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*The World is Flat: A Brief History of the Twenty-First Century*, by Thomas Friedman, New York: Farrar, Straus, and Giroux, 2005, 488 pp., \$27.50 hardcover.

*Three Billion New Capitalists: The Great Shift of Wealth and Power to the East*, by Clyde Prestowitz, New York: Basic Books, 2005, 321 pp., \$26.95 hardcover.

These two books overlap considerably in content and argument. Both argue that China and India are forces to be reckoned with in the global economy, that the government of the United States is not paying close enough attention to clear signs of trouble on the economic horizon, and that Americans need to come to a more realistic appraisal of their own economic problems before anything constructive can be done to solve them. The two authors contrast markedly in the positions they take toward globalization: Friedman embraces it, Prestowitz abhors it. Prestowitz thinks well-designed industrial policies can work to preserve or enhance long-term international competitiveness; Friedman thinks that a more general policy of promoting education and training of the work force is the only viable answer to globalization. A decade or two ago, I would have sided with Prestowitz. Now I find myself agreeing more with Friedman.

I am a big fan of Tom Friedman's books, but he is a journalist, not a social scientist. His method is simple: interview a lot of people around the world and then tell stories about them in order to build up an image of what is new and interesting. He likes to bring in anecdotes about himself, his family, and his friends. He also draws a lot of material from interviews with business leaders, such as Bill Gates and Craig Mundie of Microsoft, Craig Barrett of Intel, Vivek Paul of InfoSys, Sergey Brin of Google, and David Neeleman of JetBlue; former government officials, such as Thomas Pickering; and politicians, such as former president of Mexico Ernesto Zedillo. Occasionally, he brings in the ideas of economists and political scientists. There is a breathlessness to the narrative as Friedman rushes around the globe from person to person, place to place, to obtain the latest gem of wisdom about the modern world.

Unlike most social scientists, Friedman does not limit himself to ideas that have been subjected to intense scrutiny by a community of theorists and empiricists. The elite interviews have a random quality, and are not selected systematically, as they would have been in a work of social science. Friedman occasionally cites statistics that support his views, and rarely cites statistics that do not. Unlike a historian, Friedman makes only cursory attempts to put the ideas of his informants into a larger context. We are usually not told why a particular informant is making a particular argument, so it is up to the reader to guess when and where an informant is defending a vested interest. This makes for fascinating reading, but perhaps makes the book a bit dubious as a guide to policy and action.

The main idea put forward in this book is that the world is "flat." We do not get a definition of flatness until pp. 176–177, where Friedman says:

The net result of this convergence was the creation of a global, Web-enabled playing field that allows for multiple forms of collaboration—the sharing of knowledge and work—in real time, without regard to geography, distance, or, in the near future, even language. No, not everyone has access yet to this platform, this playing field, but it is open today to more people in more places on more days in more ways than anything like it ever before in the history of the world. **This is what I mean when I say the world has been flattened.**

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Flatness, in short, is quite a lot like globalization. Later on, Friedman admits that he knows that the world is not flat. Instead, he says, “the world has been shrinking and flattening for some time now, and that the process has quickened dramatically in recent years” (p. 375). What is missing is a clear distinction between a process and an end-state and a set of criteria by which to judge how far the process has gone toward that end-state.

The second chapter of the book enumerates ten “flatteners” that, according to Friedman, have resulted in “flatness.” They are:

- The end of the Cold War (which makes almost everyone a potential participant in the world economy);
- The beginning of the “viral marketing” of software pioneered by Netscape after it became a private company;
- The invention of work flow software and supporting systems;
- The rise of the open source software movement;
- The outsourcing of work by multinational corporations (MNCs) to low-wage workers in India and China;
- The offshoring of certain important operations by MNCs;
- The rise of complex, international supply chains for many products and services;
- The penetration of many large firms by other firms that provide services and logistical support (UPS being a major example), which Friedman calls “insourcing;”
- “In-forming”—the rise of search engines, such as Google, and Web portals, such as Yahoo; and
- “The steroids”—inventions like cell phones and wireless technology that enhance the flattening potential of the other flatteners.

