Of the Press: Models for Transforming American Journalism

A Report of the 2009 Aspen Institute Forum on Communications and Society

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Rapporteur

THE ASPEN INSTITUTE

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Contents

FOREWORD, Charles M. Firestone.................................................................v

OF THE PRESS: MODELS FOR TRANSFORMING AMERICAN JOURNALISM, Michael R. Fancher ........................................... 3

Context: The Knight Commission on the Information Needs of Communities in a Democracy................................. 4

Further Context: Journalism and Democracy..................................... 6

Models for Transforming American Journalism................................. 8

The New News Organization............................................................... 10

The Hyper-Local Model................................................................. 22

The Online Payments Model........................................................... 30

Consensus Items............................................................................... 37

Transforming Public Service Journalism........................................... 37

Rebuilding Public Trust................................................................. 38

Promoting Research ..................................................................... 41

Pushing Experimentation and Collaboration.................................. 41

Conclusions..................................................................................... 43

Notes................................................................................................. 44

APPENDIX

Participants....................................................................................... 49

About the Author............................................................................. 53

Previous Publications from the Forum .......................................... 55

About the Communications and Society Program........................ 59
This report is written from the perspective of informed participants of the conference. Unless attributed to a particular person, none of the comments or ideas in this report should be taken as embodying the views or carrying the endorsement of any specific participant at the conference.
Foreword

The Forum on Communications and Society (FOCAS) is an annual signature event of the Aspen Institute Communications and Society Program. It brings 40 to 50 top executives, thought leaders and government officials together to address some specific aspect of the confluence of communications and democracy.

In 2007, FOCAS generated the idea of a national commission to address the changing news marketplace from the perspectives of citizens and democracy. Thus began the Knight Commission on the Information Needs of Communities in a Democracy, a partnership of the Aspen Institute Communications and Society Program and the John S. and James L. Knight Foundation, under the co-chairmanship of Theodore B. Olson and Marissa Mayer.

During 2008 and 2009 we also saw the bankruptcy or demise of a number of daily newspapers or their parent papers. For example, Denver’s Rocky Mountain News and Seattle’s Post-Intelligencer closed in early 2009, each ending roughly 150 years of publishing. At least 14 newspaper publishers, most notably the Tribune Company, sought bankruptcy protection. Revenues were streaming away from the print media, but the expected savior, online journalism, did not deliver the cash flow that publishers expected. That is, audiences for journalistic organizations vastly increased, but the value to advertisers of those visiting their sites was about one-tenth the value of a reader of print media. The cost per thousand rates (CPM) just did not hold up in the latter half of 2008 and into 2009.

Concern for the sustainability of journalism has reached significant proportions. And because journalism is so closely related to self-governance—i.e., the watchdog function, the citizen-informing function and the personal empowerment function are all essential to a thriving democracy—the survivability of journalism is a national policy issue.

As the Knight Commission’s deliberations were coming to a close, we had the opportunity to address some of the issues inherent in the Commission’s orbit but not within its charge. Specifically, while everyone seems to agree that we will undergo a period of experimentation to develop business models for sustainable, meaningful, local journalism, what factors can we identify that can help those in the fray succeed?
Answering this question was at the heart of FOCAS 2009. Our rapporteur was Michael R. Fancher—former executive editor of the Seattle Times and a member of the team that wrote the Knight Commission report, Informing Communities: Sustaining Democracy in the Digital Age. His report describes the mental wrestling that is taking place in publishers’ offices, in investment houses, in policy forums, and even at government venues.

The Forum was organized in cooperation with the Center for Journalistic Innovation at the City University of New York (CUNY) Graduate School of Journalism. We thank dean Stephen B. Shepard and Center director Jeff Jarvis and their colleagues for their work on this project. They bared their first draft of a model for a New News Organization to the participants at FOCAS, and a worldwide audience tuned in on the Internet stream provided by Ground Report. They, and we, learned a lot by having a straw man with real numbers and a well thought out approach behind it. The latest iteration of that model is available online at http://newsinnovation.com/models/. The Forum was also held in the aftermath of Aspen Institute president Walter Isaacson’s cover story in Time magazine, describing the need for micro-payments for content on the Web, and a number of new ventures, such as Journalism Online and Kachingle, proposing user-pay methods.

We then organized the meeting with the following matrix in mind:

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In the end, Fancher finds four areas of consensus from the meeting:

• *Transforming public service journalism.* This is a national and local community imperative, and we all have an interest in players finding sustainable solutions.

• *Rebuilding public trust in journalism and journalistic organizations.* How journalism is financed in the future could very well affect this important value.

• *Promoting research.* There are many areas still in need of research to get it right.

• *Pushing experimentation and collaboration.* There is no way to know what might succeed, so we must work together to innovate.

We hope the insights and resources contained in this report will aid the reader’s understanding of the issues, and how important they are to our communities and our nation’s democratic way of life. We also suggest reading the final report of the Knight Commission, *Informing Communities: Sustaining Democracy in the Digital Age*, and engaging in a dialogue about the Commission’s conclusions and recommendations online at www.knightcomm.org or via twitter at #knightcomm.

**Acknowledgments**

We want to thank the John S. and James L. Knight Foundation for its generous senior sponsorship, and Google, Microsoft, and NewsCorp for sponsoring FOCAS 2009. In addition, we are grateful to the FOCAS members who also contributed financially to the Program: Bill Kling, Craig Newmark, William Dean Singleton, the Markle Foundation and The Rendon Group.

Thanks to Rachel Sterne and Ground Report for their great work streaming the event live on the web for the third straight year. This real-time streaming provided the opportunity for international viewership during the Forum. Archives of the conference proceedings can be viewed online at http://aspeninstitute.tv.

We thank our lead-off presenters John Carroll, Gordon Crovitz, Jeff Jarvis, Marissa Mayer, Steve Outing, Steve Shepard and Cynthia Typaldos for their willingness to start the dialogue in the plenary sessions. We give special thanks to our rapporteur Michael R. Fancher,
and to our FOCAS project manager Erin Silliman. And we thank director of journalism projects Amy Garmer, program associate Peter Keefer, and project manager Sarah Snodgress for their work on the Forum. We also recognize the hard work of Jeff Jarvis and the staff from CUNY for recommending background readings and providing business models for the Forum. All have worked tirelessly to provide us with the support we need to have a positive engagement at the FOCAS meeting in Aspen.

Charles M. Firestone
Executive Director
Communications and Society Program
Washington, D.C.
March 2010
OF THE PRESS:
MODELS FOR TRANSFORMING
AMERICAN JOURNALISM

Michael R. Fancher
Of the Press: Models for Transforming American Journalism

A Report of the 2009 Aspen Institute Forum on Communications and Society

The idea of convening a forum to seriously examine the need to save American journalism would have been unthinkable just a few years ago. But in August 2009, the conversation seemed timely and urgent.

The Aspen Institute 2009 Forum on Communications and Society (FOCAS) convened in mid-August, just as the Knight Commission on the Information Needs of Communities in a Democracy was finalizing its report. Members of the Commission met with attendees of FOCAS, and it was clear that the Commission report would sound an alarm about the future of journalism.

Indeed, when the Commission report was released in October, it concluded: “The current financial challenges facing private news media could pose a crisis for democracy.”

While the Commission report addressed the information needs of communities broadly, journalism is an important, centralizing element. The report states:

Local journalistic institutions that have traditionally served democracy by promoting values of openness, accountability, and public engagement are themselves in crisis from financial, technological, and behavioral changes taking place in our society. Even before the 2008 recession, many news organizations faced shrinking audiences and declining advertising revenue. With the recession, they are struggling even more. There is plainly reason to be anxious about the consequences for local journalism, and therefore for local democratic governance.¹

The Pew Project for Excellence in Journalism expressed similar concern in its 2009 State of the News Media Report: “This is the sixth edition of our annual report on the State of the News Media in the United States. It is also the bleakest…. By our calculations, nearly one out of every five journalists working for newspapers in 2001 is now gone, and 2009 may be the worst year yet.”²
In July, the Congressional Research Service reported: “The U.S. newspaper industry is suffering through what could be its worst financial crisis since the Great Depression…. As the problems intensify, there are growing concerns that the rapid decline of the newspaper industry will impact civic and social life.”

Against this backdrop, the Aspen Institute convened more than 40 news, business, education, non-profit and foundation leaders to explore new models for preserving American journalism. What new models will best support the journalism necessary for the public good?

Charles Firestone, executive director of the Aspen Institute Communications and Society Program, explained, “Our aim is to preserve or enhance journalism itself, not any particular form of business that practices it today.”

**Context: The Knight Commission on the Information Needs of Communities in a Democracy**

The seeds for FOCAS 2009 were sown two years earlier. From FOCAS 2007 came the idea of a high-level commission to examine the information needs of 21st century American citizens and communities. By August 2009, what came to be called the Knight Commission on the Information Needs of Communities in a Democracy was putting the final touches on its report to be released in October.

The report would conclude, “The time has come for new thinking and aggressive action to dramatically improve the information opportunities available to the American people, the information health of the country’s communities and the information vitality of our democracy.”

The Commission concluded that America is at a critical juncture in the history of communications. “The digital age is creating an information and communications renaissance. But it is not serving all Americans and their local communities equally. It is not yet serving democracy fully,” the Commission warned. “How we react, individually and collectively, to this democratic shortfall will affect the quality of our lives and the very nature of our communities.”

