

# DIGITAL DISCONNECT

HOW CAPITALISM IS TURNING THE  
INTERNET AGAINST DEMOCRACY

Robert W. McChesney



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what the key issues are. We are a long way from the vision of Paine or Franklin or Lincoln. Thomas Jefferson made the same case, arguing that merely voting for representatives was far from sufficient. "Every day," he wrote, a citizen must be a "participator in the government of affairs."<sup>113</sup>

If the Internet is worth its salt, if it is to achieve the promise of its most euphoric celebrants and assuage the concerns of its most troubled skeptics, it has to be a force for raising the tide of democracy. That means it must help arrest the forces that promote inequality, monopoly, hypercommercialism, corruption, depoliticization, and stagnation. To do so would put the Internet in the crosshairs of really existing capitalism. That is the conflict I examine in the balance of this book.

## How Can the Political Economy of Communication Help Us Understand the Internet?

While the catechism presents a superficial and misleading picture of capitalism and condones a weak democracy, the commercial media system in the United States supplements this with its own catechism. It goes something like this:

*Commercial media compete with each other to satisfy audience demands. Competition forces commercial media to comply, or else a competitor will steal their market and force them out of business. As a result, the system "gives the people what they want." As for journalism, it too has the threat of competition to keep the firms in line. But there commercial pressures can be a problem, so the most important development is the rise of independent professional reporters committed to unbiased, objective news. The key to the success of both the entertainment and journalism components of the media system is that they be competitive and part of the private sector, not controlled by the government. If there is anything that is beyond debate, it is that government involvement with media is dangerous and should be avoided at all costs. A free press is the key to a free society, and the free market is the foundation of a free press and a healthy democratic culture.*

As with the broader catechism from chapter 2, this vision of a free media system is pretty much accepted by most observers and is then adapted to digital technology. Although this vision of a free press has some accurate and attractive components, it is dubious for effective understanding and action with regard to the Internet or all media. As valuable as political economy is for shedding light on capitalism and on the relationship of capitalism to democracy, it cannot provide in its traditional form the basis for more than

a cursory critique of this notion of a free media system. Fortunately, there is a subfield of political economy—the political economy of communication (PEC)—that is ideally suited to address most of the central issues surrounding the digital revolution in considerable detail.<sup>1</sup>

The PEC brings communication into the picture alongside capitalism and democracy. It evaluates media and communication systems by determining how they affect political and social power in society and whether they are, on balance, forces for or against democracy and successful self-government. This critical or explicit normative basis distinguishes it from related fields like media economics or media law. Those fields, like mainstream economics, take the United States as it is, for better or worse, and regard themselves as neutral regarding the status quo, so they give little critical thought to the system as a whole. This neutrality generally resolves into a tacit acceptance of the status quo and the existing power structure as the appropriate one for a free society.

The PEC has two general lines of inquiry. First, it examines the institutions, subsidies, market structures, firms, support mechanisms, and labor practices that define a media or communication system. The way media markets actually operate has little in common with the free-market catechism, so bromides about competition and the invisible hand are of mostly ideological value. The PEC strives to provide a more accurate understanding of media markets and the true role of the government. It examines how these structural and institutional factors shape the content of media and how communication systems function in society. Political economists of communication take a keen interest in evaluating the caliber of journalism produced by the commercial news media system.

Second, the PEC emphasizes the foundational role of government policies in establishing media systems, even commercial profit-driven systems. The PEC studies and assesses how communication policies have been debated and determined, and it has a strong historical component looking at how media policies and systems were created in the past. Communication policy debates are the nucleus of the atom, and if media systems are to be reformed or changed, this is where one must go.

Both elements of the PEC, in my view, provide an indispensable way to understand how the Internet has developed, what the great issues have been and are, and what options remain before us. The PEC cannot provide all the

answers to all the questions, but it can at least contribute a useful context to provide a basis for answers to most of them.

### The ABCs of the PEC

The place to start is to understand media as a problem for society. By *problem* I mean its first definition in *Merriam-Webster's Collegiate Dictionary*: "a question raised for inquiry, consideration, or solution." The media, in this sense, are a political problem, and an unavoidable one at that. Media systems of one sort or another are going to exist, and they do not fall from the sky. The policies, structures, subsidies, and institutions that are created to control, direct, and regulate the media will be responsible for the logic and nature of the media system. Understood this way, the manner in which a society decides *how* to structure the media system, how it elects to solve the problem of the media, becomes of paramount importance. These policy debates will often determine the contours and values of the media system that then produces the content of media that are visible to all.<sup>2</sup>

The problem of the media exists in all societies, regardless of their structure. A society does not approach the problem with a blank page; the range of options is influenced by the political economic structure, cultural traditions, and the available communication technologies, among other things. In dictatorships and authoritarian regimes, the problem is solved by those in power, with the transparent goal of generating a media system that supports their domination of the nation and minimizes the possibility of effective opposition. The direct link between control over the media and control over the society is self-evident. In formally democratic societies, too, the same tension exists between those who hold power and those who do not, but the battle assumes different forms. Media are at the center of struggles for power and control in any society, and this is arguably even more often the case in democratic nations, where the issue is more up for grabs.

The PEC is oriented toward solving the problem of the media in a way that produces a media system most conducive to democratic values. There is no one answer to this problem, and the more study, debate, and experimentation, the better the answers will be. Due to circumstances, the PEC tends to highlight the problems associated with the dominant commercial media



system. Raymond Williams, the great Welsh scholar, pioneered discussions about the necessity of reforming media systems as part of building a more just, humane, and democratic society. His trailblazing work in the 1960s and early 1970s made the replacement of commercial media systems and structures a central part of the modern democratic political project. As early as 1962, in a pamphlet for the Fabian Society, Williams argued that creating nonprofit and noncommercial media structures was a necessary part of modern democracy.<sup>3</sup> That Williams was considered among the most important scholars of communication in the English-speaking world only elevated the importance of his claims and concerns.

In my view, the most influential concept that has guided the PEC is the notion of the public sphere. The term is drawn from the work of the German scholar Jürgen Habermas, who argued that a crucial factor in the democratic revolutions of modern times has been the emergence of an independent realm, a public sphere, a commons, where citizens could meet to discuss and debate politics as equals free of government scrutiny or interference.<sup>4</sup> The media have come to assume the role of the public sphere in the United States (and elsewhere). The logic of the public-sphere argument is to emphasize the importance of having a media system independent of both the state and the dominant corporate economic institutions. This insight has transcended much of the left's difficulty in being critical of the government in principle and the conventional refusal to contemplate the core problems brought on by corporate control and advertising. The public-sphere reasoning rejects the notion that our two choices are Rupert Murdoch or Joseph Stalin. For a generation it has provided a democratic road map and blasted open a way of thinking about a third way—an independent nonprofit and/or small-business sector—as the necessary democratic media system. As with public-good theory, it does not tell which policies to employ, but it provides a valuable framework for thinking about appropriate policy making.<sup>5</sup>

Policies are crucial to establishing media systems, and governments have the capacity to change policies and media systems, but they do so only on rare historical occasions. Indeed, it is so rare that most people understandably do not realize that the right to change these policies and systems even exists. What accounts for that? This is where critical junctures are important.

The idea of critical junctures helps explain how social change works: there are rare, brief periods in which dramatic changes are debated and

enacted drawing from a broad palette of options, followed by long periods in which structural or institutional change is slow and difficult.<sup>6</sup> “Critical junctures are *rare* events in the development of an institution,” as Giovanni Capoccia and R. Daniel Kelemen put it; “the normal state of an institution is either one of stability or one of constrained, adaptive change.”<sup>7</sup> During a critical juncture, which usually lasts no more than one or two decades, the range of options for society is much greater than it is otherwise. Ideas that were once verboten or unthinkable are suddenly on the table. The decisions made during such a period establish institutions and rules that put society on a course that will be difficult to change for decades or generations.

This notion of critical junctures is increasingly accepted in history and the social sciences. It has proven valuable for thinking broadly about society-wide fundamental social change, and also as a way to understand fundamental change within a specific sector, like media and communication. Most of our major institutions in media are the result of such critical junctures; once one has passed, the existing media regime is on stable ground, and its legitimacy and permanence are largely unquestioned. In times like those, communication policy debates tend to support the dominant institutions and attract little public awareness or participation.

Critical junctures in media and communication tend to occur when two or all three of the following conditions hold:

- There is a revolutionary new communication technology that undermines the existing system;
- The content of the media system, especially the journalism, is increasingly discredited or seen as illegitimate; and/or
- There is a major political crisis—severe social disequilibrium—in which the existing order is no longer working, dominant institutions are increasingly challenged, and there are major movements for social reform.

In the past century, critical junctures in American media and communication occurred three times: in the Progressive Era (1890s–1920s), when journalism was in deep crisis and the overall political system was in turmoil; in the 1930s, when the emergence of radio broadcasting occurred at the same time as public antipathy to commercialism rose against the backdrop

of the Depression; and in the 1960s and early 1970s, when popular social movements in the United States provoked radical critiques of the media as part of a broader social and political critique.<sup>8</sup>

The result of the critical juncture in the Progressive Era was the emergence of professional journalism. The result of the critical juncture in the 1930s was the model of loosely regulated commercial broadcasting, which provided the model for subsequent electronic media technologies like FM radio and terrestrial, cable, and satellite television. The result of the 1960s and 1970s critical juncture was less sweeping for communication, although a number of reforms were enacted. In many respects the issues raised then were never resolved, buried by the pro-corporate epoch that followed.

Today we are in the midst of another profound critical juncture for communication. Two of the conditions are already in place: the digital revolution is overturning all existing media industries and business models, and journalism is at its lowest ebb since the Progressive Era. The third condition—the overall stability of the political and social system—is the last domino to fall.

It remains to be seen whether the people will engage with the structural crises our society is facing or leave matters to elites. In the critical juncture of the 1960s and early 1970s, for example, elites were concerned by a “crisis of democracy.” This “crisis” was created by previously suppressed, apathetic, passive, and marginalized elements of the population—minorities, students, women—becoming politically engaged and making demands upon the system.<sup>9</sup> The Occupy movement and mass demonstrations of 2011 provide glimmers of popular political activism not seen for many decades; if this is the start of something big, we truly are entering a full-throttle critical juncture, and what the country will look like when we get to the other side is impossible to predict.

## Technology

As the discussion of critical junctures suggests, communication technology plays an enormous role in the political economy of communication. To some extent this role is self-evident, as many media are defined by their technology, be it the printing press, the radio, or the television. So when new technologies emerge, so do new media. But it goes much deeper than that. In some ways, the field can be better understood as political economy

and communication. The PEC is *not* just about making a structural analysis of communication systems and policy debates, as important as those are. Its practitioners also analyze how communication defines social existence and shapes human development. A study of communication can provide keen insights into our historical development. Communication affects political economy as much as political economy affects communication. When both are put in the hopper as codependent variables, things get interesting. This is precisely the intellectual cocktail we need in order to address the Internet and the digital revolution.

Here the importance of technology for communication—what are called “intellectual technologies”—is paramount. The Canadian political economist Harold Innis pioneered work that emphasized the “biases” of communication distinct from its political economic utilization, or, better yet, in combination with the political economic uses. In the mid-twentieth century, he wrote long studies on the importance of communication in shaping the course of human history.<sup>10</sup> Innis argued that modes of communication and communication technologies were of central importance in understanding human development and that they had profound intrinsic biases. Marshall McLuhan was an acolyte of Innis, though this Canadian English professor altered Innis’s arguments. McLuhan is best known for his notion that the “medium is the message,” that the nature of media content derives from the structure and technology of the medium. The dominant media technology defines a society, he said, changing the very way we think and the way that human societies operate.<sup>11</sup> His work was very influential on innumerable thinkers, including Neil Postman, who argued that television had an innate bias toward superficiality.<sup>12</sup>

“Every intellectual technology,” as Nicholas Carr puts it, “embodies an intellectual ethic, a set of assumptions about how the human mind works or should work.” These technologies “have the greatest and most lasting power over what and how we think.”<sup>13</sup> Without a political economic context, this approach can smack of media technological determinism, but with the PEC this approach highlights that media technologies have significant impact, an extra-large helping of what sociologists term “relative autonomy.”<sup>14</sup> Innis did not only focus upon the importance of communication technologies; he was also a sharp critic of corporate media and media commercialization.<sup>15</sup> The same was true of Postman, who termed the United States a technopoly, “a system in which technology of every kind is cheerfully granted sovereignty

over social institutions and national life, and becomes self-justifying, self-perpetuating, and omnipresent." "The core of technopoly," Postman wrote, "is a vast industry with license to use all available symbols to further the interests of commerce, by devouring the psyches of consumers."<sup>16</sup>

For an example of this fusion, Nicholas Carr makes a strong critique of the Internet's effect on how our brains function, discussed in chapter 1. Likewise, Eli Pariser expresses concerns about how the Internet is producing "bubbles" that keep us in a world that constantly reinforces our known interests and reduces empathy, creativity, and critical thought. In both cases, aspects of the technology that seem most disastrous to Carr and Pariser are enhanced or driven by commercial imperatives. As Carr puts it, Google is "quite literally, in the business of distraction."<sup>17</sup> Indeed, the criticism of out-of-control technology is in large part a critique of out-of-control commercialism.<sup>18</sup> The loneliness, alienation, and unhappiness sometimes ascribed to the Internet are also associated with a marketplace gone wild.<sup>19</sup> They are very closely linked in modern America.

Because so much of the debate surrounding the digital revolution comes down to how this technology is not only revolutionizing society but possibly changing the very nature of human beings, it is appropriate to begin considering the digital communication revolution in the broad sweep of human development. The question is not whether the Internet's impact has equaled or passed that of the telegraph or radio or television. The question is much grander: Is the digital revolution going to qualify as the fourth great communication transformation in human history. I use the term *transformation* to indicate a communication revolution of such stunning magnitude that it alters the way our species develops. These great communication transformations are always accompanied by dramatic changes in the material conditions and structures of humanity in our political economy.

The first great transformation was the emergence of speech and language. Although there is some genetic basis for language, it did not emerge overnight as a result of one or two mutations.<sup>20</sup> Some scholars place its development a mere fifty thousand to sixty thousand years ago. Some, perhaps many, anthropologists believe that it was this emergence of language that permitted a small band of hominids to avoid possible extinction and to branch out from one corner of Africa across the planet in a geological nanosecond.<sup>21</sup> The acquisition of language helped develop human brains and made more-advanced toolmaking possible. The eventual development

of agriculture—which permitted the accumulation of surplus and then civilization and history—would not have been remotely possible without language.<sup>22</sup> So the first communication transformation was a big deal. In many ways, it defined our species; it created us. As Aristotle and the ancient Greeks understood, we are the "talking animal."

The second great communication transformation was writing, which came many thousands of years after agriculture, only around five thousand years ago. Writing was not a "natural" development; many fairly advanced societies never had it, and there was never anything close to the diversity found in human languages.<sup>23</sup> Even today all the world's written languages come from three or four basic systems. Writing was driven in growing empires by the need to record information because of surpluses generated by agriculture, and those that did not have writing faced real limits to their expansion or survival. Indeed, empires with writing had a decided advantage over nonwriting societies and tended to crush and absorb them. As for the benefits of writing for humanity, Claude Lévi-Strauss writes that "the immediate consequence of the emergence of writing was the enslavement of vast numbers of people."<sup>24</sup> Innis, too, was skeptical about writing's emergence; he lamented the loss of oral cultures.

Writing also had enormous unanticipated consequences, with much of what we regard as our cultural heritage the direct and indirect result. Without writing, for example, it is impossible to imagine the human brain being capable of generating the scientific, philosophical, and artistic accomplishments that define us. The development of the phonetic alphabet was decisive. Its origins can be traced to the Phoenicians before 1000 BCE, and the Greeks definitely had it by around 750 BCE and had advanced it. Alphabets are "energy efficient" in that "considerably less of the brain is activated in reading words from phonetic letters than in interpreting logograms or other pictorial symbols."<sup>25</sup> Shortly thereafter, classical Athens blossomed in a manner that some still consider the high point of human civilization. Athens is nothing if not a tribute to the written word, although Innis thought its unique genius was as much due to the fact that the oral tradition was still strong and co-existed with writing in a manner that would never be the case again.

The third great communication transformation, the printing press, is better understood among scholars, as it has been the subject of considerable analysis and debate.<sup>26</sup> Before the printing press made reading, writing, and



literacy widespread, the vocabulary of the English language, for example, was limited to a few thousands words. After the printing press, it expanded upward to a million words. "As language expanded," Carr writes, "consciousness deepened."<sup>27</sup> The printing press made possible the radical reconstruction of all major institutions, most immediately religion. It is difficult to imagine political democracy, the scientific revolution, or much of an industrial economy without the printing press and mass literacy. By no means did the printing press generate modern democracy and industrial capitalism on its own, but it was a precondition for either to exist.<sup>28</sup>

Whether this current critical juncture develops into the fourth great communication transformation may not be settled until we are all long gone. To some, the jury has already returned. "With the exception of alphabets and number systems, the Net may well be the single most powerful mind-altering technology that has ever come into general use," Carr writes. "At the very least, it's the most powerful that has come along since the book."<sup>29</sup> John Naughton cautions us that this communication revolution has only just begun, and if history is any guide, we really have little idea how it will eventually turn out.<sup>30</sup> We do know for certain that the interplay of digital communication with political economy will determine its trajectory and strongly shape its ultimate role in human development.

In the meantime, the United States, like other nations and transnational bodies, faces myriad communication policy issues affecting digital communication that are often about technological choices. Technologies reinforce the status quo once a communication regime is put in place. Technologies are "path dependent," meaning that once they are in place with a certain technological standard, it is very difficult and expensive to replace them unless there is a major technological revolution, even if they have considerable flaws. We still live with the limitations of the QWERTY keyboard, to take one example, though the rationale for that system disappeared generations ago.<sup>31</sup> Likewise, communication technologies invariably have unintended consequences—the more significant the technology, the greater the unintended consequences. Both of these features point to the need for as careful and thoughtful an approach to communication policy making as possible. As Philip N. Howard puts it, "technology design can actually involve political strategy and be part of a nation's 'constitutional moment.'"<sup>32</sup>

## The Commercial Media Entertainment System

The Internet and digital technology encompass all communication. By most accounts, they have disrupted the business models of existing communication industries and forced media firms to rejigger their operations. These are some of the greatest concerns brought on by the Internet, and they are precisely where the PEC can be of value. Beyond simply figuring out a way to give consumers better deals or help firms figure out how to be more profitable, it can help us go large, to think about what type of cultural system digital technology makes possible. Let's start by looking at the commercial entertainment sector.

The United States has a vibrant commercial entertainment media industry. It mushroomed into a key part of the U.S. economy and culture in the twentieth century with the advent of films, recorded music, radio, and television. American popular commercial culture has its share of critics, but most of them hold to the view that if there are problems, they are due to the audience, which demands questionable content. After all, if people demanded great culture, it would be in the interests of the firms to give the people what they want. If the free market works anywhere, for better or for worse, it is certainly in the realm of entertainment. At least, that's the theory.

Commercial media do generate some exceptional material and serve the needs of many Americans. In many ways, the output of commercial media is quintessentially American and has become the way we understand our cultural heritage. The PEC cannot and does not say much about aesthetics or the nature of content, nor does it analyze the way audiences deal with media content. The PEC does look at structural and institutional factors and assess what types of pressures exist that will shape the content.<sup>33</sup> The catechism asserts that commercial media "give the people what they want," that the audience barks out orders and media firms race to satisfy them in a direct and unambiguous relationship. The consumer is king. The PEC examines these claims.

Right away, the catechism washes up against the rocks. Media content industries tend to be oligopolistic, with only a few firms dominating production in each sector. Moreover, in the past two generations, the largest media corporations have become conglomerates, meaning they tend to have major market shares in several different media markets, such as motion

pictures, television, recorded music, and magazines.<sup>34</sup> A small handful of gigantic firms control film production, network television, cable TV systems and channels, publishing, and music recording. It is not simply the standard tendency toward market concentration in capitalism; it has to do with the nature of entertainment media markets. In such markets, the “first-copy” costs—say, of producing a film—are enormous, long before a penny of revenue is earned. This is a very high-risk industry. On the other hand, the marginal costs of serving additional customers after the first are rock-bottom, so blockbusters can be extremely profitable. Having size and being a conglomerate is the smartest way for firms to manage risk.<sup>35</sup>

Consequently, instead of consumer sovereignty, there is producer sovereignty. The media firms have a great deal of power over what they produce and do not produce. They may give the people what they want, but only within the range that is most profitable for them: This tends to be a narrower range than one would find in a competitive market. That’s why media consolidation has been a central concern of the PEC. Concentrated control over culture (and journalism) instantly raises red flags in liberal democratic theory, for good reason.

The catechism also assumes that media firms and creative talent are conjoined and march in lockstep to high profits and high incomes. This elides a tension that has been present for centuries: art done purely for profit tends to be of dubious artistic value. Artists need compensation to be able to do their work, may need to have a sense of the audience in their minds, and may desire and embrace public acclaim. But if the commercialism overrides the art, the art—to invoke Howard Stern, who rejected using marketing surveys to determine the content of his radio program—will most likely suck. The conflict between creative talent and commercial pressures recurs often. If it didn’t, Rupert Murdoch and the other media CEOs could simply write and direct films themselves or indiscriminately hire people to do so at much lower wages.

Monopoly aggravates the tension: If creative people are dissatisfied, their options are not great in an oligopolistic market, especially when all the players ape each other. This is why media firms and creative talent tend to have such a complicated and often antagonistic relationship. As a rule, the best stuff comes when it has as little corporate interference as possible, and that goes against the logic of a system in which firms make risky investments.

The corporate instinct is to re-create what worked yesterday. Let some other chump take a chance—and if it pans out, imitate away.

Moreover, in the conglomerate era, the projects that get green-lighted are often those that lend themselves to prequels, sequels, spin-offs, adaptation to other media, toys, videogames, merchandising, and licensing income. Tim Wu compared the ten most expensive Hollywood films of the 1960s and 1970s to the ten most expensive Hollywood films of the 2000s. The earlier films were all stand-alone properties that rose and fell on their box office; the 1970s were indeed a golden age for American cinema by most critical accounts. The more recent blockbuster budgets were all spent on films that had all sorts of additional revenue streams built in, to the point that the actual quality of the film itself seemed to be far less a concern for ultimate profitability.<sup>36</sup> When one studies the industrial production of culture in Hollywood, it is almost bewildering that anything good can be done once a project runs the gauntlet of a corporate bureaucracy.<sup>37</sup>

The notion that the system invariably “gives the people what they want” further unravels when advertising is added to the equation. Advertising is of particular importance because it has provided much of the revenue that has supported entertainment media for the past eighty years. That support has been one of the main defenses of advertising’s otherwise questionable contribution to society. Advertising creates distinct pressures to appeal to certain types of audiences—generally more affluent—and to avoid certain types of themes. It can strongly influence the nature of media content, mostly for the worse.<sup>38</sup> Those entertainment sectors, like most of radio and television, which depend upon advertising for the lion’s share of their revenues, are all about giving the advertisers what they want, and that is often different from what people want. They are effectively branches of the advertising industry.

