The Death of Public Knowledge?

How Free Markets Destroy the General Intellect

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US journalism has taken a fresh turn in recent years. A small group of major digital commercial and non-profit news ventures seem to be here to stay, and they are providing real competition to the still dominant legacy media outlets. New and old media alike are creating new forms of civically valuable journalism, but in the shadow of increasingly concentrated and opaque economic wealth.

Since the 1990s, the US commercial journalistic field has sub-divided into three segments, all of them operating online and some with still substantial offline components: a mass infotainment segment consisting of well-established websites such as Yahoo!, BuzzFeed, Huffington Post and rising stars such as Vice and Vox, as well as local commercial television news; a partisan segment represented by (conservative) Fox and (left-liberal) MSNBC, mostly conservative talk radio, and the political blogosphere; and a 'mainstream' quality segment led by national newspapers such as the New York Times and Wall
Street Journal, the national network news and general news magazines such as Time and leading regional newspapers.

The boundaries between these categories are fluid (many outlets, including network television news and digital outlets such as Huffington Post and Vox, attempt to straddle the quality/mass divide) and often contested (conservative critics dismiss attempts by the New York Times and other mainstream media to present themselves as nonpartisan). Although audiences tend to concentrate in one of the three segments or sub-segments (in the case of partisan media, left or right, respectively), there is also some movement from one to the other through either conscious effort or social media-led serendipity. As I argue in this chapter, the small but dynamic US public and non-profit sectors mostly are not a counterforce to this market-based system, but rather supplement and increasingly cooperate with commercial outlets.

America's ongoing natural experiment can provide important lessons for the rest of the world: What new forms of journalism are US commercial and non-profit media bringing into being? How do these projects map to the demographics and media usage patterns of the citizenry? And what are the civic possibilities and limitations of this commercially dominated system?

Before we try to answer these questions, we need to set the stage by taking a closer look at the causes and consequences of the financial crisis that began in earnest in the mid-2000s and continues to shape the American journalistic field.

The Financial Crisis in American Journalism

The ongoing US journalistic financial crisis needs to be understood in relative terms. At least until around 2005, news media companies were among the most profitable companies in the United States, regularly earning 20 to 30 percent profit margins (O'Shea 2011). Media companies relied heavily on advertising for their revenues; American newspapers earned 80 percent of their revenues from advertising, the highest proportion in the world (WAN 2007).

The trade-off between this hyper-commercial logic and public service commitment was evident when Wall Street sent Knight-Ridder stock prices tumbling in 1986 on the day the newspaper chain won seven Pulitzer Prizes. Reportedly, Knight-Ridder executive Frank Hawkins phoned a stock analyst who followed the company to ask him why the shares had lost so much value: “Because,” he was told, “you win too many Pulitzers.” The money spent on those projects, the analyst said, should be left to fail to the bottom line” (Meyer 2006, 6). Pressures continued to intensify during the 1990s as profit maximization came to dominate all other considerations.

It was in the midst of this less than idyllic situation that the crisis, or rather a series of crises, arrived after the dawn of the new century: notably, the decline of print classifieds and display advertising and their meager replacement by online advertising, and the financial crises of 2001 and 2008, which further depressed advertising revenues. From the historic peak year of 2005 to 2013, advertising revenues for newspapers plummeted from $49 billion to just over $20 billion; only about 10 percent of the current total comes from digital advertising (Pew Research Center 2014b).

Despite the dramatic drop in revenues, newspaper companies have continued to maintain profits of 8 to 15 percent by digging ever deeper for newsroom cuts (Mitchell 2012). Over the past decade, full-time newspaper journalism jobs have been
reduced from sixty thousand to forty thousand (Downie and Schudson 2009). In particular, public affairs reporting—especially investigative reporting—from the local to the international level has been hit especially hard (Walton 2010; Enda 2010).

Publicly traded companies, once the dominant form of newspaper ownership, are increasingly selling off major outlets to wealthy individuals, such as Amazon founder Jeff Bezos (Washington Post), Boston Red Sox owner John Henry (Boston Globe), Minnesota Timberwolves owner Glen Taylor (Minneapolis Star-Tribune) and conservative activist billionaire Sheldon Adelson (Las Vegas Review-Journal). The Washington Post, under Bezos’s stewardship, has expanded and thrived; the Las Vegas Review-Journal, on the other hand, has been rocked by accusations of publisher political meddling. The new media moguls, even when they seem benevolent, raise new problems of transparency and accountability in the exercise of public power.

