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How to Save Your Newspaper

By Walter Isaacson

This story has been modified from its original version

During the past few months, the crisis in journalism has reached meltdown proportions. It is now possible to contemplate a time when some major cities will no longer have a newspaper and when magazines and network-news operations will employ no more than a handful of reporters.

There is, however, a striking and somewhat odd fact about this crisis. Newspapers have more readers than ever. Their content, as well as that of newsmagazines and other producers of traditional journalism, is more popular than ever — even (in fact, especially) among young people.

The problem is that fewer of these consumers are paying. Instead, news organizations are merrily giving away their news. According to a Pew Research Center study, a tipping point occurred last year more people in the U.S. got their news online for free than paid for it by buying newspapers and magazines. Who can blame them? Even an old print junkie like me has quit subscribing to the New York *Times*, because if it doesn't see fit to charge for its content, I'd feel like a fool paying for it.

This is not a business model that makes sense. Perhaps it appeared to when Web advertising was booming and every half-sentient publisher could pretend to be among the clan who "got it" by chanting the mantra that the ad-supported Web was "the future." But when Web advertising declined in the fourth quarter of 2008, free felt like the future of journalism only in the sense that a steep cliff is the future for a herd of lemmings. (See who got the world into this financial mess.)

Newspapers and magazines traditionally have had three revenue sources: newsstand sales, subscriptions and advertising. The new business model relies only on the last of these. That makes fc a wobbly stool even when the one leg is strong. When it weakens — as countless publishers have seer happen as a result of the recession — the stool can't possibly stand.

See pictures of the recession of 1958.

See TIME's Pictures of the Week.

Henry Luce, a co-founder of TIME, disdained the notion of giveaway publications that relied solely on ad revenue. He called that formula "morally abhorrent" and also "economically self-defeating." That was because he believed that good journalism required that a publication's primary duty be to its readers, not to its advertisers. In an advertising-only revenue model, the incentive is perverse. It i also self-defeating, because eventually you will weaken your bond with your readers if you do not fee directly dependent on them for your revenue. When a man knows he is to be hanged in a fortnight, Dr. Johnson said, it concentrates his mind wonderfully. Journalism's fortnight is upon us, and I suspect that 2009 will be remembered as the year news organizations realized that further rounds ot cost-cutting would not stave off the hangman. (See the top 10 magazine covers of 2008.)

One option for survival being tried by some publications, such as the *Christian Science Monitor* and the Detroit *Free Press*, is to eliminate or drastically cut their print editions and focus on their free websites. Others may try to ride out the long winter, hope that their competitors die and pray that they will grab a large enough share of advertising to make a profitable go of it as free sites. That's fin We need a variety of competing strategies.

These approaches, however, still make a publication completely beholden to its advertisers. So I am hoping that this year will see the dawn of a bold, old idea that will provide yet another option that some news organizations might choose: getting paid by users for the services they provide and the journalism they produce.

This notion of charging for content is an old idea not simply because newspapers and magazines hav been doing it for more than four centuries. It's also something they used to do at the dawn of the online era, in the early 1990s. Back then there were a passel of online service companies, such as Prodigy, CompuServe, Delphi and AOL. They used to charge users for the minutes people spent online, and it was naturally in their interest to keep the users online for as long as possible. As a result, good content was valued. When I was in charge of TIME's nascent online-media department back then, every year or so we would play off AOL and CompuServe; one year the bidding for our magazine and bulletin boards reached $1 million.

See TIME's Pictures of the Week.

See pictures of TIME's Wall Street covers.

Then along came tools that made it easier for publications and users to venture onto the open Internet rather than remain in the walled gardens created by the online services. I remember talking to Louis Rossetto, then the editor of *Wired*, about ways to put our magazines directly online, and we decided that the best strategy was to use the hypertext markup language and transfer protocols that defined the World Wide Web. *Wired* and TIME made the plunge the same week in 1994, and within year most other publications had done so as well. We invented things like banner ads that brought ir a rising tide of revenue, but the upshot was that we abandoned getting paid for content. (See the 50 best websites of 2008.)

One of history's ironies is that hypertext — an embedded Web link that refers you to another page or site — had been invented by Ted Nelson in the early 1960s with the goal of enabling micropayments for content. He wanted to make sure that the people who created good stuff got rewarded for it. In hi vision, all links on a page would facilitate the accrual of small, automatic payments for whatever content was accessed. Instead, the Web got caught up in the ethos that information wants to be free. Others smarter than we were had avoided that trap. For example, when Bill Gates noticed in 1976 that hobbyists were freely sharing Altair BASIC, a code he and his colleagues had written, he sent an open letter to members of the Homebrew Computer Club telling them to stop. "One thing you do is prevent good software from being written," he railed. "Who can afford to do professional work for nothing?"

