

Planet Enterprise

Role of Federal Government	U.S. Economic Vitality	Threats to U.S. Society	Demand for Maritime Services
Limited	Strong	Low	Low



Summary

Planet Enterprise is a world in which transnational corporate behemoths have vastly increased their power in a fast-paced, prosperous world. They have successfully pitted national governments against one another in order to force down the general level of regulation and government intervention, and to ensure permeability of borders and free trade. The threat of general war or serious terrorism is perceived to be at an all-time low, because of dramatically heightened U.S. military and surveillance superiority and commitment to the “world economic order.” Law enforcement, welfare transfer payments, and guaranteeing global free trade through a high-tech military are the priorities of a downsized, focused federal government; the government is now mainly a facilitator, rather than a regulator, of trade and commerce.

“Why Peter Drucker Was Wrong About the Twenty-First Century”

Fifteenth Annual Peter Drucker Memorial Lecture on Business and Society

Claremont College

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Harvard Graduate School of Business Administration*

Ladies and gentlemen:

I would like to start by expressing my profound appreciation for the honor you have bestowed upon me by selecting me to give this lecture. Of course, if you had waited a few more years, this talk might have been posthumous (laughter). That would have been inconvenient for myself, and perhaps even more tedious for you than it already will be (nervous laughter).

The honor, of course, is in having my name associated with the man who invented management as a discipline, and who even invented the meaning of the term “management” as we understand it today. That man, of course, was Peter Drucker. Peter Drucker was great because he was a true visionary: he foresaw how the economy and society would unfold in the second half of the twentieth century, and in his books and his teaching he truly helped to create the future he foresaw. And for that we must salute him.

But Peter Drucker was not perfect, and in one of his last books, *Post-Capitalist Society*, he utterly failed to predict four of the most significant elements of our present-day life. In this talk I will examine how — and why — the most forward-thinking man of the last century failed so utterly to understand some of the forces that in hindsight we can see were creating our present even as he wrote.

Drucker’s *Post-Capitalist Society*, while it introduced some striking and useful notions, nonetheless missed a number of the most conspicuous elements of our current society:

- First, he completely failed to understand that “organizations” as he knew them were being liquidated by powerful economic forces, so he naturally failed to predict the rise of the transnational “super-corporations” that have taken their place;
- Second, he did not foresee the huge changes in the role of government that have occurred, particularly its role change from regulator to promoter of commerce;
- Third, he did not count on the increasing dominance of the U.S. military, which has smoothed the way toward a stable and prosperous “transnational” world; and
- Finally, as a non-technologist, he naturally underestimated the earth-shattering effects of technology (particularly in communications, computing, and surveillance) that catalyzed and made possible all the other changes, such as the near-elimination of street crime.

Before I begin to analyze these four changes, let's take a look at what Drucker did predict for the future.

The “Society of Organizations”

Drucker's book began with the recognition that pre-millennial society was approaching a large-scale transformation of the nature of human life. This was the replacement of capitalist society by knowledge society. Knowledge (or, rather, knowledges) would call the tune in the 2000s; capital would be seen to be the servant of innovation and ideas, rather than their master. “Instead of capitalists and proletarians, the classes of the post-capitalist society are knowledge workers and service workers.”

So knowledge would replace capital as the motivating force of society. What difference would the “knowledge society” make to human beings?

- “Knowledge workers” would “practically all” be employed by “organizations,” which he defined very broadly. Organizations specialized in “welding together” disparate “knowledges” into “one single unified knowledge.” “To make this possible is the task of the organization, the reason for its existence, its function.”
- Management, “a generic function pertaining to all organizations,” was needed to coordinate this “knowledge-welding” process.
- The organization would undergo “fundamental changes” to “improv[e] the productivity of knowledge and service workers.” The 2000s “may even require *totally new organizations*,” eliminating most management layers and “re-engineering the team so that work can flow properly.”
- “[T]he organization of the post-capitalist society of organizations is a *destabilizer*. Because its function is to put knowledge to work — on tools, processes, and products; on work; on knowledge itself — it must be organized for constant change.”
- Employees' lives would change as well: many more, being outsourced, might in legal terms be “self-employed,” but they would in reality be tied to an organization. “. . . [T]heir ability to function depends fully as much on their access to an organization as if they were on a payroll.”
- Defining “employee” in this broader way brought Drucker to the conclusion that “the Society of Organizations” would also be an “employee society.” “These are only two different ways to describe the same phenomenon.”

