COOL JERK

Is Sean Penn the greatest actor of his generation or a menace to society?
On Feb. 20, 1996, two and a half years after he was indicted, Snoop Doggy Dogg was acquitted of first- and second-degree murder charges. Cameras were excluded from the courtroom, and most of the media stayed away from the trial. What they missed was a case that defied expectations.

PLUS: SEVEN MARY THREE
STEREOLAB

COOL JERK
By Chris Mundy
Sean Penn is famous for acting like an asshole. He has done it professionally in such movies as Bad Boys, At Close Range, Carlito's Way and now Dead Man Walking. He has also sucker-punched photographers, failed breathalyzer tests and logged his share of jail time. So is Penn the best actor of his generation or a menace to society?

THE RISE AND FALL OF APPLE INC.
By Jeff Goodell
The story of Apple's decline is a morality tale for the Information Age. It is not, as one might expect, a story about how quickly the technology moves, or about how unforgiving and brutal business has become in Silicon Valley. This is a story about ambition and luck, as well as greed and failed leadership. It is about how Apple could have had it all — and blew it.

ACT NATURALLY
By Jerry McCulley
The Beatles' Anthology 2 reveals the foundations beneath the Beatles' studio constructions. It's almost The Beatles Unplugged, and the revelations are gratifying.

OSCAR '96: SOO-EY!
Movies by Peter Travers
The Academy of Slops and Sciences really pigs out as Babe heads toward an Oscar night that praises all things trite and traditional and anything else that will keep Washington censors off Hollywood's back.

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COVER: Photograph of Sean Penn by Mark Seliger, Los Angeles, December 1995
The annual "Macworld" Expo is more than a computer convention. For 11 years it has functioned as a revivalist meeting for Apple Computer's true believers. Beginning Jan. 9, 1996, some 80,000 developers, industry executives and alpha geeks gathered at the Moscone Center, in downtown San Francisco, to once again celebrate the glory of Apple, to sing the praises of the Macintosh, and to breathe hellfire and damnation on the evil spirit from the rainy north, Bill Gates. Things got off to a bad start this year, however. On the second day of the convention, Apple announced it was taking a $68 million quarterly loss. The news spread through the convention center like kudzu in the garden of Eden. Silicon Valley was in the middle of the biggest gold rush since the early '80s — and Apple was taking a loss? The report lent credence to increasing speculation that the company was in serious trouble. For the past few months, Apple had been going through what amounted to a public nervous breakdown: Several highly regarded top executives departed, and there were rumors of a takeover by Sun Microsystems and that more than 1,000 employees
would be laid off. And on top of it all, Michael Spindler, the charless CEO of Apple, had declined to make his customary address at MacWorld. To many Mac watchers, long accustomed to reading the secretive company's tea leaves, it was a sure sign that heaven was falling. By the following afternoon, when Frank Casanova, the director of Apple's Exploratory Products Lab, arrived at the entrance of the convention center, the media were in full deathwatch mode. In Silicon Valley, Apple is a tabloid darling, the only company that regularly commands the lead story on the evening news. Reporters pushed microphones into faces as people entered the building: "Are you worried about losing your job?" "Do you think this will be the last MacWorld?" "Is Apple going down the tubes?"

For Casanova, one of the brightest stars in the Apple cosmos, widely recognized for his shoulder-length black hair, technical savvy and podium wit, the scene was heart wrenching. He knew Apple had been through near-death experiences before. But this time it felt different. For the next couple of hours, he cruised the carnivalike convention floor past rows of flickering monitors and a game company's two-story beach-house-stilts exhibit, past software vendors touting new products to create instant Web pages and voice-activated programs to help handicapped children join the electronic universe, a portal to cyberspace. Wozniak and Jobs are the technoculture's Adam and Eve. What happened in that garage is as symbolic to a 22-year-old Webhead today as the Immaculate Conception was to a 14th-century Roman Catholic priest.

The myth, of course, differs from reality.

"We didn't build the computer in a garage," says Wozniak, known as Woz, now 45, taking a bite out of a Big Mac during lunch one day in his office. "I built most of it in my apartment and in my office at Hewlett-Packard, where I was working at the time. We just used the garage to assemble the parts toward the end. I don't know where the whole garage thing came from. Maybe it's because Bill Hewlett and David Packard built their machine in a garage, everyone assumed we built ours there, too. But really, very little work was done there."

Woz doesn't perfume history. His manner says, "Hey, I'm just a regular guy who got lucky." And that's how he lives. He works in a quiet corner of the valley, down the street from an abandoned orchard. Across the hall is an office for Dianetics and another for the Church of Scientology, an organization inspired by L. Ron Hubbard's quasi-spiritual ramblings (lights in Woz's office occasionally black out, he says, when Dianetics staffers fire up their office hot tub). For the past few years, he's been teaching kids how to use computers and the Internet. Three or four days a week a dozen or so children from the local schools trek in to his office for lessons from Woz, who provides them all with new PowerBooks and America Online accounts, which he pays for out of his pocket. He's on his third marriage now, responsible for six kids (three of his own, three from his wife's previous marriage).
He drives a Mercedes convertible with personalized plates — woz — and owns two white bichon frisés, a frisky breed of dog that looks like a poodle ("I call them my bitchin’ dogs," Woz says). But at heart he’s still a hacker. He still eats junk food, he still plays an hour or so of Defender, his favorite video game, every night at home.

