports that can be easily funneled in and used for computer analysis going forward.

The last point I want to make is I want to come back where I started this morning. I think especially on the local and the national level, there's a good chance that somewhere in the coming years, some smart entrepreneur is going to figure out the business model for that. I remain very concerned as both a journalist and as a businessperson about what I call state and regional, local-- regional reporting. And I'm talking about public policy reporting. So we heard about state capital. I'm not just talking about state capital, I'm talking about the environmental beats, I'm talking about the education beats, I'm talking about the healthcare beats that have traditionally informed state policy, regional policy, and that feed into national policy on that.

So I think anything that we might conceivably be looking for, Paul's organization's, for instance, to help in that regard. But I think that could well be a prolonged market short fall and policies ought to be looked at with regard to that.

SUSAN DESANTI: Thank you, Penny. John?

JOHN STURM: I'm going to be mercifully brief with my comments because I bet you didn't know this Susan, but actually next door in the First Amendment Lounge they're going to have free cocktails at 5:00 this evening.

SUSAN DESANTI: Oh wow, I'm outta here. [laughter]

JOHN STURM: There you go. Seriously. I just want to pick up on a couple of points that actually Penelope and Susan from Harvard in the last panel made, who I'd like to rename Susan Smart. But Susan said, and I think she's right, as Penelope did, too, behavioral advertising-- let me underline that again-- the importance of it going forward for anyone who expects to have an advertising return on the web, it's what the advertisers want and there are obviously competing concerns with regard to privacy. But there is a way to do that right and where people are fully informed and the advertisers can get what they expect to get. And frankly, the consumer I think in the long run will actually like the service that way. And it is essential to the future of online journalism that that be allowed to survive and perhaps flourish.

Second point that actually Susan made is for those of us who are in traditional media, and some of us are not going to give up on traditional media, let's not regulate the last monopoly. I think she said that. And to some extent, I think that's what government has been busy doing. And in today's world, especially online, scale does really mean something. And so there is going to be consolidation in a lot of these businesses as we move towards the web. And let us hope that government recognizes the fact that it's a new day and a new marketplace. We're not talking about 1975, we're talking about 2010 and beyond. And it has to be regulated with that in mind.

Last point, I'm just going to tell a story. And that is that even in today's world, with the changes that we've had, good reporting, editing, credibility, and certainly brand mean something. And let me try to illustrate that with a story. During the Iowa caucus primary, Iowa caucus prior to the last presidential election, the *National Enquirer* reported in a little-noted story that a senator from North Carolina named John Edwards was having an affair. That story went nowhere. No one picked up on that. And without going down that road any further, everyone in this room knows what happened to that story thereafter.

Let me suggest this to you. Had that story been reported by the *Wall Street Journal*, the *New York Times*, the *Washington Post*, the *Des Moines Register* or even the *Ottumwa Daily Citizen*, we probably wouldn't have the first African-American president in this country, we'd have the first female president.

SUSAN DESANTI: Thank you, John. Paul?

PAUL STEIGER: I think I will just pick up on where I left off this morning. I was very interested in the last panel to see old friends Andy Schwartzman, who goes back to my time in Washington in the '70s, and Dan Gillmor, both on completely opposite sides on Andy saying there's been a market failure and it's the prospects for serious news are a disaster and snakes will bite us and squeeze us and carry us down into the grave. And then Dan Gillmor, who loves the web. Loves the internet, and the internet will provide anything you need including a forensic accountant so that you won't have to have a journalist. And it seems to me that they're both right and they're both wrong.

There's a combination of two things going on. There is definitely a market failure. All of the economists up here said there was a market failure because economists understand what that is. Basically, you have disaggregated serious journalism from all of the other kinds of journalism which are cheaper to provide. The web does that by letting you get just what you want. And when I was at the *Wall Street Journal* I had 700 journalists, I had maybe seven or eight that I could let do just one or two stories a year and the rest of

them would cover things like the monthly meeting of the open market committee. And in a budget of \$100 million, one could do a serious amount of investigative reporting and still serve an audience in a broad fashion.