In Chapter 3, Friedman argues that these flatteners made possible a triple convergence of computing, Web-based telecommunications, and business practices that have changed forever the nature of international collaboration and competition: “The Berlin Wall came down, the Berlin mall opened up, and suddenly some 3 billion people who had been behind walls walked into the flattened global piazza” (p. 182). In Chapter 4, Friedman poses a number of puzzles that need to be sorted out as a result of the flattening process. He uses as an example the recent controversy in the state of Indiana about the outsourcing of the up-grading of state computer systems for the processing of welfare claims to an Indian company. The organizing questions for this chapter are “Who owns what?” and “Who’s exploiting whom?”

The remaining chapters focus on the policy implications of flatness. Chapters 5–8 focus on the United States, Chapter 9 deals with the developing countries, Chapter 10 deals with business enterprises, and Chapters 11–12 deal with connections with military/strategic and security concerns, including the rise of terrorist networks like al-Qaeda.

The chapters on implications for the United States are quite well written and potentially of value to policymakers. Friedman puts a major stress on the need for public policies to help the American work force become more flexible and capable of adding greater value. In Chapter 7, he marshals statistics about the growing gap in the production of engineers and scientists between the United States and its competitors to argue for a renewed commitment to post-secondary science and engineering education:

... we should be embarking on an all-hands-on-deck, no-holds-barred, no-budget-too-large crash program for science and engineering education immediately. The fact that we are not doing so is our quiet crisis. (p. 275)

He stresses in Chapter 8 the need for better leadership, more focused social activism, and better parenting as part of an overall solution to the crisis. He calls for a new politics of “compassionate flatism” (p. 297), which characterizes neither of the two major political parties:

... we should be thinking about how collaboration between consumers and companies can provide an enormous amount of protection against the worst features of the flattening of the world, without opting for classic protectionism. (p. 302)

In Chapter 9, Friedman tries to explain why countries such as China and India in the developing world are taking advantage of flatness, while countries in the Middle East and Sub-Saharan Africa are falling further behind. He endorses the views of the World Bank, that openness toward the world is a key to success and that preserving cultural insularity comes at great cost. He recommends that all developing countries embrace what he calls “reform retail,” by which he means enabling “the greatest number of your people to have the best legal and institutional framework within which to innovate, start companies, and become attractive partners for those who want to collaborate with them from elsewhere in the world” (p. 317). This is not just good advice for the developing countries, in Friedman’s view. As a result, some critics call Friedman a “neo-liberal.”<sup>1</sup>

One of Friedman’s overriding concerns toward the end of the book is whether a flatter world will be a more peaceful world. In Chapter 12, he revisits the “McDonald’s” theory of conflict from his 1999 book, *The Lexus and the Olive Tree*, in which he posited that the probability of military conflict between two countries is lower if both countries host McDonald’s restaurants. This theory is replaced here with the “Dell” theory of conflict, in which the probability of conflict is lower when two countries both participate in the same “supply chain.” Thus, if China provides components for Taiwanese computers, the leaders of the two countries will be reluctant to start a war with one another. This would be a hopeful feature of the new world, since global supply chains keep getting longer and the probability that any two given countries will be part of the same chain is generally increasing.

Friedman’s analysis of al-Qaeda is one of the better aspects of this book. He argues that Al Qaeda is able to recruit suicide bombers from those who share its “islamo-leninist” world view (pp. 394–397), a radical political ideology that thrives on memories of a constructed Islamic past rather than dreams of a promising future. People in the Islamic world who admire Osama bin Laden share his feeling of “humiliation” over the dominance of the West and the lack of economic progress in Islamic countries:

If we have superior faith, and if our faith is all encompassing of religion, politics, and economics, why are others living so much better?