Woz sees no particular miracle in the creation of the first Apple. "Everything in my life was leading me up to that machine," he says now. "It was just a natural progression."

It wasn’t just Woz; in the early 1970s, the whole valley was inching toward the computer revolution. As it happened, I grew up in a suburban tract house in Sunnyvale, only a few blocks from Woz’s family. The valley was a quiet, lonely place, with none of the energy it has today. A large animal-feed company worked at Fairchild Semiconductor or Raytheon, still a hacker: He still eats junk food, he still plays an originally developed game with limited capabilities.

To be sure, Jobs had a spiritual restlessness that was completely lacking in Woz. In the early 70s, while Woz was toiling in the calculator division at Hewlett-Packard, Jobs enrolled at Reed College, dropped out, studied Zen Buddhism and threw the 1-Ching. He went to the Oregon Feeling Center for primal scream therapy, meditated in a wobbly sensory-deprivation tank. Traveling around India, he had a typically Jobsian encounter at a religious festival in the Himalayas. "There was a baba, a holy man, who was the holy man of this particular festival with his large group of followers," Jobs later recalled in a magazine interview. "I could smell good food. I hadn’t been fortunate enough to smell good food for a long time, so I wandered up to pay my respects and eat some lunch.

"For some reason, this baba, upon seeing me sitting there eating, immediately walked over to me and sat down and burst our laughing. He didn’t speak much English, and I spoke a little Hindi, but he tried to carry on a conversation, and he was just rolling on the ground with laughter. Then he grabbed my arm and took me up this mountain trail. It was a little funny, because here were hundreds of Indians who had traveled for thousands of miles to hang out with this guy for 10 seconds, and I stumble in for something to eat, and he’s dragging me up this mountain path.

"We get to the top of this mountain half an hour later, and there’s this little well and pond, and he dunked my head in the water and pulls out a razor from his pocket and starts to shave my head. I’m completely stunned. I’m 19 years old, in a foreign country, up in the Himalayas, and here is this bizarre Indian baba who has just dragged me away from the rest of the crowd, shaving my head atop this mountain peak. I’m still not sure why he did it."

Although he never said it explicitly, Jobs seems to attach some mystical significance to this story, as if the baba had anointed him as a fellow spiritual leader. And perhaps the man had.

By 1975, Jobs accompanied Woz to meetings of the Homebrew Computer Club, which met at Stanford’s Linear Accelerator Center, in the hills above Palo Alto, Calif. Homebrew was a mix of engineers and aging Berkeley radicals who were fascinated by an ugly little device called the Altair 8800 computer, which had recently been featured in Popular Electronics for $395. Of course, you had to assemble it yourself, and it had no keyboard or monitor. And it wasn’t exactly clear what you would actually do with it — beyond simple addition. But that wasn’t really the point. The point was, it was yours.

It’s hard to grasp what a revolutionary idea the personal computer was in 1975. In those days, computers were big, menacing beasts that lived in air-conditioned rooms at universities and in government buildings. They had connotations of evil. They were symbols of authoritarianism. The notion that you could build your own was beyond simple addition. But that wasn’t really the point. The point was, it was yours.

Woz and Jobs were in the right place at the right time, and they knew how to make the most of it. Jobs was the mastermind behind the Macintosh, the first personal computer with a graphical user interface, while Woz was the chief engineer who built the motherboard and helped design the Mac’s circuitry. Together, they created a product that changed the world.

"When I came up against a stumbling block on a
project, I would get Woz to take a break from his road rally for 10 minutes and come and help me. He puttered around on some things, too. And at one point he designed a computer terminal with video on it. At a later date he ended up buying a microprocessor and hooked it up to the terminal and made what was to become the Apple I. Woz and I laid out the circuit board ourselves. That was basically it."

Not all the Homebrewers were as impressed by Woz’s engineering feat as Jobs, who demonstrated his talent for seeing gold in dross and immediately insisted that he and Woz go into business together. To raise money to get started, Jobs sold his VW van and Woz sold his calculator, for a net total of $1,350. Jobs even had a name for the new company, inspired by his recent stay at a farm in Oregon: Apple Computer Company.

0 ANYONE WHO WAS USED TO WORKING ON IBM mainframes, Woz’s little computer was a joke. It had no screen or keyboard. It had only 4,000 bytes of internal memory – the equivalent of four typewritten pages. What was it good for? When Woz offered his new computer to Hewlett-Packard before Apple was formed, they told him it wasn’t a salable product.

