

What Will Become of Newspapers?

BY JOHN S. CARROLL

Joan Shorenstein Center
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Harvard University
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In the 1970s he was metropolitan editor of *The Philadelphia Inquirer*. From 1971 to 1972 he was a Nieman Fellow at Harvard and, in 1988, held a similar fellowship at Oxford. He has received several individual awards, including Editor of the Year, from the National Press Foundation (1999), and has directed coverage that won Pulitzer Prizes at *The Philadelphia Inquirer*, *Lexington Herald-Leader*, *Baltimore Sun* and *The Los Angeles Times*.

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YESTERDAY WAS A GLORIOUS SPRING DAY here in Seattle, and we heard from Gary Pruitt and Dean Singleton, who are spending billions of dollars to buy up newspapers. The skies were sunny, and so were their forecasts.

Today, the clouds have rolled in—and, appropriately, so have I, bearing antidotes to yesterday's glad tidings.

As Charlotte indicated, I've been taking a break from journalism. There's a lot to be said for taking a break, but I should tell you: I miss the newsroom. I miss my friends, and I miss the adrenaline rush of the daily miracle.

I confess, too, to a pang of guilt at being away from the newsroom during a difficult time. I'm glad to be here in Seattle. It's wonderful to be among editors again.

I've been a member of ASNE since 1979, the year I became editor of *The Lexington Herald*. I cannot say, frankly, that sitting through speeches such as the one I'm about to inflict on you has been the highlight of my education. But I can say that other, less formal activities of this Society—particularly the learned debates at the hotel bar—have been richly illuminating. What a wonderful ritual, this nocturnal seminar! I'm sure we'll be at it again tonight. The saloons of Seattle beckon.

Like many of you, I've been worrying lately. What will become of us? More important, what will become of our newspapers? More important still, what will become of the kind of public-service journalism that newspapers produce?

And, vastly more important than all that: What will the public know—and what will the public not know—if our poorly understood, and often unappreciated, craft perishes in the Darwinian jungle?

Quite a few of the people we hear from these days—the talk-show hosts, the bloggers, the political operatives, the marketers, the flacks of all sorts—dream wistful dreams of a world without newspapers. What power they would have! How blissfully simple their lives would be! And, it could actually happen. Let's imagine. . . .

If, at some point in America's newspaper-free future, the police decide that the guilt or innocence of murder suspects can be determined perfectly well by beating them until somebody confesses, who will sound the alarm,

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as *The Philadelphia Inquirer* did in 1977? Or, if those federal scientists who tell our doctors what drugs and what dosages are best for us are secretly allowed to take salaries and stock options from drug companies, how will we know it, if *The Los Angeles Times* is not there to tell us, as it did in 2003? Or, if some future president secretly decides to nullify the law and spy on American citizens without warrants, who—if *The New York Times* falls by the way-side—will sound the warning?

More routinely, who will make the checks at City Hall? Who, in cities and towns across America, will go down to the courthouse every day, or to the police station? Who will inspect the tens of thousands of politicians who seek to govern? Who—amid America's great din of flackery and cant—will tell us in plain language what's actually going on?

Since I left *The Los Angeles Times*, I've been thinking about our craft and about the commerce that sustains it. With support from my patrons, the Knight Foundation and the Shorenstein Center at Harvard, I've been standing back from newsroom life, trying to take in the larger picture.

I had hoped to have it neatly wrapped up by now, but the big picture is full of complexities, and it changes daily. I don't have the big picture yet. But I do have some important parts of it. Consider this talk, then, an interim report—a collection of significant fragments.



The economic rules that govern the newspaper business have changed. We all know this. The old business model is defunct. Under the old model, owners got rich and newsrooms became juggernauts. That golden age is over.

With the advent of the Web, our rotary presses, those massive machines that once conferred near monopolies on their owners, are looking more and more like the last steam engine.

Young readers are going online and not coming back. Circulation revenues are dwindling. The equivalent of circulation revenues on the Web is negligible. Circulation itself is falling. Ad revenues are weak—not a good sign in a growing economy—and Web-based competitors are stealing our advertisers. Some of these competitors are even helping themselves to our stories and our photographs, which we have produced at great expense.

Then there's a more subtle problem, a crisis of the soul.

