

PREFACE

A Momentous Revolution

When my book *The Twilight of Sovereignty* was published in 1992 by Simon & Schuster, it attempted to explain—to our business and political leaders especially—how technology was transforming our world. Many of these leaders heard the book’s message, but only in a kind of detached sense, as they did not relate it to their own personal or corporate situation.

As the years went by, however, and the trends revealed in *The Twilight of Sovereignty* grew more and more visible, it became clear that we are, in fact, living through a true and momentous revolution, one that is affecting all aspects of our lives.

The Internet has changed everything. No one knows for certain how many people are connected to it; in fact, any estimate is out of date the day it is announced. This evolving situation makes, and will continue to make, a huge difference to the very nature of the nation-state. It is altering the way institutions, both public and private, are managed and the way individuals react to each other, their workplaces, and their governments. And the race to win economically is between

those who “get it” and those who don’t; in other words, it is between “the quick and the dead.”

To “get it” means more than just having a personal computer on your desk or going to conferences with PowerPoint presentations. It is a mind-set. It is knowing that, for the first time in history, our economy is truly global—even though some areas are currently left out—and that the products we are making or the services we are rendering can suddenly show up in this new marketplace supplied by a firm we’ve never heard of, from a place we have difficulty finding on the map. The competitors we’ve known in the past may be around the corner, but the new ones can be anywhere on the globe. This is a dynamic situation beyond anything we have known, and it will only get more dynamic as time goes on.

Examples abound of once very successful companies that failed to change their ways in the light of new circumstances or failed to change them quickly enough to save themselves. For example, steel was, by any measure, the basic industry of the industrial age, but the huge steel companies were slow to appreciate the threat of the mini-mills, whose new technology allowed them to produce steel at a cost per ton that was about 20 percent lower than that of the big integrated mills. Although the big steel companies invested billions of dollars in new technology, not one of them introduced mini-mill technology into its own product mix until it was too late.

This story of too little, too late—or, more accurately, of the quick and the dead—has been repeated over and over, in industry after industry. Indeed, of all the companies in the original Dow Jones Industrial Average first published in 1896, only one, General Electric, still enjoys that position. In some

cases, not only did the company disappear, but also the industry it served faded away.

Although all of the factors described in *The Twilight of Sovereignty* are now operating at flank speed, the main driver of the revolutionary social changes we are experiencing today is the transforming way in which wealth is created. Just as the landed gentry gave way to the industrialists as the Industrial Revolution gained momentum, so today the industrialists have been replaced by the masters of intellectual capital (see chapter 2).

Whenever changes of this magnitude take place, every facet of society is affected because 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.

This does not mean that basics such as “two plus two is four” have now gone by the boards, but it does mean that in the new economy, in which intellectual capital is more important than physical capital, some of the old rules have diminished in significance and some new ones have gained strength.

The purpose of this book, a follow-up to *The Twilight of Sovereignty*, is to lay out some of the consequences of the changes produced by the new economy, to define the new rules, and to explore some of the promising initiatives under way to create a system of measuring and valuating assets that reflects not yesterday’s reality but the quick and the dead economic reality of today.

Walter B. Wriston