Drucker's vision was correct in many particulars. Since the 1990s, organizations have undergone “fundamental changes” (so fundamental, in fact, that few of them still exist). Many employees have been outsourced. Capital has become the servant of knowledge. Destabilization and constant change have become an everyday reality.

But at the highest level, Drucker got it wrong. The “Society of Organizations” simply could not withstand the turbulence to which the “Knowledge Age” subjected it. “Organizations,” we now know, cannot be “organized for constant change”: it was a contradiction in terms. Constant change killed organizations, or forced them into subjugation to much larger, less vulnerable organizations. Constant change severed the bonds between “employees” and “organizations,” and forced employees to become “consultants.” “Organizations” still exist, but the main facts of life over the past twenty years have been

the wholesale destruction of “organizations,” and constant, churning change at all levels — except the top level, which has become more and more powerful.

Instead of a “Society of Organizations,” we have become something closer to a “Society of Individual Contractors and Mega-Corporations.” Government and the military, rather than acting merely as “other organizations” in the “Society of Organizations,” as one reading Drucker might have surmised, have played quite distinct and critical roles in the wholesale reconfiguration of the economy. And technology, another element relatively unstressed by Drucker, has catalyzed the entire process.

Unforeseen Development No. 1: The Rise of the Transnational Giants

Drucker’s “Society of Organizations” leads us to his first mistake: his failure to appreciate the forces that even in his time were destroying the traditional business organization and pushing it toward massive-scale global consolidation into the new generation of “transnational corporations.”

Drucker thought that all “organizations,” whether non-profit, for-profit, religious, governmental, or business, could be lumped together as institutions that required *management*. But he apparently did not see that business organizations (those responsible to shareholders) were being subjected to a continuous and traumatic transformation by outside forces — and that *management* alone was inadequate to save the vast majority of these companies.

The “Society of Organizations” was, in fact, dying just at the moment that Drucker was inventing the concept. Even in a time of unprecedented prosperity, thousands of businesses were being forced to downsize, sell out to larger competitors, or otherwise disappear. It was only later that we realized that the collapse of the Soviet Union and the travails of General Motors were examples of precisely the same process.

To oversimplify quite a bit, the post-war U.S. economy might be compared to a “distributed” version of communism, with rival “mini-USSRs” such as GM and IBM using centralized planning, five-year plans, ideologies, and autocratic authority structures. The “distributed centralized planning” model could not withstand the introduction of market-based allocation and administration systems any more than its “non-distributed” counterpart. Drucker’s “administrative management” was what ran the Soviet Union as well as GM; he failed to see that “management” was in fact fighting a rear-guard action against the market mechanism and was destined to lose.

The salient feature of our economy up to the 1990s had indeed been Drucker’s “Society of Organizations,” the competitive jostling of clearly distinct organizational units. By 2002 or so, however, the most significant characteristic of the economy had become its rearrangement into complex, large-scale, networked global super-organizations, in which not just money and capital but ideas, and even people, flowed in an increasingly frictionless fashion to their point of optimal employment.

These global giants, two or three of which now dominate every major world industry, resulted from the knocking down of barriers between smaller “Drucker-type” organizations and the consequent knitting

of these “organizations” into huge, global, networked “super-organizations” that looked more like gigantic clearinghouses or stock exchanges than the holding companies of old. As smaller corporations broke down and were drawn inexorably into these monstrous global entities, increasing numbers of individuals became “independent contractors.” By about 2010, the economy was composed mainly of huge mega-corporations at the top, an impressive army of independent contractors and individual employees at the bottom, and a severely diminished number of smaller corporations in the middle.

