A Momentous Event, Not Yet Widely Understood

Before leaving for the Midwest, I consulted the *Almanac of American Politics*. There is no better way to glimpse the issues behind the controversies that have been roiling the United States recently – in this case, the states of the Old Northwest – Ohio, Indiana, Illinois, Michigan Wisconsin, and Minnesota.THIS IS KIND OF A WACKY, AND CONFUSING, TRANSITION – WHY NOT JUST SAY “MY VACATION READING THESE PAST TWO WEEKS BY THE SHORES OF LAKE MICHIGAN WAS” OR WHATEVER But this was vacation, so instead of calling on people, I read *The Magnificent Medills: The McCormick-Patterson Dynasty, America’s Royal Family of Journalism during a Century of Turbulent Splendor*, by Meghan McKinney.YOU NEED TO NOTE THE BOOK DOESN’T GO ON SALE UNTIL OCTOBER Regional newspapers and regional politics have been intimately connected in the past. Will they be so in the future?

The *Chicago Tribune*, which Joseph Medill and some colleagues purchased in 1855, gave the nation Abraham Lincoln, Dick Tracy, Little Orphan Annie, and Col. Robert McCormick. Perhaps because of the society antics of his daughters (“the worst two she-devils in all ChicagoCOMMA” as their father described them), the memory of Medill has all but disappeared, except for the story of how his support was crucial to gaining the nomination for Lincoln when the Republicans gathered in Chicago for their convention (the journalism school at Northwestern University is named for him as well).

But, along with William Randolph Hearst and Joseph Pulitzer, Medill was one of the great press barons of the nineteenth century, and the OCHSES (WHO BECAME THE SulzbergersCLOSE PAREN, Bancrofts, Taylors, Chandlers, Binghams, and Grahams, who followed in the twentieth century, all learned from him. Medill’s grandson, Robert, “Bertie” to his family, was born in 1880, and went to school in England and at Groton and Yale, while his father served at an aide to Ambassador Robert Todd Lincoln in London and, later, as ambassador himself to the Austrian and Russian Imperial Courts.LOWER-CASE “IMPERIAL” AND “COURTS” A royal newspaper family indeed.

After dabbling in politics, and founding the Chicago law firm that would evolve into Kirkland and Ellis, McCormick became editor and publisher of the *Tribune* in 1914 and served until he diedCOMMA in 1955 (his cousin, Joseph Medill Patterson, shared the top job in Chicago for a time; in 1919 XXwhenXX he founded the *New York Daily News* under the corporate aegisCLOSE PAREN. When I was a kid, Bertie was something of a joke, flying around the world in a converted B-17 bomber, visiting the Perons in Spain and Franco in Spain. But the semi-monopolistic economics of the business, combined with McCormick’s ear for the confident Midwestern conservatism of which Lincoln had been the proudest example, made the *Tribune* an almost uniquely powerful newspaper,PERIOD NOT COMMA IN THE CONTEXT OF 1860 LINCOLN WAS AN EXEMPLAR OF “CONSERVATISM”?

Most recently, Tribune Co. THIS IS A VERY ODD CONSTRUCTION – HIS \*PURCHASE\* OF THE COMPANY ELEVATED HIM TO PROMINENCE, NOT THE COMPANY has elevated Sam Zell to national prominence, after the Chicago real estate entrepreneur in 2007 bought the corporation in a highly leveraged transaction at what he thought was a fireHYPHEN sale price – and promptly ran it into bankruptcy. The price, it turned out, had not finished falling; Zell, despite the witty digital holiday cards he used to send out,WHAT’S THE LOGICAL CONNECTION BETWEEN DIGITAL CARDS AND NEWSPAPERING? knew nothing about the newspaper business. That led me to *The Deal From Hell: How Moguls and Wall Street Plundered Great American Newspapers*, by James O’Shea. This was a much less happy story.

O’Shea’s storyACCOUNT is fascinating, at least to a newspaperman like myself, a blow-by-blow account of what happened after Tribune Co. bought Times Mirror Corp in 2000 at what seemed, at the time, like a good price, and so added the *Los Angeles Times*, *Newsday*, the *Baltimore Sun* and the *Hartford Courant* to its stable of newspapers – and how the whole thing came crashing down a few years later. A longtime *Tribune* employee, O’Shea was the third prominent editor brought in to attempt to reverse the declining fortunes of the *LA Times*. Today he is editor of the non-profit Chicago News Cooperative.

