

**Spring 2013
Industry Study**

**Final Report
*News Media Industry***



The Dwight D. Eisenhower School for National Security and Resource Strategy

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NEWS MEDIA 2013

ABSTRACT: The Dwight D. Eisenhower School for National Security and Resource Strategy News Media Industry Study seminar analyzed the domestic and international news market and concluded that, while some sectors are experiencing reduced revenue based on changes within the advertising market and the changes caused by the introduction of new digital technologies, American citizens continue to have access to quality news. However, the US government should take action now to maintain an environment that supports a news media industry of multiple independent producers capable of providing quality news to all Americans within a policy and regulatory environment that fosters competition consistent with the First Amendment.

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PLACES VISITED

Domestic:

Air Force News Production (Washington, DC)
 American Society of Magazine Editors (ASME) (New York, NY)
 Bloomberg News (New York, NY)
 British Broadcasting Corporation (BBC) (Washington, DC)
 Broadcasting Board of Governors (BBG) (Washington, DC)
 Cable News Network (CNN) (New York, NY)
 CBS News and *60 Minutes* (New York, NY)
 Coast Guard Public Affairs (Washington, DC)
The Colbert Report (New York, NY)
The Daily Show with Jon Stewart (New York, NY)
 Digital First (Washington, DC)
 Embassy of the United Kingdom (Washington, DC)
 Embassy of the United States (London, UK) (via Video Teleconference)
Falls Church News-Press (Falls Church, VA)
 Fox News Channel (New York, NY)
The Guardian (Washington, DC)
 Independent Television News (ITN/ITV) (Washington, DC)
 Journal Register Company (Washington, DC)
 MPA – The Association of Magazine Media (New York, NY)
 National Public Radio (NPR) (Washington, DC)
 NBC News (Washington, DC)
 Newseum and The Freedom Forum (Washington, DC)
 Nielsen (Oldsmar, FL)
 Open Source Center (Reston, VA)
 The Poynter Institute (St. Petersburg, FL)
 ProPublica (New York, NY)
 Sky News (Washington, DC)
Tampa Bay Times (formerly *St. Petersburg Times*) (St. Petersburg, FL)
The Telegraph (Washington, DC)
The Times (Washington, DC)
The Wall Street Journal (New York, NY)
 WAMU 88.5 – American University Radio (Washington, DC)
The Washington Post (Washington, DC)
The Washington Times (Washington, DC)
 White House National Security Staff (Washington, DC)

International:

None



INTRODUCTION

As recently as a generation ago, American citizens relied on the daily newspaper, the radio, and the nightly network newscast to understand the events of the day. Now, with the introduction of 24-hour cable news, mobile media, and the Internet, the availability of news is almost constant. Additionally, consumers now expect “on-demand” news that allows customization of delivery method, timing, and content. This nearly unlimited access to tailored news has heightened competition among news outlets, with many traditional news providers failing to maintain an adequate profit margin. Significant reductions in advertising revenue have accompanied this transformation leading many news outlets to cut staff, reduce circulation, and merge with other organizations to remain profitable. Some industry analysts believe these changes will lead to the collapse of the traditional news industry, and the closure of many newspapers in recent years seems to reinforce this view. However, not all of the changes within the industry are negative, with access to exceptional investigative journalism and the speed of news delivery arguably greater now than ever before. The ability to instantly share stories, images, and videos has changed the way people understand the world, and has increased expectations for transparency and government responsiveness to citizens’ needs.

The term “news” covers a wide spectrum of information, ranging from audio and video captured by eyewitness reporting devoid of any commentary to reporting based on the analysis and synthesis of numerous sources of information further refined by a journalist’s interpretation and the editorial process. News also includes reporting intended simply to inform without any reference to a specific agenda (e.g., weather, traffic), as well as punditry and advocacy pieces meant to influence the consumer. For the purpose of this industry analysis with its focus on possible linkages to national security, “quality news” is defined as a subset of the entire news spectrum, consisting of curated information that is accurate, pluralistic, comprehensive, and contextually framed to inform public policy and to maintain an informed American citizenry. Quality news is not limited to national and international security topics, but instead includes all reporting that addresses aspects of American civic life (e.g., politics, international affairs, economics) at the federal, state, and local levels as well as investigative journalism that provides oversight of public figures, institutions, and the news media itself. As important as what is contained in quality news is what is not. Quality news does not include political punditry or issue advocacy. Nor does it include topics such as entertainment or popular culture—coverage that may have significant public demand, but does not help inform public discourse.

In the United States, democracy has always relied on an informed citizenry, and the news media industry provides the information to facilitate debate, build consensus for action, and support the overall general welfare. Additionally, the news media have traditionally served as a “Fourth Estate,” monitoring and reporting the actions of government to provide transparency and oversight for the electorate. To evaluate the continued ability of the news media to provide the required quality news, this study examines the industry from business, journalistic and public policy perspectives, considering the demand for and the challenges associated with producing and delivering quality news to the American people. The future of the news media industry is unclear; however, what is clear is that a successful news media industry consists of many independent institutions producing and delivering quality news to all Americans within a policy and regulatory environment that fosters competition consistent with the First Amendment. As the industry navigates the ongoing transition, the US government must maintain an environment that supports a news media that continues to provide quality news for all Americans.



THE NEWS MEDIA INDUSTRY DEFINED

At the start of the twentieth century, the news media industry consisted primarily of newspapers that were the product of collaboration by journalists who reported the news, and publishers who chose the stories to print based on personal beliefs and profit. In almost all cases, newspapers were reliant on wealthy patrons to fund the high costs of production and distribution. However, once publishers recognized that advertising could generate revenue for newspapers, it quickly became the primary method for newspapers to maintain profitability, and since then, advertising as a source of revenue expanded to each new form of news media. While advertising allowed the news media to deliver quality news (as well as other news) to customers at a price far below actual production and distribution costs, it also supplanted the idea that the news media “sold” news to customers, thereby undervaluing the quality news the industry produced.

Technological advances have increased the ease and speed of news creation and distribution, while simultaneously reducing production and transmission costs. Beginning with the introduction of radio news in the 1920s and followed by broadcast television news in the 1950s, technology became an integral part of news production and delivery. In the early 1980s, the introduction of 24-hour cable news, followed by the advent of the news broadcast medium of the Internet in the 1990s, enabled constant broadcast of news, changing not only what news is covered, but also how the news media creates stories and packages the news for consumption. Additionally, digital media have enabled instant coverage of events from even remote areas, greatly reducing the ability of news media outlets to adequately curate a news story before it is reported.

Just as the means of delivery have expanded within the industry, the number and type of news creators have expanded. Since the start of for-profit newspapers, professional journalists have been responsible for the research and production of news stories. As news media transmission methods grew, professional journalists started to produce and broadcast audio and video news content. This journalistic growth expanded further through the Internet, with its nearly constant reporting and ease of distribution. This new medium also created opportunities for amateur or citizen journalists to report without the support of a large news organization.

Concurrent with this expansion of the supply of news has been the growth in demand for news. As broadcast means developed beyond newspapers, it expanded the volume of news content available to consumers and the frequency of updates. Now, with the numerous print, audio, and video transmission means available to journalists, most members of society can access news constantly. Consumers now expect almost continual news updates, and this demand has increased the value of digital delivery, but not necessarily the demand for quality news.

