

September 6, 2016

By email to:

- **Edward Greenspon**, President & CEO, Public Policy Forum, ed.greenspon@ppforum.ca
- **Hedy Fry**, Chair, Standing Committee on Canadian Heritage, hedy.fry@parl.gc.ca
- **Mélanie Joly**, Minister of Canadian Heritage, Melanie.Joly@parl.gc.ca
- **Madelaine Drohan**, Author, [Does serious journalism have a future in Canada?](#), md@madelainedrohan.com

## **Re: Canadian Journalism Policy**

Thank you for your attention to the important issue of journalism in Canadian democracy. I'd like to contribute the ideas below during this period of consultations conducted by the Public Policy Forum. I'm a financial economist and former advisor to the U.S. SEC, specializing in voter information systems (cv: [linkedin.com/in/marklatham](#)).

### **Summary – My Main Comments:**<sup>1</sup>

- There is a role for public policy to help maintain a healthy flow of news and information. This could be done unintrusively by continuing to fund the CBC, while experimenting on a small scale with new ways of encouraging public interest journalism.
- One promising innovation has been successfully tested in the University of British Columbia's student union elections: Let voters allocate public funding among competing news media – see my 2012 paper [Experiments in Voter Funded Media](#). Municipal politics is an ideal setting for the next stage of such experiments. Canada's federal government should sponsor them in municipalities that agree to participate. As they did at UBC, voter funded media could become the go-to place for community discussion of politics and policy.

### **Scope of My Comments:**

My comments are based on the following premises:

The deteriorating state of traditional media is putting at risk the civic function of journalism and thus the health of democracy. New digitally based news media are not filling the gap sufficiently, and are not likely to do so in the foreseeable future.<sup>2</sup>

I'm not offering much justification for those premises, since I'm sure other commenters and sources are providing enough support for them. Examples include [John Oliver's recent \(August 7\) HBO show on journalism](#) and references to McChesney and Sunstein in the first few paragraphs of my paper [Experiments in Voter Funded Media](#). While those refer to journalism in the USA, Canada faces similar problems.

Instead, my comments focus on a public policy proposal to help solve those problems.

### **Main Policy Proposal:**

We lack sufficient public interest journalism because our existing ways of paying journalists don't reward it enough. We don't pay enough for it because it's a public good, and most individuals are reluctant to pay voluntarily for benefits to the broad public. We usually pay for public goods through our taxes, but channelling funding for journalism through our governments has an inherent conflict of interest, undermining incentives for journalists to critique those governments. **We can solve this problem by letting voters allocate some public funds among competing journalist teams.**

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<sup>1</sup> This is my response to the [Public Policy Forum review's third question](#).

<sup>2</sup> These are my responses to the [Public Policy Forum review's first two questions](#).

## Experiments at UBC:

In 2006 I offered to sponsor a test implementation of voter funded media (VFM) at the University of British Columbia's student union (the Alma Mater Society or AMS). The AMS had about 42,000 members and an annual discretionary budget of over \$2 million – the scale of a small town. I offered \$8,000 in award funds for covering the January 2007 AMS elections, which we divided into 8 prizes, ranging from a \$1500 first prize to \$500 eighth prize. Any individual or group could enter by paying a \$100 fee (13 entered). This was a modest budget, especially compared to UBC's main student newspaper, *The Ubysey*, which was receiving \$180,000 in fees annually.

After the contestants covered the election, prizes were awarded based on students voting in a new section of the election ballot. After the sections for voting on the President and other executive positions, the media contestants were listed with a box next to each, and voters could check any number of those boxes to indicate their support for awards. The contestant with the most votes got first prize, and so on.

The contest's effects on media and elections are outlined in more detail in the paper [Experiments in Voter Funded Media](#) (free download at [votermedia.org/publications](http://votermedia.org/publications)). To summarize here, this began a four-year experiment which saw such developments as letting voters determine the size and number of awards, and launching a continuous year-round version of the contest to complement the annual burst of media funding at election time. Here are quotes from video interviews of student participants:

Alex Lougheed - AMS VP Academic 2008-2009:

"At the time we figured, hey, this is a great idea, we'll give it a shot, it's not going to cost that much, it's not a big deal. If it fails, it fails; if it succeeds, it succeeds. And it far surpassed any of anyone's expectations." [[votermedia.org/videos/2](http://votermedia.org/videos/2)]

"So what you're noticing now though, is these campaigns that are really focused in on people and their ideas, instead of simply who has the most volunteers and the most friends." [[votermedia.org/videos/3](http://votermedia.org/videos/3)]

Justin McElroy - Coordinating Editor, *The Ubysey*:

"... the established media, the one that students are giving their money to, and are more or less bound to giving, that media wasn't doing its job, and so competition is always good. ... we're paid way more money, we have way more resources..."