Jobs, however, had other ideas. While Woz worked on a new version of his computer, which would eventually be called the Apple II, and which would come with a keyboard of its own and display color on a TV screen, Jobs contacted Regis McKenna, a Palo Alto marketing consultant. One afternoon he and Woz stopped by McKenna’s office. "Jobs had this Ho Chi Minh beard, cutoffs and Birkenstocks," McKenna recalls. "Woz was carrying some article he had written that described the computer he was building in very technical terms. I tried to read it but gave up. I told him that if he wanted to communicate with the public, he had to put this into English. Woz said, ‘I don’t want anybody touching my stuffl’ So I threw them both out of my office."

But Jobs wouldn’t let go. He kept calling and calling McKenna’s office – finally, McKenna sent a few potential investors over to the garage to look at the computer Woz was building. Most were unimpressed. But then Mike Markkula, a veteran of Fairchild Semiconductor and an inveterate tinkerer, stopped by and fell in love. Three months later, in exchange for $91,000 of his own money and his guarantee on a $250,000 line of credit at Bank of America, Woz and Jobs gave him a one-third interest and incorporated their company. Markkula brought in another colleague from Fairchild, a blunt, chubby man named Mike Scott, to help keep these two wild kids in line.

The Apple II made its debut in 1977 at the West Coast Computer Faire, a San Francisco gathering of geeks and hobbyists and garage tinkerers loosely modeled on the Renaissance Faires that were popular in the Bay Area. With the exception of the computer’s switching power supply, the Apple II was, literally, a creation of Woz’s mind and hands. It was housed in a cozy plastic casing (most computers in those days were in kits or in clunky steel boxes), it could output colorful graphics, and most important of all, it came with a useful version of BASIC built into it – a computer language written in part by a Harvard dropout named Bill Gates, who had just started a small company called Microsoft.

But the key lesson in the success of the Apple II wasn’t in the design of the machine, elegant as it was. On its own, it was just a box. It was software that made the Apple II a hit. A Harvard Business School student and a pal from MIT created a program called VisiCalc, which was a simple spreadsheet that allowed the Apple II to be used for business calculations. Within two years, VisiCalc sold 200,000 copies, by far the best-selling computer application of the time, and sales of the Apple II zoomed off the charts.

Apple went public on Dec. 12, 1980. Investors went...
bananas. Jobs, the biggest shareholder, was suddenly worth $165 million. He was 25 years old. Woz, at 30, was worth $88 million. In just less than the five years since its founding, Apple had grown to more than 1,000 employees. Overnight, beat-up Chevys in the parking lot were replaced by Porsches. Woz and Jobs became instant icons, as famous as rock stars, fresh-faced symbols of American ingenuity and derring-do.

It didn't last long. By 1981, the bubble had burst at Apple — as it would by the mid-'80s throughout Silicon Valley. The initial rush to build personal computers had produced dozens of start-ups, each with a good idea, each hoping to cash in on this boom. Most of the names, from Eagle Computer to Grid Systems, have vanished into the fern bogs of the Information Age, done in by the difficult transition from good idea to stable business. Apple was no exception. In early 1981, 40 employees were laid off, and the stock price tumbled.

Woz was seriously injured when his plane crashed on takeoff from a small airport in the Santa Cruz Mountains, in California; after recovering, he took a leave of absence from Apple and returned only briefly. And to top it all off, there was the recent introduction of the Apple III, a clunky, overpriced successor to the Apple II that — partly because of initial manufacturing problems and partly because of its poor design — was DOA.

Apple was starting to look like just another one-hit wonder headed for oblivion. Then, Jobs had a vision.

When Jobs arrived at Xerox's Palo Alto Research Center, the corporation's futuristic lab that was just a few miles from the building where the Homebrew Computer Club used to meet, he wasn't expecting divine revelation. He just wanted to poke around. It was a gray December day in 1979, and Jobs, dressed in jeans and looking mildly unkempt as usual, arrived with several engineering pals from Apple, including Bill Atkinson, who would go on to become one of the star programmers of the Macintosh. In the lab, Jobs was stopped in his tracks by a graphical user interface on the Xerox Alto, a high-end computer that had been developed there; basically the interface was a crude version of the icons and folders that would later be used on the Mac. It seems simple now, but at the time it was revolutionary. And to Jobs, obvious. "You could argue about the number of years it would take, you could argue about who the winners and losers in terms of companies in the industry might be," Jobs told me 15 years later for a Rolling Stone interview. "But I don't think rational people could argue that every computer wouldn't work this way someday."

Computer-industry pundits are still arguing about whether Jobs stole the ideas he saw at Xerox or was just "inspired" by them. The truth is, none of this technology was new — nor was it a secret. Xerox used much of it in its own computers but just didn't market them well (starting in 1979, Xerox Altos had been sent to some universities; they had many easy to use features that would later be popularized in the Macintosh). And the computer mouse, which everyone today associates with the Macintosh, had in fact been invented in the 1960s by Doug Engelbart, a well-known researcher at Stanford Research Institute, a computer-industry think tank.

The immediate beneficiary of Jobs' visit to Xerox was not the Macintosh, however, but a computer called Lisa. It was supposed to be the next big project, the great leap in computers. Apple had gone on a hiring binge and swooped up many of the best engineers in the valley — including several who worked at Xerox. The Lisa was to be a first-class project, engineered by some of the best minds money could buy.