Every journalist believes that he or she works, ultimately, for the reader—not for the editor, or for the publisher, or for the corporation, or for those opaque financial institutions that hold the stock. We all know journalists who have lost their jobs on principle. They have refused to kill important stories, or to write glowingly about politicians or advertisers who don't deserve it. They have done this because their first loyalty is to the reader. Whole newsrooms, on occasion, have taken the same principled stand. At *The Los Angeles Times* and *The New York Times*, the staffs erupted into revolt during the Staples and Jayson Blair scandals. Those staffs had been riled by a variety of grievances. But what lent overwhelming moral force to their cause was the flagrant betrayal of the reader.

We work, however, within large organizations that hold a different view of duty. Our corporate superiors are sometimes genuinely perplexed to find people in their midst who do not feel beholden, first and foremost, to the shareholder. What makes these people tick? they wonder. The job of any employee, as they see it, is to produce a good financial result, not to indulge in some dreamy form of do-gooding at company expense.

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The conflict between those who serve the reader and those who serve the shareholder might seem a bit abstract, but it's important. It affects the way we see ourselves as editors, and the way we behave. It inhibits us when we ought to be bold.

A generation ago, we at the ASNE convention might have encountered such formidable editors as Gene Roberts, Ben Bradlee, Abe Rosenthal and Gene Patterson. With all due respect, there is no such pride of lions roaming among us today. This is not entirely our fault. Our jobs are harder than theirs. Our papers are shrinking, and so is our confidence.

How long has it been since an editor was so rash as to cite public service in justifying a budget? You might as well ask to be branded with a scarlet *N*, for naïve. Our corporate superiors regard our beliefs as quaint, wasteful and increasingly tiresome. Even outside the corporation we have lost stature. We might see ourselves as public servants, but does the public see us that way?

To some of you, these words may seem overly harsh. But it is important that we understand our position clearly, without illusion, because we have a mission ahead of us, and we need to be rigorously clear-headed.

Our mission is more daunting than that of our predecessors. It is not merely to produce good stories. It is not merely to save our newspapers. It is—and this may sound grandiose—to save journalism itself. It is to ensure the existence, long into the future, of a large, independent, principled, questioning, deep-digging cadre of journalists in America, regardless of what happens to our newspapers.

You and I know it won't be easy.



Now, from the bag of fragments I've been gathering in recent months, I'd like to pull out a few samples. I offer them in the form of five questions, each of which I will attempt to answer.

QUESTION NO. 1: Are newspaper editors really necessary?

It will not surprise you to hear that there is a backlash these days against people who presume to be gatekeepers. That, of course, means us.

We're all familiar by now with the vocabulary of the argument. *Pater-nalism*, as we know, is dead and should never have existed in the first place. *Disintermediated* news is news without intermediation, which is to say, news that's not selected by editors. And, finally, *markets* are capable of making better decisions about news than editors.

We're getting this from two sides. First, there are the Web people, who have ingeniously figured out how to decide what's important by tabulating the collective wisdom of online readers. How galling for us—to be replaced by an algorithm.

Second, we're getting it from our own corporate leaders, who believe in market research. Why not just edit by referendum? they wonder. Why not just ask people what they want and give it to them?

I am happy to respond to this critique, and positively overjoyed to be doing so here in the city of Seattle. For it was here in Seattle that the readers spoke loud and clear last year about the kind of news they wanted. In case you missed it, the most-visited story on *The Seattle Times* Web site in the year 2005 concerned a man—and I'll try to put this delicately—a man who paid the ultimate price . . . for having an illicit relationship . . . with a horse.

There you have it. You don't need to look any further to see where editing by referendum takes you. It takes you to tabloid-land, to Angelina Jolie, to Brad Pitt, to the lurid murder of the week, to campaigns to save Christmas from imaginary enemies, to mass-produced political vituperation, to a whole cornucopia of sexual indiscretions, and—in Seattle, at least—to bestiality.

The question here is whether a newspaper ought to lead or to follow. Should a newspaper actually stand for anything? Or should it be a transparent vessel for the truisms and vulgarities of the age?

My view is that America already has enough cheesy consumer products. And let me add a corollary: I think a newspaper should be willing, on certain occasions, to offend even its most loyal readers.

