

H A R V A R D U N I V E R S I T Y

JOHN F. KENNEDY SCHOOL OF GOVERNMENT

JOAN SHORENSTEIN CENTER ON THE  
PRESS, POLITICS AND PUBLIC POLICY

HOW TO MAKE MONEY IN NEWS:  
NEW BUSINESS MODELS FOR THE 21ST CENTURY

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BEFORE: ALEX JONES  
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P R O C E E D I N G S

(9:05 a.m.)

MR. JONES: I'm Alex Jones, I'm Director of the Shorenstein Center on the Press, Politics and Public Policy and it is my great pleasure to welcome you to this conference today.

I think that you should also know that while we are your immediate host, your actual host is the Carnegie Corporation and, Susan King, thank you for putting this together. I think this is going to be a very interesting day. As you know, this was an invitation only event.

We had an awful lot of people who wanted to come but could not because we felt that it was very important and Carnegie felt it was very important to keep it small and to keep it something that would, you know, facilitate a conversation. The people at the table and you who are here in attendance, all of you who are here in attendance are a part of this gathering, so we hope that you will be a part of the process as the day goes on.

I want to just say a few quick things and then we'll begin. We have a very tight schedule. We want to give the maximum amount of time to the program itself and not to, you know, introductions and things,

so the introductions and that sort of thing are going to be modest. I think all of you have a pretty good idea of who each other are. We have biographies of everyone who is going to be a participant available, if you want to know more.

As we begin, I just wanted to say a couple of things about what we are trying to get at today. We did not want to put a gloss on what we were trying to do, that's why we called this meeting How to Make Money in News. We are trying to find ways that will make covering and reporting and delivery of serious news something that can be supported financially, that can be supported financially commercially, philanthropically, perhaps by government, whatever means.

But the point is trying to find a way to solve the riddle of how we are going to keep serious news alive in an environment that has been killing to the traditional methods of news gathering and delivery and that has a very, very complicated, uncertain future. We had Clay Shirkey here the other day, who some of you probably know, who said something very interesting and kind of frightening. He was talking about the Gutenberg Bible and the incredible intervention that it represented in technology.

And he talked about how, I have not read the book, but there is a wonderful book about Gutenberg out. I can't recall who wrote it, but he said the message of the book is that for 100 years after Gutenberg invented the, you know, enduring, he was a metallurgist actually, he created a kind of type that would stand up to printing, which it facilitated printing. They had movable type but it was made with soft metals and wood.

And the kind of alloy that he found, discovered, made it possible to use repeated imprints from the same pieces of type. It was the same alloy that was being used by my family's newspaper when I was in the 1950s, so it had an enduring power. But the point he was making is that for 100 years after this happened, it was a very, very tumultuous time, very much like what we are in now but it lasted a long time. It took a long time for the ideas to settle that we have come to think of as happening relatively quickly, in terms of the spread of news and information and the people feeling that they have a right to news and information.

What that says about where we are and where we are going is unclear. One of the things he was suggesting was that it's going to take a long time

for people who now basically don't have any interest in news or are certainly unwilling to pay for news to realize that the cost of that is too dear, the cost in a social sense, to come around to a way of thinking that will make news something that they will consider or governments or others will consider a priority that has to be paid for. In other words, his belief I think would be that it's going to get a lot worse before it gets better. I hope he is wrong about that.

Oddly enough, I took some consolation from the circulation report of the past week. I think probably many of you saw it, it was a story of decreases in circulation, 7 percent at the *New York Times*, as I recall, 18 percent at the *Boston Globe*, 30 percent at *USA Today*. Now, how did I take consolation from that? Well let me explain.

These numbers were based on circulation over the past six months. The past six months has been the worst economic time for this country since the beginning of the Great, since the Great Depression. It was a plummeting moment, it was a moment in which people everywhere felt the blow. The sale of luxury goods plummeted, I mean people who still had a billion dollars stopped buying, they made economies. The only place that was doing well was WalMart, with its heavily



discounted stuff. I mean car sales fell off to nothing, real estate fell off to nothing.

In other words, things got very, very bad for everybody and the response of virtually everyone was to cut any expense that they considered unessential. During this period, many newspapers, including the *Boston Globe* and the *New York Times*, raised their circulation rates, they raised their rates. Now, think of it this way, you have a, you are a rational person and you have a choice, you can either pay a lot of money for something that was expensive and has gotten more expensive in a time of very great financial and economic distress for you personally or you can get the same content free.

It's almost inconceivable. I think that many of you probably saw the analysis of the power of free and how someone who is offered a Godiva chocolate or a Hershey Kiss, if the Hershey Kiss is one cent and the Godiva chocolate is 25 cents, people will take the Godiva chocolate for 25 cents but if the Hershey Kiss is free, then they go for free, it's almost like an involuntary response.

Well, what I took away from last week's or this week's report was that in the case of the *Boston Globe*, 82 percent of the people who subscribe to the

*Boston Globe* decided to keep on subscribing to it in a time of great economic hardship and even though it cost more, and 93 percent of the people who took the *New York Times* did.

*USA Today's* circulation drop I'm sure had to do with a gigantic part of their circulation that is in the form of hotels buying newspapers and hotels don't make the kinds of decisions that individuals make. The point is that individuals, a lot of them, made a decision that this was important and probably not important so much for the journalism as the institution, or least that, it seems to me, is a big part of my guess of how they did it.

I guess my point is this, as we talk about the future today and how to make money in news, there is demonstrated, I believe, a core of people out there who take news seriously, who still believe that news is important and believe that news institutions are important and that it seems to me is the base upon which we need to build. Those people and the people who now, increasingly, also go online, sometimes go online but not to the original product.

But the institutional power of the original product, when it comes to newspapers, is something that I think, in an odd way, that has been

demonstrated in this very, very difficult time. Anyway, maybe that's clutching at straws, but I've decided that's the way I want to look at it.

(Laughter)

MR. JONES: Okay, our first program is going to be, our first session is going to be effectively a report on four Carnegie funded projects that are in the works and were on this theme. The way we have arranged the schedule is that I'm going to introduce them one by one and when I introduce them, they will have five minutes to make a quick presentation, a summary of how they have done and what's going on and the status report on what it's about. Then I will ask a few questions, we will open it to the floor and we will have a conversation, I hope, based on what you are told, what we are told by the people making these reports.

First will be the Nieman Journalism Lab. Many of you probably know that the Nieman Journalism Lab has emerged as sort of the go to place for keeping tabs on what's happening new in the news business, especially online. This was the brainchild of Bob Giles and Josh Benton, it's something that the Nieman Foundation has funded. Bob Giles, Curator of the Nieman Foundation, will speak first, just to explain

how the Nieman Foundation got where it is, and then we'll turn it immediately over to Josh to talk about the Nieman Journalism Lab itself.

Bob?

MR. GILES: Thank you, Alex, and good morning.

The story of the Nieman Journalism Lab began three years ago in a meeting of our Nieman Foundation Advisory Board. We were talking about the future of journalism and I said to the Board that the Nieman Foundation needed to find a place in the conversation about this transformative period in journalism. We needed to do so within the framework of our mission, which is education and concern about the values and standards of journalism.

This led to a series of sort of far ranging conversations about an idea. We settled on an idea that said we should, we want to do something smart, we want to do something that nobody else is doing, why don't we look at best practices in digital development that support serious journalism? We had consulting meetings with the Berkman Center and the Business School and the Hauser Center for Nonprofits. We hired Michelle McClellan, a Nieman Fellow from several years ago, and a first year Business School

student named Zack Clayton, who did a business plan for us.

And what it came down to was a proposal that we'd do a website focused on the idea of examining best practices of business models and new ventures in digital journalism. In the Summer or in the Spring of 2008 we posted the job, we made a decision to fund it ourselves. Josh Benton emerged as, by far, the best candidate, we hired him in July of 2008 to run the program, as director. He began then and in October we launched the website.

And I'll now turn it over to Josh who will tell you the rest of the story.

(Laughter)

MR. JONES: Could I ask you, by the way, if any of you have cell phones on the table, would you please take them off the table? You don't have to turn them off, but they interfere with the microphones.

MR. BENTON: Good morning. I guess I'm here to tell you what happened in our first year. We just had our one year anniversary of the Nieman Journalism Lab on Tuesday, we are going to starting teething soon, I believe.

(Laughter)

MR. BENTON: Our major mission, or I think

Bob did a good job of communicating the broad strokes of what we aim to do at the lab, but when I was thinking of taking the job, I saw a lot of news organizations that were doing interesting work but not necessarily being very good at sharing information about that work with organizations that they might have at some level thought of as competitors but in this new environment were people from whom they could stand to learn lots of useful information.

So one of my major goals was trying to create an environment online that was sort of generous of spirit and conducive to people sharing the mistakes they've made or the victories that they've achieved. I really, I came from the *Dallas Morning News*, I was a Nieman Fellow at Harvard when I got hired, and so when I came aboard, I really tried to take a news organization approach to what we do. I'm very concerned about building a significant audience, much more so than perhaps some other folks in our field might be.

So I'm very pleased with the way that we've been able to establish ourselves, I think fairly well, in a short period of time. We ended up having a little over a million page views in our first year, we are averaging about 150,000 page views a month right

now, about 75,000 unique visitors, a little higher this month. And we've experimented a lot in social media, we had a big dedication to Twitter. We have almost 17,000 followers on Twitter now, and I'm happy to talk more about that in depth because I think it's really been transformative for us. We now get more than twice as much traffic from Twitter as we do from Google, even though we still get a pretty good amount from Google.

As far as the impact that we've had in our first year, the generous grant from the Carnegie Corporation only came in a few months ago, so we haven't had much time to show the impact of that yet, but it did allow us to expand our staff. We just, a few weeks ago, hired Max Slocumb as an assistant editor, he had previously been at O'Riley, the book publisher, where he had run the Tools for Change in Publishing program, which was sort of the book publishing equivalent to the lab for the news industry, and he's been doing great work in his first few weeks here at the lab.

As for our broader impact outside of that, I think that we have gotten involved in the conversation and driven the conversation around business models, around techniques, around craft a fair amount. Perhaps the greatest moment in our first year

was because of the work we do, I get asked a fair amount to give talks at news organizations or elsewhere, and I got asked to give a talk at the newsroom of the *New York Times* a few months ago. And a lot of folks from the newsroom were there and I was giving a big push on Twitter, saying it was a wonderful thing, explaining how we used it, how it was of benefit to us, and one hour later Bill Keller signed up for Twitter.

(Laughter)

MR. BENTON: And I view that as our greatest achievement in our first year.

MR. JONES: Thanks, Josh.

As I said, we are doing these introductory summaries and then we will have a conversation after that.

Bill Mitchell is the leader of the News Transformational International Programs at the Poynter Institute, he and his colleague, Rick Edmunds, a media business analyst leader at the Poynter Institute, are both here. Bill is going to do the summary.

MR. MITCHELL: Thanks, Alex.

I think the roots of our program were in a conference we did about a year ago with a slightly different name than this one today, ours was Who Will



Pay for the News. So, if you cover the how, we'll try to cover the who.

(Laughter)

MR. MITCHELL: And luckily for us, Susan King was a participant in that conference, and one of the major developments that came out of it for us at Poynter was the realization that we needed to reassess what the craft of journalism includes after 35 years. Traditionally, we've thought of it as reporting, writing, ethical decision making, leadership, but it dawned on us, perhaps a little late, that we also needed to include sustaining the enterprise as a fundamental craft of what's required in journalism.

So, with the help of the Carnegie Foundation, we have taken steps really in three main areas and I'll just mention them briefly. The first is resources for researchers. Poynter has been, I think throughout its 35 years, a place where people looking to understand what has come before in the world of journalism. It's a good place now online, as well as in our library physically at Poynter, but what we've done is create a new media time line by our librarian, David Sheddon, that goes back to 1969.

I just did a redirect for it this morning, it's [Poynter.org/mediatimeline](http://Poynter.org/mediatimeline), and it's a very handy

resource to see what happened when, beginning with the start of DARPA Net in 1969. We are again, thanks to Carnegie, developing now a new interface for both this and for a transformation tracker, that I'll describe in a minute, that enables users to do a data visualization. So if they want to look at the history of media development over the past 40 years, they'll be able to do it in terms of geography, in terms of particular platform, in a way that we think will be much more useful.

The second area of resource for researchers that we have developed is the transformation tracker. Think of it as a Romanesco of innovation. This is also done by David Sheddon, and it includes developments that might be a little bit on the margins of what Romanesco tracks with his blog, but is essential to anyone really looking at new media business models.

The second area that we are working in is reporting and writing and this largely is led by my colleague, Rick Edmunds who, as you know, has been the author of the newspaper section of the "State of the Media" report with Pew for many years.

And I think one way to characterize what Rick does on his biz blog on the Poynter site is kind

of a year long version of the "State of the Media", really tracking what's going on. I started a blog earlier this year called NewsPay. One way that we try to divide up the landscape is that Rick has really looked at existing media, I've tried to look at new things that are developing. In fact, there's a lot of overlap, so we are doing a little bit of both.

And the third area that we are working in is conferences. We want to try to bring people together, much as you've done here, to work in a very hands on way on a particular topic that will help build the knowledge that Poynter can use both in our publishing and in our teaching. We did a conference on the nonprofit, the various nonprofits models, including the new L3C low profit model in March. We have one coming up next month on the future of advertising pegged to what --. I just got a CNN bulletin before you made me put my phone away saying that the economy actually ticked up in the third quarter, so maybe the idea of looking at advertising in at least a modest recovery will work.

All of this is aimed at helping what we do at Poynter, which is trying to help journalists get better at what they do, and will help us in our teaching as well.

MR. JONES: Thank you very much, Bill.

David Levy, Director of Reuters Institute for the Study of Journalism.

MR. LEVY: Thank you very much, Alex, and thanks for the invitation to be here today.

I won't spend a lot of time talking about the Reuters Institute but I'll leave some booklets outside so people can find out more about that, rather than spending a lot of time here. I've been there for a year running it, since last September, and I work there with my colleague, John Lloyd, who is director of journalism there and works half time for us and half time for the *Financial Times*.

I guess in response to this invitation I thought, since I'm the only non American researcher here, I thought my role was probably to give some kind of outside perspective on the debate. And what I want to say in the next five minutes involves sort of two confessions and six observations.

(Laughter)

MR. JONES: That's a lot for five minutes.

MR. LEVY: I'll try. Let me try and start with a confession. The first confession is we may be alone in this room but the Reuters Institute hasn't yet found the shiny new business model for news.

(Laughter)

MR. LEVY: So I'm sorry and if the rest of you have, tell me at the lunch break. But we have been doing a lot of work in this area, about what's going on in news, and to date it's been sort of quite U.K. focused and we published this booklet in January called "What's Happening to our News", looking at the U.K.

The second confession is that Carnegie, through whom I'm here, are currently funding us to do something about international news in Africa, rather than about news models in the U.K. or internationally. But we are moving, at the same time, into a big comparative study of what's happening in news in Britain, France, and we've recently done work on Sweden as well. And we are starting a pilot, eight nation comparative project, on how news organizations and policy makers are responding to the challenges posed by the Internet and the current economic situation. And if we get the funding, our aim is to turn that into a much bigger comparative project. And the reason for talking about that is that I think comparative research is quite useful in challenging the preconceptions which often stifle creativity in this debate.

And this takes me on to my six observations. I'm sorry if they are somewhat un-

American observations, but six observations that I think we need to bear in mind as we approach the current challenge. The first observation is about inevitability and I'll just say that I think we should avoid technological determinism, which is what I see characterizing a lot of the debate in Britain and America at the moment.

The Internet isn't killing news, what it's doing is it's increasing the reach to and the degree of engagement with news. What is true is that it's undermining one historic model of news organization in many countries, but even that isn't a universal trend. If you look at Brazil, look at India, we see the demand for conventional newspapers can go up, as well as down. Mature markets, such as Sweden and Finland, show us that the world's highest rate of Internet penetration can coexist with the highest rates of newspaper readership. That's inevitability.

Second, supply. I think too much of the debate has focused on the challenges news, too much of the debate about news has focused on the supply side. We know it's a very long time, if ever, that people pay the true price of news and that journalism has been produced in a rather beneficial but sheltered and sometimes paternalistic vacuum. But I think moving

forward requires moving away with an obsession with the supply side.

So let me move on to the third observation about demand. I think we need, I was interested in some of the comments we heard so far because I think we need much better research on people's uses of news and how much they value it, both as consumers and citizens. And that's one of the things that I want to do in the next year at the Reuters Institute and I think that kind of research is a precondition for finding new business models.

But I have a caveat really that I think the move from pay to free doesn't have to be a one-way street. In the last 30 years, in Britain, where I live, we have seen new markets develop in areas where one would have thought, no one would have imagined it possible. Thirty years ago, nobody in Britain thought people would pay for bottled water, it came out of a tap, it's now a two billion pound a year market. Nobody thought that people would pay to download ring tones, but they did.

(Laughter)

MR. LEVY: Nobody thought, when they designed the mobile phone, that its most lucrative use would be the sending of SMS text messages, it's the

single most profitable area for the mobile phone industry. So people will pay for the oddest things, if we understand what it is they want and we can provide it to them in a useful and convenient way. That's why we need to understand consumers better.

Fourthly, democracy. If we believe, as I suspect probably most people in this room do, that journalism matters to democracy, let's focus on that purpose of journalism, rather than focusing on jobs for journalism, jobs for journalists. We've got to be clear about why we value professional journalists and realistic about how much professional journalism is being practiced.

The thing that I favor really is a case for what I call focused, modernized public interest journalism, which I think would combine new models of more open and networked public interest journalism within organizations that are strong enough to have a collective memory, the tenacity to stick with a story, and the resources to withstand political and commercial pressures.

Fifthly, ubiquity and impact. If we want to defend public interest journalism, we've got to be based, that defense has got to be based as much on its impact and its ubiquity as simply the provision.



There's always going to be news for enthusiasts, lobbies, special interests and decision makers. I'm not very worried about the future of the *Economist*, the *Financial Times* or the *Wall Street Journal*, I think they are relatively recession proof and able to charge and survive.

What I care about is public interest news that's used by large numbers of people. Sometimes there's going to be tradeoffs between what Alex has called the iron core, in his recent book, and this issue about ubiquity of reach and impact.

Lastly, and this probably reflects my sort of un-American aspect, let me talk about subsidy. Public support is rightly viewed with suspicion by many, and it may well be impossible in the U.S. But let me give you three perspectives from a European viewpoint about some lessons about public support which may be useful criteria for combining supporting with independence.

Firstly, broad, rather than minority use can increase both the legitimacy of the funding and the independence of the recipient. Arguably, that's the case for the BBC in the U.K. and it's worth pointing out the BBC is the largest single employer of journalists in the U.K. It's also the single most

trusted news organization.

Secondly, if you combine that broad use with a degree of, this is a word I don't even know whether exists, but automaticity, a degree of sort of automatic support--

(Laughter)

MR. LEVY: --mechanisms, then that can help increase the distance from the funder and minimize the impact on the recipient. The Swedish press subsidy system is quite interesting, it's funded by a levy on advertising revenues, it ensures 15 Swedish cities have two competing local newspapers. But be aware, it takes place in an environment where between 50 and 80 percent of people subscribe to their local newspaper and where 75 percent turnout in local elections is the norm. In Britain, the figure is 35 percent.

And lastly, on this subsidy issue, support for distribution is less contentious than support for content, for obvious reasons, and essentially that's what happens in France where about a billion euros or about ten percent of newspaper turnover is accounted for by various state support mechanisms for distribution.

So, in summary, I would say there may well be new business models but, above all, let's come up

with solutions that are rooted in understanding demand as much as supply, users as much as the producers and what I would say is the importance to news in a democracy of a mass market and not just a minority interest.

So thanks a lot.

MR. JONES: Thank you very much, David, very, very interesting and it's a good segue into our next speakers.

Geoff Cowan is the Annenberg Family Chair in Communication Leadership at the Annenberg School for Communication for Journalism at the University of Southern California. His colleague, David Westphal, is an experienced journalist who is now Executive in Residence, Annenberg School of Communication for Journalism. I have asked both of them to speak because they are both working on projects for Carnegie that are somewhat different.

Geoff will speak first and he will speak on the same issue that David Levy was just about to, just left us with, about the idea of public support for journalism.

MR. COWAN: Thanks, Alex.

And David and I will talk about complementary projects that we are working on.

So we are interested in what is the government's role and what could the government's role be in funding the news media and especially a relevant topic today, in the wake of the Downey Schudson report, which has provoked additional conversation about the role of the government. So I just want to list a few of the key findings that we have to date, this is an ongoing project that we have.

First of all, as I think the people in the room know, but this is a more sophisticated group than most, it's always been there, government support of the media. In this country, starting with George Washington and with James Madison, with postal subsidies, it's always been a core principle of government funding. We think that today the level of government funding for commercial media, I'm not talking about all public media, although we are doing research on that too.

The funding level for commercial media, particularly for newspapers, is in excess of a billion dollars a year. But, and this is very important, it's declining and it's inevitably going to continue to decline, so we think that raises questions that we need to think about in terms of exactly the issues David was talking about and that everybody here is concerned

about.

MR. JONES: Geoff, could I interrupt?

MR. COWAN: Yeah.

MR. JONES: Could you just briefly describe what this billion dollars--

MR. COWAN: Yeah, I'm going to list three buckets of it. There are many more buckets, I'm going to list three buckets, and we can go into a lot more detail and when we issue our report, we'll have much more. The first bucket is postal subsidies. Postal subsidies, as I say, have been here from the early days, they are public, but the Poynter people are taking 1969 as a departure point. It's interesting, in 1970 the Postal Act changed. As of the time, as of 1970, 75 percent of the cost of postage for publications was being paid for by the federal government, subsidized. Today, that's down to 15 percent.

That decline we think, if you take those numbers, would actually probably make some magazines that are currently losing money profitable. But we are in the process of doing this kind of study and we appreciate feedback for it, but it was the Reorganization Act of 1970 that made a huge difference in terms of postal subsidies. Nevertheless, they are

still there and to the tune of something close to \$300 million, maybe more.

Secondly is public notices and here I brought with me, and you all probably have it available at your hands, a little bit of a prop. If you happen to have the *Wall Street Journal* which, by the way, editorialize against government support, you will notice that at least one full page of the *Journal* today and every day consists of this very readable advertisement.

(Laughter)

MR. COWAN: Very useful for people who want to know about seized property notices, assuming they have a magnifying glass with them. This particular thing is a full-page advertisement by the Department of Justice, Bureau of Alcohol, Tobacco and Firearms. This ad, we think that the federal government is the, in terms of lines of print, is if not the biggest, one of the two or three largest advertisers in the *Wall Street Journal*. It may be the single largest advertiser, the federal government.

But public notices are important at all levels of government, and we all know this, and we can give you more details about that too, but it's certain to decline. The federal government has taken the

position that the Justice Department, that they shouldn't have to spend the money on these advertisements when they can perfectly well put them online. Of course institutions like Dow Jones are in court and lobbyists are trying to stop that from taking place, but it's going to take place, it's inevitably going to take place, so the level of government support is declining.

