

Book Review
The World is Flat:
A Brief History of the Twenty-First Century

by Thomas Friedman

Review prepared by Kris Freeberg, Economist

Making End\$ Meet

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The World Is Flat is a lengthy, detailed, philosophical, pertinent, and worthwhile book. Reading it in a short enough span of time to still remember at the end what I had read in the beginning, to really wrap my brain around it and make practical use of what I had learned, required serious work. I prepare this review for my own edification, to help me sum it all up and figure out how I am going to use what I have learned. As long as I am going to the trouble to do so, I offer it also to you in hopes that you also might benefit. It is 566 pages long; this review is a few pages. In case you don't have the time or the attention span to read the book itself, I hope you find this review edifying and useful. Please use it in good health with my compliments.

From 2001 through 2006, concerned by Seattle riots in early 2001, I put my life on semi-hold by joining the Army National Guard. One of the riots occurred during a conference of the World Trade Organization. I had a feeling something big was going to happen, that the local riots were indications of things to come. On 9/11 it did – also an attack on world trade.

I had no definite opinions on the question of world trade; I was aware of both advantages and disadvantages, that it is, and has always been, a complex question. But I was certain that it isn't worth perpetrating riots, and had resolved to put my Marine Corps background to work helping prevent them.

Now it is 2007 and there have been no more nearby riots since, thank God. Having done my “bit”, I left the Guard and moved on with life.

I'm an Economist; I help people make ends meet. I started my practice in 1996, the same year Morningstar, the investment research firm, went online; launched my web site in 2000, launched an e-group in 2004, and this year developed a Portfolio Optimization Plan, using my mutual fund research to help clients optimize their return on investment. During my study of excellent mutual funds, I have been fascinated by the markets that produce them. Over the years they've varied: technology, real estate, banking, precious metals, foreign markets, and others. Questions I've wondered include:

- What technology? Hardware? Software? Computers? Peripherals? Cell phones? Other gadgets? Which companies? Why? What's next?
- What real estate? Homes? Businesses? Do real estate funds invest in the real estate

- itself (the “dirt”), in companies that buy it, the loans that finance it, or what?
- What banks? What kinds of banking activities? Mortgages? Credit cards? Business loans? Are they ethical? Are they sustainable?
 - What precious metals? Gold? Silver? Others? Do shares in a precious metal fund represent claims against actual metal, like American currency used to, or shares of ownership in the companies that mine them, or what?
 - Are foreign market mutual funds safe? What about information and political risk? Are we investing in our enemies? Can Latin American funds be trusted, since their governments are so corrupt? If things are so great in Latin America, why don't they stay home and enjoy their prosperity instead of illegally immigrating here in droves? If I invest in a China fund am I supporting China's infamous human rights abuses? Do I become an accomplice? If I invest in foreign funds am I being unpatriotic or treasonous?

Then Pulitzer Prize-winning journalist Thomas Friedman published his book The World Is Flat last year, doing us all a big favor by trotting the globe asking these kinds of questions and sharing the answers. He doesn't answer all my questions, but the answers he does share helped me get closer to answering mine, and taught me a lot of other things along the way, too.

It turns out that while I was preoccupied with becoming a dad (1994), worrying about what would become of my little boy when his mother left me (1995-96), establishing my business (1996-2000), fretting over Y2K (1999), going online (2000), fretting about the dot-com bubble (2000-2003), the war (2001 – present), and being a soldier (2001-2006), courting and marrying my wife (2003-2006), the world was undergoing a change comparable to the invention of the wheel or the printing press.

Like me, it caught a lot of us, including Mr. Friedman, by surprise while we were preoccupied with other things. But now, he has done us all the favor of lending some perspective to the situation, looking both back, and forward. The subtitle “A Brief History of the Twenty-First Century” is tongue-in-cheek because he wrote the book only five years into the century so it is necessarily speculative; but his speculations are well researched, well grounded, intelligent, and worth heeding.

The World Is Flat is a paradoxical book because the author is a journalist with The New York Times, a left-leaning publication. One usually associates leftist politics with labor unions and protectionist trade policies. Yet he comes down on the side of free trade, asserting that David Ricardo (18th century English Economist) was right, using his personal experiences, travels, and interviews to make his case.

This is a very popular book, a must-read among leaders in all sectors of the economy, so before sitting down to write this review, I read what others have written, lest I re-invent the wheel. Its reception has been very mixed. Some love it, others hate it. One book review site gave it an overall score of 53 out of 100, opinions were so divided. The negative reviews appear to have been written by angry liberals stung with a sense of

betrayal. How could a good liberal New York Times journalist go over to the “dark side”?

It also describes paradoxes of world trade: showing, for example, how the United States can benefit by outsourcing jobs to other countries (remember Ross Perot's “giant sucking sound”?), or how by neglecting their opportunities, their infrastructure, their education systems, their children, and their legacy as self-reliant innovators, as they fret about external threats and losing jobs to outsourcing, Americans become their own worst enemies. Chapters Four and Five, “The Great Sorting Out”, and “America and Free Trade”, address these paradoxes at length.

