

Beyond Fixing Facebook

How the multibillion-dollar business behind online advertising could reinvent public media, revitalize journalism and strengthen democracy

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Introduction

2018 was the year Facebook had to face reality.

At the beginning of the year, Facebook's civic-engagement manager declared the global online platform was making it "easier for people to have a voice in government — to discuss issues, organize around causes, and hold leaders accountable." ¹

But within months, the company was telling a darker story, having to defend itself before U.S. and European lawmakers after news that data firms and troll farms, including Cambridge Analytica and Russia's Internet Research Agency, misused Facebook data to divide and mislead U.S. voters and spread hatred and propaganda. ²

In April, Facebook CEO and founder Mark Zuckerberg was grilled about this by members of the House and Senate. Facebook executives were back on the Hill in June and then again in the fall to answer questions in additional hearings. In November, a *New York Times* investigation revealed that Facebook executives had orchestrated a multi-year effort to cover up and deny evidence of widespread abuse of their platform and enabled an anti-Semitic smear campaign against the company's growing list of critics. ³

Every week seems to bring another scandal. Privacy gadflies and opponents of unchecked corporate power have issued warnings about Facebook for years. Now government officials, the media and the broader public have awakened to the social network's vast potential for abuse — and people are clamoring to do something about it. ⁴

But what should be done to rein in Facebook? And what are the problems that need to be solved?

Here's where the vision gets fuzzy. There's now widespread acknowledgment of the threat Facebook (and Amazon, Google and Twitter) pose to our politics, economy, media and attention spans. But the levers for change seem inadequate or obscure. Too many policy proposals are either weak tea or dangerous cures arguably worse than the disease they're supposed to treat. All the while our eyeballs stay glued to social media, and the number of people using these platforms keeps growing.

This much is certain: Facebook's vision of billions of people connecting to make the world better and the powerful more accountable hasn't come to pass.

Instead the company and other online platforms have divided people into groups that are often violently opposed to one another.⁵ They've hastened the spread of hate speech and propaganda and exploited people's personal data and private information in myriad ways with little accountability, transparency or consequence. Throughout the past two decades, the platforms have transformed from disruptive startups to powerful conglomerates dedicated to swallowing up or undermining their competition.

As much as anywhere, the platforms' negative impacts are felt in journalism. As social networks and search engines dominate more and more of the online world, the independent and local journalism that people need to engage in constructive dialogue and participate fully in our democracy continues to disappear from communities.

The business of journalism will continue to suffer from structural shifts in the media advertising model. Without a new approach, we're likely to see waves of newsroom layoffs continue through 2019 and beyond — further weakening journalists' ability to protect the vulnerable and hold the powerful to account.⁶

In this paper, Free Press measures the rise of the online-platform business model against the fall of independent news reporting and calls for an economic realignment that recognizes the vital role noncommercial journalism can play in a democracy.

Of course, the platforms alone aren't to blame for journalism's struggles. Many of the media industry's worst wounds have been self-inflicted: Consolidation has shuttered newsrooms nationwide, and many traditional news outlets have failed to adapt their businesses to an online environment or to stay connected to the communities they serve.



There's now widespread acknowledgment of the threat Facebook (and Google, Twitter and Amazon) pose to our politics, economy, media and attention spans. But the levers for change seem inadequate or obscure.

Yet as millions of us have grown accustomed to getting information about the world from online platforms, these tech companies are doing less and less to direct their users to the types of reporting that traditional advertising once sustained.⁷

In this paper we look beyond Facebook to address a deeper problem infecting the entire “attention economy.”⁸ This problem — the abuse of targeted advertising — is linked to a revenue model that generates hundreds of billions of dollars for online platforms. Such targeted advertising relies on data-harvesting regimes that individuals, groups and government actors have abused to promote malicious and false stories, incite racists and manipulate voters.

We dig into these complex issues and offer a novel proposal: the creation of a tax on targeted advertising to fund a public-interest media system that places civic engagement and truth-seeking over alienation and propaganda.

There are many legitimate concerns about the largest online platforms. Many advocates are rightly focused on improving user privacy. Others are calling for more aggressive antitrust enforcement, including breaking up dominant companies like Amazon, Facebook and Google. While we support many of these efforts, our focus here is on showing how to make the economic engine powering these platforms more accountable to the public while addressing the crisis in journalism these companies have worsened.

Online ads work — and that’s the problem

To confront the problems of online platforms, we must look beyond fixing Facebook to understanding the economics of targeted advertising that sustain the sector.



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This advertising is working as designed — namely, to target products to a market segment of one. But internet and human-rights advocates have long pointed out that such finely focused ad-based systems can be used to manipulate those who are most susceptible to the message and inflame hatred and discord that can lead to real-world violence.

Baked into the DNA of these platforms is their ability to gather personal data on their users and group people into demographic and special-interest categories the companies sell ads to. Research shows that one of the most effective ways to hold people’s attention is by featuring content that puts sensationalism before the facts, and that reinforces existing beliefs even when they’re inaccurate.⁹ As such, platforms have a built-in market incentive to engage users with “low-value” content they can show these ads against — especially the type of content that keeps eyes glued to the screen.

