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The Sulzberger family would never let go of The New York Times. Or would it? With the latest shareholder assault on the “invulnerable” paper’s management—this one from a couple of upstart hedge funds—the author plays out the most likely (and unlikely) scenarios.

Happy newspaper families are alike, and, it seems, unhappy newspaper families are alike, too: in the end they all lose their papers.

The Sulzbergers of The New York Times, along with the Grahams of The Washington Post and, until recently, the Bancrofts of The Wall Street Journal, have been among the most peaceable, stalwart, and worthy newspaper families of the ages, marrying the salubriousness of wealth and prestige with the virtues of enlightened ownership. What’s more, the Sulzbergers pioneered a historic family-and-corporate-ownership structure which was, in theory, next to impossible for an unwelcome outsider to mess with.

Nevertheless, two years ago, Hassan Elmasry, a former night-school business student working as a portfolio manager in the London office of Morgan Stanley, began a concerted campaign of shareholder activism against the Times, demanding, among other things, an end to the inequitable dual-share structure on which it bases its independence—i.e., the Sulzberger family, owning less than 20 percent of the company, controls a 70 percent voting majority. His efforts resulted in focusing attention on the Times’s declining business and helped prod the company to raise cash by disposing of its nine television stations. Still, Elmasry’s campaign was quixotic: he was asking the beneficiaries of the dual-class structure (the Sulzbergers’ Class B shares with majority voting rights versus everyone else’s Class A shares with limited rights) to declare their own obsolescence. While, in two annual meetings of discontent, Elmasry managed to get as much as 42 percent of the Times’s shareholders to vote with him—a majority of non-Sulzberger shareholders and a whopping sign of corporate unfriendliness—the Sulzberger family, as the legal structure put in place in 1968 was designed to enable them not to do, wasn’t budging (however grim and uncomfortable they might have seemed). Hence, in October 2007, Morgan Stanley gave up its campaign, sold its position, and, with some sheepishness—confirming the general “What were they thinking?” sense among Wall Street professionals—walked away.

Coming so shortly after Rupert Murdoch's successful challenge, last summer, to the theoretically impregnable control of the Bancroft family at The Wall Street Journal (about which I am writing a book), Morgan Stanley's retreat seemed to reaffirm the Sulzbergers' hold. Quite specifically, the Bancrofts didn't have what the more than 50 living members of the Sulzberger family have: a voting-trust agreement. None of the Sulzbergers could act alone; an outside investor could not divide the family, as Murdoch had done with the Bancrofts.

On the other hand, investors could sell their shares: Morgan Stanley's 7.2 percent suddenly on the open market sent Times stock to a 10-year low, from its high of $52 in 2002 to less than $15 earlier this year.

Then, in late January, two hedge funds—Harbinger Capital Partners, an Alabama-based fund specializing in distressed properties, and Firebrand Partners, a much smaller fund whose managing partner, Scott Galloway, had developed an investment strategy premised on ceaseless hectoring of existing management—announced their collaboration as shareholder activists at the Times. In a letter to Arthur O. Sulzberger Jr., chairman and publisher, and Janet L. Robinson, president and chief executive officer—"Dear Arthur and Janet, I hope this letter finds you well"—Galloway informed the Times of his and Harbinger's intention to run a slate of directors at the company's annual meeting in late April for the four seats on the 13-member Times board not controlled by the Sulzbergers.

This then might be the fundamental question for both the Sulzbergers and American journalism: if the Sulzbergers' hold on the Times is unassailable, why do people continue to try to assail it?

This view of the Times's invulnerability, on the part of not just the journalistic establishment but the Wall Street establishment too, comes partly, perhaps, because the alternative, life without the Times, is just too much to contemplate—after all, the Times has been, for so long, the Establishment. Also, if you can't believe in the Sulzbergers, who have never once in their long history given any indication that they have an iota of ambivalence about their role as the protector of the Times, then what can you believe in? And because the consensus itself supports the assumption: if the Establishment believes in the unassailable strength of the Times, then who is left to credibly take it on?

The New York Times Company is currently worth just a bit less than $2.8 billion, down from

almost $7 billion in 2002. There's little to indicate that the steady decline in its value will slow—it hasn't implemented radical cost-cutting, made concerted efforts to shed underperforming assets, or proposed any new business strategies (save for its 12-year Internet effort). It could, however, at, say, the 67 percent premium Murdoch paid for The Wall Street Journal, be worth somewhat more than $4.5 billion today. There are at least a handful of parties, in addition to Murdoch, who might pay that kind of dough—and quite possibly more bidders, and quite possibly at higher sums. While the Sulzbergers, with their voting control, are legally able to turn down even a jaw-dropping offer, they would face the great wrath of their fellow shareholders if they did (non-voting shareholders can be litigious shareholders), and, considering that it is also their money at stake, the Sulzbergers would face their own complex issues of wealth protection and generational responsibility. So, the notion of invulnerability here rests not just on the fortitude of the family but on the idea that no one would make an offer impossible to refuse, that the consensus of the Establishment about the Times's inviolability has been so great as to discourage a legitimate offer.

