

NEWS FLASH: THE MEDIA ARE CHANGING.

OK, so that's not exactly breaking news. But open any laptop — or newspaper, if you're still reading one — and it's clear we are witnessing the greatest technological transition since the printing press. The Internet, for those of us fortunate enough to have a high-speed connection, is transforming everything we do. In the constantly connected world, things we couldn't have imagined just a few years ago now seem indispensable. Communications are more decentralized, participatory and personal than ever before. Users no longer passively consume content, they create it.

But one person's revolution is another's *coup d'état*. While the biggest media outlets still dominate, their established business models are under strain. There is widespread dissatisfaction with the mainstream media, but no clear idea what should take their place. The rise of the new and the decline of the old media are proceeding at different speeds, threatening to undermine critical values — equality, privacy, free speech — and social institutions before new ones can be built.

We live in an exhilarating but unnerving moment. But in all of the tumult, we need to ask not just how the media are changing, but what we should be doing to change the media.

The media system we have now didn't occur naturally or magically. It's the result, good and bad, of policies and political decisions — some made decades ago, and some being considered right now in the halls of power and in corporate boardrooms. Unfortunately, the public hasn't been consulted on most of those decisions. But that, too, is starting to change. At this moment, we have a unique, and possibly fleeting, opportunity to rethink, reform and reinvent media policies to serve the public interest.

What those policies should look like is the purpose of this book.

What's so important about media policy? Why do we need to change it? And how should we do that to best serve the public interest? Those are the threshold questions of this book. These are not new questions, though many of them have gone unanswered for far too long.

What is new about this book is that it lays out a comprehensive picture of media policy problems and solutions that links together two key issues that are rarely considered together: access and content.

Our central premise is that we must view the questions around the future of journalism and the future of the Internet in a comprehensive policy framework. Internet access and quality journalism represent the two central public goods that a modern democratic society must have to function effectively. We need news and information to fill and guide a marketplace of ideas for an informed citizenry. And we need universal access to a communications network to participate in that marketplace as both audience and speaker.

Conventionally in Washington, questions of media policy and questions of infrastructure policy are not treated together. They operate in their own silos of law, policy and advocacy. That is a mistake. It is not enough to have either a robust market for news and information or universal, affordable access to the Internet. We must have both.

The Two Pillars

Every era in American history has dealt with some combination of problems to promote the news media and ensure universal access to it. Technologies and business models come and go. But the fundamental principles of democracy require answers to these problems.

Thomas Jefferson famously said: “The basis of our governments being the opinion of 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 government, I should not hesitate a moment to prefer the latter.”

This is an oft-quoted passage, but often omitted is the important sentence that follows: “But I should mean that every man should receive those papers, and be capable of reading them.”¹

As Jefferson understood, it is not enough to have a strong market for journalism and protection for freedom of the press. We must also ensure that information reaches everyone and that everyone is capable of engaging. That is a tall order for government that goes well beyond simple free speech guarantees. For Jefferson, the answer was found in the promotion of newspaper production and the public postal system to distribute it. Today, only the technologies have changed.

¹ Adrienne Koch and William Peden, ed. *The Life and Selected Writings of Thomas Jefferson*. New York: Modern Library, 1944, 411-12. Quote taken from a letter to Edward Carrington, January 16, 1787.

In essence, Jefferson's point is that democratic societies rest on two pillars — communications infrastructure and the news that flows through it. These are the two key public goods that democratic governments must ensure are available to all citizens. They are two sides of the same coin.

Throughout American history, both of these arenas have rightly received extensive government investment, intervention and regulation. In the early Republic, Congress established a federal postal system and generous postal subsidies for newspapers. In the 20th century, government regulated the broadcast airwaves to facilitate the rise of public service radio and television networks; created a heavily regulated and subsidized telecommunications infrastructure; and established legal franchises for cable operators to build networks.

Copyright laws were established to create incentives for creative production; public universities and journalism schools were established to educate and train reporters and, more broadly, a literate citizenry. Our media history is a study in the intersection of public law with markets for information and infrastructure — all for the purpose of sustaining Jefferson's two key pillars.

The Convergence

These two public goods have begun to converge into a common discussion about the future of the Internet. Earlier this year, Congress passed the American Recovery and Reinvestment Act, a law that invests more than \$7 billion in broadband deployment as a part of a large economic stimulus package. This marks the codification of a long-standing trend to treat Internet access as an infrastructure issue — not only the infrastructure for our information economy, but the infrastructure for our democratic self-government as well. Indeed, the more than \$700 billion stimulus package embraces the Internet at every turn, as an integral part of investments to improve health care, education, energy conservation and government services. Universal access to the Internet is now firmly established as the new public good for the distribution of public information.