While financially successful, this economic exchange — targeting low-value content and ads at highly specified audiences — is the source of many of the platforms’ problems. It’s also hastened the collapse of the traditional advertising marketplace that once supported quality journalism.¹⁰ This collapse, in turn, has led to wholesale layoffs in newsrooms across the country and a resulting loss of news production.

There’s also an unhealthy relationship between ad-targeting algorithms and organic content curation. Rewarding the content that generates the most “engagement” — as defined by Facebook — naturally influences the type of content that is created and shared.¹¹

Those who have figured out how to game these algorithms don’t always have in mind the best interests of the online community, which is why much of the damaging polarization we see on platforms like Facebook is driven by organic content rather than paid ads.



Platforms are too deeply vested in data collection and targeted advertising to address the multiple problems this economic model presents. It will require public pressure and government action to hold these companies accountable.

Facebook is very quiet about the way the ad-targeting and News Feed algorithms are interlinked. And Google doesn't like to reveal how search-result customization relates to ad targeting on a search page.¹²

Silicon Valley has proven incapable of fixing this problem. Online platforms are too deeply vested in data collection and targeted advertising to address the multiple harms their economic model presents. It will require public pressure and government action to hold these companies accountable.

The Free Press proposal: A targeted-ad tax

While many in government, academia and advocacy have put forward ideas to respond to the latest series of Facebook blunders, we need to step back to consider the role public-interest journalism can play as an antidote to what ails social media.

Quality investigative journalism, local news and independent reporting help foster what economists call “positive externalities,” meaning the benefit to society as a whole is greater than the benefit just to those who access or pay for the content.¹³ Conversely, online hate, trolling, misinformation and disinformation create “negative externalities” by harming society in ways that don't always directly affect the content producer, consumer or platforms that distribute this content.

Social-network algorithms gather people into like-minded groups and promote to them the content that will generate the strongest reaction. Attach a revenue-generating engine to these two elements, and you've created an efficient machine for spreading misinformation and hate.¹⁴

Free Press believes a sound approach to addressing this dangerous system is an old one: taxes. In this case, a tax would be levied against targeted advertising to fund the kinds of diverse, local, independent and noncommercial journalism that's gone missing, and to support new news-distribution models, especially those that don't rely on data harvesting for revenue.



A sound approach to addressing this dangerous system is an old one: taxes. In this case, a tax would be levied against targeted advertising to fund journalism.

Think of it like a carbon tax, which many countries impose on the oil industry to help clean up pollution. The United States should impose a similar mechanism on targeted advertising to counteract how the platforms amplify content that's polluting our civic discourse.

Levying taxes on products like gasoline, cigarettes or lottery tickets, whose consumption may harm parties other than the user, isn't new to U.S. policy. The resulting revenue has helped fund public health, infrastructure, education and welfare initiatives.

Unlike excise taxes on products, the tax on targeted advertising would be levied not against individual consumers but against enterprises that profit from targeted-ad sales. The revenues could be used to create a Public Interest Media Endowment, which would support production and distribution of content by diverse speakers — with an emphasis on local journalism, investigative reporting, media literacy, noncommercial social networks, civic-technology projects, and news and information for underserved communities.

A tax on targeted-advertising revenues must be structured in a way that doesn't unduly burden for-profit journalism institutions. This concern can be addressed by establishing a threshold that targets the tax on outlets earning hundreds of millions of dollars in targeted-ad revenues. These would result in the new tax being imposed on large advertising-supported firms that produce little to no journalism while avoiding levies on most for-profit ad-supported journalism outlets.

This isn't a radical idea: A number of other countries are weighing new taxes on platform giants, with proposals currently under consideration in Australia, Austria, Belgium, France, Italy, Malaysia, South Korea, Spain and the United Kingdom.¹⁵

A targeted-ad tax in the U.S. would be a policy solution that doesn't attempt to police content. We explore this idea in more detail later in this paper, but a tax of 2 percent on targeted ads could produce approximately \$2 billion per year in revenue for a Public Interest Media Endowment to support independent, community-based and investigative journalism, among other innovations.



A tax on advertising revenues is a winnable fight and achievable through an act of Congress. If we want to get serious about reversing local journalism's downward spiral, this is where to start.

While this approach doesn't pretend to solve all of the problems surrounding platforms or journalism, a tax on advertising revenues is a winnable fight and achievable through an act of Congress. If we want to get serious about confronting corporate power and reversing local journalism's downward spiral, this is where to start.

A targeted-ad tax would divert a small portion of the platforms' earnings toward fixing the broken model of digital journalism, giving people more of the news and information they need to participate fully in democracy. We believe this proposal is a way to begin repairing the damage the companies have done that would also improve the civic health of communities and people's lives.



Damage Report

When testifying before the U.S. Congress in April 2018 and the European Parliament in May, Facebook founder and CEO Mark Zuckerberg repeatedly told of the modest beginnings of his social network: “The history of how we got here is we started off in my dorm room with not a lot of resources,” Zuckerberg told U.S. senators. “It was me and my roommate.”

His intent was to diminish the beast Facebook has become. But the fundamentals tell a different story: Along with Google, Facebook now controls nearly 70 percent of the U.S. online-advertising market.¹⁶ It spends billions to buy up companies like Instagram and WhatsApp that have established a foothold in the social-media marketplace.