Today, the news media industry consists of news organizations that develop and deliver content via multiple media, including newspapers, magazines, radio news, broadcast television news, cable television news, and Internet news. Most of the news providers within the industry generate operating revenue through the sale of news (i.e., subscriptions) and through the sale of advertising that is included in their respective publications or broadcasts or through fees generated as part of cable subscription fees. In many cases, these news organizations are part of larger corporations that include entertainment media or other more profitable businesses that use the profitability of their other divisions to subsidize their news media operations. The increase of supply and demand for all news, combined with the rapidly evolving distribution means, has resulted in a cacophony of news that threatens to “drown out” the quality news required for effective public discourse.

CURRENT CONDITIONS



Advertising, Paywalls, and Aggregation

While quality news is essential to enable public discourse and inform the American citizenry, consumers have not traditionally paid for the production and delivery of news. Although some consumers do pay subscriptions to receive news, the associated revenue from “selling” news via subscription has been far from sufficient to support the journalism required to produce the news, therefore requiring other revenue sources.¹ Beginning with newspapers in the nineteenth century and continuing through the introduction of radio, broadcast television, and cable news, most news media outlets have used advertising revenue to subsidize the production and delivery of news. When advertising revenues were high, this arrangement provided sufficient resources for journalists and news outlets to produce the quality news that the nation requires. However, using advertising revenue to subsidize news production and delivery led to a market where news demand is not linked to the quantity or quality of news available. Instead, the ability of news providers to sell advertising alongside the news has determined the budget available to produce quality news as well as the overall volume of news produced. At times, advertising has even determined the news content delivered to the consumer, possibly undermining the overall accuracy and reliability of the news content.

Advertising continues to be a critical revenue component for news outlets. Broadcast television receives 84 percent of its revenue from on-air advertising and another 12 percent from advertising via Internet and mobile platforms.² Print news media historically commanded high advertising rates, but that business model is declining steadily under pressures from inexpensive digital advertising. Digital advertising’s low advertisement costs and low barriers to entry have fundamentally changed the market, and news outlets are trying to adapt to the change. Since newspapers typically received 75-80 percent of their revenue from advertising, this market change affected them most, and many newspapers have reduced staff or decreased circulation as a result.³ The Pew Research Center estimates that newspapers lost fifteen dollars in print advertising for every online dollar generated in 2012.⁴ Additionally, the creation of online alternatives to classified advertising (e.g., Craigslist) has virtually eliminated print classified advertising as a revenue generator for newspapers, resulting in additional revenue losses totaling \$10 billion annually.⁵

The loss of advertising revenue across the industry has led news media outlets to explore new strategies to gain advantage within the market. Some have adopted a digital subscription model, called a paywall, to sell previously free news content via the Internet. These paywalls serve as a means for consumers to directly pay for news content and as a tool for publishers to accurately measure demand for news independent of advertising content. *The Wall Street Journal* led the US newspaper industry with the first successful paywall, appealing to a financially secure, business-savvy audience, and now *The New York Times*, *Los Angeles Times*, and most recently, *The Washington Post*, have all adopted softer paywalls that allow audiences limited access before requiring online subscriptions. Other news organizations have pursued private funding through philanthropic sources to replace or augment existing advertising and subscription revenues. For example, the *Tampa Bay Times* is financed by The Poynter Institute for Media Studies, a nonprofit journalism education institution, and this independent financing supports a newsroom that continues to focus on investigative journalism despite its high production costs. Still other news outlets have looked to refine their content to capture a specific customer base built on niche content for targeted advertising, leading in some cases to content that more resembles punditry than news. Regardless of which strategy a firm adopts, all firms within the market are trying to cope with



significant reductions in advertising revenue and exploring options that will provide a comparable revenue stream to support news production.

Another aspect of the digital revolution affecting the news media industry is the explosion of social media platforms such as Twitter and Facebook. Instead of reading a morning newspaper or watching the evening network broadcast news, many Americans now connect to the news media via social media applications on mobile digital devices, such as smart phones and tablet computers. News media outlets have adapted to this change in behavior, developing formats for news that are complementary to mobile devices. Much of this news digital content does not meet the threshold for quality news, and instead simply adds to the volume of overall news that further conceals the quality news available within the market. The transition to digital delivery has also led to the phenomenon of scraping or aggregation.

Aggregation sites provide links to the news articles from other web sites, but not before sharing the headlines and lead sentences with readers. The aggregators provide a summary of the news article for readers, making it less likely a reader will need to click through to the original source on the content creator's web site. Under this system, the aggregator provides the news content to the consumer, gaining advertising revenue without the costs associated with generating the content. The original site that spent the time, effort, and expense to produce the content only generates advertising revenue if the consumer clicks through to its site. Additionally, news-aggregating applications enable users the ability to filter news topics by individual interest. Therefore, instead of watching the entire news broadcast or reading a newspaper cover-to-cover, users now have the ability to read short news summaries of what interests them most. One aggregator uses a patented algorithm to collect user preferences to scan hundreds of news sources in order to generate a customized news summary delivered to the user's mobile device.⁶ Aggregation of news content is one of the greatest threats to the existing news media model, undermining the profitability of traditional news providers and possibly reducing demand for quality news stories that will not fit on a mobile digital device.

Journalism through the Transition

Journalists recognize both the challenges and opportunities that the changes in the news media industry present. The end of double-digit profit margins and heavy reliance on legacy systems have decreased the ability of traditional journalists to shape the direction of reporting and the overall value of their craft.⁷ Traditional print news is typically a bundled, curated product devised to meet an array of readers' interests. The transition to digital consumption of news has changed reader preferences, with many now only viewing stories of individual interest and thus lessening the attractiveness of the conventional bundle.⁸ This change impacts the topics reported as well as the style of reporting, with a clear preference for shorter stories over the longer-form curated stories that were a key delivery mechanism for quality news. As news consumers continue to transition to digital and mobile digital device news delivery, newspapers will be forced to change both news content and delivery means if they are to survive.⁹

As news media organizations navigate the transition from an advertising-based revenue model, there is a sense that the loss in revenue has also resulted in a reduction of curated news. Many news organizations have cut costs, and as a result, newsrooms across all mediums (but most notably those of newspapers) continue to shrink, with international bureaus often among the first capabilities cut. However, despite these cuts, the total amount of curated news remains relatively unchanged. Today, multiple news sources across all media platforms continue to provide curated news, now often tailored to specific audiences, and new sources for this quality news continue to



appear in the digital marketplace. Additionally, while some news outlets have closed foreign news bureaus to reduce costs, these organizations have found new ways to leverage strategic partnerships with international news organizations or to use social media from international sources near a breaking story to maintain the supply of international news content. While there is more “noise” that news consumers must sort through, there are also many more sources of quality news available.

Another concern with the decline of print news media revenue is the possible reduction in investigative journalism within the traditional news media. Investigative journalism involves rigorous, time consuming original reporting that examines waste, fraud, and abuse in government and corporate organizations, challenging the powerful in an adversarial manner. This type of reporting has historically relied on newspaper newsrooms for support.¹⁰ Investigative journalists serve as the nation’s watchdog over government officials and public interests, and some experts believe a reduction in their ranks will actually encourage a rise in government corruption.¹¹ For example, a 2009 Princeton University study found that the loss of a local newspaper resulted in a measurable decrease in voter turnout and an increase in political incumbency, both of which increase the potential for abuses by elected officials.¹² Newspaper cutbacks, therefore, may decrease citizens’ ability to hold public officials accountable. Therefore, if the market cannot sustain newspapers or find a suitable substitute to support sufficient investigative reporting, US government policy makers should consider options to preserve investigative journalism.