Moreover, internal industry surveys show that most people want much less advertising in their media and would even be willing to pay more to have less commercialism.<sup>39</sup> But this is rarely a profitable option, so it is not one people can routinely vote for in the marketplace. The commercial marketplace cannot be used effectively to reject commercialism. For all the talk about how the system “gives the people what they want,” it also gives people a truckload of uninvited material they desperately wish to avoid.

So audience demands for entertainment are filtered through the commercial requirements of media conglomerates and advertisers. The market



research that these firms do is less about determining what audiences want than what is the cheapest, safest, and most profitable way to reach target audiences. Audience demands that do not fit the commercial needs are likely to go unmet.

The catechism assumes that popular demand for programming is exogenous, that it springs from some other world and is divinely democratic. But what people are exposed to significantly shapes what they will demand. To adapt Say's law: supply creates demand. Media firms have no incentive to upgrade the tastes of the audience; they take the market as they find it. One could argue that through commercialism they degrade it. It is generally non-profit institutions and noncommercial environments that are tasked with exposing people to culture they would not experience otherwise. It was marginalized communities that produced the great breakthroughs in popular music—from jazz and rock to reggae and hip-hop—not the R&D office in a media conglomerate. It is when young people are exposed to—and educated in—literature, musical traditions, and the panoply of filmed entertainment that they develop broader tastes. It was once thought that the Internet would provide a massive treasure chest of culture that would dramatically expand any individual's horizon. As Eli Pariser argues in *The Filter Bubble* and I discuss in chapter 5, cyberspace is becoming less a frontier where citizens are like explorers on a glorious adventure than a cul-de-sac where advertising-driven cues keep people in their little individualized bubble, making it unlikely for serendipity to occur.

The primary education of Americans today appears to be in commercial values.<sup>40</sup> Consider the education provided in the children's market, which has exploded in the past generation. It goes way beyond just selling products to children; a majority of people use brands remembered from childhood, and children influence their parents' purchases, too.<sup>41</sup> Hence children under three years old—a market that barely existed forty years ago—are now a \$20 billion annual market for advertisers. By three months old, 40 percent of infants watch screen media regularly; by two years, 90 percent do. By her third birthday, the average American child recognizes one hundred brand logos. The typical child is exposed to forty thousand screen ads per year. Children know the names of more branded characters than of real animals. By her tenth birthday, the average American child knows three hundred to four hundred brands. Research shows over and over that preschoolers will

overwhelmingly think advertised products, branded products, are superior even when the actual contents are identical.<sup>42</sup>

In short, for all its problems in teaching other subjects, the United States is leading the pack in commercial indoctrination. The massive wave of advertising to children is considered a contributing factor in the epidemic of juvenile obesity, the growth of attention-deficit disorders, and other psychological issues, as well as the rampant sexualization of girls at ever-younger ages.<sup>43</sup> In 2010, Alex Bogusky, who was named *Adweek's* Creative Director of the Decade in 2009 and called "the Elvis of advertising," announced he was quitting the industry, in part to protest marketers "spending billions to influence our innocent and defenseless offspring." Bogusky termed advertising to children a "destructive" practice with no "redeeming value."<sup>44</sup> "There can be no keener revelation of a society's soul," Nelson Mandela once stated, "than the way it treats its children."<sup>45</sup> It is difficult to study the commercial marination of children's brains and not regard it as child abuse.<sup>46</sup>

### Free Market in Action?

The fatal flaw in the catechism is the notion that the commercial entertainment media system is based upon a free market. It is profit driven, to be sure, but that is a different matter. One need only start with the value of the monopoly licenses that are given free to commercial radio and TV stations, or spectrum to satellite television, or monopoly cable TV franchises. One recent estimate by Federal Communications Commission (FCC) staffers of the market value of the publicly owned spectrum today—some of which is given to commercial broadcasters at no charge—is around \$500 billion.<sup>47</sup> When one considers all the wealth created from the free gift of spectrum to broadcasters since the 1920s, all the empires built upon it, the total transfer is certainly well into the hundreds of billions of dollars. Or consider the massive empires that firms like Comcast built with government-granted monopoly licenses for cable television systems. Economists acknowledge that these companies earn "rent"—i.e., superprofits—from the monopoly franchises. (Much of the policy-making process is an effort by communities to get something in return for these rents.) These old media subsidies remain of concern in the digital era. As chapter 4 chronicles, these firms are using

their monopoly franchises and spectrum allocations to lock in a piece of the action online.

There are numerous other important direct and indirect subsidies that the government provides commercial media, and I have documented them elsewhere.<sup>48</sup> Two are of particular importance. First, advertising is condoned and encouraged by government policies and regulations. Allowing businesses to write off their advertising expenditures as a business expense on their tax returns not only costs the government tens of billions annually in revenues, but also encourages ever greater commercialism in our culture. By performing only lax regulation of advertising content, even as permitted by the law, the floodgates to commercialism are kept wide open. In addition, federal, state, and local governments themselves spend billions annually in advertising, which in effect is money that bankrolls commercial media.

Second, and by far the most important for entertainment media, is copyright. Media products have *always* been a fundamental problem for capitalist economics, going back to the advent of the book. Without direct government intervention, the marketplace would barely exist as we have come to know it. The problem is that a person's use of information, unlike tangible goods and services, does not prohibit others from using it. (In economic terms, it is nonrivalrous and nonexclusionary.) For tangible products, the type that fills economics textbooks, one person's use of a product or service precludes another person from using the same product or service. Two people cannot eat the same hamburger or simultaneously drive the same automobile. More of the product or service needs to be produced to satisfy additional demand. Not so with information. "If you have an apple and I have an apple and we exchange apples, then you and I will still each have one apple," George Bernard Shaw allegedly once said, "but if you have an idea and I have an idea and we exchange these ideas, then each of us will have two ideas."<sup>49</sup>

Stephen King doesn't need to write an individual copy of his novels for every single reader. Likewise, whether two hundred or 200 million people read one of his books would not detract from any one reader's experience of it. What this meant for book publishing was that anyone who purchased a book could then print additional copies and sell them. There would be free market competition, and the price of the book would come tumbling down to the marginal cost of publishing a copy, *exactly where it should be in a competitive market*. But authors would receive compensation only for those copies of the book they personally published or authorized, and competition

would force them to lower the price to where their compensation was zero. Consumers might get cheap books, great for a democratic culture, but authors would not receive enough compensation to make it worth their while to write books. The market fails. The problem with nonrivalrous resources is not allocating consumption; rather, it is encouraging production.

This was apparent long before modern capitalism. It was the basis for copyright laws, so important that their principle is inscribed in the U.S. Constitution. Authors received temporary monopoly rights to control who could publish their books in order to make certain they received sufficient compensation. The trick was to encourage production without creating dangerous monopolies over information. Thomas Jefferson only reluctantly agreed to copyright, detesting it as a government-created monopoly that was effectively a tax on knowledge. The Constitution states explicitly that copyright licenses cannot be permanent, and their initial length was fourteen years.<sup>50</sup>

In the early republic, authors or publishers had to specifically apply for copyright to get such protection; only 556 of the 13,000 books published in the 1790s were covered. Only American authors were eligible, which pained Charles Dickens to no end. But Dickens kept on writing, fortunately, able to build up a fine income on his British sales. He also made a good living giving speaking tours in the United States, where his inexpensive books made him wildly popular.

When new media technologies developed and powerful media corporations emerged in the twentieth century, they were able to get Congress to make copyright automatic and to dramatically extend the length and scope of copyright protection—or to put it in plain English, government monopoly protection licenses. This has been a godsend to their bottom lines—indeed, to the very existence of their industries—but at a high cost to consumers and artists wishing to use material that can remain copyright protected for well over one hundred years. The copyright for this book, for example, will last for 70 years *after* my death. (What is the thinking? That I would not write a book if it were covered by copyright only for 20 or 30 or 50 years after my death?) A corporate copyright, as for a film, lasts 95 years after it is published or 120 years after its creation, whatever come first. The numbers are almost meaningless, because copyright terms invariably get extended before they expire.<sup>51</sup> We have, in effect, permanent copyright on the installment plan, and nothing produced since the 1920s has been added to the public domain. Copyright long ago lost its connection to promoting the interests of authors



or creative artists so they might have short-term monopoly control over their work—just long enough for them to theoretically make enough money to make more culture.<sup>52</sup>

Today copyright has become a huge market in which control over copyrights is frequently unconnected to the actual persons who created the original work—and the terms for copyright are extended after the fact, which makes no sense at all. Copyright is now something entirely different: it protects corporate monopoly rights over culture and provides much of the profits to media conglomerates. *They could not exist without it.*<sup>53</sup> Copyright has become a major policy encouraging the wholesale privatization of our common culture.<sup>54</sup> It is also an enormous annual indirect subsidy for copyright holders, mostly large media corporations, by the public, in the form of severely inflated prices both for consumers and for cultural producers wishing access to material. No one knows the exact amount of “rent” these monopoly privileges confer upon copyright holders, because there is no accounting for this category. But the handful of lawsuits over the spoils of copyright suggests it is enormous, probably running into the tens of billions annually. It was for this reason that Milton Friedman regarded copyright as an anticompetitive mechanism, and he generally opposed the various extensions it received in the twentieth century.<sup>55</sup>

Scholars term this history the paradox of copyright. A policy meant to encourage creativity and cultural output has become a primary weapon to prevent the same. The media conglomerates routinely take public-domain material, like *Cinderella*, and make a fortune using it—because it was produced before copyright began to be routinely extended. But no future artists will be able to do the same to their creations without the conglomerate’s permission (and usually a generous payoff).

Consider, for example, Bob Dylan. His first six albums of original material from the early to mid-1960s—*The Freewheelin’ Bob Dylan* through *Blonde on Blonde*—are some of the greatest, most iconic albums in American history. Many of them rank on any list of the top fifty or hundred popular music albums of all time, and a couple of them are usually in the top ten. If I had a dollar for every time I listened to one of the songs on those albums I could retire comfortably. Yet when a Library of Congress musicologist studied the first seventy songs Dylan composed and recorded, he documented that “about two-thirds of Dylan’s melodies from that period were

lifted directly from the Anglo- and African-American traditional repertory.” Dylan admitted that was his approach to songwriting. Because those songs were unprotected by copyright, Dylan was able to do what he did, and we are very fortunate that Dylan was not prohibited from producing his great songs. The catch is that today no one could do to Bob Dylan what Dylan did to the folk canon without making far greater alterations to the melodies than Dylan did, because those melodies will be protected by copyright for a very long time.<sup>56</sup> For that reason, we are all the poorer.

In this light, the existential threat posed by the Internet to the commercial media system becomes clear: Now digital content could be spread instantly, at no charge, all over the world with the push of a button. The marginal cost of reproducing material was zero, nothing, nada. By free-market economics, that was its legitimate price. Once sufficient broadband existed, music, movies, books, TV shows—everything!—would be out there in cyberspace accessible to anyone for free. Copyright enforcement would be helpless in the face of all-powerful digital technology.

To make matters worse from the capitalist perspective, advertising, which had been the way commercial interests had been able to convert the public good of over-the-air broadcasting into a lucrative industry, was likewise imperiled by the Internet. Who would ever voluntarily watch an ad on their computer, not to mention allow herself to be carpet-bombed with ads? On the Internet, media corporations could no longer hold people prisoner. “We are talking about a field,” one commercial website producer lamented in 1997, “where it’s not even clear who should pay whom.”<sup>57</sup>

This led in the 1990s to an initial deluge of euphoria from those who found the corporate media status quo unsatisfactory. “The world has suddenly developed a printing press for every person on the planet,” Henry Jenkins enthused.<sup>58</sup> The media conglomerates, in their wheeling and dealing, were simply engaging in the “rearrangement of deck chairs on the *Titanic*,” as Grateful Dead lyricist John Perry Barlow of the Electronic Freedom Foundation famously put it. The infinitude of websites and the ability of anyone to go toe to toe with Rupert Murdoch was their death knell: “I think they are, in their present manifestations, goners.”<sup>59</sup> Scarcity, a requirement for capitalist markets, no longer existed! There was no longer any need for the PEC; the digital revolution was ending scarcity and making communication ubiquitous, free, participatory, and wonderfully empowering and democratic. We

can have a generation of potential Bob Dylans able to draw from, and be inspired by, all the fruits of human culture.

Of course, it has not developed quite that way. The giant media firms have not disappeared, nor has the Internet eliminated television and Hollywood. Marketing is a mandatory core institution of contemporary capitalism; the \$300 billion spent annually on advertising and sales promotion was not about to go gentle into that good night when John Perry Barlow fired up his bong and showed it the door. These are extremely powerful institutions with tremendous political and economic power; they have flexed it mightily and with great effect. But their world was being turned upside down, and the emergence of social media only underscored their dilemma. "At the end of this first decade of the twenty-first century, the line between media producers and consumers has blurred," Michael Mandiberg writes, "and the unidirectional broadcast has partially fragmented into many different kinds of multidirectional conversations."<sup>60</sup>

This blurring and fragmentation pointed to an even more fundamental problem. No matter how much havoc the digital revolution might wreak upon commercial media business models, the Internet offered no solution at all to the core problem of funding and organizing media content. If a shrinking number of people could make a living producing content, what sort of culture would society produce? The online logic seemed as much pre-surplus as post-scarcity, as much Dark Ages as Age of Enlightenment. In short, the need for the PEC, the need to develop effective systems and policies, was and is more important than ever.

## Journalism

I separate news media from the rest of commercial media (entertainment) for three reasons. First, journalism has developed out of a somewhat different tradition than entertainment: from the beginning of the republic, it has been a key part of the governing system and has been understood that way. Largely in recent decades, when media conglomeration merged the ownership of news media with that of entertainment media, especially in broadcast and cable TV news, the distinction between news media and entertainment media has been blurred, if not obliterated.

Second, even in the catechism, market criteria cannot to be used to

evaluate the quality of journalism. Commercialism has been a key factor in journalism since the beginning of the republic and has grown in importance, but it has never been embraced as entirely legitimate. Indeed, the pure pursuit of profit has generally produced sensationalism, corruption, and crisis for the news media. It has also meant that control over political information has been placed in the hands of a small number of very wealthy people. Normative assessments of journalism use different criteria, so the tension between the capitalist basis of news media and the information requirements of self-government is a central issue in the PEC critique of the news media.

Third, although broadcast news gets the generous subsidy of monopoly spectrum licenses and all news media benefit from the advertising subsidy, the news media get little benefit from copyright, because their product tends to become quickly dated. Hence the single most important subsidy for commercial entertainment media is of minimal value to news media. If journalism is in crisis due to the Internet and/or commercial pressures, it will likely require a specific set of policies devoted to it, because the economics are different.

There is considerable consensus in democratic theory and among journalism scholars about what a healthy journalism should entail.<sup>61</sup>

1. It must provide a rigorous account of people who are in power and people who wish to be in power in the government, corporate, and nonprofit sectors.
2. It must have a plausible method to separate truth from lies or at least to prevent liars from being unaccountable and leading nations into catastrophes—particularly wars, economic crises, and communal discord.
3. It must regard the information needs of all people as legitimate. If there is a bias in the amount and tenor of coverage, it should be toward those with the least economic and political power, for they are the ones who most need information to participate effectively. Those atop the system will generally get from their own sources the information they need to rule the roost.
4. It must produce a wide range of informed opinions on the most important issues of our times. Research demonstrates that this is a crucial factor for encouraging informed citizen involvement in politics.<sup>62</sup> Such journalism addresses not only the transitory concerns of the moment,

but also challenges that loom on the horizon. It must translate important scientific issues accurately into lay language. These issues cannot be determined primarily by what people in power are talking about. Journalism must provide the nation's early warning system, so problems can be anticipated, studied, debated, and addressed before they grow to crisis proportions.

It is not possible that all media outlets can or should provide all these services to their communities; that would be impractical. It is necessary, however, that the media system as a whole makes such journalism a realistic expectation for the citizenry. There should be a basic understanding of the commons—the social world—that all people share, so that all people can effectively participate in the political and electoral processes of self-governance. A free press is measured by how well it meets these criteria for giving citizens the information they need to keep their freedoms and rights.

There is more. Great journalism, as Ben Bagdikian put it, requires great institutions. Like any complex undertaking, a division of labor is required to achieve success: Copy editors, fact checkers, and proofreaders are needed, in addition to reporters and assigning editors. Great journalism also requires institutional muscle to stand up to governments and corporate power—institutions that people in power not only respect, but fear. Effective journalism requires competition, so that if one newsroom misses a story, it will be caught by someone else. It requires people being paid to cover stories they would not cover if they were doing journalism on a voluntary basis. In short, to have democratic journalism requires material resources, which have to come from somewhere and need to be organized on an institutional basis. It also must be an open system, so anyone can engage in the practice without needing a license, credentials, or approval from on high.

Of course, journalism is not the only provider of political information or stimulant for informed debate and participation. Political information also comes from schools, art, academic research, entertainment media, and conversations with friends and family. But all of those other avenues are much more effective and valuable if they rest atop a strong journalism and support that journalism. A basic weakness of the catechism is the superficial understanding of journalism's history and evolution. Defenders of the catechism and Internet celebrants tend to fail to appreciate how far twentieth-century American journalism has strayed from reaching these

ideals. Hence reconstructing the journalism system under digital auspices begins on a suspect foundation.

In the first century of the republic, journalism was marked by a ubiquitous and highly partisan press that tended to have a wide range of viewpoints, including a crucial abolitionist press. The mostly unknown feature of this period, which I return to in chapter 6, is that this system was based on extraordinarily large public subsidies; it was anything but a testament to the free market. As advertising increasingly supported newspapers and publishing became a source of growing profitability, the subsidies decreased in importance. For much of the final third of the nineteenth century, the news media system tended to be quite competitive in economic terms. Large cities often had over a dozen competing daily newspapers; papers came and went, and nearly every newspaper was owned by a single publisher who also was the editor or had a strong say in the editorial direction.<sup>63</sup>

But capitalism imposed its logic. In some cases profit-hungry publishers found that sensationalism, what came to be called yellow journalism, was a lucrative course. Bribery of journalists, showing favoritism toward advertisers, and many other unethical practices were common. Most important, by the 1890s newspaper markets began to shift from competitive to oligopolistic, even monopolistic. Although revenues and population continued to increase sharply, the overall number of newspapers began to stagnate and then fall. "The stronger papers are becoming stronger and the weaker papers are having a hard time to exist," one newspaper executive observed in 1902.<sup>64</sup> Newspapers began to serve a larger and larger portion of their community's population—with much less fear of new competition than had been the case—and had considerable power as a result.

Moreover, the great newspaper chains of Pulitzer, Hearst, and Scripps were being formed almost overnight. The new publishing giants no longer had any need to be closely tied to political parties; in fact, as local newspapers grew more monopolistic, partisanship could antagonize part of the market and undermine their commercial prospects. Yet many publishers continued to use their now monopolistic power to advocate for their political viewpoints, which were generally conservative, probusiness, and antilabor.<sup>65</sup> The great progressive Robert La Follette devoted a chapter of his 1920 book on political philosophy to the crisis of the press. "Money power," he wrote, "controls the newspaper press . . . wherever news items bear in any way upon the control of government by business, the news is colored."<sup>66</sup>



By the first two decades of the twentieth century, this bias became a major crisis for American journalism. The news business was under constant attack for venality and duplicity. As even the publisher of the Scripps-owned *Detroit News* acknowledged in private in 1913, the corrosive influence of commercial ownership and the pursuit of profit were such that the rational democratic solution would be to set up municipal ownership of newspapers with popular election of the editors.<sup>67</sup> In view of the explicitly political nature of newspapers in American history, this was not as absurd a notion as it may appear today. Scripps, always the most working-class dedicated of the major chains and realizing how commercialism undermined the integrity of the news, even launched an ad-less daily newspaper in Chicago in 1911.<sup>68</sup>

Reconciling a monopolistic commercial news media with the journalism requirements of a political democracy is difficult. In many wealthier European nations, the solution came in the form of strong partisan and occasionally public subsidies to support journalism dedicated to working-class and labor interests, as well as the creation of independent public broadcasting. In Latin America, news media often have been the private preserve of wealthy families with strongly conservative politics and no interest in political democracy if their probusiness candidates do not win. They seldom care to expand the power or privileges of the great mass of poor people in their nations. Efforts by popularly elected socialist or populist governments to generate a news media that is not abjectly hostile to their policies—or, in the governments' claims, to have elements representing the interests of the majority—understandably have met with charges of censorship.<sup>69</sup> But even those who defend the Latin American media chieftains acknowledge they are often a dubious sort, and that their dominance is no democratic solution to a very real problem.<sup>70</sup>

In the United States, the solution to the problem was self-regulation by the newspaper industry, in the form of professional journalism. This embodied the revolutionary idea that the owner and the editor could be separated and that the political views of the owner (and advertisers) would not be reflected in the nature of the journalism, except on the editorial page.

This was a 180-degree shift from the entire history of American journalism, which was founded on the notion of an explicitly partisan and highly competitive press. Now, news would be determined and produced by trained professionals, and the news would be objective, nonpartisan, factually accurate, and unbiased. Whether there were ten newspapers in a community or

only one or two would be mostly irrelevant, because trained journalists—like mathematicians addressing an algebra problem—would all come up with the same news reports. As press magnate Edward Scripps explained, once readers “did not care what the editor’s views were . . . when it came to news one paper was as good as a dozen.”<sup>71</sup> There were no schools of journalism in the United States (or the world, for that matter) in 1900. By the 1920s all the major journalism schools had been established, and by 1923 the American Society of Newspaper Editors had been formed and had established a professional code for editors and reporters to follow.