The rise of the transnational economy had a host of unforeseeable consequences. Somewhere between the turn of the millennium and 2010, the world political-economic system had passed a critical, if invisible, threshold. This was the point at which the effects of international economic liberalization, and the change of the structure of the economy toward domination by the transnationals, began to create outcomes that were politically uncontrollable by the traditional nation-state.

Many of these outcomes were good, including increased trade and economic expansion, a generally freer political climate around the world, a reduced chance of general war, and easier communications across borders. But some of them were arguably bad, including a reduced ability of governments to tax corporations, a greater influence of global corporations on national and international politics, and a markedly increased level of concentration in global business.

Competitive national government deregulation, lowering of trade barriers, and extremely lenient anti-trust policies worldwide combined to give transnational corporations more power and wealth than they had ever had before. In addition, in the absence of real campaign finance reform the new generation of global corporations began to exert a great deal of influence over political affairs in the United States. And because the U.S. was the trendsetter for the world, their influence elsewhere also increased.

The “Big Two” (or three) in any industry generally have a solid claim to being “American-based” corporations. In fact, however, they have globalized beyond national identification. In addition, they have strong ties to one of the handful of “super-globals” or “universals” that handle logistics, fulfillment and finance for almost all global enterprises. These “super-globals” have a variety of histories: some started as American industrial corporations, some as Japanese trading companies, and still others as banks. Their histories have become almost irrelevant, as they have come to resemble one another very closely: integrated international networks that handle distribution, sales, customs, and all aspects of placement of one’s product or service: anything, from anywhere, to anyone.

International standards are also arrived at by corporate consortia instead of governments. Accounting procedures, for example, have been standardized worldwide by financial accounting boards to ensure a common basis for evaluating corporate financial performance. The structure of the world economy drives such standards towards harmonization by economic necessity. Exceptions are severely punished by the market.

The world has developed into the thoroughly integrated trilateral economic system of today, comprised of the Americas, Europe and East Asia. While national governments, NAFTA, the European Union and ASEAN (Association of South East Asian Nations) still exist, in practice their policies are usually

aligned with the interests of global business, and these in turn coincide with the wishes of the United States.

The middle market has been mostly swallowed post-Drucker — the only traces of it being the old familiar brands that live on under the ownership of the giants and the “boutique” outfits that concentrate on the very richest consumers. Entrepreneurship flourishes at lower levels of the economy because the rewards to good ideas are still huge, but in the end the vast majority of these innovators now have to affiliate with, or sell out to, the two or three leviathans that dominate each world industry. The idea that, as in Drucker’s day, “selling out” might be dishonorable, seems quaint and naïve today, when the prospect of selling out is the entrepreneur’s pathway of choice to riches.

So how has the situation of the “employee” changed? Well, permanent “employment” is rare; it took a while for people to get used to this, but once this fact was accepted it has gotten better — for most. Over the past two decades, education has become an absolute necessity for success — those without it are doomed to a struggle, if not for survival, then for any measure of prosperity. But the major educational initiatives of the 2010s have involved the private sector: corporate sponsorships of students, vouchers for private schools, educational software and net-based education. College curricula have been driven toward standardized offerings by a handful of private educational/testing industry giants. Society is a meritocracy and educational credentials are the necessary entry fee. But in the end, “value added” is the basis of compensation.

What looked like the death of the traditional business organization actually ended up making global business even more powerful than Mr. Drucker could have imagined. But none of this would have been possible without complementary radical changes that swept across government (especially American government) over the past twenty years.

Unforeseen Development No. 2: Government as Facilitator

The special case of the American federal government deserves separate mention here because it highlights a flaw that seems to have pervaded Mr. Drucker’s (and most everyone else’s) thinking about the twenty-first century. That flaw was a habit of thinking in terms of abstract theoretical generality and neglecting petty particular “asymmetrical factors” that might set the abstract theory on its ear. Individual countries, armies, nations, controversies and personalities seem to disappear in Drucker’s thinking. The U.S. government has been one of the biggest of these “asymmetrical factors” over the past 20 years — as much in its absence as in its presence.

