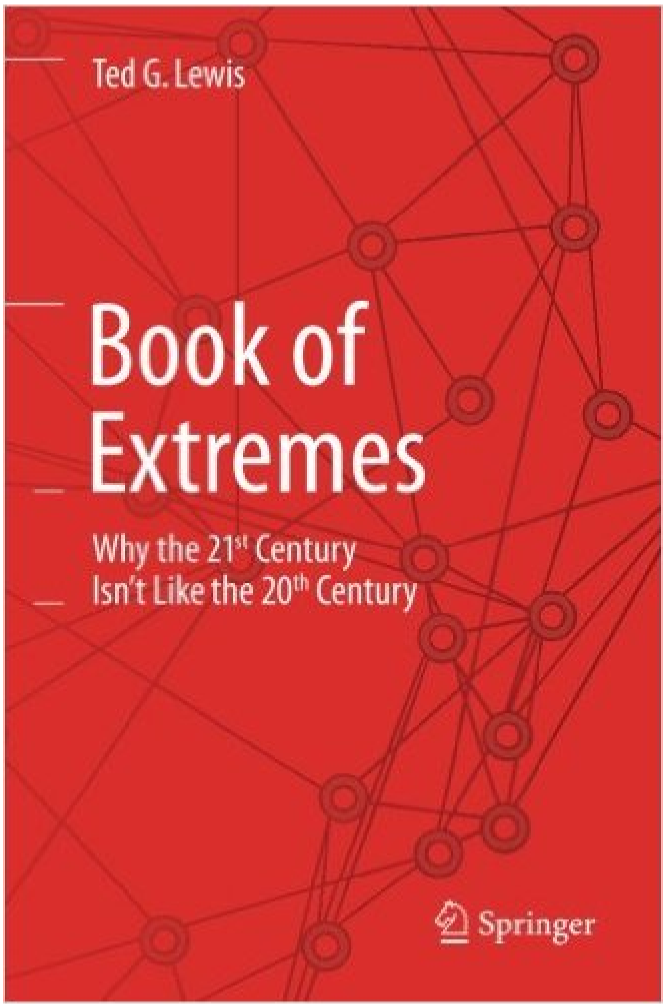
Book Of Extremes: Why The 21st Century Isn't Like The 20th Century



Synopsis

What makes the 21st century different from the 20th century? This century is the century of extremes -- political, economic, social, and global black-swan events happening with increasing frequency and severity. Book of Extremes is a tour of the current reality as seen through the lens of complexity theory â “ the only theory capable of explaining why the Arab Spring happened and why it will happen again; why social networks in the virtual world behave like flashmobs in the physical world; why financial bubbles blow up in our faces and will grow and burst again; why the rich get richer and will continue to get richer regardless of governmental policies; why the future of economic wealth and national power lies in comparative advantage and global trade; why natural disasters will continue to get bigger and happen more frequently; and why the Internet â “ invented by the US -- is headed for a global monopoly controlled by a non-US corporation. It is also about the extreme innovations and heroic innovators yet to be discovered and recognized over the next 100 years.Complexity theory combines the predictable with the unpredictable. It assumes a nonlinear world of long-tailed distributions instead of the classical linear world of normal distributions. In the complex 21st century, almost nothing is linear or normal. Instead, the world is highly connected, conditional, nonlinear, fractal, and punctuated. Life in the 21st century is a long-tailed random walk â “ Levy walks -- through extreme events of unprecedented impact. It is an exciting time to be alive.