There is nothing inevitable or natural about the *type* of professional journalism that emerged in the United States in the last century. The professional news values that came to dominate in this country were contested; the journalists’ union, the Newspaper Guild, in the 1930s unsuccessfully attempted to foster a nonpartisan journalism far more critical of all people in power. It argued journalism should be the agent of people outside of power—to “comfort the afflicted and afflict the comfortable,” as humorist Finley Peter Dunne put it. The guild regarded journalism as a third force independent of both government and big business and wanted to prohibit publishers from having any control over the content of the news. As the leading history of the formation of the guild reports, “The idea that the Guild could rebalance the power struggle between public and publisher through a new kind of stewardship of freedom of the press became a core tenet of their mission as an organization.”<sup>72</sup> This institutionalized independence remains a compelling vision of journalism, worthy of being a portion of a good news system, and it is still practiced today by some of our best journalists.

This way of practicing journalism was anathema to most publishers, however, who wanted no part of aggressive reporting on their fellow business owners or the politicians they routinely worked with and relied upon for their success. They also were never going to sign away their direct control over the newsroom; editors and reporters had their autonomy strictly at the owners’ discretion. The resulting level of professionalism was to the owners’ liking, for the most part, and more conducive to their commercial and political needs. It was also porous, so commercial factors could influence the values that led to story selection and advertising could influence the nature and content of news coverage.<sup>73</sup>

The core problem with professional journalism as it crystallized was that it relied far too heavily upon official sources as the appropriate agenda setters

for news and as the deciders as to the range of legitimate debate in our political culture. There is considerable irony in this development. Consider Walter Lippmann, generally regarded as the leading advocate of professionalism and a ferocious critic of the bankrupt quality of journalism in 1910s America. In two brilliant essays written in 1919 and 1920, Lippmann argued that the main justification for, and requirement of, professionalism in journalism was that it provide a trained group of independent nonpartisan reporters who could successfully, systematically, and rigorously debunk government (and implicitly, corporate) spin, not regurgitate it.<sup>74</sup>

This reliance upon official sources—people in power—as setting the legitimate agenda and range of debate removed some of the controversy from the news, and it made the news less expensive to produce. It didn't cost much to have reporters repeat what the mighty said. Thus the news had an establishment tone. Reporters had to be careful about antagonizing those in power, upon whom they depended for "access" to their stories.<sup>75</sup> Chris Hedges, the former *New York Times* Pulitzer Prize-winning reporter, describes the reliance on official sources this way: "It is a dirty quid pro quo. The media get access to the elite as long as the media faithfully report what the elite wants reported. The moment that quid pro quo breaks down, reporters—real reporters—are cast into the wilderness and denied access."<sup>76</sup>

This fundamental limitation of professional journalism does not manifest itself in the coverage of those issues where there is rich and pronounced debate between or within leading elements of the dominant political parties. Then journalists have generous space in which to maneuver, and professional standards can work to assure a measure of factual accuracy, balance, and credibility. There tend to be slightly fewer problems in robust political eras, like the Sixties, when mass political movements demand the attention, respect, and fear of the powerful.

The real problem with professional journalism becomes evident when political elites do not debate an issue but march in virtual lockstep. In such a case, professional journalism is at best ineffectual and at worst propagandistic. This has often been the case in U.S. foreign policy, where both parties are beholden to an enormous global military complex and accept the exclusive right of the United States to invade countries when it suits U.S. interests.<sup>77</sup> In matters of war and foreign policy, journalists who question the basic assumptions and policy objectives and attempt to raise issues no one in the

leadership of either party wishes to debate are considered "ideological" and "unprofessional." This has a powerful disciplinary effect upon journalists.<sup>78</sup>

So it was that, even in the glory days of Sixties journalism, our news media helped lead us into the Vietnam War, despite the fact that dubious claims from the government—e.g., the Gulf of Tonkin hoax—could in many cases have been easily challenged and exposed. "The process of brain-washing the public starts with off-the-record briefings for newspapermen," I.F. Stone wrote at the time. Two great dissident Democratic senators, Alaska's Ernest Gruening and Oregon's Wayne Morse, broke with both their own party and the Republicans to warn against imperial endeavors in places such as Vietnam. Their perspective, which history has shown to be accurate, was marginalized in mainstream news media. The press, Stone observed, had "dropped an Iron Curtain weeks ago on the antiwar speeches of Morse and Gruening."<sup>79</sup> Morse recognized that the lack of critical coverage and debate in the news media was undermining popular participation in foreign policy. "The American people need to be warned before it is too late about the threat which is arising as a result of monopolistic practices [in newspaper ownership]."<sup>80</sup>

Journalism schools lament these lapses in retrospect, but the situation never improves; such is the gravitational pull of the professional code toward the consensus of those in power in matters of war and peace. The 2003 invasion of Iraq—based upon entirely fictitious "weapons of mass destruction"—was one of the darkest episodes in American journalism history. It had astronomical, almost unimaginable, human and economic costs. In his 2012 book, *The Operators*, foreign correspondent Michael Hastings, who spent considerable time in the company of General Stanley McChrystal and his staff, wrote about how military officials gloated in private at "how massively they were manipulating the press," including the most prestigious correspondents.<sup>81</sup> In March 2012, Glenn Greenwald critiqued National Public Radio's hallowed coverage, in particular a report on Iran in which the correspondent

gathers a couple of current and former government officials (with an agreeable establishment think-tank expert thrown in the mix), uncritically airs what they say, and then repeats it herself. This is what establishment-serving journalists in Washington mean when they boast



that they, but not their critics, engage in so-called "real reporting"; it means: *calling up Serious People in Washington and uncritically repeating what they say*.<sup>82</sup>

It seems the only time elite journalists exhibit rage is when their practices are exposed. "The unwritten rule" for journalists is a simple one, Hastings wrote. "You weren't supposed to write honestly about people in power. Especially those the media deemed untouchable."<sup>83</sup>

Another weakness built into professional journalism as it developed in the United States was that it opened the door to an enormous public relations industry that was eager to provide reporters with material on their clients. Press releases and packets came packaged to meet the requirements of professional journalism, often produced by former journalists. The point of PR is to get the client's message in the news so that it looks like legitimate news. The best PR is that which is never recognized for what it is. Although reporters generally understood the dubious nature of PR and never embraced it, they had to use it to get their work done. Publishers tended to appreciate PR because it lowered the costs of production. The dirty secret of journalism is that a significant percentage of our news stories, in the 40 to 50 percent range, even at the most prestigious newspapers in the glory days of the 1970s, was based upon press releases. Even then, a surprising amount of the time, these press releases were only loosely investigated before publication.<sup>84</sup>

The high-water mark for professional journalism was the late 1960s and early 1970s. Even at its best, however, it tended to take the context and excitement out of politics, turning it into a dry and sometimes incoherent spectator sport. Unlike the partisan journalism of the nation's first century, it tended to promote depoliticization and apathy as much as participation. Christopher Lasch characterized one of the limitations of American-style professional journalism: "What democracy requires is vigorous public debate, not information. Of course, it needs information too, but the kind of information it needs can be generated only by debate. We do not know what we need to know until we ask the right questions, and we can identify the right questions only by subjecting our own ideas about the world to the test of public controversy."<sup>85</sup>

Since the early 1980s, commercial pressure has eroded much of the autonomy that professional journalism afforded newsrooms and that had provided the basis for the best work done over the past fifty years. It has led to

a softening of standards such that stories about sex scandals and celebrities have become more legitimate because they make commercial sense: they are inexpensive to cover, they attract audiences, and they give the illusion of controversy without ever threatening anyone in power.

The emergence of the Internet has done much more damage to news media than it has done to entertainment media. The entire area is disintegrating, as I chronicle in chapter 6. Most of the discussion of this issue, however, has been vacuous because of the lack of a political economic critique of journalism. Professionalism has tended to be regarded as the natural American or democratic system of journalism, the organic result of profit-driven media firms, which were doing a bang-up job until the digital revolution rained on their parade. Imprisoned by this bogus schema, commentators have been incapable of addressing what is arguably the single most important communication issue of our time: creating a system of journalism in the digital era sufficient for credible self-government.

### Policy Making

Ultimately the nature of entertainment media, journalism, and the Internet depend on policy making. As digital communication comes to engulf all traditional media, all of telephony, and much of commerce and social life, the stakes are enormous. Here the PEC has important lessons. As a rule, policies will be made by elites and self-interested commercial interests, unless there is organized popular intervention. In the United States today, there is considerable cynicism about democratic governance, such that many people have abandoned hope that anyone but powerful commercial interests have a say.

The cynicism is well founded. The metaphor that best captures American communication policy making is the famous Havana patio scene in *The Godfather II*, in which Michael Corleone, Hyman Roth, and other American gangsters are dividing up Cuba among themselves during the Batista dictatorship. They each take a slice of Hyman Roth's birthday cake—appropriately shaped like Cuba—to demonstrate their piece of the action. After divvying up the spoils, Hyman Roth states how great it is to be in Cuba, with a friendly government that knows how to work with "private enterprise." That is pretty much how communication policy making has been conducted in the United States. Monopoly broadcast licenses, copyright extensions,

and tax subsidies are doled out all the time, but the public has no idea what is going on. Like Michael Corleone and Hyman Roth, extremely powerful lobbyists battle it out with each other—in this case to get cushy deals from the FCC and the relevant congressional committees—whose members and top staffers often move to private industry to cash in after their stint in “public service.”

Above all else, the FCC has been dedicated to making the dominant firms bigger and more profitable. Congress, too, is under the thumb of big money. The one thing the big firms all agree upon is that it is their system and the public has no role to play in the policy-making process. And because the news media—generally owned by beneficiaries of the secretive system—almost never cover this story in the general news, 99 percent of the public has no idea what is going on. The best way to describe the role of the public in communication policy deliberations is this: *If you're not at the negotiating table, you're what's being served.*

An example of corrupt policy making is the “debate” over copyright in the U.S. Congress. It has been entirely one-sided, and for the past three decades, copyright terms have been extended several times, *for material that had already been produced.* Why? The powerful media corporations and interests that own most copyrights spent \$1.3 billion on public relations and lobbying Congress on this issue from 1998 to 2010. The proponents of protecting the public domain and fair use—librarians, educators, and the like—have spent \$1 million in the same period. That is a 1,300-to-1 ratio.<sup>86</sup> Furthermore, few Americans have any awareness of the issue except through the news media, so their exposure to it is largely via extravagant corporate PR scare campaigns against “piracy.”

Is it any wonder that few members of Congress even understand there is an issue to debate? Giving the copyright industries what they want is basically beyond debate; the specific ways Congress can expand and protect the domain of copyright holders is what is under review. Hence the gargantuan lobbying expenses. Congress is creating enormous profits for these industries by extending, expanding, and enforcing monopoly rights. The only time copyright industries seem to face opposition is when they square off against other corporate lobbies that want access to copyright-protected material in their operations. Such was the case in the 2011–12 debate over the Stop Online Piracy Act (SOPA), when Google joined an avalanche of public opposition to battle the unprecedented extension of government policing power

desired by the copyright lobby. In that rare instance, the pro-copyright forces were unable to get their dream legislation passed.

But cynicism must be avoided, as it feeds pessimism and depoliticization, and becomes self-fulfilling. It is also wrong. In fact, American history is rich with popular involvement with communication policy making, and many of the most democratic aspects of our systems were due to popular political pressure. Most of these moments of popular participation were during critical junctures, when the stakes were higher and the range of possible outcomes greater. During the nineteenth century, abolitionists and populists fought to keep postage low on periodicals, and they were successful to the point that these publications were able to survive and sometimes thrive. It was popular pressure that helped force universal service and common carriage on the AT&T telephone monopoly. Popular pressure in the Progressive Era pushed newspapers to lessen explicitly right-wing journalism.<sup>87</sup> What public interest regulation of commercial broadcasting and advertising exists came from grassroots popular organizing efforts in the 1930s and 1940s.<sup>88</sup> The social movements of the 1960s and 1970s were able to increase minority media ownership, establish community radio stations, and create public-access TV channels.<sup>89</sup> And that is just a partial list.

As we are now arguably in the mother of all critical junctures, it is worth noting that there has been an attendant burst of organized popular media-policy activism. Beginning in the 1990s, the burgeoning political economic critique of commercial news media generated by people like Edward S. Herman, Noam Chomsky, and Ben Bagdikian and organizations like Fairness & Accuracy In Reporting (FAIR) spawned a generation of activists who saw changing media as a necessary part of creating a more just and humane world. The emergence of the Internet fueled this desire, both as a means to that end and because of the great concern that citizens needed to organize to prevent commercial interests from doing to the Internet what they had done to U.S. broadcasting.<sup>90</sup> As I have been a participant in this movement, I can report that its very existence is predicated upon the work done in the PEC.

Specifically, I co-founded the public interest group Free Press with John Nichols and Josh Silver late in 2002. The idea behind Free Press was simple: to get democratic media policies, we need to have informed and organized public participation in communication policy making. We needed to generate popular awareness of the issues and organize it as a political force. While we lobbied on the issues at play in Washington, our goal had to be to expand

the range of debate and options beyond what was countenanced inside the corporation-dominated Beltway culture. We could not continue the practice of just taking the "lesser-of-two-evils" side in intracorporate scrums about who would get the biggest slice of the media pie. We needed to have one foot in the future and one foot in the present, and our goal had to be to convince all organized popular groups that media reform had to become a central issue for them. Unless we could do so, our chances of success, of real structural reform, were slim.

On the one hand, Free Press has been a striking success. In conjunction with its partners, it has organized or participated in major successful campaigns around a range of issues, including diverse media ownership, stopping fake news, protecting public and community broadcasting, preventing harassment of independent journalists covering political demonstrations, making TV stations disclose online who is paying for political ads, establishing low-power community radio stations, and preserving what there is of Net neutrality. The group counts around five hundred thousand active members and has thirty-five full-time staff members. It has become a force in Washington and has played a key role in helping draft public interest regulations. Perhaps the highest recognition is the extent to which corporate communication firms have gone to attack it. Glenn Beck and the coin-operated right-wing PR firms have regarded Free Press as a major threat to the republic, because it challenges AT&T's monopoly power.<sup>91</sup>

At the same time, the Free Press experience demonstrates how far we have to go and how little time we have. It has been too isolated from other organized popular groups that still fail to understand the importance of media policy making. Too often, it is forced to operate inside the Beltway's parameters, so it must continually evince a commitment to "free-market competition," even when that is an unworkable option—or else be cast into the wilderness. It must spend too much time fighting defensive battles, getting caught up in the game of picking sides in intracorporate squabbles, because that is where the action is. This makes it doubly difficult to galvanize popular interest, as the issues seem wonky and the stakes seem low: no matter the outcome, corporations still win.

The fact that both the Democratic Party and the Republican Party are effectively owned by communication corporations highlights the difficulty for any populist group in Washington. As a veteran activist put it, whichever party is in power mostly determines "whether AT&T overtly or covertly

writes the laws."<sup>92</sup> Nowhere is the corruption and bankruptcy of the political system more apparent. The lack of a broader political base is smothering Free Press and the media reform movement. It is like trying to grow plants in the richest Iowa topsoil without sunlight.

Presently in the coming decade there will be a series of policy debates that will be crucial for the fate of the Internet. "What happens in the next ten years," Heather Brooke wrote in 2011's *The Revolution Will Be Digitised*, "is going to define the future of democracy for the next century and beyond."<sup>93</sup> That, in a nutshell, defines a critical juncture. Left to the usual suspects, who will embrace and brandish the catechism, the Internet will be put to the service of capital, with dubious or disastrous consequences. Armed with the insights of the political economy of communication, we can take a hard look at the marriage of capitalism and the Internet and the resulting crisis of communication and democracy in the digital era. There are alternative paths leading to a much brighter future.



## Journalism Is Dead! Long Live Journalism?

"Journalism is dead! Long live journalism!" So goes the mantra of the new conventional wisdom. The bad news is that the Internet has taken the economic basis away from commercial journalism, especially newspapers, and left the rotting carcass for all to see. The Internet is providing intense competition for advertising, which has traditionally bankrolled most of the news media. In 2000, daily newspapers received nearly \$20 billion from classifieds; in 2011 the figure was \$5 billion. A free ad on Craigslist generally gets more responses. Display advertising fell from around \$30 billion to \$15 billion in the same period. Combined newspaper advertising revenues were cut in half from 2003 to 2011.<sup>1</sup> In 2011 newspapers still received 25 percent of all advertising expenditures despite getting only 7 percent of consumers' media time. By all accounts, the industry remains in free fall.<sup>2</sup>

The Internet has also taken away readers, who can find online for free much of the journalism they might want. A large and growing number of Americans, especially younger ones, get their news from comedy programs.<sup>3</sup> A 2011 Pew Research Center survey found that computer tablets were booming among traditional newspaper readers, and 59 percent of the respondents said the tablet had replaced "what they used to get" from a newspaper.<sup>4</sup> And as the content of newspapers gets skimpier, the product becomes that much more unappealing, making it that much more difficult to get people to subscribe to cover the lost advertising revenues. A 2011 survey determined that only 28 percent of American adults thought it would have a major impact on them if their local newspaper disappeared; 39 percent said it would have no impact whatsoever.<sup>5</sup> By any reckoning, this onetime ubiquitous medium is in its death spiral.

It is not just newspapers, though they are being hit hardest; all commercial

news media are in varying stages of decay. But newspapers are by far the most important, because they are where the vast majority of original reporting is done, and no other media have emerged to replace them. Harvard's Alex S. Jones estimates that 85 percent of all professionally reported news originates with daily newspapers, and he notes that he has seen credible sources place that figure closer to 95 percent.<sup>6</sup> Commercial radio news barely exists at all, and much of what remains on commercial television can be called news only by a loose definition of the term.

But fear not, we are told. Here's the good news: The same Internet that has slain the news media will provide ample journalism eventually, in an almost certainly superior form. In no other area have the celebrants been so emphatic.<sup>7</sup> Jeff Jarvis asserts, "Thanks to the web . . . journalism will not only survive but prosper and grow far beyond its present limitations."<sup>8</sup> All we need to do is get out of the way and let free markets work their magic on revolutionary technologies.

Clay Shirky wrote in his influential 2009 essay, "Newspapers and Thinking the Unthinkable," that "this is what real revolutions are like," adding, "the old stuff gets broken faster than the new stuff is put in its place." Shirky counsels patience. "Nothing will work, but everything might. Now is the time for experiments, lots and lots of experiments, each of which will seem as minor at launch as Craigslist did, as Wikipedia did, as *octavo* volumes did." He adds, "In the next few decades, journalism will be made up of overlapping special cases. . . . Many of these models will fail. No one experiment is going to replace what we are now losing with the demise of news on paper, but over time, the collection of new experiments that do work might give us the journalism we need."<sup>9</sup>

Yochai Benkler suggests that the new journalism will be so radically different from the old that traditional concerns about resource support are no longer of pressing importance. We can have a leaner journalism, and it will still be much better, thanks to the Internet. He writes: "Like other information goods, the production model of news is shifting from an industrial model—be it the monopoly city paper, IBM in its monopoly heyday, or Microsoft, or Britannica—to a networked model that integrates a wider range of practices into the production system: market and nonmarket, large scale and small, for profit and nonprofit, organized and individual. We already see the early elements of how news reporting and opinion will be provided in the networked public sphere."<sup>10</sup> Likewise, Shirky, in a major address on

the state of the news media at Harvard in 2011, basically ignored the issue of resources and economic support.<sup>11</sup>

The enthusiasm of the celebrants for the Internet as the basis for journalism's revitalization is understandable, for four putative reasons. First, there are an exponentially greater number of people who are able to participate as journalists online because barriers to entry are all but eliminated. "We are all journalists, now," as the saying goes.<sup>12</sup> Second, newly christened journalists, like everyone else, can have access to the world's information at a second's notice, far beyond what anyone could have accessed in the past. All they need to do is develop their skills at surfing the Web. Third, journalists will be able to collaborate and draw from the intelligence and labor of countless others in a networked environment, so that the whole will be far greater than the sum of its parts. Fourth, the Internet dramatically lowers the cost of production and effectively eliminates the cost of distribution, so a journalist can have a digital readership in the tens of millions with barely any budget at all.

So while the Internet might undermine the viability of the existing commercial news media, unless they change, it will also provide a far more glorious and democratic replacement. All that needs to be done is to keep the government censors at bay, and even the censors will have a very difficult time wrestling this magical technology to the ground.

This is an intoxicating prospect. There are numerous great journalists, like Glenn Greenwald, whose work exists only because of the factors above. Concerned citizens can locate a treasure trove of information online. The Arab Spring demonstrates that the powers-that-be face an unprecedented threat to their existence from aroused and empowered populations. For the most exuberant among us, the newest wave of technologies may have already ushered in the next glorious period. "There's no longer any need to imagine a media world where you create, aggregate and share freely and find credible, relevant news and information by using recommendations from peers you trust," Rory O'Connor writes, "because that world is already here."<sup>13</sup> Peter Diamandis and Steven Kotler write that "the free flow of information enabled by cell phones replaces the need for a free press."<sup>14</sup>

Perhaps no issue is of greater importance to the future than how accurate these hopeful perspectives prove to be. Two matters are beyond debate: First, journalism in the manner I described it in chapter 3 is mandatory, not only so people can participate in the central political and communication policy issues outlined in this book, but also so there can be a democratic society

wherein individual liberties are meaningful. Second, current journalism is in decline and disarray. If there are any doubts about the second point, the evidence presented below should eliminate them. We are in a political crisis of existential dimensions.

Two outstanding questions arise. First, will the Internet, the profit motive, citizens, and assorted nonprofit groups combine in some manner to generate a higher grade of journalism sufficient to empower self-government? I argue herein, drawing from the foundation I provided in chapter 3, that the celebrants have either greatly undervalued the importance of having independent competing institutions and resources to do journalism—especially living wages for reporters—or they have overestimated the capacity of the market to produce such a system, or both. Moreover, the celebrants tend to be naive about the endemic problem of commercialism for democratic journalism, in the form of both private ownership and advertising support. As I assess the state of journalism in the United States today, it becomes evident that the Internet is not the cause of journalism's problems. Digital technology has only greatly accelerated and made permanent trends produced by commercialism that were apparent before the World Wide Web, Craigslist, Google, or Facebook existed.

I then look at the various efforts at generating digital journalism by the traditional news media, entrepreneurs, citizen journalists (a colloquial term for unpaid journalists), and nonprofit organizations. Although I find scant evidence that what is occurring online today could plausibly generate a popular journalism sufficient for a free and self-governing society, the notion that the Internet *could* provide the *basis* for a radically improved democratic journalism is another matter altogether. There I believe the celebrants are clearly on to something very big.