Back in the Eighties, *The Lexington Herald-Leader* offended an entire state by disclosing widespread cheating in the University of Kentucky basketball program. Seemingly, that was a mistake. Angry citizens boycotted the paper's advertising and circulation. A bomb scare emptied the building. Someone fired a rifle shot into the pressroom. The electronic media mounted months of abuse, including a talk show whose topic was, and I quote, "How Can We Destroy the Newspaper?"

But the newspaper was not destroyed. Far from it. In circulation and in profits, the *Herald-Leader* flourished during the Eighties as never before or since. That's because, over the long haul, people don't buy the newspaper because it serves them pabulum, or because they think the editor is a nice guy. They buy it because it tells them significant things they don't already know.

In marketing, the idea is to manage the number of complaints down to zero. That's fine if you're making toasters, but a newspaper that gets no complaints is a dead newspaper.

So, to Question No. 1—are newspaper editors really necessary?—the answer is: Yes, absolutely.

QUESTION NO. 2: If newspapers disappear, should the public care?

Never have the American people been more lavishly supplied with news. Yahoo, Google, and a whole galaxy of Web sites—not to mention radio, television, newspapers, podcasts, cellphones and Blackberries—bombard us with journalism.

But where does it come from?

Well, some news announces itself—a tsunami, for example. The rest of it is dug up by reporters.

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When I was a young reporter at *The Baltimore Sun*, I viewed my job as turning over rocks. Usually there was nothing under a given rock, so I'd move on to the next rock. It was humble work, but every now and then it would produce something worthwhile. I remember, for example, visiting a potential source again and again for months without getting a thing. Then, one day, he gave me a tip. The resulting story saved hundreds of thousands of Maryland citizens from a 26 percent increase in their health insurance rates.

This kind of reporting is unglamorous, inefficient and expensive—and in America it is done almost entirely by newspapers. In my reporting days, I almost never saw radio or television reporters turning over rocks.

Newspapers became the nation's rock-turners because they made enough money to employ large staffs. Go to just about any city or town in America, and you'll find that the newspaper has more reporters than all other media combined.

This is our role: Newspapers dig up the news. Others repackage it.

Have you noticed that the new media, even those as rich as Yahoo and Google, are not creating their own staffs of reporters? Recently I was amused by all the publicity Yahoo got for creating its own multimedia foreign staff, which consisted of one poor guy lugging all his own equipment.

The blogs, noisy as they are, have virtually no reporters. They may be keen critics, or assiduous fact checkers, but do they add materially to the nation's supply of original reporting? No, they don't.

I wish I could tell you precisely how much of America's news originates in newspapers, but apparently there's been no definitive study. So, instead, I've been asking smart people to make estimates. So far, nobody has given me a figure lower than 80 percent.

If, then, in the worst case, newspapers fade away, and if nobody else steps forward to provide a new army of rock-turners, what will the American public know in the future? What stories will go untold? What issues unraised? What will serious-minded people have to talk about?

The answer to Question No. 2, then, is: Yes, the public should care if newspapers disappear.

QUESTION NO. 3: What is the strategy of the newspaper industry?

It was heartening when McClatchy emerged victorious in the bidding for Knight Ridder. McClatchy's CEO, Gary Pruitt, bases much of his strategy on good journalism and on optimism about the electronic future. This is a plan we can all understand. Whether it will actually work under the new economics of our business is not known. We should all be lighting candles for McClatchy.

We should be lighting candles, too, for the families that control *The New York Times*, *The Washington Post* and *The Wall Street Journal*. In difficult times, they have persisted in upholding traditions of journalistic excellence.

Those papers and most others have created electronic editions, which are crucial to the long-term survival of newspaper journalism. Revenue from those editions is growing at an impressive rate, but the absolute numbers are still small.

These are strategies for building, strategies that preserve journalism as the core of the business. They fall into the category of investment strategies.

Now let's turn to another kind of strategy, the opposite of an investment strategy. It is called a harvest strategy.

I first heard the phrase "harvest strategy" in the Nineties, when it was briefly mentioned in a board meeting at *The Baltimore Sun*. I was the *Sun's* editor then, and merely hearing those two words gave me the willies.

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I sensed what they meant. They meant milking a declining business for all the cash it can produce until it dies. Much later I looked up “harvest strategy” in a business textbook, and my suspicion was right.

The idea of liquidating *The Baltimore Sun* in this way was unthinkable to me. This was the paper of Mencken. This was the paper that got the story when Samuel F. B. Morse sent his historic telegram. By the way, you won’t believe this: the *Sun* got that story but somehow managed to miss the quote that would ring through the ages: “What hath God wrought?”