Except one: Steve Jobs.
II percent of its stock; as long as Scott and Markkula were around, he had little actual authority. The Lisa was supposed to be a professional operation, proof that Apple could make it in the big leagues—nobody wanted Jobs mucking around with it. "It hurt a lot," Jobs recalled. "There's no getting around it."

But one of the advantages of Apple's freewheeling climate was that offbeat ideas could ripen in dark corners. One such idea was a little thing called Macintosh. It was originally the brainchild of Jef Raskin, who had conceived the project even before Jobs' visit to Xerox (in fact, Raskin was part of the Apple team that had accompanied Jobs on his visit). Raskin, who was more than 10 years older than Jobs, had been Apple's 31st employee, a colorful computer scientist and sometimes brilliant musician.

Raskin had long dreamt of a small, friendly, inexpensive computer, a sort of information appliance. He hired a friend, Guy "Bud" Tribble, a young neurophysiology student turned software designer; Joanna Hoffman, who had recently left the Oriental-studies program at the University of Chicago and who was brought on to do market research; and Burrell Smith, a gifted young hardware engineer.

The Macintosh was still in a primitive state—there were only about five people working on it in an isolated office—when Jobs got wind of it. To him it was a return to the garage: a small, swift guer­illa operation uncluttered by managers and marketers. Jobs and Raskin battled about the direction the Mac should take—Raskin was opposed to a mouse and a graphical user interface, and didn't want to include any pre-written applications like a word processor or a spreadsheet, and he favored a squat design. After a fierce internal battle, Raskin was pushed out, and Jobs took over. Jobs' power increased a few months later when Markkula forced Mike Scott out of the company. Scott, a tough, dogmatic man who never quite found his niche at Apple, left in a fit of pique, firing off a bitter public letter, saying that Apple had degenerated into "yes men" whose "cover your ass" attitudes were exceeded only by their "fool-hardy plans." With Scott out, Markkula became president, and Jobs took over Markkula's old job as chairman of the board.

Jobs didn't have much time to prove himself. In August 1981, IBM introduced its first PC. Big Blue had arrived.

Looking back on it nearly 15 years later, it's easy to paint this as a moment of high romance and adventure in Silicon Valley. At the time, it was less obvious. In 1981, just as the Macintosh was taking flight, I worked at Apple for a short time. It did not thrill me. Of course, I was a lowly 21-year-old in the gloomy Apple III Systems Software group. I never bumped into Woz or Jobs. But I did get to know a lot of panicked and overworked engineers who lived in their fabric-walled cubicles in the Apple building on Bandley Drive. I attended Friday beer bashes, played pingpong and shot hoops in the parking lot. But I still had the naive idea that a computer was nothing more than a fancy typewriter. So I quit and moved to Lake Tahoe to deal blackjack.

Steve Capps was a happy go lucky kind of guy. He is a burly software programmer from upstate New York who came to embody much of the spirit of the Mac team—the wildness, the irreverence, the occasional flashes of brilliance. He dropped out of college several times, rode a motorcycle around New York state, built a log cabin with his own hands—I was a wanna-be hippie," Capps says now—before he finally ended up working as a programmer at Xerox. In 1981, at the urging of a couple of friends, Capps moved to Apple, where he worked on printer software for the Lisa. Word eventually got around that Capps was writing some hot code, so one day toward the end of 1982, as Capps was chugging along in his usual shorts and Vans slip-ons, Steve Jobs intercepted him and announced, "We're gonna nab you for the Mac." After a brief tug of war, Capps was installed on the Macintosh software team. There were about 40 people working on the project then. It would later grow to more than a hundred.

But the core team was really only a small group. It included at various times Burrell Smith; Joanna Hoffman; Bill Atkinson; Bud Tribble; a young, intense, moon-faced hacker named Andy Hertzfeld; Susan Kare, a graphic designer who created the icons and mouse and a graphical user interface, and didn't want to include any pre-written applications like a word processor or a spreadsheet, and he favored a squat design. After a fierce internal battle, Raskin was pushed out, and Jobs took over. Jobs' power increased a few months later when Markkula forced Mike Scott out of the company. Scott, a tough, dogmatic man who never quite found his niche at Apple, left in a fit of pique, firing off a bitter public letter, saying that Apple had degenerated into "yes men" whose "cover your ass" attitudes were exceeded only by their "fool-hardy plans." With Scott out, Markkula became president, and Jobs took over Markkula's old job as chairman of the board.

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They were a smart bunch. But the valley was full of smart people. The truth is, they were also lucky. You, if not, he'd blow you out of the water. Stories of Jobs' ability to humiliate people are legendary. "Steve simultaneously has the best and worst qualities of a human being," says Hertzfeld, who recently had a falling-out in his long friendship with Jobs. "They're both in him, simultaneously, living side by side."

To Hoffman, this was part of what makes Jobs such a fascinating character: "He has the personality of a creative genius. You can't expect constancy out of someone like that."