But its evolution has belied Drucker’s seeming classification of it as just another “organization.” In the 1990s, government, like business, was undergoing the same “death by outsourcing” and “reinvention” that business had undergone. But, unlike business, government did not have the option of re-amalgamation into some larger entity. This, I believe, is the main explanation for the shocking shrinkage of the U.S. government in particular over the past twenty years, and the concomitant increase in the economic autonomy of the transnational corporations relative to national (and state and local) governments.

Today's modern, downsized U.S. federal government has been refocused on just a handful of "core competencies:" national defense and the preservation of a stable and open world-wide trading regime; law enforcement, particularly the prevention of violent crime; and the administration of welfare and other transfer payments, though this last category mainly consists of oversight of outsourced programs. (I will deal with the national defense and law enforcement roles a bit later in my talk.)

The distinction between government and business has been blurred over the first two decades of the millennium. Government has outsourced many of its "non-core" functions to the private sector, and works with "the global corporate cabal" in many others. For example, when the Postal Service began to request public subsidies in the early 2000s, its days were numbered. Increasingly vicious competition, and frequent requests for increased postage rates, along with the superseding of "snail mail" by e-mail and voice- and video-mail, ultimately sealed its fate. It was divested in 2012, to be bought up by several transnational logistics and delivery giants. The institutions of government are now annually forced to prove their "core competencies" are the unique property of civil servants. Every proposal must answer the question: what is the business case for government (rather than private) action? Not surprisingly, over the past two decades not too many agencies have been able to withstand this withering scrutiny without suffering major changes (usually extensive downsizing and outsourcing).

The federal government also keeps an eagle eye on welfare programs, because of its concern to avoid societal unrest. But the day-to-day operational aspects of the programs are mainly outsourced. "Back-to-Work" programs are almost universally private enterprises, periodically graded by state governments on their success at employing "clients." The poor, who have neither grown nor diminished much as a percentage of the population, mostly despise these programs. They have benefited only marginally from the aggregate growth of the economy, but they have not slid backward or become militant as some critics in the late 1990s had suggested they might. Social Security and Medicare are still mainly government-run, because of their more pure status as "transfer payment management" programs, but even here private enterprise has been brought in to improve customer relations and optimize efficiency.

As government oversight has receded, the market generally has entered to provide, at a price, what people had requested of government in the past — portability of insurance benefits, health care, a secure retirement, etc. Devolution of government power to state and local authorities has had the effect of further diluting the ability of all levels of government to regulate rapidly globalizing corporate interests. After the first wave of state regulations replaced federal controls, those states that were unfavorable to business were severely punished by loss of facilities and tax revenue. Thereafter, state regulations of business began to look surprisingly similar — and surprisingly loose. A similar mechanism was driving down the level of regulation of business by nation-states. Throughout the decade, governments everywhere, including the U.S. federal government, had little choice but to ease their regulatory regimes.

Where government has shrunk, and business has grown more powerful, the relationship between the two has changed in fundamental ways. Twenty years ago government was seen, and saw itself, primarily as a regulator. With the coming of age of the current generation, however, that assumption was rendered moot. The vast majority of our current population sees the market, not the government, as the source of solutions and societal vitality. The job of government is now mainly to facilitate, rather

than to regulate, the economy. Regulation occurs, of course; but private market players now do a surprising share of it (by 1990s standards) themselves. With the number of global mega-corporations in each industry down to two or three, it is far easier for competitors to see the benefit of a well-regulated marketplace; and with the resources of government cut back so sharply, the only way that that could happen was for market participants to regulate themselves.

The media-communications revolution has also made these global corporations much more cognizant of the value of public image and the immense damage that can be done to everyone's business through the negligence or incompetence of a single bad actor. The communications-computing-sensing revolution also has reduced the need for the old government-style, human-intensive, intrusive verification regimes. Consequently industry self-regulation has proved to be at least as strict as the old intrusive government regimes. (Cynics have noted that stricter and more expensive regulation acts as a daunting barrier to any would-be new market entrants.)