Like all newspapers, the *Sun* was fallible, but it was also the voice of a city, and of a state, published daily since 1837. How could anyone even think of “harvesting” it?

For the record, I am unaware of any formal decision to harvest the *Sun* or any other paper. Further, I’ve been advised by those who know more about finance than I do that a frustrated owner would do better these days by selling a paper than by running it into the ground.

And yet, symptoms of harvest are staring us in the face. They include a low rate of investment, fewer employees, fewer readers, falling stock prices and, most especially, high profit margins.

In 2005, our troubled industry reported operating margins averaging 19.3 percent. That’s double the average among Fortune 500 companies. These high profits were achieved by relentless cost-cutting, which is rendering newspapers less valuable to their readers each year, and less able to compete.

Many of you have had the unhappy task of laying off or buying out your newspaper colleagues. This is tough duty—especially when there’s no inspirational reason for doing it. It would help if there were some clear strategy for a brighter future. To a journalist, merely hitting some short-term profit target does not make it all seem worthwhile.

I’m still hoping that newspapers, like certain troubled industries before them, will succeed in finding a new business model. This is a matter of urgency. Each year that we fail, our army of rock-turners will shrink. Without them, there will be no reason to read newspapers.

So, in response to Question No. 3—what is the strategy of the newspaper industry?—the answer is that there are two strategies, and they are at war with each other: There’s the investment strategy, which optimistically builds something for the future. Then there’s the pessimistic harvest strategy, which—either deliberately or by default—drains all the available cash from a business before it collapses.

QUESTION NO. 4: What do current owners want from their newspapers?

There was a time, some of you may recall, when owners were identifiable human beings. We've all heard colleagues say, "All this would never have happened if Jack Knight—or Otis Chandler, or Barry Bingham—still owned the place." Unfortunately, the old owners are gone.

If they did return, they'd be amazed at what's happened—and not just to their newspapers. They'd be amazed at what's happened to the very idea of ownership.

Who are the owners today? Have you ever actually met one?

In order to track down the owners, you've got to knock on doors at such places as Private Capital Management of Naples, Florida, or Ariel Capital Management of Chicago, or Southeastern Asset Management of Memphis.

If you succeed in getting past the receptionist, you'll find a scene not unlike a newsroom—people talking on phones or tapping away at computers. These are highly motivated people—intelligent people working in a disciplined fashion. Much of their work, unlike ours, is mathematical. The most accomplished of the math people are known as "quants."

Like journalists, these fund managers are seekers, trying to find out things before their competitors do. They monitor hundreds, perhaps thousands, of companies—franchise companies that create Tex-Mex restaurants, perhaps, or mining interests in Bolivia, or chains of nursing homes in the South. And, among all these, companies that operate newspapers. All are given equal consideration; everything depends on the numbers.

Until recently, the ongoing conversation between the fund managers and our corporate leaders has been conducted out of public earshot. I'm told that contact has been frequent and that there is only one real subject: profits.

Lately, however, the funds have become more open in expressing themselves. Bruce Sherman, of Private Capital Management, publicly demanded that Knight Ridder be sold—and it was. More recently, Morgan Stanley has been trying to torpedo the two-tier stock structure at *The New York Times*, which would bring an end to generations of family leadership at America's foremost paper.

Gone is the notion that a newspaper should lead, that it has an obligation to its community, that it is beholden to the public.

The apparent frustration at the funds hints at future instability in ownership—perhaps even the unraveling of a process that started forty years ago.

That process began when local owners sold their papers to corporations. For a time, the corporations seemed to be in command. Business was good, and many of the papers grew, both financially and journalistically. Then, as business got tougher, power began to migrate from the corporations to the funds. We are now in a post-corporate phase of ownership.

Over the same forty years, we have seen a narrowing of the purpose of the newspaper in the eyes of its owner. Under the old local owners, a newspaper's capacity for making money was only part of its value. Today, it is everything. Gone is the notion that a newspaper should lead, that it has an obligation to its community, that it is beholden to the public.

With the shrinking of the newspaper's social purpose, we have seen a shrinking of the newspaper journalist. It has happened slowly and subtly, but, if you stand back, as I have lately, it's all too clear.