In a foreword to the report, Alberto Ibargüen, president and chief executive officer of the John S. and James L. Knight Foundation, and Walter Isaacson, president and chief executive officer of the Aspen Institute, observed: “Journalism matters. While the Knight
Commission did not set out to ‘save’ journalism, and its focus is on communications more generally, there is a clear understanding that we must find sustainable models that will support the kind of journalism that has informed Americans. The fair, accurate, contextual search for truth is a value worth preserving.”

Journalism is a thread that weaves through much of the Commission report:

- America needs “informed communities” in which journalism is abundant in many forms and accessible on many convenient platforms.
- The current financial challenges facing private news media could pose a crisis for democracy.
- Public media should provide better local news and information.
- Not-for-profit and non-traditional media can be important sources of journalism.
- Journalism institutions do not need saving so much as they need creating.

Among its 15 recommendations, the Commission included four that speak directly to media and journalism:

*Recommendation 1:* Direct media policy toward innovation, competition, and support for business models that provide marketplace incentives for quality journalism.

*Recommendation 2:* Increase support for public service media aimed at meeting community information needs.

*Recommendation 3:* Increase the role of higher education, community and nonprofit institutions as hubs of journalistic activity and other information-sharing or local communities.

*Recommendation 11:* Expand local media initiatives to reflect the full reality of the communities they represent.

In serving its mission, however, the Commission did not choose to try to preserve any particular medium. Rather, it saw the need to “promote the traditional public service functions of journalism.” The key question is: “How can we advance quality, skilled journalism that contributes to healthy information ecologies in local communities?”
Further Context: Journalism and Democracy

John Carroll, a member of the Knight Commission on the Information Needs of Communities in a Democracy, was also the editor of the *Los Angeles Times* from 2000 to 2005, a period in which the newspaper won 13 Pulitzer Prizes. He has spoken widely about the challenges facing journalism, perhaps most notably in a 2006 speech to the American Society of Newspaper Editors, in which he described a “crisis of the soul” of journalism.

Carroll told the FOCAS participants that journalists “have been amazingly inarticulate in explaining what we do and why.” Now, because of the many pressures facing journalism, they must make their case more effectively than ever. Carroll quoted *The Elements of Journalism* by Bill Kovach and Tom Rosenstiel, “The primary purpose of journalism is to provide citizens with the information they need to be free and self-governing.”

The book, which is widely used in journalism education, states, “This democratic mission is not just a modern idea. The concept of creating sovereignty has run through every major statement and argument about the press for centuries, not only from journalists but from the revolutionaries who fought for democratic principles, both in America and in virtually every developing democracy since.”

Kovach and Rosenstiel were leaders of an effort, starting in 1997, to engage journalists and the public in an examination of what journalism is supposed to do. They state, “We set out to answer two questions: If newspeople thought journalism as somehow different from other forms of communication, how was it different? If they thought journalism needed to change but that some core principles needed to endure, what were those principles?”

After three years of forums, surveys, interviews and content studies, the authors identified nine “elements of journalism” in the 2001 publication of their book. A tenth element was added when a revised version was published in 2007:

1. Journalism’s first obligation is to the truth.
2. Its first loyalty is to citizens.
3. Its essence is a discipline of verification.
4. Its practitioners must maintain an independence from those they cover.
5. It must serve as an independent monitor of power.
6. It must provide a forum for public criticism and compromise.
7. It must strive to make the significant interesting and relevant.
8. It must keep the news comprehensive and proportional.
9. Its practitioners must be allowed to exercise their personal conscience.
10. Citizens, too, have rights and responsibilities when it comes to the news.\(^8\)

Carroll said journalism is a modern, fragile and misunderstood ideology. He cited three examples of pressures affecting it:

1. **Pressure against even having a journalistic ideology.** There is fierce ideological friction between journalists, who have their own set of beliefs, and their corporate superiors, who have very different beliefs about the needs of the corporation. As money has gotten tight, the friction has become something of a holy war, and the voice of journalism values has become weaker. Carroll said he wonders whether there can there be two ideologies within a business enterprise.

2. **Transformation brought about by technology.** Journalism is no longer a one-way statement from the journalist to millions. The journalist can no longer speak as the voice of God; now people get their say. Often journalistic thinking is improved by this engagement. In the future it may be considered unethical for journalists not to provide opportunities for others to have their say, because there is a social good in having ideas bandied about.

3. **Commercial pressures to build audiences.** There is a tremendous competition for audience today that works against journalistic neutrality. The traditional detached journalistic voice does not play very well any more. Talk shows are decidedly not neutral, “They make their living by having blood on the floor.” In the blogosphere, “the loneliest place is the middle of the road.” These commercial needs add pressure to be outrageous, provocative and insulting.

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Can there be two ideologies within a business enterprise?  
*John Carroll*
Carroll concluded that journalism is being pressured from all sides. To withstand these pressures, journalists must articulate a clearer sense of what journalism is, what it does and what it stands for.

**Models for Transforming American Journalism**

Digital technology and the Internet are creating a “new ecosystem” for information. “If we think of news, information and journalism as part of an information ecosystem, we can more easily see how the elements might fit with each other and continue to evolve moving forward,” Charles Firestone said in convening FOCAS 2009.

The basic structure of the FOCAS conversation was to examine three potential business models, then to explore possible funding and policies to support those models.

1. A “New News Organization” model for a large metropolitan community without a traditional daily newspaper;
2. A hyper-local model for an identifiable neighborhood within a larger community that can see its journalistic needs served in new ways;
3. Payment systems for online journalism.

Within each model, FOCAS participants explored three potential funding approaches:

- Private sector initiatives;
- Community and non-profit initiatives;
- Government initiatives (federal, state and/or local).

The basis for this construct came from a report issued by the Center for Journalistic Innovation at the City University of New York (CUNY) Graduate School of Journalism. With funding from the John S. and James L. Knight Foundation and additional funding from the McCormick and MacArthur foundations, the New Business Models for News Project is exploring how journalism can be sustained in the Internet economy.
Stephen B. Shepard, dean of the City University of New York Graduate School of Journalism, said his CUNY team set out to do something daunting: create new business models for news. “We hope to inform the discussion about the future of news with business specifics—experience, facts, research, and analysis. We hope to demonstrate that there is a sustainable future for news.

“We’re presenting one set of possibilities. Clearly, there are many others. We believe it vital to build and experiment with these new models and share widely our experience and best practice.”

Shepard and Jeff Jarvis, director of the Interactive Journalism Program at CUNY, presented a first-phase version of their work, exploring what the news ecosystem might look like in a top-25 metro market after the daily newspaper has ceased publication. Shepard stressed the model does not suggest that the disappearance of the daily newspaper is what should happen. Only that the question most often heard is: “What will become of local journalism if newspapers can no longer perform their civic function in a community?”

The CUNY report poses such questions as: “What will this ecosystem look like? How can it operate? What are the economics to support it?”

Among the possible answers in their preliminary report: “We believe that these newspapers will not be replaced by new-fangled versions of themselves: new papers from single companies. No one product or company will dominate the news in these markets any longer. Instead, many players operating under many motives, models, and means—including incumbents—will fill the void in a new ecosystem of news. The transition will not be smooth, but we hope that in this chaos we will see a market demand for reporting emerge. How the market can meet that demand is the primary question we are investigating.”

After presenting a brief overview of the financials, Jeff Jarvis of CUNY concluded optimistically, “The potential is there to support journalism profitably at a meaningful scale in new ways.” He said there are many more models to explore: “What’s next? How do we build this future?”

FOCAS 2009 approached those questions by dividing participants into working groups to discuss each of the three business models and each of the funding/policy topics. Plenary sessions were used to bring the working groups’ observations together. The report that follows is a synthesis of those conversations.
The New News Organization

The CUNY model for a new news organization started from an assumption that the daily newspaper had closed in a metropolitan area of approximately five million people. The FOCAS discussion explored how the journalistic void might be filled. What might a New News Organization look like, and how might it operate in the emerging news ecosystem?

The FOCAS working group concluded that any new news organization would need a clear purpose, so that its news and business strategies would align. Different organizations would come up with different purposes, but for this discussion, the working group settled on the following purpose:

• Help this community and its citizens meet their news and information needs.

In fulfilling that purpose the new organization must recognize that some things would have critically changed in the news ecosystem, including the technology that is available. This change raises a foundational question for the organization: “What can we do now that we could not do before?”

The community’s expectations also would have changed. The new organization would need to understand what is happening in the community in the wake of the daily newspaper closing. It must create an inventory of information needs or voids and available resources. Obviously the new organization cannot rebuild everything from scratch. It must aggressively leverage its resources through collaboration with others in the community, such as hyper-local blogs.

Like the then-defunct daily newspaper, this new endeavor would be a “centralizing institution,” but much smaller. Its basic challenge would be to identify the journalistic functions that will pay for themselves through related advertising revenue. It would then need to find ways to support important journalistic functions that do not pay for themselves.

Its key strategies would be to:

• Understand what information needs exist in the community;

• Understand what information resources exist and how they might be leveraged;
• Fill voids wherever possible by enabling, aggregating, and publishing local information created by others, including hyper-local blogs;
• Fill remaining voids with original content;
• Raise the level of community engagement;
• Identify under-served communities and untold stories;
• Use technology wherever possible to reduce costs and increase public engagement.

Concerns about viability of the New News Organization model fell into four categories: mission, revenue, competition and re-inventing the wheel.

Mission—how to preserve the public-service functions of journalism. Bill Kling, president and chief executive officer of American Public Media, questioned whether the model would lead to coverage of the unprofitable news stories. If the daily newspaper disappears, he suggested, its community of readers will go to other competitors, a point with which William Dean Singleton, vice chairman and chief executive officer of MediaNews Group, agrees. Kling said the challenging question then is: What is no longer being covered that should be? Whatever is missing will be hard to restore because it will not pay very well or will lose money.