The *Wall Street Journal* still hangs together as a department store. The *New York Times* still hangs together as a department store. There's some other institutions that are like that. But in more and more cases, people are getting their news just on one floor of the store, from one boutique. And as a result, serious public service journalism, investigative journalism, accountability journalism, is isolated and there's no way to pay for it other than through either government support or philanthropy.

So, what is the answer? I don't think that there is a sort of government economic planning solution. Government imposes a system with public television, radio at the center and maybe a few satellites hanging off them. I mean, first of all, it would take much too much money. Secondly, it would stifle innovation. And third, I don't think the American people would stand for it.

So what are we left with? I think what we're left with is what government can do, and I heard some very good ideas this morning, is strip away some irritants that are not quite on the edges. They can get in the middle of the road, such as outdated antitrust constraints, an IRS regime forcing a 501(c)(3) that requires something that's really in publishing to call itself educational. Seems to me if you said public service journalism or something like that, is a sufficient quality to merit a 501(c)(3), you would solve a lot of problems and make-- you would certainly reduce the legal bills of starting an enterprise like ProPublica.

I am in favor, as I said this morning, of expanding support for public broadcasting, particularly public radio. I've just found in working with them that the potentials are enormous. But I don't think it should go so far that we create these as instead of the thousand pound gorilla, the fifteen thousand pound gorilla leaving no room for anybody

else to operate. For one thing, everybody benefits from competition and right now we're saying that a lot of the local stations could do much better. Well, think if they had no competition, there would be no incentive for them to do better. So strengthen public television and radio, but don't give them a blank check.

And then if there is to be support beyond philanthropy, and broadly defined from government, it should be in the form of non-directional, passive, through the tax code, that kind of mechanism which gives the greatest freedom to individuality and without making central planners try to figure out how every piece should fit together.

And then finally getting back to Dan's vision, I think a lot is happening that is just miraculous through the web and all of the entrepreneurship that it's spawned. And we should allow this to go forward. It will provide a lot of solutions to problems we know we have, and a lot of solutions to problems we don't know we have.

SUSAN DESANTI: Thank you very much, Paul. Jonathan?

JONATHAN MILLER: I'm actually going to react to some of the stuff I heard this afternoon, I had some different remarks. But I was struck, as some other panelists seem to be, by maybe the vehemence of some folks thinking that without the private journalism can't succeed, or it doesn't have the future that maybe we all hope it does. So I'm going to take exception to that, at least emotionally, and say I'm personally not prepared to throw in that towel, and I don't think our company is. And I just want to describe some of the perspective on that.

As I mentioned earlier, I've been in public media, I've been a private investor, a media exec. When I was a private investor, we invested in different systems, in journalistic forms of expression and so on. There weren't that many people doing it, as commented on earlier, but we did it and some others did. And my sense is there's a whole bunch of systems that in the next few years will become much more widespread, much more easy

for people to manage their-- for individual journalists to manage their content, to have system-- and I don't want to get too technical on that here, but systems of taxonomies and ways they could be indexed and the search engines much more facilely. And just many, many of these things will become commonplace.

So I think we're on the verge of seeing a lot of that. And as I commented earlier today, I also think there's things that could be done between public and private sector, such as an example I gave of something I'm involved in where we open-sourced some technology on behalf of the government. And as I mentioned, I think many companies would be – investors – would be willing to do that.

But let me describe a couple of things at News Corp. that I think are relevant. One is you got to believe in content, and we do believe in content. There's differentiated levels of content. For example, you could make a movie about ten foot tall blue aliens that could have been really tacky [laughter] and not a lot of people would have come to see it, even at a drive-in. Or, you could invest and you could have a true creative – an artist who believed in a certain technology development that he spent a decade on in quite a brilliant, obsessive fashion. And you could make the highest grossing film of all time.

But content isn't the same. There's a real difference in the product. And someone this morning mentioned Upton Sinclair. Upton Sinclair was great. You know, it was great writing. It wasn't just that he was an investigative journalist, it was great. So I think we have to remember that there's something about great journalism and great content that has value. We can't just discount that, and all content isn't created equal. I think that's an important tenet. And so something that News Corp. in the last six weeks, the *Wall Street Journal* has introduced a New York edition in print, which some people question whether anybody should be doing anything new in print. They're trying to make a great New York metropolitan edition to the paper in print. And, obviously, online as well. We'll see how it goes, but the early indications are pretty good, and frankly, the advertising has been strong.

