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Who Is Worth More? Professors, Electricians or Journalists?

by Carl Washburn

Professor Robert G. Picard, in an essay titled “Why journalists deserve low pay,” published in the May 19 online edition of the *Christian Science Monitor*, identifies professors and electricians as worth more than journalists. What I find curious about Professor Picard's comments is that he should have identified professors and electricians as creators and purveyors of specialized knowledge at the same time that he discounts the value of the special skills that a good journalist brings to the marketplace. Most of us are instrumentalists—including professors and electricians. Few of us create new knowledge. Some scholars, including both natural and social scientists and even historians engaged in original research, may develop wholly new bodies of knowledge; and practitioners of any of the fine arts typically strive to create original works, even though the most innovative of creations is often partly derivative. Very little of intrinsic value achieves market value without the mediation of “applied science,” that is, without the exercise of skills of instrumental value.

The application of those skills, though instrumentalist in nature, can add to both the intrinsic value and the commercial value of others’ original work. Indeed, most original contributions are add-ons to existing bodies of knowledge and value, or new ways of explicating or using established knowledge. Few other business consultants are as concerned as I am, for instance, that newly mandated procedures for expensing stock options will prove to have understated their impact on shareholders, once stock prices rebound from their recession lows; but my expectations depend on nothing more “creative” than careful consideration of the numbers involved and common-sense caution against the overvaluation of risk. In my former profession, no one ever taught an American history survey course in quite the same way that I did, especially since I didn't use a standard text. I'm sure that generations of students since then, both where I taught and any other place where I might have taught, are grateful that no one else has ever replicated how I tried to teach. Knowledge never speaks for itself; and no two spokespersons ever convey exactly the same knowledge. Anyone who takes satisfaction in her or his work, moreover, understands that, although the value added to a product or service may be instrumentalist in origin, work itself can have intrinsic value to the worker, be she a professor or he a reporter. Thus the dichotomy that Professor Picard tries to define is strained and somewhat specious. Nonetheless, I do agree with him on two points.

The Money Equation

No money goes out the door in paychecks unless someone brings money through the door as revenue. In an exchange economy, we always must consider both sides of the equation. More than that, the two sides must balance, at least over time. Everyone wants to be a 90th percentile earner, even those that perform at the 10th percentile. That expectation is not sustainable. For-profit and not-for-profit enterprises alike must depend on money from the sale of goods and services or the acquisition of donations and grants or—and this is the cruncher in our current economy—loans from financial institutions or in-flows from investors, in order to cover all costs of capital development and operations, including wages, salaries, commissions, bonuses and stock awards. Of course, someone in the organization has to create goods and services of value to send out into the market, and others have to do the sourcing and information processing and accounting and job-filling and planning and management activities that support the production and marketing of goods and services. All those functions are essential, whether an organization performs them internally or outsources them; and all are of a single piece. The compensation that goes to participants in marketplace organizations depends on both internal hierarchies of job values specific to particular organizations and the external hierarchy of prices determined by sellers and buyers a labor in the marketplace. A good part of my work as a compensation consultant involves trying to align those two hierarchies of value with each other.

Changing Models of Market Organization

Professor Picard is correct to observe that, in their efforts to reduce costs and achieve greater efficiency in gathering and reporting news, large corporate media enterprises have come increasingly to consider reporters as fungible and reporters' product as a commodity, stripped of variety and individuality. At my house, we buy and read three daily newspapers: New York *Times*, Chicago *Sun-Times* and Chicago *Tribune*. Much of the time, however, I need to read only one of the three to get the same wire service story on a given topic. Differences in editorial policy and columnists are the factors that prompt our extravagance in subscribing to all three—those features and the different mix of international, national, regional and local news. As Professor Picard observes, the differentiation among columnists and its absence among news gatherers and writers figure significantly into the higher compensation paid columnists over reporters.

Often, of course, there are differences in depth and range of detail among otherwise equivalent stories. The New York *Times* clearly provides more information and analysis, in many instances, than other newspapers or the wire services do. The recent story about the "missing link" in primate evolution is a case in point. I learned more from the story in the *Times* than I learned from the story in the *Sun-Times*, and I am willing to pay for that difference. In fact, I do pay for the difference, since subscription rates for the New York newspaper are higher than subscription rates for either of the Chicago newspapers.