All the corporate employee class, and a large percentage of the rest of Americans, have come to see limited government as a necessary precondition of prosperity. A generation has grown up that does not know the meaning of the phrase "good government" and that assumes the market is automatically superior and *laissez-faire* policies are necessary for prosperity. Wherever these policies have been adopted, they have had a similar result: economic growth has boomed, income inequality has increased, the influence of global corporations over government policy has markedly increased, and the presence of government in the economy has markedly decreased.

Unforeseen Development No. 3: The U.S. Military as Guarantor of World Order

But the American federal state has by no means "withered away," to use Karl Marx's phrase. In fact in its chosen roles it is even more important, and more visible, than ever. In one role in particular it has become more vital than ever, and the transnational corporations demand that it remain as "intrusive" as possible. And once again, this represents an asymmetrical development unprovided for in Drucker's theory.

Even though the U.S. military is by most measures (manpower, budget, etc.) a bit smaller than it was twenty years ago, it is the linchpin of the entire global economic order. The government has focused its military expenditures on the maintenance and extension of its huge technological lead over any potential enemy. This investment has allowed a drawdown in some raw measures of force, which has been more than compensated for by the perfection of satellite, sensing and smart-weapons capabilities.

The early days of "smart weapons" saw embarrassing failures: the overstatement of the accuracy of Patriot missiles, ineffectual attacks on terrorist bases, and the like. Many people in 1999 believed that the perfection of smart weapons was an illusory and wasteful goal. But as it turned out they were mistaken. Certainly the early days of the program were fraught with failure; but nowadays the comparison that leaps to mind is the early days of the space program, when American rockets were exploding on the launch pad and the Soviets had an "insurmountable" lead. A decade of technological advancement (and a deft investment in developing reliable human intelligence) brought the U.S. "battle

space awareness” from an implausible local-battlefield dream to an awesome, almost literally fantastic global capability.

The awe in which America and its power are held by most of the developing world has held in check much of the resentment that normally would result from such a position of inferiority. The resentment is there, and is even virulent in some quarters. But it rarely goes beyond verbal outbursts because terrorists and revolutionaries have learned that the United States has the ability to know what they are planning, where, and when, and to forestall or dramatically crush them in a daunting share of cases. American surveillance technology, unmatched in the world, has made this possible.

To be sure, the American military’s ability to penetrate every hostile plan aimed at American citizens or government interests is by no means absolute. Yet it is impressive enough to startle many people around the world who might otherwise be emboldened to unfriendly

Miami Herald
July 10, 2009
FIDEL ESTA MUERTO
End of an Era

action. The resulting rumors of American omniscience, widespread on the streets of Baghdad, Teheran and Beijing, have resulted in a deterrent in no way inferior to the old “balance of terror.” The U.S. government has hardly discouraged these rumors: in fact, some say the government may even have planted the rumors — an explanation that only adds to their force. In addition, many aspects of crime control, border patrol, coastal scanning, and other visual intelligence duties have been enhanced (and made cheaper) by technologies that had yet to be effectively tied together a decade ago. There is disorder, poverty, and war in the world, but the American government has dedicated itself to making sure that as little as possible of this will affect American citizens, businesses, or allies.

The tremendous advances in integrating sensing, positioning, computing, and communications technologies have not ended war or international disorder. Russia in particular has continued as a basket case, with rampant corruption, public health crises and the less moribund regions attempting to go their own ways; but they have neither the means nor the organization to harm the world order. The evident prudence of partnering with the United States, and the obvious stupidity of antagonizing America, has brought much of the world in line with American objectives. The Chinese, for instance, have never felt it in their interest to make a grab for Taiwan (a move that seemed imminent in the late ’90s), and their productive role in the transition of Korea from the Kim Jong Il regime was most appreciated by the United States.

