Want the beat, the laugh, the drama? Facebook wants you

NEW YORK

Site to introduce service that it sees as a hub for sharing entertainment

BY BEN SISARIO

For cloud-based digital music services like Spotify and Rhapsody, which stream millions of songs but have struggled to sign up large numbers of paying users, being “friended” by Facebook could prove to be a mixed blessing.

This week, according to numerous media and technology executives, Facebook will unveil a media platform that will allow people to share their favorite music, television shows and movies easily, effectively making the basic profile page a primary entertainment hub.

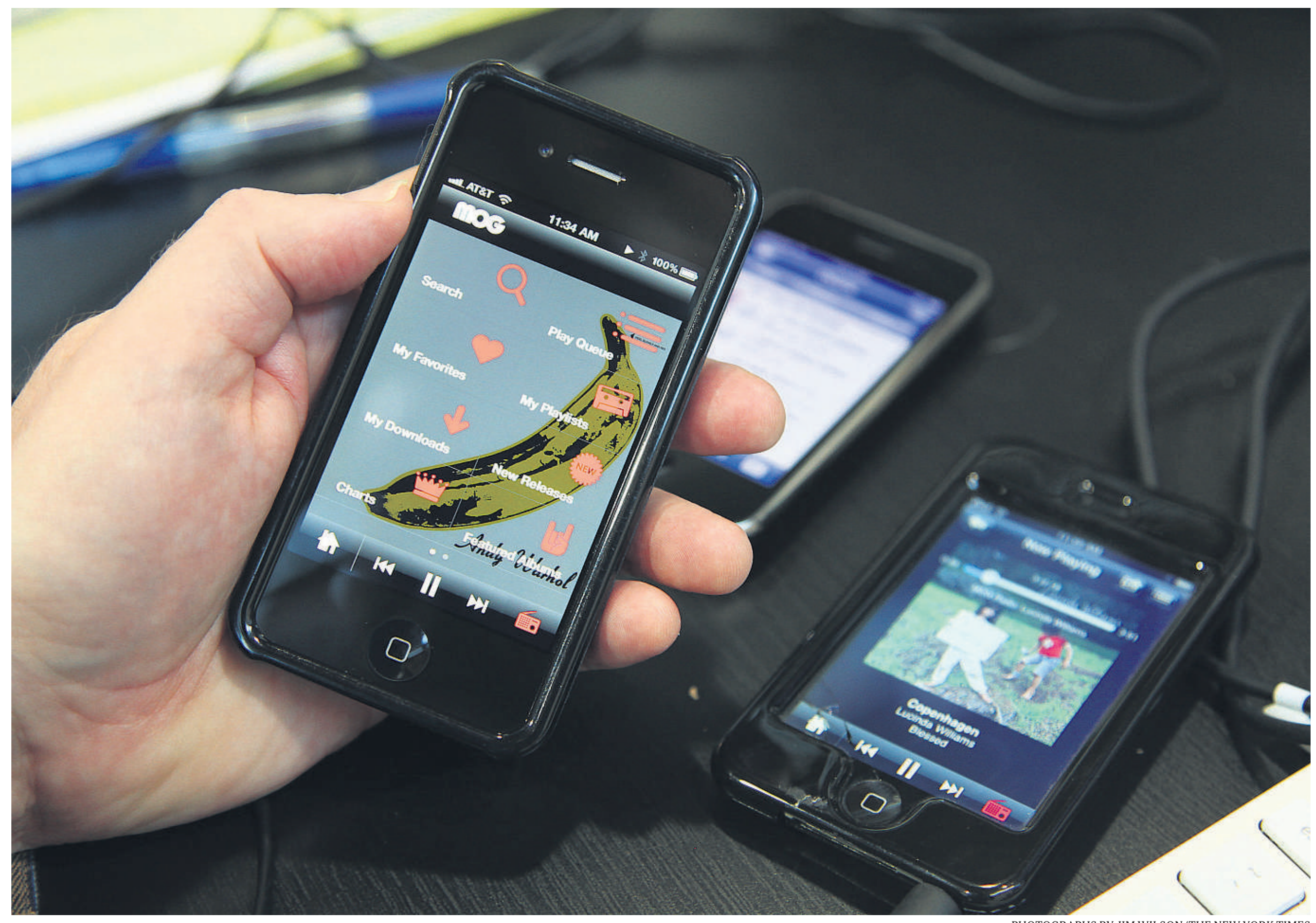
Facebook, which has more than 750 million users, has not disclosed its plans, but the company is widely expected to announce the service at its F8 developers' conference in San Francisco on Thursday.