This leads to the second outstanding question: if the market, philanthropy, and new technologies are inadequate, how can we have a journalism system sufficient for a free and self-governing society? I return to the point first made in chapters 2 and 3: the solution to the problem of generating sufficient journalism begins with the recognition that it is a public good. Journalism is something society requires but that the market cannot generate in sufficient quantity or quality. The market is incapable of solving the problem, no matter how fantastic the technologies. Advertising disguised the public-good nature of journalism for the past 125 years, but now that it has found superior options, the truth is plain to see. That means that any realistic

notion of a credible Fourth Estate will require explicit public policies and extensive public investments, or what are also termed subsidies. I look at the enormous and striking role of journalism subsidies in American history—especially in the “pre-advertising” era—as well as the continued importance of public investments in journalism in the most democratic nations in the world today. I conclude by assessing what a powerful digital free press might look like.

## Farewell to Journalism?

The notion that journalism was in severe crisis became common by 2006 or 2007, then escalated into a major theme following the economic collapse of 2008–9, when hundreds of newspapers and magazines shut their doors. Optimists hoped the economic recovery would put commercial journalism back on solid footing and allow breathing space for a successful transition to the Internet; instead newspaper layoffs increased by 30 percent in 2011 compared to 2010.<sup>15</sup> The next recession could devastate the remaining commercial news media.

In 2012 the President’s Council of Economic Advisers described the newspaper industry as “the nation’s fastest-shrinking industry.”<sup>16</sup> A survey of two hundred possible careers by CareerCast.com listed “newspaper reporter” as the fifth worst job one could have in terms of making a living. The worst job? A lumberjack. Broadcast journalists hardly fared better, ranking as the ninth worst job.<sup>17</sup> Some sense of the collapse: in 2012 the legendary *Philadelphia Inquirer* and its sister properties sold for just 10 percent of what they sold for in 2006.<sup>18</sup>

Speaking of Philadelphia, consider the findings of the Project for Excellence in Journalism in 2006 on the changes in Philadelphia’s journalism over the preceding three decades:

There are roughly half as many reporters covering metropolitan Philadelphia, for instance, as in 1980. The number of newspaper reporters there has fallen from 500 to 220. The pattern at the suburban papers around the city has been similar, though not as extreme. The local TV stations, with the exception of Fox, have cut back on traditional news coverage. The five AM radio stations that used to cover news have been

reduced to two. As recently as 1990, the *Philadelphia Inquirer* had 46 reporters covering the city. Today it has 24.<sup>19</sup>

As bad as it seemed at the time, 2006 looks like a golden age for journalists compared to today. In 2010–12, I visited two dozen American cities to discuss the state of journalism. In virtually every city I would ask veteran news professionals what was the percentage of paid journalists in their community working for all media compared to the 1980s. The general response, after serious contemplation, was in the 40 to 50 percent range, with several cities considerably less than that. In June 2012, in one fell swoop, Advance Publications eliminated over one half of the remaining editorial positions—some four hundred jobs—at three newspapers that served three of the four largest cities in Alabama.<sup>20</sup> Such drastic layoffs have become so common that they are barely news stories any longer—or maybe there just aren’t people left to cover them.

A familiar story came when I visited Peoria, Illinois, in 2011 and learned that the once highly regarded *Peoria Journal-Star* had its editorial staff slashed in half since 2007 when GateHouse Media had purchased it. This led to political controversy as the mayor and city council realized that the citizens of Peoria had far less chance to understand what was going on in their community. At the same time that GateHouse was claiming dire circumstances forced it to slash budgets to the bone, it paid out \$1.4 million in executive bonuses and \$800,000 to its CEO.<sup>21</sup> Jim Romenesko noted that corporate CEOs at nine of the largest newspaper-owning firms had compensation packages in 2011 ranging from \$3 million to \$25 million each—with the average around \$9.5 million—and in nearly every case corporate revenues and earnings had fallen.<sup>22</sup> Perhaps the only good news is that the journalism crisis has yet to reach the boardroom. That is hardly consolation for anyone else. “I don’t know anybody from my profession,” a former *Seattle Times* reporter said in 2011, “who isn’t heartbroken, devastated, terrified, scared, enraged, despondent, bereft.”<sup>23</sup> As bad as it is, all signs point to it getting even worse, if that is possible. “Most newspapers are in a place right now that they are going to have to make big cuts somewhere and big seams are bound to show up at some point,” a media business analyst at the Poynter Institute said in July 2012.<sup>24</sup>

It is hard to avoid what seems like the obvious conclusion: corporations and investors no longer find journalism a profitable investment.<sup>25</sup> If anything,



they are stripping what remains for parts and milking monopoly franchises until they run dry. That leads to an immediate problem for a society that has entrusted its news media to the private sector: a 2011 FCC study on the crisis in journalism concluded that “the independent watchdog function that the Founding Fathers envisioned for journalism—going so far as to call it crucial to a healthy democracy—is at risk.”<sup>26</sup>

In addition, “the falling value and failing business models of many American newspapers,” as David Carr of the *New York Times* puts it, is leading to a situation in which “moneyed interests buy papers and use them to prosecute a political and commercial agenda.” Carr cites San Diego as exhibit A; the *U-T San Diego* (formerly the *San Diego Union-Tribune*) was purchased in November 2011 by right-wing billionaire Douglas F. Manchester, whose anti-gay rights politics gained him notoriety. “We make no apologies,” Manchester’s chief executive states. “We are very consistent—pro-conservative, pro-business, pro-military.” The newspaper also has a tendency to equate what is good for San Diego’s future with what is good for Manchester’s net worth. “There is a very real fear here,” a San Diego journalist said in 2012, that the *U-T San Diego* “will not be advocating for the public’s good, but the owner’s good instead.”<sup>27</sup> David Sirota has chronicled the return of monopoly press lords and their effect on communities ranging from San Diego and Denver to Chicago and Philadelphia: “Private newspaper owners have vaulted themselves into a historically unique position, which enables them to sculpt the news to serve their personal interests while circumventing the costs that come with true adversarial journalism.”<sup>28</sup> It was this type of journalism that produced the crisis that led to the rise of professional journalism a century ago. The system is unraveling.

Let’s look more closely at what the crisis means in terms of actual reporting. The point is not to romanticize what is being lost; as discussed in chapter 3, U.S. professional journalism even at its peak in the late 1960s and 1970s had significant flaws. Many of the problems with journalism today can still be attributed to some of the weaknesses of the professional code, such as reliance upon official sources to set the boundaries of legitimate debate. That being said, it also had its virtues, not the least of which was a relatively serious commitment to covering much of public life, from small communities to major cities and the world. There was “a firewall between the news divisions and the corporate structure,” veteran broadcast journalist Dan Rather recalls from the 1960s and 1970s. “That’s all gone now. Out the window.”

The flip side of corporatization of the news, to Rather, is the “trivialization” of the content. An increasing portion of news has gone over to inexpensive-to-cover entertainment, celebrity, gossip, crime, and lifestyle journalism—“soft news.” Commercial values have increasingly permeated—or, to old-timers like Rather, subverted—the professional code.<sup>29</sup>

A study on the crisis was released by the Pew Center for the People and the Press in 2010; it examined in exhaustive detail the “media ecology” of the city of Baltimore for one week in 2009.<sup>30</sup> The object was to determine how, in this changing media moment, “original” news stories were being generated, and by whom. They tracked old media and new, newspapers, radio, television, websites, blogs, social media, even Twitter tweets from the police department.

Despite the proliferation of media, the researchers observed that “much of the ‘news’ people receive contained no original reporting. Fully eight out of ten stories studied simply repeated or repackaged previously published information.” And where did the “original” reporting come from? More than 95 percent of original news stories were still generated by old media, particularly the *Baltimore Sun* newspaper. It gets worse: The *Sun*’s production of original news stories was down more than 30 percent from ten years ago and a whopping 73 percent from twenty years ago.

Back in the 1980s and 1990s, Ben Bagdikian chronicled the declining numbers of independent news media due to the wave upon wave of mergers and acquisitions and the entrance of large conglomerates as central players. He warned of the dire consequences for journalism and democracy caused by media monopoly. Internet celebrants consigned Bagdikian and other old-media fuddy-duddies to history’s dustbin; they believed that the last thing anyone had to worry about now was a lack of distinct voices or competition. How ironic then that the Internet appears to have all but finished off the job that the market began. By 2012, the newspaper industry was “half as big as it was seven years ago,” according to Carr of the *New York Times*. “Quite a few of the mid-size regional and metropolitan dailies that form the core of the industry have gone off a cliff.”<sup>31</sup>

In the Internet era, the *New York Times* probably plays a much larger role in national and international journalism than it ever did in previous generations, despite its own significant cutbacks.<sup>32</sup> It does so because most of the other major news media have abandoned their networks of national and international bureaus altogether.<sup>33</sup> As a recent history of the *Times* from

1999–2009 concludes, it has become “the worst newspaper in the world—except for all others.”<sup>34</sup>

Dan Rather counted in his research between forty and fifty independent news media organizations that had the resources and a commitment to cover politics at the national level in the 1950s and 1960s. Most of these businesses did journalism as their exclusive or primary undertaking. That world is long gone, as a handful of conglomerates dominate the few remaining national newsrooms, and news is generally a small part of a broader corporate empire. As Rather put it in 2012:

Whether you're a conservative or a liberal or a progressive, a Democrat or a Republican, everybody can be and should be concerned about this: the constant consolidation of media, particularly national distribution of media . . . few companies—no more than six, my count is four—now control more than 80 percent of the true national distribution of news. These large corporations, they have things they need from the power structure in Washington, whether it's Republican or Democrat, and of course the people in Washington have things they want [in] the news to be reported. To put it bluntly, very big business is in bed with very big government in Washington, and has more to do with what the average person sees, hears, and reads than most people know.<sup>35</sup>

Rather's words are particularly striking in light of the conclusion of chapter 5: if the news media are to be the institution that protects the public from the collusion of very big business and the government, especially the very big national security state, its current industrial structure seems to be precisely the opposite of what is needed.

The shrinkage has had devastating implications for political journalism. The numbers of foreign bureaus and correspondents, Washington bureaus and correspondents, statehouse bureaus and correspondents, down to the local city hall, have all been severely slashed, and in some cases the coverage barely exists any longer.<sup>36</sup> In an era of ever greater corruption, the watchdog is no longer on the beat. Some of the biggest political scandals in Washington in the past decade—the ones that brought down Jack Abramoff, Tom DeLay, and Randy “Duke” Cunningham—were all started by a daily newspaper reporter's investigation. Those paid reporting positions are now gone,

and those reporters no longer draw a paycheck to do such work. This means the next generation of corrupt politicians will have much less difficulty as they fatten their bank accounts while providing their services to the highest bidder. Throughout the nation, most government activity is taking place in the dark compared to just one or two decades ago.

Everywhere it is the same: far fewer journalists attempting to cover more and more.<sup>37</sup> It's like an NFL team trying to stop the Green Bay Packers with only two players lined up on the defensive side of the line of scrimmage. Broadcast journalism hardly has any players either. By 2012 it was common practice for competing broadcast stations to pool their news resources and provide the same news on different channels in the same market. This practice is of dubious legality but takes place in at least 83 of 210 television markets; it allows stations to slash their labor costs. As the FCC observes, the remaining reporters and editors “are spending more time on reactive stories and less on labor-intensive ‘enterprise’ pieces.” Television reporters “who once just reported the news now have many other tasks, and more newscasts to feed, so they have less time to research their stories.”<sup>38</sup>

For a chilling account of what the loss of journalism means, consider the explosion that killed twenty-nine West Virginia coal miners in 2010. Following the disaster, the *Washington Post* and *New York Times* did exposés and discovered that the mine had had 1,342 safety violations in the preceding five years, 50 in the previous month alone. This was big news. “The problem,” the FCC notes, “is that these stories were published after the disaster, not before—even though many of the records had been there for inspection.”<sup>39</sup> Josh Stearns perceptively writes that “we are entering an era of ‘hindsight journalism,’ where some of the most important stories of our time emerge after the fact. This kind of journalism shines a spotlight on critical issues, but serves as more of an autopsy than an antiseptic. It dissects issues like specimens, instead of shining a light on problems before or as they emerge.”<sup>40</sup>

It is especially disastrous at the local level, where smaller news media and newsrooms have been wiped out in a manner reminiscent of a plague. Research affirms that there is “an explicit relationship between local and community news, local democracy, community cohesion, and civic engagement.” When people living in a community no longer have credible news that covers their community and draws it together, the American system is suddenly on quicksand.<sup>41</sup> In 2012 the *New Orleans Times-Picayune* became the first major daily newspaper to restrict publication to three days a week.



What does that mean for the roughly one third of New Orleans residents who have no Internet access?<sup>42</sup> The *Los Angeles Times* is now the primary news medium for eighty-eight municipalities and 10 million people, but its metro staff has been cut in half since 2000. The staff "is spread thinner and there are fewer people on any given area," Metro editor David Lauter laments. "We're not there every day, or even every week or every month. Unfortunately, nobody else is either."<sup>43</sup>

Consider the farcical nature of American elections. Local elections, indeed nearly all non-presidential elections, barely get any news coverage, and what coverage they do get is generally inane, often driven by the TV ads and comprised of assessments of PR strategies, gaffes, and polling results. As for the presidential election, its coverage is generally endless and meaningless. Those with the most money to purchase the most ads can dominate political discourse. How can people effectively participate in electoral politics if they have little idea about the candidates, not to mention the issues? The logical course is to opt out, rather than be drowned in a pool of slime, spin, clichés, and idiocy. Where does that leave governance?

In a nation like the United States, the poor and marginalized are hardest hit. They are the least attractive group commercially, so labor news and news aimed at the bottom third or half of the population began to decline decades ago. Communities of color, which have traditionally gotten short shrift in the mainstream commercial news media, have seen many of the hard-won gains in diversifying newsrooms wiped out in the past five years. A 2012 American Society of News Editors report stated, "Across all market sizes, minority newsroom employment is still substantially lower than the percentage of minorities in the markets those newsrooms serve."<sup>44</sup>

The Pew Center conducted a comprehensive analysis of the sources for original news stories in its 2009 study of Baltimore. It determined that fully 86 percent originated with official sources and press releases. A generation earlier, PR accounted for more like 40 to 50 percent of news content. These stories were presented as news based on the labor and judgment of professional journalists, but they generally presented the PR position without any alteration. As the Pew study concludes, "the official version of events is becoming more important. We found official press releases often appear word for word in first accounts of events, though often not noted as such."<sup>45</sup>

So there may not be much journalism, but there still is plenty of "news." On the surface, it can seem as though we are inundated with endless news.

Increasingly, though, it is unfiltered public relations generated surreptitiously by corporations and governments in a manner that would make Walter Lippmann—whose vision guided the creation of professional journalism in the 1920s—roll in his grave. In 1960 there was less than one PR agent for every working journalist, a ratio of 0.75 to 1. By 1990 the ratio was just over 2 to 1. In 2012, the ratio stood at 4 PR people for every working journalist. At the current rates of change, the ratio may well be 6 to 1 within a few years.<sup>46</sup> Because there are far fewer reporters to investigate the spin and press releases, the likelihood that they get presented as legitimate news has become much greater.<sup>47</sup> "As a direct result of changing media platforms," one 2011 media industry assessment of the future of journalism put it, "PR pros are now a part of the media in a way they have never been before."<sup>48</sup>

Is it a surprise that Gallup found that Americans' confidence in television news dropped to an all-time low in 2012 and is not even half of what it was less than two decades earlier?<sup>49</sup> Or that there has understandably been an increase in the number of people, to nearly one in five, who state they have gone "newsless"—not even glancing at Internet headlines—for the day before the poll? Who could blame them? By 2009 nearly a third of Americans aged eighteen to twenty-four years were thus self-described.<sup>50</sup> Forty years ago, young Americans followed the news at the same rate as their parents and grandparents.

Note that the decline of journalism was well established long before the Internet had any effect.<sup>51</sup> The big change came in the late 1970s and 1980s, when large corporate chains accelerated their long-term trend of gobbling up daily newspapers and becoming conglomerates, sometimes with broadcast stations and networks under the same umbrella as newspaper empires. Family owners sold for a variety of reasons, and corporations came in to milk the cash cow. The corporations paid top dollar to get these profit machines, and they were dedicated to maximizing their return. They quickly determined that one way to increase profits even more was to slice into the editorial budget; in a monopoly there is little pressure to do otherwise, and with the money flowing, who worries about the long-term implications?<sup>52</sup>

It was then, when they were still swimming in profits, that managers began to satisfy the demand from investors for ever-increasing returns by cutting journalists and shutting news bureaus. By the late 1980s and early 1990s, prominent mainstream journalists and editors like Jim Squires, Penn Kimball, John McManus, and Doug Underwood were criticizing the news

industry or leaving it in disgust because of the contempt corporate management displayed toward journalism.<sup>53</sup> By the end of the century, the trickle out was more like an exodus.

The 1990s were a period of tremendous profitability for newspapers and broadcast networks, as well as rapid growth for the economy. It was also a decade of considerable population growth. The Internet had become a big deal on Wall Street but had yet to do much more than hypothetical damage to journalism business models. Yet from 1992 to 2002, the editorial side was reduced by six thousand broadcast and newspaper jobs.<sup>54</sup> By the end of the 1990s, the number of foreign correspondents working for American newspapers and television networks had already been greatly reduced, as had the number of investigative reporters.<sup>55</sup> At the dawn of the new century, editors and observers were vocal, at times almost apoplectic, in their alarm at the policies that were devastating newsrooms.<sup>56</sup> In 2001 a team of leading journalists and scholars concluded, "Newspapers are increasingly a reflection of what the advertisers tell the newspapers some of us want, which is what the financial markets tell the newspapers they want."<sup>57</sup> It was already clear that this was a recipe for disaster.<sup>58</sup>

This is the actual history of journalism under really existing capitalism. Celebrants who think the market will rejuvenate journalism online and produce better results have yet to come to terms with this record and explain why digital commercial news media would be any different or better. Right now it looks a whole lot worse.

### Digital Journalism: Gold Mine or the Shaft?

The decline of journalism over the past generation, which has accelerated in the last decade, would be a less pressing concern if the existing news media were making a successful digital transition, or if the Internet was spawning a credible replacement in the manner Benkler envisions. The evidence provided above suggests on balance that emerging digital news media are having a negligible effect upon the crisis in journalism. It certainly is not due to a lack of effort, as commercial news media have been obsessed with the Internet since the 1990s; they understood that it was going to be the future.

For traditional news media, it has been a very rocky digital road. A 2012 report based on proprietary data and in-depth interviews with executives at

a dozen major news media companies found "the shift to replace losses in print ad revenue with new digital revenue is taking longer and proving more difficult than executives want and at the current rate most newspapers continue to contract at alarming speed." For every seven dollars of print advertising lost there is only one new dollar of Internet ad revenues; the executives said it "remains an uphill and existential struggle."<sup>59</sup> The newspaper industry's percentage of overall Internet advertising fell to 10 percent in 2011, an all-time low; it had been 17 percent in 2003.<sup>60</sup> "There's no doubt we're going out of business right now," one executive said.<sup>61</sup> By all accounts, the "clock continues to tick" for old media to find a way to survive online in the inexorable transition to the Internet.<sup>62</sup>

It is both tragic and pathetic to see dedicated journalists obsessing over how to keep their newsrooms alive. "We have to find a business model that works—we have to," *Christian Science Monitor* editor Marshall Ingwersen told NYU media scholar Rodney Benson. "This is the word I hated but in the last five years has become universal—we have to monetize. How do we monetize what we do? Same as everybody else."<sup>63</sup> Journalists have been inundated with lectures that they "require an embrace of new technologies and a ruthless but necessary shedding of the old ways of doing business. It should have happened already. It must happen now."<sup>64</sup>

The assumption is that there *has* to be a way to make profits doing digital journalism if journalists and owners simply wise up and get with the program. Over the past few years, many American newspapers have been purchased on the cheap by hedge funds—nearly a third of the twenty-five largest dailies are now so owned—the subtext being that these business geniuses can generate profits where dummkopf journalism industry types have failed.<sup>65</sup> As John Paton, the journalist-cum-CEO for a newspaper company purchased by the Alden Global Capital hedge fund in 2011, put it: "We have had 15 years to figure out the web and, as an industry, we newspaper people are no good at it."<sup>66</sup> Apparently, neither are the hedge fund managers. David Carr wrote in July 2012 that "hedge funds, which thought they had bought in at the bottom, are scrambling for exits that don't exist."<sup>67</sup>

Few wish to consider the obvious question: what if it is simply impossible to generate commercially viable popular journalism online, let alone journalism adequate for a self-governing people? What then?

In the meantime, news media corporations work furiously to find their digital Shangri-La. The primary course for traditional news media has

been to pursue digital advertising dollars, with disappointing results. Most websites for publishers and broadcasters primarily run generic banner ads, "among the least trusted sources of commercial information," according to consumer surveys.<sup>68</sup> These are rapidly falling out of favor with advertisers. Digital news sites have been laggards in "using technology that would customize ads based on their users' online behavior."<sup>69</sup> Moreover, as much as 80 percent of digital newspaper advertising is placed through networks that take a 50 percent cut of the action. This means a paper's revenues for a thousand viewers (CPM in industry parlance) can be as little as 2 or 3 percent of its CPM for print readers.<sup>70</sup> Worse yet, as discussed in chapter 5, much of local marketing—once the bread and butter of news media—as it goes digital does not support media content sites or independent content sites of any kind.<sup>71</sup> "A consensus has emerged that website advertising," a respected 2011 industry report said, "its rates driven down by massive available inventory, will probably never sustain a comprehensive daily news report."<sup>72</sup>

However, digital advertising provided newspapers over \$3 billion in revenues in 2011, far exceeding all other forms of Internet revenues. It is not going to be abandoned even if no one expects it to grow very much.

With the possibility fading for digital advertising to serve as a panacea, attention has returned to making people pay for their news online.<sup>73</sup> This has worked for a handful of prominent newspapers like the *Wall Street Journal* and *Financial Times*, with well-heeled readers and specialized business content. The *New York Times* has also done well, enrolling nearly four hundred thousand subscribers since it introduced its pay system in 2011. The *Washington Post*, on the other hand, dismisses paywalls as "backwards-looking." CEO Don Graham claims they can work only for papers like the *Times* and the *Journal* that have paid circulation spread across the nation.<sup>74</sup> Paywalls have been a flop otherwise, and a study of three dozen papers that attempted to do so found only 1 percent of users opted to pay.<sup>75</sup> Nevertheless, by 2012 some 20 percent of America's 1,400 daily newspapers were planning to charge for digital access, and some firms, such as Gannett, claimed they were generating significant revenue.<sup>76</sup> They are inspired by the success of dailies doing so in places like Finland and Slovakia.<sup>77</sup> The key, apparently, is to be able to offer a lot of content at a low price—ideally by numerous newspapers combined—which might be easier in a small nation with a distinct language than in the United States, where English-language material grows like kudzu online. Whether there is an endgame is unclear—subscribers

have never provided sufficient revenues for news media—and it appears as much an act of desperation as vision. Of course, there is no time to be concerned with the externality that paywalls invariably cut many people off from access to the news, with all that suggests about their undemocratic character.