Which leaves the illegitimate. The folks at the two threatening hedge funds—which have bought up nearly 20 percent of the company—certainly have no legitimacy beyond their money. (Besides waging nuisance proxy fights, and having founded a sputtering dot-com company, Galloway, the front man for the charge, seems, mainly, to teach a business-school class at N.Y.U.) The Times's initial reaction was to treat them with the contempt they seem to deserve—as people who should not have a voice in any serious discussion about the future of the Times. Given the Sulzbergers' lock, this hedge-fund riffraff couldn't hope to take over the Times. They could only hope to enhance their notoriety by trying to take over the Times.

But that's the rub: such nobodies can, one after the other, grow their stature by making a run, no matter how futile, at the Times—so why wouldn't they?

The reward of going after The New York Times—the attention you'll get for trying—is so much greater than the risk. It's a worthy investment for any financial player seeking attention and glory with a few hundred million to play with—and there are countless such players. (Harbinger made $1.3 billion last year by betting against the housing market. Its C.E.O., Philip Falcone, just paid $49 million for Penthouse founder Bob Guccione's Manhattan town house.)

The Times is good sport.

What happens, too, with such guerrilla actions, and with this type of war of attrition, is that the

consensus shifts. As people begin to articulate various scenarios in which the Sulzberger family becomes jittery, morose, divided, resigned, this, in turn, gets more people thinking that the Times, rather than being a monolith, is an opportunity.

Indeed, the Times itself in mid-March recognized that, given the discontented vote of 42 percent of its shareholders at the last annual meeting (and a worsening of almost all circumstances since) and Harbinger's and Firebrand's significant and increasing holdings, the only way to avoid an embarrassing public defeat—and the possibility of losing all four of the seats—was to agree to give the insurgents two slots. Hence, Scott Galloway and investor James Kohlberg will join the New York Times board as avowed (and professional) malcontents.

Then, too, there is the other kind of rising discontent—more emotional than financial.

The ever growing list of its own journalistic missteps, blunders, and offenses threatens to become one of the things the Times most stands for: putting its foot in it. And the expectation, both within the Times and among those who obsessively watch it, is that there is always some further black eye, calumny, screwup, or remarkable instance of tone-deafness on the horizon.

This includes, most recently, the John McCain sex-scandal story—wherein the Times's own agonizing internal conflicts about the story (Do we? Don't we?), and its apparent tortured inability to deal with the most basic elements of the story (it's about adultery, but we'll say it's about questionable lobbying), became close to farcical.

And then there's the recent selection by Sulzberger and Andrew Rosenthal, the editorial-page editor, of William Kristol as a new op-ed columnist. This, predictably and furiously, has aroused the Times's core liberal constituency, because Kristol is not just a conservative (the liberal Times, for unclear reasons, believes it must showcase conservative voices) but a neocon whose views have been dramatically discredited by events of the past few years. Adding to the sense of brand ennui at the paper is the fact that Kristol is everywhere. He's a dial-a-conservative. What added value does it offer to Times readers, or to the Times's "brand exclusivity," to give its column space to somebody whose views are already widely known?

And then there's the powerful rumor mill: the misfortunes and Kremlinology—a disintegrating Kremlin—at the Times have become a minor entertainment genre in the New York media.

Here’s the latest gossip: The Times editorial board was, apparently, planning to endorse Barack Obama in the New York primary; the Clinton campaign, getting wind of this, called upon one of its major financial supporters (and eager-beaver prospective Treasury secretary), the private-equity manager Steven Rattner, the best friend and principal adviser of Arthur Sulzberger Jr. Rattner is thought to have petitioned Sulzberger, and Sulzberger thereupon overruled his editorial board, which then backed Clinton. Among the messages here: Sulzberger is a weak link, and if one Wall Street guy has his hooks into the Times like this, why not others whose money is just as good as Rattner’s—or better?

So what will happen?