Despite the possible risks associated with the evolution of the news media industry because of the ongoing technological and social media revolution, there are also positive changes within the industry from a journalistic perspective. Leaders in news media indicate that the overall volume of investigative journalism continues to increase in scope, depth, and quality due to technological enhancements despite fewer numbers of personnel and limited investment in these types of stories.¹³ As an example, the ability to quickly access and analyze large amounts of documents and data has enabled investigative journalists to craft thoughtful, investigative stories in a fraction of the time required a few decades ago. Additionally, amateur journalists and the public itself now have a participatory role in modern journalism.¹⁴ Anyone with a smartphone or access to the Internet can publish stories for the world to see, and this previously unharnessed capability has provided new sources for news. The amalgamation of traditional journalism infused with the insights of citizen journalists has also resulted in collaborative products and new sources for news.

CHALLENGES

Polarization and Infotainment

The lapse in the “Fairness Doctrine” and the dynamic expansion of the cable news market in the 1990s influenced the rise of content called “news” that actually contains significant amounts of opinion and advocacy.¹⁵ In the competition for viewers and the advertising revenue viewers bring, news organizations realized they must differentiate themselves in order to achieve and sustain profitability. The Cable News Network (CNN) was the first to break the traditional broadcast network news paradigm with the introduction of the 24-hour news channel, and outlets such as MSNBC and Fox News later followed, with each new entrant trying to carve out a specific niche with viewers. The success of Fox News in providing content aimed at conservative viewers led pundits to coin the term “Foxification” to refer to the situation when news organizations appear to openly cater to an audience through the lens of a specific ideology (e.g., conservative or liberal),



abandoning objectivity if necessary in order to serve their audience. Today, many forms of news delivery (e.g., newsprint, radio, broadcast television, cable news, Internet) contain commentary presented as news, and some cable news outlets seem to rely on the presentation of issues and topics with a decidedly deliberate bias. Whether a news outlet's purpose is advocacy, agenda setting, entertainment, information delivery, satire, watchdog function, or something else, there is no required balance of controversial issues.

The Fox News strategy has been extremely profitable, which is rare among news organizations today, and its competition has followed suit with focused coverage and commentary. This trend is concerning from a policy maker standpoint as the ubiquity and popularity of commentary and punditry in news organizations may affect public discourse, both because the electorate may be misled by opinions misconstrued as facts and because the public seems to prefer opinions to facts as long as the opinions support their respective view of the world. Although a majority of Americans still receive their news by watching broadcast television news, the continued preference for punditry labeled as news, and the resulting echo-chamber it creates, may hamper informed discourse and mislead consumers looking for quality news and ultimately weaken American democratic processes.¹⁶

With the increase in news media options and the polarization of content, there has also been a blurring in the distinction between news and entertainment, with some critics suggesting that there is little distinction between the two, as exemplified by the “infotainment” phenomenon in shows such as *The Daily Show with Jon Stewart*. At first glance, that show's selective content, emphasis on humor, and blending of factual and fictional material does not appear remotely close to a news organization in the traditional sense. However, as the Project for Excellence in Journalism recognized, *The Daily Show* often aims for more than just comedy. Other studies found that *The Daily Show*'s content focuses on politically significant issues and frames the policies and stances associated with those issues in a manner that, at times, makes it as substantive as “real” news.¹⁷ Moreover, it utilizes satire and humor to perform a watchdog function on the hypocritical and absurd actions of public figures or the trivial focus and echo-chamber approach of the mainstream media. This satire and humor format has the added benefit of increasing young viewers' confidence in understanding those issues and creating a healthy sense of skepticism in those viewers of external organizations.¹⁸ Furthermore, it serves as a gateway for otherwise apolitical young viewers to attend to the issues.¹⁹ These positive effects led the Project for Excellence in Journalism to conclude in its study that, “...*The Daily Show* performs a function that is close to journalistic in nature—getting people to think critically about the public square.”²⁰

Citizen Journalists

Anyone with the desire to post information online has the ability to create online commentary using free software. The range of credibility of so called “citizen journalists” varies widely, from opinion-based bloggers to professional journalists. The ability for anyone to blog has concerned some, but bloggers have often served as a watchdog for traditional news media. For example, more than a decade ago, bloggers published comments made by Senator Trent Lott at Senator Strom Thurmond's birthday celebration that were widely perceived to be racist. While the traditional media did not cover these comments, blogs did publish these remarks, and ultimately led the senator to step down as the Senate majority leader.²¹ Since then, bloggers continue to report on all manner of news, and are now both sources of information for traditional news outlets to create quality news stories and also journalists in their own right, reporting quality news and appearing alongside professional journalists at press briefings at the White House and the Pentagon.²² There



is also a trend for traditional print journalists to maintain a professional blog in addition to publishing their regular articles.

While the rise of citizen journalists has led to more coverage of topics associated with quality news, bloggers do not always demonstrate the professionalism and expertise consistent with journalists in the traditional news media. The Internet allows anyone to express thoughts and opinions through writing, blogging, videotaping, and photography, and this has led to all forms of material, much of which would not meet the standards of professional journalists. Even within the news media industry, there are limited mechanisms available to maintain common standards and no overall governing body of ethics to guide the creation of quality news. Furthermore, it is difficult to monitor the content of thousands of blogs every day, and almost impossible to monitor their accuracy. Therefore, each news outlet (and possibly each journalist) must rely on internal policies to manage standardization and discipline. Notably, both professional journalists and bloggers are accountable for libelous and defamatory posts, and the Federal Trade Commission (FTC) now requires full disclosure by bloggers who receive free merchandise or services that they endorse online.²³ The essential nature of quality news in support of public discourse and overall national security requires high standards for reporting, regardless of news outlet or medium. Citizen journalists will continue to play a role in providing quality news, but just as with professional journalists' reporting, consumers should examine citizen journalists' reporting in the context of agenda, accuracy, and transparency, and the government should act if this new reporting threatens citizens' overall access to quality news.

OUTLOOK

Some scholars argue the FTC has misidentified journalism as a public good. For news to be a public good, its products would have to be non-rivalrous (where one consumer's use does not limit another's use) and non-excludable (where consumers can be excluded from accessing and using a product).²⁴ This is not the case for news journalism, which is non-rivalrous and excludable (a quasi-public good). News is more accurately described as a public or social benefit than a public good. Investigative journalism provides an important watchdog function for the American citizenry, but consumers have traditionally paid very little for it. In the past, subscription revenue generally only paid for printing and delivery, while publishers used advertising revenue to maintain newspaper newsrooms.²⁵ With news revenue declining, the market may not be able to sustain the needed quantities of investigative journalism. This has already led newspapers to reduce the numbers of journalists devoted to investigative stories despite the obvious good this in-depth reporting brings to society.

Through an analysis of the news media industry, the resulting conclusion is that there is a market failure, and the nature of the industry leads to the assessment that the current market failure is due to a positive externality instead of a public good. In a positive externality, people who do not pay for the product still gain a benefit and there is under-production from deficient economic demand. There is a greater marginal social benefit for the public than the marginal private benefit directly represented by the revenue to the news media from advertising, subscriptions, and other fees. The means available for the government to address this positive externality are through subsidy, regulation, or for the government to take no action and allow the market to resolve the issue.