Given the traditional role of journalism in society, coverage of government would be a particularly important element. It is an area of coverage most likely to suffer from the demise of the daily newspaper. This challenge led to several questions:

• How can we create tools and mechanisms to increase government transparency and accountability?
• How can we create, debate and increase the diversity of voices in the community?
• How can we create connection and cohesion?

One answer to all of these questions is through leveraging technology. Some observations emerged:

• Information from the new organization must be searchable and accessible to citizens.
• There is a role for promoting the aggregation of opinions, but tools are needed to ensure that the processing of this information is manageable via search and other algorithms.

• The amount of locally produced video should be increased and valuable ways should be found to organize it on a local level.

Revenue—no matter what the New News Organization does, its revenue proposition could be problematic. Two opposing perspectives emerged about the revenue potential of the New News Organization model. The organization would struggle to generate sufficient advertising revenue to cover all of its functions—some functions may need internal subsidies or non-profit status. Alternatively, revenue opportunities would be robust in the local community and the organization could be profitable, given its size and scale.

The middle ground between these opinions is that any New News Organization would likely need to draw on all possible revenue generating opportunities. These possibilities include paid advertising, sponsorships, user memberships, micropayments and donations.

Merrill Brown, founder and principal in MMB Media LLC, is among those who believe there is enormous potential in local Internet advertising. Revenue opportunities would be sufficient to sustain a New News Organization, especially because its cost structure would be so much lower than newspaper publishing. Brown said an arcane but necessary question regarding new business models is the cost per thousand (CPM) for pricing advertising. The price point is very different in a local model than in a national model. The CUNY model chose a $12 CPM, which he thought was reasonable. That amount is well below what is charged in markets five through 30, and can be well supported, he said.

Jacob Colker, co-founder of The Extraordinaries, a micro-volunteering platform, disagreed. Even if someone creates the ideal newsroom of the 21st century, the content it produces will not necessarily be consumed, he said. The notion that a news entity can control what people consume does not fit in the viral world of the blogosphere. These systems can be created, but they will not survive if they do not show deference to where society is going, where technology is going and what consumers want to consume.
Lauren Rich Fine, practitioner in residence at the Kent State University School of Journalism and Mass Communication, said the model’s revenue assumptions rest on the ability to sell, but no one currently excels at selling print or online journalism. Local ad networks are more difficult than the model suggests and have not typically been successful, she asserted.

Competition—the broad array of competition in the emerging news ecosystem will vary widely in different communities. William Dean Singleton thought that the CUNY model underestimates how quickly other existing competitors would respond to the death of a daily newspaper. Competitors who could immediately fill the void surround most metro dailies, he said. Singleton, who operates both metro and suburban newspapers, said suburban papers have learned much better than metros how to merge print and online.

He cautioned against undervaluing the remaining vitality of print, predicted to generate some $36 billion in advertising revenue in 2009 and slightly more in 2010. All financial analyses indicate that print is not dead and can produce sufficient revenue to cover operating overhead, he said.

Bill Kling said the model’s assumptions need more non-profit entities in the ecosystem. There will be plenty of opportunities, community by community, and each will play out very differently from the model, he said.

Josh Silver, executive director of Free Press, a national, nonpartisan, non-profit organization working to reform the media, said much of this discussion comes down to a very practical question of economics—what is possible and what is not. We all have a desire for things to be straight and simple, but solutions are going to be very unique to the dynamics of particular markets. Public media and non-commercial media will play important roles, he said.

Reinventing the wheel—trying to create the New News Organization in the image of the fallen newspaper misses the point. Perhaps the most profound disagreement with the CUNY model for a New News Organization came from FOCAS participants who said that it misses some of the most important dynamics of the Internet.
For example, Jacob Colker challenged the very idea of drawing an umbrella organization around blogs. The New News Organization, as described by the working group, essentially recreates the parent company of a newspaper and standardizes it, figuring out how to monetize new forms of media and bring it back into an old form, he said. The business model for the future should not be based on the old model of broadcasters and consumers. People like social media because they get to engage in a two-way conversation. They are not going to consume information that is broadcast to them in a one-way delivery, Colker insisted.

Patricia Stonesifer, senior advisor to the trustees of the Bill and Melinda Gates Foundation, said she was unconvinced that anything resembling the New News Organization will succeed. “As a new news needer, I need the things you’re talking about,” she said. She wants curated information from someone who is agnostic, beat coverage from someone who is extraordinarily specialized, and watchdog journalism from someone who is completely independent of the revenue engine of the enterprise. But she is unconvinced that the working group’s model of a New News Organization would be the best at any of these functions.

She also asserted the new organization would not be the best facilitator of business-to-business or business-to-consumer communication. Competitors who are more narrowly focused will be better at what they do. They will emerge all across this network, locally, nationally and internationally. “That’s the beauty of [the Internet],” she said.

Stonesifer questioned the assumption that the New News Organization would still be local. There will likely be a variety of needs in the ecosystem that can best be met by national players who can effectively diversify their products, she suggested. Stonesifer added that if anything resembling a New News Organization is required to provide a broad range of news and business functions, “we are in a world of hurt.” To sustain any such organization would require public models and collaborative models.
Andrew Davis, president and executive director of the American Press Institute, agreed that the role of competition was largely missing in the discussion of the model. The traditional newspaper model is based on the monopoly of who owned the printing press. In the emerging news ecosystem, barriers to entry will be very low. There is not going to be one New News Organization as an umbrella. There will be competition for that space. The model does not acknowledge the rich mix of media that already exists in the market.

Another aspect of the model that concerned Davis was the assumption that the network will be integral. “This network is going to break,” he said. What do you do when one of the trusted bloggers in the community moves away? There will be holes, and how does the umbrella organization re-establish the network?

Stephen Shepard of CUNY responded that people tend to view the future in terms of the past. We are all a little limited in our imagination. The New News Organization needs to start from a blank slate: What does the community need and how do we meet it; what is possible that was not possible before? We need to allow ourselves to consider the opportunities technology offers for doing things in ways that were not possible in the old model. For example, Shepard suggested collaborating with the community to make journalism better than it has been. Legacy news companies have been slow to take advantage of what is possible. The New News Organization ought to collaborate with existing journalistic enterprises in the community, including the growing component of hyper-local bloggers, he said.

Jeff Jarvis of CUNY added that it is hard to get away from the notion that there is one centralized entity to which people give their content. In the new ecosystem there is distributed ownership; people own what they create. They need to succeed on their own. The New News Organization must understand that it is part of a network. In reaching out to others in the network it must ask itself: How do we work together to align our interests so that if you succeed, we all succeed?

Private Sector Initiatives for the New News Ecosystem

The fundamental issue facing news companies is the “double unbundling” that happens online. First, advertising is unbundled from news. Classifieds move to Craigslist and other advertisers go directly
to consumers or through social networks, bypassing the news media. Secondly, service journalism, the kind of advertorial content that can more likely pay for itself, is unbundled from “real” news. Real news cannot pay for itself and therefore shrinks.

What do private sector media companies, both old and new, need from the investing, advertising or technology communities to support their business models?

- Easier tools
- Shared ad networks and salespeople
- Brand and distribution, the ability to reach their market
- Infrastructure
- Hyper-distribution: going to customers, rather than expecting customers to come to them.

The private sector does not give subsidies or grants; it invests and seeks to be profitable. News startups are rarely profitable and, by and large, no thinking person who wanted a return on investment would invest in a news startup, said Esther Dyson, chairman of EDventure Holdings. But, she added, infrastructure, technology and distribution can be profitable.

Participants tasked with considering private sector initiatives proposed an infrastructure fund that would be structured to make money as would any venture capital fund, but over a longer time period than usual. It would pay for common infrastructure, services and cross-industry affordances that individual startups need but cannot afford because the market is not providing funding to meet these problems. Maybe these problems can be solved for the common good through pooled money, Dyson added.

But Merrill Brown said he regularly talks to venture capitalists who are extremely enthusiastic about investing in the right opportunities. “There’s a lot going on and we shouldn’t be thinking new financial institutions are the only solution to getting to this problem.”

Dyson responded that money is available in the market, but it is not being invested in core elements of journalism. Service journalism and entertainment journalism are relatively easy to fund. “Real” news,
investigative and beat journalism, is not. The industry could do very well in the long-term, but there is a failure of market courage to invest, she said.

Jon Miller, chief digital officer and chief executive officer of the Digital Media Group at News Corporation, suggested that the market might eventually meet these needs, but probably not soon enough to help struggling news organizations. By working together to fund solutions to common industry problems, he said, news organizations could focus on competing over news coverage rather than infrastructure.

Gordon Crovitz, co-founder of Journalism Online LLC, said traditional news publishers might be more ready to work together now than they have been historically. The world has changed, and publishers already are working together on printing, which they once saw as a core competitive advantage. The core business today is content and, to some extent, distribution, he said.

Most importantly, private sector initiatives in the new ecosystem will need to recognize that jobs and work in the New News Organization will be significantly different from a traditional organization. This includes content and sales jobs, and will require training, managing and utilizing people differently.

Community and Non-profit Initiatives for the New News Ecosystem

What might foundations, including community foundations, do to promote enterprise journalism on a sustainable basis? How can public service media organizations be helped to get through the disruptive period between the end of seed grant funding and to the point of sustainability? How do public service media fit into the new journalistic ecosystem in local communities?