To address the shortcomings of the commercial system—what economists would call ‘market failure’ (Baker 2002)—in most other democracies, a logical step would be for the state to intervene in some way. But in the United States, a public policy solution is vigorously opposed by an uneasy coalition of anti-government conservatives and professional journalists, the latter motivated by a strict interpretation of the First Amendment, which they see as prohibiting any government involvement with the press.

Compared to any other leading democratic nation-state, the United States has the smallest taxpayer-funded public media sector by far. The pillars of this system are PBS (Public Broadcasting Service) and NPR (National Public Radio); public funding amounts to $4 (slightly less than €4) per capita, compared to $50 for the public service media of France, $91 for Great Britain and $130 for Germany, Norway and Denmark. To be clear, PBS and NPR are public/non-profit ‘hybrids’. They receive the majority of their revenues from charitable donations, large and small. Yet even when these donations are added to the mix, the total funding of America’s public media is still less than $10 per capita (Benson and Powers 2011).

The Online Pecking Order: Legacy Media Still Dominate

Despite the financial crisis and the downsizing of their journalistic mission and ambitions, it must be emphasized that ‘legacy’ commercial media (companies originally producing newspapers, magazines and/or television) continue to dominate the US media system in two market metrics: revenues/profits and online audiences.

The largest online-only news outlets, Huffington Post (ranked fourth in online monthly unique users) and BuzzFeed (ranked seventh), are actually making subpar or even zero profits (these and all subsequent rankings and online audience sizes are from Pew Research Center 2015, 11). For example, in 2014, Huffington Post’s net profits (earnings before interest, taxes, depreciation, and amortization [EBITDA], the generally accepted measure) was zero, rising slightly in 2015 to a net profit of 6 percent (Berman 2015). This contrasts with newspaper companies’ continued average of 8 to 15 percent, not to mention the much larger profit rates for cable TV news (Pew Research Center 2015, 33–34).

Digital media’s sole reliance on online revenues underwrites staffs that are only skeletal and mostly low-paid, compared to those of digital media’s print or television counterparts. For instance, the US Huffington Post with its ‘monthly uniques’
Two US digital media outlets in particular are worth highlighting for their unique and in many ways admirable journalistic practices: Vox.com and ViceNews.com.

Instead of breaking news, Vox writers take complex issues—such as the Syrian conflict, Obama’s health care plan, climate change, and so on—and provide in-depth explanations enlivened by graphs, questions and answers, and slide shows. So-called Vox card stacks provide serious but lively backgrounds for topics ranging from 'The 18 Best TV Shows Airing Right Now' (updated weekly) and 'Police Shootings and Brutality: 9 Things You Should Know' (both posted on January 4, 2016) to 'Bitcoin: Explained' (posted November 3, 2015) and 'The Basics of the US Immigration System' (posted August 4, 2015).

Vice, for its part, is unique for its highly personal, visually stunning, ‘immersive’ journalism. In its acclaimed series for HBO (also available for free on its website or YouTube channel), Vice documentaries provide rare glimpses of daily life in places like Syria, Ukraine, North Korea, Central African Republic and even ISIS’s ‘Islamic State’ (the latter a recipient of a Peabody Award for journalistic excellence). As Vice correspondent Danny Gold explained at a recent New York event, the goal is to ‘get out of the way’ and act ‘as a conduit’ for documentary subjects to express their own views (Gold 2015). Vice is producing reporting no one else is and is reaching younger audiences (an average age of twenty-six) few if any other news outlets are attracting (Ip 2015).

Less admirably, Vice (along with BuzzFeed) is a pioneer in producing ‘sponsored content’ (also known as ‘native advertising’ or ‘brand publishing’), which it actively courts through its slyly named marketing agency, ‘Virtue’. For instance, a Vice website vertical ‘The Creators Project’ sponsored by ‘founding
partner Intel, often features news stories with engineers and artists using Intel products (Widdicombe 2013). The label ‘founding partner’—rather than sponsor—is worth noting: It signals that today's corporate funders are not content with attaching their name to a program but rather seek to actively shape content to suit their interests. Vice cultivates an edgy, alternative vibe, but the commercial formula behind it is full-throttle capitalism. Its investors include Fox (James Murdoch now sits on the board), Time Warner Inc., Hearst, Disney, A&E Network and numerous venture capital firms.

In sum, the new digital outlets are a mixed bag. Even their virtues may just be part of a swiftly passing liminal moment, as intriguing experiments are tamed and captured by the usual commercial imperatives.