To relieve stress, Capps played basketball. Others snarled pineapple pizza, tossed Nerf balls. Nobody drank (hackers seem to have an anti-alcohol gene), but when things got tense, somebody would spark the stereo. During late-night kamikaze programming marathons, they'd crank up the Pretenders or the Vio-
lent Femmes loud enough to rattle the windows.

Jobs, ever eager to do anything to make the Lisa team look like slugs, encouraged his staff's unorthodox ways. "It's better to be a pirate than to join the Navy" was displayed on an easel during one off-site meeting. Capps took that as inspiration and immediately went out and bought some black nylon, which he cut up and sewed into a flag. Susan Kare painted a skull and crossbones on it, with a rainbow-colored Apple logo for the patch. "Then we climbed up onto the roof of the building one night at about 2," Capps recalls. "We were trying to figure out a place to fly it. We tried hanging it over the front of the building like a bunting, but that didn't work. I noticed a scaffolding that some workers had left behind, so I grabbed a piece of that and fashioned it into a flagpole. Some security guard wandered by and shined a flashlight in our eyes and asked us what the hell we were doing, but as soon as I told him who I was, he left us alone. I guess he was used to our craziness. You couldn't see the flag very well at night, but the next morning when we came to work, there it was, flapping in the breeze on a sunny California morning. It was beautiful."

IN RETROSPECT, ONE MIGHT ARGUE THAT AP­
ple's decline began after lunch one day at the Carlyle Hotel, in New York. After meeting there, Jobs and John Sculley, the polished but uncharismatic presi­
dent of Pepsi-Cola, walked over to Central Park. It was a spring afternoon, leaves budding in little fists of green on the maple and sycamore trees overhead. Jobs was a celebrity by now, recognized even on the streets of New York. But as usual he was oblivious. His attention was focused completely on Sculley, whom he was trying to re­
cruit to Apple as the president and CEO. For weeks now, Jobs had been giving Sculley the pitch: how Apple was a new kind of company, how the computers they were building were going to change the world.

"How are you feeling about things?" Jobs asked. "I'm really excited about what you guys are doing." Sculley said. "I think you're changing the world." "Well, I really think you're the guy," Jobs replied. "I want you to come and work with me. I can learn so much from you." Jobs may have been blowing smoke, but he wasn't lying. It was becoming clearer and clearer that Apple needed to shrug off its legacy as a garage start-up and become an adult. If the company didn't acquire some critical mass, it had no hope of competing against monsters like IBM. Unlike Microsoft, where Bill Gates evolved steadily from nerd to CEO, Apple had no steady hand with the maturity and the technical experience to guide it through this tricky period. To his credit, Jobs had wised up enough to know Apple needed someone who could smooth the road into cor­porate America, someone Wall Street could trust. Someone like John Sculley.

At first glance, Sculley and Jobs were a strange pair. Sculley was from a noble line of East Coast WASPs. He grew up rich and pampered. He had always thought of himself as something of an artist, however - he'd studied architecture in graduate school and, later, during a sabbatical from Apple, enrolled in the University of Southern California Film School. His ascent of the corporate ladder was no doubt aided by his connection - he was once married to the step­daughter of Pepsi's chairman, Donald Kendall. Still, Sculley was widely regarded for his marketing smarts and often took credit for resurrecting the Pepsi Generation ad campaign in 1970, which had been abandoned five years earlier. It was exactly the kind of smart, hip cam­paign that Jobs imagined using to sell the Macintosh. Sculley knew very little about computers, but he prided himself on his listening ability (his business card at Apple later read: CHIEF LISTENER). Besides, Jobs figured he'd take care of the engineering side of Apple. What he really wanted was a teacher, a guide.

That afternoon, Sculley and Jobs wandered into the Metropolitan Museum of Art, pausing to explore Peri­
clean sculpture of the fifth century B.C. "As we left the museum," Sculley later reflected, "I gained a sense that I could be a teacher to a brilliant stu­
dent. I saw in him a mirror image of my younger self. I, too, was impatient, stub­
born, arrogant, impetuous." Later that day they ended up in a penthouse suite that Jobs was thinking of buying at the tony San Remo apartment building. They stood out on the balcony, where they could see the gray urban panorama stretching across the Hudson River to New Jersey, down to the Statue of Liberty and up to the George Wash­ington Bridge.

After a few minutes of idle chat, Sculley finally let it be known that he didn't think he could come to Apple. Jobs paused for a moment, then said, with the classic Jobsian instinct for the jugu­
lar: "Do you want to spend the rest of your life selling sugared water, or do you want a chance to change the world?"
The line echoed in Sculley's head for a long time. Finally it got the best of him. In April of 1983 he be­
came Apple's new president and CEO. With a base salary of $1 million a year plus a $1 million signing bonus and millions more in stock options, he became one of the highest-paid executives in Silicon Valley.