Third, there are any number of specific tax breaks at the federal and state level, for example, tax breaks on ink and other things, that are specifically designed for newspapers especially but for the news media and for the commercial, they help non commercial media too, but here we are focused on commercial media. So it's more than a billion dollars, but it's very hard to assemble it because nobody assembles in any one place.

By the way, while we are meeting here, the public, and I know a lot of you are divided about which of these meetings to go to, the Public Notice Association, is that what they are called, David? Something like that, is meeting is Phoenix, worried about the future of public notices, and properly so. Anyway, so those are three buckets that we say are more than a billion dollars. So in view of that, we think,

and there will be people who will debate whether government should be involved, but it always has been, and I think that has to be the starting point for the debate, always has been at a high level and it's declining.

We want to think about what are some criteria for the ways in which the government should be involved and I think David Levy just usefully suggested some of them. We think, for example, that creating funding streams designed to formulas and illegal requirements, which has always been here, is important. For example, the constitution calls for copyright, that is designed specifically to make sure that people get paid for what they do. And there are any numbers of ways in which, for example, even the recording industry is in trouble, in which there are specific lines of revenue that come for what people do.

So we think that, and David suggested some of this kind of thing is important. We think that funding for innovation is important. All of the news media have benefitted from innovation funding. You wouldn't have Fox News or MSNBC or CNN if it hadn't have been for satellites, which were created by the federal government. You wouldn't have had any of the disruptive technology that we are talking about of the



Internet if it hadn't been for DARPA, who was mentioned earlier, and the spread of this through broadband, which is another government funded project, which is supposedly I think something like \$18 billion is going to go into increasing broadband, is a huge government investment in these things. We think that investment in technology is important to innovation.

As far as direct funding for the press is concerned, our view is that if there is going to be direct funding at all for publications, it should be on a formula basis, rather than designed for specific programming. There is specific programming funding, particularly for non commercial operations, but we think that to the extent that that's done, if it's done at all, that the funding for specific programs should never be more than a very small percentage of the budget of any news operation because otherwise they become too beholden to the government for specific issues.

MR. JONES: Thank you, Geoff.

David?

FROM THE FLOOR: Could you just clarify how many billions was that subsidy that you just told us?

MR. COWAN: The number that I cited was, I

said it was more than a billion.

FROM THE FLOOR: More than a billion,  
thank you.

MR. WESTPHAL: I'm just going to talk  
briefly about another mission of Geoff's center at USC  
Annenberg and something that I write about and a lot of  
us up here write about in one aspect or another of new  
media and that's the nonprofit new media sector,  
including those supported by foundations and other  
philanthropy.

And I also want to mention an emerging  
nonprofit model that I think is worth paying attention  
to. These days, you can avoid seeing just how fast  
foundation funded journalism is growing. If you just  
take the last week, we had MacArthur announcing it was  
going to support the Chicago News Cooperative. We had  
a foundation called the Bullet Foundation giving some  
money to a new investigative nonprofit, Investigate  
West. And in an announcement that made many of us  
would be grantees perk up, the Bill and Melinda Gates  
Foundation contributed a sum to Cross Cut Seattle, a  
community news site. This may not be exactly, and I'm  
not including everything actually of the past week, and  
it may not be exactly the typical week, but I would say  
it's probably not far off.

Whatever you think about the phenomenon of foundation funded and philanthropy funded journalism and the questions about sustainability and so on, the fact is there is striking growth going on here and it's probably going to continue. We are seeing foundations and philanthropists supporting community news sites, quite fast growth in investigative reporting sites, topical news sites of one kind or another and more. And we are also seeing foundations create independent news organizations in their area of interest. For example, Kaiser Health News Service and the new health policy site funded at USC by the California Health Care Foundation.

And here's a model we think is just getting going and that is journalism created by non news organizations. In a way, you might say universities are an example of that, as the Downey Schudson report recommended last week. The place I know best, USC, there are multiple examples of this. A general purpose online news site called Neon Tommy, two micro local initiatives in South L.A. and East L.A. Geoff is exploring a role for USC in Los Angeles arts journalism, but look at some other examples in our neighborhood in the Southwest.

The Goldwater Institute in Phoenix hiring

an investigative reporter and now there are two news sites in Southern California, Voice of Orange County. As opposed to the Voice of San Diego, this is Voice of Orange County, and Accountable California, both of which are funded by labor unions. All three of these sites interestingly are writing about the same thing, which is waste, fraud and abuse by the government. So here we are, labor unions and the Goldwater Institute, comrades in journalism.

(Laughter)

MR. WESTPHAL: Kind of back to the future in many respects. And speaking of government, it is playing now too. A member of the Los Angeles County Board of Supervisors has hired a former *LA Times* city editor to write news stories about county government because, he says, nobody else is doing it. So is this stuff journalism? And are these people journalists? You know, some of us have been debating lately whether Fox News does legitimate journalism, but I suspect these questions are just beginning.

And going back then to Bill Mitchell's question who will pay for the news, one answer is certainly philanthropy. I mean one answer is certainly philanthropy and foundations but another is labor unions, government think tanks, political parties,

businesses, trade associations, and there probably is a good bit of money there.

MR. JONES: Thank you, David.

I'm going to ask a few questions of our group and then we'll open it up to your comments and questions.

First, Josh, given that you've now had a year of looking over best practices and new models and such, do any of them strike you as particularly promising?

MR. BENTON: Well I think that there are any number that have proved promising on a small scale. In talking to a lot of large newsroom newspaper journalists, they tend to be wanting the home run that will solve everything and allow the newsrooms of old to suddenly re-coalesce. I mean I've been encouraged by the ability of small local, you know, West Seattle blogs, *Ann Arbor Chronicles* and other small, one or two or three person start-ups to find something close to sustainability in this economic environment. That makes me a little bit more optimistic that--

MR. JONES: Sustainability on a commercial basis?

MR. BENTON: On a commercial basis, yes. You know, they are either profitable or at least paying

their bills and surviving. Raman profitable, as they might say in the start-up world.

(Laughter)

MR. BENTON: So given that they are doing this in the current environment and they are also doing it in an environment where local advertisers are still learning about online advertising or at least starting to think of it as a medium that might be for them, I'm encouraged by that as a model that can be replicated in other places. And I'm also encouraged by the response that we've seen from foundations that, you know, the Knight Foundation of course has done a lot of work and working with community foundations to convince them that funding of journalism is something that should be on their list of local priorities.

And I think we are starting to see the success both from that effort and more broadly and I'm encouraged by that. I'm a little bit less encouraged than you are I think about circulation and things of that matter at the big scale, but I tend to think of this as the comet has just hit, the dinosaurs are not doing so well, but there are lots of furry mammals roaming around and--

(Laughter)

MR. BENTON: --some of them look kind of

strange and they may not all make it, but somebody will come out of it all right.

MR. JONES: Well I look at it as more from David Levy's perspective which is that these are people who we ought to study very carefully because they have made a very counter-intuitive decision and some of them maybe furry creatures who haven't figured out that they are, you know, running around in a world that has changed but some of them, I believe, are deciding, and I mean of all ages. I mean we get, of course, a lot of people talk about how young people are not interested in news or not interested in newspapers, certainly that's true, in general.

But there are some who are interested, clearly, and I don't think we know very much about them or what motivates them or how to grow that base. One of the things I find most perplexing about the way we have approached this whole issue is how we are trying to persuade people who may have very little interest in news to be interested in news when we are increasingly neglecting to try to grow that base of people who are interested, learn from them what makes them interested and try to project that and grow that as a model. I think your point about the demand side is really, really an important one.

Bob, would you talk briefly about your frustration with the *Boston Globe* and its foundation? Its attitude toward the, I mean god knows the *Boston Globe* has been going through, you know, throes and the Boston Foundation has been trying to find ways to help preserve the institution and with not much success.

MR. GILES: Well what little--

MR. JONES: And what do you think the significance of that is I guess is what I'm asking?

MR. GILES: I think the significance is that the management of the *Globe* has not been very expansive in its thinking about how to reshape the paper, the content of the paper, going forward into this new transformative era. I'm not privy to any particular discussions between the *Globe* and the Boston Foundation, but I do know that community foundations, such as the Boston Foundation, are stewards of hundreds of funds held by individuals, some of whom have special interest in journalism in a specific way.

Some are interested in international affairs, some are interested in the environment or medicine, and it seems, and this is sort of my take on it, it seems to me that in this community there could be a melding of people with funds in a place like the Boston Foundation and the newspaper, in developing some



specialty websites online that would take the paper beyond its normal coverage of city hall and other places.

I think, in a more general sense, one of the most encouraging developments that I see is sort of reflected in the announcement this week at the Hechinger Program at Columbia, it was going to establish a website for in depth reporting on education.

There are a number of others of those around as well, a site at Yale on the environment. There's a little news operation in Northern Michigan called The Circle of Blue, which is a true news organization that covers and reports in depth on fresh water issues around the world and it's quite a remarkable website. And I think that there are opportunities to develop in depth, serious journalism on very special areas that could be attractive to foundation support.

Clearly the question of sustainability is a factor, but if you think about the Center for Public Integrity, that's been around since 1990 and Chuck Lewis, who founded it, has been able to raise the money every year to enable them to do very substantial investigative reporting.

MR. JONES: Well that raises a question, David, I would like to ask you. The encouraging news is there but there is also some discouraging news, it would seem to me, from the foundation world. For instance, *MinnPost* is increasingly having a lot difficulty. You know, the foundation fatigue is something that I worry about a lot because my experience with foundations is that if they go in, they go in to start something, rather than to sustain something over a long period of time. It's just not in the culture of foundations.

Do you see this foundation for journalism as something, and I'm not talking about the special interest kind of labor union approach but foundation support that would be more neutral in its sort of journalistic support. Do you see that as an enduringly sustainable source of revenue for news organizations?

MR. WESTPHAL: How about enduring for a while?

(Laughter)

MR. WESTPHAL: I do think it's, I think the breadth of it will continue to grow. I think the Knight Foundation's attempts to bring in community foundations, which I assume will be in small ways, helping to support environmental reporting, for

example, or pay part of an education reporting niche in a community news site, for example, or perhaps a newspaper for that matter. So I think that there will, that we are in a period now, people are, you know, are becoming more and more concerned about the news ecology and so that's what bubbles up I think in people that have the means to do something about it, whether themselves or through foundations.

And I would, you know, I think probably most of us think that that old news ecology, the legacy media, probably is going to continue to erode in ways that will heighten the need or the perceived need. So, yes, I think it will, I think it will for a while increase, in terms of the number of players, but after the first year grant or the three year grant, then it becomes a more difficult proposition.

I don't think necessarily that we should assume that sustained funding by foundations or philanthropists is out of the question, we simply don't know what the new news environment is going to be. And so, you know, I think it is possible that there will be some sustained funding that we didn't use to think was possible.

MR. JONES: Have you looked at the issue of newspaper especially but other, you know, established

news organizations becoming nonprofits?

MR. WESTPHAL: Well I think there are--

MR. JONES: Marion Fremont-Smith--

MR. WESTPHAL: --that I think--

MR. JONES: --is here, she just did a study for us about the--

MR. WESTPHAL: Yeah. I mean that was very interesting, the idea that there isn't a big IRS hurdle in front of that proposition was a very interesting one, because I had assumed that it was going to take an act of Congress to change that, and there are ways that perhaps there still will need to be. I mean I think the newspapers, some of them will set out on this course probably or think about ways to split off, it was talked about earlier, split off pieces of their enterprise that could be supported by foundations or philanthropists.

MR. JONES: David, I wanted to ask you to go a little deeper in one of the things that you raised about the importance of a broad mass medium. Do you consider the start-up websites and things that are sort of becoming the sort of the alternative to the established news organizations in places like Minneapolis to satisfy what you have in mind of institutions that can have the heft and the power to do

the kind of journalism and have the impact that you are describing?

MR. LEVY: The honest answer, Alex, is I don't know because I don't know enough about what's happening in Minneapolis. I guess what worries, I think there is a real role for foundations and others to launch start-ups because what we need is innovation, but I really worry about an answer to a democratic problem essentially, which rests in a very fragmented environment of lots of short-lived experiments in different places that reach people who are interested in those things, but nobody but people who are interested.

So I don't know about that particular case, I think the challenge is how, I mean the challenge is one about how news returns to its role as something that engages people to participate in a democracy. And my worry is that lots, letting a thousand flowers bloom is good and is going to happen and it will be very creative, but I don't think it's the answer to either the mass appeal or the strength that I think news organizations need to have if they are going to withstand the pressure. So I think the challenge is how do we find a new model that engages large numbers of people, not just the aficionados?

MR. JONES: There was a report recently about how the French government is going to subsidize newspaper subscriptions for young people in France. Kind of an amazing idea actually, criticized by some, embraced by others. Do you see that as, I mean given that we've been talking about direct government subsidies and intervention, does that seem plausible to you, in France, as an effective way to get young people to become addicted to newspapers, if you will?

MR. LEVY: We did a conference in Oxford about ten days ago with somebody from the Internet and press of that commission that President Sarkozy set up and various people involved in some of the British debate about policy. In Britain, the debate is essentially about local newspapers, the future of local newspapers. In France, the debate is essentially about the future of national newspapers because the two markets are mirror images of each other. The British market is dominated by national press, the French market is dominated by local press, so in each country it's the one that is the struggling one that is in most difficulty.

But to answer your question, I think it's a rather creative idea because it pushes the challenge back to the news organizations to say here, here's an

opportunity for you to recruit people. So we had somebody from *Liberation* at our conference who is, and they are doing lots of interesting things. They've just moved to a pay model for their website and I said to him, I said okay, how are you going to use this opportunity that every 18 year old can get a free newspaper to subscribe to, a free newspaper of their choice to subscribe to? What's your advertising campaign going to be to recruit people?

To which the answer was there's not going to be a campaign, we haven't thought about that, we're not using it. And I just think that's a wasted opportunity because if I was in his shoes, I would say, you know, what's the problem, the problem is an aging readership, here's an opportunity to give a free subscription to all young people, anybody over 18, how do I make sure they come to my newspaper, rather than somebody else. So I think it's interesting and it could work but it poses a challenge to newspapers to make it work.

MR. JONES: Geoff Cowan, does that seem like a plausible thing that could happen in this country?

MR. COWAN: Let me make one answer to that and then say something else too. I understand that the

*New York Times*, and somebody here, there may be somebody here who knows about the *New York Times*, but I was told this by one of the *New York Times* circulation people, that the *New York Times* audited circulation includes over 100,000 copies that go on college campuses and which is paid for by the universities. So that's a kind of hidden example of something like that that's already done.

I know Vartan Gregorian had actually proposed at one time that there be much more of that done. I doubt the government would do it but, in a certain sense, the government is doing it, to the extent that those are public universities. So I could see something like that happening, I don't think it would happen that way.

Can I mention one other thing, Alex--

MR. JONES: Sure.

MR. COWAN: --not talking about at the table and I just wanted to mention this because it's a very important area. As we have more and more fragmented and weak news organizations, which is part of what we are talking about here, we lose something else that's important, which is, and I apologize for speaking about law as a lawyer, but we lose the ability to have strong lawyers protecting and fighting for



these news organizations and I don't think we can underestimate how important that is in a world where we want the press to be engaged in accountability journalism with investigations of all kinds.

MR. JONES: I think it goes beyond that, I think it's the First Amendment guarantees that news organizations, strong news organizations, have been absolutely essential in defining the way we understand them now. The ones that we take for granted now, they certainly weren't always--

MR. COWAN: And I think that's something that shouldn't be lost in this conversation because I think it's extremely important.

MR. JONES: Absolutely, I agree.

Rick Edmunds, you have done some rather disturbing research about what we are really talking about in terms of the loss of reporting power and news generation, would you talk about what you found?

MR. EDMUNDS: Well I did a piece that really just kind of occurred to me as something worth doing a month or a month and a half ago, trying to quantify how much news spending and news effort has disappeared from newspapers in this difficult time. And taking some more or less available information about how much the industry has decreased, it's gone

from a \$60 billion industry to somewhere in the mid 30s, as of the end of this year.

And then a sort of educated estimate of how much of that budget goes into news gathering itself, I came up with a figure that, in the course of just these last three years, about \$1.6 billion annually, billion with a b, has gone by the boards. And there are several different things that are interesting about this. Bill Densmore had a nice discussion on this in his group, that yes, that's a lot, it's a lot in comparison to the scale of the new ventures and, well, recognizing this is a somewhat unfair comparison, it takes 1,600 *Voices of San Diego* or *MinnPosts* to make up--

MR. JONES: Sixteen hundred?

MR. EDMUNDS: Sixteen hundred. They are about a million dollar a year operation. And then there's the question of what, granted maybe there's some waste and some things we're not really going to miss--

MR. JONES: Well we're talking back to the office now.

(Laughter)

MR. EDMUNDS: But as Bill's discussion group covered, it's a little disturbing to think of

what is it that we don't know that that \$1.6 billion might have turned up. And I think that's kind of cumulative, it keeps on happening.

MR. JONES: Well it seems, I mean again, what I have inferred from these circulation figures is that people were making a counter-intuitive decision because they valued something. And my guess is that what they valued and what was worth their money, voting with their pocketbooks and spending more for something that is of arguably less quality is that they believe in the mission and the institution. And to go to your point, if the newspaper business and these news organizations are to be saved and are to preserve that audience and grow it, it's going to be based on a perception that they are giving something really valuable.

And the extent to which they are undermining themselves is the extent to which they are diminishing that news gathering potential and that mission, that they can then, you know, be the value that people are willing to pay for in a time when they don't really have to pay for it at all.

I want to open the floor. We've got about a 15 minutes, 12-15 minutes, and your questions are welcome.

MR. KARP: Hi. Scott Karp, CEO of Publish2.

And let me ask a question from the commercial side of the table here. I sense when I listen to a lot of these conversations, and I'm going to ask whether you think this is a fair characterization, sort of a capitulation, if you will, on the for profit model, on the large scale for profit model. And you know, the numbers sort of certainly make people start to feel that way and that's understandable.

But it seems like we are a little bit early on. Like in the early days of the web, like 1994, 1995, there was a general view that search was not a business and that it had to be subsidized by portals, like Yahoo and Excite, if you remember that one, and that, you know, it was just something that you had to put money into but you never make money off of. And that view persisted until around about 2003, 2004 when a little company called Google came along and sort of proved that wrong, but it took a while.

Would you all agree that there is a little bit of sense of capitulation on a large scale for profit model and that we are maybe too early on to capitulate?

MR. JONES: David?

MR. LEVY: I was her six months ago and attended a talk by a senior person at the *New York Times* who was talking about their publication plans or their circulation plans for the next year. And from memory, *New York Times* has a circulation of about a million. It has an aspiration to be a national newspaper. You are a country of 300 million people? Yeah? So my question to her was in a country of 300 million, if you wanted to kind of build the *New York Times* and you want to become a national newspaper, what's your circulation target? The answer was the circulation target is to stay at a million.

And you know, newspapers are businesses with high fixed costs and relatively low marginal costs. The clear way to kind of try and build your business is try and make your content work harder. The most successful newspaper in France is a regional newspaper called *West France*. It has its own problems, but it produces 15 different regional editions, all of which with tailored content, and so it's a regional newspaper that's effectively a national newspaper.

So I suppose I agree with you, people are giving up too fast, and I also think people are not being very creative about how they think they might

actually expand their business, rather than just sort of defending their position.

MR. BALBONI: But the *Times* has, you know, 10 to 15 million users a month online, I mean they have built their brand nationally and they are doing extremely well.

MS. KING: And they just put money into San Francisco and into Chicago.

MR. BALBONI: You can't judge it just by the print product alone.

MR. LEVY: No, and how much are they making online?

MR. BALBONI: Well I don't know, they don't reveal that.

MR. KARP: It only covers 20 percent of their cost.

MR. JONES: Well I know a little bit about this actually.

(Laughter)

MR. JONES: The strategy is based on not keeping the circulation at a million because that's a circulation figure they want, it is increasing the cost of the paper just enough to keep it at a million and still be able to harvest as much revenue as it possibly can. That's sort of the, the sort of the spot, the

sweet spot.

Dan, am I right about that?

MR. OKRENT: The price, not the cost of the--

MR. JONES: No, no, I mean the price, the price. The thing about the *Times* that is the most promising for it is that it has had a very elastic ability to charge for the print product. The people who want it are willing to pay for it practically, you know, I mean I have it on my doorstep every day and it is a, it's a luxury.

MR. LEVY: Can I, I mean that's great, but I think it could also induce complacency. When you have people like yourself, who want it so much, the question is do you focus more on them than the others? Take *The Guardian* in Britain, for example, *The Guardian* has, it sells about 350,000 copies a day in a country of 60 million people, has a website that I think attracts about 20 million people a week around the world, half in the U.S. It's a newspaper which had no presence in the U.S. five years, ten years ago, now has half of those 20 million I think come to it from the U.S.

So there are opportunities, I think it's just a question of, I think one of the problems, you

know, in a business which is about scale, America is a great example because you've got a lot of scale, but I think it also means that sometimes it makes people complacent because they can rely on people like you who will buy the product come what may.

MR. BALBONI: And could I just say something about *The Guardian*, which is a great newspaper and a great website, they are losing 200 million pounds a year right now.

MR. LEVY: That's true but --.

(Laughter)

MR. JONES: Josh?

MR. BENTON: I would also point out that one way in which the United States is different from some European models is that our journalistic resources have always been much more geographically distributed. I mean I don't worry about the *New York Times* all that much, I think as a national, with a national model, they are going to figure out a way to work. But that's not where the resources have been and because of our system of government, the need for reporting is not, you know, where the *New York Times* is, as much as it is in every, in the *Dallas Morning News* and the *New Orleans Times Picayune* and the rest.

To get to your question, I think that I do



think it's possible someone brilliant will come along and figure something new, but I suspect that the days of a large, you know, major metro newspaper sized organization that doesn't have a national reach but is also no longer able to charge the monopoly advertising prices they were able to for decades, I think those days are over. And maybe that's capitulation, but that's just where I suspect things are going and it's going to be an era of many more small players, rather than one dominant player in a particular metro area.

MR. COWAN: Alex, can I get in on this?

MR. JONES: Sure.

MR. COWAN: Sometimes we don't remember the long haul, and even in this country, so we had this period of 50 years of incredibly profitable publications, that's an aberration. In 1940 a book was published, which was actually a second edition of a book that had been published ten years earlier, called *The Vanishing Daily*. There used to be seven, eight, ten newspapers in cities, we got down to one, we forgot about what happened to the other ones that didn't, that weren't profitable. Publications didn't used to be hugely popular. I think we will not have the same profitability model but it doesn't mean we won't have the same commercial model.