The conventional wisdom about the slow-motion debacle is wrong, according to O’Shea. It wasn’t the Internet that knocked newspapers from their lofty perch. The disaster could have been avoided by better managementPERIOD NO PAREN (he singles out XXtheXX Mark Willes, onetime president of the Federal Reserve Bank of Minneapolis, for special disregard).NO PAREN WILLES WAS CEO OF TIMES MIRROR AND PUBLISHER OF THE TIMES. O’Shea writes, “The lack of investment, the greed, incompetence, corruption, hypocrisy and downright arrogance of people who put their interests ahead of the public’s are responsible for the state of the newspaper industry today.”

O’Shea focuses on the particulars of the external threat to newspaper hegemony:

[T]he Internet upended the media’s traditional business model at newspapers and broadcast outlets. Suddenly, advertisers could appeal to potential customers much more cheaply by running commercial messages on their own websites, over email or through companies like Google. The rapidly growing Internet juggernaut based in Cupertino, PUT THE SIC HERECalifornia [sic], attracted huge audiences by lifting newspaper and broadcast content for free off the Internet, telling advertisers they didn’t have to pay for the low-cost ads adjacent to the content unless someone actually clicked on the message or bought something… In effect, for every dollar advertisers paid aSUPERFLUOUS SPACE newspaper to run an ad, they could now get the same message on the Internet for a dime. And Google was collecting most of the dimes.

But *The Deal From Hell* is noteworthy for not including some boilerplate about the Keyword Revolution: a momentous event that occurred in 2002sNO “S”, a momentous event not yet widely understood.

The story has been around since John Battelle (*Wired* and *Industry Standard* cofounder/founder) wrote it up in 2005 as [The Search: How Google and Its Rivals Rewrote the Rules of Business and Transformed Our Culture](http://www.amazon.com/Search-Rewrote-Business-Transformed-Culture/dp/B000QRIHXE/ref%3Dsr_1_1?s=books&ie=UTF8&qid=1314463238&sr=1-1). But it has been considerably elaborated in a couple of recent books, [I'm Feeling Lucky: The Confessions of Google Employee Number 59](http://www.amazon.com/Im-Feeling-Lucky-Confessions-Employee/dp/0547416997/ref%3Dsr_1_1?s=books&ie=UTF8&qid=1314463364&sr=1-1), by Douglas Edwards; and [In The Plex: How Google Thinks, Works, and Shapes Our Lives](http://www.amazon.com/Plex-Google-Thinks-Works-Shapes/dp/1416596585/ref%3Dsr_1_1?s=books&ie=UTF8&qid=1314463488&sr=1-1), by Steven Levy Both cast new light on the process by which Google muscled in on the traditional business of newspapers, namely bringing readers and advertisers together, and, in the process, created not one but two vast new media: the search world and the blogosphere. .EXTRA PERIOD

Its search engine was already a dramatic success when Google began looking for a dependable source of profit. Its venture capital backers, John DoerrCOMMA of Kleiner Perkins CaufieldCOMMA and Byers, and Mike Moritz, of Sequoia Capital, pressed for an experienced chief executive and a business plan. (This was the fulcrum on which rested Ken Auletta’s useful 2009 account, [Googled: The End of the World As We Know It](http://www.amazon.com/Googled-End-World-As-Know/dp/0143118048/ref%3Dsr_1_1?s=books&ie=UTF8&qid=1314468799&sr=1-1)PERIOD INSIDE PAREN). Google co-founders Sergey Brin and Larry Page hired Eric Schmidt,NO COMMA and commenced thinking in earnest about how to make money.

Their original thinking anticipated three sources of revenue: they would license Google’s search technology to other websites; create a hardware “search box” that companies would purchase to comb their own systems; and also sell ads, eventually contributing perhaps as much as 15 percent of the business. To that point, Internet advertising consisted almost entirely of gaudy banners and irritating popup ads.

Google had the glimmer of a better idea. The company had a New York sales force, and it was based on the upperCAPITAL “U” West Side, instead of Madison Avenue. But its reps took clients to dinner, played golf with them, and explained the new keyword system, by which various search terms triggered the placement of particular ads, whose cost depended on impressions, meaning the number of persons who saw them, the traditional metric of CPM (cost per thousand).

The story of how GOOGLE found its business model is explained in some detail in Levy chapter, “Gogglenomics.” The first important step was a program call AdWords. The right keyword would produce a small ad next to the search. Type in “lobsters” and, as of September 27, 2000, you would find a link to Lively Lobsters on the right hand third of the page, that being XXtheXX a little Rhode Island firm that took a flyer on the sales pitch (“Have a credit card and five minutes? Get your ad on Google today”) and became Google’s first small-fry customer, an $83 transaction. These ads were called sponsored links, as opposed to organic search results tossed up by its famously honest algorithm; they were confined TO the right-hand third of the page. Interestingly enough, they were sold by computer HYPHENmediated auction. No more account execs: as Levy writes, the algorithm was replacing the handshake.

