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Preparing the Obituary

By James V. DeLong
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Netizens and the news business are locked in a mutually destructive death spiral. Can anything arrest the decline?

In small-town Ohio in the early 1950s, the main link to the outside world was the Canton Repository newspaper. The radio had a role, as did the movies, and television was about to explode through the culture, but the newspaper had breadth and depth. It was the Repository that had the maps showing how the Marines fought out of the trap at Chongjin Reservoir, and it was the Repository that nurtured my unshakable view that an essential feature of a good newspaper is lots of comic strips.

The Repository was delivered daily in the late afternoon. Paperboys collected bundles of papers that were tossed off a truck at Sterling's Drugstore downtown and showed an admirable skill at folding each into proper aerodynamic shape. Some rode special bikes, with a front wheel built small enough to accommodate a large basket which held the papers within easy reach to grab and throw. The boys also bore the collection risk—once a month they trudged their routes, punch cards in hand, ringing doorbells and recording the payments, or, since the town was poor, the excuses.

On Sundays, we added the Cleveland Plain Dealer. Pittsburgh was closer, but the lines of culture ran north and Pennsylvania was considered exotic. This was Indians and Browns territory, not Pirates and Steelers, and the papers were important parts of the identity.

The Repository still exists, circulation 66,812, and 86,357 on Sunday. GateHouse Media bought it in 2007 from the Copley Press, but Mr. Stock Market does not think much of GateHouse Media's prospects, since the price of $20 per share in May 2007 has shrunk to 7 cents in March 2009, even worse than the 83 percent haircut taken by newspaper stocks generally in 2008. Mr. Market's gloom seems warranted, since the company has $1.4 billion in debts and must include "intangible assets" and "goodwill" of over $1 billion to provide the balance on its balance sheet.

The Plain Dealer is the largest paper in Ohio and is part of Advance Publications, the empire of the Newhouse family that includes the New Yorker, Vanity Fair, and a slew of business magazines. Its market penetration is impressive, as more than 75 percent of adults in the area read it on Sundays. Advance is privately owned, so its finances are unknown.

The immediate question is whether these institutions will survive into the next decade, or possibly even into next year. The answer is complicated. If phrased as: Will these and other newspapers continue to put content on newsprint and blanket their viewsheds? the answer is “no.” Some will continue in their present form, but many are in a downward spiral. The New York Sun just folded, the Minneapolis Star-Tribune is in bankruptcy, the McClatchy chain has $40 million in operating income per quarter and debt service of $34 million, and the Seattle Post-Intelligencer is about to shut down or go online-only. For the first nine months of 2008, the Washington Post newspaper business lost $178 million on $600 million of revenue; the company is bailed out by its educational subsidiary and cable television. The rot has spread to the magazine business, too; a dozen big ones had ad page decreases of 20 percent or more last year.

Some numbers are still rosy. Circulation may have peaked in 1984 at 63.3 million and declined since, to 54 million in 2007, but 20.4 million of that decline came from afternoon papers, slain by TV news. The morning papers increased their circulation from 35.7 million in 1984 to 44.5 million in 2007. Ad revenue, $23 billion in 1984, went to almost $50 billion 25 years later. Such improvement in market position was hardly a catastrophe for the survivors. Furthermore, the Newspaper Association of America will be happy to deluge you with numbers on readership, penetration, time spent, and other favorable aspects of the business. Indeed, despite the looming Internet, until 2005 ad revenue was expanding steadily, to a peak of $49.4 billion.

However, after the 2005 peak, ad revenues declined to $45.4 billion in 2007, followed by quarter-by-quarter falls of 12 percent to 20 percent during the catastrophes of 2008. Audience share is in a long-term decline. In 1992, 71 percent of survey respondents said they read a paper “regularly,” but only 46 percent said so in 2008, and only 34 percent read a newspaper “yesterday” (which is probably a better measure), and the decline is particularly large among young people. The newspapers’ share of total advertising also declined between 1984 and 2005, as the national market tripled while their revenues only doubled.

Most important, both the stock market and the internal industry observers are extremely gloomy. As noted, the former has given business not just a haircut but a shave as well, and there has been a recent boom in the number of woe-is-us articles that the Internet is killing the industry, including suggestions that the only solution is endowments or patronage.