Of course the title, The World Is Flat is a play on the old Christopher Columbus story. First we thought the world was flat; then Columbus proved it was round; now we believe it's “flattened” again, by the following forces, to which Friedman devotes 150 of the book's 566 pages:

1. 11/9/89 – Fall of the Berlin Wall, and symbolically, of international barriers and of walls in general
2. 8/9/95 – The launch of the Netscape Internet browser: the moment when the Internet became accessible to ordinary people
3. Work Flow Software
4. Uploading
5. Outsourcing
6. Offshoring
7. Supply-Chaining
8. Insourcing (like when UPS does more than just deliver packages)
9. In-forming (Google & other search technologies)
10. “The Steroids”:
 1. Computing (increasing speed, storage, affordability)
 2. Instant Messaging, file sharing
 3. Telephone over the Internet
 4. Videoconferencing
 5. Graphics
 6. Wireless technology

About halfway through the book, I realized Friedman was compiling his own lexicon. Let me save you some time figuring it out by listing this glossary of “Friedmanisms”:

- **“Zippy”** - a play on “Hippy” and “Generation X.” Zippies are “Generation Z”: young, bright, ambitious, tech-savvy, hungry foreign workers – most immediately, Chinese and Indians – quick studies who will get up early, stay up late, and work cheaply to gain economic opportunities.
- **“Triple Convergence”** - Convergence I is of the ten flatteners, when they all work together. Convergence II is of flattener-users and their habits: when people get used

to tearing down walls, thinking and working horizontally, outsourcing, offshoring, and the rest. It's when enough people get used to working with flatteners that they form a critical mass. Convergence III is when the Zippies get involved.

- **“Reform Wholesale”** is when a few leaders institute macroeconomic top-down reforms in their countries to facilitate world trade. This is fairly easy because it involves few people and little coordination or consensus.
- **“Reform Retail”** is when the rest of the citizens “buy in” to the wholesale reform initiated by their leaders, actively supporting and participating in it. This is much more difficult because it requires mass consensus and coordination, like herding cats.
- **“Commoditization”** is when what once seemed valuable becomes ordinary and cheap because of changing markets and technologies. A few examples might include tax return processing, routine bookkeeping, or photographic processing.
- **“Untouchables”** are occupations that can not be commoditized. This is a play on the bottom rung of the Hindu caste system; the idea being, in a global economy being an “untouchable” is good, at the top of the hierarchy. Categories of “untouchables” include collaborators, synthesizers, explainers, leveragers, adapters, green people, passionate personalizers, and localizers.
- **“Islam-Leninists”** are Muslim groups like al-Qaeda whose agenda is more political than religious, and who, like Lenin, exploit economic misery to advance it.
- **“Compassionate Flatism”** is his remedy for the threats of globalization consisting of leadership, muscle building, cushioning, social activism, and parenting. Leadership involves dispensing with the entitlement mentality; muscle building means equipping people to be lifetime employable; cushioning means unemployment insurance; social activism means creating corporations with consciences; and parenting means an attack on mollycoddling and promotion of real work.

The World Is Flat is both an encouragement and a warning to Americans. Friedman encourages us that outsourcing tedious, mechanical, repetitive tasks liberates us to cultivate our “right brain” abilities and develop new “right brain” occupations doing what we love, resulting ultimately in win-win trade relationships with other countries who look to us for leadership and innovation. He encourages us that we are especially well-suited to take advantage of this opportunity with the following assets:

- A robust network of research universities
- The best-regulated and most efficient capital markets in the world
- The openness of our society
- The quality of our intellectual property protection
- The most flexible labor laws in the world
- The world's largest domestic consumer market
- Political stability

All of these create trust, which is essential for a free-flowing economy.

He is often invited to speak to educators who ask him what kids should be taught to thrive in a global economy. His answer is that curiosity and passion matter more than raw intelligence. It isn't about choosing the right course, because in many cases the courses and textbooks to help people thrive in the global economy simply don't exist. They haven't been written yet. What matters is knowing how to learn; and what make people teachable are passion and curiosity. The way he expresses it, "CQ + PQ > IQ."

His warnings are as follows:

1. We're running out of mathematicians, scientists, and engineers. We need to encourage our kids to study those "hard" subjects, not just the "fun" subjects like the humanities (but, ironically, from a right-brain point of view).
2. Even in the humanities, we're not doing so well. People can't even read or write, they're too busy watching TV and playing video games. (Bad grammar has become popular and habitual among both students and teachers.)
3. We're fat and lazy, both figuratively and literally.
4. Our education system is a chaotic patchwork, governed at the school board level. Our competitors have coherent, coordinated educational systems governed at the state or national level.
5. We don't fund education in the hard sciences like we should.
6. We've neglected our infrastructure, both physical and virtual. Asia has better broadband and cell phone connections than we do.