AS THE INTRODUCTION OF THE MAC AP­
proached, Jobs went into hyperdrive. His most critical task was to line up support with outside software developers. Unlike the Lisa, which came with all of its own software applications, Jobs believed - correctly, as it turned out - that Apple should encourage outsiders to develop applications like spreadsheets and word processors for the Mac. No one was more crucial to this effort than Bill Gates. Circa 1983, Microsoft was a much smaller company than Apple. But the balance of power was beginning to shift. For the Mac to succeed, it was crucial that Microsoft have software ready to go when the computer shipped.

Early on, Jobs worried that Gates was playing a two-sided game with him. Yes, Microsoft would develop applications, but at the same time, Jobs feared that Gates was using what he learned about the Macintosh to write competing software for the IBM PC. Thus, Microsoft would have the best of both worlds - it could make money on the Macintosh applications while at the same time write software for a PC that would undercut the Macintosh's advan­tage. Which was in fact exactly what Microsoft did.

This put Jobs in a delicate position. He couldn't afford to alienate Microsoft by cutting off access to the Mac, but it would have been foolish not to take pre­
cautions. So in January 1982, Jobs drafted an agreement stating that Microsoft could not "undertake in any way to sell, lease, license, publish or otherwise distribute . . . any financial modeling, business graphics or data base program which utilizes a mouse or tracking ball for any computer not manufactured by Apple." The intent was to give the Mac a head start. But the exclusivity clause, which expired 12 months after the initial shipment of the Mac, or Jan. 1, 1983, whichever came first, covered only applications. It said nothing about operating systems.

Six months later, many Apple engineers sensed that Microsoft was working on its first version of the Win­
dows operating system for the IBM PC, Jobs, who at the time still had the upper hand in the relationship, would often summon Gates to Cupertino and berate him for stealing ideas from the Macintosh. Hertzfeld recalls one particularly tense meeting. "Gates, you know, was just a skinny little geek like the rest of us, but he could really hold his own with Steve," Hertzfeld says. "He took a seat right across the table from Steve, and when Steve ac­
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In January 1982, Jobs drafted an agreement stating that Microsoft could not "undertake in any way to sell, lease, license, publish or otherwise distribute . . . any financial modeling, business graphics or data base program which utilizes a mouse or tracking ball for any computer not manufactured by Apple." The intent was to give the Mac a head start. But the exclusivity clause, which expired 12 months after the initial shipment of the Mac, or Jan. 1, 1983, whichever came first, covered only applications. It said nothing about operating systems.

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It wasn't just Gates and Jobs - everyone in the com­puter industry knew that graphical user interfaces were the thing of the future. The question was, Who would set the standard? In a blatant attempt to steal some of the Mac's thunder, Microsoft announced the first version of Windows at a splashy event at New York's Plaza Hotel on Nov. 10, 1983. In classic Microsoft fashion, however, the product didn't ship until two years later. And even then it was a lame, inelegant system - nothing like the Mac.
APPLE

[Cont. from p7] 60-second “1984” commercial, directed by Ridley Scott, during the third quarter of the Super Bowl.

It was an astonishing moment, as much for the ad’s bold claims as for its powerful visuals. The commercial used the iconography of totalitarianism—a crowd of drones entranced by a Mao-like leader and set free by a sledgue-wielding woman in a Macintosh tank top—to cast Apple as the liberator of the human race, just plain people, uninterested in the par-ticipation of drones. Jobs was dangerously out of line. He was as if some arrogant ghost had risen from the streets of Berkeley and tossed a Molotov cocktail into the soul of the Reagan revolution.

Looking back, Apple’s commercials were stunning. The original Mac was a tremen-dous achievement. It was small, attractive, human, elegant and easy to use.

And with its windows, icons and desk-top interface, it provided a metaphor for the newly expanding digital world. “Long after its departure, Macintosh will be remembered as the product that brought just plain people, uninterested in the particulars of technology, into the trenches of the Information Age,” Steven Levy wrote in Insanely Great: The Life and Times of Macintosh, the Computer That Changed Everything.

But as a product, it was seriously flawed. It cost $2,495 (a far cry from the $800 price the more democratic-minded engineers like Hertzfeld had been shooting for), and it came equipped with only 128K of memory—hardly enough to open a file without having to swap disks. There was no hard drive, and no easy way of attaching one. Also, at the time the Mac was shipped, only three pieces of software would run on it: a spreadsheet, MacPaint, a drawing program, and MacWrite, a word pro­cessor that could only handle 10 pages of text. There was no networking capa­bility, no color monitor—or any possibility of adding one.

Nevertheless, the Mac looked good out of the gate. Apple sold about 70,000 units in the first three months, well above the public forecast. Jobs and the team traveled around the country pitching the Mac as the computer for the rest of us—a bicycle for the mind.” was one of Jobs’ favorite phrases (revised, according to Hoffman, from the in-house version, which was “a vibrator for the mind”).

Jobs astutely marketed the Mac’s software engineers like rock stars—Andy Hertzfeld and Bill Atkinson became familiar names in the nerd world. In an effort to establish the Mac’s hipness credentials, Jobs gave away computers to Yoko Ono, Mick Jagger and Kurt Vonnegut. Apple also brilliantly exploited the education market through a program called the Apple University Consortium, which sold Macs in bulk to schools at a deep discount.