Yesterday we made two announcements. One was we invested in Journalism Online, which probably most of you in the room follow Steve Brill and Gordon Crovitz, and Hindery is behind it as well. We're now an investor because we want to help all the newspapers who want to investigate different forms of paid models to have a system to be able to do that.

We also acquired the assets of something called Skiff from the Hearst Corporation, which in many ways does similar things of content management and consumer subscriber management for devices like tablets and e-readers which we think are a whole 'nother wave of great content creation possibilities and there's new things you can do there.

And we haven't announced it, but it's been talked about a lot, we're working with other news organizations to put together a bundled offering that would be a paid for model and we also think no one's tried new bundles, right? We just assume this newspaper or that outlet will do whatever it can on its own. Consumers have always bought bundles. That's what cable TV is, for example, or satellite television. It remains to be seen if that model will prove itself out. We've had some very strong initial reactions when we test it with consumers and also with advertisers.

But I think there's a lot of these things that will be tried. Some of them will prevail, both on the technology front, on the organizations as they change, and in these new business models. So I just wanted to say, kind of in my final remarks, that we're not ready to throw in the towel as a company. I'm not ready personally. It's a little bit of a mission. And I think we should take heart that there's a lot of stuff going on that still will reach the fore. All of which doesn't mean we don't have to work very hard to make these things happen. Also, again, public and private ways. But I think it's a little early to call the game over.

SUSAN DESANTI: Thank you very much, Jonathan. Heerad, I'm going to go to you and then Rick Edmonds, I'm going to give you the last word here. Okay, Heerad?

HEERAD SABETI: Sure, thank you. Well, I'm going to sort of come at this from an optimistic perspective. I think that the internet age will ultimately be really good for journalism. And for preserving all the qualities that we're all very concerned about. High quality independent reporting, the watch dog function, the breadth of coverage, local, and national and special interest, and so forth.

And when I think about the policies that are on the table and the role government should play, I sort of come at this from three different lenses. I think the first category is to dismantle legacy processes and outmoded policy regimes that are based on technologies and business models that are basically on their way out. So this includes the ideas around making government information more accessible and available, rewriting software and so on.

The ideas, though, around copyright, sort of tinkering with the copyright, antitrust laws, I think, give me some pause. I think that's ripe for all kinds of unintended consequences and given the rapid rate at which the landscape is changing, I think these fixes, even if they work, are likely only to work in the short term.

The second role I think I see for government is to provide a bridge through this sort of period of transition to preserve the things that we can't do without. So again, back to quality independent journalism, local coverage and so forth. So there's a slew of ideas providing-- creating a journalism arm for AmeriCorps, the national fund for local news, tax credits for hiring journalists, the university grants that support investigative journalism. So I'm not sure about any of those particular ideas on their merits, but that class of ideas, a bridge for a period of time that temporarily through this unsettled landscape preserves some important aspects of the industry, I think could be important.

And third category I see is for government to support and get out of the way of innovation and experimentation and entrepreneurship. So there are basically all kinds of

new technology platforms and innovations and economic and business models being developed every day and that's going to continue to be the case for a while. And there are lots of smart and committed people doing this. So I think the less government intervention there is in that dynamic, the better. But there's a lot the government can do to support.

So the ideas around sort of clarifying the tax treatment for some of these news entities, broadening SBA programs, supporting R&D, creating new corporate structures and facilitating the flow of capital, I think, sort of fall into that category. So those are the three broad areas I think I see.