This is the source of the real cognitive dissonance for many Arab-Muslim youth—the sort of dissonance, and loss of self-esteem, that sparks rage and leads some of them to

<sup>1</sup> John Gray, *The World Is Round*, *The New York Review*, August 11, 2005, p. 13.

join violent groups and lash out at the world. It is also a sort of dissonance that leans many other, average folks, to give radical groups like al-Qaeda passive support. (p. 397)

The problem with shutting al-Qaeda down entirely is that that would mean shutting down the very infrastructure that has made flattening possible—the global financial, communications, and transportation infrastructure that Walmart and al-Qaeda both depend upon. That is too large a price to pay, so instead Friedman recommends that people in Islamic countries be given hope for the future to replace their resentment about the past. The best way to do this, in his opinion, is to make it possible for innovation and entrepreneurship to thrive in a more democratic environment. His best argument for this is the lack of support for al-Qaeda in the second largest Islamic community in the world, India.

All in all, *The World Is Flat*, despite its flaws as a work of social science or history, offers a number of interesting ideas for further speculation and research. It goes beyond Friedman's earlier work on globalization by focusing on the technological and institutional underpinnings and by admitting that there are both winners and losers in the flattening process. It builds on Friedman's strengths as an analyst of politics in the Middle East and provides a new way of thinking about the war against terrorism. Finally, it offers some interesting ideas for policy reforms in both the industrialized and developing worlds. Not all of these ideas are new, but they are presented in a forceful and coherent manner.

Are we capable of taking advantage of this "quiet crisis" to rethink our strategies? Friedman correctly observes:

In China today, Bill Gates is Britney Spears. In America today, Britney Spears is Britney Spears—and that is our problem. (p. 265)

But he is also right when he says that America can prevail in the war against terrorism because it "was, and for now still is, the world's greatest dream machine" (p. 469).

Clyde Prestowitz takes a gloomier view, arguing "the real news is the serious flaw at the heart of the global economy, the uncertainty surrounding the dollar, the loss of U.S. financial sovereignty, the decline of U.S. technological leadership, and the rise of China, India, and the European Union" (p. x).

Like Friedman, Prestowitz is no social scientist. Founder and currently president of the Economic Strategy Institute in Washington, D.C., during the Reagan Administration he served as counselor to the Secretary of Commerce. His earlier book, *Trading Places*, came out of his experience as a negotiator of trade agreements with Japan. Along with his public policy experience, he has some background in economics and business (Scott Paper), but unlike most economists and businessmen, he thinks the government can do a lot to enhance the competitiveness of the U.S. economy.

The methods employed in the research for the book are similar to those used by Friedman—that is, nonrandom elite interviews and nonsystematic data collection. Prestowitz's informants are different. He prefers talking to engineers and factory managers around the world instead of the business leaders and politicians favored by Friedman, but like Friedman he uses anecdotes about his own family members and friends and throws in a few references to the ideas of the economists and policymakers he agrees with. He culls quantitative data from various sources to paint a gloomy picture of the future of the United States. The policy recommendations that he provides, because they are unlikely to be implemented, do not provide much relief. Friedman essentially says go with the flow, while Prestowitz rages against the storm.

One of the reasons for Prestowitz's stance is that he believes in his heart of hearts that theories of comparative advantage (sometimes called free trade theories) do not describe the reality of the times and are not a good guide to action. While admitting in Chapter 9, ominously entitled "The End of the Dollar," that the "theory of comparative advantage is mathematically unassailable and has been elaborated over the years to form the solid underpinning of international trade theory," he argues that the "theory rests on certain conditions" (p. 180)—such as perfectly competitive markets, the absence of static and dynamic economies of scale, and the absence of monopoly rents derived from intellectual property—that are currently quite atypical of advanced industrial economies. He is referring here to a branch of neoclassical economics called strategic trade theory. Although he correctly cites Paul Krugman as an innovator in this area, he neglects to tell the reader that Krugman and most other mainstream economists disowned strategic trade theory shortly after it was invented because of the arguments of other economists about the negative consequences of retaliation.