The next step was to sell ads, not just on Google’s own search pages, but on content pages produced by others anywhere on the Web. Google made money selling the ad, the advertiser paid mainly on the basis of the customers reached, and customerPLURAL were well-served by information that was mainly honest and to the point. (Google carefully monitored complaints.) HighHYPHEN volume traditional digital “TRADITIONAL” AND “DIGITAL” SEEMS A JARRING JUXTAPOSITION – I KNOW WHAT YOU MEAN, BUT IT TAKES A MOMENT’S THOUGHT – I WOULD URGE REFRESHING (E.G. THE DIGITAL OPERATIONS OF TRADITIONAL PUBLICATIONS WERE QUICK TO EMBRACE THE NEW SYTEM publishers, including *The New York Times* and *Forbes*, were quick to embrace the new system. So were new entrants to the blogosphere, large and small. For those capable of attracting large audiences, digital publishing had become a money-making proposition.

Now Google had married an Infinite Yellow Pages to everyone who had something to say and chose to advertise on the Web. The search engineXX still workedXX CONTINUED TO WORK on through collaborative filtering; if you wanted, say, Stanford University, you would still find it at the top of the list. But advertisers, thrilled by the prospect of finally knowing which of their ads actually worked, switched in droves from their traditional content-based model to a new model based on intent, mediated by search. In a lucid [essay](http://www.nybooks.com/articles/archives/2011/aug/18/how-google-dominates-us/) in the current *New York Review of Books*, James Gleick (author of [The InfrormationINFORMATION: A History, a Theory, a Flood](http://www.amazon.com/Information-History-Theory-Flood/dp/0375423729/ref%3Dsr_1_1?s=books&ie=UTF8&qid=1314481516&sr=1-1)) notes, “Google makes more money from advertising than all thatTHE nation’s newspapers combined.”

Why so quiet?HUH? THIS TRANSITION SEEMS TO COME OUT OF LEFT FIELD. CUT IT, I’D SUGGEST, AND JUST BEGIN WITH “INSTEAD OF” Instead of boasting, Google kept its success in turning the world of advertising under wraps as long as it could, until it went publicCOMMA in 2004. Even then, the company downplayed its success. CEO Schmidt called it “the hiding strategy.” The reason was Google’s fear that much bigger Microsoft might swoop in and invent around its patents and technological secrets to reap the bonanza itself. Microsoft eventually tried. By then Google had become secure. But the consequence of THIS stealth strategy meant that newspapers at a critical moment mostly missed the significance of the industry that was about to eat its lunch. Many of the nation’s best newspapers wound up in the wrong hands. WELL, WAIT, OTHER THAN THE JOURNAL AND KNIGHT-RIDDER, THE OTHER SALES PRECEDED 2002-2004, YES? PLUS, “WRONG HANDS” SOUNDS VAGUELY SINISTER

This is the evolution that’s now working itself out. The head-swimmingly fast development of THE Internet has, for the moment, drained newspapers of a significant portion of their revenues and relegated them to an unaccustomed position on the borders of the daily attention-paying fray. BUT THAT’S NOT TRUE – THEY’RE STILL THERE – I WOULD ARGUE THEY ARE EVEN MORE PROMINENT, THANKS TO AGGREGATION AND READY DIGITAL ACCESS – THEY ON THE BORDER IN TERMS \*OF PROFIT\* -- THAT IS A VERY IMPORTANT DISTINCTION TO MAKE But the best-managed papers have begun to claim their share of digital advertising, and it is possible to buy print editions of the *Times* and *The Wall Street Journal* in my little Michigan village in the morning.

Newspapers and certain news broadcasts are still the focal points of our attention day to day, insofar as we have focal points in these days of rapid change. They will increase their mindshare in the future. They remain the foremost top-down organizers of the disorderly process by which newly discovered information (“news”) is structured and begins its slow transformation into knowledge. Their role has diminished in a much more complicated discovery system, but it “IT” MEANING “ROLE” OR “SYSTEM”? OR “THEY” MEANING NEWSPAPERS? hasn’t gone away. They haven’t been replaced, nor are they likely to be by any other institution on the horizon.

So,NO COMMA farewell to the McCormicks, and to all the other news dynasties, except, perhaps, the Sulzbergers, the Grahams, and the Murdochs. Newspaper biographies, or at least books like *The Marvelous MAGNIFICENT!!! NOT “MARVELOUS” Medills* about their glory days, go into the bins that contain the cottage museum of old technologies, along with the old magazines, phonograph records, and tapes for the VCR.