

FOREWORD

by George P. Shultz

Walter Wriston was a man of high intellect, and that made him comfortable in the world of ideas. He loved ideas—he enjoyed playing around with them, getting to know them, understanding their meaning. Walt also had immense energy and drive and a special kind of insight into the ways organizations operate. All of this made him comfortable in the world of work. That was something special because he could move from one world to the other. In the process, he could put the best of both together and find new insights into what the future holds. All of these unique characteristics are on display in this book, so here we have vintage Wriston, complete with a special lacing of wisdom and dry wit.

This is a book about the future as Walt saw it. He was confident but he also had his worries. He was as concerned about corporate excess as anyone, but was deeply dubious about the immense outpouring of rules designed to deal with it. Walt was a believer in those old-fashioned words “trust” and “character” and said, “A world without trust would be savage.”

So this book begins with the idea that fundamentally you

count on a society of trustworthy people, but of course you don't leave it at that. Wriston quotes the late U.S. Supreme Court Justice Louis Brandeis, who said, "Sunshine is the best disinfectant." He also expects "honest law enforcement officers and effective auditors." Speaking of auditors, he uses that good old baseball phrase: "You can't hit what you can't see." Walt reminds me a little of Ronald Reagan quoting his favorite Midwest humorist, Mr. Dooley: "T-t-t-trust everybody, but c-c-c-cut the cards," or, in a phrase Reagan made famous with Mr. Gorbachev, "Trust but verify." Always on display is Walt's deep reverence for trust along with transparency—Brandeis's sunshine.

Walt's preoccupation, going back to his wonderful book *The Twilight of Sovereignty*, was with the information revolution and the meaning of that revolution. As he puts it, "Today the industrialists have been replaced by the masters of intellectual capital." That being the case, as Walt states in his own preface, "The new means of creating wealth produces, among other things, a new kind of economy. And, in turn, that new kind of economy requires new rules and new metrics because the old rules and metrics were crafted for another age."

The new age of intellectual capital and broadly available information requires a special kind of agility in differentiating the people and the organizations that have it from those who don't. Walt applies the phrase "the quick and the dead" to emphasize his point.

He was deeply disturbed about the inadequacy of our ways of measuring what is taking place. We measure the rate of savings as falling to zero at the same time as the net worth of Americans has never been so high and money is pouring into

mutual funds. Walt worried about the expansion of what we call *services*, an expansion probably due to our not having a category in which to place important new developments, many of them associated with intellectual capital. I can remember many conversations with Walt about this problem and we agreed on the importance of trying to change the way we describe our economy.

Consider this line of thinking: Our national accounts were created back in the 1920s and 1930s by some brilliant people at the National Bureau of Economic Research (NBER) who established categories to describe the economy of that era. Since then, our economy has changed dramatically. Many industries that flourished in those earlier days no longer exist, and much of today's life is dominated by goods and services that were not even dreamt of back then.

We have kept the categories created by the NBER and what is the result? When new things come along, we try to fit them into those categories. But round pegs have an increasingly difficult time fitting into square holes, and these days there are many oddly configured pegs for which no hole will do. In frustration, we call these new developments services, so we find ourselves in a progressively service-oriented economy. The artificiality of our measurements means that our analytic capabilities are increasingly limited. We look at the numbers and try to estimate the total size of our economy or get a sense of its dynamism and productivity. But because our gauges are faulty, our analyses and judgments fall short.

Walt and I wondered what would happen if individuals possessing the brilliance of those who created our national accounts eighty years ago were put to the task today, working

from a clean sheet of paper. Would they create the accounts that we have today? Certainly not. They would be describing *today's* economy, and with these new kinds of numbers in hand, we would understand our economy much better.

Why not go back to the NBER and ask them to take on this task, including in their group high-powered statisticians drawn from those who do the current numbers and are familiar with all the problems of measurement? Two parallel measures, the old and the new, might be published for a period of time, and adaptations to the current system would likely develop. Our understanding of the dynamics of our economy would improve. Let's call this the "Wriston economy"—an economy in which Walt's brilliance and insight inform what is going on today and what is likely to happen in the future.

In this book, Walt Wriston gives us ideas to use, insights into what the future holds, and suggestions as to what can be done to best achieve a bright and promising future. Then, just as Walt always did, we can enjoy that future even as it is unfolding.

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A native of New York, Mr. Shultz graduated from Princeton University in 1942. After serving in the Marine Corps (1942–45), he earned a Ph.D. at MIT. Mr. Shultz taught at MIT and The University of Chicago Graduate School of Business, of which he became dean in 1962. He was appointed secretary of labor in 1969, director of the Office of Management and Budget in 1970, and secretary of the treasury in 1972. From 1974 to 1982, he was president of Bechtel Group, Inc. Mr. Shultz served in the Reagan administration as chairman of the President's Economic Policy Advisory Board (1981–82) and secretary of state (1982–89). He is chairman of the J.P. Morgan Chase International Council. Since 1989, he has been a Distinguished Fellow at the Hoover Institution, Stanford University.