Participants presented these observations:

Strength of foundations:

• They share journalistic and democratic values and want sustainability;
• They fund public service, and are more acutely aware of the crisis facing journalism than anybody else;
• A few foundations are good at risk and experimentation on the front end;
• Their role is crucial and urgent;
• Some foundations are more innovative than others.

Weaknesses of foundations:
• Some foundations are more innovative than others, but working with them can require too much effort for the dollars;
• Most foundations are not particularly good at experimentation;
• Foundations are not good at helping new enterprises scale to sustainability.

Recommendations for foundations:
• Create an angel-type network to fund experimentation;
• Offer operating funds;
• Create a $100 million fund specifically for investigative journalism;
• Allocate to journalism infrastructure 10 percent of what foundations spend on advocacy;
• Create support networks that can provide legal, accounting, fundraising and business model consultation.

Patricia Stonesifer echoed the words of Esther Dyson, who had said there is a short-term failure of courage in private markets. There is a similar failure among foundations, Stonesifer said. When there is a consensus about needs, foundations come together with a sense of urgency to make a difference in society. Absent that consensus, foundations are less likely to lead.

Stonesifer said foundations likely spend 10 percent of their money on advocacy—helping the public know about, understand and support a need. It would make sense to spend 10 percent of that advocacy money on increasing reliable reporting to get out their message.

She said many foundations “spearfish.” That is, they fund a specific program to train journalists to fill very specific knowledge or coverage gaps. They presume the journalistic infrastructure is largely in place
and that it works. She learned at the FOCAS discussion that it may be necessary to fund horizontal needs across journalism, not just vertical needs of specific topics. She applauded Alberto Ibargüen and the Knight Foundation for leading in that effort.

Ibargüen, president and chief executive officer of the John S. and James L. Knight Foundation, said Knight knew about the tsunami hitting journalism sooner than others because the foundation has been in the news area. Other foundations are beginning to show interest in journalism, as indicated by the response of community foundations to the Knight Community Information Challenge, a contest to help fund local news and information projects. In 2009, the Knight Foundation received about 60 applications, and he expects many more applicants in 2010.

Ibargüen said the MacArthur Foundation, Carnegie, Kaiser, Open Society Institute and the Soros foundations network have recognized the importance of funding journalism. “I think all of these things are enormously positive,” he said.

Other foundations are beginning to recognize the problems in the journalistic ecosystem because they increasingly cannot get their messages out to the public, he suggested. When people who run foundations read in The New York Times or their local newspaper, or hear on NPR, or feel in their own lives the thinning of information, they begin to pay attention. Still, there remains a need for advocacy and information to speed up the process, he added.

This is an urgent moment for journalism, observed Robert Rosenthal, executive director of the Center for Investigative Reporting (CIR). Innovation is happening, but it would accelerate if foundations provided horizontal funding support. When he started appealing to foundations 18 months ago there was a common response, “We’re not going to fund media.” Some of those foundations are now funding CIR, he said, but others feel strongly that it is not something they understand or want to support. The attitude is changing, but slowly.

**Government Initiatives for the New News Ecosystem**

What government policies can promote the growth of business models that preserve or encourage enterprise journalism without exert-
ing undue government influence over content? What government initiatives (including government transparency measures and access to information) can improve the opportunities for new and existing journalistic organizations to perform their journalistic functions?

FOCAS participants hold strong, often conflicting, principles regarding what government should do regarding news media. Nonetheless, participants came up with several recommendations:

- Government at all levels should support policies that create an environment for sustainable quality journalism. This is especially important because the purpose of journalism is to give people the information they need to be free and self-governing.

  ...the purpose of journalism is to give people the information they need to be free and self-governing.

- In creating this environment, government should not pick winners and losers in the market as it sets media policies. Government policies should foster innovation, competition and public service.

- Government should support publically subsidized, universal, fast, affordable, open broadband Internet availability. Access to such Internet connectivity is important to help the country compete globally. It helps citizens participate fully in democracy.

- As the nation progresses toward this broadband goal, current media cross-ownership rules in the content sector should be reviewed and relaxed for the purpose of creating an environment that supports quality journalism. Changes in policy cannot presume or assume changes in the market. This recommendation is narrowly focused on the content sector. Its clear purpose is to sustain quality journalism.

- Governments at all levels should obey their own open-government laws.

- Government at all levels should provide easy access to available public data. This is an opportunity to increase citizen engagement, government accountability and economic vitality, and to create more and better public service journalism.
• Government should ensure that all companies, including journalistic enterprises, respect the privacy interests of consumers by giving them notice and choice as to how their personal information is to be used. This is an urgent issue and needs to be addressed now.

The group did not reach a consensus on tax policies, intellectual property laws or anti-trust laws. There was a profound reluctance in the group for government to have a role in journalism. Yet there was a concern that if advertising and content are uncoupled, journalists’ ability to cover government could be damaged in ways that threaten democracy.

This concern reinforces the need to strengthen the news ecosystem through private, community and non-profit initiatives, so there is less need for government initiatives.

Josh Silver of Free Press offered some ways that government can address tax policy to help foster journalism:

• L3C status, which can enable companies to enjoy the benefits of charitable tax status and still expect a low rate of return on their investment. (The agreement is that social value is paramount.)

• More flexibility for conventional, for-profit newsgathering institutions to become traditional 501(c)(3) non-profits.

• Bankruptcy law changes that enable news organizations that must file for bankruptcy to more easily remain intact, instead of having to close.

• Favored tax status for people of color and women for buying media companies.

Brad Smith of Microsoft said the crisis that journalism faces is fundamentally a revenue problem. News organizations have looked for cost solutions, but it is important to also look at revenue solutions, he said. Is the online ecosystem failing to generate revenue, or is it just failing to deliver revenue to journalistic enterprises? He believes it is the latter. Smith said government policy creates or shapes some of the enablers for revenue solutions. Government subsidies for journalism would be one obvious answer, but there was less than majority support for that idea.
He pointed to three other policy issues where revenue is at stake:

1. Intellectual property—there is a tension between enabling fair use and enabling journalistic enterprises to capture more of the revenue value of the content they create.

2. Privacy protection—there is a tension between wanting to do behavioral targeting as a potential for revenue enhancement and wanting to protect consumer privacy online. It is important for the dialogue to represent that tension.

3. Cross-ownership and anti-trust—if we want capital to flow in new directions and people to collaborate in ways that generate new revenues, new legal conclusions may be warranted. That does not necessarily mean laws will change. Courts and regulators apply facts to the law, and the facts are changing. Instead of new laws, society may need new conclusions that reflect the world that is being created.

Some participants voiced caution in seeking government involvement with new media. Esther Dyson said the United States has a very special place in the world. The United States may have public broadcasting and National Public Radio, and in Russia the state owns the media. But the results are not the same. The U.S. should not set an example that becomes an excuse for government ownership and control of the media in other parts of the world, she urged.

Paul Steiger, editor-in-chief and chief executive officer of ProPublica, said the biggest risk is that the concept of freedom of speech and communication is not universally embraced in the world. The number of cultures that embrace it is shrinking. He added, “Within our own culture journalism and journalists have slipped down the scale of respect and confidence. So, I do not think we can take freedom of speech for granted as a value. It is important to all of the interests in the room that we stand up for it.”

The Hyper-Local Model

What resources, technology and approach are most promising to meet the individual and community journalistic needs of local communities and sub-communities in the coming years? What improvements are advisable? What other new models are there for hyper-local news?
The CUNY model suggests hyper-local news sites can make a profit through a mix of revenues, including advertising. FOCAS participants did not analyze the model’s advertising rate assumptions or its pro forma spreadsheets. Instead, the group chose to accept the model as given and discussed what is happening in the emerging news ecosystem.

Many people are now getting information from hyper-local sites such as Twitter, Yelp, Google Groups and public events calendars. There is a plethora of options available. For example, the group discussed the Parents’ Club of Palo Alto and Menlo Park, California. It is an exceptional site serving more than 3,000 members with news, events, volunteer opportunities and social networking.

The working group expressed concern that such sites serve people who are relatively well off, but may not serve those who are less affluent. Advertising dollars go where the money is, so poor communities might not be as well served by the advertising rate assumptions in the model. This became the first of three challenges the group identified:

**Challenge #1: Poor Communities.** Poor communities will not as easily get access to the plethora of flourishing options. Barriers include:

- Money
- Access to technology
- Education/training
- Languages
- Geography
- Platform

Money and access to technology are obvious problems in poor or under-served communities. Education and training in media literacy can be one answer, but programs must be readily and thoroughly available. Poor communities often are comprised of people speaking many different languages. How does a hyper-local site support multiple languages and conversations?

Geography is an issue because small, focused discussions do not necessarily happen for geographic communities as they do for communities of interest, which is where people naturally coalesce. There is a challenge communicating across geography.
On an Internet platform, journalists will facilitate conversations. The role of publishers may change to become providers of technology and tools, while curating and convening online spaces. What model will enable those functions in a poor community?

**Challenge #2: A Good Product.** It is hard to get out of the head of the publisher and into the head of the audience. The historic business model wants people to come to its site, rather than push products out on multiple platforms, which is the emerging model. There is a need to identify what people currently have access to, what works well and what people need where they are underserved. Challenges include:

- The most effective products are built around communities of interest, not necessarily geographies, but many existing business models are built around geographies.
- The most effective products focus on the audience: What do people currently have access to and what do they need?

Jeff Jarvis of CUNY pointed to the risk of defining new things in old terms, even as they continue to change. Hyper-local is changing to hyper-personal and will become hyper-relevant, he said. Leaders must look beyond current assumptions, and even then they will be surprised by what is going to happen in the next five to ten years.