The positive externality within the market and recent changes within the news media industry brought on by the explosion of the Internet may pose a threat to the overall availability of quality news in the future. Aspiring news organizations no longer need to support expensive organizations to print newspapers—the only infrastructure an organization now needs is Internet access in order to provide online content. This change effectively reduced the demand for print newspapers and subsequently reduced the rate papers could charge for print advertising. In fact, overall industry print advertising revenue and employment is, “down 30 percent since 2000 and below 40,000 full-time professional employees for the first time since 1978.”²⁶ This chain reaction caught most news media executives by surprise, leaving them with little idea of where, when, or how to compete in the changed marketplace. Ownership clung to an outdated model of competition as newspaper revenue continued to decline despite modest increases in digital advertising volume and paywall induced digital subscriptions. This reduced revenue caused most traditional news outlets to reduce newsroom staff because the first response by most management teams was to cut costs in an attempt to limit losses. These reductions within newspaper newsrooms have reduced the volume, and possibly the quality, of reporting originating in traditional newsrooms. Additionally, large newspaper newsrooms have often been the source of the majority of curated news throughout the news media industry. Reductions of journalists in these newsrooms will have a ripple effect across radio, broadcast television, cable television, and Internet news. Furthermore, reduced revenue has also led newsrooms to pursue fewer investigative stories because these stories require large investments of time and talent.

However, just because there is a reduction in curated content produced by traditional newsrooms does not necessarily mean there is a reduction in the overall volume of curated information. The increase of digital news delivery has led to growth in amateur video content and increased transparency for both public and private institutions through near-constant observation by citizen journalists. Citizens now have the ability to report breaking news via Facebook, Twitter, and many other social media and online sites. While the majority of this content is uncurated news by traditional standards, it does provide rapid reporting that often becomes the foundation of professional journalists’ more detailed stories. There has also been growth in non-traditional news outlets providing the investigative reporting and quality news that the nation requires. Nonprofit outlets such as ProPublica, the Franklin Center for Government and Public Integrity, and Stateline.org all provide watchdog reporting on government at all levels as well as substantive investigative reporting.

While the continued production of quality news by non-traditional news outlets is reassuring, there are also concerns with the delivery of quality news to all Americans. As traditional news media outlets shift resources from more expensive investigative journalism to less expensive reporting focused on rapid publication of news without curation, the US government must ensure that that quantity of quality news is sufficient to provide all Americans multiple options for consumption. This is especially true as more news content moves to the Internet, relying on a digital connection and possibly a digital device to access it. For some Americans, this access might be a single newspaper and a local radio station, but multiple options for quality news are essential to provide Americans unbiased oversight of government and the information needed to participate in the democratic process. If the loss of some traditional news outlets (i.e., newspapers) threatens this access to quality news, there is a risk that some Americans could become alienated from the governing process and government could become corrupt.

GOVERNMENT GOALS AND ROLE



The US government has historically used public funding for nonprofit organizations to augment the commercial news media in the creation and distribution of quality news. National Public Radio (NPR) and the Public Broadcast Service (PBS) are the two most influential news organizations receiving US government funding. NPR provides funding for radio programming and station operations across the country, and in many rural areas of the United States, this public radio broadcast may be one of the few sources of news. Moreover, NPR operates in a cooperative manner with the local stations, paying almost all operating costs for smaller market stations while charging stations in large markets higher fees for content. In a complementary manner, PBS provides educational programming to the American people through a network of local television stations supported by private donations and limited government funding. Both NPR and PBS provide access to quality news coverage, offering an alternative to the profit-based partisan reporting of many cable news organizations. Nonprofit organizations are also demonstrating a potential capability to fill the gap in the volume of investigative journalism left by funding reductions within commercial news outlets. However, not all within the industry see government funding for news as appropriate. While both NPR and PBS have shown that public philanthropic support could support their existing operations, the minimal government support they do receive provides a link between the government and the news media that helps maintain the idea of quality news as an essential component of public discourse.

In addition to the existing funding for NPR and PBS, the US government could explore other methods to provide quality news to all Americans. Because the news media suffers from a positive externality, both additional subsidies and new regulations would be applicable solutions to compensate for the market imbalance. Subsidies could be applied to the content aspect of the news, focusing on investigative journalism and the production of quality news, or the distribution aspect, ensuring quality news is delivered to all Americans via multiple sources and mediums, especially where broadcast and other communications infrastructure is not available due to cost, such as in rural and economically distressed communities. This type of intervention would be most appropriate if the government assesses the creation and distribution of quality news is being “drowned out” by the volume of other news or if the failure of traditional news media to compete in the digital age has created a gap in access to quality news. Alternatively, if the government believes that quality news is no longer profitable due to changes in technology that place traditional news outlets at a competitive disadvantage, regulation might be a better solution. One change could include modifications to intellectual property rules forcing news aggregators, scrapers, and search engines to pay for the news content they get from those who actually produce the news. Another change could address content within existing news broadcasts, requiring better identification of opinion content or mandating greater “fairness” standards that require plurality in opinions presented regardless of market demand for certain views. In either case (i.e., subsidy or regulation), direct intervention by the government within the industry could weaken the perceived independence of the press or reduce its ability to serve as a watchdog for the citizenry.²⁷

Policy Recommendations

After examination of the industry, the News Media Industry Study seminar considered numerous policy options to address the existing positive externality within the market as well as other trends that could threaten future access to quality news. These options included tax exemptions or subsidies for specific news delivery methods, changes to the Internal Revenue Code 501(c)(3) procedures for nonprofit status of news outlets, new regulations to prevent aggregation of news from traditional news media outlets, and direct government provision of mobile digital



devices to allow citizens access to digital news and social media. However, based on the current US budget constraints and the desire to minimize government intervention in the news media market, the seminar dismissed these policy changes as unsupportable and unnecessary. Instead, the seminar recommends the following policy actions to hedge against future reductions in accessibility to quality news for all Americans.

1. Congress should update the “Fair Use” doctrine to reflect accurately the modern digital use of the news. The “Fair Use” doctrine codified in the “Copyright Act of 1976,” 17 U.S.C. §107, allows for the use of copyrighted materials for a variety of purposes, to include news reporting.²⁸ Because “Fair Use” has permitted the use of headlines and leads by news aggregators, it has allowed the aggregators to earn a significant amount of advertising revenue without compensating the originating journalists (or their organizations) for the work. This revenue transfer away from the originating journalist could eventually result in fewer quality news stories, as journalists and their organizations refuse to invest the time and effort required to produce them. Additionally, the news stories produced by aggregation do not usually meet the standards of quality news and instead add to the growing volume of total news that obscures quality news. Therefore, the Congress should update 17 U.S.C. based on the lessons learned from the music and movie industries’ transition to digital content to better protect journalist’s original content from aggregation without compensation.

2. Government should increase transparency by better use of digital media. Government information policies at the federal, state, and local levels should meet defined quality standards that mandate clear, timely, factual, and accurate reporting of all public policy issues including budgetary and legislative matters.²⁹ Government communications staff should develop and post relevant information on their web sites that go beyond the minimum Freedom of Information Act requirements, and instead should include regulatory and policy information as well as the digitization of all government-held public records. Government should also use social media tools to better facilitate two-way communications between government and the citizenry. These changes to public information disclosure policy will facilitate access and analysis of this information by investigative journalists, which will better support the news media’s role as a public watchdog and its efforts to produce quality news despite reduced revenue.