The conventional wisdom is that whatever commercial media cannot or will not do—local investigative reporting, sustained in-depth reporting on enduring social problems, and the like—will somehow be taken care of by philanthropy. Can non-profit journalism really fill the gap?

The Non-profit ‘Alternative’

In 2011, a New York conference of foundation funders of media enterprises publicly declared that given the lack of adequate commercial and government support, foundations bore a major civic responsibility for finding solutions to the crisis of journalism (Grantmakers in Film + Electronic Media 2011). A 2014 survey of ninety-three non-profit news organizations found that about three-quarters received foundation funding, which usually made up the majority of their total revenues (Pew Research Center 2013, 19).

Leading non-profit news media clearly see their work as a form of public service. A Knight Foundation (2013) study of eighteen non-profits, representing local, state and national investigative organizations, found that they devoted from 34 percent to 85 percent of their budgets to editorial needs, compared to an average for commercial news operations of 12 percent to 16 percent. In another recent comprehensive survey of 172 non-profit news organizations founded since 1987, the Pew Research Center (2013, 6) showed that more than half focus on investigative reporting (21 percent), government (17 percent), or public and foreign affairs (13 percent).

Investigative journalism has received a significant boost from non-profit news organizations, most notably ProPublica (founded in 2008), which has won two Pulitzer Prizes, as well as the longer-established but expanding Center for Investigative Reporting (founded in 1977) and Center for Public Integrity (founded in 1989). In 2015, ProPublica's targets included the Red Cross ("How the Red Cross Raised Half a Billion Dollars for Haiti and Built Six Homes"), the New York Federal Reserve ("shining a bright light on the Fed's culture, a culture that seems to stifle dissent and has made regulators excessively cozy with the financial giants they are supposedly overseen . . .") and hospitals' overly aggressive efforts to collect debts from working class families (ProPublica 2014). Despite such successes—all firmly within the realm of a modest, left-liberal reformist agenda—there are significant limits to the foundation 'solution' to the market failure of American commercial journalism.

Annual donations to news organizations are $150 million (Pew Research Center 2014c, 4, 20), a drop in the bucket compared to total US foundations' annual giving of $55 billion (Foundation Center 2014) or to the decreased $1.8 billion in
annual commercial spending on editorial budgets since 2008 (Waldman 2011). Put another way, total revenues for all types of US news are about $60 billion; two-thirds of this amount still comes from advertising, and paying audiences account for most of the rest. Foundation contributions make up less than 1 percent of the total (Pew Research Center 2014b, 4).

The non-profit sector remains small however you measure it. The largest national non-profit news organizations, Christian Science Monitor and ProPublica, both have annual total budgets of around $10 million and employ eighty and fifty full-time journalists, respectively (Lewis 2010). At the regional and local levels, the largest non-profits are Texas Tribune ($7 million budget, forty-two full-time journalists), followed at some distance by MinnPost ($1.6 million, seventeen journalists) and Voice of San Diego ($1.3 million, eleven journalists; Knight Foundation 2015, 6).

Most major foundations see themselves as providing not an antedote to the market, but rather short-term start-up support, with the expectation that non-profits will eventually achieve commercial ‘sustainability’ (Edmonds 2015). To achieve sustainability, elite non-profit media are encouraged to get their audiences to donate or subscribe. This formula moves non-profit media toward an increasingly exclusive mission, news by and for elites. MinnPost publisher Joel Kramer has been quoted as saying that monthly ‘uniques’ visiting his website are ‘worse than worthless’ and that he is really aiming for an elite, repeat readership of ‘one-sixth of adults’ (Edmonds 2013). Even at their most expensive, non-profit news sites measure their total audiences in the thousands rather than millions (Knight Foundation 2013, 14)—for example, 270,000 at MinnPost and 560,000 at Texas Tribune—while the overall average for non-profits is less than fifty thousand. Some outlets, such as ProPublica, also share their content with commercial outlets, expanding their reach but adding little or nothing to their bottom line.

Corporate sponsorships have also become a key element of non-profit sustainability. Non-profits that lack major foundation and business support, as the case of the San Francisco Public Press shows, are doomed to marginality.