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Customer Reviews

I found this book intriguing. He demonstrates and discusses many different curves -- of growth, market share over time, etc.This book is not a technical math book, but a book of concepts and cases.We definitely need to think more broadly about such issues than most "statistical significance" type "scholars."I am less convinced that the forces of human nature and technology means the math of the 21st century, including normal and long-tail distributions, will be radically different from the 20th. Nevertheless, the ideas in the book, from Gause to flashmobs, are provocative and worth thinking about, worth integrating into broader worldviews.So i suggest you buy the book, but be extremely careful about believing all of it.Where the book loses me is when the author ventures into areas where he lacks expertise, in this case economics and business.A significant chunk of the book tries to apply his math to the globally interconnected corporate networks. I have studied and lived big business for 51 years, since I was 12. I don’t care whether you love or hate big companies, i want to know the facts and deal with reality. My friends and I founded the Hoover’s business information company to insure and encourage broad access to such facts.On page 137: "study done by researchers at ETH Zurich"....."the previously hidden network structure of transnational corporations was found to be dominated by a handful of large, connected, wealthy financial institutions."He goes on to say they studied 43,000 transnationals but were surprised to discover that "a mere 737 top holders had accumulated 80% of the control over the value of all transnational corporations on the planet!"Most of these outfits at the top are "banks."I presume this study was of corporate director linkages, but it may have been of major stockholders. Most of my reactions are the same in either case.This deeply flawed analysis is then used as the basis of more support for his theories on the following pages.Why Deeply flawed?I believe anyone who understands markets at the most fundamental level -- and anyone who has ever attended a Board of Directors meeting of a publicly held or major company -- would laugh at the thesis. On so many levels.The book lists 29 examples of these superpowers. Included are Merrill Lynch, Bank of America, and Lehman Brothers, which either went broke or nearly so in the recession. If these firms are all powerful, how could they go broke? If one of their executives was on your Board, would you take them seriously? The Bush-Obama bailouts just made them more of a joke to legitimate business people. (I am no fan of cronyism and political games with big companies and labor unions.)Their bankers include commercial banks, investment banks, and mutual funds, all very different animals, with different services and compensation. And different levels of potential impact. T. Rowe Price, the very successful mutual fund operator, is in their list. Few mutual funds would ever try to control a company -- if they don’t like what you are doing, it is far more ethical, legal, easy, and profitable to sell your stock. All T. Rowe Price cares about is making the most money for their largely middle class investors. Corporate control is irrelevant. And i believe mutual and other pooled investment funds own more of the corporate world than they did in the past, a growing trend.(If the researchers were looking at large stockholders, some of the data issues are even more complex -- stock held in street name, etc.)There is no question that "the street" affects Board decisions. But thats a true market at work: a bunch of independent analysts coming to agreement that your company should change paths (break up, sell out, merge, etc.). Such analysts are HIGHLY COMPETITIVE, and do not prosper if they say what everyone else says. But if they all come to the same negative conclusion, your stock WILL drop if you don’t listen to them. But we see companies from to Coca-Cola to even Philip Morris responding, in effect, "we appreciate your interest but think you are wrong. We will do what we believe is in the best long term interests of the company, so go ahead and shoot down the stock. The smart patient investors will just buy more on the drop." Of course others kow-tow, sometimes with dire consequences.Do you really think Jobs, Gates, Ellison, and Dell were/are marionettes for the bankers?(I remember a wise old VC telling me the startup entrepreneur, "When you disagree with the Board, you can either do what they want or what you want. If you do what you want, you might get fired. If you do what they want, you will much more likely be fired when they are proven wrong, but they say you made the final decision so its all your fault.")Academic Corporate researchers, especially those with limited real world experience, since the 1930s have become obsessed with "interlocking directorates" -- who is on the most boards. The studies almost always find the bankers "in control" because they are on lots of boards and appear as "false nexuses" in these studies.But any business leader knows bankers of all types play a limited role in success, and often are not qualified to help much on the strategic, product, and pricing decisions that corporate leaders and Boards make.I have never seen a study of interlocking directorates from which i truly learned anything.If you wanted to see who controls the corporate world, you’d be closer to the money if you guessed Harvard Business School or McKinsey & Company. Jim Collins, Michael Porter, Maxwell, ...Peter Drucker or Hermann Simon or Charles Handy if your company is lucky!Although I believe it’s always ultimately the customers (and their other options) who control corporations’ fates.Anyone who is really engaged in debates about corporate governance in today’s real world is not looking at which bankers are on whose board or which mutual funds own the stock. The fiery debate today is over the inability of those banks and other stockholders to "control" their agents -- the management. Are corporate execs taking too high salaries? Are they in some sense stealing from the stockholders? This is the big issue today. Not bankers controlling companies.I do not deny the existence of networks -- the global automobile parts supply chain, the Japanese keiretsu and Korean Chaebol, the true control of businesses by banks sometimes found in Germany, Japan, and Singapore -- but these interlocking studies do not even try to understand these real networks, though other academics do.Many times outside observers seem to think corporate leaders are thinkalikes who all belong to the "same club." I have seen communities of small and local businesses where that actually might be the case. But most of the people who make it to the big Corporate board room these days are intense, driven, opinionated, sometimes argumentative difficult or angry, politically active from Tea Party to "progressives", type A people. Their meetings are anything but lovefests. And any board member who tries to improve her company's or bank's interests over those of the other shareholders will get bounced from the meeting and possibly kicked off the board, and certainly recused from any discussion involving her deals and interests. That's just reality. As reflected in thousands of publicly aired lawsuits and board battles (study HP).When I try to understand networks, i do look at board composition and change over time. A board member's current employer is the easiest data to get, so some people like these folks from Zurich stop there. They'd rather let the computer crunch 43,000 cases, mostly irrelevant, than say a more intelligent and nuanced dive into the 100 or 500 that really count. What is the profession or discipline of each board member -- marketing, finance, technology,... -- where did they grow up? Go to college -- where, or did they go at all? Have they worked together in prior companies? Studying LinkedIn profiles would be so much more productive.And if you know how to read your 10-K's and S-1's and SEC rules, you know almost nothing is "hidden" these days.Anyone who wants to think about globalization and business seriously should instead pick up the very nonpartisan and balanced Global Shift by Peter Dicken. He looks at facts, not hallucinogenic theories.I also recommend Angus Maddison on long term global economic trends.

This is a thoughtful, insightful, and somewhat depressing assessment of the state of the hyper-connected 21st Century and its potential for the appearance of that most unwanted denizen of anyone's metaphorical zoo, the black swan, although, the black swans of our current century will be anything but metaphorical; they will be real. Lewis does an excellent job of tying together the notions of SOC, i.e. self-organized criticality, long-tailed distributions, social network structure and function, tipping points, the Gini distribution, the world of the bow tie, and the like to show how different the 21st Century is from the 20th Century and how vulnerable the 21st Century is to extreme events. In the final chapter, he also leaves the reader with a description of the [potential] transitions that these extremes will bring to our existence and the fact that economic power will trump military power as a strategy for the successful polity. This is a worthwhile and in fact necessary read for those who are concerned with the direction of the near future of our species. I have only one criticism, the price, far too high but most characteristic of Springer publications.

Regardless of the price, the intrinsic worth of this book speaks for itself, so, buy the book anyway. Hmm, am I playing into Springer's hand here?

It is helpful to see several real world behaviors not misfitted badly by assuming a normal distribution from the math discipline.