By putting its offerings in front of millions of users, Facebook's new platform could introduce the music services to vast new audiences. “If it works the way it is supposed to, it would be the nirvana of interoperability,” said Ted Cohen, a consultant and former digital executive for a major label.

But the new plan will increase the competitive pressure on these fledgling services, pushing them to offer more free music as enticements to new users.

According to the media and technology executives, who spoke on condition of anonymity because the deals were private, Facebook has made agreements with a number of media companies to develop a way for a user's profile page to display whatever entertainment he is consuming on those outside services. Links that appear on a widget or tab, or as part of a user's news feed, would point a curious friend directly to the content.

Spotify and Rhapsody, along with their smaller competitors Rdio, MOG and the French company Deezer, are said to be among the 10 or so music services that will be part of the service at its introduction; Vevo, the music video site, is another. A Facebook spokesman declined to comment, and media executives cautioned that details of the plan could change.



PHOTOGRAPHS BY JIM WILSON/THE NEW YORK TIMES

David Hyman (left), chief executive of the digital content service MOG, which is available via computers and handheld devices (right). The company is said to be among those whose services are to be accessible through Facebook.

Spotify is the largest of these services with more than 10 million users, according to its most recent reporting. The service began in Europe in 2008 and arrived in the United States in July, after protracted negotiations with the major record labels over its “freemium” structure, which lets people listen to music free with advertising, or pay $5 or $10 a month for ad-free versions.

Rdio and MOG, which charge $5 and $10 a month for subscriptions, announced free versions last week in an effort to compete with Spotify. And Rhapsody, whose service costs $10 and $15 a month, has just introduced an array of social features centered on Facebook.

The companies declined to answer questions about Facebook's media platform. And David Hyman, MOG's founder and chief executive, said that the development of his company's free tier far predated Spotify's entry into the United States.

But Mr. Hyman said that the change was being made to reduce the “friction” a nonsubscriber experiences when following a link posted by a paying user. Instead of hearing the song, the nonsubscriber would reach a page asking to sign up with a credit card — an annoyance for many potential customers.

“In the Internet world, any minuscule piece of friction blows people's minds,” he said.

MOG provides new users with a “gas tank” of free music — supported by advertising — that increases with that user's social activity on the site, like sharing playlists or inviting friends. Rdio's free music will come ad-free.

Neither company would say exactly how much free music would be made available.

“We don't want to force you to look at or listen to ads that will distract you from enjoying music,” said Carter Adamson, Rdio's chief operating officer, “and we don't want you to spam your friends to get more free.”

But even free music requires royalty payments to record companies — typically some fraction of a cent per stream — and some investors and technology executives are concerned that Facebook's platform may bring in large numbers of users who are willing to listen to some free music but are not being given much incentive to subscribe. That might make services more difficult for services that have less favorable deals with record companies.

David Pakman, a partner in the venture capital firm Venrock and a former chief executive of the digital service eMusic, also said that instead of giving smaller companies a boost, the mathematics of Facebook's hundreds of millions of links might simply allow the largest service to dominate all the others.

“It favors the big over the small,” Mr. Pakman said. “It's a good thing for all services, in that it lets them all participate. But the small guys will lose network effects, and the big guys will gain it.”