And I just want to give a couple of thoughts about that, Alex, and one is technology may benefit newspapers and broadcasters in ways we haven't thought about. The changes in the printing presses, for example, made newspapers much cheaper to print. We don't know what's going to happen with technology that may actually end up, that's part of why I believe in investment in that area. There may be things that make the distribution model cheaper than it is now or the printing model cheaper.

Secondly, there may be, and this is where David's point I think is important, there may be new ways of charging for things. Fox, all of the cable news channels are profitable, why? Because everybody who gets cable pays for them, whether they want to or not. Under a government sanctioned monopoly system, by the way, which probably, without government sanction, would be unconstitutional, would be an antitrust violation because it's bundling.

But the government sanctioned it, so it's possible for somebody who doesn't want to get MSNBC, you have to pay for it. If you don't want to get Fox News, you have to pay for it, and that's why they are as profitable as they are. So I think there may be all kinds of new revenue models and savings that will be

created.

MR. JONES: Saving, just in line of that, just I mean I know one thing that's happening in newspapers is that they are basically separating printing from the newspaper increasingly. I think you are going to see an awful lot of newspapers, maybe even the size of the *Boston Globe*, that simply go out of the printing business. They are going to be contracting it out at great savings, in terms of, you know, salaries and machinery, and certainly upgrading, in a way that they could have done all along but they wanted to have their own press. Well presses work most efficiently when they are working all the time and that's not the way it is now, increasingly that will be.

MR. KARP: Do you think we've explored sufficiently advertising models? I mean I would contend that pretty much the only online, digital advertising models we have explored are basically taking the print models and, you know, copy pasting onto the web and those have, we don't have the same monopoly control on the web and we can't have the same monopoly pricing for the same product that we used to charge monopoly pricing for.

MR. JONES: Save that thought for the panel you're on after lunch, okay? Because that's a

very important point and we'll get back to it.

Joan?

MS. WALSH: I just, what Scott wanted to say, this conversation is a little bit pessimistic because it's very print centric and what happens to print is not the same as what's going to happen to journalism and the news.

And I had one data point for Geoff, which is very sad, but my daughter is a sophomore at Fordham University. Is Zephyr Teachout here? Go Rams.

(Laughter)

MS. WALSH: Fordham is the Harvard, we call it the Harvard of the Bronx.

(Laughter)

MS. WALSH: And the *New York Times* is delivered to every dorm and to lots of other places and I arrived to pick her up for dinner and it sits there. It sits in a stack all day long and I browbeat her, so she picks it up when she knows I'm coming.

(Laughter)

MS. WALSH: But, you know, it's sad to me, we're not, I don't really think we are going to reach them with the print product, but she reads the *New York Times* online.

MR. JONES: When you were in college, did

you read newspapers?

MS. WALSH: Yes, I read newspapers. I went to the University of Wisconsin-Madison and we could only get the *Times* on Sunday and you carried your *Times* around all day, rain, snow, whatever you did--

MR. JONES: I want to ask for a show of hands of the people in this room, when they were in college, were devoted, you know, daily newspaper readers?

UNIDENTIFIED: We're not a fair sample.

(Laughter)

MR. JONES: I guess what I'm saying, I've never understood why we were so obsessed with college kids, I don't think that's where we ought to be expecting to have our traction. It's the people I think who make a geographic commitment that they are going to be interested in news, at least that's, you know, I mean you're interested in news in the sense that when I was in college I watched the evening news because the Vietnam War was on, but I was not reading newspapers. I guess my point is that, you know, I have hope for your daughter and the *New York Times*.

(Laughter)

MS. WALSH: I don't but we'll see, I'll keep you posted.

MR. JONES: Okay. We have time for one more question. Yes?

MS. POSTREL: I just wanted to say this is a follow up on that. When I was in college I not only read the college daily and the *Times* but I paid for them and I was very poor. But more importantly, I moved from Dallas back to L.A. a couple of years ago. Up until that time, I had always had three newspapers, the local daily, the *Times* and the *Wall Street Journal*. I now have the *Wall Street Journal* and after a year in L.A., we decided we would get the *Times* Friday, Saturday and Sunday so my husband could do the puzzle. Everything, I mean I'm nearly 50, I'm not a college student, I read everything online.

MR. JONES: So I do a lot of people. I mean I guess the point is that, not that you read it online but that you are interested in news enough and you support the institution. And I wonder if you, do you read the *L.A. Times* online?

MS. POSTREL: I get the *L.A. Times'* headline service and read those articles that interest me.

MR. JONES: Well let me put it this way. If there was a news organization that you considered valuable and it needed you to buy a subscription in

order to feel that you were supporting it like you support NPR, would you?

MS. POSTREL: Well we can talk about this later but--

(Laughter)

MS. POSTREL: --I come from the world, I spent most of my career in the world of nonprofits, nonprofit journalism. I mean, you know, I support things I think are valuable, but that's different from, I mean that's a charitable decision, that's different from a commercial decision.

MR. JONES: I don't think, well I--

MS. POSTREL: I mean in the sense that anything you purchase is a purchase of I think this is valuable, therefore I pay for it.

MR. JONES: Well if you consider that newspapers have been and these news organizations have been creating a public good from a commercial enterprise, you know, they are in the NPR--

MS. POSTREL: The private provision of public goods is--

MR. JONES: Well, in any event, thank you, panelists. Thank you for a very stimulating first panel.

(Applause)

MR. JONES: We're going to start the second panel almost immediately so if you want to get a cup of coffee, please do, come right back, we are going to start right up.

(Whereupon, at 10:17 a.m., there was a brief recess.)

(10:27 a.m.)

MR. MELE: I think this next panel, this next panel is on disruptive technologies and their impacts kind of broadly even in other industries, not just news. My name is Nicco and I originally come out of kind of both the Internet world and politics. With, Zephyr and I were the senior Internet staff on Howard Dean's campaign from very early on and subsequently have done a lot of other work in politics, and you know, so my experience is in kind of the disruptive nature of politics.

I also have started a couple of start-ups, one is a nonprofit called Proxy Democracy, aiming to disrupt the mutual fund proxy voting business, which is a little obscure and odd but it's fascinating to me. Another is called Genius Rocket, which is really designed to take the Internet and disrupt Madison Avenue's kind of closed door creative process that drives me up a wall.



And so I'm hopeful that our panel that we have assembled here will provide a fairly dramatically different frame of mind and world view from the prior one, just because of the, everyone on this panel is not directly out of the news business, for the most part, and just takes a, come from different industries and different experiences and I think will present some different views. I think that the goal of this panel is to really be disruptive and that's why the word is in the panel title and I excel at that.

(Laughter)

MR. MELE: And just to get us started, I had a couple of thoughts before I start to grill my fellow panelists and hopefully get the most exciting and disruptive thoughts possible out of them. The first is I'm a very avid video game player and I see, as a disruptive model for the news, potentially video games. One of the best selling games in American history is Sim City. Sim City principally involves land zoning and managing your own city and would be a great way to distribute local news, to combine the virtual with the real. And in fact it's really kind of terrifying that when I play Sim City, I can't actually get my neighborhood's zoning and tax laws in order to run my own little simulation.

The other observation I have is that in politics technology has been just dramatically disruptive at the federal level. I think there's no doubt that Barack Obama would not have one the primary and consequently the presidency if it were not for the Internet. And it has been relatively starting to look disruptive at kind of a hyper local level at the kind of, you know, dog catcher and up races.

But it's really at the county and state level, in congressional races, senate races and gubernatorial races where the technology has yet to be dramatically disruptive in any real way. This is important I think because Clay Shirkey, when he was here a few weeks ago, talked about how he kind of saw the same thing happening in journalism, that in journalism there were definitely national models and there were definitely hyper local models. But it was the state and county level kind of accountability journalism that he saw dramatically suffering in the digital age and he said outright he thought it would lead to kind of low level corruption across the United States at the state and county level.

And so those are just a couple of thoughts as we try and get into this panel. I think I'm going to start all the way to my right with Sherry. Sherry

has a, is from MIT and has kind of a background studying youth and technology and society and technology and I just would, you know, one of the things that Sherry had mentioned was kind of the role of technology in disrupting education, especially with the media and kind of experiential habits of youth.

MS. TURKLE: Great. Well I've been pretty excited by the talk here about studying the user base because actually I kind of bring you data. That's kind of what I do for a living and I bring you data from the field I think relevant to growing that base because what I've been doing for the past seven years is essentially studying the adolescent years, which I'm saying are from 13 to 25, and believe me, I think I--  
(Laughter)

MS. TURKLE: I think I should be starting earlier and ending later, but I--  
(Laughter)

MS. TURKLE: --I had to stop someplace, kind of junior high through the end, for most people, of a higher education experience. And basically the bottom line, when I talk to them about news, is they say something like, and these are quotes but I took them kind of at random, I will pay for the *New York Times* on my iPod every day, now it's free, why is that?

They pay for their, they are used to paying for their music on iTunes, they are allowed to have ten seconds of music and then they have to pay up.

It just came to pass that you can just, I guess they, I was just talking to Bob Giles about, you know, what was the history of how the *New York Times* had a brief blip of pay and then went back to get it for free. I mean they are used to seeing the news as being free now, but they kind of think it's, for the ones who read news, that it's just as valuable as what they spend 99 cents for to get a song, I think they are a little bit surprised.

One said that's not my fault, as she--

(Laughter)

MS. TURKLE: You know, she kind of was showing me the *New York Times* on her iPhone and added it's not my fault, I'm used to paying for my music, I don't quite understand this.

One lovely thing about being on Facebook and Twitter is when I knew that I was doing this panel, I sent out to my wide friend base from 13 to 25 for their comments on this matter and I got I actually just read a few articles from *Atlantic Monthly* and *Foreign Affairs* for homework this evening, but I would have loved to get this and other stories on my iPod.

I usually read news on my phone and sometimes on my Blackberry and, she means my i, she has both an iPhone and a Blackberry, and equal opportunity person. I usually like to read news on my iPhone and Blackberry and I will continue to do that but, and this is a very robust finding, receiving news in podcasts is better. Now, what is there about the podcast? The podcast is you can have it, this is a generation always used to having it in your ears and they want to be read the news.

It's a little bit like my saying I love to read but actually it's more convenient when I drive to listen to an audio book. I'm not any less a reader, but I love to listen to an audio book. So, just getting back to this, and stop me when I hit too much time, just those first remarks were over what I had prepared. I come to this by studying how technology disrupts ways of thinking, being and seeing, so I'm essentially studying the subjective side of the technology that effects everything from business models to what it means to be self, how education should be done.

And so based on the seven year study, I'm going to give essentially five points of how technology disrupts this generation of readers and listeners. I

prefer to think of them now as readers and listeners. A note on my general orientation in talking about these disruptions, again on technological determinism, I'm definitely in David Levy's camp, we make our technologies and our technologies make and shape us. We bend to what technology offers and to what it makes easy.

All of this is true, but I'm not a technological optimist because I believe that, among other things, disruptive technologies afford us an opportunity to assert human purposes, indeed to ask ourselves, you know, and not just here but all the time, and I think that's a cultural conversation that's happening, what again are those purposes, what indeed are our human purposes? Journalism narrative, investigative journalism may be among the human purposes that we think democracy needs, and I see this entire conversation as a chance to come up with better reasons of thinking why and how that might be so.

So five ways digital technology changes expectation, forges a new sensibility, disrupts education with an eye towards journalism and its discontent.

First of all, technology changes how people read. Clay Shirkey said society doesn't need

newspapers, what we need is journalism. So he continues, we need to shift our focus from saving newspapers to saving journalism, I'm all for it. But there's a big problem in his formulation, something is left out, newspaper reading creates reading space that journalism occupies, and just as teenagers tell me that they cannot bear to watch black and white movies and they want to listen to their stories on their iPod, teenagers leave us with this profound question, will we be able to read journalism when we don't have newspapers to read them from? This is not a trivial, you know, it's a McLuenesque point, but it isn't a trivial one, given how teenagers talk about reading. There is not one answer to this question.

There is one group of teenagers I find in my data who is trained to read and they just basically want to read it on their iPods or listen to it on their iPhones. Think of them as readers who are listening to books on tape. So one group, readers, but they want to listen to their books on tape, they want to have it on their iPhones, they want to have it either audible or the other way. But there's another group of teenagers, who I interview, who grew up getting the news on the web and they struggle, they literally struggle, cognitively, emotionally and attention-wise, to read

the narrative forms that most of the people in this room would call journalism.

Reading on the web, if you just read on the web, if you just read on the web, if your education doesn't come in and say hey, we need to do some other things, does not favor narrative wrapped, complex lines of thoughts. Look at news sites, look at what you get when you hit the first page of Yahoo, the first page of Hot Mail. The bottom line, you cannot focus on saving journalism unless you make an active effort to maintain readers who want to and who are able to read complex narratives.

This requires teaching, this really requires the educational establishment coming in and saying that this is a goal, this is a human purpose, this is something that we actively want to encourage. Shakespeare and Yeats reading do not come naturally but we teach them because we make a value judgement that it is worth learning the skills you need to approach them and I think this is how we have to approach complex narrative journalism for a lot of people and we should not shirk away.

One of the things that's causing us to shirk away comes from the, comes from my establishment, the study of media establishment, and a lot of people



are saying, and I will not mention names, that just as connectivity creates expectations of multitasking, that this is kind of the future of education. That you, you know, educators need to catch up with their students in the ability to multitask. It's a little bit like saying, you know, on Facebook, you have friends, you friend people, they are not really friends, but these weak ties are, after all, what makes the world go around now.

I kind of disagree. We've done some studies at MIT, that are very compelling, that if you let students essentially multitask during their class, and you know what that looks like, they are at their laptops and they are not looking at you, you know? They are underneath the table with their iPhone and they are kind of coming in and out of your lectures. We've all been to conferences now where I see where channels are set up for people to be doing that while they are looking to you, you are supposed to be responding to the channels while you are doing that.

I love all this media, I'm a very, I'm no Luddite, but basically we are learning now, from very compelling studies, that when you multitask, your ability in every one of the tasks goes down, and that's happening to our students.

So let us take account of this new research, this excellent, fastidious research that shows that multitasking degrades performance of everything you multitask. Those pilots who overshot their airport were on their laptops.

(Laughter)

MS. TURKLE: Multitasking cannot, no matter how much, as educators, we want to jump on the kind of multitasking band wagon and say it's the way of the future, it's the cognitive style of the future, it is not the gold standard. It is good for some kinds of things, it is not good for every kind of thinking. Implication for the news, stay with narratives that need to be read with all of your attention. It really is your product, you know, I think it, I think that's the gold standard.

Next point, simulation technologies create a crisis of authenticity. It is being challenged, but it is also craved. This story is not simple. Of course, in the history of journalism, authenticity became acquainted with authority in the eye of an expert eyewitness, now we have bloggers, but here we face a very complex dynamic, as more and more of the population I study become bloggers. They know that they don't know what they are talking about. This is a

piece of the user puzzle that is going to take a little time to unfold.

You now have a cohort, my daughter has a blog, really.

MR. MELE: Does she read the *New York Times*?

MS. TURKLE: Yes, she does, yes, she does, she reads it and doesn't pay for it. She is in Dublin reading the *New York Times*, not paying for it. I just think that the *New York Times* and iTunes need to chat.  
(Laughter)

MS. TURKLE: So here's this crisis of authenticity. Authenticity is challenged and it is craved, so here's the complex dynamic. I think that authenticity is to this generation what sex was to the Victorians.  
(Laughter)

MS. TURKLE: It's a threat and an obsession, it's a taboo and a fascination. In the culture of simulation, authenticity is not altogether rejected. On the contrary, the Victorians didn't reject sex. On the contrary, my research shows that among teens there is also a craving of expertise, of being there. They know what it is to be a blogger, they are all bloggers, and they are beginning, just

beginning, to admit what they don't know.

Young people have an expectation of continual peer support. This is what supports the idea of the me newspaper, the newspaper that just speaks to your interest and supports your point of view, but it goes beyond wanting to read only selective text with constant texting, calling, Twittering. They move from I have a feeling I want to make a call to I want to have a feeling, I want to have an idea I need to make a call, I need to have something that supports me.

David Riesman would be spinning in his grave, he would have been talking about a hyper other directedness for this generation, a radical looking to others, instead of looking to self, and this is the other directedness taken to a higher power. This in fact is one of the things that leads people to continual news, first to a news with which they agree, for the support, but also, and this is nascent to a rebirth of interest in experts, the other directive self is insecure and finally does not find insecurity, does not find security just in big numbers with everyone equal.

I think there will be a thirst for expertise. Where students say they find that place taken now is by Jon Stewart and Stephen Colbert.

There's a reason and it may surprise you. Why do people, why do teenagers think that Jon Stewart is an expert? Because he takes so much time to come up with these programs. The programs show time, effort, time. Velocity and volume is the life of these kids. Somebody who looks like they have put so much time into this is--

MR. MELE: It's a craft.

MS. TURKLE: Time, craft, that's craft.

Young people have no expectation of privacy, and this maybe is where I'll leave it. We've become virtuoso of self-presentation and people become accustomed to living their lives in public. If you give up your privacy on MySpace about everything from your musical preferences to your sexual hang-ups, these kids are not likely to be as troubled by corporations to the government knowing who you call, what you buy or what websites you visit.

The challenge to privacy leads to many questions, but none is more important than this one, what is civil society without the ability to know and defend the boundaries of privacy? My grandmother took me to the mailboxes every morning, she's from an immigrant family, every morning she told me that it was a federal offense to open up other people's mailboxes,

other people's mail. This, she told me, is what made America so different than Europe, where the mail was used for spying, to learn things that could be used to blackmail people. That's why America is a free country. I learned the connection between privacy and democracy at these mailboxes.

In my own work, in my own work, in the 1980s, Americans told me that they did not want a chip in their car that would enable automatic toll booths because that would be able to tell somebody wherever you went. We have gone from that to having Looped on my iPhone that essentially tells everybody and my network where I am. In the 1980s, where you went in your car was a zone of necessary privacy, now you are holding up traffic if you don't have EZ Pass for the Mass Pike.

Many people get the idea that we are all being observed all the time anyway, so I really don't have a need for privacy. This was the theme of a webi award ceremony I recently went at where they were talking about the wiretapping and all the weberati basically came up with this idea if you are not doing anything wrong, who cares who is looking? This way of talking is popular among high school students, with a little bit less flourish.

But in conclusion, sometimes a citizenry should not be good. You have to leave room for this, space for dissent, real dissent. The teenagers I speak to do not know how to think about this. You have to leave a technical space. The sacrosanct mailbox, these kids are used to knowing that their mailboxes on the web are like jokes, anybody can look at them. You need to have mental space, the two are entwined.

My grandmother made me an American citizen, a civil libertarian and a defender of individual rights in front of a row of mailboxes in Brooklyn. And I'm not sure where to take my 18 year old daughter who still thinks that Looped, the application, as I said, that uses the GPS capability of her iPhone to show her where all her friends are, she still thinks it's creepy but she notes that it would be hard to keep it off her phone because all of her friends have it, they would think I had something to hide.

In democracy, perhaps we all need to begin with the assumption that everyone has something to hide, a zone of private action and reflection, a zone that needs to be protected from our techno enthusiasms because I am haunted by the high school sophomores who tell me how hard it is to find a pay phone in Boston

because that's where they need to go when they really want to make a private call.

MR. MELE: Thank you, Sherry.

I think that despite Alex's admonition that we not talk about college students and their thirst for the news, I suspect that when we, I suspect that one of the real values of, you know, Sherry's work is to help us think in a broader, disruptive way about media and about the generation that is coming and the way that they think of and approach media. That's going to help us figure out how to make money from the news.

In particular, I mean the media habits of 13 year olds, I wonder if we should have had this panel all be 13 year olds.

(Laughter)

MR. MELE: The conclusion of the impact of listening and the way it is analogous to reading I think is quite powerful and leads me to think about, you know, obviously the music industry, if politics is the most dramatic example of the way that technology has disrupted the established institutions and ways of doing things, the music industry is perhaps the second clearest and most powerful example of that. I don't think ten years ago anyone would have anticipated that



Apple Computer would be the most powerful player in the music industry.

Which leads me to our next panelist, Tom Eisenman, from Harvard Business School, and his experience in the private sector and also his study of the way business models try and navigate and deal with networks and emerging technologies.

MR. EISENMAN: Thanks, Nicco.

It's really hard to follow Sherry because that was so soulful and I'm from the Business School and you may suspect I'm soulless.

(Laughter)

MR. EISENMAN: You might be right, but I'll let you draw that conclusion after a little while.

I'm also from the entrepreneurship unit at the business school and I emphasize that because there was an anti, you told us to be disruptive here, so there was so much I disagreed with on the last panel that my head is still spinning, so I'm going to let it rip.

(Laughter)

MR. EISENMAN: There was an anti start-up vibe on that panel that I found disconcerting, and maybe it's anti start-up or maybe it's so pro big that, and so, David Levy, I'm going to paraphrase you.

Journalists do this all the time, professors get to do it too. You'll find it unfair but at least for a minute you don't get to talk back.

(Laughter)

MR. EISENMAN: You said something along the lines that the work of serious journalism in engaging people in a democracy is so important that we can't entrust it just to small companies and the thousand flowers blooming thing which, and then you started talking about the BBC and--

MR. LEVY: My lips are sealed.

(Laughter)

MR. EISENMAN: And so I want to point out, and here's the name that shall not be spoken in this room, and we haven't heard it yet, HuffingtonPost. I'm doing case right now, we teach by the case method at the Harvard Business School and a case I'm working on right now is the HuffingtonPost. And you can love it or you probably in this room can hate it, but they are doing something really powerful and it started as a little flower.

It was one of these start-ups and it has bloomed and blossomed into a big plant, bigger than, in terms of online reach, that the *Washington Post* and the *L.A. Times*, 20, 25 million monthly uniques. And I want

to point out that what the HuffPo is doing is aggregation, aggregation. I'm going to emphasize in my comments two words, aggregation and bundling.

Geoff, which takes me back to you. You made an off hand reference to the fact that cable news might not exist if it wasn't for government exemption on bundling. Oh did my thesis on the cable industry. There is nothing illegal about bundling. In fact, newspapers, as we know them, you know, and think of the newspapers, nothing but a bundle of a zillion different things, you know, the circulars, the horoscope, the serious news, this, that and another thing, so all that's illegal is preserving or abusing a monopoly by virtue of tying products together, and we could argue about whether the cable industry has done that, I don't think so.

I think it's important to note that the government, in the early '90s, explicitly forced vertically integrated cable operators that owed programming assets to make that programming available to satellite companies and phone companies that were getting into the business of distributing multichannel TV. So we have competition against cable and even within the cable news, I mean the fact that we've started a couple of, again love them or not, Fox News

and before that MSNBC, so we found some ways to put competition in that awkward monopoly.

I'm not going to defend the cable industry because there's an awful lot of what they do that I don't love but, anyway, that brings me around. So bundling and aggregation are the themes.

I actually think it's dangerous to try to take too much, if we are thinking about news and newspapers, from the crisis of the music industry, but one thing that they have in common is that, there's a couple of BCG consultants who wrote a book in '98 or '99 called *Blown to Bits*, clever title, and it was all about the use of digital technologies to unbundle, essentially, a whole bunch of different industries.