SUSAN DESANTI: Thank you very much, Heerad. I would just like to clarify for the record, during our discussions today, we've had references to really two different kinds of antitrust issues. The issue in the discussion draft was antitrust exemptions. And I think what I've heard from-- I haven't heard any panelists support that. The issue that John Sturm and others have raised has to do with how you define-- excuse me while I get technical-- how you define the relevant market for news. And the point there is simply that local newspapers used to be monopolies, but given all of the competition that has emerged on the web, there's a serious question as to whether any local newspaper remains a monopoly. The Justice Department looks at these things very carefully. It's not within the purview of the FTC. But I just wanted to be clear for the record that that's a very different issue that simply says antitrust should take into account the market realities which we always try to do in our analysis.

So having clarified that for the record, Rick Edmonds, please?

RICK EDMONDS: Thank you. I'm very much in the vein of most of these panelists. But I'd like to try something just a little bit different, which is to put my media business analyst hat back on and in service of the point that there's a lot to be said at this juncture for waiting and seeing, a term that came up once or twice, but not necessarily forever too

long. And I think there's been an excellent agreement on a number of rather measured responses. But I particularly don't think this is a great time for government to jump into copyright, the dispute with aggregators.

And I don't think it's a good time to make big government investments in creation of content. And I particularly don't think it's a good time for government to get in the business of trying to pick winners among the various competing approaches we've heard. If there's one thing I've heard again and again today, it's that the disagreement about the relative contributions and the potential of traditional media, traditional reporting styles and new media, remains unresolved. And it's being worked out in the marketplace and we also heard the claims for public media and the ambitions of public media to play an even bigger role.

But for government to try to pick among these, support one at the expense of the other right now, I think would really be misreading the state of play. It reminds me a bit-- and I'm not going to be able to date this exactly. I think it was the late '80s or early '90s, there was a progressive group that called themselves the Atari Democrats who believed in strategic investments in up and coming industries. And as some of you who may recall, or fill in the blanks, it wasn't so long after they christened themselves this that Atari basically went out of business and was supplanted by other gaming companies. So there are wrong times to try to do that.

I won't go on at any length, I think you know the situation of newspapers. But I'm not sure newspapers are accurately represented in what's reported in terms of how much commitment there is to exploring innovation. Newspapers are certainly much more stable now, they didn't go out of business in droves, they're profitable enterprises. But they have very difficult decisions between doing more for their shareholders, which is a logical thing after the events of the last couple of years, rebuilding news staff, both online and in the traditional print and essentially creating more content, and doing meaningful

experiments with new revenue. There's also quite an interest now especially in the content area collaborating with the new media world.

What I think was maybe mentioned in passing but gets skimmed over is that new media has a long, long ways to go to establish sustainability. Tremendously exciting as the volume and support of startups is, Joel and others talked frankly about the difficulties of getting past years three, four, five and six if they require additional subsidies. That's not so much where either the foundation money, the philanthropic money, or indeed a venture capital and private investments tend to flow.

I'd also mention a point that Penny made that I think is a little bit under-highlighted here, and that's what's happening to the advertising marketing dollar in general. And while it's very hard to predict the future with certainty, I think most people who've looked at the trends in advertising and marketing at all would be unanimous in saying there would be a shift overtime that's going on already from traditional advertising budgets to many new forms of digital marketing. Company's own websites, events, companies advertising their commitment to the economy or to good citizenship. So that movement is going to be a challenge, actually to both the new media and the established media. And that suggests that the pace of experimentation needs to be really fast, and I think it also suggests that we're not real sure where that will all come out.

So I would say on the biggest questions, we'll know a lot more three years from now than we do now, but I don't know just what we will know then.

SUSAN DESANTI: Thank you very much, Rick. I have to say thank you to all of you who are still here and thank you to all of you for making the effort, taking the time, traveling, sticking around, for what has been an extremely educational and enlightening discussion. We really appreciate it more than I can say. This whole project really wouldn't have any merit if it didn't have your contributions to it. So I want to give you all my sincere thanks.

I think that as the commission looks at the record that we have compiled, they will look at it very cautiously and carefully, mindful of everything that's been said today about avoiding government entanglement and recognizing that we are in the midst of a transition, a profound transition, and we don't even know necessarily exactly where we are in that transition.

So, I think that they will take a very cautious and careful look and we will look forward to coming out with some kind of analysis later in the year. And once again, please join me in thanking this panel and everyone else. [applause]

END OF SESSION