China has become integrated into the Asian economic region and sees its interests as consonant with those of the world economy. Cognizant of America’s increasing power, China to date has been content to remain a regional military power without true global military-power ambitions, despite a few local frictions. Gradual political reform has continued; economic liberalization has opened China to the world of the global corporations, even producing a few of its own in sectors previously dominated by Asian tigers. India is progressing more slowly; it would be doing better but for its huge population growth and lagging pace of reform.

Cleveland Plain Dealer,
April 28, 2006
SADDAM TOPPLED AFTER SMART
ATTACK
New Regime Extends Olive Branch

Africa is doing better than in 1990s, since the end of its endemic wars, but is still held back by population growth, disease, and lack of infrastructure, especially in Central Africa. South Africa, after

getting through serious economic and social problems of its own, has become the engine of growth for sub-Saharan Africa. Its huge industrial corporations have provided it entree into the global business network. The Middle East, while still an occasional source of trouble, also has been drawn into the world economy by the “carrot” of prosperity. The “stick” of sanctions generally has been abandoned as a method for obtaining concessions; this is yet another measure of the strength of the business lobby. Saddam Hussein was toppled in 2006 when the increasingly effective smart weapons strikes finally had their intended effect. The sanctions against Iraq were lifted immediately, and those on Iran were lifted two years later after several years of improvement in U.S.-Teheran relations. Now the threat of losing business and Most Favored Nation status is seen as a superior form of “implicit sanctions,” and “constructive engagement” through commerce is the policy toward regimes that would have formerly been embargoed.

Weapons of mass destruction continue to be the number one external concern of the U.S. government. However, ever since the South Asian nuclear crisis of 2006, when as you will recall India and Pakistan came within 30 seconds of a mutual launch because of defective radar, the U.S. has unapologetically forced its weapons inspections regimes upon the entire world. It has devoted its ever-increasing sensing, intelligence, and remote destructive capabilities to halting this threat wherever and whenever it surfaces. The nuclear threat now is perceived to be low. The greater threat is perceived to come from isolated terrorist elements using chemical or biological agents. The U.S., in line with its stance at the South Asia non-proliferation congress, stated in 2012 that it would find and destroy without warning any unauthorized weapons-of-mass-destruction research or production capabilities. In order to participate in the global economy in any meaningful way, countries must cooperate fully with the intrusive U.S. weapons inspection efforts.

On a lower scale, attempts at mass disruption have actually been more harmful by some measures. Hackers have attempted to paralyze the Net and the New York Stock Exchange, and have attempted to sabotage the electric power grid. Better corporate security has decreased the physical threats, but cyber-sabotage remains a difficult nut to crack. Occasional attacks by cults or conspiracy theorists occur, but again, better sensing has made physical assault and sabotage difficult if not impossible to get away with.

The wider distribution of wealth, of course, has probably not hurt the chances for peace either. While in many countries the majority remain in poverty, a larger number of human beings are experiencing a middle class lifestyle in 2020 than have ever experienced it in all previous eras put together. This has helped somewhat to defuse many societal ills, such as mass migrations, civil conflict, famine and revolution. But American military, intelligence, and surveillance capabilities stand guard to ensure that these ills do not interfere with continued prosperity in the future.

Unforeseen Development No. 4: The Triumph of Technology

As a man who came of age in the 1930s, Mr. Drucker cannot be faulted too much for his failure to take full account of the technological revolutions that were sweeping society as the century ended. Yet it

must be said that this failure accounts for the largest part of the difference between his future vision of “post-capitalist society” and the reality of 2020.

On an individual level, the first main difference between the world of 2020 and the world of the 1990s is the final arrival of the much-heralded information and communications technology revolution.

Information technology has become ubiquitous (in every product and every place), instantaneous (with almost no limits of bandwidth), and invisible (miniaturized practically beyond visibility and incorporated into almost every conceivable type of object). Since barriers of space have almost been eliminated by technology, a large minority of the people spends at least some part of their workweek at home. Many others work out of temporary spaces alongside employees of totally unrelated organizations. (In some cases their social and emotional ties to these “non-colleague colleagues” are far closer than are those with their corporate colleagues.)