Even the Ozymandias of the business, the New York Times, is selling off valuable real estate assets to feed the hungry demands of its declining news business and recently accepted money from Mexican billionaire and crony capitalist Carlos Slim on distress-financing terms.

Clearly, the current business model is sick unto death.

But if the question is changed to whether newspapers can remake themselves into strong businesses adapted to the Internet Age, combining the past strengths of the news biz and their incredible brand recognition with the new power of the Internet, the answer is “maybe.” It depends heavily on their shrewdness and on their ability to develop a new model for monetizing content and selling it to the society at large.

Peering through the murk of doomsaying, the state of newspapers as financial entities does not reflect their basic strengths as brands. Many besides GateHouse are in financial trouble because the assets on their balance sheets are heavily tilted toward the airy—“Goodwill,” “Intangibles”—while the liabilities are hard debt and pension obligations. Gannett, the largest chain, had $9 billion in these two asset categories, as of September 2008, and $4.4 billion in harder assets, such as “Receivables,” or “Plant.” It also had long-term debt and other liabilities of $5.4 billion. As of January 2009, Gannett was considering a $5 billion dollar write-off.

If one examines the balance sheets with a thought to letting out the air, transmuting the debt to equity through the purge of bankruptcy, and reconstituting the newspapers as mixed print and Internet entities, a future looks possible.

Yet a third question is: If the newspapers do not survive, then what takes on the crucial social and economic roles they have performed over the past century and more? That is unknowable. Failing some inventive institutional spark, some vital functions might simply go unperformed. The Internet is creating a “tragedy of the commons” situation for news, and no one ever claimed that all problems have solutions. Decay and decline are always options, and—unless some mechanism is found to let producers of information monetize their work—inevitabilities. Absent institutional invention, a government-funded news service seems not just possible but likely, possibly supplemented by privately funded organizations with varying axes to grind.

Is Past Prologue?

Speculation about the future of the newspaper or its equivalents should start with a review of the newspaper of the past. It was a brilliant blend of three things:

- Technological innovations—Cheap paper from wood pulp; the high speed rotary press that turned rolls of newsprint into 30,000 two-sided pages an hour; the linotype; a long-distance telecommunications system that was fast but too expensive for individuals to use.

- The nature of the newspaper itself—a cheap, portable, disposable, random access device that could serve as a platform for content of all kinds. Think of it as 19th-century broadband.

- The moat around content created partly by copyright law, but even more by the difficulty and cost of stealing it. No one could economically take and resell the product without a large-scale operation, which made any taker easily visible. Even after the invention of the copy machine it cost almost as much to copy a single article as to buy a whole paper. Copyright was important, but protection-via-technological impossibility was crucial.

These forces produced a business model of extraordinary power.

The high costs of printing and the need to maintain a distribution network capable of blanketing a metropolis in a few hours created a strong bias toward local monopoly or, at least oligopoly. The result was the bedrock of the newspaper business—huge power in a local market.

At the other end, the news gathering business, the papers could pool their resources to fund joint operations and share massive economies of scale. The Associated Press is dominant, a cooperative with 4,100 employees, owned by 1,500 daily newspapers. Each pays a fee, and also feeds local stories to the service. The AP also supplies 5,000 TV and radio outlets, and, more recently, the Internet, such as Google News, all of which pay for the service.

The efficiencies are amazing: In 2007, the AP had revenues of $710 million; apportion this out among 51 million newspaper subscribers and it comes to about $14 each. (That overstates it, because AP gets revenues from radio, TV, and the Internet, too.) Against this, each subscriber generated over $1,000 of revenue for the industry.

Each newspaper was thus placed neatly as a bottleneck between the worlds of news makers and news consumers, and became the center of a multi-sided market. It had a platform: the ability to deliver, every day, to hundreds of thousands of readers, as many sheets as it wished of content-carrying newsprint. The basic costs of the platform were largely fixed; the extra ink and paper required for a million copies are not that much greater than for 100,000, as compared with the long- and medium-term investment costs. Newsprint is only about 14 percent of the costs of a news operation.