Spotify has not updated its user numbers since arriving in the United States, but music executives say it quickly drew more than 100,000 customers to its paid service alone.

MOG and Rdio have not reported their numbers, but music executives say their tallies are well under 100,000.

Not all the services involved in the Facebook platform are going free. Rhapsody, which was founded 10 years ago and has 800,000 subscribers, is sticking to its monthly subscription rate, said Jon Irwin, the company's president.

“Our belief is that the cost of the content cannot be fully offset by the advertising dollars you can generate,” Mr. Irwin said.

“And that the subsequent conversion of somebody to a paying subscriber because they've been able to listen to content for free on a desktop,” he continued, “is not at a level that supports the losses you'll incur on the advertising side.”

Mr. Irwin also believes that Facebook will further intensify the competition among the cloud services and that Spotify and his own company will have the advantage.

“It's going to be hard for the players not at scale to survive,” he said. “You're looking at a two-horse race.”

Obama deficit plan mixes cuts and taxes

WASHINGTON

Critics see ‘class warfare’ in a proposal that asks the rich to pay more

BY HELENE COOPER

President Barack Obama planned to unveil a deficit-reduction plan Monday that uses entitlement cuts, tax increases and war savings to reduce government spending by more than $3 trillion over the next 10 years, administration officials said.

The plan is the administration's opening move in sweeping negotiations on deficit reduction to be taken up by a joint House-Senate committee over the next two months. If a deal is not struck by Dec. 23, cuts could take effect automatically across government agencies.

Mr. Obama's plan calls for $1.5 trillion in tax increases, primarily on the wealthy, through closing loopholes and limiting the amount that high earners can deduct. The proposal also includes $580 billion in adjustments to health and entitlement programs, including $248 billion to Medicare and $72 billion to Medicaid, the health care programs for the elderly and the poor, respectively. Administration officials said that the Medicare cuts would not come from an increase in the Medicare eligibility age.

Senior administration officials said that the plan also counted a savings of $1.1 trillion from the ending of the American combat mission in Iraq and the withdrawal of U.S. troops from Afghanistan.

Aides said that in laying out his proposal, Mr. Obama would expressly promise to veto any legislation that sought to cut the deficit through spending cuts alone and did not include revenue increases in the form of tax increases on the wealthy.

That veto threat would put the president on a collision course with the House speaker, John A. Boehner, who said last week that he would not support any legislation that included revenue increases in the form of higher taxes.

Mr. Obama's proposal was certain to receive sharp criticism from congressional Republicans, who on Sunday were already taking apart one element of the proposal that the administration let out early: the so-called Buffett Rule. The rule — named for the billionaire investor Warren E. Buffett, who has complained that he is taxed at a lower rate than his employees — calls for a new minimum tax rate for individuals making more than $1 million a year to ensure that they pay at least the same percentage of their earnings as middle-income taxpayers.

That proposal, which was disclosed on Saturday, was met with derision by Republican lawmakers, who said it amounted to “class warfare” and was a political tactic intended to portray Mr. Obama's opponents as indifferent to the hardships facing middle-class Americans.

POOL PHOTO BY CHIP SOMODEVILLA

President Barack Obama has promised to veto any legislation that sought spending cuts alone and did not include revenue increases in the form of tax increases on the wealthy.

Representative Paul D. Ryan, chairman of the House Budget Committee and a leading proponent of cutting spending on benefit programs like Medicare, said the proposal would weigh heavily on a stagnating economy. On “Fox News Sunday,” he said it would add “further instability to our system, more uncertainty, and it punishes job creation.”

“Class warfare may make for really good politics, but it makes for rotten economics,” Mr. Ryan said.

Administration officials said Sunday night that they were not including revenue from the Buffett Rule in Mr. Obama's overall $3 trillion proposal.