The music got unbundled when we could buy or steal through file sharing services, individual songs, didn't have to buy them all as part of an album with two sides and so forth. But like is the case with the newspaper industry where a lot of the wounds are self-inflicted, the wounds of the music industry were wholly self-inflicted. They create, way back before anybody could see any of this coming, a standard called Red Book, which created CDs in a form that some day could be ripped and burned.

And so when the PCs came along with CD

burners in them and CD players in them, when we had the MP3 standard created and broadband, it was just all set up to go, so people started stealing music and the rest is history. The industry, the industry unraveled in large part with its own doing. If they had stepped in and put proper DRM on CDs early enough, which was a very difficult and disruptive thing and it's hard to coordinate the industry to actually make these moves, you might have had a different outcome. You might have actually had the kind of outcome we are seeing in the television industry these days where there is piracy but it's less of a problem.

So what can we learn from the response of the music companies to their plight, in terms of the future of news and newspapers? What happened with music, the players retrenched, lots and lots of cross cutting, familiar story, nothing new there. They litigated and lobbied. In that industry, it's the parallel to what's going on here in terms of calling for government support, government subsidies and so forth.

So please let's use the courts to stop the file sharing, etcetera, etcetera, you know, let's get the kind of protection and copyright, especially as regards exports and overseas problems, so there is a

parallel. A whole bunch of failed online ventures, they saw this coming, they tried to get together and Press Play and Music Net, if you remember these things, they were disasters. And so what you got in response was an aggregator, here they come. This one came from a big company, it didn't come from a start-up, it's called iTunes and it's run by Apple.

And the point here is we, as humans, seem to want and need aggregators, and newspapers are nothing but aggregators in the old form, and in the new form we probably want something that is going to aggregate a lot of thematically consistent content in a place for our convenience. And I don't know and I don't think any of us know what that is, but keep an eye on HuffingtonPost, they are putting forward a lot of things that people want to look at.

So you get aggregators and the incumbents, the old part of the industry learns to regret that and it makes them crazy. You have in music, and this is sort of after all the pain came, we realized we couldn't sustain the structure of the majors, these four big music companies. They cut off a big part of the A&R business, artist and repertory business, finding new artists, and pushed that out to independent labels.

That's pretty interesting to think about in terms of the parallel for news organizations because it basically, and movie companies did this 70, 60 years ago, when the star system broke apart and studios became not vertically integrated entities that had all the stars on contract and owned the theaters, but eventually everybody became private contractors, working project by project.

So essentially what you have in the music industry is a whole bunch of people running small record labels searching for the next artist and making a living that way and the big majors still own some distribution and they still have a role to play in promoting the new artists. But you wonder, you know, if you look at a, and we see some of it already in news organizations. Is that the role of the aggregator in the future? And again, think of HuffingtonPost, which doesn't employ all these bloggers that are creating so much content for HuffPo.

But those bloggers may find a way to make a living, you know, there may be books, there may be speaking engagements. That's essentially what's happening in music. The artists used to make a lot of their money from selling albums, now they make much less of their money from selling music, whether it be

in CD form or online, and the vast majority of their music, of the money from touring and merchandise when they tour. So we have some parallels in news and we have people on speaker circuits, we have people writing books.

And the question I think we should take away from music for news is who is the aggregator and what's the role of the aggregator in nurturing an ecosystem of very independent content creators, journalists, who make a living in a very different way than the last generation of journalists did?

So there you go, thanks.

MR. MELE: Excellent.

You know, I am reminded, Kevin Cline I think had a few years ago wrote a blog post called a thousand true fans about a model for the music industry that essentially involved a thousand serious fans who would pay \$200 a year to their favorite musician and that that was what was required to keep the music industry, that was a new model for the music industry. And I'm curious about that model in the context of investigative journalism. Certainly in the early days of blogging this was Joshua Marshall, the Talking Points memo, said if my readers give me, I can't remember if it was \$5,000 or \$10,000, I'll go to Iraq



and report on the war directly from there.

And especially when we look at, you know, models like the HuffingtonPost, where most of the writers are free, are writing for free, I think there is a kind of critical question about compensation and tipping, which brings me to Virginia. I think today is actually the birthday of James Boswell of Boswell's *Life of Johnson*, and in your recent, in your *New York Times* review of Chris Anderson's book, *Free*, there was a quote from Samuel Johnson that stood out to me, no man but a blockhead ever wrote for money.

(Laughter)

MS. TURKLE: Except. Ever wrote except for money, correct.

(Laughter)

MR. MELE: Critical word missing there. So I think that's a nice transition. We look at the way the changes in the music industry, the way that's been disruptive, and we look at the HuffingtonPost model and writers and money.

MS. POSTREL: So, yes, one of the ways to think about this conference is to say okay, it's about how to make money in the news. First of all, what do we mean by news? There's this phrase news and information. There's the idea of narrative, you know,

people will pay for a narrative. There's also what I do which is essays and explanatory journalism, I suppose that falls under information, but it's not really news.

And then there's the question, which I think is the more salient one, what do we mean by make money? Do we mean make a real rate of return, above the cost of capital and more than alternative uses for that investment, or do we mean what's often used in discussing sometimes different types of small business, income replacing business? So the idea is there are some start-ups that are design to make a return for investors over time, profit, you know, be profitable growth companies, and there's some, like your local dry cleaners, that are basically designed to provide an income for the proprietor that is essentially what they could do, maybe a little bit more than they could do doing something else. And how you think about those, that definition of make money, in the news business, will change how you think about whether it's possible or not and what sources there might be.

So two stories. When I was in college I aspired to be a magazine editor, an editor of a general interest magazine. In fact, I aspired to start such a magazine and this was in, I was in college at the turn

between the '70s and the '80s, so let's say this is 1980. So one of the things I did was I bought a book called *How to Start a Magazine* and what I learned, to my shagrin, was that what I wanted to do wasn't possible, that there was not in fact an advertising, there was not a business model for a general interest magazine. There were business models for specialized interest magazine. Say if you wanted to start a skiing magazine, you had an obvious advertising base, if you wanted to start a camera magazine.

But if you wanted to start *Colliers* or *Harpers* or the *Atlantic Monthly*, there was no profitable model because there was this thing called television and television had taken away the advertising that supported general interest magazines. There used, and there used to, I didn't learn this all from the book, I actually did an econ history project on this too for a class.

There had been this era before World War II when magazines were supported by the kind of general interest consumer advertising that came to support television, so there was in fact in these magazines a page that was known as the Campbell's Soup page and this was sort of like, when you would open a magazine, first there would be a lot of ads in a row and then

there would be a little editorial and then there would be the Campbell's Soup page, and that was the first ad that was sort of within the editorial and it was always by Campbell's Soup, which of course then went to television and they may do a little magazine advertising in specialized women's service magazines, I don't know but--

MR. MELE: Soup Daily?

MS. POSTREL: Soup Daily, right.

(Laughter)

MS. POSTREL: So that was one thing, you know, that this has happened before and it's not just on the advertising side. There used to, one other thing is that these general interest magazines used to publish is something called the short story. You may have heard of them, they are like little novels.

(Laughter)

MS. POSTREL: And people used to read them in magazines and now you can buy them in anthologies and you sort of, I always wonder like where were they published the first time? But really the short story is now what we call the television drama. The need to have a short experience of a narrative involving characters for the audience has, for the past fiftyish years, been served primarily by television. So it's

not just that the Campbell's Soup went to television but so did the short story, so that's one story.

And the other is about a hero of mine, Frederick Douglass. When I was the editor of *Reason Magazine*, I for some reason got it in my head to read the letters and speeches of Frederick Douglass, which are not easily available but you can get them out of a large library. And you know, in addition to all his famous abolition speeches, etcetera, I discovered that the man wrote an awful lot of letters to people saying please send me money or my newspaper is going to have to close.

(Laughter)

MS. POSTREL: And when I was editor of *Reason Magazine*, which some of you may know and many of you probably don't, it's the leading libertarian magazine in the country, I felt a lot like Frederick Douglass in that respect because this was okay, what happened to the general interest magazine? Most of them went out of business or a lot of them went out of business, the rest of them were reborn as the pre Samuel Johnson model. The pre Samuel Johnson model is amateurs and patrons, amateurs and patrons, people who do not make a living primarily from their writing and people who like the writers, like the cause, like the

idea of newspapers, whatever it might be, who give them money.

And I think in a market, and this is what I said sort of at the conclusion of the, at the review of *Free*, I think in a market where the supply is going to infinity and you are competing with people who are primarily making a living doing something else, that the future of making money in the news, in the sense of making a living doing news, is amateurs and patrons, which is unfortunate because I really wanted to get away from that model in my own career. The other one is the one that we've heard of, which is the sort of music model, which is I hope books on speaking, I hope that that is also a viable model.

Which brings me back to Frederick Douglass because when he wasn't begging for money he was doing books and speaking. So I'll just stop there.

MR. MELE: So, I mean I think there's, you know, especially going off what I think Scott Karp had said about the future of large, you know, large commercial enterprise for news, you know, I think this panel so far has been, for the most part, focused on small, on entrepreneurial, on individual proprietors, on the advantages that digital technology brings to the single creator.

And so I'm going to use that to transition to Persephone and her own experience in news start-ups.

MS. MIEL: Okay. My experience in news start-ups ranges across the world really and that's I come to looking at the U.S. news industry mostly from a background of looking at very tiny, small start-ups in other countries, working for Internews Network and trying to help local news organizations often start from nothing. And it's a very different environment and of course most of my career doing that we went in with what we thought was the God given model of how, you know, independent media and independent journalism was supposed to be supported by advertising and preaching this gospel that if you can have, if you can learn how to advertise, and I started doing this work in country, in the former Soviet Union, where neither advertisers nor audiences knew what advertising was.

It was just a complete lack of advertising culture because Soviet television did not have advertising, nor did Pravda. And so we, you know, came in and created, basically helped people create from scratch, just recreate the American television industry, for better or worse--

MR. EISENMAN: I thought I was soulless.

(Laughter)

MS. MIEL: Exactly, yeah.

Which was an interesting to use, to come back, and as some of our trainers would say to us, why exactly is the U.S. government funding us to keep the world safe for "Love Boat"?

(Laughter)

MS. MIEL: But the fact is that the U.S. Government was funding Internews and continues to fund Internews in about 40 countries around the world, not to save entertainment media or television or newspapers per se, but because of the role of journalism in democracy. And I think that when we look at our topic of how to make money in news, that isn't really what we are interested in because if that's what we were interested in, we actually know how to make money in news, become the *Wall Street Journal* or the *Economist*, serve an elite, very discerning population with very specialized information.

MR. MELE: Bloomberg.

MS. MIEL: Or Bloomberg, right, plenty of places to make money in news. Or, you know, maybe produce "20/20" or other kinds of, you know, sensationalist, you know, I think that there is an almost endless market for news about medical horror, medical malpractice horror stories, the BBC's wall to



wall coverage of Michael Jackson, which almost caused me to throw a television out the window in a hotel room when I was deprived of any other news source but the BBC World Service, which would not stop talking about Michael Jackson.

So I don't think that's really the question, the question is the same question that our U.S. government, State Department and also foundation funders ask us in the countries where we work around the world, which is what's necessary for democracy, and that's what we really care about. And that's, I think that pulling that apart, unbundling that from this mythology of are we saving newspapers, are we saving journalists' jobs, are we saving the *New York Times* is really important. Because Alex said, you know, referred to serious news institutions and I believe in serious news institutions.

But at the same time, you can call the *Boston Globe* a serious news institution, but you could also call it a marketing arm for Macy's and a delivery mechanism for the comics, and it's both of those things and that's the problem. And supporting it blindly as the *Boston Globe*, which does all of those things together, when that bundling is no longer realistic is not where we should be looking, I think. And I think

there's just a huge problem.

I would also say we are sort of in a huge problem in this room that we are so clearly a *New York Times* reading audience, NPR listening audience here. I mean I got up in Boston this morning in a neighborhood where there aren't any *New York Times* being delivered. It's a minority white neighborhood and that's not where people get their news. And one of the things that really worries me is that in the transformation that we are looking at, if you look only at the motivated, activated, participatory virtuous people who are willing to pay for the news, you are leaving out a huge, huge segment of the population.

And it's not just non wealthy and non white, it's also all of us who at some point or another are couch potatoes and are not going to go looking specifically for the news we need. So, to David Levy's point about things that are available on a mass scale, accessible and there, I think that is really important.

And I'm also a big fan of the nonprofit journalism that Geoff and David are looking at, I think that's actually going to be hugely important but what I think is that we need to broaden our definition of what that is. It's not about or it's not only about journalists finding new jobs by creating nonprofit

newspapers, it should be about funding organizations, and Geoff mentioned this, non news organizations that are doing and are reporting and the watchdog functions that are really important. And most of them are not going to be traditional journalism organizations, they are going to be the Sunlight Foundation and the kinds of organizations Sunlight Foundation works with around the country, doing local versions of that. It's going to be people who figure ways to make sure that every city council meeting is webcast because there is no one else to cover it and that people working on the technology to transcribe those city council meetings so that they are searchable, huge amounts of stuff being done in government transparency.

And your Sim City thing was perfect, I love that idea, that's exactly what should be true, is that you should be able to go into a video game that's about, and pull out the real information from your neighborhood and getting that, I mean--

MR. MELE: And that exists already with fantasy sports, that's the whole idea of fantasy sports.

MS. MIEL: Right, right. So I think that if you are looking at the supply side, that's to me where the most important things are is looking at the

really, really specific pieces of journalism that we are worried about losing, which is the watchdog reporting and the accountability issues.

And then the demand side is separate and, you know, I agree with Tom and Scott, we don't have the answers. I do think there are going to be plenty of people who will figure out ways to make viable businesses and/or other entities providing news to people because I do think people will need the news.

The question is whether, with this unbundling, whether those same people will have any reason to keep that really historically accidental firewall between what we had before, which was an editorial newsroom that had some sense of we are doing this for a public reason and we are pretending that we have nothing to do with the business side of anything and we have this mission. I still think that there is a huge, there is a need for that, but I don't know where it's going to live and I think that's something we have to find out.

I don't think it's necessarily going to be big. I have very strong doubts that it's going to grow out of most of the traditional news companies that exist now, I think it's much more likely to come from somewhere else, like some of these government

transparency or NGOs or maybe a consortium of NGOs or civil society actors. And then how does that get pulled into the demand stream, which will continue to exist for entertainment media, news that is, you know, fun, sports scores, all that other stuff that people will certainly continue to consume and want?

And also, that's where I think David is right about the demand, we have to, we don't understand the demand very well and that's I think been one of the problems with newspaper journalism up until now. And actually if you look at, oh, I'm going to blank on his name, Wally Dean did a book a while back based on a huge amount of research into local television news and found over and over again that audiences didn't like what the TV news producers thought they liked. They were again and again saying no, we would rather have longer stories, we wish you would cover local education. And this wave of if it bleeds, it leads, and crime news was driven mostly by not real audience demand but the, a wave of consultants who had said that was what people wanted and this kind of fear of getting away from the pack because if you break away it's hard, it's not easy to --. So I think there's a lot of work to be done on demand because I do think there is demand for serious news.

And then bringing it around to the international thing, I mean what I'm struggling with right now, having spent a year at the Berkman Center studying U.S. news, I'm now back at Internews working with people in countries around the world who are trying to figure out what the next phase of journalism in their country is going to be.

And there's a huge push from funders to say oh, we must push new media now, without really knowing necessarily what it is. And there is a huge resistance to that from television stations, newspapers, radio stations in parts of the world that we work in where Internet penetration is often five, ten percent, if that, or 35 percent in the capital and under 10 percent in the rest of the country and where news on the Internet just simply isn't a thing yet.

So we are really struggling with how do we help those people transform into something new and what I'm seeing more and more is that for those groups that we work with who are local, which is most of who we work with, the helpful thing is that most of them haven't become as entrenched as your average large metro daily in the United States. They are not as big, they are not nearly as big. They don't have anything like the financial input, you know, as they are not as

big of an institution. They don't have as many employees, people to keep on staff, and they are much closer to their communities.

In fact, if you look at some of these, some of the publications, some of the, sometimes it's radio stations or TV stations, you could call them community media because they are actually very close and if you, in many of these countries where there was no non state journalism for years, there is nobody who has been a journalist and working in any of these places who has been a journalist for more than ten years, so they are still pretty close to what they used to be.

I mean there are TV station owners who used to be doctors and physicists and engineers and there's still a lot of --. And so I think right now what we face is trying to stop them from getting too professional or getting professional in the wrong way, in the sense of drawing a line between themselves and the community, and helping them see that there are all these new ways now for them to be part of a news ecology that is more fluid and that includes amateurs and different forms of delivery which aren't that -- sorry, I'm not making a toast.

(Laughter)

MS. MIEL: And, you know, what I would love to see is more ways to tie the news organizations that we work with in other countries into the debate that's going on in Europe, in the United States, and recognizing that Europe and the United States are having very different debates already. I mean that's the other thing I find, I think that the U.S. has to get out more and--

(Laughter)

MS. MIEL: --bring people like David over here and Charlie Beckett and other folks, because I think that even looking at Western Europe is an eye opener. It's like the American model was not written on tablets, it's an accident, and there are plenty of places in the rest of the world where there was lots of good journalism under a very different model and there are plenty of other places in the world where there are lots of interesting experiments going on.

And one huge potential of the Internet that isn't being used much at all for reasons that you can debate is the ability to cross borders. I mean everybody talks about that, like oh, we are all one connected family now, but we are really not. And you know, it's not even only linguistic, but it is. I mean when we saw the flood after 9/11 of American audiences



to *The Guardian* and the BBC, I mean public radio station in New York the day after 9/11 started broadcasting BBC World Service at 9:00 in the morning because they realized that people were just desperate to hear a non American point of view on those events, and they have kept it up ever since, God bless them. But it was startling, I mean it was, and it was very right and the flood of people to the *Guardian* right after 9/11, and it stayed.

But basically neither audiences I think nor the journalism community and the media community use those global connections anything the way like the way they could. And I think that doing that for their own sake and also for eventually creating products that could be useful for Americans, who need to be more global citizens than they are, would be great.

MR. MELE: So one of the things that leapt out at me that Persephone said is that, you know, she doesn't, you know, and maybe this is dangerous, but, you know, you don't really think the future of making money in the news is going to come out of most of the traditional news institutions.

MS. MIEL: I don't, traditional news institutions might make money, but they are not going to make it by making the news that we really need for

democracy, the journalism that we really need for democracy.

MS. POSTREL: They'll make it by Michael Jackson.

MS. MIEL: I mean you can see it, you can hear them at conferences. They are like wow, this is great, we figured out how to use user comments and then we can tie them to travel advertising so when people write about their vacations, we advertise travel to them and I'm like, and we are building community. I'm like that's great but that's not reporting, that's making money, which is fine, let them make money but it's, I just don't think that the thing that protected that professional--

MS. POSTREL: But isn't that a way to subsidize news? I mean traditionally--

MS. MIEL: Yes, but what motivates them to subsidize, use it to subsidize news, rather than to just make money.

MS. WALSH: They have to use their powers for good and not evil.

MS. MIEL: Well, yes, but when you've got a lot of debt, what's going to make you do that? What's going to motivate you to do that?

MR. MELE: Well it's related to the

bundling, to the kind of bundling model Tom was talking about, right? The bundling and aggregating model and when you are distributing something free, you have to bundle with it something that's going to make money, right?

MS. SHIEKHOLESLAMI: But I would say I guess for those of us, and I work at the *Washington Post* and I'm sort of traditional media, in all its incarnation, I guess I would say that from a, and I work on the business side, what motivates me is protecting that kind of journalism, not making money. But you need to make money in order to do that. So every day when we go to work it's about how do we sustain this news gathering organization and it has never been from the story about Darfur, you know, the model has never been about, it's the classified business and all the other things we have had to do in order to, because we feel there is an importance in doing that.

MR. MELE: And, Goli, do you feel like, do you feel like that is threatened by the digital age?

MS. SHIEKHOLESLAMI: Well I think it's threatened to the extent that we have gone from a world of limited competition to a hyper competitive marketplace, and so it's become that much more difficult to do. So not only

are we competing in our own, for the *Washington Post*, we were a local newspaper that competed in a local market. Now we compete with thousands, including people like the HuffingtonPost. I guess my question would be are they a news gathering organization or are they a news distribution platform?

And are they, do they, they don't have to make the same kind of investment in a newsroom that we do, and yet they reap the benefit. And I'm not, you know, look, all is fair in love and war and competition is good and we'll, and I mean I have full confidence, and maybe I'm naive, that we will figure out a way to do what we are doing for many years to come. But my question would be is HuffingtonPost really a news gathering organization?

MR. MELE: Especially for an expensive investigative undertaking, right?

MS. SHIEKHOLESAMI: Yeah.

MS. KING: They just recently acknowledged the link with philanthropy to do their investigative arm with former *Washington Post* reporters and--

' \* MS. WALSH: After they raised \$25 million to do what? I mean it's interesting that the nonprofit, it's interesting that after raising \$25 million to grow there's a half million dollar

investigative fund to fund public interest journalism.  
I found that interesting.

MS. MIEL: I agree, the HuffingtonPost  
makes my teeth --.

MR. MELE: Before we get too into, I  
definitely want to, I'm eager to get into some  
discussion but I have one final panelist who came a  
little late from the endodontist.

(Laughter)

MR. MELE: And is probably in dental hell  
and heavily medicated and consequently his remarks may  
be somewhat shorter but--

(Laughter)

MR. SEARLS: I wasn't anesthetized, so I  
won't slur too much.

MR. MELE: So, Doc, we've been having a  
very interesting discussion about kind of disruptive  
business models and ways of making money for the e  
industry and, you know, I still return to kind of an  
earlier comment about the, you know, the role, the way  
Apple came into the music industry unexpectedly, from a  
very different sector, and I wonder about that in terms  
of the future of the news industry and other major  
players like that. And I also wonder about the role of  
kind of start-ups utilizing all kinds of odd and

unexpected oblique ways of generating revenue from the news.

MR. SEARLS: I'll start at the end there, with Apple, because I think, then I want to go back to kind of a longer set of ideas. Apple is really weird, it's an example only of itself. It's a completely odd company, trying to imitate that is like trying to imitate Picasso, you know, you can't. And I think because Steve Jobs is utterly and completely obsessed with art. I don't think we've ever had that in a CEO before who could make it work. These are really odd and interesting cases.

It's interesting for me right now watching the phone companies because they are all, now they all have stores, now they are all trying to imitate the iPhone and it's a terribly original thing. I think most of what Apple does is original and therefore weird, hard to follow.

So, anyway, let me jump back. So I want to take the, I want to take a long view and by the time I'm done with this short--

MR. MELE: A millennial view?