Meanwhile, we are witnessing historic changes in the business of news production. For decades, the commercial market has subsidized the production of news through the support of print advertising. The newsrooms of daily newspapers have in turn catalyzed developments in broadcast and cable news, as well as the vibrant Internet blogosphere (each of which has added its own layer of original reporting). The Internet has broken that model. The business model for newspapers is collapsing as readers move online. The revenue stream for online advertising simply will not sufficiently pay for the production of news. And since the news business could never monetize the value of the news as a public good — beyond its value to advertisers — the old structure is crumbling. The value of news to our democratic society must now be addressed more directly by some other means.

A feisty and far-ranging debate has arisen about the future of the news – what new benefits will come with the new media forms, and what values and traditions should be retained from the old forms. Most participants agree that the Internet will be the new communications network for distribution. But it is not yet clear whether the market can support it. If it cannot, then history indicates that government will once more become an active partner in promoting this public good.

There is near-universal agreement, for example, that the future of journalism will be on the Internet. But many believe that government should have no involvement whatsoever in the transition of declining institutions of print and broadcast journalism into the new media world. According to this school of thought, the disruptive power of the market will both break and build the revenue models that will support news production. We need only wait until the Internet economy floats a new and better system of journalism to the top, buoyed by market demand.

However, this approach neglects the fact that such a solution immediately disenfranchises more than 40 percent of the population that currently lacks a home connection to high-speed Internet. Though Internet technology has been adopted at an astonishing pace, there is still a substantial digital divide in this country. Moreover, those who are not online are disproportionately socially and economically disadvantaged communities — people of color, the elderly and rural residents. The longer a community stays on the wrong side of the digital divide, the worse the social and economic consequences become.²

We must also consider the near-universal consensus in the policy world that broadband is fast becoming the 21st century's essential infrastructure. It is the central nervous system of our economy, society and government. Yet access alone does not translate into meeting social needs. We need to ensure that the market for online speech and commerce is open. We need to ensure that the news and information that sustains our self-government is robust. We need to look at whether the marketplace is meeting the needs of our democratic and multicultural society. We need to ensure a level of digital literacy such that people have the ability and desire to connect. These are content and engagement questions.

Public Goods, Public Policies

Combine the Jeffersonian goals of government policy to promote a robust market for news and information with universal adoption of a 21st-century communications infrastructure, and the result is the public interest policies we need for the digital age. We have to begin to think about policies in each sector as

² R. Tongia and E. J. Wilson, "Turning Metcalfe on His Head: The Multiple Costs of Network Exclusion," September 29, 2007. <http://web.si.umich.edu/tprc/papers/2007/772/TPRC-07-Exclusion-Tongia&Wilson.pdf>

relating to and feeding back into a common set of priorities to provide this society with the public goods it needs.

But it's not just about bringing technology to people. It's about bringing people to technology. That means technology training, equipment and digital literacy — as well as the Obama administration's much-heralded government 2.0. It also means making the network valuable by facilitating the economic, social and political goals of the public. A big part of that value will be a robust marketplace of ideas on the Internet. And here again — we have the intersection of access and content.

Though much of the policy debate over our Internet infrastructure hinges on availability, our most substantial problem is actually adoption. There is a significant part of rural America (roughly 10 percent of households) that cannot buy a wireline broadband connection. But that is largely a straightforward question of subsidizing broadband infrastructure where the market will not build.

That is not the solution in areas where broadband is available but people do not buy it. It is not a question of demand for media more generally. The same households that lack broadband often have cell phones and cable television — both products that are more expensive than Internet access but lack its importance as a public good. This disparity comes down to value: People have adopted cell phones and cable television because they find them valuable as means of entertainment and social interaction.

We can address the value problem through policy. Value translates into the things an Internet connection brings — content and services. The faster the connection, the more it can do, the more valuable it becomes. Therefore, policies that promote speed, quality of service, and affordability will produce value and spur adoption. That leads to the dual outcomes of economic growth and democratic participation through the reduction in information inequality. To promote fast networks, we need competition policy among networks alongside digital literacy projects and incentives to create and innovate online.

In short, to produce public goods through private markets, we need public policy structured on public service principles. As this book will demonstrate, the U.S. government has not made wise choices to promote this combination. As a result, we now face a difficult path. The policy interventions needed to address the escalating crisis in journalism and to expand the Internet will initially require reversing the poor policy choices of the past.

It is time to recognize the appropriate role of government in each of these markets for public goods. For the past decade, deregulatory policies have all but abandoned the government's longstanding role in supporting the production and distribution of information. We have expected markets for private goods and services to magically produce public goods, namely, universal Internet access and quality

journalism. We have assumed that permitting the common pursuit of private, corporate self-interest in the market would naturally result in the maximum benefit for the public. That has failed. And we must now build a new policy structure to achieve our goals.

The book is divided into two main parts: the Internet and journalism. We start each section by assessing the problems — the state of the market, the needs of the public — and suggest what policymakers can do to bring these two things into alignment via policy changes.