Mr. Obama has been citing Mr. Buffett as he promotes his $447 billion jobs-creation plan. He proposes to offset the cost of that plan and to reduce future budget deficits through higher taxes on the wealthy and on corporations after 2013, when the economy may be healthier.

Nonetheless, Republicans made clear on Sunday that higher taxes on the wealthy were not acceptable to them. Appearing on the NBC program “Meet the Press,” Senator Mitch McConnell of Kentucky, the Republican leader, said, “It's a bad thing to do in the middle of an economic downturn. And of course the economy, some would argue, is even worse now than it was when the president signed the extension of the current tax rates back in December.”

Under Mr. Obama's proposal, $800 billion of the $1.5 trillion in tax increases would come from allowing the Bush-era tax cuts to expire. The other $700 billion, aides said, would come from closing loopholes and limiting deductions for individuals making more than $200,000 a year and families making more than $250,000.

The plan will hover over congressional budget-cutting negotiations that are under way over the next two months. A bipartisan congressional committee is charged with coming up with its own cuts by Dec. 23; otherwise $1.2 trillion in cuts to defense and entitlement programs will go into effect automatically in 2013.

Mr. Obama, however, is challenging the congressional committee to go well beyond its mandate. “He's showing them where they could find the savings,” one administration official said.

Liberal-leaning organizations were rallying behind Mr. Obama's proposals on Sunday.

“The report that the president is planning to ask millionaires and billionaires to pay taxes at a higher rate than their secretaries pay is welcome news that will be wildly popular with voters,” Roger Hickey, co-director of the Campaign for America's Future, a progressive center, said in a statement. “We applaud the president for heeding the advice from progressives that he go big on his jobs plan.”

Brian Knowlton contributed reporting.

A new competitor in e-book wars

NEW YORK

News organizations redefine publishing with nimble use of Internet

BY JULIE BOSMAN
AND JEREMY W. PETERS

Book publishers are surrounded by hungry new competitors: Amazon, with its steadily growing imprints; authors who self-publish their own e-books; online start-ups like The Atavist and Byliner.

Now they have to contend with another group elbowing into their space: news organizations.

Swiftly and at little cost, newspapers, magazines and sites like The Huffington Post are hunting for revenue by publishing their own versions of e-books, either using brand-new content or recycling material that they might have given away free in the past.

And by making e-books that are usually shorter, less expensive and more quickly produced than the typical book, they are redefining what an e-book is and who gets to publish it.

On Tuesday, The Huffington Post was to release its second e-book, “How We Won” by Aaron Belkin, an account of the campaign to end the U.S. military's “don't ask, don't tell” policy. It joins e-books recently published by The New Yorker, ABC News, The Boston Globe, Politico and Vanity Fair.

“Surely they're competing with us,” said Stephen Rubin, the president and publisher of Henry Holt and Co., part of Macmillan. “If I'm doing a book on Rupert Murdoch and four magazines are doing four instant e-books on Rupert Murdoch, then I'm competing with them.”

But as much as news outlets and magazines would like a piece of the e-book market, it remains to be seen whether what they produce can match the breadth and depth of the work produced by traditional publishing houses.

“I'm doing something different than they're doing,” Mr. Rubin said. “I'm going to get the book on Rupert Murdoch that is the definitive book for all time.”

The proliferation of e-readers has helped magazine and newspaper publishers find new platforms for their work, publishing executives said.

“On the one hand, a Kindle or a Nook is perfect for reading a 1,000-page George R. R. Martin novel,” said Eric Simonoff, a literary agent at William Morris Endeavor. “On the other hand, these devices are uniquely suited for midlength content that runs too long for shrinking magazines and are too pamphlet-like to credibly be called a book.”

Some publishers have joined forces with news organizations to produce e-books more quickly. Random House is working with Politico to produce a series of four e-books about the 2012 presidential race.