Starting with this basic news product, the paper could then hire some reporters to do local coverage, perhaps set up some out-of-town bureaus, especially in state capitals and Washington, D.C., to get the local angle on events there, and add every possible feature that might pick up a marginal customer–features, comic strips, crosswords, whatever. Pack in enough variety and it is hard to find anyone who won't find a quarter's worth of value somewhere.

Then the paper could turn around and sell all those eyeballs to advertisers, and, because it was difficult for the advertisers to find an alternative channel to masses of consumers, these ads got good prices. Television was a threat, but it is a low information medium compared with newspapers, so display ads and classifieds became cash cows. This set up a happy upward spiral, too. Because advertising is itself valuable information, consumers would buy the paper to get the ads that the advertisers were buying to reach the consumers, and the more that each side signed on, the more valuable the service became to the other.

Furthermore, the newspaper protected the business models of its advertisers. A department store or a supermarket or an auto dealer needed to reach large numbers of people, and it could use the eclectic audience drawn in by the newspaper's multiplicity of features. A niche competitor could not afford the price of a large ad because it was not trying to appeal to as many people.

As a final stroke of fortune, the advertising is not overly irritating. It is at the fringe of vision; look at it if it interests you or ignore it. The great weakness of advertising on audio or visual media is that it forces your attention and takes your time, so that a TV show, with a ratio of content to ads of about 2 to 1, becomes a frustration. As the publisher of Harper's put it: "No offense to my fellow journalists, but newspapers and magazines are first and foremost effective catalogs, which some people like to read. If the headline or cover line grabs you, there's a good chance you'll start turning the pages and bump into the ads. Advertising on the Internet and TV (with Tivo, muting, and zapping), is simply too easy to dodge."

The wedding of news and advertising is only the first level of sophistication. A newspaper is also an aggregator and filter of the news, assuring its readers that its staff has scanned the universe and selected for presentation what the readers need to know that day to be informed. For the hard core, this is an immensely valuable and time saving function. It also enables a newspaper to capture a good share of the budget of time that the reader is willing to allocate to news, akin to the way a good department store vacuums up its customers' disposable income.

Newspapers also became the indispensable links between the newsmakers and the public. Anyone wanting attention had to go through the paper and its staff, a relationship that bred symbiosis and reinforced indispensability. The newspaper became the gatekeeper for commentary. No one not tapped by it could reach a significant audience. It became the certifier of experts, whose knowledge could be obtained for a pittance since they had no alternative way of reaching the public. They sold community, as the Repository provides for several counties in northeast Ohio, and as do hundreds of small town weeklies for their communities.

The result of these happy synergisms was a sturdy structure. In 2005 (the revenue peak), papers collected $44.7 billion for print advertising ($17.3 billion for classified, $22.2 billion for retail, $7.9 billion for national). Online ads produced $2 billion, and $11 billion was paid in by 54 million daily readers. About 75 percent of all circulation was via subscription.

Since then, it has been downhill. Although the model is powerful, it is also intricate and highly leveraged in that fixed costs are high and marginal costs of adding a subscriber or ad are low. As in any leveraged model, extra revenues go directly to the bottom line because the business can supply increases in demand without incurring significant cost increases. That is why newspapers had, for years, rates of return that were the envy of the business world. But levers go down as well as up, and declines in revenue also affect the bottom line quite directly.

At many papers, the inherent leverage of the business model was compounded by adoption of leveraged financial models, as news properties were loaded up with debt. Because debt service is sacred, decreases in revenues result not in a decrease in a variable called “profit” but in an immediate need to cut costs, which means cutting the quality of the product.

The most immediate threat from the Internet is classified ads. Newspapers are not efficient media for classifieds if there is an Internet alternative. Classifieds are concentrated on the three big categories of autos (24.4 percent), employment (33 percent), and real estate (32.3 percent). These are all particularly vulnerable to the current slump, but they are also vulnerable to complete cannibalization by the Internet. Indeed, it is difficult to imagine how this would not happen, because these listings attract people who are actively looking, not casual browsers flipping through a paper. So Craig’s List or other specialized websites will take over this area. The papers themselves are well positioned to run such sites, of course, but the threat of competition will keep the prices down.