The old, local owners were far from perfect. Some of them were good, most were mediocre, and some were downright evil. But, forty years later, local ownership is looking better every day. Someday, I suspect, when we look back on these forty years, we will wonder how we allowed the public good to be so deeply subordinated to private gain.

It is tempting to find a goat here, to single out some individual and heap blame on him or her for the decline of our business. That might be cathartic, but the problem is bigger than that. It is structural. Most of the people in the corporations, and most of the people in the funds, are doing their jobs by the book. Restoring a balance between financial performance and public duty is probably impossible under this form of ownership.

So, in response to Question No. 4—What do the current owners want from their newspapers?—the answer could not be simpler: Money. That's it.

QUESTION NO. 5: Will we see other forms of ownership?

With newspapers losing their luster in the financial world, big changes are likely. Some could be good, some could be bad. Here's one of the good ones.

I have edited newspapers in three cities—Lexington, Baltimore and Los Angeles—and in all three cities I'm seeing a new phenomenon: Local people seeking to buy the paper back from the corporations. I've spoken with several of them. These are serious people—sophisticated people with real money.

Unlike corporate owners, these people talk about the importance of the paper to the community. They talk about restoring its pride. They talk about investing in journalism, especially in local coverage. They see the newspaper as a fallen angel, and they say they'd be willing to accept a lower financial return, which would allow the paper to breathe again.

Yes, it seems too much to hope for.

One obstacle, I'm told, is capital gains taxes. If a corporation sells a newspaper for cash, it will probably have to pay a lot of the money to the government. If, on the other hand, the corporation sells to another corporation in a stock swap or merger, those taxes are largely deferred. In this way, the deck is stacked against the local buyer; the local buyer would have to pay a lot more than the corporate buyer in order to give the seller the same financial result.

But perhaps the tax problem can be solved, or at least mitigated. That, after all, is what tax lawyers are for.

So to Question No. 5—will we ever see new forms of ownership?—the answer is: Almost certainly yes. Will they be better, or worse? Nobody knows.



Not long after I became editor in Lexington, I was taken to lunch by John S. Knight himself.

I was young then, and I tried to impress him with all the things I was doing to improve the paper. He listened politely, offered a comment or two, and then, when we were parting, gave me some gentle advice.

“John,” he said, “don’t forget to have a little fun.”

Fun in our business may not be as abundant as we’d like these days, but it’s still attainable. Yes, it’s true that newspapers are mortally threatened by the Web. It is also true that we enter this struggle weakened by a form of ownership that disdains our beliefs and bleeds our newspapers of badly needed resources. But to be editor of a newspaper is still a privilege and often a joy.

It may be of some comfort to remember that we are not alone. Recently I read an article by a medical doctor whose complaint about corporate medicine echoed ours about corporate journalism. This doctor resented the assembly-line discipline of

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the seven-minute patient visit. And he deplored the corporate tendency to speak of patients as “customers.”

To a principled doctor, the patient is not just some stranger who pays money for seven minutes of service. The patient is an object of reverence. Doctors have been referring to the patient as *the patient* since the Fourth Century B.C., and they have done so in Greek, in Latin and in all the tongues of the civilized world.

I have every confidence that, over time, the doctors will prevail, and the patient will remain the patient. The doctors will prevail because they have a clear and enduring set of values.

We journalists have a set of values, too, but ours are newer and, unfortunately, much fuzzier. The journalist’s equivalent of the patient is the reader, or the public. But does the public believe that?

Recently there have been efforts to clarify our beliefs, and to put them into plain language. A notable effort in this regard is the book *The Elements of Journalism* by our colleagues Bill Kovach and Tom Rosenstiel.

It is important for us to understand, in clear English, what, exactly, a journalist is, and what a journalist is not. It is important for us to live by those beliefs, too, and to condemn those who use the trappings of journalism to engage in marketing or propaganda. And, finally, it is important for us to explain to the public why journalism—real journalism, practiced in good faith—is absolutely essential to a self-governing nation.

This is a cause that is larger than us and larger than our newspapers. It gives meaning to our labors in a difficult time.

Yes, it is possible that our newspapers will be further diminished, perhaps even lost altogether. And yes, it is even possible that the great bartender at the ASNE saloon will, someday, sound last call. If that day comes, let it never be said that we meekly drank up and walked away.

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