The latest hope is that the rapid emergence of mobile communication will open up new ways to monetize content. By 2012 a clear majority of Americans are getting some local news on their cell phones, and that number is growing. Best of all, the mobile world is increasingly proprietary, so there might be sufficient artificial scarcity to encourage people eventually to pay for news apps. Rupert Murdoch announced his iPad-only newspaper, *The Daily*, in 2011, and by 2012 the price had been lowered, some content was being offered for free, and it had been extended to smartphones. With a hundred thousand subscribers paying a couple dollars per month, "it's going to need more than that to move from interesting experiment to profitable."<sup>78</sup> The news app idea still has a long way to go before it can be realistic. In 2011, 11 percent of the American adult population had a news app, but nearly 90 percent of them got the app for free. Only 1 percent of the adult population paid for one. There is little reason yet for thinking news apps could get anywhere close to supporting the network of newsrooms that once dotted the landscape. It did not help the case that News Corporation laid off 29 percent of *The Daily's* full-time staff in 2012. But it may be the last best hope.<sup>79</sup>

The point of professional journalism in its idealized form was to insulate the news from commercialism, marketing, and political pressures and to produce the necessary information for citizens to understand and participate effectively in their societies. In theory, some people were not privileged over others as legitimate consumers of journalism. That is why it was democratic. There was one set of news for everyone. It was a public service with an ambiguous relationship with commercialism; hence the professional firewall. Journalists made their judgment calls based on professional education and training, not commercial considerations. That is why people could trust it. The core problem with all these efforts to make journalism pay online is that they accelerate the commercialization of journalism, degrading its integrity and its function as a public service. The cure may be worse than the disease.

So it is that top editors at the venerable *Washington Post* "have embraced the view that studying [Internet user] traffic patterns can be a useful way to determine where to focus the paper's resources."<sup>80</sup> They are desperate to



find the content that will appeal to desired consumers *and* to the advertisers who wish to reach affluent consumers. In this relationship, advertisers hold all the trump cards, and the news media have little leverage. In the emerging era of “smart” advertising, this means shaping the content to meet the Internet profiles of desired users, even personalizing news stories alongside personalized ads. The best stories for selling tend to be soft news. “The challenge,” Joseph Turow writes, has been “trying to figure out how to carry out editorial personalization in a way that wouldn’t cause audiences to freak out.” He points out that all the logic of the system points to advertisers demanding that *they* get sympathetic editorial mention as well. Research shows that that makes for a far more successful sales pitch. As one frustrated editor put it, “This crap may be groovy, but it still stinks.”<sup>81</sup>

Nothing much changes when one looks at the new companies that have emerged to use the Internet as a battering ram to enter the news media industry. “All these people who forecast the end of newspapers because of the decline in advertising and users being unwilling to pay for content can’t explain how the new Internet journalism websites are going to survive or even thrive—since most of them, too, need paid ads and/or subscribers,” said Greg Mitchell, the longtime editor of *Editor & Publisher*. “I just don’t get it.”<sup>82</sup>

The new commercial ventures range from “content farms” to apps to major efforts to establish newsrooms and re-create a sense of news media online. The content farms, like Demand Media and Associated Content, have “embraced the attrition of the church-state boundary and turned it into a business model.”<sup>83</sup> These firms hire freelancers to produce articles quickly and cheaply to respond to popular search terms, and then sell advertising to appear next to the article. The needs of advertisers drive the entire process.<sup>84</sup> The key to commercial success is producing an immense amount of material inexpensively; the leading content farms can generate thousands of pieces of text and video on a daily basis.<sup>85</sup>

Pulse has emerged as one of the leading commercial news apps, with 13 million smartphone users who get it for free. Pulse aggregates other firms’ news and makes its money working with advertisers and merchants. It is moving into “branded-content advertising,” by which ads get slotted next to appropriate stories for individualized users. The outstanding question is whether Pulse will generate a workable business model and then can establish a monopoly position due to its scale and network effects, like Twitter. By

2012 it moved aggressively to provide local news—with the ability to place advertising in real time that addresses one’s exact location—and become a global operation; the service is already available in eight languages. Pulse does not generate original news, and its founders concede that they don’t know much about journalism.<sup>86</sup> Nor do any of the other mobile aggregators generate any original journalism,<sup>87</sup> but some of their revenues will probably end up in the hands of other news media and may eventually contribute to paying actual journalists.

The journalism company that has made the greatest impact online has been AOL, which was tenuously married to Time Warner for a decade until it went independent again in 2009. AOL purchased Patch around then, to be a “hyperlocal” digital news service, with branches in some 860 communities, supported by advertising. In other words, it would be like a digital newspaper but without the massive production expenses. A detailed and largely sympathetic *Columbia Journalism Review* account of a Patch editor in upstate New York described how the service logically focused on more affluent communities. After months of keeping the editorial and commercial sides distinct, that strategy was thrown overboard as the enterprise foundered; editors worked with the ad staff, among other things “drumming up ad sales leads.” The editors were then directed to favor content that would get people to the site and also to cultivate “user-generated free content.” Patch lost \$100 million in 2011, and is estimated to have lost another \$150 million in 2012. As David Carr puts it, Patch “is no closer to cracking the code.”<sup>88</sup> While it may eventually get into the black, it will do so at the expense of sacrificing much of the journalistic vision it had at its launch.<sup>89</sup>

Patch is evolving toward the *Huffington Post* business model: rely on volunteer labor, aggregate content from other media, emphasize sex and celebrities to juice the traffic, and generate some of your own content if you can afford to do so.<sup>90</sup> As fate had it, AOL purchased the *Huffington Post* in 2011. An internal memo on journalism from AOL CEO Tim Armstrong at the time captured the commercial logic: he ordered the company’s editors to evaluate all future stories on the basis of “traffic potential, revenue potential, edit quality and turnaround time.” All stories, he stressed, are to be evaluated according to their “profitability consideration.”<sup>91</sup> As one 2011 media industry assessment of the future of journalism put it, this is “good news for public relations professionals who are trying to pitch stories,” because “these sites will be looking for more content to fill their pages.”<sup>92</sup>

Armstrong's memo raises the question: What happens when a story—like that of a distant war or the privatization of a local water utility—fails to achieve proper “traffic potential, revenue potential”? What if no PR spinmeister wants to push it and provide free content? Does it disappear off the radar—and with it the ability of citizens to know what is being done in their name but without their informed consent? That might be a smooth ride for the CEOs, but it's a clunker for a democratic society.

Two aspects of capitalism and the Internet loom large in digital journalism. First, if anyone can make money doing online journalism, it will almost certainly be as a very large, centralized operation, probably a monopoly or close to it. The Internet has proven to be more effective at centralizing corporate control than it has been at enhancing decentralization, at least in news media. “We are probably far more centralized than we were in the past,” one executive said.<sup>93</sup>

To some extent it is because human beings are capable of meaningfully visiting only a small number of websites on a regular basis. The Google search mechanism encourages concentration because sites that do not end up on the first or second page of a search effectively do not exist. As Michael Wolff puts it in *Wired*, “The top 10 Web sites accounted for 31 percent of US pageviews in 2001, 40 percent in 2006, and about 75 percent in 2010.”<sup>94</sup> By 2012, according to the Web traffic measurer Experian Hitwise, 35 percent of all Web visits now go to Google, Microsoft, Yahoo!, and Facebook. (The same firms get two thirds of online ad revenue.) And, ironically, as Matthew Hindman points out, personalization of websites “systematically advantages the very largest websites over smaller ones.”<sup>95</sup> A paradox of the Internet, John Naughton writes, “is that a relatively small number of websites get most of the links and attract the overwhelming volume of traffic.” If your site isn't in that elite group, it will likely be very small, and stay very small.<sup>96</sup>

As Matthew Hindman's research on journalism, news media, and political websites demonstrates, what has emerged is a “power law” distribution whereby a small number of political or news media websites get the vast majority of traffic.<sup>97</sup> They are dominated by the traditional giants with name recognition and resources. There is a “long tail” of millions of websites that exist but get little or no traffic, and only a small number of people have any idea that they exist. Most of them wither, as their producers have little incentive and resources to maintain them. There is also no effective “middle class” of robust, moderate-size websites; that segment of the news media system has

been wiped out online, leading Hindman to conclude that the online news media are *more* concentrated than in the old news media world.

This seems to be the way of the digital world. Because the returns are so low and the marginal costs of adding new users are zero, profits are possible only by having massive scale. The “best bet for making money,” *The Economist* states, “is to pull in more readers for the same content.” And when a player gets that large, there usually isn't much room for anyone else. “There will be fewer national news outlets” in the digital world.<sup>98</sup> The grand irony of the Internet is that what was once regarded as an agent of diversity, choice, and competition has become an engine of monopoly. As to journalism, it is unclear if *anyone* can make a go of it commercially, beyond material aimed at the wealthy and the business community.

The second aspect of the capitalism-Internet nexus at the heart of the online journalism business model is an understanding that the wages paid to journalists can be slashed dramatically, while workloads can be increased to levels never before seen. Armstrong's memo states that all of AOL's journalistic employees will be required to produce “five to 10 stories per day.” Tim Rutten of the *Los Angeles Times* captured the essence of this requirement in his assessment of AOL's 2011 purchase of the *Huffington Post*: “To grasp the Huffington Post's business model, picture a galley rowed by slaves and commanded by pirates.” In the “new-media landscape,” he wrote, “it's already clear that the merger will push more journalists more deeply into the tragically expanding low-wage sector of our increasingly brutal economy.”<sup>99</sup>

With massive unemployment and dismal prospects, the extreme downward pressure on wages and working conditions for journalists is the two-ton elephant that just climbed into democracy's bed. “In the new media,” Rutten concludes, we find “many of the worst abuses of the old economy's industrial capitalism—the sweatshop, the speedup, and piecework; huge profits for the owners; desperation, drudgery, and exploitation for the workers. No child labor, yet, but if there were more page views in it . . .”<sup>100</sup> David Watts Barton left the *Sacramento Bee* in 2007 to work at the *Sacramento Press*, a hyperlocal digital news operation. In the *Columbia Journalism Review*, he described the extreme difficulty of producing credible journalism based on volunteer labor. “Editing costs money. Citizen journalists are cheap and they can even be good. But even great journalists need some editing; citizen journalists need a lot of it. . . . Without journalism jobs, we don't have journalism.”<sup>101</sup>



Commercial media's attitude toward journalism labor became apparent in the Journatic brouhaha following a whistleblower's exposé aired on public radio's *This American Life* in the summer of 2012. Journatic is a shadowy "hyperlocal content provider" that reportedly eschews publicity to the point where its site contains code that lessens its appearance in Google search results. It contracts with dozens of U.S. commercial news media to provide local coverage, including *Newsday*, the *Houston Chronicle*, the *San Francisco Chronicle*, and the GateHouse newspaper chain. The Journatic business model is premised on the idea that doing routine local news with actual paid reporters is no longer a viable option for many American news media, so it provides a discount alternative.

Journatic's local coverage is provided by low-paid writers and freelancers in the United States and, ironically enough, the Philippines, where Journatic hires writers "able to commit to 250 pieces/week minimum" at 35 to 40 cents a piece. Journatic CEO Brian Timpone says that the compensation was "more than most places in the Philippines." They produce stories under bogus "American-sounding bylines" that make it seem as if they are based in the local community running the stories. Part of the reason aliases are used is that it would be suspicious to readers and other journalists if they saw the number of articles a single writer produced, not to mention the importance of maintaining the illusion that these are local reporters.

Not surprisingly, these stories are "little more than rewritten news releases," as the whistleblower put it. They also contain a considerable number of errors, fabrications, and instances of plagiarism.<sup>102</sup> But to the casual reader of a Journatic client, it would seem the newspaper or website was chock-full of original local material.

The Tribune Company, which owns the *Chicago Tribune*, invested in Journatic in April 2012 and outsourced coverage for the Chicago area's ninety TribLocal websites and twenty-two weekly editions to it. TribLocal laid off half of its forty staffers when it contracted with Journatic, and its output tripled. When word got out, ninety members of the *Chicago Tribune* newsroom presented a petition protesting Journatic's role. On July 13 the company indefinitely suspended use of Journatic in its papers, but the hyperlocal content provider is still very much in action in other markets, waiting for the bad publicity to blow over.

This is hardly the end of the story. A Pasadena publisher, James Macpherson, stated he wanted to "defend the concept" of outsourcing, claiming

that "Journatic has done it quite shabbily." His firm had begun outsourcing journalism to India in 2007, but the program was postponed soon thereafter as he was apparently ahead of his time. Macpherson uses Internet software developed by Amazon in 2012 to contract with freelance reporters all over the world and says, "I outsource virtually everything. I am primarily looking for individuals who I can pay a lower rate to do a lot of work." He concedes there are limitations: "There is no way someone in Manila can possibly understand what is happening in Pasadena." But the economics are such that Macpherson argues outsourcing is inevitable: "The real lesson of Journatic is that outsourcing is not going to go away."<sup>103</sup>

As journalism becomes increasingly rote, the logical question becomes who needs human labor at all? StatSheet, a subsidiary of Automated Insights, uses algorithms to turn numerical data into narrative articles for its 418 sports websites. Automated Insights now also computer-generates ten thousand to twenty thousand articles per week for a real estate website, and the emerging computer-generated content industry is convinced that algorithms will become a key part of writing news stories in the near future. "I am sure a journalist could do a better job writing an article than a machine," says a real estate agency CEO who contracted with Automated Insights, "but what I'm looking for is quantity at a certain quality."<sup>104</sup> Who knows—maybe we will someday look back at Journatic as a golden age of journalism.

In short, the Internet does not alleviate the tensions between commercialism and journalism; it magnifies them. With labor severely underpaid or unpaid, research concludes that the original journalism provided by the Internet gravitates to what is easy and fun, tending to "focus on lifestyle topics, such as entertainment, retail, and sports, not on hard news."<sup>105</sup> As traditional journalism disintegrates, no models for making Web journalism—even bad journalism—profitable at anywhere near the level necessary for a credible popular news media have been developed, and there is no reason to expect any in the future.<sup>106</sup>

There is probably no better evidence that journalism is a public good than the fact that none of America's financial geniuses can figure out how to make money off it. The comparison to education is striking. When managers apply market logic to schools, it fails, because education is a cooperative public service, not a business. Corporatized schools throw underachieving, hard-to-teach kids overboard, discontinue expensive programs, bombard students with endless tests, and then attack teacher salaries and unions as the



main impediment to “success.”<sup>107</sup> No one has ever made profits doing quality education—for-profit education companies seize public funds and make their money by *not* teaching.<sup>108</sup> That’s why the elite managers send *their* own children to nonprofit schools, generally private but sometimes public in the affluent suburbs, while other children are hung out to dry in the marketplace. Education is, in short, a public good. In digital news, the same dynamic is producing the same results, and leads to the same conclusion.

### Fighting for the Public Good

The severity of the crisis in journalism is difficult to ignore, especially for those in politics who have seen the number of reporters following them diminish rapidly. By 2008 many politicians were commenting on how difficult it had become to get press coverage in their districts or on the issues they cared about. On the campaign trail, U.S. senators who once had entourages of reporters following them like they were heavyweight champions suddenly found themselves traveling with one or two staffers and few others. By 2010 the FCC and the Federal Trade Commission had each created task forces to study the crisis in journalism and propose solutions. The Democratic Caucus in Congress established an informal inquiry too. Hearings were held in both the House and Senate. Nothing has resulted, but these inquiries were unprecedented in American history.<sup>109</sup>

The lack of action was due in part to a lack of public outcry and pressure. The extent of the crisis in journalism is underappreciated by most Americans, including many serious news and political junkies. The primary reason may well be the Internet itself. Because many people envelop themselves in their favored news sites and access so much material online, even surfing out onto the “long tail,” the extent to which we are living in what veteran editor Tom Stites terms a “news desert” has been obscured.<sup>110</sup> Moreover, using dissident websites, social media, and smartphones, activists have sometimes “bypassed the gatekeepers” in what John Nichols calls a “next media system.”<sup>111</sup> Its value is striking during periods of public protest and upheaval.

But the illusion that this constitutes satisfactory journalism is growing thinner. Nothing demonstrates the situation better than the release by WikiLeaks of an immense number of secret U.S. government documents

between 2009 and 2011. To some this was investigative journalism at its best, and WikiLeaks had established how superior the Internet was as an information source. It clearly threatened those in power, so this was exactly the sort of Fourth Estate a free people needed. Thanks to the Internet, some claimed, we were now truly free and had the power to hold leaders accountable.<sup>112</sup>

In fact, the WikiLeaks episode demonstrates precisely the opposite. WikiLeaks was not a journalistic organization. It released secret documents to the public, but the “documents languished online and only came to the public’s attention when they were written up by professional journalists,” as Heather Brooke put it. “Raw material alone wasn’t enough.”<sup>113</sup> Journalism had to give the material credibility, and journalists had to do the hard work of vetting the material and analyzing it to find out what it meant. That required paid, full-time journalists with institutional support. The United States has too few of these, and those it has are too closely attached to the power structure, so most of the material still has not been studied and summarized for a popular audience—and it may never be in our lifetimes.

Moreover, there was no independent journalism to respond when the U.S. government launched a successful PR and media blitz to discredit WikiLeaks. Attention largely shifted from the content of these documents to overblown and unsubstantiated claims that WikiLeaks was costing innocent lives, and to a personal focus on WikiLeaks leader Julian Assange. Glenn Greenwald was only slightly exaggerating when he stated that “there was almost a full and complete consensus that WikiLeaks was satanic.” The onslaught discredited and isolated WikiLeaks, despite the dramatic content that could be found in the documents WikiLeaks had published. The point was to get U.S. editors and reporters to think twice before opening the WikiLeaks door. It worked.

Many journalists elsewhere rallied to defend basic principles about transparency and speaking truth to power. The material they assessed and made public energized a wave of global democratic movements, even contributing to peaceful political revolutions. In the United States, nothing of the kind occurred, and WikiLeaks has had no effect on democratizing *our* politics or calling *our* leaders to account. The responses of U.S. journalists and commentators to the WikiLeaks revelations were often indistinguishable from those of the government spin doctors. Greenwald ended up defending WikiLeaks on numerous broadcast news programs and discovered that his on-air opponents were often working reporters: “There wasn’t even really

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a pretense of separation between how journalists think and how political functionaries think.”<sup>114</sup>

When the U.S. government and the Internet giants took steps to render WikiLeaks ineffective, even though no one connected with it had been charged with, or convicted of, any crime for its publishing activities, what passes for U.S. journalism stood by meekly. How revealing that a news media that almost never does investigative work on the national security state or its relations with large corporations does not come to the defense of those who have the courage to make such information public! As the Obama administration, like those before it, has pursued extraordinary measures to limit public access to information and to punish whistleblowers, a credible independent news media in a free society would have led the charge to publicize its secrecy and actively oppose it.<sup>115</sup> All the signs suggest that WikiLeaks, rather than being the harbinger of a new era, may have been the last gasp of an old one.

This also touches on the limitations of blogs, which not long ago were heralded as “little First Amendment machines. They extend freedom of the press to more actors.”<sup>116</sup> Blogs provide commentary, sometimes expert commentary, but they tend to rely upon others’ reporting upon which to comment. Without a credible journalism, blogs have value only to the extent they produce original research, which is difficult unless one can do it full-time with institutional support. Moreover, Hindman’s research on online media concentration applies just as much, if not more, to the blogosphere. He found its traffic is highly concentrated in a handful of sites, operated by people with astonishingly elite pedigrees.<sup>117</sup>

There is one exciting new hope for digital journalism that has emerged in the past few years: online nonprofit news media. A number of outlets have been created that are dedicated to doing journalism in the public interest. What we have done “was out of seeing where the business model is headed, off a cliff,” the editor of the *Voice of San Diego* told NYU’s Benson, “and if we want to keep this public service alive we needed to fund it in a different way.” “I say good riddance” to having to rely on advertising and generating profits, the editor of the *SF Public Press* told Benson. “It was a bad marriage to begin with and it skewed coverage. And it foreclosed discussion of people and communities who were not targets of advertising.”<sup>118</sup> Founders of these organizations see the gaping void in American journalism and wish to fill it.

JOURNALISM IS DEAD, LONG LIVE JOURNALISM

The great question, then, is whether this new wave of nonprofit news media can rejuvenate American journalism and steer it away from the commercialism that was eating at its foundations. If it can, public ennui and governmental inaction are justified. Yankee ingenuity will have licked the problem. Best of all, there will be little government or commercial involvement with journalism; it will be a genuine public sphere.<sup>119</sup>

Some of these nonprofit ventures are local, like *MinnPost* and the aforementioned *Voice of San Diego*, and some are national, like *ProPublica*, which, in 2010, was the first digital news medium to win the Pulitzer Prize for reporting. Many are staffed by superb journalists who once worked in commercial news media. Young and enthusiastic new journalists are entering the field in this sector. A 2011 study by the Investigative Reporting Workshop determined that the top seventy-five nonprofit news operations had 1,300 employees and combined annual budgets totaling \$135 million. (This includes *Consumer Reports*, which accounts for nearly half the total staff and one third of the budgets.)<sup>120</sup> Since 2008, there has been a spike in Internal Revenue Service (IRS) applications for nonprofit status from journalism organizations, almost entirely for digital operations.<sup>121</sup> “This sector has absolutely ballooned,” I was told by Josh Stearns, the Free Press activist who works in the area.<sup>122</sup> How many of these new nonprofit digital news ventures are there? “It’s scores, not dozens, maybe hundreds, probably a lot more than anyone knows,” says the Knight Foundation’s Eric Newton, who monitors and encourages such activity for a living.<sup>123</sup>

Nevertheless, the impact of the nonprofit sector may be less than the sum of its parts. “Investigative nonprofits,” as Newton put it, “are ‘punching above their weight,’” meaning that “the total community reached is still not close to the for-profits.”<sup>124</sup> They are usually most successful when a mainstream news organization picks up their work. That is often the approach of *ProPublica*, which won the first of its two Pulitzers for a piece that ran in the *New York Times Magazine*. In this scenario, the nonprofit sector is providing a subsidy to commercial news media.