Part I: The Internet

In the first section, we outline the current state of our telecommunications infrastructure, offering a history of communications policy that has led us to this point, detailing the government's role in bringing on our current problems, and pointing to the areas most in need of immediate attention. Our detailed analysis moves through the three big policy areas that will shape the future of the Internet: *competition, access and openness*.

We offer concrete policy recommendations for the national broadband plan now being developed by the Federal Communications Commission. We recommend:

- **THE FCC SHOULD** begin its inquiry into a national broadband plan by reviewing every major regulatory decision since the 1996 Telecommunications Act to determine whether or not its predictions for market competition and deployment have come true.
- **THE FCC SHOULD** reverse the foundational mistake of its broadband policy framework by reclassifying broadband as a telecommunications service.
- **THE FCC SHOULD** conduct a rule-making to protect nondiscrimination protections, or Network Neutrality, for users on the Internet. Congress should concurrently pass a law to place these nondiscrimination protections in the Communications Act.
- **THE FCC SHOULD** make an honest assessment of broadband deployment and take decisive action to establish a more rigorous competition policy to ensure truly affordable next-generation broadband is being deployed to all Americans in a timely fashion.
- **THE FCC SHOULD** develop a set of common standards for competition analysis. The commission's decisions on competition policy have been plagued by inconsistencies, false assumptions, and incorrect projections.

- **THE FCC SHOULD** conduct a thorough review of its policies governing competition and pricing in the “special access” and “enterprise” markets where deregulation has raised prices and stunted the deployment of competitive networks.
- **THE FCC SHOULD** explore opportunities to open more of the public airwaves to unlicensed use.
- **THE FCC SHOULD** implement rule-makings to transition the Universal Service Fund from supporting telephone service to supporting broadband by building a fiber-optic network throughout rural America. This shift — over a 10-year period — would reduce waste, fraud and abuse, and gradually reduce the fund to less than a third of its current size.

The very fact that the FCC is preparing a national broadband plan is in and of itself a huge step forward. However, it must contain policies that are bold and transformative — policies that atone for the FCC’s past record of neglect and that finally restore America’s global Internet leadership.

Part II: Journalism

In the second section, we explore the state of the news business. We analyze the collapse of the traditional business model and describe the alternatives emerging in its place. We call for a far-reaching national journalism strategy built around the principles of protecting the First Amendment, producing quality coverage, providing adversarial perspectives, promoting public accountability, and prioritizing innovation.

In evaluating the different models, proposals and plans for addressing the crisis in journalism, we focus on policy solutions that can best support the quality journalism that democracy requires. We identify five short- and long-term models as top priorities for policymakers:

- **NEW OWNERSHIP STRUCTURES.** Encouraging the establishment of nonprofit and low-profit news organizations through tax-exempt and low-profit limited liability company (L3C) models.
- **INCENTIVES FOR DIVESTITURE.** Creating tax incentives and revising bankruptcy laws to encourage local, diverse, nonprofit, low-profit and employee ownership.
- **JOURNALISM JOBS PROGRAM.** Funding training and retraining for novice and veteran journalists in multimedia and investigative reporting.

- **R&D FUND FOR JOURNALISTIC INNOVATION.** Investing in innovative projects and experimenting to identify and nurture new models.
- **NEW PUBLIC MEDIA.** Transforming public broadcasting into a world-class noncommercial news operation utilizing new technology and focused on community service.

In the last chapter, we take a closer look at reinventing public media, both as an answer to the crisis in journalism as well as for their potential to foster arts and education, engage the public, and build local community. We argue that with better funding, stronger governance, new technology, and a renewed commitment to their mandate to provide robust and diverse programming, public media can fill the void left by the commercial media at this critical juncture.

We suggest a number of new policies and institutional reforms that could transform one of the lowest-funded public media systems in the developed world into a global leader in public TV, radio and, especially, the Internet. We urge President Obama to establish a “White House Commission on Public Media,” modeled on the Carnegie Commission that originally shaped U.S. public broadcasting, to develop a comprehensive proposal and to help build the popular and political will for much-needed reform.

Work in Progress

The decisions we make now about our right to communicate will have an impact on our economic, social and civic life for generations to come. President Barack Obama has publicly declared his support for universal and open access to the Internet; for diverse, independent media ownership; and for robust public media. But the president’s ability to turn support into real reform is constrained by the tremendous influence of money over American politics and policymaking, competing priorities and significant inertia.

One thing is clear: To implement the changes we need, our leaders must be emboldened by broad-based public support. We have an historic opportunity to advance policies that make media more democratic, diverse and accessible. It will require visionary leadership and old-fashioned organizing to engage the public on these crucial issues.

On the pages that follow, you’ll find detailed analysis, passionate arguments and strong opinions — but we don’t pretend to have all the answers. The goal of this book is to spark a broader conversation about the future of the media that brings everyone to the table. The ideas on paper here won’t matter unless we debate, fine-tune and put them into action. We welcome your feedback and ideas.

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