Nonetheless, I agree with Professor Picard that the homogenization and standardization and considerable "dumbing down" of what news organizations produce threaten the survival of the news business and the journalist profession. His proposed solution is for publications to specialize in reporting and analyzing subjects where the peculiar make-up of institutions in the surrounding region gives a particular advantage. Thus, he would shift from a model whereby local news entities, in spite of variation from locale to locale and newspaper to newspaper, share the goal of covering all the international,

national, regional and local news that each sees “fit to print.” He would move instead to a model of manifold national publications, each specializing in defined fields of news.

What Is the “Going Rate” for a Job?

I cannot say that Professor Picard’s remedy would not serve some news organizations well. What is augurs, however, is even further reduction in the number of employers in need of journalists. One of the imbalances of the marketplace, and a source of economic inefficiencies, is that employers that define the demand curve of classic price theory are almost always outnumbered by actual and prospective employees that set the supply curve. As long as the marketplace is significantly atomized and largely democratized, anyone one employer may have to act as if it were many separate employers, whereby that employer makes the same kind of hiring and firing decision over and over again, but somewhat differently each time.

Most employers, especially those of any size, resist that kind a fragmented behavior, however; otherwise they wouldn’t hire people like me to design and install formal pay systems. Only because a limited proportion of jobs and a limited proportion of jobholders and jobseekers are in play at any given time is the market mechanism not overwhelmed perhaps by the volume of labor-pricing decisions made every day. Yet, in a sense, every time that an employer opens its doors to an employee and every day that the employee walks through those doors, each side has made a choice about the price at which to buy labor and the price at which to sell it—even when, given modern information technology, those doors are often virtual now instead of real.

How we look at the data does make a difference. Most compensation professionals would define the “going rate” for a job—the “clearing rate” in price theory—as the median pay rate of the relevant labor market. Even if we simplify the task of identifying that median by limiting ourselves to wages or salaries and ignoring all forms of variable pay and benefits and perquisites, the question remains: *The middle salary of all relevant jobholders, or the middle value of average salaries paid by all relevant employers?* Consider the example of 5,001 jobholders, each working for one of 401 employers. Is median salary the individual rate ranked 2,501 out of 5,001, or is it the company rate ranked 201 out of 401? Different marketplace surveys often answer that question differently. The two figures may be close to each other, but only in a perfectly atomized and fluid market are they likely to be the same, and even then not for any length of time.

An Alternative Market Solution to Organization of the News Business

Why then would we want journalism to move toward greater consolidation of fewer and more specialized employers? Even if, somehow, such specialization were to increase the total number of employers, it would almost surely reduce the number of employers hiring journalists that are expert in any particular specialty. If one newspaper in Oregon and one newspaper in Vermont were to emerge as the dominant actors among news organizations specializing in environmental news and issues, all the many environmental reporters seeking readership of scope large or small might eventually have to compete for jobs at only two places to work.

An alternative is to leverage the decentralization of news gathering and reporting, in the wake of the Internet and all the other technologies that may allow almost anyone to be his or her own reporter. One approach would be to start by doing what many newspapers do already. That is, to put every story online, for subscribers or perhaps anyone with access to the Internet to see. Tie the online content just as closely to advertising as advertising is tied to content in print—even more closely, perhaps, because a reader of a print newspaper can always ignore any or all the surrounding advertisements, whereas computer technology may force a reader to sit through a short commercial before being allowed to read a story or editorial or column. In order to log on to Skype yesterday, I had to let an animated pitch for Nestlé's Quick run its course. If an online newspaper adopted a similar approach, it could pay the writer so many pennies per hit, perhaps with a prorated amount going to editors and others that facilitate the publication of the article, in print or online. It could also adjust its advertising charges to reflect the number of "looks" that a commercial actually gets.

To be sure, there would be limits to how far employer and employee would allow such a scheme to go, in supplementing or supplanting usual compensation arrangements. For one thing, the number of hits is only an indirect measure of consumers' interest in story content and their "buy" interest in any products or services advertised, and the procedure also presupposes that online readers and print readers share interests and purchasing behaviors. Yet we accept those kinds of surrogates all the time, in setting advertising rates. That is the purpose of Abitron and the Audit Bureau of Circulation, is it not? In those systems, however, one listener or viewer or reader counts the same as any other viewer or listener or reader, even though one may devour news content and commercial messages and another may give only a passing glance. Or consider the customary step-schedule established for so many community colleges and public school systems. Those pay systems typically provide for a progression of specified pay rates that increase with the degrees that instructors hold and the number of years that instructors have been teaching, all on the questionable assumption that formal credentials and years of experience are effective surrogates for the value of what instructors deliver in the classroom.