But it soon became clear that the notion of the Mac as an information appliance, something as common to every household as a toaster, was about 15 years ahead of its time. If the Mac was going to succeed, Jobs and Sculley were going to have to sell it to corporate America. For Apple, it was a marketing challenge of cosmic proportions.

The problem, of course, was that the Mac had been designed and built by a bunch of eccentrics hackers whose idea of a corporate retreat was two weeks alone in a geodesic dome in New Mexico. It’s not surprising that the machine they designed had almost none of the features that corporate America wanted—no networking, pitifully little memory, no good productivity software. It was too touchy feely. It had that silly Mac smile that greeted you when you turned it on.

To most purchasing agents it was a just plain computer. “We went in with a Mac that would address some of the shortcomings of the original, but the Mac team was burned out and in disarray,” Burrell Smith plunged into something called TurboMac, but then got over his head and wasted months on a design that never went anywhere. Others seemed—momentarily, at least—to unravel.

Capps recalls that not long after the Mac was finished, Bill Atkinson invited him out into the parking lot to gaze at the stars: “Bill pointed up to the sky and said, ‘Steve, we’re going to be invaded by beings from outer space pretty soon. We have to start building a database now so that when we meet these aliens, we’ll be able to explain everything to them. We have to be ready.’” Capps laughs about it now but adds that Atkinson “was not joking.”

IT WENT FROM BAD TO WORSE. Mac sales plummeted. Christmas of 84 was a disaster. Computers backed up in ware­houses, leaving Apple with a huge back­log of inventory. And during the 1985 Super Bowl, Apple tried to repeat the success of the “1984” commercial. This year, however, the ad was a humorless vision of blindfolded business people marching lemminglike off a cliff—sup­posedly the drones following IBM. But many saw it as a perfect metaphor for what was going on within Apple itself.

With the falling consumer demand, Apple had no choice but to push harder into the business market. After brilliant­ly casting itself as the rebel outsider, it now declared a public détente with IBM—a deeply humiliating reversal. At the annual stockholders meeting in January of 1985, Jobs announced the so-called Macintosh Office, a suite of new prod­ucts, including a laser printer that was supposed to make the Mac more busi­ness-friendly. But the key piece of tech­nology, a file server that would allow Macs to be networked with IBM main­frames, wouldn’t be ready for another two years.

Not surprisingly, the romance be­tween Jobs and Sculley soured. To Scul­ley, Jobs was dangerously out of line. He was going in a million directions at once—no discipline, no organization, no man­ners. He had built a machine with no marketing strategy, no clear target user. “Build it, and they will come” seemed to be the motto. Well, it wasn’t working. And now, Jobs balked whenever anyone suggested that maybe the Mac wasn’t perfect. Sculley had given up a lot to come to Apple, which everyone knew was the costliest company in the world. Now he was starting to see his life flash before his eyes. This was not a man who was used to failure— or chaos. He’d go jogging at 4:30 a.m. in the hills above Palo Alto, then he would schedule a half-dozen early morning meetings. He had all the discipline in the world. But Apple wasn’t like Pepsi. No one cared about discipline in Cupertino. Apple was rock & roll.

To Jobs, Sculley was turning out to be the emperor with no clothes. Jobs couldn’t help but feel that he had been sucked into his own reality-distortion field. He thought Sculley had had the courage and vision to help Apple grow up, to be decisive, to help chart a course for the future. But Sculley had been around for about two years now, and what had he done? It was becoming clearer and clearer that he didn’t understand the computer business. During one software demo, colleagues had noticed Sculley’s hand was trembling when he touched a mouse. Trembling! Another time, Sculley had the temerity to compare selling the Mac to selling potato chips. Sculley was Old World all the way. Sometimes it seemed like he worried more about smudging his reput­ation than leading Apple. Jobs had no patience for this. If it were up to guys like Sculley, there wouldn’t even be a Macintosh.

To Jobs, the problem was not the de­sign of the machine. It was in the way it was being sold. Jobs had been talking with Fred Smith, the legendary founder of Federal Express, who, unlike Jobs, managed to keep control of his company, and watch it grow into a multi­billion dollar business. Smith had convinced Jobs that the best way to sell the Mac was to do it directly—cut out the middleman, sell straight to the consumer via Federal Ex­press. It was a strategy that in the years to come would be exploited by compa­nies like Dell Computer to great effect. Jobs thought it was brilliant—just pull the Fed Ex planes right up to the back door of the factory. There would be no problem with hidden inventory, lousy sales, or giants coming in and taking off distribution channels. It would sell everything.

Sculley wasn’t convinced. He thought the company needed a complete reorga­nization. Until now, Apple had essen­tially been divided into teams—the Apple II team, the Mac team, the Lisa team. To Sculley, this was inefficient and unharmonious. He wanted to set up the company in a more traditional way—one marketing department, one research and development department, one sales force. Jobs, of course, thought the company should be the coolest company in the world, that sense of pride that had made the Mac team great, that sense of everyone pulling together to make one insanely great project. It would turn Apple into the thing Jobs feared most: an IBM clone.