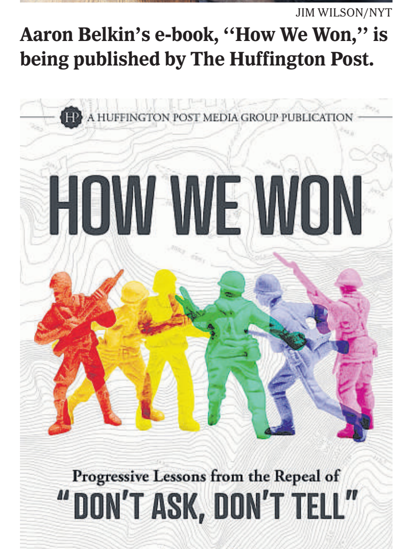
Many of the works sold as e-books are hybrids — somewhere between long magazine pieces and serialized books. Each Random House-Politico e-book will be in the range of 20,000 to 30,000 words, and the releases will be spaced out over the course of the campaign.

“We think that the nature of a book is changing,” said Jon Meacham, an executive editor at Random House. “The line between articles and books is getting ever fuzzier.”

Part of the appeal is cost. Instead of paying writers hefty advances and then sending them out to report for months at a time, publishers can rely on reporters who are already doing the work as part of their day job. Politico, for example, has assigned Mike Allen, its chief White House correspondent, to write and report with Evan Thomas, a noted political writer. The e-books will be the combination of their efforts. “Our cost,” said Mr. Meacham, “is me and Evan.”

JIM WILSON/NYT

Aaron Belkin's e-book, “How We Won,” is being published by The Huffington Post.



The Huffington Post, which began publishing e-books this month, is not paying its authors advances for their work but will share profits from the sales.

Some publishers are trying a different approach — one that requires even fewer reporting and writing resources. Vanity Fair and The New Yorker, for example, have created their own e-books by bundling together previously published works surrounding a major news event.

When a phone-hacking scandal erupted at News Corp. in early July, Vanity Fair collected 20 articles on Mr. Murdoch, the company's chairman and chief executive, his family and their businesses and compiled them in a $3.99 e-book that went on sale July 29. Graydon Carter, the magazine's editor, wrote an introduction. The articles were then grouped into six chapters, each with a theme that reflected various aspects of Mr. Murdoch's life.

“It's like having a loose-leaf binder and shoving new pages into it,” Mr. Carter said. “E-books are a wonderful way to do a book and do it quickly. They don't need to be fact-checked again. They do go through copy editing. But you're not reinventing the wheel each time.”

For the 10th anniversary of the terrorist attacks of Sept. 11, 2001, The New Yorker created an e-book collecting content from the magazine's writing on the attacks and their aftermath — everything from poetry to reporting on Al Qaeda. It sells for $7.99. So far, sales for the handful of digital special editions that The New Yorker has released remain relatively small.

Pamela McCarthy, the deputy editor, put the number in the thousands.

“The question of what constitutes ‘well’ in this new world is one that seems to be up for grabs,” Ms. McCarthy said of the sales so far.

Another problem for e-books that are not simultaneously published in print is that they pose a marketing challenge. With no display space in thousands of bookstores across the country, making readers aware of a book that lives only online is a problem.

“I think one of the challenges for everybody is letting people know the material is there,” Ms. McCarthy said. “The e-book stores are tremendously deep, and what's there is not at all apparent on the surface. It's not like walking into a bookstore and seeing what's on the front table.”

Authors who are working with news organizations to publish their books also may have to miss the pleasure of seeing their work produced in print.

Mr. Belkin, whose e-book will be published by The Huffington Post, said he still hoped that the book would be released in print eventually. If not, he is content with the potential exposure offered by The Huffington Post, which draws about 25 million visitors each month. “Even if the page itself is not as beautiful as a page from Oxford University Press,” Mr. Belkin said, “Oxford University Press would not be getting the word out to a million people on the first day my book is out.”