Facebook also boasts about having data profiles of the nearly 2.3 billion people who regularly use the network worldwide. From a market perspective, Facebook’s growth has been nothing short of miraculous.¹⁷ By the close of Zuckerberg’s April congressional testimony, the company’s market capitalization stood at \$480 billion; it has since peaked above half-a-trillion dollars, or approximately the gross domestic product of Sweden.

And Facebook isn’t the only tech colossus: The top-five publicly traded companies in the United States are from the tech sector.

Too big not to fail

If the past year proved anything, it’s that Zuckerberg’s humble creation is now too massive for Facebook’s leaders to govern. The social-media giant has been wracked by scandal after wide-ranging scandal, many of its own making. With billions of users regularly uploading and sharing content, the company appears unable and unwilling to prevent future mishaps.

Other leaders and former executives of internet giants including Apple, Google, reddit and Twitter have gone public with *mea culpas* about the ways their far-reaching products have wreaked havoc on civil society, addicted users and undermined democratic culture.¹⁸



If 2018 proved anything, it’s that Zuckerberg’s humble creation is now too massive for Facebook’s leaders to govern.

Less certain is their willingness to do anything about it.

Platform companies profit from collecting vast quantities of information about their users based on their web browsing, media use, location, preferences, contacts, purchases and more. Nefarious groups have used this data along with ad-targeting tools and algorithms to stoke discrimination against people based on their race, gender, religion and other identities.¹⁹

In Myanmar, the Philippines and Sri Lanka, Facebook has been used to inflame ethnic and religious hatred and plot deadly attacks.²⁰ Other unscrupulous third parties have misused social networks to influence election outcomes worldwide; they've created fake online accounts to spread disinformation, sow racial discord and divide communities.²¹

Given the many examples of abuse in the United States, the company announced it would conduct a long-overdue civil-rights audit.²² The audit could help quantify the full extent to which individuals and groups exploit platform algorithms to attack people of color and other marginalized communities.²³ But Facebook hasn't committed to fully publicizing the audit or to making any policy changes based on its findings.

The company did purge thousands they deemed bad actors from its platform in June 2018 to ensure that it's a "safe place for everyone."²⁴ It followed that with the removal of "pages" by far-right conspiracy theorist Alex Jones for "glorifying violence" and "using dehumanizing language to describe people who are transgender, Muslims, and immigrants," though he later re-emerged on other Facebook pages.²⁵

Despite these efforts, groups and individuals continue to game Facebook and other online platforms with worrying results. And Facebook, which tends to take confusing, incremental action against such violations, is just as much a part of the problem.²⁶

The company adjusted its policies to prevent discriminatory micro-targeting after a 2016 ProPublica investigation found it had allowed advertisers to exclude Black people, Hispanics and other "ethnic affinities" from seeing ads (which amounted to illegal housing discrimination.)²⁷ But in October 2018, after a shooter murdered 11 people in a Pittsburgh synagogue, *The Intercept* found Facebook was still selling ad space targeted to people interested in the anti-Semitic "White genocide" myth.²⁸

A formula for manipulation

Superficial fixes to company systems and standards are destined to fail. That's because they ignore one fundamental truth: The creators of the most coercive social networks designed their platforms to work this way.

In other words, social networks function by gathering people into like-minded groups and promoting to them the content that creates the strongest reaction. The platform then generates revenue by targeting ads that appeal to these finely targeted communities. Combine these two elements and you've created a billion-dollar formula for manipulation.²⁹

Google matches online ads with demographic data it gleans from users' search histories and Android mobile-phone activities among other things. It employs a real-time auction model that places display ads across several sites, a technique that has thoroughly undermined the business model of ad-driven news organizations.³⁰ This practice, along with the microtargeted advertising favored by Facebook, accounted for most of the online ad revenues generated in recent years.³¹

"The central problem of disinformation corrupting American political culture is not Russian spies or a particular social media platform," Ben Scott and Dipayan Ghosh argue in their 2018 paper *Digital Deceit*.³² "The central problem is that the entire industry is built to leverage sophisticated technology to aggregate user attention and sell advertising. There is an alignment of interests between advertisers and the platforms. And disinformation operators are typically indistinguishable from any other advertiser. Any viable policy solutions must start here."

At first glance, Facebook's "News Feed" appears to give equal weighting to all postings. A typical user might see a news item from the Associated Press mixed in with ads from Mastercard and Walmart. Updates from high-school classmates stand alongside political propaganda from unfamiliar sources. But there's something more insidious at work here.



Superficial fixes ... are destined to fail. That's because they ignore one fundamental truth: The creators of the most coercive social networks designed their platforms to work this way.

The entire network is predicated on its ability to identify users of specific interests and trigger a response. That's why more and more advertisers are turning to Facebook and other data-driven online platforms as reliable and affordable ways to sell a product or idea to those most likely to be receptive and willing to spread it to others.

The algorithms serve the advertising model. Platforms wouldn't have it any other way. Their executives are willing to fix certain aspects of their online creations — but not the targeted advertising and related algorithms that drive the entire enterprise.