**Challenge #3: Trust.** As new revenue models, such as sponsorships, are explored, the traditional separation between advertising and news content may fall away. Participants were concerned with how emerging news media can retain trust in a world where that line blurs. The group said issues include:

- The crumbling of the firewall between advertising and reporting;
- The need for fact checking;
- The need for training courses/certification;
- The possibility of funders, such as foundations, acting as assurers of credibility;
- The need to support what is emergent and working.
John Oliver Jr., publisher and chief executive officer of Afro-American Newspapers, predicted large news organizations would struggle to gain trust in the hyper-local space. Just because they create hyper-local extensions of what was once the central giant called the daily newspaper does not mean they will connect with the community.

Oliver said the black community has always had reservations about such efforts, and that has not changed. Daily newspapers learned that lesson when they tried to address holes in coverage by producing publications for black communities. Such efforts invariably do not work because of lack of trust. People in the community would say, “Oh, it’s the daily newspaper in black face.”

Oliver added that if hyper-localism is supposed to get at the heart of these community segments, it must do more than just look across the fence. You have got to move in and get a sense of what makes the heart beat differently and earn trust, he said.

Jon Funabiki, professor of journalism at San Francisco State University, said East Palo Alto, where he grew up, illustrates market failure. The community has long been isolated economically and by language. Now it is also isolated digitally. Such communities will not be able to support even hyper-hyper-local sites because they do not have the business infrastructure. East Palo Alto still does not have a supermarket, he said.15 Initiatives to help these types of communities will have to go beyond the geographic community to the cultural community.

Sue Gardner, executive director of Wikimedia Foundation, lauded professional journalism for helping people make good decisions and lead good lives. Aspects of journalism’s contributions to the world need to be continued, she said, but the goal is not to recreate traditional editorial operations. Other approaches should be explored.

Wikipedia works, in part, because it does not pay any costs of editorial production. Those costs quantified in conventional terms would be hundreds of millions of dollars a year. Instead, people contribute
information for free because they love it, she said. It is an open democ-
ocratic process, in which contributors have bits of information to bring
to each other.

Gardner said she decided that she wanted to work for an organiza-
tion like Wikipedia the day of the Virginia Tech massacre. At the time
she was working at cbc.ca, the website of Canada’s national public
broadcaster. She followed the story on Wikipedia and watched the
extraordinary online discussions happening all that day. “The people
there are your people,” she said of the contributors. They are fiercely
independent, with a strong desire for truth and accuracy. Their contri-
butions were easily the equal of work in any newsroom.

The new world already exists, Gardner said. It is a terrific place where
good work is being done. She urged those in the room to find ways to
work with what is already happening, help nourish and grow it.

Private Sector Initiatives for Hyper-Local Journalism

Most of the private sector initiatives for the New News Organization
also apply to the hyper-local model. Like large private media, hyper-
local journalism serving a geographic community or a targeted interest
has needs from the investing, advertising or technology communities.
Hyper local journalists’ needs include:

- Easier tools, especially if they are going to operate outside a tra-
ditional organization and without technical support. A caveat
is that, because of technology, some economies of scale now
apply even for individuals;

- Shared ad networks and salespeople;

- Brand and distribution, the ability to reach their market;

- Infrastructure;

- Research about what information people want and what they
  are currently using, which needs are unmet and which will
  become unmet as the traditional models crumble.

One suggestion was that news media industry incumbents should
hedge their bets by investing in a fund for startups to provide various
forms of infrastructure for all to use. Another was that legacy media
companies facing staff cuts should consider using the money they
would spend on buyouts and layoffs to seed new hyper-local sites created by those laid off employees.

Jeff Jarvis suggested that seeding journalists to create sites changes the relationship of the newspaper to the network. The newspaper company becomes a platform for growth and part of the network. Seeding former staff members and providing them infrastructure services would be a first step. Next, the newspaper could assist others who want to create hyper-local sites, without a staff cost to the newspaper. This is the essence of the ecosystem, having a networked relationship with all of the players to expand and improve journalism, he said.

Ultimately, the idea is to make it as easy as possible for people to create content, by providing common technology, promotion and an advertising network. The newspaper and the hyper-local sites can aggregate content back and forth and promote each other.

An example is “D: All Things Digital,” a collaboration between The Wall Street Journal and staffers Walter Mossberg and Kara Swisher, who co-produce the site. The site is part of the Journal’s digital network, but the principals have a share of ownership.16

FOCAS participants Gordon Crovitz, co-founder of Journalism Online, and Paul Steiger of ProPublica were involved in creating the arrangement when they were with the Journal. Crovitz, who wrote the contract, said it is possible to do, but it is quite complicated. It amounts to creating a hybrid within a traditional media company. It is the only such arrangement the Journal has done, he said.

Steiger said such arrangements fit the concept of a news ecosystem, but they require breaking old rules that were thought to be sacrosanct. Not all journalists are well suited for such a role. Those who are suited may go out on their own if they are not given a chance to create something new within the news organization. The Politico, for example, was started by a few Washington Post employees, funded by Allbritton Communications, owners of a local Washington, D.C. television station and a local cable news channel.

Community and Non-profit Initiatives for Hyper-Local Journalism

What might foundations, including community foundations, do to promote enterprise journalism on a sustainable basis? How can public
service media organizations get through the disruptive period between
the end of seed grant funding and the point of sustainability? How do
public service media fit into the new journalistic ecosystem in local
communities?

As with private sector initiatives, most of the community and non-
profit initiatives for the New News Organization also apply to the
hyper-local model. Foundations wanting to help journalism should
focus on business innovation, technological innovation and shared
resources. They should help create support networks that can provide
legal, accounting, fundraising and business model consultation.

John Lilly, chief executive officer of Mozilla, said the challenge for
new enterprises is getting through the period between starting and
sustaining. Innovation and technology are important, but “you need to
be very good at operating. The difference between a good operator and
excellent operator gets exaggerated on the Internet.”

Non-profit media companies are doing surprising things, noted Bill
Kling of American Public Media. Other than operating under a differ-
ent tax structure, they are free to do just about anything that for-profit
media companies can do, and they are. Despite that, local public radio
is under-performing. Budgets in the top 25 metro markets range from
$2 million to $100 million, which represents astonishingly poor perfor-

If public radio in those cities could achieve at least average per-
formance, they would become the kind of multifaceted media com-
panies that have been described at the FOCAS gathering, he said. Organiza-
tions like the Center for Investigative Reporting or Voice of
San Diego (voiceofsandiego.org) could take advantage of the local sta-
tion’s infrastructure, including human resources, legal, business and
funding knowledge.

Others observed that, while the Internet is hurting the traditional
business model for journalism, it is also enabling new tools for pub-
lic service journalism. Scott Lewis, chief executive officer of Voice of
San Diego, said journalists should facilitate, investigate and convene,
regardless of delivery method. Accountability journalism can use all
of the attributes of the viral, peer-to-peer scrutiny that is common in
social networking. The point is to preserve some of what journalism has
been able to do and adapt to the new tools, he said.
The FOCAS participants discussed the notion that credibility follows dollars, or perhaps dollars follow credibility. In either case, foundations could assess the credibility of an emerging news organization and, in effect, endorse it with funding. The foundation’s credibility would create a halo effect.

Lauren Rich Fine of Kent State University observed that ethical, credible and trustworthy content is really important in the hyper-local space. Peer-to-peer self-correction requires mass participation, like Wikipedia. Because some blogs do not have enough mass to self-correct, other solutions will be necessary. Richard Gingras, chief executive officer of Salon, also wondered how to imbue bloggers with a journalistic ethic.

The group concluded that one possible answer could be fact checking of various types, possibly by independent services. A potential example is developmental work being done by Scott Rosenberg, co-founder of Salon, for the MediaShift Idea Lab. A “media bug tracker,” could be created so that anyone who feels unjustly maligned could file a bug to say, “I was misquoted.” A discussion would take place in an independent, public forum, and people could make up their own minds.17

Government Initiatives for Hyper-Local Journalism

What government policies can promote the growth of business models that preserve or encourage enterprise journalism without exerting undue government influence over content? What government initiatives (including government transparency measures and access to information) can improve the opportunities for new and existing journalistic organizations to perform their journalistic functions?

There was no consensus among the FOCAS participants regarding these questions. As Jacob Colker of the Extraordinaries observed, the Internet is demanding new thinking about the legal structures supporting public service activity. Thus the general conclusions for the New News Organization model could also apply in the hyper-local space. In essence, government at all levels should support policies that create an environment for sustainable quality journalism.

In terms of funding frameworks, government policies should enable money to flow appropriately between non-profits, funders and for-profits. The current tax structure, however, does not have the flexibility to support innovation and experimentation, according to Colker.
example, the tax structure does not facilitate funding non-profit activities that originate outside the non-profit sector. Current tax laws allow this, but it is legally very complicated, he said.

**The Online Payments Model**

As news moves online, how will the system create revenues so that good enterprise journalism can flourish? What kinds of journalistic organizations are most ripe for this type of model? How do the payment models vary depending on the type of journalism functions being offered?¹⁸

Participants saw the business model for online payments as more than just making money. How do journalists have better relationships with consumers? What behavior does the business model incent? And, to whom should the journalist be beholden?

Accordingly, participants looked at six broad online payment models:

1. Keeping everything free;
2. Subscriptions;
3. Pay per drink (per article, per blog, per magazine, etc.);
4. Voluntary membership, in which payment is not required but users can join;
5. Other voluntary contributions, but not membership;
6. Metering content consumption and paying by how much is consumed.