MR. SEARLS: A millennial, but further than that. I want to go back to the pre Cambrian actually, before the--

(Laughter)

MR. SEARLS: --and you'll see how shortly. And just as a bit more of context, for the last 15 years I've been a senior editor, which means I'm the oldest editor on staff at *Linux Journal*, so I've followed the open source movement and what geeks have been doing for a long time and it's given me a lot of insight into where our current dilemmas are coming from. And I wanted to start with the enlightenment because there were these ideas in the enlightenment of liberty and freedom and reason and personal rights and self-empowerment and the rest of it.

And this line from the First Amendment which, you know, not only about the freedom of the press but Congress shall make no law. There is something inherently individualistic and noncooperative about human nature that came about with the enlightenment, which was interrupted when industry won the Industrial Revolution. Check your surname for what some ancestor did in the marketplace before the Industrial Revolution came along and if it's baker or merchant or weaver or something else like that and, in my own case, the surname stands for, it's a Norman name for armed, probably a soldier of some kind.

But we were defined by what we did in the

marketplace and nobody names their kid Joe Middle Manager anymore.

(Laughter)

MR. SEARLS: It's not the kind of thing you do, right? But that's normative, like now it's normative that we have an org chart. We always recruit for the position but then we hire for the person and we don't see the irony in that and we don't because the Industrial Revolution happened so long ago that we haven't revisited what it was that we lost in the midst of that.

So it's interesting to me that Peter Drucker, in 1959, came up with the term knowledge worker because he saw the rise of individual power and individual worth inside of organizations at the same time as he saw the coming end of organizations as we knew them then.

You know, *The Organization Man* was a big book back in the '50s. There's this nostalgia now about "Mad Men", which is really about the very end of that age, and we are very focused on that stuff. But back then what Drucker saw coming, and he talked about this, how the modern corporation, he said at that time, was a hundred years old. It's a young thing and he could already see the end of it coming because



knowledge workers were going to become more important, the people working for a company were going to become more important than the company themselves. The companies existed at the sufferance of the people that worked for them.

So what did we create with industrial systems? Probably one of the most developed of those was the Bell system, right? This is AT&T, Ma Bell, which we wisely broke up in the `80s. And what they wanted to do, what Bell Labs worked to do for a long time was make intelligent systems and they wanted to put the intelligence in the middle. And it gave us wonderful things like call waiting and the princess phone and touch dialing and PBXs and things like that, so we thought those were pretty highly developed and far downstream.

So what happened after that? Well the Internet came along and the Internet was basically made by geeks for geeks who were scratching their own itch, to use their own terms. And where the International Telecommunications Union, which started out as the International Telegraph Union, the ITU, which is the oldest industrial organization in the world and has a bureaucracy that is about as thick as a brick, it's an amazing thing and how well it works, considering how

complicated it is. That's on one side, that's what the phone companies are still all about.

On the other side, there's the Internet Engineering Task Force, known as the IETF, which proceeds forward on what's called, on a principle they call loose consensus and running code. Well that has outrun the phone system, that's what gave us the Internet.

So here's a little question, how long have we been talking about open source? Anybody know? How long has that been a well known name? 1988?

MS. SHIEKHOLESLAMI: `98.

MR. SEARLS: `98, bingo, 1998, February, 1998. Mozilla or Netscape, open source's Mozilla, and at that time a bunch of geeks get together and decide that free software, the free software movement had the wrong name. They probably also thought it had the wrong leader in Richard Stauman, though much is owed to him, and decided deliberately to call it open source and to sell it to business. If you look up open source today, you'll get three million some odd results. Three billion, I'm sorry, three billion some odd results on Google.

That was done primarily by one guy who wasn't really paid for it very well for it either and

didn't want any, even though he's a hard core capitalist, and that's Eric Raymond, who has been described by Chris Locke, who I cowrote *The Cluetrain Manifesto* with, along with David Weinberger and Rick Levine, as a reiteration of the first water. That's what he called it.

(Laughter)

MR. SEARLS: I could see this guy hold geeks enthralled for three hours at a time in a talk, absolutely charismatic in his approach, and was very deliberate to make open source a mean that took. And I bring this up because geeks are what made the Net. We are coping with the Internet right now and we are actually coping with what geeks are doing in the wild, and they are doing it largely--

MR. MELE: Unrestrained.

MR. SEARLS: Yeah, you know, and it's at this point there are over a million, nobody even has a rough count, open source code bases in the world. All of these can be used, and in fact are being used for constructive purposes, and what they are doing is remaking the, not just the business world but the social world, the cultural world, the academic world, the religious world--

MR. MELE: The news world.

MR. SEARLS: The news world, all of them. It could not be more radical and it could also not be more constructive, that's what's so interesting about it. And we are trying to cope with these things and it's really, really hard, so this is where I want to bring perspective back and go into the pre Cambrian, because I think actually that we are very early in whatever this is going to be. The Internet as we know it is maybe 15 years old, it's really only as old as the browser and the browser is still going through struggles, right?

An interesting thing about the open source world, by the way, is nobody ever wins, they are just leaders at any given time. Nobody is, you don't have this like clash of titans and there's a zero sum game, you know, it just keeps growing and whoever is ahead, others copy.

MR. MELE: So something I think is instructive to the discussion of journalism and news and making money in the news is Eric Raymond's essay, "The Cathedral and the Bazaar", where he describes kind of the style of programming and one style would be closed source, Microsoft, the cathedral. You have an architect who designs it, marshals a bunch of money and tells everybody how to build it and the other style,

the open source style, the bazaar, where you have people in there, relatively free exchange and leaders popping up to say I think we should do things this way, I think we should do things that way.

And I think a lot of what has been disruptive to the financial models of the news industry is the Internet as the bazaar versus the *New York Times* as the cathedral or local papers as the cathedral. And I know there is much lamented about what is lost in terms of authenticity and research and exactitude and other kind of critical things in terms of, you know, the iron core of news Alex has written about in his book but, on the other hand, the kind of bazaar model definitely is here today.

And figuring out ways to encourage journalism and financially profit from journalism is kind of the purpose of today, I think.

MR. SEARLS: Yeah. Where I'll go with this, and I'll be brief, are two things. One, in looking at this as the pre Cambrian, think of Facebook as a trilobite and think of Twitter as a bryzoan and, I hate to be so crass, but think of HuffingtonPost as an early sponge.

(Laughter)

MR. SEARLS: I'm sure you'll appreciate

the metaphor. And it's intended, probably a little bit, in this crowd anyway.

And two interesting things, one is the first time the phrase supply and demand was uttered it was actually in the reverse, demand and supply, and it was written by a guy named James Denham Stuart who was a minor member of the Scottish enlightenment and a contemporary of Adam Smith's, but it was interesting how he placed it that way. He looked at it in terms of demand first and supply second.

And what we have with geeks is the demand side supplying itself, that's the ecology that we are in, and we have to kind of adapt to that and that's the project I'm working on actually. It's called Project VRM and we are looking, among other things, for new ways that the demand side can drive supply with money and not just with demand for more of the same. And what we have with Twitter, at its best, by the way, is the demand side supplying itself.

My house in Santa Barbara almost burned down twice this last year and two fires came close to it, and in both cases I was able to follow it and participate with that far better with Twitter than with anything else. But what happened just between those two events was that the mainstream media adapted to it.

The radio stations that were completely out of the loop in the first fire were very much in the loop in the second fire. I think we were, and the radio stations, CBS and some others, were far more adaptive the second time around than they were the first time around.

So, and it seemed like there was one other piece in there, but that's all right.

MR. MELE: Well that's impressive, given the, you know, given the medicated nature of the comments.

(Laughter)

MR. MELE: I love the notion of the change in ecology and almost from in an, as a self-professed nerd, from a way of thinking about resources as scarce to abundant, from an ecology of scarcity to an ecology of abundance.

MS. POSTREL: I wanted to, I thought it was very good that you brought up the knowledge worker idea because a lot of what's being objected to now, not just from the business point of view but people, is the loss of the brand and the movement toward the individual and the individual is the brand. And you talked about people wanting expertise and authenticity, that's not the same as wanting the *New York Times*, that's wanting a particular person. And part of what's

going on now is you have people that used to be sources disintermediate.

And so now a lot of what, I mean at least the blogs I read, you know, a lot of the people who are writing them are people who in the past would have been interviewed by journalists, who then would have, you know, slightly distorted their views, or if it was me, you know, gotten in perfectly.

(Laughter)

MS. POSTREL: You know, and put it in there. And it's the same thing is true for, you know, even people who are journalists, it's the person, not the organization that is the brand, and this is why something like HuffingtonPost works, and you may not like it but, you know, it's you don't go to HuffingtonPost to read HuffingtonPost, you go to a HuffingtonPost to read a particular person or a particular story that somebody is linked to and they are the aggregator that supplies, you know, if you will, the stalls for the bazaar.

MS. TURKLE: May I say something?

MR. MELE: Yeah, please.

MS. TURKLE: I want to, two panelists were enthusiastic about the news on video games and I want to just problematize, and I know it sounded good, a lot



of people smiled. I would like to just problematize that for a minute by stepping back to what that might mean.

One of the interviews that I did that broke my heart was with a young girl who was brought to me because her teacher said that she was sort of one of the best kind of digital, you know, knowledgeable digital people and she was talking to me about the top ten rules of sim, of simulation in video gaming.

And rule number six in playing Sim City, which was the game that was referenced, essentially you are the mayor, you build your city, you can manipulate it, was raising taxes leads to riots. And on Sim City in fact raising taxes does lead to riots. And what she got out of that was a certain kind of political message because really, to her, the blur between what happens on Sim City and what happens in the real world was quite complex.

And I tried to explain to her that actually in the version of Sim City that I might write, raising taxes would lead to grater social harmony, would lead to higher--

(Laughter)

MS. TURKLE: Would lead to more hospitals and schools and in fact would not lead to riots but to

greater social harmony. She didn't understand the concepts of programming the authorship of the program, the sense that Sim City didn't kind of spring up, that we have really lost, what perhaps we had in the beginning of the geekdom land was the notion of people needing literacy in programming, literacy in needing, in understanding what it means to build a program.

With all of that as prologue, let me just say that what's happened in digital culture, essentially what I'm trying to, since I saw that notion intrigue you, I'm just trying to present the other side, that perhaps what we need is more of a wall between the simulated and what I think newspapers defend, which is what people in simulation call the RL or real life. And to really think more, tempting though it may be, to think more stringently about that wall and let me just say why.

Because in my research I find that in digital culture young people expect to take things at interface value. And what do I mean by that, taking things at interface value? In the past, transparent understanding meant the kind of understanding where you opened the hood and looked inside, and I think that's what traditional journalists try to do, they try to open the hood of a problem and look inside--

MS. POSTREL: We are going to have to disagree about that, I think that the *New York Times* is as cooked, baked in as Sim City.

(Laughter)

MS. TURKLE: Well, okay, well maybe I'm dealing with ideal types but I think that what I go to traditional journalism for is some sense of who, what, when, where, why and how of a story. In 1984 the Macintosh meaning of transparency, transparency on the Macintosh, which then got pushed over to the rest of the culture, is that you can make something happen by a double click precisely without knowing how it worked. So the Macintosh meaning of transparency is the old opacity and today that's the new meaning of transparency and this is the expectation of what it means to know something of the generation of kids that I'm talking to.

So this is why, this is how teens become accustomed to not knowing the source or character or intentions of the voices on the web. This is how they move away from demanding the who, what, when, where, why and how, because the news is like an interface, and this is how teens feel in the end, not quite accountable for what they say on the web because they are not quite accountable for what they say on Second

Life. They create a persona that's kind of like them but not quite like them, they create a Facebook profile that's them but not quite them. You take it seriously but not quite as seriously as what you do in RL, which is real life.

Now, blogging, how do teens look at blogging? Blogging is not quite, for these teenagers, not quite like RL. When you read teenage blogs and you interview teenagers about their blogs, they say what they are doing but they embellish it, just the way they embellish what they say on Facebook or what they say on My Space, when it says what are you doing now, they tell you what they are doing now but a little bit extra, a little bit that they are not quite doing. And I think that they still know in some way that the news is really RL, that the news is really real life, and this notion of a little bit pregnant or a little bit RL is very important and I think aligning that those two things is the work of their generation.

But just to end, you know, it's not only teenagers who talk this way, remember the Bush era administrator who famously said to a reporter that the Bush Administration didn't have to live in reality, they could create their own reality, and young people understood this. Young people knew exactly what he was

talking about because they are creating their own reality on Second Life and the Sim games. That administrator is gone, but I think that the simulation culture that empowered him to even think such a thing is still with us.

And I've described that there's a little bit of a push back, a generation who is making early noises about reclaiming the RL, and I think it's very important that our political discourse and our news discourse continues to be very much in the RL, it's a place that we can help them reclaim the real because we've enabled a political discourse, and very recently to veer away from real life and if journalism is to be reclaimed, I think that this has to stop. So I think keeping the RL and the virtual realities separate is something really to think about.

MR. MELE: Questions?

MR. KLEIN: Just a little bit of a response and then a question for Tom.

I think basically you over applied it to what I think Nicco was suggesting, which is essentially using essentially an API kind of tool to assemble, allow people to assemble and manipulate information, real information, in RL, germane to their lives. I create a Sim City kind of tool in which the actual

information with respect to the operations of a city could be viewed and played with by people, I think that's what you have in mind.

Tom, I really was interested in the aggregation piece of your part. It strikes me that one of, going back to the title for the program, which is who is going to pay for it, it seems to me one of the things that the Internet has done to the media and the media has let it be done to itself operates within the fair use doctrine, in which the aggregators basically pull the first 10 lines, 25 words of news stories and you then, they get all the eyeballs, they get all the advertising revenue and the original source, whether it's the *Washington Post* or *New York Times*, basically gets very little because you clicked through to the story.

So it strikes me as though that doctrine was created at the time, pre Internet, without the view of massive, economically beneficial redistribution of the first lines of text. And one way in which a component of making news gathering and reportage economically viable would be a millage charge, a small charge, a toll on the aggregator. Does that make sense? Or maybe that's a Geoff question, not--

MR. EISENMAN: HuffingtonPost makes

people's skin crawl in this room for so many different reasons that's--

MR. KLEIN: Well I'm talking about Google, Google News and Yahoo News--

MR. EISENMAN: Yeah.

MR. KLEIN: --I mean those are the ones who are really making money, they are making, you know, billions.

MR. EISENMAN: Yeah. I mean and so nothing prevents any kind of organization, any kind of website from blocking the spiders. I mean--

MS. WALSH: And they don't.

MR. EISENMAN: It's choice and so everybody has made a choice and some people, Facebook historically doesn't let Google in to spider over all of that stuff for privacy reasons, so you can block Google. You can take HuffingtonPost to court if you think that somehow they have gone over the very, very, very gray line that is our fair use rules.

MS. WALSH: And the reality is they get, I mean I don't know about the *Washington Post* but I've talked to friends at the *Times*, they get a lot of traffic from the HuffingtonPost, that's why they don't turn it off, they get a lot of traffic from Google.

MR. EISENMAN: And in terms of the

aggregators, both Google and HuffingtonPost, an awful lot of what they aggregate, and they are paying Reuters, they are paying, I think they are paying Reuters, they are paying AP, you know, so the usual suspects. So we have some mechanisms in place for protecting the content, maybe not to everyone's satisfaction, and for paying for the content. You know, so to take it a step further, I think what you would need is collective action. You--

MR. COWAN: This is where the government can play a role and the government does play a role in analogous areas. So copyright, for example, just to speak of one element of this, copyright, the question, you were speaking of copyright when you talk about fair use, so this is a copyright concept, the question is what's protected and what has to be charged for. One of the concepts that's out there is this notion of hot news. How news used to be a protected category which was, that exempted from fair use was a period of time when a news story was fresh.

And I think the law was changed, and maybe somebody here knows it, 1997 or something, which opened up the hot news, which basically got rid of the hot news exception. But if Congress wanted to, it could reimpose it and I think the notion of that would not be



then that news sites would build a wall around themselves, which is one concept, but whether there would be something like a millage charge.

That does happen in the music area. I mean, Tom, some of what you said about music was true, but there's so much more about music that goes on. If there is music playing out in the lobby here, that's not actually free to the people who are playing the music, there is a system in which fees are paid and collected because of it and we can learn from that in the news business.

MR. KARP: Can I ask a question about a deep assumption that everybody seems to hold about the aggregators? The question no one ever asks, everyone is always asking the question how do we get money from the aggregators, there seems to be again a capitulation to the aggregators. The newspaper, as you pointed out, Tom, used to be the aggregator, used to bundle this stuff up and deliver it everybody's doorstep. There still has to be sort of a giving up on being the aggregator, so why can't, instead of trying to extract money from the aggregators, why can't news organizations compete with the aggregators by becoming aggregators again?

Like Tom points out, they always have

been, and try to own the front end of that distribution model instead of sitting less profitably on the back end of the distribution model.

MR. KLEIN: --which is they are paying, they are bearing the cost of creating the content.

MR. KARP: But what used to pay for that cost was controlling the aggregation, was controlling the distribution, that's what used to pay for it.

MR. BENTON: If we want to talk about bringing back hot news, I mean then, we forget that newspapers, the very act of reporting is primarily an act of aggregating information from a lot of different sources and assimilating it into a package, doing an hour long interview, taking the three best quotes and realizing those are the highlights that we want to present to our readers. I mean if it gets to the fact that the person who is "originating" the information then has the ability to prevent anyone else from writing about it for a period of time, I look forward to the Boston Red Sox saying that all player quotes can only be reported on RedSox.com for the first 24 hours.

MR. COWAN: But that isn't how it would work, it would work that there would be what you were referring to as a millage charge. You wouldn't say that nobody could use it, you would say there would

have to be a small charge of using it, if you wanted to use it.

By the way, I want to just say one thing about HuffingtonPost, which is actually a lot of people in our school are very close to the HuffingtonPost, but I wouldn't assume at this table that the HuffingtonPost is making money. I mean there is an assumption here that that's the model, I don't think it's at all clear it's successful financial model yet.

MS. POSTREL: I think in answer to your question, I mean there are many answers to your question, but one of them is deeply embedded in corporate news culture which is that newspapers or even magazines, they have, we enforce our brand, we enforce our house style, we enforce our ethics code, we enforce, you know, a certain voice or we don't, and real aggregators are much looser.

And so a lot of the people who are writing on the HuffingtonPost, for example, are, you know, they are not getting paid by the HuffingtonPost because they are getting paid by somebody else and they have their own agenda and you as the reader can--

MS. HENNEBERGER: A lot of them don't have have other jobs. I was the first editorial employee full time for the HuffingtonPost, I was their first

politics editor. So when you said that some of the comments in the earlier panel were making your head spin, you were sort of having that same effect on me. Because, you know, the HuffingtonPost model is a parasitic one, they not only do not pay writers who make their living from writing, you know, Arianna will always say well we ask chefs to write about cooking. No, these are professional writers who make their living that way who are not being paid, on top of which if your model is parasitic and the host dies, then where are you?

I mean they have not made a dime so if we are here to talk about not only, we're not here to talk about the morality and ethics of not paying people for what they do, which I have a big problem with, but if they--

MS. POSTREL: --be here, but I'm not.

MS. HENNEBERGER: But if they are not making money, how is that a model that everyone should keep an eye on with great, and they haven't.

MR. KARP: The aggregator brand that enforces rigorous editorial standards and won the game because of their rigorous editorial standards, can you guess what aggregator that is? It's Google. Google emphasizes quality of its edit, of its results in a

completely different context of what you are describing, but it enforces quality, trust. That is how it won on the same principles, abstract, at a high level, that news organizations won the trust of their readers.

And I would also assert that the news organization structure is in large degree a reflection of the media, of print, of this is how a newsroom had to operate because we were putting together a printed product with finite space where we had to write all the content ourselves, but that doesn't mean in a digital space of infinite space where you are putting together a package, you can't operate, again abstracted, on the same principles of, you know, of trust, of high quality and all that.

MS. POSTREL: They are principles of quality but the problem is, with newspapers, is that newspapers have very narrow definitions of quality that, for example, exclude most high quality magazines because high quality mags, and most high quality magazines have too much voice and they are too, they are too non objective.

I mean, you know, that's, I like your point about Google and the idea that people will come to things that they trust as a known quality and that's

just an idea of brands being valuable, which I think, you know, what is a, Gold Medal flour, why is it a valuable brand? Because you know it was in bags and it wasn't at the bottom of the barrel, God knows what was down there.

(Laughter)

MS. POSTREL: You know, that was a literal, bottom of the barrel used to have a literal meaning.

But I think we have to think about what we mean by quality in a more creative way than news, large corporate newspapers are used to.

MR. KARP: Yeah, the idea of objectivity is certainly one of the things that gets called into complete, you know, question in this model, but it doesn't mean, you know, you always hear of it in terms of it gets thrown out or it gets held to religiously, rather than sort of evolve into some, you know, middle ground that's practical.

MR. EISENMAN: Can we come back to the not making money thing?

Melinda, I don't know how long AOL went before it made money, I suspect it was many, many years. I know that *Sports Illustrated*, if you want to go back to old media, there are lots and lots and lots

of media businesses that had to build an audience, had to build a critical mass before they made money. So we shouldn't, and I have no idea where the HuffingtonPost is going to make money, it is--

MS. HENNEBERGER: It's not that, it's just that if you are taking someone else's product without--

MR. KARP: And who is forcing these people to do this? I mean--

MS. HENNEBERGER: But I'm just saying that--

MR. KARP: --they are all grownups, they make decisions.

MS. HENNEBERGER: That's right but as those outlets decline, then what happens?

MR. KARP: They can find someplace else to go, if they think they are being preyed upon by Arianna and her team, you know?

MS. HENNEBERGER: No, I don't think you're --.

MR. BENTON: I personally have a difficult time imagining that there is going to be a time, even if, even if things go as badly for mainstream news organizations as the most pessimistic person at this table would think over the next five, ten years, that there is ever going to be a time when there is a

shortage of information for HuffingtonPost to aggregate, I just don't. I think that even in the worst case scenario, there is going to be plenty of stuff for them to link to and to aggregate.

In my RSS reader I've got about 700 feeds that I follow and I would say that less than five percent of them are produced by journalists who are getting paid to produce them. And even if you go to the next level of what they are producing, whether they are aggregating stuff that is then produced by mainstream media organizations, it's still a comparatively small fraction because there is all sorts of interesting stuff going on and some people are going to be more than happy to do it for love.

I mean HuffingtonPost, for someone who writes a blog for them, is not offering money, that's right, but they are offering a platform that leads to a much broader potential audience than someone who just starts a blog on their own. And as Tom said, the people making that choice are making that tradeoff very consciously. And if people stop making that tradeoff, that's fine, maybe they will, but I think there are going to be lots of people who will be happy to do it.

MS. HENNEBERGER: But there is a cost to democracy I think for that because that's not news,



that's not information in the same way we think of it . It might be information, it might be misinformation. I mean if you, if people are cooking it up, you know, who don't have skills in old school journalism, I personally think there's a cost to that.