3. Congress and the President should authorize subsidies for broadband in rural areas. With a greater number of news providers adding online content or switching entirely to digital formats, the Internet is increasingly essential to access quality news. Broadband capability in rural areas continues to be limited, with many households having insufficient capability to use the Internet for news consumption.³⁰ The closure of local print newspapers in many rural areas has further reduced the already limited options for news, making broadband capability vital to maintaining access to quality news in these areas. Previous Congresses have introduced legislation to provide broadband access in rural areas and the Obama administration has publically supported these initiatives; however, no legislation has yet become law.³¹ It is imperative that the legislative and executive branches work together to enact these subsidies to provide broadband access for all Americans to facilitate the continued delivery of quality news.

ESSAYS ON MAJOR ISSUES



Over the course of five months, the seminar studied the various issues associated with the news media industry. Through seminar discussions, meetings with industry leaders, site visits, and secondary research, seminar members identified numerous issues involving technology, changes in revenue streams, and viewing trends in broadcast media affecting the viability of the news media industry. CAPT Joseph Grealish examined the impact of rapid technological improvements and changing consumer habits involving print media, and the resulting opportunities for strong news publications. Mr. Jon Carter focused on the impact of news aggregators that “scrape” news articles from multiple sources before repackaging them, thus affecting revenue sources associated for the original publisher. Other seminar essays focused specifically on trends in broadcast media. COL James Chapple researched the role of entertainment news programs like *The Daily Show with John Stewart*, and how satirical commentary shapes the perception of world events among younger demographics, while Mr. Brian Hosler explored how the “Foxification” of broadcast news reflects viewer preferences and its impact on elections. Three seminar members examined different policy options associated with the curation and dissemination of quality news. Mr. John Frame researched the role of government subsidizes for the news media, while Lt Col Jonathan Bland looked at policy options to encourage investigative journalism in an era of decreasing resources. Lt Col Michael Gimbrone reviewed the applicability of the Fairness Doctrine, and determined the status quo of no Fairness Doctrine enforcement appeared to be working in an environment where market forces, not government regulations, determine coverage. These essays explore some of the opportunities and challenges in today’s news media industry.

DEATH OF THE NEWSPAPERS, OR THEIR GREATEST OPPORTUNITY?

CAPT Joseph Grealish, US Navy

The newspaper industry is going through a period of incredible transformation and destruction, driven by rapid technological improvements and changing consumer habits, providing a tremendous opportunity. Strong newspaper brands will enjoy a “flight to quality” that will strengthen their market position. Many brands will thrive in the coming years, maintaining, and perhaps increasing, their dominant position in the daily conversations of America’s informed citizenry. While the delivery mechanism will adapt to societal changes, the underlying journalism will remain. For most American news consumers, more information is available, on more devices and for less cost, than ever before, a triumph for the industry.

Newspapers have been an important part of American civic life since the founding of the republic. The number of newspapers in the American Colonies grew slowly through the revolutionary period, but skyrocketed in the decades following independence.³² The pace of newspaper creation grew through the early nineteenth century, outpacing population growth over the same period.³³ Before 1830, high printing costs were somewhat offset by a subsidy, usually from a workers’ union or a political party, necessarily swaying editorial content.³⁴ Improved printing technology from 1830 led to an economic model of selling news as cheaply as practicable (to increase circulation) and offsetting that lost revenue by advertising.³⁵ This new focus on increasing circulation also led to more focus on reporting hard news and journalistic quality.³⁶ The twentieth century saw the emergence of the newspaper industry familiar to readers today.³⁷ The focus on serious reporting helped carry the papers through the Great Depression and set the journalistic framework that most of today’s readers are familiar.³⁸ The increasing competition



among newspapers in the early twentieth century resulted in many closures and with ownership concentrating within fewer firms.³⁹

Newspapers remain critical to providing “news of verification,” providing information and/or accountability.⁴⁰ Newspapers are the primary source of core journalism, producing over 80 percent of the “accountability journalism” and “news of verification” product delivered by paper, television, radio, and Internet.⁴¹ Consumers have typically avoided paying for core news and softer news and sensational content subsidizes the more valuable national security news.⁴² The technological changes occurring in the past decade introduce new competition for readers’ time and completely upend the newspaper industry’s dynamic. Although some point to the Internet as the disruptive technology, it bears remembering that the industry’s best years occurred during the Internet’s heyday. It is the new mobile devices, tablets, and smartphones, combined with social media applications, which are driving newspapers to the brink of failure.⁴³ Fortunately for the industry, mobile news consumers are proving willing to pay for their news. Advertising rates on mobile devices, while very low, could increase as younger users, who are more likely to click on tablet advertisements, increase in number.⁴⁴ Recent studies show that tablet users are more likely to sign up for digital subscriptions, and could develop into a sustainable revenue source.⁴⁵ Advertisers are following consumers to the Internet and mobile devices; however, online revenue is one-sixteenth the amount for equivalent reach⁴⁶ and most expect the advertising revenue from mobile devices to be far smaller.⁴⁷

The current collapse in newspaper revenue follows an unusual period of high profitability, beginning in the 1970s. As recently as 1994, the American Journalism Review explained that newspaper profits were high due to short supply chains, and that the nature of the newspaper business would likely ensure high profits for a very long period.⁴⁸ Newspaper advertising revenue did not reach its peak until 2000, at \$48.7 billion, until falling precipitously after 2006, tallying just \$20.7 billion by 2011.⁴⁹ Since 80 percent of a newspaper’s revenues typically come from advertising,⁵⁰ this drop is driving papers to paywalls, finally leading consumers to pay for their news.⁵¹ Subscriptions vice advertising will increasingly drive profitability in the near term.

The received wisdom is that newspaper newsrooms are in decline. Certainly, the number of journalists working at newspapers is at the lowest point since 1978.⁵² However, each of these professionals is far more productive than their 1970s counterpart, and produces far more and across multiple platforms. From a media consumer perspective, access to information has never been better.⁵³ In a number of interviews, respondents indicated that they felt the best journalistic work was being done today.⁵⁴ Technology is simply allowing fewer reporters the ability to access and research topics on both a broader and deeper level than at any other time. The newspaper industry has weathered change before. This current period of change, a transformational one that will cause many firms to close, will leave the industry in a leaner and healthier condition, keeping the American citizenry well informed on the news of the day.

SCRAPING THE NEWS, INFECTING DEMOCRACY

Mr. Jonathan Carter, Federal Aviation Administration

Although slow to react to the Internet age, newspapers now have their “electronic feet under them,” and are gradually working towards a profitable business model. To achieve and sustain this health, news providers need protection from entities that misappropriate their work and siphon away their revenue. In Internet business terms, newspapers need protection from aggregators that “scrape” the news. Our democratic government, dependent on a steady diet of information and



enlightenment that the news organizations offer, should provide this protection. News aggregators are web sites that provide access to stories from a variety of different news content providers. Most provide a link to the original news site after providing a headline and summary. At first glance, they appear to be a good way to do one-stop shopping for news. Not so, says Bill Keller, writer and former editor of the *New York Times*. “Too often it amounts to taking words written by other people, packaging them on your own web site and harvesting revenue that might otherwise be directed to the originators of the material. In Somalia, this would be called piracy. In the mediasphere, it is a respected business model.”⁵⁵

Huffington Post is one of the more famous (or infamous) aggregators, but even a traditional Internet platform such as Google performs the same function through their news pages and search engine. Google News provides headlines linking to the original newspaper web site, but also shares the original “lede”—an article’s lead-in sentence that, combined with the headline, can summarize the story. This is where the actual news producers cry foul. Able to read a summary of the story, users are less likely to click through to the article on the originator’s web site. Under this system, Google gets to sell advertising against someone else’s headlines and ledes, while the originating news organization that spend the effort and money to produce a story only get a page view (and ad revenue) if a user actually clicks through to their web site. The originating newspapers and news wires believe this is a parasitic relationship.