"... does VFM work for students? I think yes. Does it increase campus discussion and student engagement? I think absolutely. Does it ensure that established media does a better job? Yeah. And are students and is this campus better off because of that? Well, absolutely." [[votermedia.org/videos/4](http://votermedia.org/videos/4)]

Election coverage from an outstanding blog that was created to enter the first VFM contest:

[ubcinsiders.ca/category/elections/page/27](http://ubcinsiders.ca/category/elections/page/27)

## Proposed Experiments in Municipal Politics:

It is too early in the evolution of voter funded media systems to implement them on a national scale. At this point, municipal politics may be the ideal level, especially since it tends to be neglected by existing media. David Simon bemoaned the lack of coverage of local issues like Baltimore's zoning board hearings:

"There's no glory in that kind of journalism, but that is the bedrock of what keeps... You know, the next 10 or 15 years in this country are going to be a halcyon era for state and local political corruption." [[youtube.com/watch?v=bq2\\_wSsDwkQ#t=6m46s](http://youtube.com/watch?v=bq2_wSsDwkQ#t=6m46s)]

It would be in the national interest for Canada's federal government to fund some test implementations that we could all learn from. Given the low cost of blogging, a small to mid-sized city can expect significant improvement in coverage of city council meetings, policies and elections from as little as \$20,000 to \$40,000 of annual voter funded competition. A federal funder could offer to sponsor those awards for municipalities willing to participate. Even with a limited number of test locations, much can be learned on a small budget.

## Incentives of Voter Funded Media:

Canadians currently support journalism in three main ways:

1. CBC's public funding and ad revenue.
2. Private sector media competition for ad revenue and access fees.
3. Donations of money to journalists and their employers; donations of pro-bono work by journalists.

These three are not providing enough public interest journalism, especially the kind that is important but not exciting, such as helping citizens vote smarter and keeping a close watch for corruption in government. It's a collective action problem – we citizens have an incentive to pay for such journalism *as a group* since it benefits us as a group. But we lack incentive to pay for it *as individuals*. There is not enough altruism to pay for the amount we need.

This contrasts with media content that provides direct personal benefits, such as entertainment, sensationalism, and information like weather forecasts. Private sector media provide such content, because we are willing to pay for it through our *individual* decisions (viewing ads, paying for access). However, our general lack of altruism doesn't give them the incentive to do much public interest journalism.

The solution is to create a mechanism that lets us pay for journalism as a group. CBC is one way to do that, but CBC's governance lacks an effective mechanism for citizens to collectively incentivize CBC's behaviour. And CBC's board is appointed by the federal government, which seems likely to undermine the organization's will to criticize that government.

Collective funding decisions for collective benefits are familiar in municipal finance. Imagine this simplified scenario: We live in a small town of 1000 voters who are similar in income and usage of parks. Our parks have been damaged by a storm, and need \$100,000 worth of repair which would give benefits (enjoyment) worth about \$150,000 = \$150 per voter. We vote on a referendum to pay an extra \$100 tax each to pay for this. We each would get a net benefit worth  $\$150 - \$100 = \$50$ , so we each vote yes.

Suppose that instead of voting to tax everyone, we had invited each voter to voluntarily (and anonymously) donate \$100 to help repair the parks. A voter could estimate that her \$100 donation would create about \$150 of public benefit, 1/1000 of which would benefit her – a personal benefit of 15 cents for a cost of \$100. So voluntarily donating as an individual is not an attractive choice, from a selfish viewpoint. It's attractive if everyone is paying, but not if I am paying independently of whether others are paying.

That is why we tend not to pay individually for public interest journalism, even though as a group *the same non-altruistic citizens* would rationally vote to pay for it collectively. It's not that people don't understand the need for it. We just need an incentive-compatible way to pay for it.

### Conclusion:

With this policy review, Canada has a great opportunity to show the world how to improve democracy by reviving public interest journalism. We can find the way via some well designed experiments for giving the media new incentives to serve the public. Connecting directly to the public by consensus voting is a promising strategy.

These ideas are not patented; they are free for anyone to adapt and use. I hope you will post this comment letter (and others) on a public website to encourage broad discussion. I welcome questions, and would appreciate an opportunity to discuss with you and/or your staff.

Sincerely,  
Mark Latham, PhD