

Research Paper
Maj Nathan Mitchell

Introduction

There is little debate on the pressure newspapers face to maintain profits and revenue in the face of an explosion in competition from internet-based news outlets. News organizations have attempted to address the impact of declining revenues by slashing reporting staffs and even stopping publication and moving all content to the internet like the *Seattle Post-Intelligencer*. Others have attempted some hybrid of printed papers and paid content websites like the *Wall Street Journal* and starting in 2011, the *New York Times*. Despite these efforts, the question of how to remain profitable in the existing business model dominates any discussion on the future of journalism. Rather than focus on the established and ineffective status quo, newspapers must consider radical change to survive the increasingly competitive new environment. Primarily, newspapers should transition to a non-profit model, soliciting support from philanthropic foundations and private individuals while also relying on traditional advertising. Transitioning to a non-profit structure will enable newspapers to capitalize on the significant tax advantages allowed to institutions like churches, universities and other charitable organizations. Existing non-profit media outlets show promise for this development and demand evaluation for a wider implementation.

The Argument for Non-Profit Status

A side effect of the rise of for-profit corporations owning major news outlets is the growing concern over the quality and objectivity of journalism as a result of the pressures of keeping profits up and stockholders happy. Multiple alternatives have been proposed to relieve the tension between profit motivation and traditional journalism. Among the multiple options, the best financial reorganization choice available for news companies is to transition to non-profit entities, much like the Red Cross. The news outlets MinnPost.com in Minneapolis,

Research Paper
Maj Nathan Mitchell

voiceofsandiego.org in San Diego, the *Chi-Town Daily News* in Chicago, *Gotham Gazette* in New York City and high profile national outlets like ProPublica.org are using the nonprofit model with success.¹ For example, Albert Tims, director of the University of Minnesota School of Journalism and Mass Communication, says MinnPost.com offers "serious reporting about things that are important" to Minnesotans. "It's very policy-oriented reporting, some of it very wonky, some analytic, and some investigative," and it is generally "more thoughtful than the Tribune."² Additionally, voiceofsandiego.org has broke numerous stories on political developments and local scandals including an investigation into bonuses awarded by a city department leader that ultimately resulted in the official's removal from office.³

In light of the limited alternatives (for every Rupert Murdoch willing to operate a newspaper at a loss, there are many more who would simply stop printing and liquidate assets), conversion to non-profit status is the best option available for news providers. When funded by foundations and organized under non-profit frameworks, the media outlets can follow more tailored journalism practices. Carl Session Stepp, a professor of journalism at the University of Maryland, states "It isn't so much that [non-profit] journalism is better than the commercial brand. But it is theirs to choose and present, whether it is the feminist voice of foundation owned Ms., the conservative tilt of the Unification Church-affiliated Washington Times, the "bless all mankind" spirit of the Christian Science Monitor or the "progressive" agenda of listener supported Pacifica Radio."⁴

The Day in New London, CT is another example of a non-profit business structure. The paper is owned by a charitable trust and has few stockholders (the trust owns 99.9 percent of the stock). Hundreds of thousands of dollars in profits are reinvested or distributed through the trust to local organizations each year.⁵ Editor and Publisher Gary Farrugia states, "We are not driven

Research Paper
Maj Nathan Mitchell

by an ever-growing profit margin directive. There are neither Wall Street corporate shareholders directing us nor family members. All the decisions the paper makes are to benefit itself and the community."⁶ Bob Steele, a media ethics specialist at the Poynter Institute, says less-commercial newsrooms often breed "a culture that allows decisions to go a different way." Editors at papers like *The Day*, Steele says, "often have more independence in making decisions at the local level, in terms of executing a mission, commitment of resources, and values balancing. It doesn't guarantee it, but when you answer to people in the same building as you are, you have a different tabletop from which to make decisions, and that can be a positive force."⁷

Limitations to Non-Profit Conversion

In spite of the promise to the non-profit structure, it is not a cure all, especially against allegations of political or editorial bias. The same arguments against profit-driven newspapers can be leveled against non-profit papers, especially if the primary benefactors have well known political motivations or controversial business relationships. As an example, serious questions were raised on the impact to the editorial freedom of the *New York Times* after the newspaper borrowed \$250 million from Mexican billionaire Carlos Slim to cover operating costs.⁸ The Sandler family, which is bankrolling ProPublica.org for up to three years and \$30 million, made \$2.4 billion when they sold their savings and loan company in 2006, and have given millions to Democratic Party causes over the years.⁹ These facts motivated *Slate* media critic Jack Shafer to question Herbert Sandler's role as the chairman of ProPublica.org and make the recommendation that Sandler provide at least 10 years' funding and then resign his position, "so he'll never be tempted to bollix up what might turn out to be a good thing."¹⁰