Many aggregators argue that they offer a symbiotic relationship with the original content providers. People who go to Google or the Huffington Post every day for a quick synopsis of the news will see summaries of stories from various newspapers and wire services. If they are still interested in the story, they can follow the link to the original news source. It is a win-win according to the aggregators-scrapers. However, is it parasitic or symbiotic? According to a recent court decision, it may depend on the “click-through rate.”

On March 21, 2013, a US District Court handed a victory to the news originators. The court found that a news-aggregating subscription service, Meltwater News, infringed on Associated Press (AP) content. Meltwater is a digital press clipping service that searches the Internet for key words in news articles and then provides the headlines and keyword portions of those articles to its paid subscribers. When AP asked to be paid for the use/sale of its content, Meltwater refused. Meltwater claimed that it used snippets of AP’s articles under the “Fair Use” exception of copyright law, i.e., Meltwater only used excerpts and did not harm AP’s ability to earn revenue. Like other aggregators, Meltwater claimed that its subscribers could click through to the AP web site for the full article. However, the evidence showed that Meltwater subscribers clicked through to the AP site only 0.08 percent of the time.⁵⁶ In her decision, Judge Denise Cote said, “Instead of driving subscribers to third-party web sites, Meltwater News acts as a substitute for news sites operated or licensed by AP.”⁵⁷

If it stands, the AP vs. Meltwater decision will be an important step towards allowing those who produce news content to continue to earn a living doing it. Courts must continue to recognize that today’s real-time digital news business model is dependent on page views, and even small excerpt strips revenue from the original content producer. The “Fair Use” exception codified in the Copyright Act of 1976 never envisioned this. A new digital-age copyright law should specify that, though factual information may not be copyrightable, the manner in which it is reported is protected and even small excerpts may unfairly degrade the value of the news products being excerpted.

The US government must make the continuance of independent news production a priority (just as non-democratic governments make suppressing the news a priority). As Judge Cote said



in her decision, “Permitting Meltwater to take the fruit of AP’s labor for its own profit, without compensating AP, injures AP’s ability to perform this essential function of democracy.”⁵⁸ Protecting news production is also a case of protecting democracy.

MORE THAN JUST FOR LAUGHS: THE ROLE AND IMPACT OF *THE DAILY SHOW* **COL James Chapple, US Army**

The Daily Show with Jon Stewart (hereafter referred to as *The Daily Show*) has grown to become one of the most popular late night talk shows on television, especially within the demographic of 18-49-year-old viewers.⁵⁹ Even with its self-proclamation to be nothing more than a “fake” news comedy show, the show’s coverage of significant political issues suggests it is something more than typical late night entertainment. *The Daily Show*, in fact, is the best example of how the difference between “real” news and entertainment is smaller than ever and may not even exist any longer. The blurring of this distinction makes adherence to certain standards for certain entertainment shows increasingly important.

The Daily Show does not attempt to curate or report on all the news events of the day, but generally follows the same focus topics as the mainstream press with a more selective emphasis on satirizing Washington politics and how the mainstream press covers the news. While the emphasis is clearly on humor, the show’s framing of the policy debate and stances surrounding the issues is often comparable in quality to the mainstream media or “real” news.⁶⁰ This quality coverage along with the show’s satire of contradictory or absurd actions by public figures and trivial or echo chamber coverage by the mainstream media results in *The Daily Show* performing the agenda setting and accountability functions typically associated with “real” news. These characteristics led the Project for Excellence in Journalism to conclude in its study of *The Daily Show* that the program often aims for more than just comedy and it “...performs a function that is close to journalistic in nature—getting people to think critically about the public square.”⁶¹

The style of comedy with which *The Daily Show* performs this function has a particular effect on its most loyal demographic, young viewers. The show’s sarcasm and satire lower young viewers’ external efficacy, which is their faith and trust in the responsiveness of governmental authorities and institutions to citizen demands.⁶² The sarcasm and satire simultaneously increase young viewers’ internal efficacy or confidence in their own ability to understand politics⁶³ because the show portrays “...the complexity of politics as a function of the absurdity and incompetence of political elites,” rather than a lack of the young viewers’ understanding.⁶⁴ Finally, the show’s comedy and irreverent approach to the news serve as a gateway to attract otherwise apolitical young viewers and increase their attentiveness to political issues.⁶⁵ These effects further reinforce *The Daily Show*’s watchdog and agenda setting functions of creating a healthy skepticism in external institutions and getting viewers, particularly young ones, to attend to and think critically about public issues.

Performing roles traditionally associated with the “real” news carries with it a responsibility to follow standards that are greater than a typical comedy show. Critics have suggested pluralism, verisimilitude, and transparency as potential criteria.⁶⁶ *The Daily Show* has consistently relied on its description as a comedy show to resist attempts at holding it to any standards. Even with this resistance, the show already frames issues well and has earned a reputation for factual reporting.⁶⁷ The primary concern, given its limited view of itself as a comedy show and resistance to standards, is the show’s lack of transparency. It should provide some insight into how guests, stories, and



issues are chosen, the extent of fact checking, and the degree to which values other than humor enter into the equation.⁶⁸ *The Daily Show* would then be operating by the requisite journalistic standards for an organization with its role and impact within an industry where the difference between “real” news and entertainment continues to fade away.

THE FOXIFICATION OF THE NEWS MEDIA: IMPLICATIONS FOR THE POLARIZATION OF THE US ELECTORATE

Mr. Brian Hosler, Dept of the Navy

In an era when the news is often labeled as “infotainment,” many consumers of news yearn for a simpler time—what many consider the “golden age” of broadcast television news. Recently, there has been much discourse from consumers of news over the “Foxification” of the news media. The “Foxification” of the news refers to the phenomenon whereby news organizations appear to openly cater to an audience through the lens of a specific ideology, i.e., conservative, liberal, or otherwise, abandoning objectivity if necessary in order to cater to that audience. The term “Foxification” comes from Fox News, which many consider the most blatant example of a news organization aligning itself with a particular ideology.

The fear of many news consumers is that this phenomenon lowers the “quality” of news. If one subscribes to the theory that Foxification politicizes the news, then there is a legitimate concern over a polarized electorate. If this polarized electorate subsequently votes accordingly, the nation will be stuck in a never-ending cycle of gridlock. Moreover, if that is true, this has potential national security consequences.