MS. MIEL: I just wanted to slightly defend mainstream newspapers. I think, Virginia, I think you are probably overstating how much they are--

MS. POSTREL: Well, maybe that was a mistake.

(Laughter)

MS. MIEL: Well I mean but you look at, they are doing it. I mean the *New York Times* and the *Washington Post*, the enlightened like strong national newspapers, they are working as aggregators using things like Day Life and pulling in all this stuff, they are, and you know, they're in the top, there are three newspaper blogs in the top 100 blogs, that all have plenty of voice, I don't think that they are shutting themselves off as much as you perceive.

MS. POSTREL: No, but this, it took them a while to realize that they were actually going to have to let, and I think actually the experience of the *Journal* with Walt Mossberg undoubtedly had something to do with that. No, there are definite, and the other

thing is newspapers have traditionally allowed voice in certain areas. They allow voice on their sports page, sometimes they allow voice in their sort of entertainment calendar style criticism type stuff.

The *New York Times* sometimes allows voice on their op-ed page by people who don't work for the *Times*, but certainly they allow voice on their op-ed page by people who do work for the *Times*, I mean but there is a, and there are newspapers that are editor's newspapers and newspapers like the *Post* that are more writers newspapers.

MS. SHIEKHOLESAMI: It's also an evolution, I mean I think that, I think we shouldn't assume that newspaper or traditional media newsrooms can't evolve either. I mean I've been at the company for seven years, I think the newsroom we have today is very different from the newsroom we had seven years ago and I suspect the newsroom we are going to have seven years from now is going to be very different from the one we have today in the way that you were describing it. I think we are open to a lot more things than we may have been seven years ago but, you know, I don't think the, the goal is not to just stay static, it's to evolve.

MR. MELE: Are there other questions?

MR. JONES: Let's have lunch. We'll start back promptly. I hope you enjoy your lunch and thank you very, very much--

MR. MELE: Thank you, everyone

(Whereupon, at 12:04 p.m., there was a luncheon recess.)

A F T E R N O O N   S E S S I O N

(1:02 p.m.)

MR. JONES: Let's get started. I welcome you back. This is the panel that is going to try to address the real down in the weeds issue of making money, because all of the people on this panel represent ventures that are trying to be sustainable, that are trying to find their way into profitability, but certainly into being sustainable or to helping others become sustainable. And the title of this, although it says New Models for News, in Practice, it should have been new models for the news business in practice because, as I say, we've been talking a lot about journalism this morning, we are going to be really talking about business now.

I would like to begin with the most probably high profile for profit start-up, journalistic start-up in the country today, GlobalPost. Phil Balboni is the President and CEO of GlobalPost. GlobalPost, as you I'm sure know, is an all online international news service that is less than a year old and is trying to find its way into profitability.

Phil Balboni, you've been at it now for a few months, what--

MR. BALBONI: Ten, to be exact.

MR. JONES: Ten, to be exact? Give us a status report, please.

MR. BALBONI: Okay. Well, I'm proud to say, Alex, that we've had an amazingly successful year. This is actually the third journalism enterprise that I've had the good fortune to start from scratch and they've all been difficult. Most of them were born in adversity with massive skepticism or contempt.

(Laughter)

MR. BALBONI: GlobalPost, we have been so blessed with support and admiration from so many people in the United States and overseas that frankly it's a little disarming to be so loved, but it is truly not easy to do what we are doing and I guess that's self-evident. But it begins with a good idea, which I believe we have. I've been looking at international news almost all of my professional career, 43 years in journalism, and have seen the void grow larger and larger, and I saw a need and a financial opportunity there.

And so we first had to build a team and a brand and I think if you think about creating a new model for journalism, there are kind of three pillars or three legs of the stool, whichever comparison you would like to take, and the first leg is the editorial

content. And we faced the challenge of assembling a really high quality team of journalists in many countries, because I was committed to full geographic coverage of the entire world and we have now 74 correspondents in 50 countries, all of their biographies are on our site, and they are really an amazing group of people.

Some of them are highly experienced, decorated foreign correspondents, others are kind of in the middle of their career and some are younger journalists, but they are all very passionate about being out in the world. So those journalists and our team here in Boston, 16 full time employees, are putting up every day an amazing assortment of interesting, important stories that you can find in few or other places.

So, Alex, the first answer to your question is that we have been able to fulfill on our mission and our commitment, which was to go out in the world, find good journalists, report important stories, make it interesting for people.

The second leg of the stool is the audience, can you build an audience base. And as I was raising the capital to start my business, the most frequently heard objection or reservation or reason why

it wouldn't succeed is that no one cares about international news, people in America don't care. And unfortunately the traditional media have accepted this conventional wisdom and have slowly but steadily diminished that product.

I believe quite the opposite, I believe that millions, probably scores of millions of Americans care deeply about what's happening in the world and you just have to find an easy way to deliver it to them in a manner that they see as useful to their lives. Nearly three million people have come to GlobalPost since we launched on January 12th, we have reached half a million monthly unique users. We will achieve our goal of 600,000 monthly uniques by the end of the year.

We have set a goal of exceeding a million next year, still a modest number when you look at the *New York Times* with, depending on who is doing the measuring, 12 million, 15, 20, whatever the number, it's a lot. But our business plan indicates that we can be a highly successful business and a media organization by arriving in a two to four million monthly unique range, that we'll be, we'll join a group of currently existing elite sites that have in that audience. So we are steadily on our path, ahead of our expectations, to deliver on the growth of the audience.

And I can tell you that that audience is also stunningly global. Every month since we've launched, this is our tenth month, people from more than 200 countries every month have come to GlobalPost. And of all the statistics that you can gather now from Google analytics and other sources, this is the one that continually astounds me, from little territories that you've probably never heard of to the largest countries. Our top 15 countries are the United States, Canada, the U.K., Australia, China, India, Japan, France, Germany, Spain, Brazil, all the countries that you would hope you would be getting traffic from.

And about 75 percent of our total user population is from the United States and Canada which is frankly a very good proportion from an advertising, sales standpoint. So the audience development is going very well and we have done this with a sophisticated marketing strategy that builds partnerships.

There was a lot of discussion this morning about the HuffingtonPost, one of our earliest partners was the HuffingtonPost. I know what they do, but my goal was to find a way for them to help me, and they had a need and I had a need, and we signed an agreement and it's been very successful for us.

But we also work with my missing colleague



Melinda here from AOL. We have signed a wonderful agreement with Reuters, and I apologize to David for being a little confrontational this morning because we love Reuters. We have recently signed an agreement with CBS News and we have more exciting partnership announcements to make in the coming months. That has helped us to build our brand and to get where we are.

Now we get to the third leg of the story, which is of course the most important one, which is money. Where are we on the money stand? Well, I'll be candid with you, we'll have about a million dollars in revenue this year from our three revenue sources, advertising, syndication of our original content to newspapers, websites, television, radio networks, both in the U.S. and abroad, and then we have created, I think our most innovative revenue stream is our passport membership service, paid membership.

I'm a passionate believer in what's now called online monetization. When I was writing the business plan for GlobalPost, starting in the Spring of 2006, subscription revenue was part of my original plan. I believed then and I believe even more now, and fortunately now there are other people who seem to feel that same way, that we can't support quality journalism online unless we can have the consumers become involved

in some way.

In passport, we had to create a whole different set of content, a site within a site. Benefits for those members do something that is innovative and attractive and get people to pay from \$50 to \$99 a year for that service. And it's been the steepest learning curve of any of the revenue streams, but we have about 500 paying members, we are adding members every single day. We will have thousands next year and I see the path to 20,000, 30,000, 50,000 paying members over time and that's going to balance our revenue stream.

We passed our 2010 budget, I had our board of directors meeting two weeks ago. We passed our budget for next year, we will triple our revenue next year. We will reduce our operating loss by 50 percent in 2010 and we project that we will be profitable in 2012. Advertising, this was a tough year to launch any new business, in the face of a terrible recession and the media economy of course, as we've been talking about, was devastated, particularly in advertising. But we have made a powerful case to the ad community in New York and Boston and Chicago and other places.

People have listened to our story and have given us a lot of respect and the orders are flowing in

in increasing frequency. We just received a nearly six figure commitment from Sieman's, a big company, for two months of advertising that will start in just a week. I love this one, *The Economist* magazine just sent us an order, their ads will start appearing tomorrow. So the ad piece was slow to grow but it's really picking up. But I don't believe advertising is sufficient and that's why we created these three different revenue streams.

So, Alex, I'm happy to say that the report is a very good one. The job is not done by any means and it is, I come back to where I started, it is extremely hard work. And I always say that journalism entrepreneurship is not for the faint of heart.

(Laughter)

MR. JONES: Phil, have you had to adjust any of the expectations of how the business was going to, I mean I'm talking now about just on the money side, about how, for instance, advertising would play, how much you would be able to pay to gather from your memberships, that kind of thing. Have you had to do much adjusting?

MR. BALBONI: No, we really haven't. I mean there are moments when you look at the results and you see nothing and you look at the people you've hired

to do the job and you say do I have the right people, do I have the right strategy, am I going to make it. You just have to believe and keep working harder, so we have not.

One thing I failed to mention, which is something else that I'm a strong proponent of, and that is strong fiscal controls. In this inaugural year, in which so many things about starting a new news organization would be unknowable, we will end this year almost ten percent under budget in our total cost, and that is not an easy thing to do but you do have to pay attention to all those financial details. So part of the way you are successful is by creating a cost structure that gives you the opportunity to create quality content but also to reach profitability before your capital runs out.

MR. JONES: One of the things that I would like for you and also Melinda Henneberger, who is also a veteran of the *New York Times*, like me, to address is *Politico.com*, as a model that is germane. On the one hand, *Politico.com* is a lot, in some respects, like AOL *Politics Daily*, but it is also one of the ventures that has started up and has almost immediately become very lucrative. But its audience is a very small audience and it does not aim for a broad, you know, global

audience or something broader, even in the political sense.

It is the audience of lobbyists and deal makers in Washington, D.C. and, you know, those of us who are interested in politics can come along for the ride. But the issue advertising, the advocacy advertising, that's a thing. We had the editor in chief of *Politico* here earlier this week and he said that *Politico's* revenue streams are now 50/50, print and online, and it's moving he thinks rapidly into an area where the online revenue is going to exceed. Now that's very much the exception for most.

Melinda, talk about, if you would --.

Melinda is the Editor in Chief of AOL *Politics Daily*, a new start-up that doesn't use the word, that doesn't use AOL very often in identifying itself.

MS. HENNEBERGER: No, that's not part of our title, we try to keep that quiet.

MR. JONES: But it is AOL and it is a venture that's intended, I mean my sense is it's intended to basically be a competitor to *Politico*.

MS. HENNEBERGER: No.

MR. JONES: No? Okay, well tell me.

MS. HENNEBERGER: Okay. Well maybe just

for those of you who are not yet familiar with it, I'll just give a little background on the thing before I answer that. Really just about a year ago now a miracle occurred in my life that someone I did not know at AOL, who runs their whole news operation, called and said I just read your book, and so he was the one. I mean nobody read my book and--

(Laughter)

MS. HENNEBERGER: He said I really liked it and I would love for you to base a web-based magazine on it, so why don't you just come to AOL and launch this thing called *Politics Daily* and do whatever you want. Well, you know, I mean I still can't believe this happened, right? So I am in, I think, a pretty unique situation of getting to start something from scratch and doing it in what I think is the way it should be done and testing my theory that quality can work on the web and that everything we think we know about what works on the web may not be absolutely 100 percent true.

Like I think it was Sherry who was saying, you know, actually there are readers who crave authenticity. And what I'm finding, so I've had this amazing luxury of putting things together in a way that I see as, you know, ideal. I mean I'm hiring the best

people in the business instead of hiring, you know, instead of hiring people who I don't have to pay or pay much at all. I'm able to do long form journalism, long form narrative, and I'm finding that some of the stories that have done the best are 3,000 words long.

You know, we think we know that we all have the attention span of a gnat, so no one would ever want to read more than 300 words, not true. And I think it's because we are counter, part of our success, and we just hit six million uniques for this month, is that we are really counter programming. So while everybody else is doing it a different way, there is a place to come for the person who wants a little more substance.

Another thing we think we know, especially about a political site, is that you have to be hyper partisan to succeed in the HuffPo model. Well that is one way to succeed but there is also the reader who wants to get the full spectrum of opinion and who, you know, another one of our differentiators is that, and people think oh, my God, this can't possibly work. We talk about a respectful dialogue like, you know, I might have the worst mouth of anyone, but there is no profanity on my site, because I'm just old school in that way, I don't like it. And there is a reader to

whom that's very appealing, to be able to go there and hear people who are not screaming at each other and who are, you know, presenting the whole spectrum of views.

So I mean we are even, you know, someone was talking about how short stories, where are they? We are even running political fiction and doing really well with that. So I mean I've never had so much and everyone on my team says they've never worked harder or had so much fun because what we are really trying to prove is that this can be a model, not the model obviously, but a model for the future. And the reason that we have this luxury obviously is that with AOL behind us, you know, not telling us what to do editorially but supporting us financially, I mean they have this firehose of readers, right?

So if we can convert even a tiny fraction of those old dial up readers, who are really going there just to see their e-mail, into real long term readers who are very committed to the site, then we can do very well, while we also try to pitch to an outside AOL audience. And what's been I think particularly heartening is we knew it was a no brainer to get those eyeballs from AOL but every single month our outside AOL network numbers have been shooting up in a really positive way.



So it's a huge gamble to try to do that, but AOL is in a really, I think if anyone can make it work, they can, just because of the sheer scale, because AOL is trying to turn itself into a publishing holding company. There are still going to be massive layoffs at the company in other areas that are not about content. I still hate that word. But that are not about journalism. And their idea is to create a bunch of niche sites like *Politics Daily* that will appeal to a certain readership.

That said, in answer to your question about how we are different from *Politico*, we are, where as they are really, and they will even say this, you know, they are the high school paper for the Hill and you don't need two of those. So I am, I do not see them as the competition, I see them as complementing each other because they really are dominating that ten second news cycle of what happened in committee this morning. That's not our reader and that's, we are not pitching to people who eat, sleep, breath politics.

We really want to go to the general interest reader, the person out in America who cares about the civic life of his country and so we are defining politics as broadly as possible and believe that politics, properly understood, is everything.

MR. JONES: Well *Politics.com* and the *Politico* or *Politico.com* and the *Politico*, as I said, their advertising stream comes almost entirely from advocacy advertising.

MS. HENNEBERGER: Right.

MR. JONES: Phil, Melinda, where is your advertising stream that would be that rich lagoon that advocacy has proved to be for *Politico*?

MR. BALBONI: Well our advertisers so far are Bank of America, Liberty Mutual, Singapore Airlines, Merrill Lynch, Delta Airlines, a couple of universities. I just mentioned Sieman's, *The Economist*. We are looking more on the high end of the food chain, I guess you would say, at financial services and other companies that are looking for the kind of audience we have, which is, you know, relatively affluent, well-educated, sophisticated, globally oriented.

MR. JONES: And do you sell for the same price to Hong Kong Bank that you do to Bank of America?

MR. BALBONI: Yes. I was saying to someone over lunch one of the fundamental problems with the economics of the web for advertising is the whole supply-demand equation is screwed up. You have the almost infinite number of web pages filled with ads, so

you have billions or maybe trillions of ad impressions and yet the demand is far, far less. So even the best publishers sell off their inventory to the large number of ad networks that then, in turn, sell a thousand impressions, CPM, for less than a dollar, sometimes pennies on the dollar.

And it's preventing people from using supply and demand to their own advantage, so we have forbidden working with ad networks. We proudly tell our agencies that we will not accept ad network advertising. If you want to buy *GlobalPost*, you have to come directly to us and you have to pay a reasonable CPM.

MR. JONES: And do you know how your rates compare, say, with *Politico*?

MR. BALBONI: You know, I know the folks at *Politico*, and I don't recall asking them their CPMs. I believe they probably do--

MR. JONES: I'm not even sure CPM is what they would even sell it on the basis of.

MR. BALBONI: Everybody sells on CPM.

MR. JONES: Well, what I mean is they are selling to such a small but critical audience, they are such a niche publication.

MR. BALBONI: But that only raises a CPM,

Alex.

MR. JONES: Okay.

MR. BALBONI: I mean if you have a small, highly targeted audience, then your cost per thousand--

MR. JONES: So that's--

MR. BALBONI: --could be \$40, \$50 or \$60 per thousand, as opposed to, you know, \$5 or \$8 or \$10.

MR. JONES: Melinda, do you know very much about the business side of *Politics Daily*?

MS. HENNEBERGER: Yes, because I would like to still be here in ten years.

(Laughter)

MS. HENNEBERGER: So I'm really, you know, one of the best things about my job is I feel like the little red hen, you know, that I'm involved in every single aspect of it. Our ads are to a lot of the same people you're talking about, I mean car companies, airlines, candidates of course, you know, like New Jersey, Virginia, even New York, and health insurers, with the health care debate going on, we've had. Even though we give them hell every day, they are our advertisers.

MR. JONES: Scott Karp, one of the things that you do as CEO of Publish2 is think about advertising and think about this kind of thing. You've

written about premium ad space versus commodity ad space, what is your sort of take on the viability, in terms of sustainability, of economic models that are based on making a profit on these new online ventures?

MR. KARP: Well let me do as Melinda did and just give a little description--

MR. JONES: Sure.

MR. KARP: --and then I'm going to answer that question directly and clear up something that Phil just said.

So I believe our company is sort of the fourth leg of the stool that Phil described, which is often left out, which is technology. Technology has obviously disrupted the news business, as it has every other business, and so what our company is about is saying news organizations should go from being disrupted by technology to leveraging technology and maybe disrupt other people.

Somebody was talking before about news organizations have been exploited, if you want to take that stance, by aggregators, why shouldn't they actually compete with aggregators by doing it themselves, and so Publish2 is, I mean, as an editorial, as a technology that enables an editorial model, is it enables news organizations to be

aggregators but to be aggregators based on the editorial judgement, the editorial intelligence of their journalists, is to make aggregation out of journalism, is to make aggregation an extension of journalism.

That is to say all this information is now available on the web as raw material, whether it's somebody else who is originally reporting or something somebody tweeted from, you know, an event in Iran or anywhere, that's all on the web. And then, as Tom characterized, the newspapers have always been aggregators and so our technology is about enabling news organizations, individual journalists, news organizations to be aggregators of information all over the web as an extension of or a complement to their original reporting and to get back into the business that they used to be in, which is to be that place where you start because it's the HuffingtonPosts, it's the Googles that have taken over being that place to start, just like the newspaper used to be, in the morning, the place where you started.

We are also looking at the power of something, a word that I haven't heard here yet today, which is networks. We have talked about two models, one is the giant metro daily news organization and then

the little, small start-up, right? There's another entity that exists when you actually connect news organizations together, which have not traditionally been collaborative because they were siloed, monopoly businesses.

But the web, as a new medium, as a new technology, connects things, that's what it does, and so we are looking at how can journalism service fundamental curation, aggregation, information distribution function in a network environment where we've had news organizations using our platform actually collaborating across media companies to aggregate news on, say a big news event. So there was a great story of a flood that happened in Washington State last January and we had about a half dozen news organizations in Washington State that were basically curating the coverage, including what citizens were like uploading to You Tube and tweeting and blogging about, as well as all the mainstream coverage, and they were basically creating a news wire of links to these things.

We deal in links, we deal in the link economy, to channel Jeff Jarvis. It's about sending people to where the information lives, but they all collaborated to create this sort of news wire of links

and they all published out of it collaboratively. So we start as an editorial model, which gets to the advertising model of extending of the value of what journalism does on the web actually fundamentally back to what it did in print, which is to curate everything that's important that you should know about, even if it isn't physically published on the website of the news organization.

And I think to get to the supply and demand issue that Phil was just talking about, I think one of the problems with advertising is it's been taking from print and literally drop shipped on the web without any change, the display ad is, there's not a lot of demand because there's not a lot of value there. There's not a lot of value in the display ad next to editorial content. You've all seen like the belly fat ads and the dancing martians, lower my bills ad. Advertising in display ads actually detracts value from high editorial, the high quality editorial content sometimes when it gets displayed next to it.

And if you look at the, really the only successful form of advertising on the web is search advertising and we believe that search advertising is successful because it's valuable to the consumer. You search for something on Google and you get a bunch of



organic search results on the left and on the right you get a bunch of ads which are also useful. They are just more links to things relevant to what you searched for and it's that utility that's value creation, that's why people, advertisers, are willing to pay for it.

And I think that is completely, it does not exist anywhere on the web outside of search and so our model is basically taking the value creation that we enable news sites to extend into being curators. I'll just give you an example. So on the *New York Times*, you go to their technology blog and you'll find a feature that's powered by our system called "What we are Reading". So you can actually go to the *New York Times* technology blog and find out what all the *New York Times* technology journalists are reading and they are collaboratively curating this, things from everywhere on the web that complements their own original reporting.

Now, what would be the advertising equivalent of that? How could you create value for, if the value creating for consumers is helping them find relevant important news on the web, how could you enable advertisers to do the same thing? So what we've done is we've extended our platform and given that to advertisers to become content curators themselves and

for news orgs to be able to display that as advertising, just like you have a very clear division of --.

So you've got the editorial content over here and the sponsored content but it's very much aligned in how it creates value for consumers, the same way you would have curated news, curated content as an editorial product but also curated news as a sponsored advertising product. And you take this sort of to the local level and I'll just give you, end with an anecdote of how I first saw this model in the wild. An advertiser understanding this intuitively, we are a venture funded start-up and before we got funded I was working out of Panera Bread every day.

And one morning I listened, I was, something I used to do to distract myself is to eavesdrop on conversations at the next table and one morning there was a guy there who was the managing partner of a local commercial real estate firm and he was pitching an idea to somebody from *Leesburg Today*, which is one of the newspapers in our area in Northern Virginia, outside D.C., and he was saying what I want to do is create a newsletter, a newsletter that would round up stories about local commercial real estate transactions and local economic conditions that affect

the commercial real estate market.

And so you, *Leesberg Today*, you guys could distribute this, wouldn't it be great content for your audience because we are experts in the commercial real estate market and we want to brand ourselves as experts. We don't want your display ad, we want to brand ourselves as experts and one way we could show how much we know this market is to aggregate information about it. And this is someone who understood intuitively that what he really wanted to do was create a substantive form of communication.

This is, you know, aggreitorial, this is, you know, custom publishing and it's been around for a long time.

MR. JONES: So is this a sponsored function?

MR. KARP: It's a sponsored function. It's an advertising function, but the key is finding new ways for advertisers to create value for consumers. And you get the world of advertising out of the commodity bottom of the barrel that it's in right now and into a much higher value creation mode. And news organizations could develop a business side capacity, it's just that we know how to create high quality content. We know how to curate content as a whole new

area and we are now going to help advertisers do the same thing.