Prestowitz abhors the fiction maintained by many U.S. policymakers that protectionist and industrial policies practiced by foreign governments hurt them more than us and so do not need to be confronted in any way:

Why did they make a defense that rested on an unreal view of the world? . . . inertia, the strength of academic tradition, the old fear of protectionism, and the ingrained view that if the other guy subsidizes and protects, you are still better off with free trade. (p. 183)

Despite his skepticism about the theory of comparative advantage, Prestowitz believes in one of its important corollaries, factor price equalization: "the addition of 3 billion new capitalists to the global labor pool almost overnight in the context of instant worldwide communications and networked production with express delivery is likely to have an equalizing effect on many wages. There is no doubt that Asian wages will rise, but the interval could be long" (p. 186). Prestowitz parts company with both Friedman and the President's Council of Advisors on Science and Technology on this question. The latter argue that the "only way to win is to do things no one else can do" (p. 187). Prestowitz thinks bad times are ahead for the United States because many of those things increasingly can be done where labor costs are lower.

In Chapter 10, "The Comfortable Road to Ruin," Prestowitz focuses on the danger of depending on China to lend money to the U.S. Treasury to finance the U.S. balance of payments deficit. Like many others, he thinks that in the long run "Americans will have to adjust to a falling dollar and pressure for less consumption and more saving" (p. 189). Of course, he is not alone in calling attention to this. C. Fred Bergsten, George Soros, Robert Rubin, Bill Clinton, Paul Volcker, Nouriel Roubini, and a variety of other economists, business leaders, and policymakers have made the same argument. Thus, it is not particularly original. The same can be said for Prestowitz's recommendations that Social Security should be saved by delaying retirement benefits, that income taxes should become consumption taxes, that the United States should become more energy-independent, and that fuel efficiency standards should be extended to SUVs. We have seen similar lists frequently in the last few decades. It would be more helpful, in my view, if instead of such a list, we got an analysis of why such obvious remedies have not been adopted—who is for them and who is against them. But that would be more like what a social scientist would do.

I am tempted to end this review with a jeremiad about the types of books about public policy matters that get wide attention versus those that are truly meritorious.

But that is not how I want to end it. Instead, I want to say that it is important for the readers of this journal and other scholars to read the work of popularizers such as Friedman and Prestowitz, and indeed even to engage in the practice themselves. Occasionally, a book like Friedman's comes along—one that will inspire us and our students to question some received wisdom and do a little empirical research. There's no harm in that. Prestowitz has written another kind of book. He is earnest and certain that he has the answers (actually, so is Friedman). But Prestowitz's answers are old and ragged around the edges, whereas Friedman's are a little out of the ordinary and might actually be supported by the data that someone else carefully collects and analyzes.

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## REFERENCES

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**Carolyn J. Heinrich**

*The Four Pillars of High Performance: How Robust Organizations Achieve Extraordinary Results*, by Paul C. Light, New York: McGraw Hill, 2005, 270 pp., \$27.95 hardcover.

*High-Performance Government: Structure, Leadership, Incentives*, by Robert Klitgaard and Paul C. Light, Eds., Santa Monica, CA: RAND Corporation, 2005, 490 pp., \$40.00 hardcover.

## "HIGH PERFORMANCE MANAGEMENT LITE"

Two books written and co-edited by Paul Light (the latter with Robert Klitgaard) take on the timely and high-profile topic of how to achieve "high performance" in public and private organizations. The foundation of this work is based on Light's time spent at RAND, beginning in 2000, and his probing of RAND's research database, which contains close to 6,000 reports that address many aspects of both public and private management. In *The Four Pillars of High Performance*, Light describes the RAND studies as research on "real organizations and real problems" that, taken together, have the potential to tell us about "what matters most to organizational performance" (p. xii). Contributions to the co-edited volume, *High-Performance Government*, come from researchers at the RAND Corporation, most of whom are also on the faculty of the Pardee RAND Graduate School. Below, I first consider the contributions of each book and then conclude with a comment about their value for researchers and practitioners interested in understanding how to improve organizational performance.

*The Four Pillars*: James Q. Wilson provides a Foreword to *The Four Pillars of High Performance*, which seems appropriate given that in many ways, Light's work takes a similar approach to that of Wilson's classic *Bureaucracy*, in that it uses "real" organizations and their problems to bring to light key concepts and insights for readers related to the achievement of high performance. In Chapter 1, "Uncertainty

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