Losing up to 30 percent of the revenues in a leveraged model is not good, but the real fear is that the rest of the advertisers will also leave, or at least demand substantial rate reductions to stay. National advertisers, in particular, are likely to see a portfolio of Internet ads as more effective than a collection of newspapers. In any event, the existence of alternatives is certain to put downward pressure on ad rates.

A second effect of the Internet is to deprive the newspapers of much of their market power at both ends of the news business. For the subscribers, they are no longer the only serious link to the outside. For the newsmakers, they are no longer the only link to the readers. Institutions of all kinds can set up websites and communicate directly with interested communities.

The role of gatekeeper and certifier of expertise has largely departed, and they have lost their position as the only game in town for those who want to be informed. Experts can reach out on their own. Slovenly reporting and bias are illuminated. Columnists are exposed to competition—as when the New York Times put its pundits behind a wall and found that no one missed them enough to pay to read them. A decade ago, the news junkie had the paper or nothing. Now, surf the net. The model of adding numerous specialized features to the platform no longer works because the reader who once bought the paper for its sports, or finance, or the crossword now has better Internet options, and probably for free.

The Cost of Openness

It is a tribute to the power of the brands, as well as to the high value of the content that the papers collected, that circulation has held up as well as it has. The papers have also been reasonably successful in transferring that brand power to the Internet. Their own websites are huge portals, attracting 100 million viewers a day.

Viewed logically, the papers should have been able to use their brands to achieve Internet dominance. In 2008, 40 percent of the respondents to a Pew survey cited the Internet as a “main source” of national and international news versus 35 percent for newspapers and 70 percent for TV. For 18- to 29-year-olds, the numbers were 59 percent Internet, 28 percent newspapers, and 59 percent TV. The missing fact here is that “the news” is pretty much all from the newspapers, either from their own websites, or via their subsidiary the AP. The news biz has not really lost its readers; it just lost its ability to monetize them.

As a thought experiment, imagine what would happen if content were effectively locked up, so it could not be freely disseminated over the Internet. One would expect that over time all newspapers would move to the Internet, with subscribers paying for access. Perhaps some printed copies would be produced for sale at train stations and downtown newsstands and for people who lack Internet access, though the latter are unlikely to be newspaper readers. The transition might be slow for a time, because there are generational lags, but eventually a tipping point would be reached.

Over not too long a time, specialization would arise, with a few papers turning into dominant national brands while the rest become local and provide local news, advertising, and community. Ad rates would fall because space would not be scarce and there would be the threat of competition, but every local newspaper would have a huge brand name and first mover advantage that would allow it to become the premier local ad site.

Other websites would exist, of course, including the blogosphere, which consists largely of riffs on the news. However, these sites would feed revenue to the news-gathering business by paying for access or clicking, so they would be added sources of revenue.

It would be a rich mix, and, with the existing newspapers’ market power broken at both ends, it would produce new entities to create new aggregation and filtering functions, and perhaps new news collection services, since innovators would be able to monetize their investments.

That is not how it went down, though. The Internet was wide open, and the newspapers had given little thought to their crown jewels, the intellectual property in the content that they sold to readers, gathering the readership numbers that the paper then sold to advertisers. The protection by technology was accepted as the natural order of the universe, and the papers did not understand the implications of the fact that their power rested not only on their ability to monetize their intellectual property, but on the inability of others to do so.

Indeed, as reliable liberals, most reporters and editors had a bias against property; they favored seizing any piece of real estate in sight if doing so could be justified in terms of “smart growth” or “endangered species” or “historic preservation.” When Hurricane Napster hit the music industry in 1999, the news biz did not sympathize with the recording industry. The editorials were full of comments about “the need to adapt” and “don’t protect broken business models.” Even in 2008, when the AP became concerned about bloggers quoting its stories, it decided to issue “guidelines” on how much it thinks is fair. It discounted the possibility of legal action with the comment: “We are not trying to sue bloggers . . . That would be the rough equivalent of suing grandma and the kids for stealing music.”

Newsies’ biases also inhibited them in another way. In defending themselves against any limitations on reporting, they embraced the view that information wants to be free and that checks on disseminating it are immoral. The question of what use of news product is “fair” is complicated—legally, economically, practically, and morally—but the newsies undermine their own survival.