Long-term support viability for non-profit newspapers may be in question as well. Robert Giles, a career journalist and curator for the Nieman Foundation claims that foundation

Research Paper
Maj Nathan Mitchell

grants "usually last for three to five years, at the end of which an operating news organization is expected to find way to sustain itself."¹¹ Additionally, foundations like to demonstrate that they have an impact in the near term. "You have to have 'measurables' and 'deliverables,'" says Bill Buzenberg, who spent nearly 30 years in public-radio news divisions before taking over as head of the Center for Public Integrity in 2006.¹² Leo Hindery, a philanthropist who also runs a private equity firm investing in specialized media, predicts donors will not give money to nonprofit ventures at a time when the media landscape is increasingly fluid, competitive, and fragmented.¹³

Limited Alternatives

One widely discussed alternative to non-profit conversion is partnership with universities since they have the skills and characteristics needed to support the roles and functions of journalism.¹⁴ However, major differences in the culture between the two organizations will likely limit the success of any relationship. While journalism and academia may share similar goals of the dissemination of knowledge, they go about their respective tasks using differing methods. Although journalists and universities pursue knowledge and discovery, the first priority for a university is growing the endowment. Anything that would cause contention and frustrate or anger the alumni (the funding base) would be unpopular. As a result, hard-hitting news reporting would not likely be welcome.¹⁵ Additionally, journalists and academics operate in different professional constructs. Academic publications reach very narrow and carefully defined conclusions; journalists often do the opposite.¹⁶ Sanford Ungar, a journalist and academic administrator, writes in the *Chronicle Review* of the unease he felt teaching journalism at a university where faculty in more traditional disciplines "got where they were by engaging in lofty research and careful thinking, while I seemed to them to have spent a good part of my life

Research Paper
Maj Nathan Mitchell

trying to distill wisdom from anecdotes. I knew that they secretly envied my willingness to draw conclusions on the basis of observations, documents, and interviews, but I didn't dare tell them that I worried sometimes that my journalistic colleagues and I, for all our seeming cocksureness, were on frighteningly thin ice."¹⁷

Conclusion

Although the process for converting to non-profit status requires more than simply declaring the intention, legislative help is under consideration. Senator Benjamin Card introduced the Newspaper Revitalization Act which aims to help newspapers make the transition and convert newspapers or newspaper divisions to 501(c)3 status.¹⁸ As Congress has done before, they could consider whether there are incentives that could provide inducements to encourage conversions and the creation of the supporting foundations.¹⁹

Even though there are a number of options for what newspapers can do to survive, the best option appears to be conversion to non-profit status. In spite of this opportunity, this course of action will not be a cure-all for financially struggling media centers. Multiple newspapers or magazines are under pressure from costs, declining readership and increased competition from internet-based media. More than likely, many of them will not make a successful conversion to a non-profit structure. Additionally, even if the conversions are successful, editors still have to convince philanthropists to support them. However, this factor will create marketplace forces to determine the outcome of which newspapers survive. This will result in a revitalized media establishment and renewed competition to present comprehensive news to media consumers.

¹ Julie Kosterlitz, "A Non-profit Model for News," *National Journal*, November 15, 2008. 7.

² Ibid.

³ Ibid.

⁴ Carl Sessions Stepp, "Journalism Without Profit Margins," *American Journalism Review*, October/November 2004. 36-43.

⁵ Ibid, 39.

⁶ Ibid, 39.

Research Paper
Maj Nathan Mitchell

⁷ Ibid, 43.

⁸ Sherry Ricchiardi, "A Dubious Benefactor," *American Journalism Review*, April/May 2009, 48-53.

⁹ Carol Guensberg, "Nonprofit News," *American Journalism Review*, February/March 2008, 26-33.

¹⁰ Ibid.

¹¹ Julie Kosterlitz, "A Non-profit Model for News," *National Journal*, November 15, 2008. 7.

¹² Ibid.

¹³ Ibid.

¹⁴ Eric Alterman, "Saving Journalism," *The Nation*, December 21/28, 2009. 10.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Statement of Steve Coll in "Future of Journalism," testimony before the Senate Commerce, Science and Transportation Committee on May 6, 2009.

¹⁹ Ibid.