A much greater percentage of the traffic one sees on the roads, rails, waterways, air and sea-lanes is delivery traffic. Tourist traffic has also boomed. Business travel is the only segment that has stagnated. In its place is the far cheaper alternative of virtual reality teleconferencing. Even in the developing world network technology has made inroads as a cost-saver.

Yet technology has not had an unambiguously positive effect on society. Mr. Drucker did not foresee another of the most controversial societal changes of the twenty-first century — the widespread use of surveillance throughout American society.

Chicago Tribune
October 14, 2006
TOP COURT OK'S STREET
SURVEILLANCE CAMERAS
Police Departments Rush to Install

Surveillance ability by 2020 is no longer a monopoly of the U.S. military, nor is it used merely on “foreigners.” As this technology advanced, demands to use it to end violent crime soared. A series of famous court decisions upheld state and federal laws promoting the use of “full-city coverage” networks of hidden anti-crime security cameras in public places. Sophisticated private security systems also became commonplace throughout society. Violent crime plummeted, as citizens in both the inner city and affluent suburbs demanded immediate installation of these devices.

The tradeoff, of course, was an acceptance by the public of “Big Brother” — governmental or corporate — that was an eerie parallel to the rumors of American omniscience flying around Iraq and China. The outrage of libertarians and some conservatives was immediate. But the benefits are hard to deny in 2020. Many people carry personal security devices. Let me read to you from the latest Wal-Mart circular. It includes the following:

- a nearly invisible remote surveillance camera attachable to clothing, \$19.99;
- a tiny squirt gun that sprays any perpetrator with a marking substance trackable by satellite (at least according to the advertisement), \$29.99;
- and a remote GPS distress-signal device, registerable with police or private security, from \$14.99.

Private security concerns, in many cases, respond to these distress calls and cooperate with police in apprehension and prosecution. Court cases regularly turn on the evidence provided by these surveillance devices, and the quasi-prosecutorial role of private security and private police. So despite major cutbacks in most government security and police forces, technology has led to the reduction of violent crime to levels undreamed of in the 1990s.

The irony, of course, is that despite its smaller size and the entry of private security into its formerly exclusive jurisdiction, the “police state” has a much larger public profile. The vast majority of citizens have accepted this tradeoff. But a vocal minority continued to protest the intrusiveness of what it called “the corporate-governmental conspiracy.” Government now stands in the uncomfortable position of being on the one hand the ultimate defender of civil liberties and privacy rights, and on the other the violator of last recourse of these same rights.

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We have seen how the new century brought us massive consolidation and globalization in business; a retreat of government away from intervention in the economy; the ascendance of the American military to total dominance and guarantor of the world economic order; and the paradoxical effects of astounding technological advances on everyday life. I think it might be useful before I end my talk to examine in a little more detail the effects of all these changes on one particular industry.

A Case Study: The Maritime Industry

In the 1990s, the maritime industry was in the grip of fast-moving changes. The industry thought itself to have undergone wrenching consolidation: it could point to a number of mergers that had resulted in huge and powerful multinational players. It had benefited from some streamlining of regulatory efforts on the part of government. The threat of nuclear war had receded since the end of the Cold War. And some nifty new technological devices were changing navigation.

The changes that have swept across the maritime industry since then have made the 1990s seem a distant placid era of humdrum stability:

- The rate of mergers and churning of assets in the shipping industry is so great that it is not uncommon nowadays for ownership of container ships to change twice between ports while captain and crew remain blissfully unaware (and unconcerned).
- The Jones Act has been repealed, governments no longer closely enforce their sovereignty over merchant fleets or merchant ports, and self-regulation by fleets and ports is the order of the day.
- GPS and highly advanced military technology have been put at the service of maritime commerce, allowing U.S. and allied projection of force in defense of free trade and sea lanes; piracy and other dangers to shipping are at an all-time low.
- Technology actually has reduced the number of ships (while vastly increasing their size), reduced crew size, automated navigation, and brought mega-port intermodal connections to an astounding level of technological sophistication. It also has reduced the chance of accidents and spills to a tiny

fraction of their former levels, and made tracking of vessels (legitimate and illegitimate) and individual shipments a trivial issue.