The Foxification of the news is largely a result of market forces. In the competition for viewers and the advertising revenue that they bring with them, news organizations have realized that they need to differentiate themselves in order to achieve and sustain profitability. It is common for Americans to believe that the news media should be objective in its reporting. However, the objectivity associated with the “golden age” of broadcast television news may ultimately be the exception rather than the rule. Objectivity in the media is a relatively recent phenomenon, historically speaking. In fact, “America’s Founding Fathers nurtured a vibrant, fiercely partisan press with no licensing of newspapers or policing of content.”⁶⁹ To understand how objectivity came to be so sacrosanct, one needs only to follow the money. “During the 19th century newspapers gradually adopted a more objective stance. By appealing to a wider audience, they were able to increase their circulation and hence their advertising revenue.”⁷⁰ What followed was a more detached style of writing and reporting, so as not to isolate audiences. The invention of television opened up a completely new platform for reaching mass audiences. The same “grand bargain” that newspapers made with advertisers in the early 20th century were struck with television broadcasters years later.⁷¹

However, there was very little differentiation between the networks and their evening news broadcasts. Each night the content was usually the same across the three networks, to include what led the broadcast on each and what the major stories of the day were. Each network reported the news as objectively and as detached as possible. Despite the importance of the evening news broadcasts to the public, the news was never a major source of income for any of the networks. The news was mostly supported as a part of the networks’ brands, and was largely subsidized by other revenue streams from entertainment programming. Fox News decided to change the game and differentiate themselves from both the network newscasts and their main cable competitors.



They were able to do this by carving out a niche for reporting stories that they said the other news networks were not reporting.

The greatest voter turnout for a Presidential election in the United States since the television age began in 1960 was 64.8 percent of the voting age population—in 1960.⁷² For the first 20 years of television news, voter turnout steadily declined even though television news was seen as objective at the time. In races for the US House of Representatives, the trends are similar. A relatively low percentage of the eligible population regularly votes. This calls into question whether a polarizing news media creates a problem or exacerbates an existing one.

Many other factors contribute to the country's ideological differences. Religious beliefs guide many voters' ideologies and where they stand on social issues. An evening newscast is unlikely to sway someone whose ideology is deeply rooted. Single-issue voters tend to be passionate about their issues and are not easily swayed. Furthermore, decades of gerrymandering have left many Congressional incumbents running virtually unopposed, which helps to exacerbate Congressional gridlock.

The evidence would suggest that the Foxification of the news is a symptom of the polarization of the electorate rather than the cause. At worst, it exacerbates a problem whose root causes run much deeper than the nightly news broadcasts. To suggest that the cure for the polarization within the country is a completely objective media is wishful thinking.

SUBSIDIZING THE NEWS MEDIA

Mr. John Frame, Dept of the Army

There is no shortage of information and news when you look across the expanding set of sources and media. International, national, and local news both historic and current is available at an unprecedented level. If this is the case, then what is the problem? Two issues should concern the US government, accessibility and quality of content for the news available to citizens. Given the situation today, do our current subsidies give us the outcome we are trying to achieve?

Web users now have wide access to media outlets with information and varied opinions from around the world.⁷³ This rich environment offers a potential counter-balance to the reduction of United States news bureau reporting. However, the way the web operates provides a number of new challenges that prevent it from fulfilling all our requirements for news.

First, there are still news production costs to finance. Traditionally, these costs were borne through advertising, and to a lesser extent subscriptions. This revenue model does not work on the web, which is making it difficult for traditional media simply to shift to the Internet as a platform. *The New York Times* is leading a shift to a paywall in an attempt create a revenue model based increasingly on subscriptions. However, this effort will fail if the Huffington Post and other web news providers are allowed to continue to summarize subscription content and provide it free of charge. Second, web access is costly and not all citizens can afford it. Ready and routine access to news on the web requires a costly home connection to the Internet or a mobile data program, which many citizens find difficult to afford. These citizens are most likely to have access to broadcast television in their homes and radios in their automobiles.

Radio and television provide an accessible means of acquiring news for most citizens. However, both use a traditional revenue model of advertising and depend on the ability to attract listeners and viewers. Consequently, they focus on the news that affects people's lives or that has a compelling appeal. Major stories on politics and foreign relations will be covered by commercial



broadcasts and provide orientation, while outlets such as NPR and PBS provide the opportunity for citizens to delve deeper if desired.

What we are facing then is a transition in news that will take some time to complete, during which citizens will need news on a broad set of platforms including traditional media.⁷⁴ Web-based news accessible via broadband and mobile appears to be the next common platform for citizens to access news. In view of this, recommended policy actions should assist the industry in developing an Internet-based market while ensuring news is accessible and of such a quality that citizens are well informed.

Producing quality news is costly and must lead to a return on investment, either directly or indirectly. Providing copyright protection to intellectual property published exclusively by a reporter or resulting from an investigative journalist's work would increase the opportunity for revenue and differentiation of a news source.⁷⁵ Sources like NPR and PBS are meeting objectives in providing news to consumers and are well positioned to continue that task during the lengthy transition from print media and towards the Internet. Continuing current subsidies is a smart policy that allows market forces the time to organize a healthy web- and mobile-based news market. Reductions would likely leave remote areas of the nation without radio coverage. Reductions would likely also degrade PBS news production quality.

The cost of broadband access is a barrier for citizens to access Internet news. A tax credit for lower income families would facilitate the transition to the Internet and support the industry. The transition from print is in progress. Reinstating reduced postal fees and returning to print publication of legal notices will probably not halt or reverse the industry trend.

News media is rapidly moving to take advantage of new technology and meet consumer needs. The web provides a rich environment with much broader content than traditional media ever could. Users can reach out for and tailor the news they want. The market is changing dramatically; its dependable and lucrative advertising model is no longer viable to support the expenses of news reporting and curation. Competition will eventually find a new revenue model that meets the demand and establish a variety of choices in curation. The US government can best facilitate a successful transition through a relatively limited set of policy actions and with current subsidies.

POLICY OPTIONS TO SUPPORT INVESTIGATIVE JOURNALISM

Lt Col Jonathan Bland, US Air Force

Newspapers traditionally drove the daily news agenda and created the bulk of its critical, investigative content, but they are struggling to survive in the modern marketplace. Many have already shut down, and if the rest cannot find sustainable business models to support their newsrooms, the news industry may lose its historic engine for investigative reporting and the critical watchdog function it provides. Because the market is currently struggling to solve this problem, government policy makers should consider their viable options to help.

Since the 18th century, newspapers excelled at reaching large audiences to cover important issues and encourage public debate.⁷⁶ In order to produce their content, newspapers grew large newsrooms and invested more in news generation than any other medium even after the advent of broadcast and internet competition.⁷⁷ These newsrooms dominated the expensive, time-consuming craft of investigative journalism, and newspapers shouldered this load because they either could afford it or were owned by families wealthy enough to support it on principle.⁷⁸ Today, however, demographic and advertising shifts toward Internet and mobile news sources are devastating



newspaper revenues and threatening the survival of both the newspapers themselves and the investigative journalism they support. Print circulation is at its lowest level since 1970,⁷⁹ and overall advertising revenues fell over 50 percent since 2006 despite growth in online advertising.⁸⁰ Since 1990, over 200 newspapers ceased circulation, and those that remain are scrambling to find viable business models.⁸¹ In an effort to cut costs, many newspapers reduced newsroom staffs⁸² as well as one of their most expensive activities: investigative reporting.⁸³

The threat to newspapers, therefore, constitutes a threat to investigative journalism. Policy makers should consider options to intervene because watchdog reporting underpins a healthy democracy, and some experts believe the recent newspaper staff cuts will actually encourage a rise in government corruption.⁸⁴ A 2009 Princeton University study, for example, found that the loss of a local newspaper resulted in a measurable decrease in voter turnout and an increase in political incumbency, both of which increase the potential for abuses by elected officials.⁸⁵ To act appropriately, however, one must understand the market failure. Investigative journalism provides an important function for American society, but consumers have traditionally paid very little for it. Subscription fees generally only covered printing and delivery, while advertising revenues sustained newspaper newsrooms.⁸⁶ With these revenues in free-fall, the current market cannot sustain investigative journalism, and newspapers are under-producing it despite the obvious good it brings to society. In economic terms, this is a positive externality, and regulators could therefore support investigative journalism through subsidies, regulations, or by doing nothing and trusting the market to find an adequate solution.