San Francisco Public Press was launched in 2009 as a self-proclaimed ‘Wall Street Journal for Working People’. The Public Press refuses advertising or corporate sponsorships as a matter of principle. Asked by Columbia Journalism Review in 2009 to write an ‘imaginary retrospective’ of the Public Press for the year 2014, Stoll (2009) ‘recalled’ the ‘daily print launch in 2012’ that ‘allowed us to reach a whole new audience: the working-class population in San Francisco.’ Stoll continued: ‘Low-income folk are of little value to the luxury-goods advertisers targeted by traditional papers, and the Internet doesn’t ameliorate this because even in 2014, a third of that segment of the population has limited or no broadband Internet access at home.’

Stoll was right about the lack of advertiser interest in working-class audiences. Unfortunately, lacking adequate non-advertising support, his paper has not yet been able to find an effective way to reach them either. As of the end of 2015, the Public Press maintained a website (updated twice weekly) and sells a few thousand copies of a sixteen-page print magazine, priced at a dollar, four times a year. The San Francisco Public Press remains a lean operation, relying almost entirely on volunteer labour and an annual budget of less than $100,000 per year, half from local philanthropic organizations, 30 percent from individual donations, and the remaining 20 percent from print newspaper sales and other sources. The lesson is clear:
Non-profit media truly committed to overcoming market failure will struggle as long as major foundations are only looking for the next market solution.

Ultimately, it should also be remembered that foundation donations are not ‘free’ but rather constitute a redirection of public resources (dollars that could go to government if it were not for generous tax deductions) to non-transparent and unaccountable entities that have effectively assumed media policy responsibilities. As one leading media foundation official volunteered to me: ‘We’re not regulated. There’s no accountability. I don’t have to meet with anybody I don’t want to meet with. None of us do. And I don’t think that’s a great system. So my responsibility is to be the best steward, but as a culture, as a democracy I don’t actually think foundations are the best way of providing public goods’ (Anonymous Foundation Official 2013).

Despite the language of civic duty that surrounds the foundation world like a golden haze, there are also often specific strings and metrics attached to grants. Foundations increasingly prefer funding specific projects to general operations. This obviously creates the possibility of a conflict of interest, or the appearance of such.

Far from being a source of independence, US ‘public’ media’s reliance on philanthropy has created constant pressures to skew content to meet donors’ demands. In recent years, a number of revelations have shown the depth of the problem: in 2012, PBS created a multi-part series on the US economy sponsored by Dow Chemical that closely tracked the company’s major business interests; in 2013, it created a documentary about drones funded by Lockheed Martin, a drone manufacturer; and in 2014, it created a series entitled ‘Pension Peril’ about the problems caused by public employee pensions, funded by a billionaire investor’s personal foundation that is, by its own account, pushing state and local legislators across the United States to ‘stop promising a (retirement) benefit’ to public employees (Siroti 2014). As PBS’s ombudsman admitted, these scandals ‘shine a light on . . . ethical compromises in funding arrangements and lack of real transparency for viewers caused, in part, by the complicated funding demands needed to support public broadcasting’ (Getler 2014).

**Conclusion: Creeping towards Oligarchy**

The US hyper-commercial media system contrasts sharply with those of most other leading democracies, which anchor their own systems with a strong public media sector. A growing body of international comparative research has demonstrated that public media consistently provide more in-depth, ideologically diverse and critical news about public domestic and international affairs than commercial media (Benson 2013, 201–205) and play an important role in increasing citizen confidence and engagement in democratic institutions (Albæk et al. 2014).

What will be the end result of the American experiment in hyper-commercialism and philanthropy? Although there are some bright spots, a number of problems loom on the horizon for American news media: If current trends hold, full-time professional journalism will continue to be downsized. The tens of thousands of journalists being laid off at major legacy news organizations are not being replaced by the trickle of new jobs at digital and non-profit news organizations, not even close.

Digital-only commercial media are subject to even greater commercial pressures than their legacy predecessors were, as advertisers gain greater control over the editorial process via
native advertising. The only escape from advertiser control seems to be increased reliance on reader contributions and subscriptions, which tend to favour high-income demographics and ultimately wall off most people from the promised civic and cultural benefits of the Internet.

As a whole, the US media system—increasingly privately held or foundation-funded—seems to be moving back toward the corrupt and agenda-driven media system that prevailed in the United States and most of Western Europe prior to World War II and that probably still is the global norm. In this kind of system, global oligarchs accept less than maximal profits in exchange for the obvious publicity—and silencing—power of the media. This doesn’t mean there won’t be quality journalism anymore, but there are clearly limits. As economic power becomes increasingly concentrated, these limits will degrade the quality of democratic life. Any media reform worthy of the name will need to address these new challenges.

References


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