

# **VOTER FUNDED MEDIA IN MUNICIPAL ELECTIONS**

**BRIEF TO THE STANDING COMMITTEE ON CANADIAN HERITAGE  
RE: The Media and Local Communities**

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## INTRODUCTION

Thank you for your attention to the important issue of journalism in Canadian democracy. I would like to contribute the ideas below.<sup>1</sup> I'm a financial economist and former advisor to the U.S. SEC, specializing in voter information systems (cv: [linkedin.com/in/marklatham](https://www.linkedin.com/in/marklatham)).

I concur with the widely held assessment that the deteriorating state of traditional media is putting at risk the civic function of journalism and thus the health of democracy. This disturbing trend is evident in Canada, the USA and other countries, especially at the local community level where the economies of scale in information businesses are weaker than at national and global levels. There is so much evidence for this problem, from so many sources, that I need not add to it here; but I would mention these:

- [John Oliver's August 7, 2016 HBO show on journalism.](#)
- References to McChesney and Sunstein in the first few paragraphs of my paper [Experiments in Voter Funded Media.](#)

New digitally based news media are not filling the above gap sufficiently, and are not likely to do so in the foreseeable future. This is due to economic forces that I will outline below.

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.

Witnesses appearing before your Committee have proposed various strategies for supporting public interest journalism. My impression is that no straightforward solution has yet surfaced; each proposal has its drawbacks. So I would suggest an experimental approach: test several promising strategies on a small scale. I will share below the results of experiments with a strategy of **letting voters allocate some public funds among competing journalist teams.** This design solves the voters' collective action incentive problem, while avoiding government influence on choosing which media to fund.

## EXPERIMENTS AT UBC

In 2006 I offered to sponsor a test implementation of voter funded media (also called VFM or votermedia) 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) and create any types of media. This was a modest budget, especially compared to UBC's main student newspaper, *The Ubysey*, which was receiving \$180,000 in student fees annually.

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1 This brief is based on a [September 6, 2016 comment letter](#) I submitted to the [Public Policy Forum](#) for their review of Canada's news media industry.

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 Ubyssy*:

"... 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.

## WHY CONSENSUS VOTING SUPPORTS PUBLIC INTEREST 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, which votermedia provides.***

This is also the reason why votermedia is not designed as a voucher system in which each voter can allocate her own small slice of public revenue to whichever media she chooses, independently of other voters' preferences. Such a system would fund many media that benefit narrow interests rather than the broad public interest. Instead, votermedia funding requires a substantial consensus of voter support for a media competitor to win funding.<sup>2</sup>

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2 The award calculation method ("interpolated consensus") is described on page 5 of [Experiments in Voter Funded Media](#).

## **POLICY PROBLEMS THAT VOTERMEDIA AVOIDS**

Any new ideas may have their weak points. Comparison with other journalism policy proposals can help to highlight unique features of votermedia.

For example, consider the policy option of increasing the amount of government advertising placed in Canadian media outlets. Such a policy would in effect require the government or its appointees to decide which media outlets should receive how much ad funding. As your Committee is no doubt aware, that would raise the serious concern of government influence over the media, undermining the media's role as a watchdog over government.

By contrast, in a votermedia system it is the citizens who choose which media to fund. The combination of a contest entry fee and consensus voting for awards seem to be sufficient screening to ensure public benefit while minimizing waste and clutter. No need for government-appointed media cops or a media czar to decide which content is in the public interest and thus eligible for support funds. With a fixed award budget, open entry to any contestants, and competition to provide media content valued by voters, it is a competitive market for public goods.

Similar problems would arise for policy changes involving tax deductions, tax credits or subsidies for news subscriptions, private sector ads, donations, or startup news ventures. It would inevitably be difficult to draw the line between which types of content and organizations should be eligible for such benefits and which should not. There would be suspicion of political bias or favouritism in deciding borderline cases. Meanwhile, it would be hard to prevent the use of such funding for types of media content that provide private benefits (sensationalism etc) that private sector media already supply, rather than the public interest journalism that our democracy needs. We can thus expect such policy strategies to be expensive, inefficient, and sometimes even detrimental to the public interest.

As Shannon Rupp [asked in \*The Tyee\*](#): "Do Canadians want public money directed to infotainment outlets...?"

Another drawback of some media funding strategies is that they reward well written *plans*, which may or may not generate the results that grant writers optimistically project. Our experiments with voter funded media recognized that it's much easier for voters to judge the quality of media *after* seeing the media output, rather than voting funds to projects that sound good but haven't delivered yet. So we pay for results, which helps generate more public benefit per cost. And because votermedia competitions are a repeated game, contestants build their reputations through time, so voters can better judge quality by seeing contestants' track records.

## KEY FEATURES OF VOTERMEDIA

- **Democratic** – *Citizens* decide which media to fund, not government appointees.
- **Open, fair, modern** – Encourages both new media and existing media in proportions supported by a broad consensus of voters.
- **Targeted to *public interest* journalism** – Consensus voting supports media that give broad public benefit, rather than personal benefits like entertainment and sensationalism.
- **Efficient** – Open results-based competition maximizes public benefit, with substantially lower costs than other policy proposals.<sup>3</sup>

## RECOMMENDATIONS

- **Test voter funded media in some municipal elections: let voters allocate an award pool among media competitors.**
- **For municipal governments that agree to participate, provide funding for awards, and website infrastructure for hosting the competitions.**
- **Expand some of the competitions to run continuously between elections also.**
- **Lessons learned can be applied to extending this media funding system to more municipalities, as well as to provincial and federal elections.**

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<sup>3</sup> None of these ideas is patented; they are free for anyone to adapt and use.