At the outset, some newspapers tried to preserve a subscription model, but none, outside of some specialized worlds, succeeded. Too many sites went the other way, and no general newspaper possessed the power to compete with the spate of free content, especially when everyone uses the same wire services, and the content had ceased to be compelling. Besides, the papers drank some leftover Kool-Aid from the dot.com boom and decided that the big thing was to collect market share of eyeballs on the Internet and figure out later how to monetize them.

The newspapers were also a bit slow off the mark, and a new class of intermediaries arose. Newspapers are aggregators and filters of news, but the road to Internet glory lay in being an aggregator and filter of newspapers and other news sources rather than of the news directly. For the info junkie, the first stop in the morning is no longer to check the Washington Post or Times’s view of what’s news; it is to read the Drudge Report, the Huffington Post, a Real Clear website, or the comments posted on a preferred blog.

Even if sites link back to the original story, the search engines will pick up the aggregators, which will cream off a substantial share of the eyeballs attracted by the headline, and Google will skim off a good bit of the revenue for providing the service of interfacing with advertisers. A small share of click revenue cannot replace subscribers and major ads as sources of serious funding of content. The cold arithmetic is that as of a couple of years ago, for the Washington Post, “advertisers paid about $573 million last year to reach readers of the company’s newspapers, predominantly the 673,900 daily and 937,700 Sunday subscribers to the Post. Advertisers paid only about $103 million to reach the eight million unique visitors to the Post’s websites each month.”

Nor could the Post, as secure a newspaper as exists, do without the aggregators, because an undefined “most” of its website traffic comes in from other sites, not from its own home page.

Essentially, the news was turned into a commons, and everyone was invited to drop in a fishing line and hook some advertising dollars. The problem is not that an advertising model cannot support the production of news content: pre-Internet, the industry had revenues of $1000 per subscriber, 80 percent of it from advertising, and the Internet can provide a vastly improved product. The problem is that no mechanism exists to channel the ad dollars back into the news production enterprises. So, inevitably, more and more people will launch their boats onto the ocean of content, and rising resources will be devoted to competitive efforts to attach advertising to that $14 per subscriber worth of AP content.

However, the whole structure of Internet sites still relies on the newspaper industry, including the AP. Since the newspapers support the wire services, the more the content leaks out the more they are supporting their competitors' free ride, and the more they enable the entry of still more competitors for the advertising dollars.

Information Wants to Be...

The newsies must have had a Come-To-Jesus session recently, or perhaps Come-To-Darwin, because suddenly the Internet is full of rumbling about the need to find a monetization model. The editor of the New York Times just "challenged the belief among some of the digerati that 'information wants to be free,' saying 'a lot of people in the news business, myself included, don't buy as a matter of theology that information "wants to be free." Really good information, often extracted from reluctant sources, truth-tested, organized, and explained—that stuff wants to be paid for.'" The LA Times talked of the need for an antitrust exemption so newspapers can jointly agree to stop giving away the product, and several columnists have chimed in about the need for monetization.

So from here, things will fork. Either the news business succeeds in establishing a property rights–based monetization model, based on subscribers or control of advertising or both, or it doesn't. If it does, then the scenario described earlier will play out, with national outlets, local outlets, and specialized outlets. Innovative news collection services will arise to compete with AP, especially in specialized areas, and the creative side of the Schumpeterian balance will accompany the destruction of the old print model. We would probably get a paid Internet and a free Internet, with a great deal of interesting crossover and interaction.

If the newspaper business continues on its present path, then the structure goes into both individual and collective death spirals. Advertising and circulation declines will reinforce each other, and, crucially, papers will withdraw support for the AP and become exclusively local, where their control over a news collection apparatus will provide them with some market power. As is true of any cooperative enterprise, withdrawal of support by some will place more burden on those remaining, so the overall quality of news collection will decline, more papers will drop out, and so on.

It is this possibility of individual and collective death spirals that is causing news people to think about property rights and monetization. On the other side, the Internet community seems unaware of the extent of its own dependence on the newspapers for raw material; it acts as if the news is simply there, like the ocean, and damned if anyone is going to tell them "no fishing."