Walter Isaacson, president and chief executive officer of the Aspen Institute, observed that the payment issue concerns all digital content, not just journalism, however broadly it is defined. Questions about the models can apply to any content that can be copied, such as movies, photos, applications, etc.

The group examined whether online journalism content could be supported exclusively by advertising revenue. There was a general consensus that whatever was done to enhance ad revenue probably would not support sufficient content. It would make the organization beholden to advertisers and increase the blurring of the line between news and advertising. In any journalism model it is better to have multiple revenue streams.
The group acknowledged that the ethos on the Web is that everything should be free. Creating any model other than offering free content may be hopeless because content can be copied. Nevertheless, participants thought that having consumers pay for content would have an important benefit. A pay model would enable journalistic organizations not to be beholden to advertisers, donors or government, nor would they depend on individuals wealthy enough to support journalism out of civic spirit.

What might people actually pay for? The group developed this list:

- Financial news;
- Convenient access to cheap content;
- Quality applications;
- Highly personalized content;
- Curated communities and bundles of specialized content;
- Uniqueness—not a scoop that is quickly available elsewhere, but distinct writers, insights and analysis.

One advantage of trying to get consumer revenue is that it creates incentives to be unique. Most American journalism is herd journalism, Isaacson said. It is fungible. A pay model would give journalists an incentive to go away from the herd.

Gordon Crovitz, co-founder of Journalism Online LLC, observed that Stewart Brand’s famous quote, “Information wants to be free,” led to an incomplete business model for news. Publishers, focused almost exclusively on advertising. Digital technology does indeed make distribution of information cheap, fast and easy. But Brand’s observation began with the idea that “information wants to be expensive, because it’s so valuable.”

This means that the right information, at the right time and in the right context can be even more important to people than before. People’s personal and business lives rely on information, he said. Traditional media such as newspapers and magazines—and online news sites and bloggers—are now rediscovering that information “wants to be expensive.” Paid access is just part of the solution for
media; the solution also includes better copyright protection, more effective advertising and non-profit journalism.

Crovitz predicted there will be a lot of experimentation as publishers, online-only sites and bloggers explore whether and how to be paid for online content. This will require new thinking and new products. A key will be offering the right information at the right time in the right context, which will make it more important to people. “The good news is that consumers are willing to pay to access content online that was once free, if it is delivered with great ease and convenience,” Crovitz said.19

Andrew Davis of the American Press Institute phrased it differently. Consumers will value news that is unique, that makes them smarter, helps them cope, makes them better members of the community, makes the community stronger and makes their life better, he said. Davis wondered whether it is possible to change the expectation that online news is free. If it can be changed, the next question will be how to set a value for news.

Marissa Mayer of Google thinks that online journalism is struggling to adapt to the format of the Web. News streams on Twitter and Facebook are engaging because they are constantly streaming at the consumer; there is always something to do next. With a news story on the Web, there is nothing to do until the end of the story, and, even then, all the reader can do is comment. On YouTube, viewers watch a video and are offered four more. On Facebook the user is offered possible new friends. When a consumer buys something on Amazon.com he is offered something else to buy, based on what others have purchased. There are always streams from collaborative filtering, explicit ratings and followings, she said.

Mayer said publishers could do the same thing with news, including hyper-personalized news streams. Users could get a constant stream of content based on their interests, on what is good for them or on the popular ethos. They could also introduce serendipity. These streams could be available by subscription. They could also involve hyper-personalized, well-targeted advertising that would be engaging. And, they could be available on various devices.

John Carroll endorsed the active pursuit of paid content as a benefit to journalistic independence. He said the news media of the future are
going to be like weeklies that do not have a broad and strong financial basis. They will be less likely to publish stories that offend advertisers. Diversifying their revenue could help. Also, the interests of readers and subscribers are much more aligned with journalism than the interests of advertisers are. A stronger connection with readers is beneficial to journalists.

Walter Isaacson concluded that things are going to evolve very quickly in the next two to three years. News organizations will find ways to charge for content, not just to create new revenue, but also to create the right incentives. Any paid model must preserve the direct relationship between the producer and the consumer. If you must keep your customers, you will have better customer service, he said. And, there is a discipline that comes from making decisions based on the appeal and value they have for real people.

Private Initiatives to Support Online Payment Systems

If there was a surprise in the discussion it was that so little disagreement emerged. The question was not whether to pursue paid models, but how best to accomplish them. For example, William Dean Singleton said his MediaNews Group plans to charge for premium content online. They have realized that giving away content online over the last ten years has had an extremely harmful effect on newspaper circulation. Charging for premium content online will provide information on who is reading what, so higher rates can be charged for contextual advertising online, he said.

Singleton also observed that print subscribers are the most valuable—a publisher gets about ten times the value in cost per thousands from print readers as it does from online hits. Thus charging for online content may help the newspaper keep many of their more valuable print customers by not conveying that there is no value in subscribing to the print edition.

Looking for the right mix of payment methods, the working group settled on four options:

1. Freemium in which some content is free and some is paid for. Special content could be in a premium tier;
2. Voluntary contributions in which the free portion of content could be supported voluntarily;

3. Convenience in which paid content is made easier and simpler for the consumer;

4. Licensing content to other distributors.

Cynthia Typaldos, founder and president of Kachingle, a platform for voluntary payments, listed five guiding principles for Web applications:

- It must be user centric, not producer centric;
- It cannot have any mental transaction costs, nothing to slow users down;
- It must leverage social networks;
- It must be financially transparent to build trust;
- It must be fun. It cannot be work.²¹

Gordon Crovitz said consumers have easy and free access to commoditized content, so publishers need to focus on what they can offer that is unique and valuable. Consumers are willing to pay for content once considered free—if it is delivered in a very convenient, helpful way, like iTunes and the Kindle reader.

As the transition to paid access occurs, consumers would benefit from having a convenient account for accessing online news from different publishers. Consumers would also value the ability to discover relevant content through the sites they access and would value deeper, richer personalized content about the topics they care about most, which would accelerate acceptance of the paid model.

Crovitz said publishers trying to experiment want:

- A Common Platform. Publishers need the technical ability to enable consumers to buy annual or monthly subscriptions, day passes or single articles from multiple publishers using the same account and password. They want to retain the subscriber relationship with transactions on their own sites, not through a competing destination or aggregation site.
• **Participation In All-You-Can-Read Options.** Consumers value convenience, so publishers want to be able to work together to offer packages of access across web sites (such as by news packaged by general topic, specific subject, sports team, etc.).

• **Reports on What’s Working and What’s Not.** Publishers are interested in sharing data on which strategies and tactics are delivering value to readers and achieving the best results in building circulation revenue while maintaining the traffic necessary to support advertising revenue.

• **Restoring a Balance of Power.** Not even the largest publishers have managed to establish reasonable terms with distributors of electronic readers, suppressing the growth of the market.

Richard Gingras, chief executive officer of Salon Media Group, opined that the central question at FOCAS 2009 was whether existing media could effectively transform to survive. Still, he said there is no good reason to think solutions will come from outside of journalism, whether from government or foundations. They may be helpful, but “we should all look inward at rethinking the journalistic model,” without thinking the old model was good in every sense except economics. It certainly did some good things, but its flaws are known. The next ten years may be chaotic as things sort out, he added, but it is hard not to be optimistic in an environment where technology puts a press in everyone’s hands.

*…it is hard not to be optimistic in an environment where technology puts a press in everyone’s hands.*

*Richard Gingras*

Experimentation with revenue models will be critical, observed Brad Smith, senior vice president and corporate counsel for Microsoft. Whether for-profit or non-profit, nobody can afford to be a for-loss company, “That’s not a viable business option.” The more revenue streams one has, the better off one is likely to be, unless one revenue source cannibalizes others. The more experimentation, the more likely one is to find something that will be a significant revenue stream for the future.
Designing revenue models is not as important as creating transparency and trust, observed Zoë Baird, president of the Markle Foundation. The revenue models are going to evolve and change. She suggested that people look at analogies of other industries that have old infrastructure and completely new entrants who change the way of doing business. For example, consider the steel industry, where the old infrastructure was overtaken by Japanese mini-mills.

Traditional media have huge embedded costs, including pension and benefits. Baird said it is not useful to figure out how to create revenue at the level needed by old enterprises. It is much more important to think about what platforms are needed to enable robust experimentation, including experimentation with new revenue models for the new mini-mills, whatever they turn out to be.

Community and Non-profit Initiatives to Support Online Payment Systems

Several participants questioned whether existing news organizations are suited to innovate. A specific challenge for legacy news organizations that contributed to a consensus around the need for research about the emerging ecosystem is to stop thinking like publishers and start thinking like consumers.

While much of the discussion focused on paying for content, Vivian Schiller, president and chief executive officer of National Public Radio (NPR), said the membership model is serious business. Because NPR’s membership is voluntary it creates a relationship between consumers and the journalistic entity. A remarkably powerful relationship is created when people give voluntarily.

Public media will continue to be a vibrant part of the news and information ecosystem, Schiller added. She offered three points:

1. Public media is not compromised journalistically because of public funding. It is no more compromised than commercial media is by advertising.

2. NPR is currently exploring hybrid models to support its online content.

3. There need not be a dichotomy between a curated model and a distributed model. Exceptional professional journalism and an open platform can co-exist.
Scott Lewis, chief executive officer of Voice of San Diego, said that non-profit news organizations operate in markets, just as for-profit organizations do. His organization regards itself as a source of news, not just a website. It anticipates selling content to other outlets and is not only responsive to the market but practically obsessed by it.