The easy Internet ad dollars of the late 1990s enticed newspapers and magazines to put all of their content, plus a whole lot of blogs and whistles, onto their websites for free. But the bulk of the ad dollars has ended up flowing to groups that did not actually create much content but instead piggybacked on it: search engines, portals and some aggregators.

Another group that benefits from free journalism is Internet service providers. They get to charge customers $20 to $30 a month for access to the Web's trove of free content and services. As a result, it is not in their interest to facilitate easy ways for media creators to charge for their content. Thus w(have a world in which phone companies have accustomed kids to paying up to 20 cents when they send a text message but it seems technologically and psychologically impossible to get people to pay 10 cents for a magazine, newspaper or newscast.

Currently a few newspapers, most notably the *Wall Street Journal*, charge for their online editions b requiring a monthly subscription. When Rupert Murdoch acquired the *Journal*, he ruminated publicly about dropping the fee. But Murdoch is, above all, a smart businessman. He took a look at the economics and decided it was lunacy to forgo the revenue — and that was even before the online ad market began contracting. Now his move looks really smart. Paid subscriptions for the *Journal's* website were up more than 7% in a very gloomy 2008. Plus, he spooked the New York *Times* into dropping its own halfhearted attempts to get subscription revenue, which were based on the (I think flawed) premise that it should charge for the paper's punditry rather than for its great reporting. (*Author's note: After publication the New York* Times *vehemently denied that their thinking was influenced by outside considerations; I accept their explanation.*)

See the worst business deals of 2008.

See TIME's Pictures of the Week.

But I don't think that subscriptions will solve everything — nor should they be the only way to charge for content. A person who wants one day's edition of a newspaper or is enticed by a link to an interesting article is rarely going to go through the cost and hassle of signing up for a subscription under today's clunky payment systems. The key to attracting online revenue, I think, is to come up with an iTunes-easy method of micropayment. We need something like digital coins or an E-ZPass digital wallet — a one-click system with a really simple interface that will permit impulse purchases (a newspaper, magazine, article, blog or video for a penny, nickel, dime or whatever the creator chooses to charge. (See the 50 best inventions of 2008.)

Admittedly, the Internet is littered with failed micropayment companies. If you remember Flooz, Beenz, CyberCash, Bitpass, Peppercoin and DigiCash, it's probably because you lost money investing in them. Many tracts and blog entries have been written about how the concept can't work because o bad tech or mental transaction costs.

But things have changed. "With newspapers entering bankruptcy even as their audience grows, the threat is not just to the companies that own them, but also to the news itself," wrote the savvy New York *Times* columnist David Carr last month in a column endorsing the idea of paid content. This creates a necessity that ought to be the mother of invention. In addition, our two most creative digita innovators have shown that a pay-per-drink model can work when it's made easy enough: Steve Jobs got music consumers (of all people) comfortable with the concept of paying 99 cents for a tune instead of Napsterizing an entire industry, and Jeff Bezos with his Kindle showed that consumers would buy electronic versions of books, magazines and newspapers if purchases could be done simply. (See Apple's 10 best business moves.)

What Internet payment options are there today? PayPal is the most famous, but it has transaction costs too high for impulse buys of less than a dollar. The denizens of Facebook are embracing system like Spare Change, which allows them to charge their PayPal accounts or credit cards to get digital currency they can spend in small amounts. Similar services include Bee-Tokens and Tipjoy. Twitter users have Twitpay, which is a micropayment service for the micromessaging set. Gamers have their own digital currencies that can be used for impulse buys during online role-playing games. And real-world commuters are used to gizmos like E-ZPass, which deducts automatically from their prepaid account as they glide through a highway tollbooth.

Under a micropayment system, a newspaper might decide to charge a nickel for an article or a dime for that day's full edition or $2 for a month's worth of Web access. Some surfers would balk, but I suspect most would merrily click through if it were cheap and easy enough.

The system could be used for all forms of media: magazines and blogs, games and apps, TV newscast and amateur videos, porn pictures and policy monographs, the reports of citizen journalists, recipes of great cooks and songs of garage bands. This would not only offer a lifeline to traditional media outlets but also nourish citizen journalists and bloggers. They have vastly enriched our realms of information and ideas, but most can't make much money at it. As a result, they tend to do it for the ego kick or as a civic contribution. A micropayment system would allow regular folks, the types who have to worry about feeding their families, to supplement their income by doing citizen journalism that is of value to their community.