So the Netizens will fight the news industry on this right up to the point of mutual destruction, and then all bets are off because it is impossible to begin to imagine the shape of an Internet deprived of the material produced by the newspapers and wire services. At that point, the options change to government bailouts of the news business, or endowments for wire services, or beneficent foundations.

It is hard to hazard how this one will come out. News collection will not disappear, but given the odds against creating a property rights model in the current zeitgeist, it seems ominously likely that we are headed for a government-sponsored news service. Maybe we will like it.

China is already expanding Xinhua to go worldwide, so we can call ours Xinhua East. It shouldn't take more than a few days to clear any given story through the White House information czar.

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Image by Darren Wamboldt/The Bergman Group.

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Black and White and Dead All Over

The decline of newspapers — and what it portends for conservatives

JAMES V. DeLONG

The American Society of Newspaper Editors canceled its April convention, explaining that "the challenges editors face at their newspapers demand their full attention."

It seems likely that the event would have proven gloomy. One imagines wooden carts creaking down hotel hallways while hooded figures call "Bring out your dead," like a scene from the 14th century. But the plague spared 60 to 70 percent of Europe's population; newspapers would be grateful for that survival rate.

As does much of history, the plague looks different when taken in perspective, which is another way of saying "as long as you weren't stuck in the middle of it." It changed the terms of trade between labor and land, broke up old social structures, and enhanced human mobility both geographically and socially, helping to clear the ground for the great leaps of subsequent centuries.

So conservatives, frustrated by the *dirigiste* liberal bias of the mainstream media, should approach print journalism's disintegration in the spirit of Rahm Emanuel — "You never want a serious crisis to go to waste" — focusing on how to fashion a vibrant, open, and diverse *news* business out of the wreckage of the old *newspaper* business.

More than 1,400 dailies are printed in the U.S., but it is useful to recognize that, to a large extent, this is a single large enterprise with 1,400 local franchises — McNews. Printing and distributing a newspaper requires heavy initial capital investment but has low marginal costs. This creates high returns to scale, a recipe for market power, but the product is heavy and must be distributed by truck, which normally limits that market power to a metropolitan area. Most localities have one paper, and only the very largest have more than two.

The newsgathering end of the business is also subject to economies of scale and market power: Individual papers pooled resources to create the wire services, notably the Associated Press. In theory, and often in fact, this model allows a single reporter to cover a government agency or a major news event for the entire universe of papers. The AP is a cooperative owned by the daily newspapers, but its subscribers include TV stations, radio stations, and Internet news organizations. Its internal finances, and the fees paid by individual papers, are a mystery, since the public's right to know stops at the AP's door.

McNews is the product of this consolidation of non-local news. Having to compete only with television, each newspaper had a pretty solid grip on its readers' access to the newsgathering apparatus. It had an even stronger grip on the reverse: the ability of newsmakers to reach the general public. Individual papers apply their own selection processes to the swirling stream of raw material; part of the value of this model is that each newspaper is not just an aggregator of news but also a filter, telling its readers: "We have scanned the universe, and here is what you need to know today to be informed." If this job is done well, it pushes other sources of information to the margins.

But that market power was also the industry's undoing. It is a truth universally acknowledged that any organization that escapes the discipline of the market — university, foundation, government agency, industrial enterprise — gets captured, inch by inch, by its staffers, and its market power is then turned to their benefit, which may take the form of money, ease, ideological satisfaction, or all three.

So it was with McNews. Pay went up, and parroting some alpha source such as the *New York Times* greatly reduced the demands and stress of the job. For many, journalism was not just a job but a chance to make a difference — meaning, in most cases, a chance to promote the vague ideology of state power exercised in the interests of the victim du jour. For an explanation of why this mindset came to dominate the once-honorable blue-collar trade of newspapering, you might ask a cultural anthropologist — but the same ideology dominates universities, foundations, and government, so the answer would probably be denial.

Such comfortable and profitable arrangements are not destined to endure. The Internet is demolishing this structure.