In this case, policy makers should remain wary of acting too boldly. Newspapers are searching for new business models to survive, including paywalls and supply chain efficiencies, and investigative journalists are finding sustainable bases of operation and harnessing the Internet environment to collaborate and perpetuate their craft. In addition, universities and nonprofit organizations are increasingly utilizing their noncommercial advantages to support quality investigative reporting.^{87,88} Even if newspapers cannot survive, investigative journalism likely will survive because investigative reporters "got into it because they think it's important. They can't not do it."⁸⁹ Brant Houston, a founder of Investigative Reporters and Editors, Inc., believes that individuals will find ways to collaborate in order to unearth and report on critical, investigative stories because, "History promises that a market economy has the capacity to renew itself from the grassroots."⁹⁰

There are positive steps government regulators could take, however, to support investigative journalism in this time of transition. They should not subsidize investigative reporting directly due to concerns over conflict of interest, but should enact policies that make investigative journalism easier or less expensive. Federal, state, and local governments should improve transparency by requiring themselves to publish their information, data, proceedings, and policies on the Internet in formats easy to find and analyze.⁹¹ As an expert at the Poynter Institute recently stated, "Open records are the foundation of democracy," and requiring these records to reside on the Internet would drastically improve the speed and cost of researching them for investigative journalists.⁹² Second, the government should require nonprofit organizations engaged in investigative journalism to publicize their donors and financial statements in order to highlight any biases or potential conflicts of interest.⁹³ For-profit news organizations must currently do this, and requiring it of nonprofits would ensure the proper scrutiny of all watchdogs. Finally, policy makers should work with the news industry to find a better solution to the "Fair Use" law that allows news aggregators to profit freely from the newsroom investment of others. Some free access is beneficial



to encourage collaboration, but the current system favors the interests of those who profit from others' work and investment.⁹⁴

The newspaper industry is in financial trouble, but even if newspapers cannot afford to fund investigative journalism using new business models, it is likely the craft will survive. Policy makers should resist the urge to intervene on behalf of newspapers and should instead allow the industry to transform itself and support investigative journalism through policies that improve the efficiency and cost effectiveness of those who conduct it.

ANALYSIS OF BROADCAST NEWS MEDIA: IS THERE A PLACE FOR FAIRNESS? Lt Col Michael Gimbrone, US Air Force

In the United States, evolution of the news media industry has included the application and modification of a variety of guidelines, laws, and regulations intended to impose various standards and controls. One such guideline involves the so-called “Fairness Doctrine,” which for many decades imposed a standard that primarily impacted news broadcast via radio and television stations. The Fairness Doctrine was intended, in part, to stand watch over the broadcast news media industry by requiring the provision of equal opportunity for opposing points of view. Sustained by the limitations on frequency availability in the early days of radio, the Fairness Doctrine was the result of Federal Communications Commission (FCC) application of its authority to issue or deny issuance of licenses for stations involved in the broadcasting of radio—and later television—programs. However, the death knell for the Fairness Doctrine began ringing in 1984 when the Supreme Court issued a decision that implied the doctrine might be, “reducing rather than enhancing speech.”⁹⁵ In 1985, the FCC came to the same conclusion, and in 1987 the FCC stopped enforcing the Fairness Doctrine altogether.⁹⁶

Following cessation of enforcement of the Fairness Doctrine, the broadcast (and cable) network radio and television news industry underwent a sea change, resulting in what has been described as biased, opinionated, and polarized news. Not surprisingly, the current state of broadcast news has been the subject of much debate. One side of the debate argues that all broadcast news should be delivered in a balanced, unbiased, and impartial manner, similar to the standard imposed under the Fairness Doctrine. The opposing view is that news should be unencumbered by government interference and that normal free market forces should be allowed to play out in the news media industry.

Before the demise of the Fairness Doctrine, there were at least three significant factors of relevance in the analysis of fairness in broadcasting. The first factor involves the First Amendment to the US Constitution. Freedom of expression in speech and in the press was a cornerstone of America’s birth as an independent nation, and it was often carried as the main weapon in the sheath of opponents fighting against the Fairness Doctrine. The second factor involves the progress of the cable broadcast industry. For many decades, the US government—primarily through the FCC—relied heavily on the frequency limitation as justification for imposing fairness and equal access in the issuances of licenses to radio and television stations. However, beginning in the late 1970s, the growth of cable broadcasting quickly cut that justification to shreds. The result was that, “Without scarcity, or with many other voices in the marketplace of ideas, there were perhaps fewer compelling reasons to keep the fairness doctrine.”⁹⁷ The third factor was the arrival of CNN, which debuted in 1980. By the time enforcement of the Fairness Doctrine became outdated, CNN had successfully either found or made a niche in the news market for 24-hour-a-day broadcasting.



In a world of First Amendment protections, cable broadcasting availability, and CNN model of news delivery, the death of the Fairness Doctrine breathed life into broadcasting that centered around or at least touched upon content that was skewed toward a particularly biased, opinionated, or polarized viewpoint. In the television news media industry, the past twenty-five years have seen the rise of outlets such as *The Colbert Report*, *The Daily Show*, Fox News, MSNBC, and many similar networks or programs that almost unabashedly seem to rely on presentation of issues and topics with a decidedly deliberate viewpoint. Analysis of broadcast news content also reveals numerous salient issues of debate, to include the previously mentioned First Amendment protections, the accuracy, agenda setting, and accountability roles related to the broadcast news media industry, and the role of free market forces when it comes to government involvement in the broadcast news media industry.

Based on a critical assessment, analysis, and review of this subject, the conclusion is that cessation of enforcement of the Fairness Doctrine was an appropriate action and there is no legitimate reason for the government to interfere in the free market forces of the broadcast news media industry through the reenactment of a Fairness Doctrine-like regulation. Because simply put, when it comes to the broadcast news media industry, “Allowing the “invisible hand” of market forces to operate in the marketplace of ideas accommodates all viewpoints with enough proponents to warrant attention, and achieves the goals of the First Amendment without intrusive governmental intervention.”⁹⁸

CONCLUSION

Recent changes in the news media industry are dramatic, but not necessarily dire for the industry as a whole or for American’s access to quality news. The positive externality within the market that led news organizations to use advertising revenue to subsidize the costs associated with the production and delivery of quality news continues, but with the collapse in revenue caused by the introduction of digital advertising, news outlets have been forced to find new revenue models to subsidize news production and delivery. Despite the revenue losses in traditional news media outlets, the overall volume of quality news remains relatively unchanged as new journalists and news organizations continue to provide the accurate, pluralistic, comprehensive, and contextually framed curated news that once originated almost exclusively in newspaper newsrooms. However, the overall volume of news is increasing as the digital medium allows everyone to become a citizen journalist, and this volume of news threatens to “drown out” the quality news needed to enable public discourse. Therefore, the US government should take limited policy action to maintain an environment that supports a news media industry of multiple independent producers providing quality news at the local, state, and national level within a policy and regulatory environment that fosters competition consistent with the First Amendment.

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