There is also a push for nonprofit activist groups—nongovernmental organizations, or NGOs—to become direct producers of online journalism in the areas where they have expertise.<sup>125</sup> With the collapse of traditional newsrooms, public interest NGOs are doing their own reporting so they can pursue stories relating to their work. “What’s a nonprofit digital news operation? *Consumer Reports* online?” asks Newton. “The highly ethical digital



info gathering part of Human Rights Watch?"<sup>126</sup> In 2011, for example, the Center for Media and Democracy (CMD) produced award-winning exposés of the secretive and corporate-dominated American Legislative Exchange Council (ALEC). A few years earlier, the work might have been done by traditional journalists, but there were simply too few left to take on that assignment.

As exciting as it is to have NGOs get into the journalism business, we should not romanticize the development and make a virtue out of a necessity. In my experience, most of these groups would prefer that there be independent journalism organizations doing the hard investigative work they are being forced to do. It would allow them to use their very scarce resources for their core research, advocacy, and service. Most important, it would give the findings far more legitimacy and have greater public impact than when they come from an interested party. In a world where most journalism emanates from interested parties, it will be hard for NGOs to rise above the clatter that the corporate-funded groups produce, because the latter have exponentially greater resources. The work of the CMD on ALEC, for example, went mainstream when it was picked up and pushed along by the *New York Times* a full year after the CMD broke the story.<sup>127</sup>

The good news for both NGO journalists and the new sector of digital nonprofit news media is that by dispensing with print, they lop off at least 30 percent of the costs of production and distribution for a traditional newspaper or magazine.<sup>128</sup> This is one of the factors that allows celebrants to wax rhapsodic about the postmaterial nature of networked journalism. The bad news is that losing 30 percent of costs still leaves this sector well under water. These digital nonprofit news media are underfunded, and there is no reason to think they will ever generate much more resources than they currently have. To put this sector in context, it has, at most, a few thousand employees, compared to the 120,000 full-time paid journalists our country had two decades ago.<sup>129</sup> Moreover, none of these ventures is pointed toward large-scale growth. Even in the assessments of their most enthusiastic supporters, they are far more likely to go under. In fact, this is probably about as good as it gets, barring the sort of radical policy proposals I make in the next section. Once one gets past the seventy-five largest nonprofit news organizations, one is deep in the weeds of very small, marginal shops. "None has developed a clear business model," a Knight Foundation study concluded.<sup>130</sup>

Individual donations and foundation grants have been the basis of

revenues, but these have distinct limits and invite problems. Experience with public broadcasting shows that people will pay, but there is an upper limit that is far below the money needed. Individuals gave \$730 million to all public and community broadcasting stations in 2009. The total has not grown as a percentage of public media revenues over the past decade, and only a fraction of that went toward journalism.<sup>131</sup> The *SF Public Press* made a concerted effort to establish a "PBS model" for donations to support itself, but the donations amount to only between 7 and 12 percent of its meager \$80,000 annual budget.<sup>132</sup> Even if the donation approach were to become viable, there is an additional concern: it tends to extend the privileges of the upper-middle and upper classes into the digital future.

This brings us to foundations. As the newspaper meltdown unfolded early in 2009, a movement was afoot to establish nonprofit newspapers and/or endowed newspapers, to be supported by philanthropy. As the longtime head of the Center for Public Integrity, Charles Lewis, put it, "It's time for civil society, especially the nation's foundations and individuals of means, to collaborate with journalists and experts who understand the changing economics of journalism in an imaginative, visionary plan that would support our precious existing nonprofit institutions and help to develop new ones."<sup>133</sup> Since 2005, Jan Schaffer of American University estimates that foundations have donated at least \$250 million to U.S. nonprofit journalism ventures.<sup>134</sup>

The problems with foundations as a form of support are threefold. First, they do not have anywhere near enough money to bankroll even a large chunk of journalism. They have a lot of other issues on their plates. *The Economist* notes that foundations "can only be a partial solution to the woes of newspapers."<sup>135</sup>

Second, foundations are hardly value-free or neutral institutions. They have their own pet causes and axes to grind, and they are often associated with powerful people and institutions. Sometimes they will fund coverage only of certain types of stories that they have an interest in. Foundations are generally accustomed to having their grantees give them what they want. Exceptions notwithstanding, they are not going to cut big checks and then head off to the beach. In an environment where many nonprofit journalists are wondering where their next meal is coming from, that gives foundations extraordinary implicit or explicit power over the content—largely unaccountable power.

Third, most foundations provide only limited-term support, often for



periods of three years or less, to new enterprises. Foundation boards and directors like to spawn groups, not bankroll them in perpetuity. "It is worth noting that many of these are start-ups within their first three years," Stearns said when chronicling the state of nonprofit news ventures. "Once the start-up funding disappears it is unclear how many will survive."<sup>136</sup> John Bracken of the Knight Foundation, the leading funder of nonprofit journalism, warns start-ups that "we will not be providing perpetual support."<sup>137</sup>

It is striking that the leading foundations involved in funding and studying nonprofit news ventures apparently have no idea, after years of experience, how these operations can ever become sustainable. Foundation officials are reduced to recycling platitudes and buzzwords like those that hedge fund managers are directing at old-fashioned newspaper people on the commercial side. The Knight Foundation president said, "We're interested in new and different ways of doing things. . . . Folks who can be nimble and change are going to do better in the future than those who are slow to change."<sup>138</sup> Jeff Jarvis told grantmakers in 2011 that digital nonprofit news media need to focus on figuring out "which financial models work." A 2011 Pew Research Center report says the most "promising experiments in community news" are "coming from people who embrace business entrepreneurship and digital innovation."<sup>139</sup> Newton argues that "digital nonprofits need a diverse revenue stream to survive."<sup>140</sup> He says the days of getting a grant and concentrating on doing great journalism are over. Digital nonprofits must spend "substantial amounts of money on such items as technology, sales and marketing."<sup>141</sup> He believes digital nonprofit media should embrace the use of unpaid labor: "The new digital models are different types, citizen/volunteer/freelance/traditional/mixed."<sup>142</sup>

In effect, this approach admits defeat and then tries to declare victory.<sup>143</sup> It clings desperately to the faith-based conviction that everything will somehow eventually work out in the absence of any public policy intervention, while conceding that there will be an indefinite period during which the resources going to journalism are certain to decline precipitously. During that interregnum, anywhere from one to five decades, we apparently will have to get by on chewing gum and baling wire. Newton, to his credit, has pondered the implications of this approach:

News, like life, finds a way. My long-term optimism is tinged with worry about the current state of things. Eventually is not the same as

immediately. While we are waiting for the huge new age—two-way, not one-way; digital, not industrial; networked, not broadcast—to take hold, a lot of bad things are happening. Whenever traditional journalism decreases, for example, public corruption increases. Sometimes I wonder: How much corruption and confusion can one country take?<sup>144</sup>

Newton is right: this is a dubious strategy. In view of the immense problems before us, it strikes me as tantamount to social suicide.

Perhaps the most sobering development of recent times concerns *The Guardian*, arguably the best English-language newspaper in the world, with an enormous online readership. As a report by *The Economist's More Intelligent Life* notes, "*The Guardian* has been having an astonishing run." Few newspapers have embraced the Internet with such fury and apparent success. In terms of reach and impact, "the *Guardian* is doing better than ever." The success is due in part to *The Guardian* being a nonprofit, with a singular devotion to journalism above all else. There are no investors weighing their stake in *The Guardian* against other more profitable options. The Scott Trust—established in the 1930s by the family owners—has been well managed and has a "war chest" of roughly \$250–300 million to cover operating losses, though CEO Andrew Miller says that amount will cover at most another three to five years. But even *The Guardian* cannot find a way to break even without cutting resources or commercializing its operations beyond the traditional role of advertising. Both options undermine quality and put the paper and its website on a downward spiral. *Guardian* employees are aware of the dilemma; reporter Nick Davies says it is impossible to see how investigative journalism can survive on the current trajectory. If an operation like *The Guardian*, with its support structure, vast resources, enormous scale, and popularity, cannot transition to the digital age and maintain quality—and might not even survive—what hope is there for anyone else?<sup>145</sup>

In my view, we are better off admitting what is plainly obvious: there is no business model that can give us the journalism a self-governing society requires. What we need is a significant body of full-time paid journalists, covering their communities, the nation, the world, in competition and collaboration with other paid journalists. There need to be independent newsrooms where journalists who are secure enough in their livelihoods to focus on their work can collaborate and receive professional editing, fact-checking, and assistance. There needs to be expertise, developed over years of trial

and error, in vital areas of specialty, and paid journalists accountable for those beats. We need journalists trained in languages, history, and culture to work international beats with the credentials to protect them from government harassment. Great media institutions need to compete with other great media institutions, giving citizens solid choices and distinct perspectives.

And all of this media must be digital, perhaps with an old-media overlay during the interregnum. Digital technologies can make the system much more accessible and economically cost-efficient, and it can allow a much larger role for citizens to participate. That is what is so exciting about the world Benkler and the other celebrants envision. I can see a new and dramatically superior caliber of journalism emerging as a result of the Internet. It will be a journalism that will overcome the great limitations of professional journalism as it has been practiced in the United States: among other things, reliance upon the narrow range of opinion of people in power as the legitimate parameters of political debate, with a bias toward seeing the world through upper-class eyes. It will be a journalism that can truly open up our politics in the manner democratic theory envisions.

However, for this to happen there must be major public investments, and these funds must go to the development of a diverse and independent nonprofit sector. The future of journalism otherwise will likely approach what education would be like if all public investments were removed. With no such investments, our education system would remain excellent for the wealthy, who can afford private schools, mediocre for the upper-middle class, and nonexistent or positively frightening for the increasingly impoverished middle and working classes, the majority of the nation. To the extent it even existed, it would depend upon volunteer labor. It would be a nightmare unsuitable for any credible democratic or humane society. We wouldn't accept this model for public education. Nor should we for journalism.

But wait, don't government subsidies for journalism violate everything America stands for? Aren't they an affront to the most elementary notions of freedom and democracy? Isn't it better to risk going down in flames as a failed state than to open *that* Pandora's box?

## Baseball, Hot Dogs, Apple Pie . . . and Public Investments in Journalism?

In 1787, as the Constitution was being drafted in Philadelphia, Thomas Jefferson was ensconced in Paris as this young, undefined nation's minister to France. From afar he corresponded on the matter of what was required for successful democratic governance. The formation of a free press was a central concern. Jefferson wrote:

The way to prevent these irregular interpositions of the people is to give them full information of their affairs thro' the channel of the public papers, and to contrive that those papers should penetrate the whole mass of the people. The basis of our governments being the opinion of the people, the very first object should be to keep that right; and were it left to me to decide whether we should have a government without newspapers, or newspapers without a government, I should not hesitate a moment to prefer the latter. But I should mean that every man should receive those papers and be capable of reading them.

For Jefferson, having the right to speak without government censorship is a necessary but insufficient condition for a free press and therefore democracy, which also demands that there be a literate public, a viable press system, and easy access to this press by the people.

But why, exactly, was this such an obsession to Jefferson? In the same letter, he praised Native American societies for being largely classless and happy, and he criticizes European societies—like the France he was witnessing firsthand on the eve of its revolution—in no uncertain terms for being their opposite. Jefferson also highlighted the central role of the press in stark class terms when he described its role in preventing exploitation and domination of the poor by the rich:

Among [European societies], under pretence of governing they have divided their nations into two classes, wolves and sheep. I do not exaggerate. This is a true picture of Europe. Cherish therefore the spirit of our people, and keep alive their attention. Do not be too severe upon their errors, but reclaim them by enlightening them. If once they

become inattentive to the public affairs, you and I, and Congress, and Assemblies, judges and governors shall all become wolves. It seems to be the law of our general nature, in spite of individual exceptions; and experience declares that man is the only animal which devours his own kind, for I can apply no milder term to the governments of Europe, and to the general prey of the rich on the poor.<sup>146</sup>

In short, the press has the obligation to undermine the natural tendency of propertied classes to dominate politics, open the doors to corruption, reduce the masses to powerlessness, and eventually terminate self-government.

James Madison was every bit Jefferson's equal in his passion for a free press. Together they argued for it as a check on militarism, secrecy, corruption, and empire. Near the end of his life, Madison famously observed, "A popular government without popular information or the means of acquiring it, is but a Prologue to a Farce or a Tragedy or perhaps both. Knowledge will forever govern ignorance, and a people who mean to be their own Governors, must arm themselves with the power knowledge gives."<sup>147</sup>

They were not alone. In the early republic, with no controversy, the government instituted massive postal and printing subsidies to found a viable press system. There was no illusion that the private sector was up to the task without these investments. The very thought would be unthinkable for generations. For the first century of American history, most newspapers were distributed by mail, and the Post Office's delivery charge for newspapers was very small. Newspapers constituted 90 to 95 percent of its weighted traffic, yet provided only 10 to 12 percent of its revenues. The Post Office then was by far the largest and most important branch of the federal government, with 80 percent of federal employees in 1860.<sup>148</sup>

In the haze of the past century of commercially driven news media, we have lost sight of the fact that the American free-press tradition has two components. First is the aspect everyone is familiar with, the idea that the government should not exercise prior restraint or censor the press. The second, every bit as important, is that it is the highest duty of the government to see that a free press actually exists so there is something of value that cannot be censored. Although this second component of the American free-press tradition has been largely forgotten since the advent of the corporate-commercial era of journalism, the U.S. Supreme Court, in all relevant cases, has asserted its existence and preeminence. Justice Potter Stewart noted, "The Free Press

guarantee is, in effect, a structural part of the Constitution" (Stewart's emphasis). "The primary purpose of the constitutional guarantee of a free press was," he added, "to create a fourth institution outside the Government as an additional check on the three official branches." Stewart concluded, "Perhaps our liberties might survive without an independent established press. But the Founders doubted it, and, in the year 1974, I think we can all be thankful for their doubts."<sup>149</sup> In his opinion in the 1994 case *Turner Broadcasting System v. FCC*, Reagan appointee Justice Anthony Kennedy concluded, "Assuring the public has access to a multiplicity of information sources is a governmental purpose of the highest order."<sup>150</sup>

How big were these public investments in journalism (or press subsidies) in contemporary terms? In *The Death and Life of American Journalism*, Nichols and I calculated that if the U.S. federal government subsidized journalism today at the same level of GDP that it did in the 1840s, the government would have to invest in the neighborhood of \$30 billion to \$35 billion annually. In his *Democracy in America*, Alexis de Tocqueville wrote with astonishment of the "incredibly large" number of periodicals in the United States and concluded that the number of newspapers was in direct proportion to how egalitarian and democratic the society was.<sup>151</sup> The robust press had little to do with free markets and everything to do with subsidies that dramatically lowered the costs of publishing and provided additional revenues from printing contracts. As late as the 1910s, when Postmaster General Albert Burleson questioned the need for newspaper and magazine postal subsidies, he was roundly dismissed as someone who knew little about news industry economics.<sup>152</sup> To Americans of all political persuasions—and especially to progressive political movements like the abolitionists, populists, and suffragists—even during the most laissez-faire periods in American history, the necessity of a large public investment in journalism was a given.

Federal press subsidies—e.g., postal subsidies and paid government notices—have diminished in real terms to only a small fraction of their nineteenth-century levels, though they remain to the present day. Public broadcasting is the most visible investment by government in media, and it receives approximately \$1 billion in public support, but only a small portion of that supports journalism. State and local governments, as well as public universities, provide much of this public subsidy, with only about \$400 million coming from the federal government.

There are legitimate concerns about government control over the content



of journalism, and I reject any investments that would open the door to that outcome. I also understand that a government with a massive military and national security complex, like the United States, could be especially dangerous with the keys to the newsroom, but we could fund real journalism with some of the roughly \$5 billion currently used annually by the Pentagon for public relations.<sup>153</sup> Moreover, the United States, for all of its flaws, remains a democratic society in the conventional modern use of the term. Our state is capable of being pushed to make progressive moves as well as regressive ones.

This is a crucial distinction. Most opponents of press subsidies assume that the places to look for comparison purposes are Nazi Germany, Stalin's Russia, Pol Pot's Cambodia, and Idi Amin's Uganda. If a dictatorship or authoritarian regime subsidizes journalism, the "news" will be propaganda designed to maintain an antidemocratic order. But that does not mean the same outcome necessarily occurs when democratic nations institute press subsidies. What happens when we look at nations with multiparty democracies, advanced economies, the rule of law, electoral systems, and civil liberties?—places like Germany, Canada, Japan, Britain, Norway, Austria, the Netherlands, Denmark, Finland, Belgium, Sweden, France, and Switzerland.

For starters, all these nations are huge government investors in journalism compared to the United States. If America subsidized public media at the same per capita rate as nations with similar political economies, like Canada, Australia, and New Zealand, U.S. public broadcasters would have a government investment in the \$7 billion to \$10 billion range. If America subsidized public media at the same rate as nations along the lines of Japan, France, or Great Britain, the total would be \$16 billion to \$25 billion; if at the same rate as Germany, Norway, or Denmark, \$30 billion to \$35 billion.<sup>154</sup>

These estimates do not even factor in the extensive newspaper subsidies that several democracies employ. If the U.S. federal government subsidized newspapers at the same per capita rate as Norway, it would make a direct outlay of approximately \$3 billion annually. Sweden spends slightly less per capita, but has extended the subsidies to digital newspapers. France is the champion at newspaper subsidies. If a federal government subsidy provided the portion of the overall revenues of the U.S. newspaper industry that France does for its publishers, it would have spent at least \$6 billion in 2008.<sup>155</sup>

I have had the privilege of traveling to many of these nations in recent

years, and my impression is that these nations are far from police states, nor do their extensive public media systems and journalism subsidies evoke comparisons to a sham democracy, let alone a one-party state. But appearances can be deceiving, and one prefers harder evidence, from unimpeachable sources that would not necessarily be inclined to endorse public press investments.

I start with Britain's *The Economist*, a business magazine keenly in favor of capitalism, deregulation, and privatization, unsympathetic toward large public sectors, labor unions, or anything that smacks of socialism. Every year *The Economist* produces a highly acclaimed Democracy Index, which ranks all the nations of the world on the basis of how democratic they are. In 2011 only twenty-five nations qualified as democratic. The criteria are: electoral process and pluralism, functioning of government, political participation, political culture, and civil liberties. The United States ranks nineteenth by these criteria. Most of the eighteen nations ranking higher had government media subsidies on a per capita basis at least ten or twenty times that of the United States. The top four nations on the list—Norway, Iceland, Denmark, and Sweden—include two of the top three per capita media subsidizers in the world, and the other two are dramatically ahead of the United States. These are the freest, most democratic nations on earth according to *The Economist*, and they all have perfect or near-perfect scores on civil liberties. The United States is tied for the lowest civil liberties score among the twenty-five democracies, and on this issue trails twenty nations described as "flawed democracies" in *The Economist's* rankings.<sup>156</sup>

Although all of the Democracy Index criteria implicitly depend to a large extent upon having a strong press system—and the report specifically discusses press freedom as a crucial indicator of democracy—freedom of the press itself is not one of the six measured variables. Is there a more direct source on press freedom?

Fortunately, there is. The Democracy Index can be supplemented with the research of Freedom House, an American organization created in the 1940s to oppose totalitarianism of the left and right, which with the coming of the Cold War emphasized the threat of left-wing governments to freedom. Freedom House is very much an establishment organization, with close ties to prominent American political and economic figures. Every year it ranks all the nations of the world on the basis of how free and effective their press systems are. Its research is detailed and sophisticated, particularly concerned

with any government meddling whatsoever with private news media. For that reason, all communist nations tend to rank in a virtual tie for dead last as having the least free press systems in the world. Freedom House is second to none when it comes to having sensitive antennae to detect government meddling with the existence or prerogatives of private news media.

Freedom House hardly favors the home team. In 2011 it ranked the United States as being tied with the Czech Republic as having the twenty-second freest press system in the world. America is ranked so low because of failures to protect sources and because of the massive economic cutbacks in newsrooms that have been chronicled in this chapter.

Freedom House's list is dominated by the democratic nations with the very largest per capita journalism subsidies in the world. The top nations listed by Freedom House are the same nations that top *The Economist's* Democracy Index, and all rank among the top per capita press subsidizers in the world.<sup>157</sup> In fact, the lists match to a remarkable extent. That should be no surprise, as one would expect the nations with the freest and best press systems to rank as the most democratic nations. What has been missing from the narrative is that *the nations with the freest press systems are also the nations that make the greatest public investment in journalism* and therefore provide the basis for being strong democracies.<sup>158</sup>

Freedom House research underscores the fact that none of these successful democracies permit the type of political meddling that is common in U.S. public broadcasting, particularly by those politicians who want to eliminate public broadcasting, with no sense of irony, because it has been "politicized."<sup>159</sup> Matt Powers and Rodney Benson conducted a thorough analysis of media laws and policies in fourteen leading democracies and "found that all of these countries have self-consciously sought to create an arm's-length relationship between public media outlets and any attempt at partisan political meddling."<sup>160</sup> They conclude:

What matters for both public and private media are the procedures and policies in place to assure both adequate funding and independence from any single owner, funder or regulator. Inside corporate-owned newsrooms, as profit pressures have increased, informal walls protecting the editorial side from business interference have crumbled. In contrast, the walls protecting public media are often made of firmer stuff such as independent oversight boards and multiyear advance

funding to assure that no publicly funded media outlet will suffer from political pressure or funding loss because of critical news coverage.<sup>161</sup>

"I'd like to think that this finding rather than our calculation of funding is the major contribution of our study," Benson told me.<sup>162</sup>

Although no nation is perfect and even the best have limitations, these examples consistently demonstrate that there are means to effectively prevent governments from having undue influence over public media operations, much as in the United States we have created mechanisms to prevent governors and state legislatures from dictating faculty research and course syllabi at public universities. In other democratic nations, public broadcasting systems tend to be popular and are defended by political parties throughout the political spectrum. Even in the United States, despite its paltry budgets and spotty performance, public broadcasting routinely polls as one of the most popular government programs.<sup>163</sup>

One other annual survey presents supporting evidence. Since 2002 Reporters Without Borders has produced a highly respected annual world press freedom index that ranks all nations in terms of how freely journalists can go about their work without direct or indirect attacks. The survey does not address the quality of the journalism, but only how unconstrained journalists are to cover their communities and beats without violence or harassment. The United States plummeted to forty-seventh in the world in 2012, largely because of the mushrooming practice of police arresting and sometimes beating up journalists who dare to cover and report on public demonstrations. As journalism weakens, the state has less fear of harassing members of the Fourth Estate, who are seen as unduly interested in issues the state prefers not to be covered. The dozen or so nations that scored well above the rest of the world in terms of press freedom were pretty much the exact same nations that dominated the other two lists, those that have the largest public investments in journalism.<sup>164</sup> Table 1 puts all these studies together.