Contrary to popular impressions, newspaper circulation has held up pretty well in absolute terms, though it has not kept up with population growth. It was 63.3 million in 1984 and 51 million in 2007, but that number really reflects the near extinction of afternoon newspapers. Morning papers' circulation actually increased from 35.7 million in 1984 to a peak of 46.8 million in 2001, and was at 44.5 million in 2007.

But the economic basis of this enterprise is collecting eyeballs to rent to advertisers. In 2005, 54 million daily readers paid $11 billion out of pocket for their newspapers in the form of subscriptions and single-copy sales. Most of the industry's revenue, $44.7 billion, came from print advertising: $17.3 billion in classified, $22.2 billion in retail, and $7.9 billion from national accounts. Online ads produced $2 billion.

The Internet is taking a big bite out of those billions. Classified ads in particular are spectacularly inefficient: printing thousands of copies and driving them around in trucks, in the hope of reaching the relatively few readers who might be interested. And given that classifieds are themselves useful information, they can be published on the Internet independent of news reporting. As classifieds were hugely profitable — at one time providing 30 percent of all newspaper revenue — their decline has been catastrophic for many papers.

Other types of advertising are also vulnerable. A six-by-ten-inch ad in the *Washington Post* costs $11.55 per thousand subscribers — sensible for old-fashioned mass marketing, but not for businesses wanting to reach only a narrow segment of the *Post*'s circulation (623,000). And the *Post* reaches only 25 percent of households in its area.

How will this end? About 1,200 of the nation's 1,400-plus dailies have circulations lower than 50,000, and they think they know: They are giving up their role as link to the outside world, opting out of the cooperative news services, and using their brand names and first-mover advantages to become community-based entities, setting up regional cooperatives where appropriate. They may go paperless or may not — after excessive debt is purged by bankruptcy, printing may still make sense. On the other hand, an item on the agenda of that canceled editors' convention was to consider removing the word "paper" from the organization's title.

The big-city dailies face knottier problems. Most of them ought to adopt the localized model of the smaller newspapers, but they are ambivalent, and some are cutting back local coverage rather than augmenting it. If they try to maintain the structure established when they had real market power, they probably will die.

The interesting question is: What will happen to the news itself, the beef on McNews's menu? To say that you don't need newspapers because you get your news from the Internet is like saying that you don't need to burn coal because you rely on electricity. The content used by advertisers to hook viewers on the Internet is supplied mostly by newspapers and the wire services they finance. If that newsgathering structure cannot derive financial support from the local monopolies, it too will decline. So how will the Internet's voracious appetite for news be sated?

Logically, one would anticipate the rise of competing newsgathering services of national or global reach, distributed online and directly accessible to readers. Some organizations, such as the *New York Times* and the *Wall Street Journal*, already are thinking along these lines. Surely in this lineup there will be room for services congenial to those of a conservative bent. It has been said of Fox News that "Rupert Murdoch discovered a niche market — half the country." There's a profit in that.

There is also a problem. Newspapers' business model depended not only on the ability of the news organizations to monetize their content by attaching advertising to it, but also on the inability of others to do so. When they launched their online businesses, they (with the notable exception of the *Wall Street Journal*) embarked on a course of business suicide, drinking the "information wants to be free" Kool-Aid and in the process empowering every blogger and aggregator to mediate between the news source and the reader, raking off a cut of revenue along the way.

They may not have had much choice: Without the local monopoly, there is no way to charge for web access to national or international news, because readers can go elsewhere to get exactly the same content from the same wire service. But in allowing access by everyone to everything, the news organizations invited a tragedy of the commons, converting the news into a giant fishery into which anyone can dip a line to hook some advertising dollars.

Neither locally oriented papers nor national news services can run without money. They must find a way to monetize their products, whether by subscriptions, per-story micropayments, advertising, or all three. And that means control of access and protection against free-riding.

Conservatives have an opportunity to form an odd-couple alliance with the *New York Times* and other journalistic doyens who are rumbling about how information really wants to be *paid for*. Either we will have news-collection systems based on property rights and enterprise, or we will become dependent on foundations and government subsidies for our news, a system that would maintain the biases of McNews in super-virulent form, protected from market pressure. The crisis in journalism presents an opportunity conservatives should not miss.

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