He sums up the warning by quoting Jerry Yang, co-founder of Yahoo: *"In China today, Bill Gates is [a pop idol like] Britney Spears. In America today, Britney Spears is Britney Spears – and that is our problem."*

I especially appreciated the attention he devoted to the "intangible things" that distinguish a thriving nation from a stumbling one. They are unifying forces that make the "cat-herding" obstacles of "reform retail" surmountable. (In the Marine Corps we called it "Esprit de Corps.") He elaborates at length on this by comparing and contrasting recent experiences of China and Mexico.

His recommendations for coping with the flat world include the following:

1. When the world goes flat, go inward. Dig inside yourself, don't try to build walls. You'll find assets you didn't realize you had – both individually and corporately.
2. The small can act big using new collaboration tools to reach farther, faster, wider, and deeper.
3. The big can act small by enabling their customers to act big, using flat organizational structures and modern tools to deliver highly personal and empowering levels of customer service.

4. The best companies are the best collaborators.
5. The best companies stay healthy by regularly critiquing themselves, diagraming their findings, and turning those findings into new, sellable assets, products, and services. (He calls such critiques “chest X-rays.” I have learned to call them SWOT analyses: Strengths, Weaknesses, Opportunities, Threats.)
6. The best companies outsource to win, not to shrink. They don't just cut costs; they increase productivity, gain market share, develop new alliances, acquire better technologies and processes, etc.
7. Outsourcing is not treacherous; it is philanthropic.

Getting back to the WTO riots that motivated me to join the National Guard, he points out that “middle class” is not a state of income, it is a hopeful state of mind. Free trade offers hope to people in third-world and developing countries of relief from the economic suffering that makes them susceptible to the metaphysical, escapist appeal of ideologies like Islamo-Leninism.

He contends that the anti-globalization groups who demonstrated in Seattle in early 2001 (the so-called “rent-a-mob”) lost touch with the true aspirations of the world's poor because they were driven by five disparate forces, none of which had direct relationship with, or bearing on, the poor themselves: (1) Upper-class liberal guilt, most obviously expressed by “pampered American college kids”; (2) a “rear-guard push by the Old Left” still clinging to bankrupt socialist ideology, which he calls “The Coalition to Keep Poor People Poor”; (3) an amorphous group of people who gave passive support to anti-globalization because, on principle, they disliked change; (4) Islamic anti-Americanism; and (5) a coalition of well-meaning, constructive groups concerned with not whether to globalize, but how, who became overwhelmed by the chaotic agendas of the other four groups. His conclusion: “What the world doesn't need now is for the anti-globalization movement to go away. We just need it to grow up . . . “ by doing things that actually help the poor. He cites H-P's photography business for women as one example of such an initiative.

Similarly, it's worth noting how he points out that all of the 911 hijackers were well-educated children of privilege who didn't even live in Arabic countries. Like the rent-a-mob in Seattle, they had no direct relationships with the people whose cause they claimed to champion.

We learn at the end of the book that Friedman is a Jew, who practices his religion enough to consult with a Rabbi once in a while, whom he quotes in the second-to-the-last chapter. This gives me pause, for he writes about the Muslim world at length. I figure it must be difficult, if not impossible, for either a Jew or a Muslim to write of Jewish-Muslim relations with total objectivity and dispassion. But Friedman does a great job, he does not wear his Jewishness on his sleeve, he is not strident or dogmatic, and he has plenty of favorable things to say about the Muslim world. For example he points out that, although many Muslim countries suffer humiliation for being so backward compared to the rest of

the world, “algorithms” - the programs that drive the computers that have flattened the world – is an Arabic word, an Arabic contribution to the world. As a seasoned journalist, he has traveled widely and befriended many people, including a considerable number of Muslims. So on balance, I trust his discernment.

Much more could be written, but if you want more details, just read the book. I'll close this review by remarking how encouraged I was by examples of corporate philanthropy from the Bill & Melinda Gates Foundation and Hewlett-Packard. He quotes Rick Klausner, former head of the National Cancer Institute: “The most important health-care system in the world is a mother.” One focus of the Gates Foundation is on promoting health by investing to eliminate malaria, the greatest killer of mothers on the planet.

Hewlett-Packard came up with a really cool small business idea for women in developing countries: a mobile digital photo lab powered by solar energy. The businesses took off, women gained economic self-sufficiency, and HP split the profits with them so they did it with dignity.

Reading this book helped bring me up to speed in the matter of a few weeks on global trends and forces that had escaped my notice over the past fifteen years because, like so many of us, I too was in such a state of distraction. It helped me understand perplexing and distressing conflicts like the WTO riots and the war on terror, and see through them to hope and direction, like light at the end of a tunnel. And it helped me understand that annoying irritants in my personal life are symptoms of larger phenomena; they aren't particular to me and my family; it isn't just me or us, we are pieces of a larger puzzle, examples of larger phenomena. Understanding this helps me be more circumspect, patient, and cognizant of my strengths, weakness, threats, and opportunities. I feel it has helped improve my intelligence and effectiveness as a professional, an investor, a citizen . . . and as an aspiring philosopher. There's a lot of practical wisdom in this book. I'm glad I read it, and I recommend it.

Respectfully submitted,

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