**Government Initiatives to Support Online Payment Systems**

There was a profound reluctance in the group for government to have a role in journalism. Yet there was a concern that if advertising and content are uncoupled, journalists’ ability to cover government could be damaged in ways that threaten democracy.

This concern reinforces the need to strengthen the news ecosystem through private, community and non-profit initiatives, so there would be less need for government initiatives.

Merrill Brown said that despite intense discussion the group generally felt government should increase support for public broadcasting. There was no agreement, however, on how government might intervene to save newspapers.

**Consensus Items**

The 2009 Aspen Institute Forum on Communications and Society was a wide-ranging discussion of ideas for preserving American journalism. Not surprisingly, at a time of such great upheaval and with a group of such diverse perspectives, there were many conflicting ideas. Still, there were elements of consensus.

**Transforming Public Service Journalism**

Modern journalism serves many functions, but those most worthy of preserving are the accountability functions that help people participate fully in our democracy. The FOCAS participants came back to this point many times and with great passion.

Envisioning the future news ecosystem, the consensus among participants was that some aspects of journalistic content would survive because they can pay for themselves. Examples would be entertainment and consumer content. What will not pay for itself and is most at risk
is beat and investigative reporting, the various ways journalism helps citizens monitor the performance of government.

Esther Dyson quoted the traditional notion of journalism as a way to “comfort the afflicted and afflict the comfortable.” The role of journalism is to do what businesses and government would not do on their own and to discover what people do not want you to discover. She asked: How can you support investigative reporting and whistle blowers? How can you keep the essence—not the structure, not the medium—but the essence of journalism, which is obnoxious, subversive and critical?

Michael Oreskes, senior managing editor of the Associated Press, asserted that democracy is a process of conflict resolutions. The relocation of a wastewater plant does not have a technically right answer. There is a political answer, which will be made in the government. There will need to be watchdogs—journalists and others—scrutinizing how those decisions get made. Oreskes also observed that conflict resolution in a democracy is horizontal, but the Internet has a strong vertical tendency. If you cannot cut across vertical divisions, you cannot resolve conflicts. Journalism is one of the ways to cut across issues and to pull vertical communities together.

Rebuilding Public Trust

As journalism struggles to find its rightful place in the emerging news and information ecosystem, perhaps its most daunting challenge is reversing decades of eroding public trust. A Pew Research Center survey released in the fall of 2009 showed record high percentages of people saying reporting is inaccurate, biased and shaped by special interests.22

With digital technology, the Internet and social media, people have nearly limitless access to information, allowing them to exercise their own news judgment. They increasingly are serving as reporters and editors for themselves and others; telling their own stories in their own voices. Indeed, the case has been thoughtfully articulated that, “We’re all journalists now.”23 And, the question has been provocatively asked, “When everyone can be a publisher, what distinguishes the journalist?”24
Participants at FOCAS 2009 returned often to questions of journalistic standards and public trust. Issues included:

- New economic models likely will increase the blurring of the traditional separation between news and advertising.

- Ethical, credible and trustworthy content is especially important in the hyper-local space.

Richard Gingras of Salon Media Group reinforced the importance of improving the news industry’s credibility, saying the industry’s behavior in terms of ethics, values and transparency is not where it should be. He said journalists must re-examine every part of how content is gathered, as well as the transparency of how it is processed. Our current products are not what the public expects in terms of quality or approach, he said.

Calling himself “the Forrest Gump of the Internet,” Craig Newmark, founder of Craigslist, said he is still trying to understand trust and credibility in news and reporting. He is convinced they are major customer service issues. News organizations, stereotypically speaking, need to regain the trust of people over 30 and to earn the trust of people under 30, he said, adding that new methods for building that trust are needed. For example, reporters could do more than check their facts; they could be more transparent and receptive to crowdsourcing or using the public for added layers of verification.

Trust is also an issue in the hyper-local world. Accountability does not have to come from the desk of an editor.

*Jacob Colker*

Scott Lewis of Voice of San Diego pointed out that the people doing the peer-to-peer vetting in science are fulltime, well-compensated people. They do research and a form of intense investigation, then compare their notes with others. Journalists should develop that kind of vetting, he said.
Zoë Baird, president of the Markle Foundation, said standards do not work on the Web, but transparency and accountability do. The issues are:

- How to create transparency around the nature and the history of people who are commenting;
- How to create debate about whether or not they are accurate;
- How to create robust discussion around advertisements.

Eric Newton, vice president of the journalism program at the Knight Foundation, called attention to the Media Standards Trust, an independent non-profit that promotes high standards in news on behalf of the public. In 2008, the Trust developed the Transparency Initiative to explore and develop ways to make online news more transparent. Newton said the Associated Press is working with the Initiative to test micro-formatting and meta-tagging to help the public search for and assess news content on the web. Associated Press is testing ways to use all of the available information to show where the news comes from, including information about the philosophy and ethical standards of the source organizations.25

The Media Standards Trust web site calls this Value Added News, which makes background information transparent and machine-readable. Launched in July 2009, “the methodology makes the basic provenance of news articles—who, what, where, when—easily accessible and provides it in a consistent manner.” It tells people reading the article, or searching for it:

- Who wrote it;
- What its title is;
- Where the article starts and ends;
- Who it was published by;
- What source organization it comes from, if any;
- When it was first published;
- When it was changed since publication;
- What rights are associated with it;
- What journalistic codes of practice it adheres to, if any.
Promoting Research

At a time of disruptive change and uncertainty, journalism organizations must better understand the needs of consumers and advertisers. They should have a sophisticated sense of the news ecosystem in order to formulate strategies for content development and revenue generation. This consensus developed in each of the discussion groups looking at new business models.

The discussion group examining the news ecosystem for large metropolitan communities identified key strategies that would require market knowledge. The group concluded that opportunities and competitive dynamics would differ widely among markets.

The discussion group looking at hyper-local models called for a focus on audience needs, including needs that emerge as traditional business models erode. The group concluded that the historic business model relies on people coming to its site, rather than pushing products out on multiple platforms, which is the emerging model. The group also observed that news organizations would not be successful in connecting with sub-communities without understanding the culture of those communities.

The working group looking at online payment models concluded that the success of any such system would require a clear understanding of what consumers value. In fact, one benefit of payment systems is the incentive they would create for being “user centric” rather than “producer centric.”

Pushing Experimentation and Collaboration

Possibly the most resounding consensus at FOCAS 2009 was about the urgency for experimentation. It is needed in new business models for journalism, in new strategies for public and non-profit journalism and in new funding models for foundations. Often FOCAS participants made this point by quoting Clay Shirky, consultant and adjunct professor in New York University’s graduate Interactive Telecommunications Program:

If the old model is broken, what will work in its place? The answer: Nothing will work, but everything might. Now is the time for experiments, lots and lots of experiments."
Shirky contends that chaos happens in times of real revolution. “The old stuff gets broken faster than the new stuff is put in its place. The importance of any given experiment is not apparent at the moment it appears; big changes stall, small changes spread. Even the revolutionaries cannot predict what will happen.”

Stressing the uncertainty of the moment, Eric Newton said a multitude of approaches is the only sane way to go. There is no one right solution. He pointed out that on the day of the FOCAS conversation, MSNBC.com acquired EveryBlock, which calls itself “a news feed for your block.”

The Knight Foundation funded EveryBlock for its first two years. As a result, the code for EveryBlock is open source and available online for free, which will enable others to experiment in using it. Covering the costs of constant innovation in technology will be a challenge, Newton said. But he pointed out that MSNBC.com obviously saw value in acquiring the startup, even though its code is open source.

Experimentation does not just happen. Innovation and transformation require leadership, vision and tolerance for risk taking. Private and public enterprises, as well as foundations, must support new ideas, quickly scrap what does not work, but have the courage to see beyond the short-term.

In the new news ecology, these enterprises must also collaborate more effectively. Jeff Jarvis of CUNY said it is hard to get away from the notion that there is one centralized entity and the people give it their content. The new ecosystem is a network with distributed ownership. People own what they create, and they need to succeed on their own. The players in this interactive world need to ask, “How do we work together to align our interests so that if you succeed, we all succeed?”

A lingering question throughout the FOCAS discussion was whether or not legacy organizations can innovate. Legacy companies have been slow to take advantage of what is possible. Could something as pioneer-
ing as Voice of San Diego have come out of the traditional private or public media sector? Scott Lewis, who heads the 4-year-old non-profit site, said the answer boils down to passion—seeing a need and responding with fervor.

Conclusions

FOCAS participants were seriously divided on many questions about sustaining meaningful journalism. For example:

- Will the news ecosystem of the future be radically different from the industry structures of today?
- Can a general interest news organization effectively compete in the online world?
- Is the potential for local advertising revenue sufficient to sustain robust journalism? If not, what other sources, such as foundations, public funding, or consumer payments, might be tapped?
- How can news organizations, whether legacy companies or startups, bridge to what they might become?
- Can large, established organizations be sufficiently innovative to survive in a more viral Internet world?

But, the FOCAS participants were mostly united on many other points. For example:

- Regaining public trust is crucial for journalism; defining standards and achieving transparency are essential in the new news ecosystem.
- Legacy media struggle to see the possibilities that are outside their perspectives as publishers and broadcasters.
- Research is needed to better understand the needs of consumers and advertisers as the news ecosystem changes.
- Perhaps most of all, experimentation is required. The risk-taking required will push not only journalists and media companies beyond their traditional comfort zones, but most foundations as well.
Charles Firestone closed the forum by invoking its title. He said “of the press” comes from the U.S. Constitution. Freedom of the press exists because it was thought that the press, and ultimately journalism, was essential to American democracy. The overarching question throughout the forum was: Where does journalism fit in the emerging news and information ecosystem, and how will it be sustained? The most consistent answer seemed to be that journalism is a central element, but it is too soon to tell what business models will prevail in the future.