Resurgence. The surest sign of the Times’s ability to remain independent would be a climbing share price. But all indications are that, in its primary business—newspapers (accounting for 97 percent of the company’s revenues)—advertising income will continue to fall and circulation costs rise, especially in the face of an economic downturn, and that online growth will not nearly offset these losses (online growth, resulting from cheaper advertising rates, probably increases them). The Times itself, reporting on its recent decision (coming not long after Harbinger and Firebrand announced their directors slate) to cut 100 of its 1,332 news employees, points out that its newspaper operations had an 8 percent operating profit in 2007, while other, comparable papers had 13 to 22 percent margins. Reasonably, the Times share price might start to rise if it, too, could realize such levels of return. But those more profitable papers achieved their results by reducing newsroom personnel by, in some cases, more than 20 percent. (The news staff of the Los Angeles Times, where two editors have been forced out within the past year for refusing to make further cuts, is down to 885 from a high of 1,200.) Such cuts at the Times, while playing well on Wall Street, could spur internal calls for greater management changes (the Times newsroom—not least of all because it has easy access to the greater media world, and because the Times is always a potent story—has great power; it was anger there that provoked the firing, in 2003, of Howell Raines, over the fabrications of Times reporter Jayson Blair).

One step that Wall Street has advocated for a long time is the sale of the money-losing Boston Globe, which the Times has owned since 1993. But selling the Globe steps on two big toes: that of the chairman’s father, Arthur Sulzberger Sr. (under whose leadership the Globe was purchased), who, while retired, maintains a significant voice in the company, and that of Times C.E.O. Janet Robinson—a dedicated believer in the newspaper business.

New management is, therefore, probably a necessary precursor to resurgence. But, given that management has voting control, it would have to fire itself. While the family is said to be aware of the advantages, and, even, inevitability, of kicking Arthur upstairs, this, too, is apparently contingent on the longevity of the patriarch. It is hard also to replace Robinson, a non–family member, because, while she has the title of C.E.O., that function is really carried out by Sulzberger. In other words, it’s not a job that any true C.E.O.-level executive would want.

But it isn’t just business. A resurgence in the paper itself—in its influence, stature, and authority—would surely make it a more difficult, and better defended, target. The family must be discouraged by the Times,s diminishing … Timesness. Bill Keller, the runner-up editor who got the job after Sulzberger’s first choice, Howell Raines, was forced to resign, has never seemed to quite have his heart in it—his has been a soft, hesitant, often odd, seldom necessary New York Times. On the other hand, Keller seems protected in his job, because the prospect of whom Sulzberger might otherwise choose is even more worrisome.

Anyway, resurgence—either from a rising share price or as a result of renewed journalist confidence and panache—is a fairly unlikely outcome anytime soon.

Continued embattlement. Neither shareholders nor moguls and financiers or other media can force the Sulzberger family to do anything it doesn’t want to do. So it should just ignore the peanut gallery. That’s one stiff-upper-lip thesis.

But the peanut gallery—especially if it has managed to seat a few directors—is going to chew up a lot of the Sulzberger family’s management, not to mention emotional, resources. From a corporate-governance perspective—no matter that the family holds the ultimate vote—Sulzberger and his management team are going to have to tediously justify their every view and action. They will have gone from having a rubber-stamp board to a board of constant inquisition (one terrified of being sued for its every lapse of constant vigilance). This will, especially with a falling or stagnating share price—and a divided board won’t, in the short term, help the price—quickly develop into a battlefield situation, with all sides retaining lawyers and P.R. troops.

It’s a mess that invites other insurgencies and that will result in a dramatic turnover of the company’s shareholder base, with longtime passive shareholders replaced by additional opportunistic activist shareholders. The Sulzberger family, in other words, will find itself effectively partnered with forces, or interests, which believe that the Sulzbergers are the single

largest impediment to share-price appreciation. If the family were willing to sell, the stock might double in value. Therefore, the strategy of the insurgents and arbitrageurs and other snakes of the market becomes making life difficult—truly quite unbearable—for management and its directors.

What you have is a circumstance of day-to-day anxiety, recrimination, uncertainty, and unhappiness (exuberantly chronicled in the Schadenfreude press), as well as a company that cannot, practically speaking, be run with any real leadership or efficiency.

All management will eventually have left is the wherewithal to make things worse by not going—and not providing a big payday to its rapacious shareholders.

Re-structuring. Several years ago, when it was becoming clear that the Times company was entering a period where it would be under growing pressure from Wall Street, there was a considered discussion within the family about the merits and process of privatization. Arthur's friend Steve Rattner was, once again, the significant figure in this effort. But his report to the family would necessarily have contained the obvious cautionary note: any offer by the family to buy the outstanding shares (presumably with the help of Rattner's private-equity fund) would mean that the company was for sale, which might, in turn, produce a richer offer from another buyer.