'Surveillance capitalism'

Asking a popular online platform like Facebook to fundamentally alter its advertising algorithms is like asking a tiger to lose its stripes.

"Facebook, as well as Twitter and Google's YouTube, have become the digital arms dealers of the modern age," writes veteran tech journalist Kara Swisher.³³ "They have weaponized social media. They have weaponized the First Amendment. They have weaponized civic discourse. And they have weaponized, most of all, politics."

The danger isn't just Facebook's or Google's unwieldy scale but the multibillion-dollar revenue model on which online companies have built their businesses. It's powered by a form of "surveillance capitalism," where digital platforms make money by profiling our activities online and then selling our attention to political actors, commercial advertisers and others.³⁴

This ad-targeting ecosystem benefits those that can vacuum up massive quantities of personal information. It includes social-media platforms, but is fueled by a hidden network of data brokers collecting and reselling our personal information.

These data merchants — and not Facebook users — "are Facebook's true customers, whom it works hard to please," writes techno-sociologist Zeynep Tufekci.³⁵ "A business model based on vast data surveillance and charging clients to opaquely target users based on this kind of extensive profiling will inevitably be misused."



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Indeed, surveillance capitalism has evolved to suit the needs of those whose product is misinformation and manipulation. The platform users, on the other hand, are left without a way to accurately assess how their data is transferred to advertisers and others every time they log on to these services.

We can engineer the context around a particular behavior and force change that way,” one engineer told author Shoshana Zuboff in her book, *The Age of Surveillance Capitalism*. “We are learning how to write the music, and then we let the music make them dance.”³⁶

In the hands of data analysts like those at Cambridge Analytica, this instrument was used to “dance” people toward voting booths — or keep them away — and influence their choice of candidates.³⁷

To some extent, online platforms have become more transparent about the ways they handle user information.³⁸

But shortly after Zuckerberg told Congress that Facebook users have “complete control” over who sees their data, the *New York Times* exposed details of the company’s data partnerships with Amazon, Apple, Samsung and other cellphone, video-gaming and television manufacturers, which exempt these entities from the data-harvesting and disclosure restrictions the company put in place in 2015.³⁹

For its part, Google announced that it would stop personalizing Gmail ads based on its scanning of words in user emails. But the company simply used its many other data-harvesting operations, including Google search and Android, to serve up heavily targeted ads with much the same results.⁴⁰

Last spring, the European Union’s General Data Protection Regulation, or GDPR, went into effect, promising to give internet users more control over the ways online platforms use their data, while forcing these companies to be more transparent about their practices. While it’s far too early to render a verdict on GDPR’s effectiveness, some warn the rules have threatened free speech and press freedom.⁴¹



While thorough transparency is important, there’s not enough evidence to suggest it would end the dangerous types of targeting profiled here.

Others say the measures don't go nearly far enough. Many are hoping to learn from and modify Europe's approach as they ponder similar legislation for the United States.⁴²

While thorough transparency is important, there's not enough evidence to suggest it would end the dangerous types of targeting discussed here. According to advertising-industry polling, nearly three out of four consumers say they prefer personalized online advertising.⁴³ A recent survey by the Pew Research Center strongly suggests that an extensive public-education effort might change that perception.⁴⁴ At the moment, however, it's not a leap to see how many people would initially choose to have their data used in ways they might only later see as harmful.

Like it or not, data harvesting and its complementary ad-targeting businesses will remain fixtures of the online economy for the foreseeable future. As stories of misuse pile up, regulators must come to grips with multiple approaches to keeping this system in check.

The race to the bottom

Online-platform problems aren't limited to the mismanagement and misuse of user data. Too much of the growing bucket of online-advertising money flows to malicious, sensationalist or just plain false content — and too little flows to valuable news and information.

In some ways, the system is simply responding to a public taste for junk news. This is a phenomenon that's true not only online but in traditional media. It's a quirk of human nature that has a predecessor in today's TV news, the tabloid journalism of the 20th century and yellow journalism before that.

Disinformation and divisiveness attract. Looking at more than 1,000 posts from hyperpartisan Facebook pages, BuzzFeed News found that misleading content that reinforced existing beliefs was shared more frequently than accurate, factual content.⁴⁵



A business built on clickable metrics loads the news cycle with stories that scream the loudest at the expense of accuracy and depth.

Indeed, this kind of “news” generates significant social engagement.⁴⁶ A 2018 MIT study found that false news reports were 70 percent more likely to be retweeted on Twitter than accurate news — and the effects were even more pronounced for false *political* news.⁴⁷

In short, a business built on clickable metrics loads the news cycle with stories that scream the loudest at the expense of accuracy and depth. Less measurable outcomes, like whether an article inspires a person to get involved in their community or speak out against an injustice, aren’t part of the platforms’ calculus for promoting stories.

