

Book Reviews

Democracy's Detectives: The Economics of Investigative Journalism

James T. Hamilton

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Investigative reporting has long been more praised than practiced. For news outlets, the costs are high—time, money, and risk—while the financial benefits are uncertain at best.

Nonetheless, muckrakers past and present have punched above their weight class by exposing abuses of powerful institutions, prodding law enforcement officials to punish wrongdoing, influencing public opinion to shape policy reforms, and upholding shared societal norms.

At times, these “detectives of democracy” have become iconic cultural figures as well, popularized as folk heroes in novels, plays, and Hollywood films. Yet relatively little serious academic scholarship has focused on investigative journalism—perhaps in part because it comprises such a tiny fraction of the vast universe of news media content.

Fortunately, Stanford University professor James T. Hamilton helps rectify this imbalance with an important, deeply researched, and original analysis of this vital subject.

Hamilton is an economist, and he views investigative journalism through an economist's lens. He notes the high “transaction costs” intrinsic to ferreting

out hidden information, and compares watchdog reporting to drilling for oil: both are “bets” based on “tips and suspicions” that may or may not “pay off” (pp. 12–16). Just as “resource extraction industries” use test drills and geological analysis to improve their prospects, so journalists do preliminary digging to assess their probable yield before investing more time and energy (p. 29).

As Hamilton points out, news organizations amortize their expensive investigative content by bundling it with cheaper fare—wire service stories, daily beat reporting, and syndicated filler. Muckraking is the meat, the rest a kind of Hamburger Helper. For newsroom managers, financial payback comes primarily through “product differentiation,” most often in highly competitive media markets (p. 18).

But this strategy only goes so far. The fundamental problem, Hamilton explains, is that news outlets are unable to fully monetize the value of investigative journalism, no matter how stellar its quality or far-reaching its consequences. Why? Because it is a “public good” whose benefits “spillover” to society at large—not just to those (subscribers) who pay for it (p. 23).

In other words, although media exposés may instigate important policy reforms or force prosecution of those who endanger the public, most of the populace gets a “free ride,” profiting from these improvements without supporting the costly work that made it possible (p. 24).

These “positive externalities,” in the parlance of economists, are—no matter how laudable—“market failures.” News organizations can never receive financial rewards comparable to those the public gains from journalistic watchdogs. And so the inherent “economic challenge” is finding a way to support reporting that is distinguished by both “high costs and high social benefits” (p. 26).

To illustrate his point, Hamilton tries to perform a cost-benefit analysis in three muckraking case studies: exposés of unsanitary restaurants in Los Angeles, deadly police shootings in Washington, DC, and murders by people on parole in North Carolina. Hamilton calculates that the three stories combined cost news outlets approximately \$600,000 but generated more than \$124 million in value to society—by reducing hospital admissions for food poisoning and lowering the body count at the hands of police and parolees. (Hamilton lays out how he did the math, including a \$9 million estimate of the economic “value of a statistical life,” a figure he says is used by federal regulators conducting comparable research.) His conclusion: “each dollar invested by a newspaper in an investigative story can generate hundreds of dollars in benefits to society from changes in public policy” (p. 10).

Hamilton’s larger point is well taken but numerical extrapolation from these particular case studies is unpersuasive. The sample size of three is obviously quite small, and it is probably atypical; investigative journalism rarely leads to the dramatic saving of lives that characterize two of his three examples. Other methodological assumptions can also be debated. Still, the economist’s innovative

approach—attempting to quantify the concentrated costs and disbursed benefits of investigative reporting to demonstrate its larger value to society—is sound, important, and underappreciated.

The rest of Hamilton’s research is significantly broader and deeper; indeed, it is no exaggeration to say that it is the most exhaustive quantitative analysis ever conducted of watchdog journalism in the United States. Hamilton studied more than 12,000 investigative stories since 1870 and has produced an encyclopedic catalog of almost every data point imaginable: a detailed breakdown of investigative story topics; distribution of investigative reporting prizes awarded over the past century; journalists since World War II whose exposés led to congressional hearings; Freedom of Information Act requests submitted by news organizations; and even the sourcing origination of these reports. All of this is then broken down into subcategories, cross-referenced by geography, time, medium, news outlet, and policy impact, and presented in 40 separate tables—a phenomenally invaluable wealth of data that dissects every available bone, muscle, joint, and organ of America’s muckraking corpus.

The larger themes this cellular examination produces are not terribly surprising: Local investigative reporting has diminished as newspapers struggle to survive; ambitious muckraking projects are now increasingly carried out by deep-pocketed elite media outlets; investigative nonprofit organizations, university-affiliated researchers, and niche websites are growing, but not enough to replace ailing local newspapers; “television is more likely to uncover

problems that may be more entertaining or sensational” while print reporters are “more likely to focus on (public) institutions” (p. 76).

And so the future of muckraking remains uncertain. The steady aging of America’s best investigative reporters—which Hamilton quantifies and tracks—leads him to wonder how many younger journalists will carry the baton in the years ahead. The measurable decrease in watchdog reporting that Hamilton documents leads him to a sobering conclusion: “journalism that holds institutions accountable is increasingly at risk, particularly at the local level” (p. 279).

But Hamilton is hopeful that the same digital technology that has decimated the economic foundations of traditional journalism can also enable its resurgence—by giving reporters power-

ful data-driven tools for digging up dirt and by eliminating outmoded production costs of ink, paper, and delivery.

Hamilton ends with some modest proposals to strengthen investigative reporting: increasing government transparency; reducing Freedom of Information Act restrictions; making investigative journalism eligible for federal research grants; and easing the ability for muckraking websites to gain nonprofit tax status.

None of these suggestions, of course, will solve investigative journalism’s fundamental “market failure” that Hamilton has so expertly diagnosed. Unfortunately, no obvious panaceas present themselves to save America’s beleaguered detectives of democracy.

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