Research also demonstrates that in those democratic nations with well-funded noncommercial broadcasting systems, political knowledge is higher than in nations without them and the information gap between the rich and the working class and poor is much smaller.<sup>165</sup> Stephen Cushion's recent research confirms this pattern. He notes that public service broadcasters tend to do far more election campaign reporting than their commercial counterparts. One conclusion of Cushion's is especially striking: those

Table 1. Journalism funding and democracy

Press Freedom (Reporters Without Borders)		Freedom of Press (Freedom House)		Democracy Index (The Economist)		Funding for Public Media		
Country	Rank	Country	Rank	Country	Rank	Country	Rank	Per capita
Finland	1	Finland	1	Norway	1	Norway	1	\$130.39
Norway	2	Norway	2	Iceland	2	Denmark	2	\$109.96
Estonia	3	Sweden	3	Denmark	3	Finland	3	\$104.10
Netherlands	4	Belgium	4	Sweden	4	United Kingdom	4	\$88.61
Austria	5	Denmark	5	New Zealand	5	Belgium	5	\$74.00
Iceland	6	Luxembourg	6	Australia	6	Ireland	6	\$61.28
Luxembourg	7	Netherlands	7	Switzerland	7	Japan	7	\$57.31
Switzerland	8	Switzerland	8	Canada	8	Slovenia	8	\$52.34
Cape Verde	9	Andorra	9	Finland	9	Netherlands	9	\$49.50
Canada	10	Iceland	10	Netherlands	10	France	10	\$45.62
Denmark	11	Liechtenstein	11	Luxembourg	11	Australia	11	\$35.86
Sweden	12	St. Lucia	12	Ireland	12	New Zealand	12	\$28.96
New Zealand	13	Ireland	13	Austria	13	Canada	13	\$27.46
Czech Republic	14	Monaco	14	Germany	14	Germany	14	\$27.21
Ireland	15	Palau	15	Malta	15	South Korea	15	\$9.95
U.S. rank	47	U.S. rank	22	U.S. rank	19	U.S. spending		\$1.43

Sources: This table is reproduced from Josh Stearns, *Adding It Up: Press Freedom, Democratic Health, and Public Media Funding* (Washington, DC: Free Press, Jan. 26, 2012), [savethenews.org/blog/12/01/26/adding-it-press-freedom-democratic-health-and-public-media-funding](http://savethenews.org/blog/12/01/26/adding-it-press-freedom-democratic-health-and-public-media-funding). The data are from: "Press Freedom Index 2011–2012," (Paris: Reporters Without Borders, 2011), [en.rsf.org/press-freedom-index-2011-2012\\_1043.html](http://en.rsf.org/press-freedom-index-2011-2012_1043.html); Karin Deutsch Karlekar and Jennifer Dunham, *Press Freedom in 2011* (Washington, DC: Freedom House, 2011), [freedomhouse.org/sites/default/files/FOTP%202012%20Booklet.pdf](http://freedomhouse.org/sites/default/files/FOTP%202012%20Booklet.pdf) (ties not represented here); "Democracy Index 2011," *The Economist*, [eu.com/democracyindex2011](http://eu.com/democracyindex2011); and "Funding for Public Media," Free Press, based on 2008 budget numbers, [freepress.net/public-media](http://freepress.net/public-media). I thank Josh Stearns for the data and Jamil Jonna for the formatting.

nations with strong public broadcasting have more *substantive* campaign coverage, i.e., news about policy that can help inform citizens about the relative merits of a political party or a particular politician. Moreover, good public broadcasting holds commercial broadcasters to higher standards than they have in nations where public broadcasting lacks resources for campaign coverage.<sup>166</sup>

Likewise, in a manner that recalls the U.S. postal subsidies of the nineteenth century and that might baffle contemporary Americans cynical about

the possibility of democratic governance, newspaper subsidies tend to be directed to helping the smaller and more dissident newspapers, without ideological bias, over the large successful commercial newspapers.<sup>167</sup> Recent research on the European press concludes that as journalism subsidies increase, the overall reporting in those nations does not kowtow but in fact grows *more* adversarial to the government in power.<sup>168</sup>

The point is not to romanticize other democratic nations or put them on a pedestal. Journalism is in varying degrees of crisis in nations worldwide. Resources for journalism are declining in other countries, too, even though public investments provide a cushion.<sup>169</sup> Moreover, the quality of journalism is hardly guaranteed even with greater resources.<sup>170</sup> Resources are simply a necessary precondition for sufficient democratic journalism.

Public investments in journalism are compatible with a democratic society, a flourishing uncensored private news media, and an adversarial journalism. The evidence is clear: the problem of creating a viable free press system in a democratic society is solvable. There may not be a perfect solution, but there are good, workable ones. And in times like these, when the market is collapsing, they are mandatory. The late James Carey—perhaps the dean of American journalism scholars, and no fan of government involvement with the press—said in 2002, "Alas, the press may have to rely upon a democratic state to create the conditions necessary for a democratic press to flourish and for journalists to be restored to their proper role as orchestrators of the conversation of a democratic society."<sup>171</sup>

In my other works, I have outlined a number of concrete suggestions to spawn a democratic journalism—including an immediate expansion of public, community, and student media. It is imperative that we develop a heterogeneous system, with different structures and subsidy systems, and significant nonprofit competition. There is little doubt that if Americans spent one tenth as much time devising creative policy proposals and public funding mechanisms as they do to trying to figure how to sell people stuff online, we could have a boatload of brilliant propositions to consider. Here I will mention only one, because it pertains directly to how best to capture the genius of the digital revolution and harness that potential for a credible journalism system.

This idea was first developed by the economist Dean Baker and his brother Randy Baker; Nichols and I have embellished their core concept and called it the citizenship news voucher. The idea is simple: every American adult



gets a \$200 voucher she can use to donate money to any nonprofit news medium of her choice. She will indicate her choice on her tax return. If she does not file a tax return, a simple form will be available to use. She can split her \$200 among several different qualifying nonprofit media. This program would be purely voluntary, like the tax-form check-offs for funding elections or protecting wildlife. A government agency, probably operating out of the IRS, can be set up to allocate the funds and to determine eligibility according to universal standards [like those granting 501(c)(3) nonprofit status] that err on the side of expanding rather than constraining the number of serious sources covering and commenting on the issues of the day.

This funding mechanism would apply to any nonprofit medium that does exclusively media content. The medium could not be part of a larger organization that has any nonmedia operations. Everything the medium produces would have to be made available immediately by publication on the Internet, free to all. It would not be covered by copyright and would enter the public domain. The government would not evaluate the content to see that the money is going toward journalism. My assumption is that these criteria would effectively produce the desired result—and if there is some slippage, so be it. Qualifying media ought not be permitted to accept advertising; this is a sector that is to have a direct and primary relationship with its audience. Qualifying media could accept tax-deductible donations from individuals or foundations to supplement their income.

With advertising banned from this new Internet sector, the pool of advertising that exists could be divvied up among newspapers and commercial media, especially commercial broadcasters. This would give commercial media a better crack at finding a workable business model. I would also suggest that for a medium to receive funds, it should have to get commitments for at least \$20,000 worth of vouchers. This requirement would lessen fraud and also force anyone wishing to establish a medium to be serious enough to get at least a hundred people to sign on. (In other words, you can't just declare yourself a newspaper and deposit the voucher in your bank account.) There will be some overhead and administration for the program, but it would be minimal.

The voucher system would provide a way for the burgeoning yet starving nonprofit digital news sector to become self-sufficient and have the funds to hire a significant number of full-time paid workers. It could be as much as an

annual \$30 billion to \$40 billion shot in the arm. All those nonprofit digital news operations would finally have a prayer of survival and growth, because this is a policy that recognizes journalism for what it is—a public good.

Imagine a website in the blogosphere right now covering national politics, producing some great content, getting hundreds of thousands of regular visitors, but depending on low-paid or volunteer labor and praying for advertising crumbs or donations for revenue. Now the site goes formally nonprofit, stops obsessing over advertising, and appeals directly to its readers. Imagine this outfit getting twenty thousand people to steer their vouchers into its accounts. That is \$4 million, enough to have a well-paid staff of fifty full-time journalists, as well as ancillary staffers. Consider what a Web news service could do with *that*. And then start thinking about how motivated the reporters and editors would be to break big stories, maintain high quality, and keep attracting the vouchers.

Or imagine that you live in a city with deplorable news coverage of your community or neighborhood, as more and more Americans do. If someone starts a local news outlet and gets a thousand people to give her group their vouchers, that would provide a nice start-up budget of \$200,000. For that money, a group can have several reporters covering the turf and build a real following.

Vouchers also would allow newcomers to enter the fray and hence encourage innovation. A group could raise start-up funds from donations or philanthropy, get under way, and then appeal directly for voucher support. In this model, philanthropists would have much greater incentive to put money into journalism because there would be a way for their grants to lead to self-sustaining institutions. The voucher system would produce intense competition because a medium cannot take its support for granted. It would reward initiative and punish sloth. It would be democratic because rich and poor would get the same voucher. And the government would have no control over who'd get the money, whether left, right, or center. It would be an enormous public investment, yet be a libertarian's dream: people could support whatever political viewpoints or organizations they preferred or do nothing at all.

As Dean Baker puts it, this is an economic model that recognizes that old-fashioned media economics no longer work in the Internet era. You can't produce a digital product, take it to market, and sell it. And you can't

get advertisers to bankroll your operation. The rational policy solution is to give media producers—journalists, in this case—money up front and then make what they produce available to all for free online. Embrace the digital revolution; don't try to fight it with electronic barbed wire, paywalls, hyper-commercialism, and spying on users. Citizenship news vouchers would fill the Web with large amounts of professional-quality journalism and provide a genuine independent journalism sector. Moreover, all the material developed through the program can be used by commercial news media however they see fit. They simply cannot monopolize it or restrict access to it. But if they can add value, more power to them.

When Dean Baker first broached this idea, well over a decade ago, it was dismissed as utopian and absurd. After Nichols and I wrote about it in *The Death and Life of American Journalism*, we visited officials connected to both the FCC's and the FTC's formal panels that were studying the crisis in journalism in 2010. Each of them had read the book closely. Each stated, almost immediately upon meeting us, that the citizenship news voucher represented exactly the sort of thinking that was necessary if there was going to be much journalism going forward.<sup>172</sup> In critical junctures, once unthinkable ideas can become thinkable in a hurry.

Regrettably, this suggested reform, like many others, is not being considered. After acknowledging its value, the FTC and FCC journalism officials conceded that they could not endorse such a "radical" proposal for fear that political attacks would destroy their work altogether. There are two main reasons for this fear. First, there is the still-prevalent idea that "subsidies are un-American but profits are all-American." One can only hope that this response is weakening due to the severity of the crisis and the mounting evidence that public investments in journalism are not only compatible with democracy, but mandatory for its survival. There has been some movement, but nowhere near enough. In 2011 a comprehensive analysis on the journalism crisis by Columbia faculty members still concluded that "it is ultimately up to the commercial market to provide the economic basis for journalism."<sup>173</sup> What Todd Gitlin said over three years ago is even more urgent today: "We are rapidly running out of alternatives to public finance. It's time to move to the next level and entertain a grown-up debate among concrete ideas."<sup>174</sup>

The second factor is the more intransigent one and goes back to Jefferson's assessment of the situation in 1787. There is one group that definitely

benefits from a lack of journalism and from information inequality: those who dominate society. They do not wish to have their privileges or affairs examined closely, either in politics or commerce—if the two are still separable. The Wall Street banks, energy corporations, health insurance firms, defense contractors, agribusinesses—powerful interests of all sorts—do not want their operations or their cozy relations with the government exposed for all to see, nor do the politicians who benefit from these relationships. These are Jefferson's wolves. None of them desires a journalism that will engage the electorate and draw the poor and working class into the political system. These powerful forces oppose anything that would open and enhance our news media, and they will aggressively oppose any campaign for press subsidies like public media or citizenship news vouchers. They might not say so in public, but their actions speak louder than words. Journalism? No, thank you.

Not all wealthy people are content with a world that lacks democratic journalism. True free-market capitalism would even benefit from a strong press system. But none of the rich have a material stake in pushing the cause, so it founders. Our political system has become so corrupt that it is losing the capacity to address problems that threaten its own existence. Instead, the main issues placed before policy makers are making what seem like endless cuts in social programs, lowering taxes on business and the wealthy, ignoring necessary environmental protections, increasing "national security" spending, and corporate deregulation.

As of 2013, it seems obvious that if the Internet is really reviving American democracy, it's taking a roundabout route. The hand of capital seems heavier and heavier on the steering wheel, taking us to places way off the democratic grid, and nowhere is the Internet's failure clearer or the stakes higher than in journalism.

## Revolution in the Digital Revolution?

The Internet and the broader digital revolution are not inexorably determined by technology; they are shaped by how society elects to develop them. Reciprocally, our chosen way of development will shape us and our society, probably dramatically. I have highlighted a number of policy issues and suggested the type of reforms we ought to be debating, which could put the Internet and our society on a very different trajectory. These issues include:

- Establishing comprehensive media literacy education in schools to give people a critical understanding of digital communication;
- Strict regulation of advertising;
- Elimination of advertising directed to children under the age of twelve;
- Elimination of broadcast candidate advertising;
- Elimination or sharp reduction of the tax write-off of advertising as a business expense;
- Strict ownership limits on broadcast stations;
- Expansion of the nonprofit broadcast sector;
- Management of the electromagnetic spectrum as a public resource;
- Broadband availability to all for free as a basic right;
- Strict limits on copyright, returning to precorporate standards with expansion of the public domain and protection of fair use;
- Heavy regulation of digital “natural monopolies” or conversion of them to nonprofit services;
- Large expansion of funding to public, community, and student media;
- Steps to make cooperative and nonprofit media and journalism more practical;

- Large public investments in journalism, including citizenship news vouchers;
- Net neutrality: no censorship of or discrimination against legal digital activities;
- Strict online privacy regulations so that online activities are regarded in the same way as one’s private correspondence in the mails;<sup>1</sup> and
- Strong legal barriers against militarization of the Internet and use of it for warrantless surveillance.

Enacting these measures would change America for the better and make it a much more democratic society. They would go a long way toward enabling us to address what seem like intractable social, economic, and environmental problems. Enactment might even make the capitalism of the catechism work much more effectively, producing a solid basis for free markets and competition in the context of a more democratic and humane society. Yet none of these policy reforms has a chance; only a few even have a hope of being debated in the corridors of power.

The reason is the corruption of the policy-making process. In really existing capitalism, the kind Americans actually experience, wealthy individuals and large corporations have immense political power that undermines the principles of democracy. Nowhere is this truer than in communication policy making. Most Americans have no idea that debates on policy could even exist or what the actual deliberations are, due to an effective news blackout on the topics, except on occasion in the business press.

This situation results not necessarily from a conspiracy, but rather from the quite visible, unabashed logic of capitalism itself. Capitalism is a system based on people trying to make endless profits by any means necessary. You can *never* have too much. Endless greed—behavior that is derided as insanity in all noncapitalist societies—is the value system of those atop the economy.<sup>2</sup> The ethos explicitly rejects any worries about social complications, or “externalities.”

The fact that this basic problem is intrinsic to capitalism has been understood for a long time. It is called the Lauderdale paradox. James Maitland, the eighth Earl of Lauderdale (1759–1839), was the author of *An Inquiry into the Nature and Origin of Public Wealth and into the Means and Causes of Its Increase* (1804). Lauderdale argued that there is an inverse correlation



between public and private wealth, such that an increase in the latter diminishes the former.<sup>3</sup>

Scarcity is necessary for something to have value in exchange and to augment private riches. "Scarcity," as Adam Smith said in *The Wealth of Nations*, "is degraded by abundance," and is a requirement for capitalist markets.<sup>4</sup> But this is not the case for public wealth, which encompasses all value in use and thus includes not only what is scarce but also what is abundant. This paradox led Lauderdale to argue that increases in the scarcity of necessary and normally abundant elements of life like air, water, and food would, if exchange values were attached to them, enhance individual private riches and indeed the riches of the country conceived of as "the sum-total of individual riches"—but only at the expense of the common wealth. For example, if one placed a fee on wells and thereby monopolized water that had previously been freely available, the measured riches of the nation would be increased at the expense of the growing thirst of the population.

Ecologists have embraced the Lauderdale paradox as providing a way to understand how growth in a nation's GDP and in its profitable investments may actually decrease the well-being of society. Capitalists are constantly locating new places to generate profits, and sometimes that entails taking what had been plentiful and making it scarce. So it is for the Internet. Information on it is virtually free, but commercial interests are working to make it scarce. To the extent they succeed, the GDP may grow, but society will be poorer.

Pause to consider how far the digital revolution has traveled from the halcyon days of the 1980s and early 1990s to where it is today. People thought that the Internet would provide instant free global access to all human knowledge. It would be a noncommercial zone, a genuine public sphere, leading to far greater public awareness, stronger communities, and greater political participation. It would sound the death knell for widespread inequality and political tyranny, as well as corporate monopolies. Work would become more efficient, engaging, cooperative, and humane. To the contrary, at what seems like every possible turn, the Internet has been commercialized, copyrighted, patented, privatized, data-inspected, and monopolized; scarcity has been created. One 2012 survey concludes that digital technologies, far from relieving workloads, have made it possible for the typical American worker to provide as much as a month and a half of unpaid overtime annually by using their smartphones and computers for work at all hours outside the workplace. "Almost half of those surveyed reported that their work-life balance had worsened since the introduction of digital technologies."

Lauderdale suggested, the economy is topped by gazillionaires who have succeeded in creating digital fiefdoms and adding to the GDP, but the public wealth is much less. Our wealth of information is increasingly accessible only by entering walled gardens of proprietary control feeding into monopolistic pricing systems. To make the Internet a capitalist gold mine, people have sacrificed not just their privacy—and to skeptics, their humanity—but much of the great promise that once seemed possible.

Don't get me wrong; the digital revolution, even in this context, still continues to amaze, astound, and engage. That only makes the paradox that much more striking.

Of course, capitalist societies—especially democratic ones—have mechanisms for popular pressure to prevent the total privatization of essential public services or the creation of artificial scarcity of abundant resources like water. Occasionally, especially when labor movements are strong, important reforms are won. Much of what is most humane about the United States—like what remains of progressive taxation, collective bargaining, public education, Social Security, unemployment insurance, consumer protection, environmental safeguards, and Medicare—is a result of such political organizing. But attaining and maintaining these benefits require difficult battles, and the playing field is tilted; today it seems the slope approaches 90 degrees. The electoral system and the judiciary are controlled by big money and dominated by people who live in gated communities, send their children to private schools, hang out with other millionaires (unless dealing with servants or sycophants), and divorce themselves from the reality most people live in. Traditional recourses for justice are increasingly ineffectual. Instead, all the previous victories are now in the crosshairs of big business. The fights now are mostly defensive, despite little popular enthusiasm for many of the rollbacks—a striking statement about the deterioration of self-government.

To win any of the Internet policy fights listed at the beginning of the chapter will require coalitions of people to form a common front and generate strength in numbers. This has been the principle behind *Free Press*, which works on several of these issues. But even getting copyright activists and independent journalists teamed up with community media activists and power advocates has not proven anywhere near sufficient. Some victories have been won, like passage of the 2011 Local Community Radio Act, which allowed for the creation of new noncommercial radio stations possible. Some dramatic victories have been lost, as in the defeat of the Stop Online Piracy

Act in 2011–12. But the big stuff remains off the table. Success will require a broader political movement motivated by a general progressive agenda, not one specifically focused on the Internet or media. Only then will there be the enormous numbers possible to defeat the power of big money. As the legendary community organizer Saul Alinsky put it, the only thing that can beat organized money is organized people, lots of them.

Such a political movement will likely take flight only if it is designed to replace really existing capitalism. In “normal” times, such movements are mostly hypothetical in the United States. The political economy has been successful enough to prevent a groundswell of grassroots popular opposition. But these are not normal times, and we are getting further away from normal with every passing day. One need only look at the great protests of 2011—the likes of which we have not been seen for decades—against rampant inequality, corporate domination of the economy and politics, a deathlike embrace of austerity, endless warmaking, and a stagnant political economy that has no apparent use for young people, workers, or nature.

Nobel laureate economist Joseph Stiglitz captured the spirit of the protest movements in the United States and worldwide in 2012.