It’s a system that rewards extremes, writes the *New York Times*’ David Streitfeld: “Say you’re driving down the road and see a car crash. Of course you look. Everyone looks. The internet interprets behavior like this to mean everyone is asking for car crashes, so it tries to supply them.”⁴⁸

To be fair, many online platforms have tried to tackle misinformation. Facebook has employed legions of fact-checkers to downgrade items they deem false,⁴⁹ and it attempted to block ads that link to fake news stories.⁵⁰ It also removed thousands of accounts it identified as using “coordinated inauthentic behavior” to attract a large audience of followers and drive them to websites that often feature false and clickbait news stories but are actually designed to sell ads.⁵¹ For its part, Twitter has removed tens of millions of suspicious and fake accounts from its platform, including so-called bot accounts that are driven by algorithms with little to no human involvement.⁵²



In reality, Facebook executives are reluctant to determine which news sources should be trusted and which ones dismissed.... Their reticence is understandable

While Silicon Valley execs like to tout these efforts, they haven’t improved people’s newsfeeds: On a day seven months after Facebook re-engineered its feed to promote more “trustworthy” news sources, the top-10 most-engaged news stories on the network included a Nike boycott story that Snopes later debunked as fake, a story from a hyperpartisan news aggregator that featured no original reporting, and three posts by Ladbible, a social-media company that spreads celebrity and viral memes.⁵³

One of the fact-checkers that Facebook hired to tackle the deluge of misinformation on its platform later gave up in frustration (along with fact-checkers working on the project from Associated Press and Snopes), reporting that the task of truth-testing false posts was “like battling the Hydra of Greek myth. Every time we cut off a virtual head, two more would grow in its place.”⁵⁴

Facebook executives say they don’t want to determine which news sources should be trusted and which ones dismissed. During her testimony before the Senate in September 2018, Facebook COO Sheryl Sandberg said the platform shouldn’t be “the arbiter of what’s true and what’s false.”⁵⁵

Twitter CEO Jack Dorsey told Congress his platform doesn’t block content based on “political viewpoints, perspectives, or party affiliation,” acknowledging that relying on algorithms to flag content for removal leads to “mistakes.”⁵⁶

Their reticence is understandable. Though it’s not driven by a desire to protect free speech or correct the record, but by an inability to manage the sheer volume of content that crosses social networks. Tech companies have amassed a history of censorship misfires,⁵⁷ blocking outlets and reporters who are producing legitimate news.⁵⁸

But if not on commercial online platforms, where can people go to find accurate and trustworthy news and information?



Confronting the News Crisis

Facebook's growth as a social network has coincided with the collapse of the traditional business model that once sustained the news industry, where declining ad revenues have contributed directly to widespread job losses.

Between the beginning of 2004 (the year Facebook launched) and the end of 2016, the number of U.S. newspaper employees dropped by more than half — from 375,000 to about 173,000, according to the Bureau of Labor Statistics (see Table 1).⁵⁹ During that same time period, print-advertising revenue fell from a record high to a record low, and many large metro and regional papers closed shop, followed more recently by a spate of closures by long-standing newsweeklies.

It's not just newspapers — a wave of layoffs hit prominent digital-only outlets like BuzzFeed, HuffPost and Vice at the end of 2018 and beginning of 2019, with more expected soon.⁶⁰

A 2018 study from researchers at the University of North Carolina looked at the emergence of “news deserts” — regions that lack local news outlets — and found that the United States has lost about 20 percent of its newspapers since 2004, leaving at least 900 communities without local news resources.⁶¹

Newsroom-job losses mean less of the political reporting that an informed democracy needs. Between 2003 and 2014, the number of full-time newspaper reporters covering statehouses in the United States fell 35 percent, according to the Pew Research Center.⁶²

A similar study by professors from George Washington University and American University found declining political-news coverage of congressional campaigns correlates with dropping levels of civic engagement in politics.⁶³



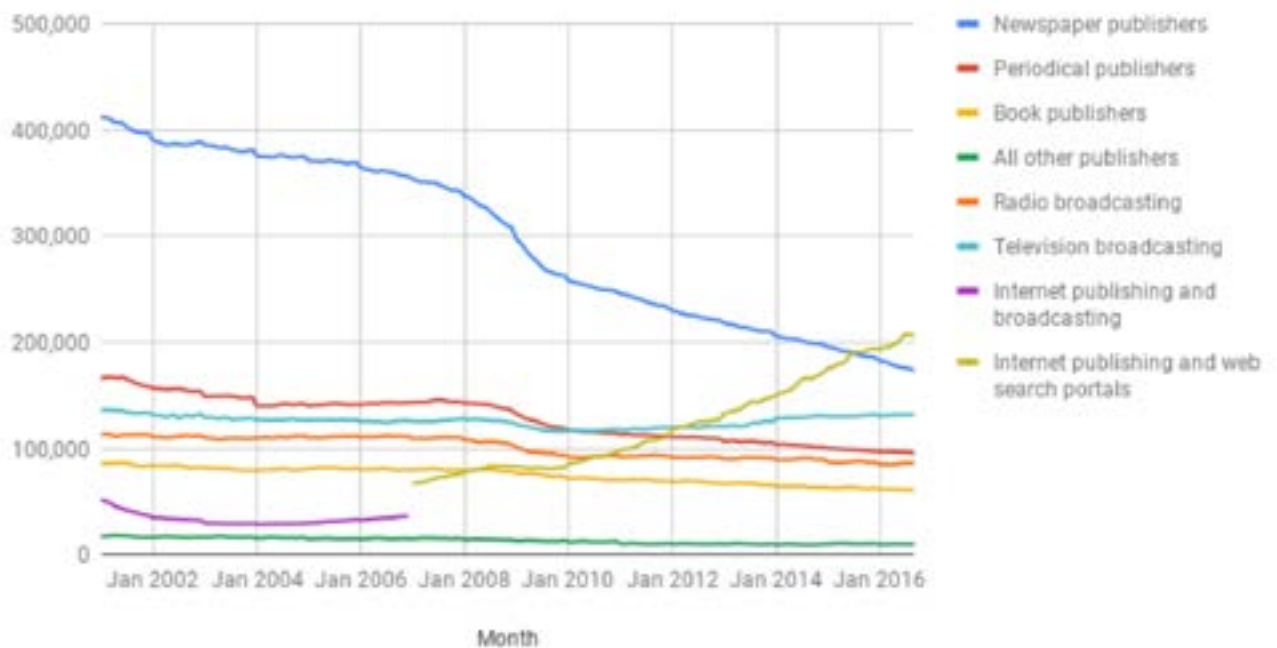
‘The faltering of newspapers, the consolidation of TV and radio, and the rising power of social-media platforms are not just commercial issues driven by the market. They are democratic issues with profound implications for our communities.’