We have seen journalism prosper over 200 years. Now it is a time of urgency to try new models. Ensuring that journalism can survive and thrive also ensures the same for democracy.

Notes


2. Pew Project for Excellence in Journalism (March 16, 2009). “The State of the News Media 2009, An Annual Report on American Journalism.” Available online: http://www.stateofthemedia.org/2009/index.htm. Released in March, the Pew report said, “Some of the numbers are chilling. Newspaper ad revenues have fallen 23% in the last two years. Some papers are in bankruptcy, and others have lost three-quarters of their value. By our calculations, nearly one out of every five journalists working for newspapers in 2001 is now gone, and 2009 may be the worst year yet. In local television, news staffs, already too small to adequately cover their communities, are being cut at unprecedented rates; revenues fell by 7% in an election year—something unheard of—and ratings are now falling or are flat across the schedule. In network news, even the rare programs increasing their ratings are seeing revenues fall.”

3. Suzanne M. Kirchhoff, “The U.S. Newspaper Industry in Transition,” Congressional Research Service, July 8, 2009. Available online: www.fas.org/sgp/crs/misc/R40700.pdf. The Congressional Research Service reported, “The U.S. newspaper industry is suffering through what could be its worst financial crisis since the Great Depression….In the past year, seven major newspaper chains have declared bankruptcy, several big city papers have shut down, and many have laid off reporters and editors, imposed pay reductions, cut the size of the physical newspaper, or turned to Web-only publications. As the problems intensify, there are growing concerns that the rapid decline of the newspaper industry will impact civic and social life. Already there are fewer newspaper reporters covering state capitol and city halls, while the number of states with newspapers covering Congress full-time has dwindled to 23 from the most recent peak of 35 in 1985. As old-style, print newspapers decline, new journalism startups are developing around the country, aided by low entry costs on the Internet. The emerging ventures hold promise but do not have the experience, resources, and reach of shrinking mainstream newspapers.”


10. See “News Business Models for News, the City University of New York Graduate School of Journalism.” Available online: http://newsinnovation.com/.

11. The CUNY models, which continue to evolve, are available online: http://newsinnovation.com/models.


15. Recently, however, a Latino-oriented and -owned supermarket, Mi Pueblo, has opened in a relatively new shopping area. Funabiki has had the opportunity to visit it several times. According to Funabiki, it appears to be doing great business, and the staff goes out of their way to make customers, including non Latinos, welcome. This is remarkable, because in the past, mainstream supermarket chains have avoided the area. Mi Pueblo has demonstrated that if it offers good service and products, residents will respond. See: http://www.mipueblofoods.com/community/community_en.html.


Aspen Institute Forum on Communications and Society

**Of the Press:**

*Models for Preserving American Journalism*

Aspen, Colorado · August 16-19, 2009

**Participants**

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Albright Stonebridge Group

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About the Author

Michael R. Fancher retired from The Seattle Times in 2008 after 20 years as executive editor. He started as a general assignment reporter in Seattle and was promoted to managing editor after three years. During his tenure as executive editor The Times won four Pulitzer Prizes and was a Pulitzer finalist 13 other times.

He began his career as an intern for The Kansas City Star, after getting a B.A. degree in journalism from the University of Oregon and a Masters degree in Communication from Kansas State University. He received his MBA degree from the University of Washington in 1986, the year he became Seattle Times executive editor.

Fancher served as a 2008-2009 Donald W. Reynolds Fellow in the Missouri School of Journalism. He devoted his Fellowship year to the question, “What is the Journalist’s Creed for the 21st Century?” His research explored how shifting elements, such as the relationship between journalists and the public, affect the values and principles of journalists today and in the future.

Fancher serves as chairman of the ethics committee of the American Society of Newspaper Editors. He is vice president of the Washington Coalition for Open Government. He serves on an advisory committee to the Fordham University Graduate School of Business and is a frequent speaker at industry, civic and academic gatherings.

In 2009, the Western Washington Chapter of the Society of Professional Journalists presented Fancher its award for Distinguished Service to Journalism.

He and his wife, Elaine Bowers, live in Seattle.
Previous Publications from the Aspen Institute Forum on Communications and Society

*Media and Democracy* (2008)
Richard P. Adler, rapporteur.

*Media and Democracy* explores the role of media in enhancing social capital, civic engagement and democratic involvement. In addition to examining the state of newspapers and journalism against the backdrop of the 2008 presidential election, the report discusses proposed projects for harnessing media to spur civic and global engagement. Among the ideas being implemented are the Online Peace Corps, Groundswell and the American Dialogue Initiative, as well as ongoing work by the Knight Commission on the Information Needs of Communities in a Democracy, which stemmed from the 2007 FOCAS. 58 pages, ISBN: 0-89843-503-X, $12.00.

Richard P. Adler, Drew Clark, Kathleen Wallman, rapporteurs.

This report examines how the new media paradigm intersects issues of content values, intellectual property, and local community. Framing the discussions from FOCAS 2007, *Media and Values* looks at topics such as offensive content, fair use, new business models, intellectual property, local media, and the future of democracy. The report also offers constructive suggestions for resolving several of the more contentious challenges that have accompanied developments in new media. 90 pages, ISBN: 0-89843-488-2, $12.00.

Richard P. Adler, rapporteur.

This report examines the growth of the Internet and its effect on a rapidly changing area: the impact of new media on politics, business, society, culture, and governments the world over. The report also sheds light on how traditional media will need to adapt to face the competition of the next-generation media. 76 pages, ISBN: 0-89843-469-6, $12.00.
Shanthi Kalathil, rapporteur.
In this compilation of two reports, the author explores the growing importance of soft power by looking at two crucial areas of international tension: the U.S. role in the Middle East and Sino-American relations. The role of information and communications technologies in American public diplomacy in the Middle East and American’s relations with China is a central theme in the reports. 70 pages, ISBN: 0-89843-447-5, $12.00.

Opening the Realm: The Role of Communications in Negotiating the Tension of Values in Globalization (2004)
Michael Suman, rapporteur.
This report addresses how communications media and information technologies can be used to ameliorate or exacerbate the tensions among the values of peace, prosperity, and good governance or among the forces of security, capitalism, and democracy. That is, can the media help a society gain the simultaneous benefit of all three values or forces? How does one prioritize how the media go about doing that in a free society? What is the role of the new media, which has so much promise to involve the individual in new ways? 51 pages, ISBN: 0-89843-432-7, $12.00.

Media Convergence, Diversity and Democracy (2003)
Neil Shister, rapporteur.
In the summer of 2002, chief executive level leaders from the public and private sectors met at the Aspen Institute to address the underlying role of media in a democratic society and policies that may improve the ability of citizens to exercise their roles as informed sovereigns in that society. This publication, authored by journalist Neil Shister, examines the concern of many over the shrinking electorate in American elections and the possible role the mass media play in that trend, the debate over whether consolidation in old and new media raises “democratic” as opposed to antitrust concerns, and opportunities for new media to enable citizens to communicate—both in terms of gaining new information and exchanging their own opinions with others. He also addresses the concern that new media will become bottlenecked rather than continue the open architecture of the Internet. 56 pages, ISBN: 0-89843-374-6, $12.00.
In Search of the Public Interest in the New Media Environment (2001)
David Bollier, rapporteur.
This report examines public interest and the role of the marketplace in redefining this concept with respect to educational and cultural content. It suggests options for funding public interest content when all media are moving toward digital transmission. The publication also includes afterthoughts from an international perspective by British historian Asa Briggs. 61 pages, ISBN Paper: 0-89843-333-9, $12.00.
The Communications and Society Program is an active venue for global leaders and experts from a variety of disciplines and backgrounds to exchange and gain new knowledge and insights on the societal impact of advances in digital technology and network communications. The Program also creates a multi-disciplinary space in the communications policy-making world where veteran and emerging decision-makers can explore new concepts, find personal growth and insight, and develop new networks for the betterment of the policy-making process and society.

The Program’s projects fall into one or more of three categories: communications and media policy, digital technologies and democratic values, and network technology and social change. Ongoing activities of the Communications and Society Program include annual roundtables on journalism and society (e.g., journalism and national security), communications policy in a converged world (e.g., the future of video regulation), the impact of advances in information technology (e.g., “when push comes to pull”), advances in the mailing medium, and diversity and the media. The Program also convenes the Aspen Institute Forum on Communications and Society, in which chief executive-level leaders of business, government and the non-profit sector examine issues relating to the changing media and technology environment.

Most conferences utilize the signature Aspen Institute seminar format: approximately 25 leaders from a variety of disciplines and perspectives engaged in roundtable dialogue, moderated with the objective of driving the agenda to specific conclusions and recommendations.

Conference reports and other materials are distributed to key policymakers and opinion leaders within the United States and around the world. They are also available to the public at large through the World Wide Web, www.aspeninstitute.org/c&s.

The Program’s Executive Director is Charles M. Firestone, who has served in that capacity since 1989, and has also served as Executive
Vice President of the Aspen Institute for three years. He is a communications attorney and law professor, formerly director of the UCLA Communications Law Program, first president of the Los Angeles Board of Telecommunications Commissioners, and an appellate attorney for the U.S. Federal Communications Commission.