

Lessons from Alan Greenspan, Thomas Friedman and Peter Keen

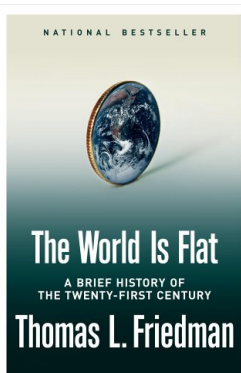
Within the past month, we have been fortunate to hear several of the world's best thinkers present their ideas. Madison's late-October Advisory Board meeting and Schwab Institutional's 2006 industry conference served as the forums. Both events were held in Washington, DC, and proved enlightening. Some of what we heard and learned follows.

One of those speaking at the Schwab conference was former Federal Reserve Chairman, Dr. Alan Greenspan. During his talk, he observed that the global economy is in extraordinarily good shape, and people's incomes are rising all around the world. However, he is worried about the concentration of income creating a widening gap between the haves and have-nots that could result in governments returning to protectionist policies. Greenspan asked, "Is protectionism going to grip the world again?" and offered that "the creative destructive nature of capitalism is tough, but the alternative is far worse."

Dr. Greenspan also addressed the topic of fixing Social Security and Medicare, commenting that "reasonable people" could solve the Social Security problem, and if politicians could put aside their partisan leanings it would take policymakers "about 15 minutes to come up with a solution for Social Security, after 10 minutes of introductions and pleasantries." Greenspan feels that Medicare is a different issue as there may be potential demand of medical services that our government cannot provide. According to Dr. Greenspan, although we know the number of recipients "we don't know what the average payment will be." He is concerned that the government will continue to promise benefits that it may not be able to deliver and that people are making personal decisions based on promises that can't be kept. "This is a serious fiscal issue that can't be helped by increasing taxes," he said.



While chairing the Fed, the media often scrutinized the size of his briefcase for clues as to what action the central bank might take on interest rates. When asked if there was any validity to those claims, Greenspan quipped "whether my briefcase was fat or thin depended on whether or not my wife made me lunch that day." Thus, one of the great mysteries of Alan Greenspan's tenure at the Federal Reserve was solved.



In another of the conference's keynote speeches, Thomas Friedman, author and journalist for the New York Times, discussed his views outlined in his book, "The World is Flat." Friedman took the audience through a timeline of the events resulting in today's globally competitive world. While advances in technology and communications were extremely important, he sees the fall of the Berlin Wall as precipitating the domino effect that eventually added three billion new participants to the global economy. In the past, globalization was led by countries and then companies. But today, in what he calls the Third Age of Globalization, it is individuals that are leading the way by creating global opportunities for themselves.

"Most of our political elite has not realized that the world is flat." Thomas Friedman

“I am hoping, though, that many of them have kids, who, when they have a moment to take a break from their iPods, Internet, or Google, will explain to their parents running the country just how the world is being flattened.” Thomas Friedman

For many folks, Friedman’s warning: “There’s no such thing as an American job; it’s just a job” sounds rather bleak, but he presented an optimistic view of the opportunity for citizens of the United States in the global economy. The way he sees it, “the iron rule of the Third Age of Globalization is whatever can



be done, will be done; the only question is whether it is going to be done by you or to you.” He suggests that changes will happen, and we can either “choose to be the one making the changes or the changes, positive or negative, will just happen to you.” With that statement, Friedman also sounded a warning to those who might consider protective policies to help people who are negatively impacted by globalization’s forces. He believes that protectionism, while in the short-run may appear to be a good choice, will only make one less competitive in the long-run. In other words, it’s better to face up to the challenges today than put them off for tomorrow.

When it comes to education systems around the world, “everyone thinks they are behind other countries; it’s not just us,” he said. Friedman believes that our education system, while far from perfect, does create the type of people we need to successfully compete on a global level. Friedman believes that America is alive with great innovators and this is what is needed to compete. While the Chinese might take our manufacturing jobs, we just create new jobs in new industries. He said that many other countries have cultural impediments that stop them from being great innovators, whereas Americans are constantly seeking new ways of doing everything better. He mentioned that his mother provided him with these words of wisdom: *“Never cede a century to a country (China) that censors Google.”*

At Madison’s recent Advisory Board meeting, Peter Keen (www.peterkeen.com) joined us as our guest speaker. A brilliant thinker and self-described “voyager” between many worlds, a translator and an integrator, Peter is a perfect example of Friedman’s view that globalization is now happening at the individual level. A European living in the United States, Peter holds a senior professorship position in Europe and works across the world bringing insights and experiences from and to each of the nations in which he works. An author of nearly 30 books, Peter was named one of the top 100 business “gurus” in the world (thought leaders with impact), in a 2003 survey. A consultant with a distinguished academic track record, Peter has held faculty positions at Harvard, MIT, Stanford, Duke and Wharton, among others. And in the last three years alone, Peter has traveled to and consulted with businesses and universities in 18 countries on 5 continents.



Peter’s topic addressed “finding hidden gems in the digitally-connected global economy.” The global economy is rapidly becoming a global hunt for local talent. It has created many “hidden gems”, those cities that are easily overlooked by investors and large businesses, who tend to focus on a country’s attractiveness. For example, Germany, while highly unattractive for its inflexible labor laws, stunted growth and frequent hostility to foreign mergers, has lots of local talent in places like Jena (home of the famous Zeiss optics plant in the former East Germany). Peter discussed many other locales that are under-recognized emerging centers of talent pools.

We are very grateful to Peter for speaking at our Advisory Board meeting. If you would like an Executive Summary of his comments sent to you, including his nine criteria for identifying a “hidden gem”, please let us know and we will be delighted to share it with you.