More of a Free-for-All

Journalists would also have to relinquish somewhat their guild mentality, because the preferences of consumers might clearly count for more than the preoccupations of reporters. In a sense, the pennies-per-hit approach would inject into the market setting hundreds of thousands of transactions between individual writers and individual readers. Even where Website managers substituted a pay-to-play regime for "free" advertiser-supported transactions, the actual process of decision-making by sellers and buyers would become fragmented among a multitude of individual participants. Writers' sense of what is fair may itself take a hit, because, as in all such markets, a few sellers would emerge for a time as winners, many would emerge as losers and most would emerge as in-betweeners. The moral obligation to report news of intrinsic value that people don't want to hear might also be difficult to fulfill, where popularity is a driver; but isn't that the case already? Public service shows like "Meet the Press" may have hoary reputations, but they seldom attract the most viewers or command the highest advertising rates. Besides, where a reporter truly believes that he or she must put a story before the public, the reporter could always forgo, for that report, his or her pay, whether drawn from advertising revenues or user fees.

No one should dismiss the waste of talent and loss of productivity that arise from winners-take-all markets, but would the collective choices of millions of citizen decision-makers prove any worse than the choices of a few thousand or a few hundred or perhaps only a few dozen corporations? Consider the obvious example of people that play professional sports for a living. During the NFL draft, the top-rated dozen or so players have many teams interested in them. This is an inversion of the normal order of the market, in that the number of potential employers exceeds the number of potential employees; and the only circumstance that keeps the bidding process from becoming an outright free-for-all is the artificial constraint of draft order assigned to all clubs. The farther into the draft, the more the normal balance reasserts itself, until, toward the end of the selection process, there are many more players hoping to be chosen than there are remaining openings. The prices paid for players reflect those shifting proportions of supply and demand, with the first player selected going for tens or even hundreds of millions of dollars guaranteed over several years, and the last chosen lucky enough to net maybe a million dollars for one year.

Would a free-for-all in an electronic market for news writers or presenters produce its own stars? In some respects, it already has, especially where the output of those news writers and presenters travels by broadcast and cable, carries a “brand name” and obscures the line between news and entertainment. “I’m Leslie Stahl, and this is ‘60 Minutes.’”

Would I pay more attention to an advertiser sponsoring a report on dengue fever by John Enders than to an advertiser sponsoring a similar report by someone whose name I don’t recognize or even by someone anonymous? Maybe, maybe not. Would I pay more for John’s report, in a fee-for-service arrangement? I’m sure that I would, if the difference were small enough, say 50 cents a pop *versus* no charge at all. Then let the Miami Herald collect that fee from me and 999,999 other consumers, pay John $8,000, spend another $32,000 on staff and other operating costs and keep $10,000 in profit.

Or let an alliance of 50 local, small-town newspapers cobble together a deal with John, to collect and split the money accordingly.

Which Way to Go?

My point is this: consolidation and specialization may save some news organizations and some news writers and presenters, but the changes would have that desired effect largely by creating scarcity—that is, by limiting the number of players and products available from the recognized specialists of a particular subject area. The essential counterpoint may lie in the chaos and diversity of the anyone-can-do-this market, not only because the new technology has lowered the level of capital required and the level of skills needed for entry, but also because a massive array of producers and products could educate us to determine who is a good reporter or not and which reports are credible or not. The modes and means of news delivery do change, but savvy consumers of news are always prepared to make judgments about sources, methods, content and where to put their money. As the Supreme Court has said of pornography, I may not be able to define good journalism, but I know it when I see it.

I started watching network news when the decision by CBS to give Douglas Edwards a full 15 minutes to cover news of the world seemed like a bold stroke. I almost never watch network news any more. To cheer, I tune to MSNBC. To get angry, I tune to Fox. To become informed about current events, I tune to CNN or read major newspapers. To learn about life, I stop in a small town or city neighborhood, pick up the local newspaper and take breakfast or lunch in the nearest diner or family restaurant.

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