The loss of quality investigative journalism and independent reporting has far-reaching societal harms. Josh Stearns of the Democracy Fund has catalogued the growing body of evidence showing that declines in local news and information lead to drops in civic engagement. “The faltering of newspapers, the consolidation of TV and radio, and the rising power of social-media platforms are not just commercial issues driven by the market,” Stearns writes. “They are democratic issues with profound implications for our communities.”⁶⁴

Still, the platforms are only partly to blame for the news crisis. Many media-industry missteps have contributed to journalism’s decline. Media consolidation has shuttered newsrooms nationwide, while a large number of traditional news outlets opted for layoffs and closures over adapting to the new realities of news consumption.

As platforms have become more dominant, many news outlets have become stuck in a perpetual game of catch-up — slow to foster constructive dialogue online with their communities and audiences.

USBLS: Employment in News & Information Industries: Jan. 2001 to Sept. 2016



Source: U.S. Bureau of Labor Statistics

Reinventing public-interest media

As targeted advertising becomes the revenue model shaping journalism or the lack thereof, the problems inherent with this economic system need to be addressed at the most basic level.

U.S. regulators have long recognized the need for noncommercial alternatives to offset profit-driven news outlets, fill information gaps, and reach communities the mainstream commercial outlets overlook. From the nation's earliest days, policymakers have enacted measures to promote access to news.⁶⁵

It's been more than 50 years since President Lyndon Johnson signed the Public Broadcasting Act of 1967, which established the Corporation for Public Broadcasting (CPB) and, eventually, PBS and NPR. As the media landscape has undergone seismic shifts and audiences have become more diverse, we must rethink public media's mission and radically improve on the policies that — to a limited degree — have supported noncommercial news.

Today, most of the CPB's annual allotment (around \$450 million) goes to support local public-television and radio stations, the affiliates that often carry NPR and PBS programming.

Public polling has shown that most people in the United States believe taxpayer funding for public broadcasting is money well spent.⁶⁶ Yet funding here pales by comparison to that in other advanced democracies: While the United States spends approximately \$1.40 per capita to fund public media, Japan spends nearly \$60 per capita, the United Kingdom spends more than \$80 and Denmark more than \$100.⁶⁷

The United States' relatively paltry allotment has remained static for more than a decade despite the strong history of public support for news distribution in the United States, dating back to the Postal Act of 1792, which subsidized lower postage rates for newspapers, pamphlets and other print media considered socially beneficial.⁶⁸



As the modern media landscape has shifted from broadcast to broadband, from radio to reddit, we need a funding mechanism that can keep pace.

As the modern media landscape has shifted from broadcast to broadband, from radio to reddit, we need a funding mechanism that can keep pace. We must also adapt public-interest media to the shifting dynamics of the U.S. population to reflect its diversity. This change means building a public-media system whose practitioners look more like the people they report on. A lack of diversity continues to plague newsrooms in both for-profit and noncommercial news outlets.⁶⁹

If we don't take action to reinvent public media now, the climate for all forms of journalism will only get worse. A comprehensive analysis written for Columbia's Tow Center for Digital Journalism notes that online platforms "now control what audiences see and who gets paid for their attention, and even what format and type of journalism flourishes."⁷⁰

And yet Facebook is increasingly downgrading access to news from outside outlets.⁷¹ The company sees reading a headline and clicking through to the corresponding news site as less engaging — meaning less lucrative for Facebook — than arguing in a comment thread with your racist uncle, or piling on with others in response to the outrage of the day. The social networks know that our conversations over their platforms cost them nothing to produce. The real value is in keeping users on the platform, chatting with friends and family and not clicking away to external sites.

Facebook's new emphasis on optimizing against clicks has undermined the interests of many news organizations that had already reshaped their editorial operations based on Facebook guidance for generating traffic from social media that later proved false.⁷²

This is the damaging reality of the attention economy. It has misaligned the flow of advertising money away from content with high social value. And in many instances it has molded the news industry in its image.