While Jobs and Sculley battled, the free fall continued. In June, Apple’s stock hit an all-time low of $14.75. Many people within the company be­gan questioning the fundamental prem­ise of Apple’s business plan. It didn’t take a Ph.D. to see that building hard­ware would soon become a commodity game. And the real genius of the Mac, after all, was the software. Why not license it to others for a hefty fee? It was a difficult concept—Apple’s riches had come from building boxes. But what was it that Apple was really sell­ing? Capps recalls a brainstorming ses­sion with Hertzfeld and Jobs—they were bawling around ideas about what they could do to save the Mac. Capps said, out of nowhere, “You know, the truth is, we’re really a software company thinly disguised as a hardware com­pany.” Jobs and Hertzfeld agreed, then the conversation moved on.

In the years to come, the debate about whether Apple was a hardware company, or a software company, or both, would consume Apple executives. And their failure to resolve the question clearly and swiftly would ultimately contribute to the company’s downfall.
But at the moment, Jobs had other things on his mind. By May of 1983, he and Sculley became locked in a Machiavellian struggle for control of the company. And Mike Murray, then a 29-year-old marketing whiz who had joined the Mac team three years earlier, was right in the middle of it. "Apple had divided itself up into two camps – the Jobs camp and the Sculley camp," Murray recalls from his office at Microsoft, where he works today. "I thought Steve was brilliant, the heart and soul of the company, but I eventually found it too difficult to work for him. So I went to work for Sculley but didn’t find that to be much more tolerable." As Murray vacillated, Sculley and Jobs competed for his loyalty. To Murray, it sometimes felt like he was living in two parallel worlds. One day he walked from a meeting where Jobs and his loyalists were plotting a companywide reorganization that sidelined Sculley to another meeting where Sculley and his pals were plotting to sideline Jobs.

And it got worse. "At one point, Steve and John and I scheduled a meeting at Steve’s house on a Saturday," Murray recalls. "Steve lived in this big old crumbling mansion in Woodside. It was almost empty of furniture – just a bed, a TV, a table and a few chairs. John and I walked up, then the three of us took a walk outside together and started tossing around strategies about how to save Apple. At one point, John went into the house to go to the bathroom. And as soon as he left, Steve turned to me and tried to convince me that we had to figure out a way to get rid of John. It was just depressing. For the first time in my life, I was introduced to politics, to corporate infighting and manipulation." A note of sadness was traceable in Murray’s voice.

Something had to give. In May of 1983, Jobs decided to make an all-or-nothing play for control of the company. He had enticed Sculley to schedule a trip to China and, while Sculley was away, planned to stage a boardroom coup. But Jobs had vastly underestimated his standing among the members of Apple’s executive staff – many of whom were exhausted by his constant yo-yoing – while at the same time underestimated Sculley’s skills as a corporate warrior. If there was one thing Sculley was adept at, it was boardroom politics. At the last minute, Sculley was tipped off to Jobs’ plot and, on May 3, bolted for China and, while Sculley had his hands full trying to sideline Jobs, he decided to confront Jobs in a dramatic showdown.

During the executive staff meeting at 9 the next morning in De Anza 3, a low glassy building just a few hundred yards from where the Mac team’s pirate flag had flown two years earlier, Sculley and Jobs sat on opposite ends of a long table, eying each other like gunfighters. The contrast was startling: In his hand-tailored Wilkes Bashford suit, Jobs looked every inch the golden boy, the young visionary who had invented the future. Sculley, on the other hand, seemed pale and worn out. But he had a kind of gravitas about him, a worried father in a room full of teenagers.

Sculley spoke first. He was so shaken he began to stutter – a nervous tic he’d had as a child that he thought he’d outgrown again. He said, "I’ve been going around my back trying to kick me out of the company," one executive recalls. "Steve took up the challenge and said, ‘That’s right. I think you should leave.’ After a brief and emotional exchange in which Jobs listed his reasons why Sculley was an incompetent leader and had to go, the matter was put to the executive staff for a vote.

One by one, they went clockwise around the room – and with apologies, they sided with Sculley. Then came Regis McKenna, who happened to be sitting in on the meeting as an unofficial staff member that morning. McKenna was the man who had helped Jobs get his start nearly a decade before when he was just a kid with a cool gadget and a Ho Chi Minh beard. Now, McKenna had to agree with the others: He was grateful for all that Jobs had done for the company, and McKenna hoped Jobs would stick around in some honorary position, but he had to get out of day-to-day operations. It was time to give Sculley a shot at running Apple on his own.

Silence filled the room. All eyes turned to Jobs. "Well, I guess I know where things stand," he said quietly, his voice trembling with emotion. Then he bolted from the room, shunned by the company he had given birth to nine years earlier.

In the next few months, Apple laid off a fifth of its workforce, some 1,200 employees. The company posted its first quarterly loss of $150,000. For the second time in five years, the company was knocking at death’s door. No one could have guessed that Apple’s glory days were just around the corner.

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