Still, the goal of the hedge-funders is to push the family in this direction. On the theory that the family could well pay more for the outstanding shares than anyone else, because they have to buy fewer (of course, in order to do this, they'd have to give their private-equity partners an interest in their existing ownership stake), the hedge-funders are clearly hoping the family, in frustration, will bid, with Rattner's help, a big number, say, $30 a share. This might well have the curious result of giving Rattner (who said, last year, about the Times, "I don't think this is a situation where you're going to find some surprise ending to the story") control of the Times,or, for the hedge-funders, the even better result of bringing a non-economic bidder into the game—somebody for whom The New York Times, at something north of, say, $6 billion, is still a very affordable plaything.

Sale. It is not unlikely that the Sulzbergers will be interested in, along with wealth protection, saving face—that is, the appearance that they are choosing the Times,s destiny. In this scenario, they become amenable to a situation that appears to be not so much a sale as a marriage to a dignified suitor.

Fairly assume, over the next 12 to 24 months, there will be: mounting pressure from shareholder activists, an economic downturn which further exacerbates the decline of the newspaper industry, and rising competition from Murdoch's Wall Street Journal. Also, it's fair to figure that the paper itself will make some further, cringe-worthy brutta figura. Likely, with or without the exit of his father from this veil of tears, Arthur junior will be kicked upstairs, and Janet Robinson will be replaced by a professional manager with more authority—reporting to the board rather than to Arthur—who will encourage some objective consideration of the options.

Those options, some more fanciful than others, are already in the air. They include:

1. Warren Buffett. This is, currently, the most optimistic scenario in the Times newsroom. Buffett, the fabled investor and chairman of Berkshire Hathaway—and an investor and board member at The Washington Post, who, for some far-from-evident reason, is regarded as not just a man of unlimited wealth but a Renaissance man to boot—rescues the Times. Not just rescues the Times, but guarantees its independence by putting the paper into a trust designed specifically to protect the Times,s historic mission of being the Times. The likelihood of this scenario, given that Buffett is a value investor and that he would have to pay a premium price for the stock, is virtually nil. But it still suggests an ongoing belief that the Times can both be the darling of enlightened business and be exempt from it.

2. The Washington Post Company. The thinking here is that two quality papers can be run more cheaply than one. It's a scenario that would also be, theoretically, the most culturally copacetic. The Washington Post is controlled by the Grahams, who have, if not quite as venerable a history as the Sulzbergers, at least a pretty good one, and is run by a scion, Donny Graham, who is an obvious improvement on Arthur Sulzberger Jr. What's more, the Washington Post Company has a better business than the Times—it's more an education company at this point (it owns Kaplan, Inc., the test-preparation company) than a newspaper company. While this might help protect the TimesPost in the tough days ahead for newspapers, it is one practical reason why the Post might want nothing to do with the Times. Still, the Times,s Internet action is a lot better than the Post's, so you could argue that if you combined a variety of operations, and curtailed newsgathering costs, one could be stronger than two. On the Sulzbergers' part, however, they would be taking, in such a hookup, Washington Post Company stock in an apples-to-apples transaction—that is, newspaper company for newspaper company. They'd be exchanging the market value of their shares for an equivalent market value of Washington Post Company shares. So no premium. And, at the end of the day, if you're forced to give up independence, as well as your place in history, you might well want to be paid for it. as well as the

3. Michael Bloomberg. Having reached the term limit of the mayoral phase of his career, and having had, by the already great dramas of this year’s presidential politics, his potential third-party run upstaged, but being worth as much as $20 billion, and with the reputation as the most reasonable, fair-minded, moderate, sensible, modest, as well as ambitious man in American public life, who better to take over The New York Times?

He can afford it—and can afford to pay a premium for it. He’s run a media company before, so he might actually know what to do with it. And he’s a man who would be trusted, maybe the man who would be most trusted, by the Times core constituency, the moderate-liberal establishment, to be a proper steward—he, by himself, might bring value to the Times. Plus, and not least of all, he needs something to do. If you can’t be president, then owning The New York Times is not such a bad fallback (and better than being governor). Nor is the timing, with two years to go in his term, half bad; just at the moment when the Times may need him most, he’ll be available.

When asked about this rumor, he gives a Cheshire smile.

4. And then there is the most likely, and not so favorable, option: the highest bidder.

As soon as discussions begin, the Times will be in play, and there will be a long list of people who will want to be in the game. As in most situations in which you’re dealing with a public company, and have unleashed the appetites of all concerned, stoic family members and demanding shareholders alike, the most money invariably wins.

The Sulzberger family has long assumed that its virtue and voting control and the weight of history are more powerful than anybody else’s cunning and cash and the ups and downs of the market. No doubt they’ll continue to assume that they have meritoriously protected the paper even after their cluelessness has delivered it into other hands.