Underlying most of the protests were old grievances that took on new forms and a new urgency. There was a widespread feeling that something is wrong with our economic system, and the political system as well, because rather than correcting our economic system, it reinforced the failures. The gap between what our economic and political system is supposed to do—what we were told that it did do—and what it actually does became too large to be ignored. . . . Universal values of freedom and fairness had been sacrificed to the greed of the few.<sup>6</sup>

Economist Jeffrey Sachs, who once was a leading architect of the pro-market policies he now decries, notes that the U.S. and worldwide “protests have focused on four targets—extreme inequality of wealth and income, the impunity of the rich, the corruption of government, and the collapse of public services.”<sup>7</sup>

In short, this is a critical juncture, and that fact changes everything. Stiglitz compares our moment to 1848 and 1968, two of the most tumultuous watershed years in modern history. People “all over the world seem to rise up, to say something is wrong, and to ask for change.”<sup>8</sup> Capitalism is in the midst of

its greatest crisis in eight decades, what Nobel laureate economist Paul Krugman argues is most definitely a depression of the 1930s type.<sup>9</sup> Growth rates that would have been considered subpar in the second half of the twentieth century would now be cause for jubilation. By 2012, only one in six young American high school graduates in the labor market—i.e., working-class young people—could secure full-time employment, and wages are stagnant or falling, with a massive oversupply of labor for available jobs.<sup>10</sup> A group of eighteen leading global environmental scientists came together in 2012 to report that humanity faces an “absolutely unprecedented emergency,” and societies have “no choice but to take dramatic action to avert a collapse of civilization.” In effect, the report rejected really existing capitalism in toto and called for a complete redesign of the economic system.<sup>11</sup>

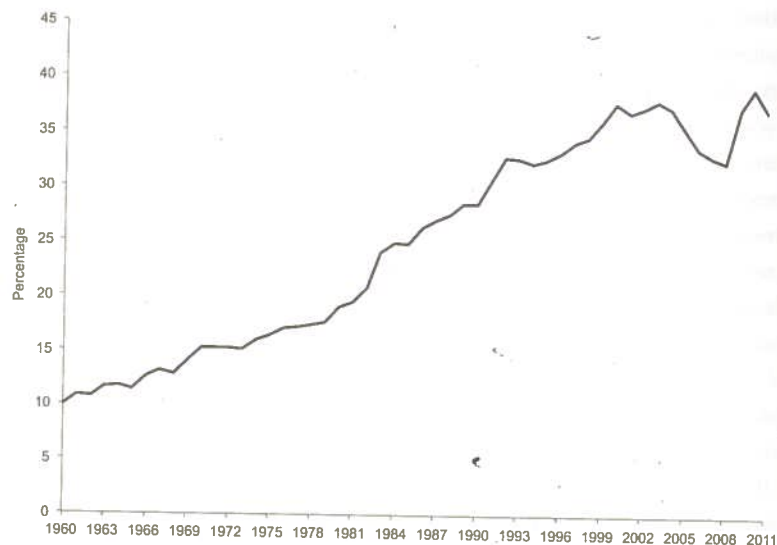
Many of those in power or sympathetic to those in power understand that a crisis is at hand and new policies are necessary, as the status quo is unsustainable. David Brooks calls for a “structural revolution,” while Edward Luce thoughtfully chronicles a nation in sharp decline, where the system is not working.<sup>12</sup> But there is little indication that those in power, unwilling to question the foundations of capitalism, have any idea how to return it to a state of strong growth and rising incomes, let alone address the environmental crisis that envelops the planet. Luce ends despondently, and if one is wedded to really existing capitalism, it is logical that one would tend toward depression, hopelessness, and depoliticization. But depoliticization eventually butts up against the reality of people’s lives, their need to survive, and their desire for decent lives. A capitalist system “that no longer meets most people’s needs,” economist Richard Wolff writes, “has prompted social movements everywhere to arise, adjust, and coalesce in the active search for systemic alternatives.”<sup>13</sup> This is the historical moment we seem to be entering now.

Those primarily concerned with Internet policies and hesitant to stick their toes into deeper political waters need to grasp the nature of our times. This isn’t a business-as-usual period, when the system is ensconced and reformers need the benediction of those in power to win marginal reforms. The system is failing, conventional policies and institutions are increasingly discredited, and fundamental changes of one form or another are likely to come, for better or worse. One look at how different nations responded to the crises of the 1930s gives a sense of the broad range of possible outcomes.

Another question: can one reform the Internet and make it a public good in the manner suggested by the proposals at the top of the chapter,



Chart 10. Investment in information processing equipment and software equipment as a percent of total nonresidential private fixed investment



Source: Bureau of Economic Analysis (BEA), "Private Fixed Investment by Type," Table 5.3.5, bea.gov.

with capitalism still intact? As the chart below demonstrates, information technology accounts for some 40 percent of all nonresidential private investment in the United States, quadrupling the figure from fifty years ago.<sup>14</sup> In chapter 5 I discussed how Internet-related corporations now comprise nearly one half of the thirty largest firms in the United States in terms of market value. If one challenges the prerogatives of the Internet giants, odes to the catechism notwithstanding, one is challenging the dominant component of really existing capitalism.

This is an important question, too, for those who have paid little attention to Internet policies but are deeply concerned about injustice, poverty, inequality, and corruption. At times, one senses among such activists the celebrants' notion that digital technologies can create a new capitalist economy that is dramatically superior and that the existing Internet giants are allies, not adversaries, in creating this new friendly capitalism that will deliver the goods. The logic is sound: in the past, massive investments in railroads and automobiles (and related spin-off industries) propelled entire

eras of capitalism to much higher growth rates and standards of living. When seeing the enormous investments in information technology, one wonders why can't it be that way again, and this time without all the environmental damage? The problem is simple: despite endless claims about the great new capitalism just around the bend thanks to digital technologies, there is little evidence to back them up.<sup>15</sup> In particular, the Internet giants comprise thirteen of the thirty most valuable U.S. firms, but only make up four of the thirty largest private employers.<sup>16</sup> There is clearly a lot of money for those at the top—who want to keep it that way—but little evidence that it is passing benefits down the food chain. Quite the contrary.

In my view, efforts to reform or replace capitalism but leave the Internet giants riding high will not reform or replace really existing capitalism. As chapters 4 and 5 document, the Internet giants are not a progressive force. Their massive profits are the result of monopoly privileges, network effects, commercialism, exploited labor, and a number of government policies and subsidies. The growth model for the Internet giants, as one leading business analyst put it, is "harvesting intellectual property," i.e., making scarce what should be abundant.<sup>17</sup> The entire range of Internet and media issues must be in the center of any credible popular democratic uprising. Given the extent to which the digital revolution permeates and defines nearly every aspect of our social lives, any other course would be absurd.

To some observers, like Peter H. Diamond and Steven Kotler, there is no reason to worry: the digital revolution will solve capitalism's crisis and soon re-create the system better than ever. "Within a generation," they write, "we will be able to provide goods and services, once reserved for the wealthy few, to any and all who need them. Or desire them. Abundance for all is actually within our grasp."<sup>18</sup> Erik Brynjolfsson and Andrew McAfee make a more nuanced case that depends upon policy changes. Boiled down, though, the argument goes that while digital technologies may contribute to the current crisis of capitalism, they will also lead soon enough to a glorious future for capitalism, a "third industrial revolution."<sup>19</sup> They are correct that we have the technological and material capacity to do far better, both quantitatively and qualitatively, than we are currently doing.<sup>20</sup> However, the notion that such improvements can be accomplished under really existing capitalism is, to be polite, unconvincing.<sup>21</sup>

It is here that one of Karl Marx's greatest and most lasting insights moves to the fore. Though written 150 years before the Internet, that insight is



relevant to this book. Marx and Engels argued that an inherent problem built into capitalism was the contradiction between its ever-increasing socialization and enhancement of production and its ongoing system of private appropriation of profit. In other words, society can produce more and more—it is capable of extraordinary material accomplishments—but because society's wealth is determined by what can generate maximum profit for the few who *control* society's wealth, we do far less than we could, and what we do is different from what would make sense for society.<sup>22</sup> “The central question is whether the prevailing relations of production promote or block, encourage or discourage the translation of these potentialities into practice,” the economists Paul A. Baran and Paul M. Sweezy explained nearly fifty years ago. “The appearance and the widening of the gap between what is and what could be, demonstrate thus that the existing property relations and the economic, social and political institutions resting upon them have turned into an effective obstacle to the achievement of what has become possible.”<sup>23</sup>

Now consider what this means for the United States. There has been a tremendous growth in worker productivity in American capitalism over the past forty years; far fewer workers are required to produce the same output. Yet to what extent has this enormous potential for the enhancement of human development been realized within the existing order? Stiglitz notes, for example, that when he recently returned to his hometown of Gary, Indiana, the output of one of the great steel mills was the same as it had been a generation earlier, but it now required only one sixth the number of workers. To varying degrees, this worker productivity growth is spread throughout the economy. By 2005, the average American worker produced what two workers could produce in 1970, and in manufacturing the increase was even more dramatic.<sup>24</sup>

In a sane world, this would be fabulous news. One might imagine that this tremendous increase in worker productivity would lead to higher incomes, shorter workweeks, earlier retirement ages, longer vacations, and a more pleasurable life. There would be quality employment for all—and less drudgery. Moreover, the United States would be a nation of such extraordinary wealth that it would provide quality health care, education, housing, and old-age pensions for all its citizens, clean up its own environment, and lead aggressive campaigns to address global economic, social, and ecological issues. The increase in productive capabilities would translate to a much higher standard of living. The ability to improve human life would

accelerate almost beyond comprehension with the coming generation of robots, which will be able to do many of the most onerous labor tasks far more efficiently.<sup>25</sup> Those would be realistic expectations.

That hasn't happened and isn't going to happen on our present path because capitalism is not a sane political economy. Our economy is developed at the whim of those with capital. They invest society's wealth—the surplus all of the people have created—only if it can make them richer. Why not have the same number of workers produce six times as much steel in environmentally sound factories? Lord knows our deteriorating buildings and bridges could use the steel. But that won't happen, because if steel production increased sixfold, the handful of giant firms that dominate production would have to sell it at lower prices for less profit.

Instead of a flowering economy that makes the quality of life today vastly superior to that of forty or fifty years ago, millions go without work, much of our productive potential lies fallow, and our public sector is in squalor. People are working longer hours, with less vacation and later retirement, for stagnant or declining real wages, with less security, in an environment increasingly unable to sustain human civilization. Poverty has reached levels not seen for generations and found more commonly in the global South.<sup>26</sup> In 2012 U.S. businesses held \$1.73 trillion in liquid assets—or cash, in short-hand—that they were not investing for apparent lack of profitable options. This was a 50 percent increase in the corporate cash reserves from 2007.<sup>27</sup> Is there any stronger evidence that the economic system is absurd? After commenting on the radical improvement in worker productivity, Stiglitz observed that “Gary looks like a ghost town.”<sup>28</sup>

At every turn, the quality of life is under attack. The United States increasingly resembles a developing nation, not the nation with the greatest economic potential in history. It has seemingly privatized or outsourced almost anything on which money can be made. The catechism's notion of its most successful participants being honest businessmen competing to serve consumers and increase the quality and quantity of goods and services in the market can barely pass the giggle test; it has been replaced by the assumption that those at the top tend to “take wealth from others” through monopoly power and corruption rather than create wealth, as Stiglitz puts it.<sup>29</sup> In this climate, the real world of “corporate wrongdoing” has become a “routine occurrence,” as the *New York Times* acknowledged in 2012, and rarely if ever punished. Cheating is increasingly the smart play for those atop the system.

As the *Times* concluded, a market system where the participants lose their trust in the integrity of dominant firms and players is a system in trouble.<sup>30</sup> Measures of human happiness place the contemporary United States well down the charts, below where it was fifty years ago. We now account for two thirds of the global market for antidepressant drugs.<sup>31</sup> To anyone not hypnotized by the catechism, our plight is absurd and indefensible.

The notion that capitalism has long outlived its usefulness is only confirmed when one considers the state of our infrastructure. As discussed in chapter 2, a great infrastructure is the foundation of any successful modern economy, capitalist or not. Financier Felix Rohatyn once told *New York Times* columnist Bob Herbert, "A modern economy needs a modern platform, and that's the infrastructure."<sup>32</sup> At midcentury, the United States had the most advanced infrastructure in the world by a wide margin; in the past three decades, it has fallen into collapse. The American Society of Civil Engineers estimates that the United States needs to spend \$2.2 trillion over the next five years to get our infrastructure to the level of other economically advanced nations.<sup>33</sup> Politicians most closely associated with business interests evince almost no concern. In 2012 *The Economist* characterized America's neglect of its infrastructure "a foreseeable and utterly unnecessary disaster."<sup>34</sup> *Washington Post* columnist E.J. Dionne has written, "The American ruling class is failing us—and itself." He stated, in language unimaginable a few years ago, "America needs a better ruling class."<sup>35</sup> Another way to put it: *This is a system that no longer acts as though it has a future.* People at the top are just grabbing what they can while they can and letting the rest fend for themselves.

This is an issue that has perplexed many liberal reformers. How can the capitalists be so shortsighted, they wonder, as to oppose the use of government to build infrastructure, create jobs, and end stagnation, when other democratic governments have made capitalism operate far more efficiently and effectively? Economists Stiglitz and Robert Pollin each published books in 2012 with reasonable and thoughtful policy prescriptions for a full-employment, high-wage capitalism, but they command almost no support among the wealthy capitalists who subsidize American politicians.<sup>36</sup> Can't these business interests look at the historical record and see that capitalists have done far better and made more profits in the high-wage, high-growth, full-employment economies following the New Deal, arguably even in the social democratic nations of northern Europe? Why do they obsessively

cling to the antiquated economic theories that were discredited in the 1930s and 1940s and have led present-day capitalism to crisis, stagnation, and decline? Economists like Krugman are almost apoplectic as they chronicle the absurdity and tragedy of this paradox.

In his 2012 book, *End This Depression Now!*, Krugman supplies an answer to this riddle. He cites a classic 1943 essay by the economist Michal Kalecki in which Kalecki argues that if the public realizes that the government has the resources to establish full employment, the realization would undermine the notion that the central duty of government is to create a climate in which business has confidence in the system and therefore eventually invests to create jobs. The "powerful indirect control over government policy" enjoyed by business would end, a prospect discomfiting to business leaders.<sup>37</sup> "This sounded a bit extreme to me the first time I read it," Krugman writes, "but it now seems all too plausible."<sup>38</sup> A successful state generating full employment might logically lead people to question why capitalists have so much economic power and what they provide that could not be better provided by more democratic means. In short, the wealthy and the corporations prefer a depressed and stagnant economy to a growing one led by state policies, if those in any way jeopardize their control over the government and their dominant position in society.<sup>39</sup>

Marx famously wrote that the main barrier to capitalism's growth and survival was capital itself, meaning that the logic of the economic system would invariably lead it to crisis. Contemporary evidence suggests that the main immediate problem of capitalism is capitalists. And if capitalists oppose reforms to make their own system functional, why exactly do we need them?

The digital revolution may have given a burst of life to capitalism as it provided new profit opportunities, but it also magnifies the tension Marx identified and that Baran and Sweezy discussed in detail. Indeed, digital technologies may bring to a head, once and for all, the discrepancy between what a society could produce and what it actually does produce under capitalism. The Internet is the ultimate public good and is ideally suited for broad social development. It obliterates scarcity and is profoundly disposed toward democracy. And it is more than that. The new technologies are in the process of truly revolutionizing manufacturing, for example, making far less expensive, more efficient, environmentally sound, decentralized production possible.<sup>40</sup> Under really existing capitalism, however, few of the prospective benefits may be developed—not to mention spread widely. The corporate



system will try to limit the technology to what best serves its purposes. Given capitalism's track record and its corruption of the political system, we should not get our hopes up. Instead we need constantly to keep in mind Baran and Sweezy's emphasis on the "widening gap between what is and what could be" and how this demonstrates that "the existing property relations and the economic, social and political institutions resting upon them have turned into an effective obstacle to the achievement of what has become possible" for society.

For an increasing number of people, the logic suggests one thing: it is time to give serious consideration to the establishment of a new economy. "The capitalist system was able to thrive, on and off, during the eighteenth, nineteenth, and twentieth centuries," Jerry Mander wrote in 2012. "But it's now obsolete, nonmalleable, and increasingly destructive." Capitalism "had its day. If we care about the future well-being of humans and nature, it's time to move on." This is "radical" talk, but Mander, a former successful advertising executive, makes it clear that he is no socialist or Marxist. We are, in his view, at the point where we are dealing with an economy structured "to sustain the institutions and the people who sit at the top of the process." The "system is bound to fail."<sup>41</sup>

To return to a point from chapter 1, if we were assessing any noncapitalist society or a foreign capitalist society from bygone days, Mander's conclusions would not be especially controversial. But they elicit incredible fury in the contemporary United States. Capitalism has become what Mander terms "a kind of 'third rail' of politics—forbidden to touch." He acknowledges, "It remains okay to critique certain aspects of the system," but the capitalist system itself "occupies a virtually permanent existence, like a religion, a gift of God, infallible."<sup>42</sup> The reason is obvious: those in power do not wish the system that makes them powerful to be questioned. Keeping capitalism off-limits to critical review is essential for that system, because it generates demoralization, disengagement, and apathy. This is not a political economy that can withstand much engaged political participation. To question the performance and suitability of really existing capitalism at a time when the world is falling to pieces does not necessarily make one an anticapitalist in some universal sense. It means one recognizes that a system that promotes poverty, inequality, waste, and destruction—to the point of making the planet uninhabitable—deserves no free pass from democratic interrogation in the present, whatever its past achievements.

It is striking that, despite the universal reverence for it in the media and mainstream culture, capitalism is not especially popular with Americans. It's even more astonishing how popular socialism is, though one would be hard-pressed to find any favorable references to it in our mainstream culture. A global survey conducted by the BBC in 2009, even before the Occupy movement and the worldwide revolts of the last two years, found that some 15 percent of Americans agreed with the statement that free-market capitalism "is fatally flawed and a different economic system is needed." Another 50 percent of Americans thought capitalism had problems that required regulation and reform. A mere 25 percent thought that capitalism was doing a swell job and increased government regulation would be harmful.<sup>43</sup> Likewise, a survey conducted three years ago found that only 53 percent of Americans thought capitalism superior to socialism. Among Americans under the age of thirty, capitalism was preferred to socialism as the best system by a slim margin of 37 to 33 percent.<sup>44</sup> Today, three years later, people throughout the world, including the United States, are increasingly taking their protests against the system to the streets, recognizing that the pavement may be the last remaining realm of democracy.

It is only recently, as capitalism has floundered, that it has become almost mandatory to regard capitalism as permanent, irreplaceable, and benevolent. As recently as the 1960s and 1970s, when it produced golden-age results in America by today's standards, it was more common to have frank, no-holds-barred discussions of the system's merits and demerits. Going back further, many of the great economists, including John Stuart Mill and John Maynard Keynes, understood capitalism as a historically specific system, not as the eternal state of nature for humanity. Mill and Keynes saw capitalism as solving the "economic problem" and eventually making a world without scarcity—and therefore without capitalism—possible. Granted, Mill and Keynes saw that outcome as generations away and championed capitalism in their own times, but their historical perspective sharpened their critique and gave it tremendous lasting significance.<sup>45</sup>

During the depths of the Great Depression, Keynes wrote an extraordinary essay acknowledging that economists, as well as business and political leaders, had been woefully wrong about the economy and how to make it work for the bulk of the population. "The decadent international but individualistic capitalism, in the hands of which we found ourselves after the war," Keynes wrote in 1933, "is not a success. It is not intelligent, it is not



beautiful, it is not just, it is not virtuous—and it doesn't deliver the goods." He argued that what was necessary was a wide-open period of debate and experimentation because the existing theories and policies had proven so disastrous and bankrupt. "When we wonder what to put in its place, we are extremely perplexed."<sup>46</sup> Although Keynes was an advocate of markets and the profit system, he said that there could be no sacred cows and that no honest observer could state with certainty that capitalism was not fatally flawed.

What Keynes proposed in the early 1930s is precisely the approach we need today. We need to be open-minded and to experiment. We have to escape the shackles of the current system and see what can work. We "need to imagine a different social order," Chris Hayes writes, "to conceive of what more egalitarian institutions would look like."<sup>47</sup> Certain values appear in most writing on the subject, especially from economists like Richard Wolff, Juliet Schor, and Gar Alperovitz:

- The wealth of a community has to be controlled by the people of that community.
- Decentralized and local community control should be emphasized, with the state reinforcing local planning.
- There must be a strong commitment to a variety of cooperatives and nonprofit organizations.
- Democratic control of enterprises by their workers is imperative.
- Planning for long-term goals must be generated from popular debates and deliberations.
- Environmentally sound production and distribution must be emphasized.<sup>48</sup>

In the American context, such words can make someone question an author's sanity; they seem so far removed from existing reality and conventional wisdom. But beneath the surface, there has been a rise in new kinds of economic ventures. In distressed communities, like Cleveland, they are a source of promise for the future. We are beginning to develop some experience about what a democratic, postcapitalist economy might look like and how it could function. There will be markets, there will be for-profit enterprises, but under the overarching logic of the system, the surplus will be mostly under nonprofit community control.

Absolutely central to building this new political economy will be

constructing nonprofit and noncommercial operations to do journalism, produce culture, provide Internet access, and serve as bedrock local institutions. These can range from community radio and television stations and Internet media centers to cultural centers, sports leagues, and community ISPs.

Any such movement faces tremendous political and economic obstacles, and it cannot be successful while governments are doing the bidding of capital. Attempting to build this new world will put people in direct conflict with the current political system. The great political fights will be over whose interests the state will serve. But all the efforts cannot go into prodding or changing the state; work on building the next economy, the new cultural system, from the ground up has to begin in tandem. The new world must be born within the old. Until people can see and experience a different type of economy, they will be reluctant to support it or fight for it.

Ultimately the new economy cannot exist on the margins; it is in a fight for defining the overall logic of society. It is—dare I say it—a revolution. As such, it is about ultimately changing the culture and fostering a new type of human. Here again the vision tracks closely to that of celebrants like Yochai Benkler, with his argument that the Internet can encourage the more cooperative elements of human nature.<sup>49</sup>

In 2009 Michael Moore released his film on the financial crisis and economic collapse, *Capitalism: A Love Story*. Because of his prominence, Moore was able to secure interviews on cable TV networks, where for the first time, newscasters actually encountered criticism of the economic system they had simply taken for granted as quintessentially American and the embodiment of freedom. One particular CNN host was astounded by Moore's criticism of capitalism. He demanded of his guest, what would you replace capitalism with? After a pregnant pause, Moore replied, "Democracy." The host, like many Americans, was confused. Democracy, he said, was a political system while capitalism was an economic system. Moore was comparing apples and oranges.

But was he? Politics and economics are intimately connected. The crisis of our times is that capitalism undermines democracy. The choice we face is whether to expand democracy or let it continue to shrivel: Expanding it requires confronting really existing capitalism head-on. It is the defining issue of our times, the basis for the critical juncture in which we live.

The Internet is in the very middle of this critical juncture. It is central to the

movement to build a more democratic society and extend self-government to the economy. Digital technologies make the new economy and self-management of decentralized units far more realistic. With enlightened public investments, the Internet can provide the greatest journalism and public sphere ever imagined. Digital technologies also are a crucial part of political movements to mobilize people effectively for social change. "In the age of social networks," as Jeffrey Sachs writes, "it will be possible to run effective campaigns on the energies of committed people, without vast sums."<sup>50</sup> "The Internet plays a huge role in allowing people to self-organize in non-hierarchical ways," Chris Hayes writes.<sup>51</sup> This point, one of the core arguments of the celebrants, is correct as far as it goes—but that is nowhere near far enough.

Left on their current course and driven by the needs of capital, digital technologies can be deployed in ways that are extraordinarily inimical to freedom, democracy, and anything remotely connected to the good life. Therefore battles over the Internet are of central importance for all those seeking to build a better society. When the dust clears on this critical juncture, if our societies have not been fundamentally transformed for the better, if democracy has not triumphed over capital, the digital revolution may prove to have been a revolution in name only, an ironic, tragic reminder of the growing gap between the potential and the reality of human society.

## NOTES

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