But you take this as a local professional services firm, as the kind, there's probably something a newspaper didn't get any money from because he wasn't even buying an ad. Now maybe he's doing search advertising but he's certainly not advertising on the news site online and he sort of gave them a way to say you want money from us, here's a way to do it.

MR. JONES: Well, hypothetically, with this real estate guy, he would sponsor the search vehicle?

MR. KARP: Well he--

MR. JONES: But would he allow his competitors to be included in this, in terms of the content that was generated?

MR. KARP: Well there's a couple of models. One is *Leesberg Today* could create, you know, a sponsored section where this advertiser could basically choose links to relevant information about the commercial real estate market and could own that. That's one model, it's sort of the traditional advertising model. Another model is closer to what you see in those ads by Google. No individual advertiser owns the ads by Google on any site, they actually

compete, they bid, it's a market place.

That's why Google makes money, because they brought a marketplace function into this which everybody still, if you have Google over here creating a marketplace with a virtuous cycle and you've got everybody else selling display ads in a death spiral and it's like how do you bring everybody else into where they can be in a virtuous cycle to create more value? I think there's a lot of models that could work.

MR. JONES: Okay.

Let me ask you, Joan Walsh, Editor in Chief of *Salon* and you've been around probably longer in the start-up online business than anybody, does this sound plausible to you?

MS. WALSH: It does sound plausible actually. There is a lot of interest on the part of advertisers in custom content and trying to figure out how to do that with integrity and also how to do it so that it's not hugely costly, either for the advertiser or for the news organization is a big challenge, but we are doing it all the time. I mean we have a partnership with Lexus where Lexus actually sponsors our open *Salon* blogging platform and they, in one of their sponsorships they actually asked our readers to

comment on various issues around sustainability, it was for their newest hybrid.

And they gave cash prizes, people actually got paid, to the people that we and they judged, you know, the best, and they picked some controversial people, they were very cool. So we've done a number of things with Shell, with Lexus, you know. You've all seen, and this is a different model entirely, but the way Apple Computer periodically takes over all of our sites. If we are lucky, they will be taking over ours next week and, you know, creates their talking, brings their guy, that PC guy and Mac guy to life on our sites.

The key is being, you know, very flexible, making clear what the boundaries of the advertising are, but they are always wanting new things and we are trying to give it to them.

MR. JONES: Well if hypothetically, one of the problems for, you know, the traditional media has been that they have not been able to find a way to make online advertising something that actually generates a significant amount of revenue.

Are you, Scott, in your, you know, enterprises, are you generating significant revenues with these ideas?

MR. KARP: This is a model we've actually just launched, we've been, we launched our editorial site platform about a year ago, which we give free to news organizations, rather than being in, we don't want to charge news organizations money, we want to help them make money. So we've actually just launched this really in the last month, so it's, ask me that at next year's conference twelve months from now.

One of the things we are focused on is, I think the word is scalability, that's the challenges, how do you make it so this can be done at, as you said, at relatively low cost for the news organization delivering it as an advertising product, the same way it was very low cost to sell another display ad. The incremental costs of running another display ad in your newspapers or running another classified is very low, how do you do it in a scalable form, because advertisers all want a lot of customization that costs a lot of money to produce and then you've got to charge them more money and the whole thing gets sort of weighed down.

But, you know, we see the potential to charge advertisers for exactly the kind of thing that they are willing to pay a premium for and that they are actually asking for.

MR. JONES: And this is your idea of the premium advertising, as opposed to the commodity advertising?

MR. KARP: Yeah.

MR. JONES: You know, Phil, how do you respond to this?

MR. BALBONI: I don't recall.

(Laughter)

MR. BALBONI: As soon as this meeting is over--

(Laughter)

MR. JONES: Melinda, do you feel the same?

MS. HENNEBERGER: Yeah, absolutely.

MR. JONES: Let me go back to Joan for a moment. Joan, what is the *Salon* model, in terms of revenue generation, and how has it evolved?

MS. WALSH: Well it's always been mainly advertising, but we did flirt with a subscription model for a couple of years, 2000, 2002, you know, and it kept us alive, so anything that keeps you alive is a good thing, but it definitely had a lot of cost. It was really the growth of the blogosphere and a lot of people would not link to us. So, in terms of the link economy, we were really at a disadvantage when it began. And so by 2002 we had figured out this isn't



really quite the way we want to work it and we created an alternative to advertising. If you sat and watched an ad unit, you could still see our content.

And that was really great for a while because we had these TV like ultracommercials and advertisers loved it. But, you know, it's sort of like every year you need some new trick and so we're constantly coming up with new tricks. You know, right now, I would say--

MR. MELE: Can I just ask a question?

MS. WALSH: Yeah, sure.

MR. MELE: I mean I understand that it wasn't that the paid content model wasn't working, it was that, and you, when you looked at it, it's not that it didn't work economically, it's that in the scheme of things it didn't work for you in a broader sense?

MS. WALSH: Well, and it didn't work economically. I mean, you know, at our peak we had 90,000 subscribers, which was great, but it still was not going to sustain the news operation we had and it didn't seem to be going there fast enough. So, just like everyone pretty much, you know, it really would be ideal and is ideal for us to have multiple revenue streams and so we've kept that program alive in the form of a membership program where you do benefits, you

come to events, and we are trying to sort of boost that--

MR. JONES: Off line events?

MS. WALSH: Off line events, parties and panels and things like that. So that's still, you know, it's probably only an eighth of our revenue, but it's something. I mean I think the thing that we are looking at this year, first of all, everything that everyone has said today has been really helpful and we're trying to do not all of it but a lot of it. I mean our brand is original reporting and investigative reporting and original cultural criticism and reporting, but we have learned to do better aggregation.

We are aggregating just like the HuffingtonPost, so I'm not pointing fingers in terms of aggregation. And we've really, really made an investment in bloggers, user generated content. We have a whole blogging site, *Open Salon*, that's now about 20 percent of our monthly unique traffic, so it's huge. It's great writing, we elevate it to the site every day. And then we are going deeper in the areas that we know we are known for, like film, like books. We are developing a food site where we can create kind of real salons around these areas with also custom

advertising opportunities and there's a lot of interest in doing that.

MR. JONES: A curiosity, and I don't know the answer to this, does the HuffingtonPost allow its content to be aggregated?

MS. WALSH: Sure. If we wanted to, yeah.

MR. JONES: You could basically break up the HuffingtonPost and recreate the HuffingtonPost at *Salon* and basically make it your own?

MS. WALSH: I don't know why we would want to. I mean--

(Laughter)

MS. WALSH: That sounded terrible, that's not what I meant.

But, sure, I mean, you know, there are different forms of aggregation. Blogs are aggregators, so if the *New York Times* blog, you know, if the caucus blog links to *Salon*, an original *Salon* story that we paid a lot of money for, that's a kind of aggregation and they are getting paid use for that. So we are all in the business, especially in blogging, we are all aggregating, we are all pointing to one another's content and saying hey, wow, or that stinks.

The HuffingtonPost has just contributed less when they do it so, you know, but if I, I mean I'm

sure I have pointed to a great Tom Edsall piece, if he is still there, or a great Sam i sgone, no, they have reporters. Now, would I repurpose, you know, their, the *New York Times* story they had leading the HuffingtonPost? You know, I mean that's where it gets kind of meta but--

MS. HENNEBERGER: It's not that there's anything wrong with aggregation, per se.

MS. WALSH: Right, no, there's not, we need it.

MS. HENNEBERGER: *Readers Digest* was an aggregator. It's a matter of how much you are doing it and what you are giving back, I mean it's a question.

MR. JONES: Going to Goli Shiekholeslami, who is the Vice President and General Manager of *Washington Post Digital*, does this, number one, does what you heard from Scott send a tingle down your back with pleasure at the thought that we've solved the riddle, or what's your reaction to it and what is the *Washington Post's* solution, as you see, to this issue of generating revenues with an online presence?

MS. SHIEKHOLESLAMI: So I guess I would have to say that I disagree on a certain level with Scott in the sense that, and I'm speaking solely for the *Washington Post*, that I actually don't think that

the problem with display revenue is, display advertising, is that we've just taken the newspaper model and putting it online and it doesn't work. Actually, the problem is that it works really well, the model works really well in print. And again, I'm talking just about the *Washington Post*, but when someone, the reason people spend money putting their ads in the *Washington Post* is because it drives what we call foot traffic into the store. So the car dealer in Leesberg knows that if he puts an ad in the paper on Saturday, he's going to get X-number of people walking through the door, and that's just through years of having had this relationship.

The challenge, you know, it's a very direct response model on a local level. The challenge online is that it actually doesn't, you know, it doesn't have that exact same behavior and that's the challenge that we haven't been able to replicate. And I guess, I don't fall into the camp of people, the sort of camp that display advertising is going away. And there are challenges with it and there's challenges on the CPMs and driving the CPMs down, but I believe that it's a revenue stream that will continue. It's one of the revenue streams that will continue to be very important to our business.

And I would say, since Google, on some level, you know, if they do it, it must be right, I mean they wouldn't have spent billions of dollars buying Double Click, which is actually the system that allows all of us to run display advertising, if they didn't think that there was a future in display.

So, you know, I think the solution for us is there's no silver bullet solution, there's no one thing that's going to save us. I mean I think, from our perspective, we are trying to figure out, we have multiple revenue streams today, all of them today are advertising based. So online we have a very robust classified advertising business that's really a lead generation business that is local. It is driving leads to car dealers and driving candidates to employers and driving home buyers to real estate agents. I mean that's a very, you know, very big part of what we do.

MR. JONES: And who are your competitors?

MS. SHIEKHOLESAMI: And our competitors are, you know, the most famous, you know, Craigslist.

MR. JONES: Craigslist.

MS. SHIEKHOLESAMI: So, you know, but that, it has definitely disrupted what was a monopoly for us and so it's, you know, and Monster Career Builder, Auto Trader. I mean there are more

competitors than you can imagine, but we're fighting the fight and we are generating, probably 40 percent of our revenues today come from that source. Syndication is another revenue source, display is another revenue source.

And to Joan's point, I mean I think that subscriptions, you know, there's this debate, paid wall/no paid wall. It can't be an either/or. I think, you know, if I could figure out a model and if someone can, you know, help me figure out if I could get five million people to pay me every month to come to our site, I'm done.

(Laughter)

MS. SHIEKHOLESLAMI: But getting to that five million, you know, but that's the problem. I can get, you know, probably a nice group of loyal users to pay me, but that's not going to sustain the entire news operation either.

MR. OKRENT: Alex?

MR. JONES: Yes?

MR. OKRENT: I think that --. My name is Dan Okrent, I'm with the Shorenstein Center.

That when you say five million, that's because you are still trying to publish a newspaper at the same time, whereas if you just take, if we realize

that we are not in the business of delivering a paper product by putting it in gasoline consuming vehicles and taking them to dealers who take half the revenue from it, but we are in the business of distributing news, words, content, ideas, photographs, that's the only cost we have to cover, the cost of the newsroom.

So if you take the *New York Times*, which I am more familiar with, it costs a quarter of a billion dollars a year to run a newsroom there. It costs \$700 million a year to do all the other things you need to do in the newspaper business. Get rid of those things, try to get a quarter of a billion dollars. At the *Times*, and my math be out of date now, a year ago, if they were willing to charge \$10 a month, they would only need 21 percent of the people who are regular users online to cover the cost of the newsroom, and forget about everything else.

MS. SHIEKHOLESLAMI: And I completely agree with you, I mean I think because this is the debate we have internally. And I guess and my revenue per customer is much lower than \$10 and maybe that's the difference because I actually don't think, anyway. I mean but I completely agree with you that the debate we have internally a lot of times is, and I run the digital side of the business, and again, I'm only, at



this point, I'm representing myself and not the *Washington Post*, I would say, you know, my job is not to save the newspaper, my job is to sustain the news gathering organization--

MR. OKRENT: Exactly.

MS. SHIEKHOLESAMI: --that is the *Washington Post* and I have a number in my head that I think I can do that at and it's not what it costs to run the newspaper today.

MR. OKRENT: To just really get back to it, and I'll shut up, just something that was discussed this morning about the music business, the music business was not in the business of selling music, they were in the business of selling a really cheap piece of plastic that cost 10 cents to make and that they could sell for \$15. And what Steve Jobs realized, it was really about the music and you don't need that other stuff, but the music business was so intent on protecting the existing stream of revenue they didn't make the leap.

And the newspaper business and the magazine business I think are in exactly the same place. We are trying to protect our circulation revenue for the product that isn't going to exist. I know Alex disagrees with me about this, that isn't

going to exist down the road, and what we need to do instead is say okay, we're going to eat it for a couple of years, but we are going to get to this other place because we have a product that is worth paying for.

MR. JONES: Somebody is going to try that and we'll see.

MS. SHIEKHOLESAMI: And I actually, I mean I think it's sort of a, I mean I think it's really about how do you, as this --. I mean there's still very significant revenue in the newspaper, so I mean it wouldn't make sense to shut it down today either. But it's as this declines, how, I mean the challenge is as the newspaper revenues decline, how do you at the same time continue to grow the--

MR. JONES: Well but Dan's idea is based on subscription, not on advertising necessarily.

Yeah, Mike?

MR. KLEIN: So, just to transition exactly to the point I was going to ask you anyway, thanks for the great set up, although that wasn't why you asked it.

I'm a *Post* subscriber and a *Times* subscriber, I read them both hard copy and I read them online. I get my online as part of being a subscriber to the paper. If you ask me and I suspect most people

who are subscribers to the print, because we sort of love the media, to pay something additional for the online, that's a way to test that market and transition into it. Why don't you guys do that?

I mean it strikes me here that besides trying to protect the legacy structures, it's the lack of balls, cajones, that is basically the huge impediment here. And you've done it as an industry, I guess speaking to this side of the table or those that were representing this side, it strikes me from a business school model, Tom, they had a corporate, a big cash reserve when this whole thing started and they sort of have wasted it protecting that legacy cost structure, rather than taking, at least some of them, one of them somewhere taking the leap and just shutting it down or getting close to shutting it down or winding it down and using that corpus, that reserve they had, to transition to the new model.

MR. OKRENT: Or the other thing you could do is instead of shutting it down, just jack up the price on the paper product to the people who insist on the paper product and they can pay the physical cost.

MR. KARP: No one ever made, so few newspapers ever made money from circulation, right? It's always been an advertising business and everybody,

there's a lot of focus right now on paid content--

MR. KLEIN: But the circulation is what sells the advertising.

MR. KARP: Well, yes. Well that's about distribution but it's not about we pay for it because it costs money to--

MS. SHIEKHOLESAMI: I think you believe that the circulation is what's, I mean there is, the circulation is, at least for our circulation, it declined I think six percent. Our advertising on the newspaper declined a lot more than six percent last year so, at this point, those two things are not, there's not a very strong correlation. And I have all the regression models to show you there's not a lot of correlation between those two.

MR. KLEIN: So is there discussion about ratcheting up the cost and--

MS. SHIEKHOLESAMI: Well we're all--

MR. KLEIN: --at least for the subscribers?

MS. SHIEKHOLESAMI: Yeah--

MR. KLEIN: No, no, to the online piece, just to separately charge for the online piece.

MS. SHIEKHOLESAMI: I think the problem is when you model it out, depending --. I mean so much

of it is based on assumptions, right? But there is not, I would say, in our model, there are not enough people that are willing to pay for us to sustain it because our newsroom is not--

MR. KLEIN: If you don't try, you'll never know.

MS. SHIEKHOLESAMI: But that doesn't mean--

MR. KLEIN: And the day you take away my paper and just send me online, I'll still be reading it.

MS. SHIEKHOLESAMI: Well I think the solution is not all or nothing, the solution is what are things that we can create for people that have value that will pay for that, but we always talk about it in an all or nothing way.

MR. JONES: It's also true that the *Washington Post* and the *New York Times* are one thing and the *Boston Globe* and the *Cleveland Plain Dealer* and, you know, the *Greenville Sun* are different.

MR. KLEIN: Right, and those others, those sort of regional papers are what they call major metro dailies, is that the lingo? I mean their additional legacy unnecessary cost is giving up their pretense to being national and international papers, rather than

focusing really on their internal market which is more a direct connect to the advertising at a time in which they've been, a lot of them have been doing exactly the opposite. If I had to pull up the *Post*, it's been, except online, reducing its local community coverage as a way of protecting this big machine, which is exactly bass-ackwards in terms of where it is the focus of most, the most successful papers today, am I right, are the local community papers, the little hyperlocal papers that--

MR. JONES: They are doing less bad than some of the others.

(Laughter)

MR. JONES: I want to get David Bennahum in this, the President and CEO of the Center for Independent Media, which is basically an enterprise for training journalists.

If you would, your thoughts?

MR. BENNAHUM: Well I think in the scheme of things we operate an online news network with six websites employing 26 journalists today at a budget of \$3 million a year. And we do it as a nonprofit that also generates earned income, which goes to I think this conversation, which is we couldn't meet our payroll if we had to do it entirely as a for profit.

That is of no surprise to anyone, which is why we have the problem we do at so many of the newspapers and so forth.

Our model is to say, number one, work as a nonprofit. Number two, develop all your earned income streams and have the two merge together. The model that I look at which I think is a pioneer is the National Geographic Company which at its core is a 501(c)3 and then generates far more revenue through earned income from its other properties. I think in terms of long term sustainability for serious journalism, it's a hybrid nonprofit/for profit model for the foreseeable future.

So what we have done in addressing this is two things. Number one, we are very focused on a regional model across the country, we are in Colorado, Iowa, New Mexico, Michigan, Minnesota. We have a website in Washington, D.C. called the Washington Independent, that has about a million unique readers a month and was ranked by Technorati as the most influential U.S. politics news site in the country last week. Our state sites are all--

MR. JONES: More than *Politico*?

MR. BENNAHUM: *Politico* I think is in the newspaper category, so they have, they've got

categories for things that do print publications, so *Politico*. And our state sites, four of them are in the top one hundred in the country, often the only thing in their states that have gotten up to that level of influence. And why is that important? Because in the nonprofit model you are working in the public interest and if you believe that part of what you do in a nonprofit framework is inform the debate, educate the public, these metrics around who links to you and who reads you and how influential are you I think are absolutely critical in a philanthropic framework for justifying a return on that philanthropic investment.

It has a nice corollary, which is, from an earned income standpoint, the more impact you have, the more your journalism adds social value to the community by having demonstrable causality, like our reporting triggered X, Y, Z to occur, in terms of legislation, changes in policy, litigation and so on, you drive a lot of readership. Those stories create tremendous public interest which means, from the earned income side, every dollar spent on that kind of reporting generates earned income.

And so there is a virtuous cycle that you can begin to kick into if you are smart about why you are doing what you are doing, which gets into I think



the sort of bigger question mark here, which is what is the product we are creating, why do people want to read it, and is there a sensitivity to that in terms of as a thing that at its core is a nonprofit, we are extremely sensitive to our traffic and to the degree to which our news has relevance because, so to speak, if a tree falls in the forest and nobody hears it, you know, what does it matter?

And I think one of the lessons that we are learning here is that there's tremendous opportunity to keep driving the earned income but on the nonprofit side there are lessons to be learned as well, in terms of understanding impact and return on that investment. And I think one of the missing pieces here is an understanding of how to measure that in the nonprofit side and it's creating a lot of murkiness because there's so many different standards for what success should look like.

And I think as more and more philanthropic dollars go towards producing news, it's absolutely critical that there be a conversation around well what are the criteria for measuring success, how do you know that your money is being effectively spent? And right now it's very elastic and in fact it's often not even fully understood. I think that's going to hurt the

sector in the long term because at the end of the day you don't necessarily wind up rewarding the best, in terms of what's going on, and it leads to fatigue and confusion to some of the issues that were raised at how sustainable is the philanthropy. I think it's very unsustainable, if you do it in a concentrated way.

So the other key thing as a nonprofit is you have to look at diversifying your funding sources dramatically and one of the benefits we have as an online news network is that ability to diversify, whereas other things that are focused on one community are in a very tough situation because there's only a small number of foundations that really care about that particular community, which is perfectly sensible and normal. Is it realistic that they would stay engaged for more than three to five years? Probably not.

So you can't really sustain the work, I think, as a hyperlocal nonprofit, because the funding sources are too small and will definitely fatigue. Also, there are enormous inefficiencies in these hyperlocal models. Everyone has their own development team, everyone has their own technology team. That is a lot of money that gets spent on that stuff. We have one development team that services six websites in five geographies, one technology infrastructure that service

six websites and can scale up to many more. Those fixed costs decline with every news site that comes online.

And I think from a philanthropic standpoint, that becomes critical because we spend \$400,000 in Minnesota to produce the *Minnesota Independent*. *Minn Post* produces over a million dollars to produce the *Minn Post*. Our traffic, they are slightly larger than us, but at the end of the day, we are able to produce, you know, basically an enormous amount of content for a fraction of that cost, why? Well part of it is our technology is centralized, our development is centralized.

These things add up exponentially over time, as you look at growth and so forth. So I'm very optimistic in the sense that I think nonprofit networks, news networks have a lot of viability, if they think about themselves as networks. I think things that are stand alone have a really tough situation. They will be fresh for a couple of years and then it's very challenging to keep going. And that all of us as nonprofits also need to really understand the earned income opportunities here. Because in light of what we are talking about with advertising, I'm very clear that as a politics news oriented nonprofit there

is a lot of revenue opportunity on the table with earned income.

We had an unsolicited e-mail from Google, who does a lot of our display ads, telling us you are leaving a lot of money on the table, this was about six months ago, please stop doing that, and we said well okay, what do we have to do and they told us. They said move the ads this way, change your display formats that way. We did it, increased revenue by 300 percent instantly by just listening to Google.

MR. JONES: Would you tell us what Google told you?

MR. BENNAHUM: I will. They told us that we had to have three display units on the home page, one of which should really be a column, an entire column dedicated to ads. They told us to insert an ad unit between the story and the comment field on the inside pages, and they told us where to position some of the other ads on the inside pages.

MS. TURKLE: But why are they doing that?

MR. BENNAHUM: Because they make money off of us in that we run their ads. Basically their ad network plugs us in and so they have thousands of sites on their ad network. They have algorithms that compute the efficiency of our pages compared to other sites in

the network and they looked at us, were able to triangulate our profile of our readers and say you know what, you are literally leaving a lot of money on the table, for us and for you, so make these changes and we'll all make more money, and we did it.

MR. EISENMAN: --in house in your centralized operation?

MR. BENNAHUM: We had analytics in house, we did, so we had Google Analytics running in all of our sites, along with two other statistical engines, so I assume Google was pulling out of analytics as well. But the point is they were pulling off analytics from tens of thousands or hundreds of thousands of sites and so what I'm learning here is that everyone's interests are aligned and we don't need to be pioneers in technology if we understand the right technology partners to work with. They will tell us what to do because they make money when we make money.

I can see we increased by 300 percent in this easy cycle, I think we can increase by another 300 percent in a slightly more complex cycle.

MR. JONES: Do you see other, you know, existing news organizations, traditional news organizations able to do what you've done?

