Rodney Benson Response to Stigler Report on Digital Platforms: Subcommittee on the News Media Industry (Chair, Guy Rolnik; Members: Julia Cagé, Joshua Gans, Ellen Goodman, Brian Knight, Andrea Prat, Anya Schiffrin)
Stigler Center for the Study of the Economy and the State, Booth School, University of Chicago
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Thank you, Guy.

I am a sociologist and professor in a media studies department. I am interested in what makes for quality journalism and I've conducted several comparative studies of media in the U.S., France, and the Nordic countries, and I've been especially interested in public and nonprofit media.

So let me start by saying this is a really impressive report - very thorough analysis and original thought-provoking recommendations. I see it composed of three main narratives, each of them compelling - but also at times contradictory and incomplete. So I want to trace out each of these narratives - and I hope some of my comments will be helpful to the authors as they refine and make final edits.

The FIRST narrative emphasizes that quality journalism - defined as accountability journalism -- is a public good. And because of certain properties of a public good, it's difficult for the producer to fully capture its value (including its social value) in the marketplace. So there is a market failure: quality journalism is underproduced relative to the optimum societal level. If the market doesn't work, there has to be a subsidy.

Where does that subsidy come from? In the U.S., that subsidy has traditionally come in two ways: through bundling (people bought a newspaper for the comics and the sports, and they also got quality news) and through advertisers (advertisers paid to reach these audiences).

This advertising subsidy had its costs - there was always the risk of advertisers directly or indirectly biasing the content. But it was better than nothing. And - at least some news organizations - used the advertising subsidy to produce accountability journalism.

Then, according to this narrative, the Internet brought these good times to an end.

Print circulation dropped, audiences moved online, digital advertising converted print advertising dollars into dimes. Digital platforms eventually gathered up all of these dimes into billions of dollars in revenues and left virtually nothing for the newspapers.

Should we make the digital platforms share more of the advertising money with the news producers? According to this report: No. Better to make a clean break with advertising and find a better kind of subsidy.

The report considers the alternatives.

One is philanthropy. This is very much on the table. Just last week, the Salt Lake Tribune announced it was going to try to become a nonprofit - as a last chance way to stay alive.

Across the country, we have some excellent nonprofits like ProPublica and local outlets like MinnPost or Texas Tribune.

The problem is that the number, size, and funding of these nonprofits is miniscule compared to the size of the problem. The total funding that actually goes to nonprofit newsrooms is about $50 million per year - while the amount of advertising that has been lost in newsroom funding from advertising is $2 billion per year.

New nonprofits and other online startups aren't being created fast enough to replace the legacy outlets that are disappearing.

The other alternative is subscription funding: let the readers pay. The problem here is that this option is only viable for a few major national brands: New York Times, Washington Post, WS Journal, and Boston Globe. Regional metropolitan papers can't get enough of their readers to subscribe to make a difference.

A lot of this is in the report, though these latest stats are from a Wall Street Journal article that just came out last week.

What's not talked about much in this report is the problem of information inequality (though this has been a theme in Andrea Prat's research).

Even when they are relatively successful, nonprofit and subscription funding end up incentivizing creation of content for only a select group of citizens -- the highest-income, highest-education demographics. Or, as former NY Times publisher Arthur Sulzberger, Jr., once remarked: "quality journalism for quality audiences."

Similarly, the publisher of MinnPost has said his goal is to reach just 1/6 of the adult audience, those with the "highest degree of influence," and who ultimately are attractive to advertisers or likely to be donors.

Ultimately, it raises the question: Are nonprofit news sites just creating more content for elites who already read a lot of news? And the answer is mostly, yes.

So, what does this report recommend? Public funding, but with a twist.

To pick up on some of Francis' Fukuyama's remarks yesterday - public funding of public media is the most obvious way to support journalism as a public good. My own comparative content analysis of media in the U.S., France, Norway, and Sweden consistently shows that public media offers more public affairs news, more in-depth news, etc. than commercial media -- and numerous other studies have found the same result.

Public media is still widely watched and widely trusted in western Europe. And - counter the defeatist narrative that public media could never get bigger in the U.S. - a recent survey showed that PBS is perceived as the least bias media in the U.S.

But Fukuyama is correct that we've had a hard time establishing public media on a large scale in the U.S.

These charts are from a report I co-authored for Free Press that compare U.S. funding of public media to other leading democracies. Even when you add in "viewers like you" there is a massive difference.

So how do you increase this support - and extend public support to commercial news media that need it? We need to think outside the box and overcome opposition to state intervention.

The authors of this report have come up with a creative response: give every citizen a media voucher worth $50 and let them give this money to the media outlet of their choice (or divide it up and give several outlets the money). This would be like the presidential campaign finance check-off on the tax form, but otherwise the state would not be involved in allocating the funds. To help pay for it, the digital platforms would contribute funds in an amount that would offset the voucher program: this would be a quid-pro-quo to maintain their Section 230 immunities.

To be clear, there would be some state involvement: We would create an "independent news monitor" (INM) organization to assess compliance with the code prohibiting disinformation. The INM would be composed of journalists, media owners, and scholars. But it's important to get the details right. We can learn some lessons from how the strongest public media systems maintain their autonomy:

-Disperse the governmental or professional authority to appoint officials
-Create staggered terms of service, so no single administration in power would have the ability to control appointments
-Create an "arms-length" relationship between the organization and the government in power, through multi-year charters (as in the UK) or the use of intermediary "buffering" agencies that help protect the agency from partisan influence

So, except for the need to tweak how you set up the INM, this first narrative seems very convincing and compelling.