It's cheaper to repeat a story than to report one, to "share" something for free than to spend the time and resources to uncover something new. President Trump knows this well and is able to dictate the news cycle just by tweeting (or retweeting) something. Repeating what Trump says in his tweets is cheaper than taking the time to discern whether they're accurate, or exploring how his policies are felt in communities where they have the most dramatic impact.



This is the damaging reality of the attention economy. It's misaligned the flow of advertising money away from content with high social value.

And yet it's those stories from the field that often create benefits that spill beyond their readers, viewers or listeners. It's much more difficult — if not impossible — for a news organization to monetize the positive outcome from deeper reporting that's carried forward to society as a whole.

Righting the imbalance

In his book *Democracy's Detectives: The Economics of Investigative Journalism*, Stanford economist James T. Hamilton attempts to calculate the larger benefit to society of such investigative reporting. "I found that each dollar spent on stories can generate hundreds of dollars in benefits to society," Hamilton told a reviewer, "though gains are distributed in ways hard for news organization[s] to translate into additional reporting resources."⁷³

The best way to right this economic imbalance is to make the platforms pay to clean up the mess they've made — and support the production and distribution of the kind of high-value content Hamilton describes.

Free Press is calling on Congress to create a new, multibillion-dollar Public Interest Media Endowment funded by taxing the purveyors of targeted advertising.

Rather than attempting to police content, the endowment would direct tax revenues to fund independent and noncommercial news outlets. The money from the Public Interest Media Endowment could be spent in ways that preserve editorial independence and protect grant recipients from political interference. The funding could support local-news startups, investigative reporting, civic-engagement initiatives, public-interest journalism and the creation of alternative platforms. It should emphasize operations of, by and for diverse and underserved communities.



Rather than attempting to police content, lawmakers should tax the purveyors of targeted advertising to support a Public Interest Media Endowment.

For example, the Public Interest Media Endowment could provide grants for projects to:

- 👍 Improve the quantity and quality of civic information in local communities.
- 👍 Give residents enhanced access to useful government data and public information through innovative applications, platforms and technologies.⁷⁴
- 👍 Fund new experiments in noncommercial investigative reporting and newsgathering.
- 👍 Support development of and innovation by noncommercial social networks that don't rely on data harvesting for income.
- 👍 Train more people in the practices of local journalism, fact-checking and production.
- 👍 Offer a state-level media-literacy curriculum for schools and communities.
- 👍 Better meet the information needs of low-income communities and communities of color that have been underserved by commercial media.
- 👍 Promote tax credits and other incentives for news organizations that hire new and diverse newsroom staff.

The endowment could also explore new ways to bolster community-engagement projects and connect newsrooms with the communities they're supposed to cover — to address local problems like gentrification, under-resourced schools, political corruption and racial injustice and how they're covered in the media.

Funding could be weighted toward ensuring that the maximum amount of content is available immediately in the public domain (instead of hidden behind paywalls). Projects to seed social platforms that don't rely on data-harvesting would also be of special interest.

The Public Interest Media Endowment would grant money to news-and-information initiatives throughout the country or offer block grants to be redistributed by state and local institutions, including those using similar approaches to New Jersey's newly created Civic Information Consortium.⁷⁵

Alternatively, the funds could flow through an existing body like the Corporation for Public Broadcasting — but with clear guidelines established and greater public input on how the money should be spent.

The distribution of the funds — as well as hiring and evaluation — must be overseen by an independent board of directors that represents the country’s geographic, gender, racial and political diversity and includes experienced journalists, technologists, philanthropists and members of the general public. Public engagement and ascertainment would be essential to the project’s success and accountability.

Exploring tax options

To broaden the investment in public media, Congress would need to amend the appropriate sections of the tax code with language that levies the taxable income of online platforms that earn their revenues from targeted advertising. Congress would then need to redirect the money to the Public Interest Media Endowment or other institution empowered to distribute the money to support local-, independent- and noncommercial-journalism projects.

There are a number of options for collecting tax revenues for the Public Interest Media Endowment, which are scalable depending on the endowment’s size and payout rates. The three examples below would generate an annual allotment of approximately \$2 billion:

Option 1: A 2 percent targeted-ad tax on all online enterprises that earn more than \$200 million in annual digital-ad revenues would yield more than \$1.8 billion for the endowment, based on 2018 ad sales. (See Table 2.) Commercial online publishers and platforms making \$200 million or less in digital-ad revenues would not be subject to the tax to avoid harming smaller to mid-sized online enterprises, especially those engaged in news production.

Option 2: A lower tax rate levied on all advertising revenues, including offline placements, which increasingly draw on similar data profiles gleaned from online activity. With projected U.S. advertising revenues for 2018 (both offline and on) at approximately \$200 billion, a 1 percent tax rate would yield approximately \$2 billion for the endowment.

Option 3: A tax equal to 1.5 percent of taxable income levied on any platform with an annual taxable income of \$1 million or greater if more than 60 percent of such income is derived from the sale of advertisements presented to patrons or users. Based on 2018 revenues, this would yield close to \$2 billion.