MR. BENNAHUM: I think the legacy, there's

a different challenge when you have a legacy operation than when you are a sort of clean slate start-up. And so part of what's going on here is the traditional technology story, no different than IBM in 1978 grappling with MS DOS, the emergence of the Apple Computer, and how do you transition a mainframe business into a personal computer business? The answer is you don't. Microsoft gets creative and to some degree the *New York Times* and *Washington Post* are in the same box that IBM was in in the late 1970s.

Some may succeed. IBM, to date, is successful, but it was a twisty path from 1978 to 2005, with a lot of sales and a lot of reconfigurations. I think for the established news media having a legacy product is a blessing and a curse. It's a blessing in that you have a tradition, a brand, an audience. A curse in that you have fixed costs that are no longer necessarily aligned with where things have to go and shedding those becomes very complex and difficult, so I don't envy their position. And it's a different conversation, you know, what those industries face than what we face.

MR. JONES: Kevin?

MR. KLOSE: Alex, I wanted to say I came right at ten years as President of NPR and everything

particularly that Scott and David have said actually resembles the NPR system. It's a network with independent local entities, there are great authenticities because they are tied together in a network that has common grounding. People in this country don't say anymore I saw it on CBS last night, nobody knows what that means, but if you say I heard it on NPR, that has a value relationship that helps every station raise money around its own values.

The downside of that is that they are doing exactly what David described about the small entities and the way they got around that. Every one of these separate radio stations has its own development office, its own back office operation and they will have to at some point consolidate throughout that in order to fund raise better. But they are a mixed model, they get corporate money for sponsorship, they get philanthropic money for what they are doing, for their mission, and they get individual listeners actually paying to go across, in effect, there is no pay barrier, there's no pay wall in public radio, but people listen to it and pay for it because they feel it's part of their life values, they really want to support that thing.

It's a very interesting kind of sequence

that actually overlays you all and is both the legacy enterprise at the same time that it's a very, very dynamic place for news. In the ten years that I was there, when I came it was thirteen million listeners aggregate a week, according to Arbitron and it's now somewhere around, we drove it to 27 or 28 million in ten years. It's gone completely the other way from all the other mainstream.

MR. BENNAHUM: Can I address that for one quick second? I think there's a bunch of media that has grown in the last ten years that indicate a sort of direction in media and NPR is one of them. Why is radio on NPR doubled in a decade and most other radio was flat? Why is *The Economist* news magazine the most profitable weekly magazine in the United States today? Why has HuffingtonPost sort of had this growth that its had? Why is Fox News the most profitable cable news channel in the country?

And the answer is all these things either have explicit or implicit points of view. NPR, generally seen as a progressive radio news network. They may not like that but it's generally sort of seen that way. I know it's controversial, but it's seen generally that way.

MR. KLOSE: You need an asterisk on that,



but there have been many surveys not done by NPR to how their audience identifies itself and they identify themselves repeatedly one-third conservative, one-third independent, one-third liberal or democrat. It's amazing and it happens over and over and the differences might be a percentage or two from survey to survey. Now, that's very slippery because when people self-identify what their politics are, they look in the mirror and they might see Indiana Jones instead of who they really are.

(Laughter)

MR. BENNAHUM: But I think the point being that clearly where we are headed with news media is media with more of a point of view and a perspective being commercially more successful than media that isn't.

MS. HENNEBERGER: Not necessarily. If you are really going to only talk about hyperpartisan, then that's--

MR. BENNAHUM: No, I don't mean hyperpartisan, I mean I include *The Economist* news magazine and I don't think it's in any way hyper--

MS. HENNEBERGER: --that's the reality--

MR. BENNAHUM: --but it has a very clear point of view. You open that magazine and the first

eight pages unequivocally give you a point of view on the news and I think that matters, we have to understand that because--

MR. JONES: *The Economist's* work is a little more subtle than that, it seems to me. They report, and then they tell you what they think about it, but they report. The point is the reporting is the most critical part usually of the reason *The Economist* is so well-regarded. The point of view, you know, sometimes you may agree or you may not. It does, it's there, I mean they want it to be there, but the reporting is the thing that makes *The Economist* so powerful and the brains behind that.

MR. BENNAHUM: It's actually an aggregator in that it's aggregating a lot--

MS. TEACHOUT: And just to add to your list, Wickipedia is probably the biggest, it's a news site, whatever you think of that quality there, the biggest growth in the past ten years and that clearly doesn't have the perspective.

MR. JONES: Scott?

MR. KARP: I just wanted to talk about this magic phrase that you used, help each other make money, and the question of why would Google like help you, because we're actually pointing at a very

important new model here, where it used to be that news organizations made money in isolated, you know, walled up castles, siloes where you would just try to kill everybody else and now we are in a network world where there's, I mean if you are familiar with the idea of network effects, that there is a virtuous cycle with the networks that the more things you add to a network, the better everything gets.

That's how Google makes money, by every site that they add to the network, they gain a lot of advantages, like the ability to understand how to optimize ads so they can tell everybody in the ad network hey, put your ads like this so that you'll make more money and we'll make more money. And I think a lot of the business models in the future are going to be about, whether content site networks that help each other by being part of the same network because of, you know, good old-fashioned economies of scale and efficiencies or they be, you know, like monetization networks where people help each other make money, you know, people specialize in different parts of the solutions.

You guys specialize in content and audience and Google specializes in delivering advertising that will help you to monetize that

content, but that's just simply something that you do not need to own, that Google can do it more efficiently, more effectively, and they are not the only ones obviously, the only model. But I think this is a very important thing that sort of everybody get out of the assumption that it's all about, the thing about, I can't think about, the David Weinberger idea of the web being described as small pieces loosely joined.

I think this is a very interesting model where there's sort of symbiotic relations between a lot of things which are sort of partly independent and partly together and then that's the NPR radio station model. I mean this is not in many ways a new thing, it's just sort of that model is taking over.

MS. HENNEBERGER: But the competition is completely different. I mean in print, you aren't going to subscribe to 20, you might, but not that many people are going to subscribe to 20 different publications, but on the web, reading on the Internet leads to more reading on the Internet. So the whole way we've looked at competition is completely different.

MR. KARP: Absolutely and it's a virtuous cycle and, as you described it, you know, everybody

linking to each other. There's this sort of competitive aggregator model but there's also sort of the virtuous aggregator model where it's high quality content news sites all linked to each other, the result is more people reading high quality content news sites.

MR. KLOSE: It's the Starbucks effect. The more that you put on a corner, the more people--

MR. KARP: The more people are going to drink, you know, high--

MR. JONES: But you've still got to figure out a way to make money from this.

MS. WALSH: Right. And I just have to say, I mean Google came to us and did the same thing and it was great and we are making more money, but we many times had investors and others say oh, just get rid of your sales force and have Google do it all. You can't do that, we're not there yet. And so it's still going to be, you know, it's still a small share of our revenue and it's still, you know, it's growing but it's small.

MR. KARP: And I think maybe the model is one that puts more of the value creation in your hands.

MS. WALSH: Right.

MR. KARP: So that you can own more of that value chain. Like right now Google owns too much

of the value creation--

MS. WALSH: Right.

MR. KARP: --and gives you too small a share, and to shift that balance.

MR. JONES: Can I ask has Google come to see you, Melinda?

MS. HENNEBERGER: No, not yet.

(Laughter)

MR. JONES: What about you, Goli, has Google come to see you?

MS. SHIEKHOLESLAMI: I mean we work with Google in many different ways so yeah. I mean it's hard not to.

MR. JONES: I'm sorry, Melinda?

MS. HENNEBERGER: I was just going to say I was very interested in what you said about how to define success and we don't know and I think that's not only for nonprofits that we are still figuring it out. I mean web publications, we have a big challenge I think figuring out what success looks like because we are really coming, as we mature, to realize that all clicks are not created equal. I mean not only can any idiot get a click, but I mean the lowest common denominator will work, you know, we will click on who didn't wear their underwear today, but that's not a

reader, that's a drive-by, you know, you don't feel good about yourself after that.

(Laughter)

MS. HENNEBERGER: So we are trying to make that long term relationship with the real reader and so we have to balance success as in one of my writers said the other day, you know, we can get clicks but that's not, but that's not the kind of business I want to be in. So we have to balance figuring out how to make money from it and figuring out how our business goes on doing what we really care about doing.

MR. BENNAHUM: And one of the proxies for that is the visit depth. When a person comes to your site, how deeply are they engaged and that's a proxy for the quality of the relationship.

MS. HENNEBERGER: Right.

MR. KARP: And for local media, are they local? You hear a lot of news organizations who have declining circulation in print, which is pure local audience, where they make their money, and they are replacing it with drive-by's on the web and you are hearing these gross figures for total traffic to a local news site, much of which is not local and therefore not really monetizable in the same way that the actual local audience is.

MR. JONES: Geoff?

MR. COWAN: I want to say that you can't see Sherry on your other side and she has had her hand up for a long time.

MR. JONES: Oh, I'm sorry. You have to just slap me in the side of the head.

(Laughter)

MS. TURKLE: Why don't you go ahead?

MR. COWAN: Well the topic today I think is something about how to make money in news and I want to think about this in a slightly different way, just to see whether anybody has anything to say about it. Suppose that you were running Harvard's pension fund, which is done so badly lately, and you want to prove you can make some money, would you invest in anything that's been talked about today? I think there are a lot of ways of thinking about what we are doing as important things to do, which is great and that may be where the news media goes, but I'm just curious whether anybody here--

MR. JONES: Well if you invested in *New York Times* stock in March, you would have doubled your money now.

MR. COWAN: Well, maybe but--

(Laughter)



MR. COWAN: Maybe the best investments, despite all the attacks on the conventional media, may be in those companies. The other day, David and I had, Wes Stanton is the current Editor of the *L.A. Times*, six editors since I became dean, but the current editor, out of twelve in the history of the *Times*. But he was in our class the other day and he said every Tribute company publication, he said every one of them is currently making money.

MR. JONES: Yes.

MR. COWAN: Now the reason for that is that the company is in bankruptcy so they don't have to pay off any debt.

(Laughter)

MR. COWAN: So I mean I think that's something to think about when we are talking about all these other new things. I just would love to know whether anybody at the table has something they would invest actual money in if they weren't doing it just because they care about the product, if they wanted the prestige of owning it, if they had kids they wanted to go home and tell what they were doing, whatever it was, but who would do it because they actually wanted that money to grow as an investment. I'm just--

MR. JONES: Goli, is *Washington Post* stock

a bargain right now?

MS. SHIEKHOLESAMI: I mean I guess in the seven years that I've been there it's--

MR. BALBONI: I mean I have 20--

MR. COWAN: You do, Phil? You are the closest thing to this, okay.

MR. BALBONI: Twenty incredible investors who are very smart, successful people, all of them, and while they love what we are doing, they would like their money to have a handsome return and it is my firm conviction and passion that they will be rewarded for that.

(Multiple people speaking)

MR. KARP: --and we actually intend to make money and our mission is to help news organizations make money.

MR. JONES: So, Scott, what should we invest in? That we can invest in. I mean if we can invest in--

MR. KARP: If Harvard has some money to invest then--

(Laughter)

MR. JONES: Sherry?

MS. TURKLE: One of the questions that I ask my 13 to 25 year olds is what television do you, I

mean what thing that used to be television, called television, do you watch in a program and you enjoy and where do you watch it and I think this has tremendous, it's a question I put to all of you in news.

So, again, knowing I was coming here, I asked about "Mad Men", which I just happened to like. Okay, so a 19 year old has the following answer, not one 19 year old but many, they watch it on AMC. Okay, live, that's gotten, there's got to be some money for AMC.

Then they own Comcast On Demand, so they watch it on Comcast On Demand and somebody has got to be making money from that. They watch it on Surf the Channel, which is this I think marginally legal thing where they basically can watch it on--

(Laughter)

MS. TURKLE: They watch it on Surf the Channel. Then they watch it on the AMC website where after a week or two the episodes are up. They buy the DVD, they watch it on Hulu, which has a selected number that they consider the best ones, and they Tivo it. Now--

MR. JONES: You left out Netflix.

MS. TURKLE: And Net, well the Netflix is buying the DVD, yeah. Right, so they buy the DVD and

the watch it on Netflix.

So there's one, two, three, four, five, six, seven, eight, eight profit centers for a piece, you know, multiple, simultaneous, only one marginally not legal, for the same piece of content. And as I've been listening to these people, happy to pay over and over, you know, different people over and over again for the same piece of material, I'm wondering what -- oh, and they buy it on iTunes. I'm sorry, they buy it on iTunes.

So it's nine revenue makers for, you know, something like "Mad Men", something like "House". What do you think that your greatest hits--

MR. BENNAHUM: But what is the shelf life? I mean the shelf life of news is so short. It's different than a piece of music or a television show, which is much more evergreen--

MR. KARP: But then the fact hey, it replicates the news, I mean how much is that going to be worth in twelve hours?

MS. TURKLE: But not every, many people have said here that not everything you produce is, you know, of the moment news.

MR. KARP: But the key to what you just said is the distribution channels. You just named nine

distribution channels, okay, the print newspaper is a distribution channel, that's the business. So if you are looking for the business model, look at the distribution channels. Everybody is looking at the content and yes, people are going to, want the content through the distribution channel or otherwise you don't have anything. But like Google for news and we were talking about the iTunes for news, how about Hulu for news? That's another project we are working on.

I mean there's a lot of ways to create new distribution models that need to be looked at and you could have the equivalent for news for every single thing you just said or something roughly in the ballpark, which is sort of a new distribution model.

MS. TURKLE: I think there is a lot of news that has a long shelf life, a lot of what you're producing has a longer shelf life than--

MR. KARP: Yeah, Google makes money off of a lot of that.

MR. JONES: Bill?

MR. MITCHELL: I went to a community meeting in Ann Arbor last week of people getting together to talk about what life is like without a daily newspaper, Ann Arbor now being the biggest community without a daily newspaper, it was pretty

generationally skewed toward people with my color hair. But listening to what Sherry was saying about the 13 to 25 year olds also makes me think that what people tend to think about when they lose a comfortable, they lose or aspire to a particular way of interacting with news, it's the news experience, not a particular story.

And I wonder if anyone has thought about ways of attaching value to the experience of interacting with news and if there's a way to think about ways that generates revenue?

MS. WALSH: Well I think we have. I mean I think that, first of all, turning to our members when things were really bad, created an expectation, even though very few of them are doing it anymore, but we are not asking, that they are vital to our support and to our staying in business. If we were on the verge of going out of business, I'm sure we could generate, we could do our Frederick Douglass on letter, we used to do them all the time, as a matter of fact, and they would be there for us.

I think that they are there for us in the form of *Open Salon*. We really have taken the name *Salon* very seriously, especially in the last three or four years, and we've turned to our readers as funders, as partners, as content creators, as content curators,

and that now in every, what we are trying to do with our redesign is that in every section their content is brought in, their capacity to rate, curate, edit, recommend is capitalized on. And I think that that is, it's led to advertise, direct advertising revenue for us but there's another phase to that that we haven't quite explored.

MR. MITCHELL: And now Scott is going to help you bring in advertiser--

MS. WALSH: And now Scott and then going to conferences like that is the other thing.

MR. BENNAHUM: But I think you are right, Joan, this is a critical piece of potential earned income and we look at it as well in the framework more of citizen journalism where we understand. So we are in the State of Colorado, we are doing statewide news, but we can't cover county government,

city council and so on, and probably never will, it's just unrealistic. But there are people on the ground who want to cover that, who effectively are citizen journalists. They need the training, the skills, the mentorship and a platform to publish the work.

MR. JONES: Are you paying them at all?

MR. BENNAHUM: We are paying all the people who contribute to the site. But I think in this framework of training, of creating a community around the frame of the citizen journalist, people will pay money to get that training and in a sense will contribute to the organization because they become part of the community. They become a journalist, in that sense, in that geographic locale and I think these are things we will need to explore and understand because it's definitely the future is opening that up.



MS. WALSH: But I think it's really going to be a balance. I mean, you know, people dump on the HuffingtonPost but I think that what Arianna really realized before a lot of us did is that there is this world of people out here, you know, and Clay Shirkey talks about it in terms of love. They love to write and there have always been people who love to write. They are lawyers, they are doctors, they are college professors, they are florists, whatever they are, and to give them a platform to write and help them think about how to make it better is not a bad thing and it's not merely exploitation.

There can be an exploitive side to it, there's a way in which we all worry that, you know, real journalists will be put out of business by it, but I think if real journalists partner with their audience and give them a platform, bring in, you know, we've done this, bring in a source and give him a blog or her a blog, you've created the sense of community that leads to sustainability.

MR. JONES: We have a lot of expertise in the room that has not been heard from, people sitting not at this table but around, and I would like to especially invite any of you who have a thought about this issue of how, again, making money is the theme and

any of you who have a thought, a model or some notion of something you are familiar with that you would like to put on the table, put before this group, I would welcome your participation.

Penny, for instance, you, you are focused on this, you know, this area at University of North Carolina, what's your take on this?

MS. ABERNATHY: Well it's interesting, I'm in the process of putting a paper together for a Yale conference exactly on another subject of mine, pay models, with Richard Foster, who is also at Yale, who wrote the book *Creative Destruction by Companies that are Built to Last Under-Perform the Market*. And we've basically come up, what we are trying to do is take the books that have been written, whether it's Eli Nomes' book on *Media Concentration and Ownership in America*, *The Curse of the Media Mogul* that Jonathan Lee and Bruce Greenwall did last month, and your book, and say what is the answer for traditional news organizations on making that transition?

And we've come up with three things and I thought it was interesting that Dan mentioned the legacy cost. I mean the single biggest disadvantage that a traditional media organization, news organization has in making the transition is the 50

percent of cost that they carry as the result of a legacy, the legacy cost. And aside from the *Wall Street Journal*, I'm not sure anybody has really tried to migrate those customers and so you are left with the *Detroit News* example of basically cutting back the circulation days.

And I think that the problem with that is that if you don't think about the fact that the next revolution is the mobility revolution and totally rethink how you are distributing that news, I mean we've been doing it on a computer screen but think about it for the Gen X'ers and how they consume news. Those are tomorrow's readers, as well as today's readers for that. So I think legacy cost is one that you need to look at and you need to, you've got to have a plan for coming up with managing those legacy costs.

And what we are using is the example of the market changes, the S&P changes at roughly five percent a year so you've got to have a plan of changing out your business an average of at least five percent a year, if you want to make the transition.

The second is I think you need to look at how you rebuild community and that also gets back to it can be networking, it can be a whole range of things.

And the final thing is you need to look at

the fact that, back to what Scott was just talking about, the only new form of advertising that's really come out of the Internet so far is search.

There were will be whole tons of other forms of Internet advertising that come out and while display may provide ten percent of your revenue, mastering those other forms of advertising and becoming the master of that is, in the traditional news sense, is the key going forward.

MR. JONES: Thank you.

Other comments, people who would like to speak who are here? Okay.

Panelists, as you sort of look forward, do you see profound change coming in a year, in two years, in five years, in terms of some of these issues being resolved one way or the other? Resolved in the form of newspapers going bankrupt and going dark, resolved in the form of advertising models being discovered that will allow news organizations to continue in some form to do this kind of work? Or are we really headed for a prolonged period of a kind of uncertainty?

MR. BALBONI: Do you want me to start?

MR. JONES: Yeah.

MR. BALBONI: Well I'm a fairly unabashed optimist about it. I think you could look at only the

dark side, but you could also look at the fact that this could be the great historic moment for journalism to be reborn using the Internet. And I think more journalists need to seize the moment and look for the models that work in whatever areas interest them. I think all of the ingredients are there for success, except the courage and the determination to go out and make it happen.

And if there is one thing that I believe will be the driving force that pushes the economics over the top it is finding creative ways, they won't all be the same, to engage consumers in paying for content. The fact is the young woman at the end of the table talked about someone begging the *New York Times* to let them pay for their iPhone content. If somebody begged me, I mean I wouldn't take five seconds to answer them yes, and you know, I would get their money.

MS. TURKLE: She said it's not my fault that I've got to pay.

MR. BALBONI: It's not my fault. So I believe that that is going to be the great driver of how these new models will become successful. There will be many different ones.

But I've got to be optimistic, I think we are just at the beginning of an extraordinary rebirth

of journalism. And I'm not, I think it's appropriate to worry about the existing media and the roles that they have played historically in our communities, but I think we should devote more energy to the nurturing and the upwelling of these new creative, energetic ways of serving similar needs. Maybe not all of them but many of them.

MR. JONES: Do any of the others of you want to chime in on this? We are right at the end.

Okay, Scott, you have the last word.

MR. KARP: I think the economic meltdown certainly helped accelerate things. I think we are on a curve of acceleration where these things will happen sooner than everybody thinks, both to the good and to the bad, which I think will be a mix of both, which is inevitable. I think everybody is in a disposition to do and try things that are transformative because they really have no other choice. It truly is a cliché but it is change or die time, just in the conversations, I mean just, if I would have walked around two years ago saying hey, I've got a new advertising model. Well, you know, those are hard, we're doing all right, don't, yeah, maybe we'll try it.

It's like hey, we'll try anything at this point, not because, I mean well there is a little bit

of desperation in that but also you sort of have your mind open to who knows what could work right now because all the old models are coming undone, which opens up the opportunity for any new model to be super successful. We don't know what those are yet but I think it's a time of great opportunity too.

MR. JONES: I want to say how much I appreciate the panels, all of you, all the panelists today, how much I appreciate all of you who have come and just been with us and especially I want to thank Susan and the Carnegie Corporation for making this possible.

MS. KING: I just wanted to say one thing on the record.

MR. JONES: Sure.

MS. KING: You had the first meeting, Shorenstein, at Harvard, in New York, that I went to in December, I think the end of '07, wasn't it?

MR. JONES: That's right.

MS. KING: And started some of this, Geoff was part of it, so was Orville Shell, part of our deans and asked a lot of questions and one of which was to Pearlstein, he was the last one around the table and he was in a, he was at the, it was the big money maker in Washington.

And he said I just want you to know I've been at it for two years and I haven't made a penny yet, I haven't found a deal, and he was soon out at Bloomberg.

(Laughter)

MS. KING: So that was a moment, but what happened out of that was Petersburg, *St. Petersburg Press* said we have to do something at Poynter and the next moment at Poynter, which surfaced some of the other people here, the experimental things, and we began to see something on it. So, Bill, you started it, we're fall circle back to Alex and Shorenstein.

MR. JONES: Well we've loved having you, we thank you very much. Thanks to Carnegie, thank you all. We are adjourned.

(Whereupon, at 2:34 p.m., the session was adjourned.)





C E R T I F I C A T E

This is to certify that the preceding transcript  
is an accurate record based on the recordings of  
the proceedings taken:

Before: Alex Jones, Moderator

In the Matter of:

HOW TO MAKE MONEY IN NEWS:

NEW BUSINESS MODELS FOR THE 21ST CENTURY

Date: October 29, 2009

Place: Cambridge, Massachusetts

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