The SECOND narrative is that concentration of ownership is bad for democracy and especially bad for quality journalism.

Concentration makes media capture more likely because it allows a small group of owners to act in concert to silence critics and lobby for benefits from government.

Unfortunately, anti-trust action against media concentration, including platform concentration, has been hampered by a narrow focus only on

"consumer welfare." The report thus calls for a new standard of "citizen welfare" that takes into account the effects on democracy and would provide a better grounds for winning antitrust suits.
The report calls for a new way of measuring media concentration, focused on audience attention shares at the level of local markets.

This is all very promising and we can see how antitrust is crucial to stop big chains like Sinclair from completely dominating local TV across the U.S.

Citizen welfare antitrust could also lead to the breakup of Facebook, but it's not clear how that would actually help quality journalism - since the authors insist that they are not interested in getting back the advertising dollars.

So the link to the provision of public good journalism, as defined in the first narrative, is not airtight.

There's also something missing from this narrative: the problem is clearly not just concentration of ownership, it's also form of ownership.

The poster child for how ownership form matters is Al Neuharth. He did possibly more than anyone else to damage newspapers in this country. What was like Neuharth like? (Story: How do you pronounce name of your company? ....). But this isn't a story of Neuharth's character. It's about a form of ownership: the stock market traded company that has a fiduciary responsibility to maximize profits over any other purpose. Gannett just took this logic to its limit with average annual profits of 25-30% that set the new standard for the industry. These profit expectations are what drive newsroom cuts - even today.

Sure, some companies have resisted the pressures - like the Washington Post, under Katherine Graham. But most do not or cannot.

In these tables, we can see that the balance of forms of ownership among the largest news media companies is very lopsided: almost all of them are stock market traded. Likewise, our large digital platforms are all stock market traded. How much of the problem derives from this form of ownership rather than just their size or market share?

In a key paragraph in the first part of this report, the authors write: "So, news can be pursued independently up to a point but there is always some area where we have to expect conflict [of interest]. The only way around this is to have a diversity of news outlets with a consequent diversity of operating interests."

The question is: what is the basic building block of such an independent system? Is it the individual news organization, each assumed to be unique?

Or does independence derive from a diversity of forms of ownership: stock market, privately held, civil society/nonprofit, and public? Research suggest that it does - for instance, in his book, Democracy's Detectives, James Hamilton found that most investigative reporting is conducted by family-controlled or nonprofit news outlets.

In short, to make this narrative complete, we need to also talk about form of ownership.

Finally, the THIRD narrative is a narrative about the public, who they are and what they want. The starting point of the entire report is the idea that democracy relies on the principle of "one informed person, one vote." But who are these informed persons and how do they get informed?

The report can't quite decide what kind of public it believes in.

In one vision, the public is what Michael Schudson called the "monitorial public." In this elitist vision, what's important is that just a few people are paying attention to the news. As long as you have a few elite monitors paying attention, that's enough to stop corruption and maintain democracy.

In the report, we see this monitorial public in the public that is posited to be interested in transparency, in reading labels about ownership, advertisers, and algorithms, and in using that information to make judgments about whether or not a news outlet is trustworthy.

This is also the kind of public that would make the "best" choices to allocate media vouchers. They would choose quality media that do accountability reporting, especially at the local level where it's needed at the most. But is this really the actually existing public?

At other points in the report, more in the analysis than in the recommendations, one finds a second vision of the public: This is Walter

Lippmann's view of the public as the irrational mass public, guided by "stereotypes" shaped by prejudices rooted in their immediate interaction with their "social sets."
This is the same kind of public the French sociologist Pierre Bourdieu identified as shaped by their class "habitus" - which creates an eternal circuit whereby people have tastes and beliefs shaped by their habitus and they only ever seek out media that reinforce their habitus.

But this public mostly disappears in the discussion of the media vouchers, because think of the implications. How would this public define the kind of quality media it wants to support?

Going back to that earlier survey about which media people see as biased - just take a look at the vast gap in which outlets Democrats and Republicans identify as unbiased or biased: high is low and low is high. They don't agree on anything.

So what will happen to public funding if this self-interested, irrational public gets to choose? They might choose a lot of media that would only increase polarization like Fox and MSNBC. The report anticipates this, and so limits any outlet to no more than 1 percent of the total. But if the actual choices are lopsided - say Fox gets 30 percent of the vouchers - reducing the top choices to just 1 percent could be controversial and stoke opposition to the plan.

This kind of public preceded Facebook, but Facebook weaponized it. This public is primed to enact its prejudices, but it doesn't have to. Changing the algorithms could provide welcome relief.

Finally, there is a more hopeful, John Dewey-style small d-democratic vision of the public. I am generously reading this public into the report. The authors see vouchers primarily as a way to break away from advertising. But I read it also as a way to bring a Deweyan public sphere into being.

What happens when everyone suddenly has $50 to spend on media? The definition of "quality" audience expands, because media have an economic incentive to produce quality news for a much broader public. And once that happens, there could be quality journalism not just for so-called quality audiences, but for everyone. And that could help reduce the information gap.

-From my point of view, if this is where you end up with the vouchers, this is the best narrative of all. Thank you, and thanks again for writing a very stimulating report. ###