Other options include reducing the immediate tax deductions available to businesses that place advertisements and redirecting the resulting tax income to the endowment; or creating a tax on the average revenue per user on major platforms using targeted ads, calculated by dividing a platform's total revenues by its monthly active users. There are other workable formulations. In any case, we should be careful to avoid taxing news production itself (see the carveout in Option 1) as the goal is to revitalize journalism, not restrict it.

In addition, any tax should be based on the revenues — not the profits — of companies engaged in online advertising. This approach would prevent these companies from concealing profits through other means or routing them through other countries to avoid paying their full share.

Table 2: The Top-10 Money Makers

U.S. Digital-Ad Revenues (net \$ billions)	2016	2017	2018	2019
Google/Alphabet	29.43	35.00	40.48	45.69
—YouTube	2.92	3.88	4.43	4.96
Facebook	12.37	17.37	21.57	25.56
—Instagram	1.61	3.08	5.40	6.84
Microsoft	3.34	3.60	3.84	4.04
—LinkedIn	0.73	0.81	0.92	1.02
Oath (Verizon)	1.27	3.60	3.69	3.77
Amazon	1.1	1.65	2.35	3.19
Twitter	1.36	1.21	1.16	1.16
Yelp	0.62	0.72	0.84	0.98
Snapchat	0.30	0.64	1.18	2.04
IAC	0.50	0.45	0.41	0.38
Yahoo	2.25	N/A	N/A	N/A
Top-10 Firms' U.S. Digital-Ad Revenues	57.82	72.01	86.27	99.63
Total U.S. Digital-Ad Revenues	71.60	83.00	93.75	105.44
Top-10 Firms' Share of Total Revenues	80.8%	86.8%	92.0%	94.5%

Source: eMarketer

Platform companies are experts at avoiding tax payments. Between 2007 and 2015, Facebook paid only 4 percent in corporate-income tax, Amazon paid only 13 percent and Google paid 16 percent, according to S&P Market Intelligence. By contrast, the corporate-income tax rate S&P 500 companies paid averaged 27 percent.⁷⁶ The massive corporate tax cuts the Trump administration passed in late 2017 allowed these behemoths to deprive the U.S. Treasury of tens of billions of dollars more. Amazon, a company with \$11.2 billion in profits in 2018, did not pay one penny in federal taxes last year.⁷⁷

It's important to note that even \$2 billion a year isn't enough to meet the information needs of local communities. It would take many billions more to address the crisis facing journalism. We believe that taxing the platforms shouldn't be the only source of new funding for local or independent journalism, and such a policy must work alongside other measures and funding streams.

While some critics may suggest we're aiming too low given the size of the problem, we believe our approach is ambitious but achievable in the next few years. To win we must invest in a broad-based organizing campaign and push both journalists and politicians to expand their narrow and cynical views of what's possible.

Journalism's 'moon shot'

U.S. journalism needs a radical new boost of energy — one that reimagines the role independent, noncommercial media can and should play in a healthy democracy.

It's time to recognize that free-market economics alone have failed to sustain a news ecosystem that serves all of the people. While this kind of endowment would not solve all of the problems facing U.S. journalism, it would make a sizable dent and open the door to other creative solutions.

We aren't alone in seeing the need for new and bolder actions. Emily Bell of Columbia's Tow Center for Digital Journalism has called for a "significant transfer of wealth" from Silicon Valley to support independent journalism, though she calls for the tech giants to fund a private foundation. It would be a "moon shot," Bell writes, that could "write a better path for the broken model of American journalism."⁷⁸



It's time we recognize that free-market economics alone have failed to sustain a news ecosystem that serves all of the people.

The major platforms are coming to terms with their damaging impact on journalism, too. Facebook recently announced its intention to spend \$300 million to support local-journalism projects. Google earlier announced similar plans, including an initiative to fund several worthy efforts like Report for America.⁷⁹

While we welcome any investment in good reporting, putting the fate of U.S. journalism in the hands of Silicon Valley billionaires is a dangerous game. People would be much better served by a publicly accountable system with a consistent funding mechanism. The Public Interest Media Endowment we've proposed would help accomplish this. That said, we welcome debates on ways to best achieve our goals that recognize the urgent need to address these challenges.

When the great American essayist Walter Lippmann wrote that the “crisis of Western democracy is a crisis of journalism,” he couldn't have imagined a world less than 100 years later where misinformation spreads at light speed across social networks used by billions.⁸⁰

That's where we are today — facing not only a crisis of trust in the media but an attack on the truth. At the same time, the traditional economic model for journalism has weakened to the point of breaking. It's a vicious cycle that won't be reversed unless we address the problem head on. And we can't expect Mark Zuckerberg or Larry Page to do it for us.

It's one thing for Silicon Valley execs to apologize (and apologize and apologize again) and promise to fix things after yet another high-profile failure. But we can't expect that tech titans will figure it out. The buck stops elsewhere: With the American public and our elected leaders, who must hold the targeted-advertising industry to account, and do what it takes to rebuild trust and repair a broken media system.

The status quo is unsustainable, and we need to consider alternatives that actually meet our societal and democratic needs. If we act soon, we have a real chance to create a healthier information system, one that fosters journalism that holds leaders accountable and tells people what's actually happening in their communities. It requires newfound political will and an expanded belief in what's possible to address these huge challenges. But if we want to revitalize the news and reinvent public media, we must start now.



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