The over-capacity problems so common in the maritime industry prior to 2000 were remedied by the painful consolidation of every horizontal piece of the maritime industry. Fleet ownership was finally separated from fleet management, as in the airline industry, and both were consolidated beyond recognition. Smaller fleets in general were squeezed out of the market. Marine services coalesced into a single massive industry dominated by three integrated providers who outsourced most of their services.

The consolidation of shipping into just a handful of players allowed those few to exercise some far-sightedness in regards to the future. With government in retreat and the need for new infrastructure greater than ever, a consortium of international maritime interests began to propose and build ultramodern, deep-draft, intermodal port facilities, funded through user fees in order to maximize their control and minimize government interference. The first of these mega-ports were built in Veracruz, Mexico and Kingston, Jamaica, where then-stringent U.S. government regulations could be avoided. Since then, these regulations have been loosened, and two new private mega-ports have opened, in New York, NY and Long Beach, CA.

The fishing industry also has been transformed by the consolidation of players. A handful of mega-fleets control the industry. This serves the interests of governments, which are under-resourced and hard-pressed, by giving them fewer subjects of regulation; it also has preserved fish stocks from being wiped out by a plethora of small boats and fleets. Fishing permits are strictly limited and end up in the hands of just a few huge fleets. Self-regulation and self-reporting both appear to be preserving fish stocks even though they were dangerously depleted prior to the advent of these mega-fleets.

The self-regulation and consolidation of the maritime industry have produced some other outcomes, with positive implications for society. After the old “Exxon Valdez” days of bad public relations due to oil and other spills, the move to larger and better-maintained ships has decreased spills to a fraction of their former incidence — and raised another barrier to non-giants.

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Conclusion

Peter Drucker, way back in the 1940s, had an eerie foreknowledge of what the world would look like in the 1960s and 1970s. He had a highly developed, almost perfect intuition about the dynamics of the twentieth century. However, that perfection came with a price. When a new set of dynamics began to operate, Drucker’s intuition failed him, and he was unable to foresee what was coming. It should be a comfort to all of us — it certainly is to me — that such a superior intellect was human after all. Thank you very much.

Scenario Characteristics Matrix

Scenario Mission Drivers	Planet Enterprise
Role of Federal Government	Limited
U.S. Economic Vitality	Strong
Threats to U.S. Society	Low
Demand for Maritime Services	Low
Global Economic Health and Stability	<p>Overall the global economy is “hot.” Even though not every country in the world is benefiting from this expansion, in general the economies of most countries are doing well. Transnational corporations are the driving forces behind the global economic expansion, with two or three corporations dominating each industry. Transnational corporations enjoy an unprecedented level of freedom from governmental regulation, and they have a strong influence on governmental decision making worldwide. Overall the world is stable, but there are still pockets of discontent and terrorism remains a problem. Transnational corporations work with national governments to enhance stability throughout the world and to facilitate the flow of commerce.</p>
U.S. Society and Economy	<p>“Radical free enterprise” and a general philosophy of limited government have firmly taken hold in the U.S. Economic growth is explosive and the population is generally more economically than politically engaged. The overall public consensus, due to the perceived success of laissez-faire policies in maintaining a strong economy, is “what is good for (global) business is good for the U.S.” The society is by in large a meritocracy with benefits accruing to those with the necessary education and skills.</p> <p>The federal government has gone through a long period of downsizing, outsourcing, and “reinvention,” with the result being a smaller establishment focused on a few critical areas. The critical areas are national security, welfare transfer payments to the remaining “underclass,” preservation of a global free-trade regime, and law enforcement. Many federal activities have been localized (state or local, as opposed to federal) or simply outsourced to the private sector.</p> <p>Transnational corporations (often the global offspring of US-flag entities) strongly influence all levels of government (federal, state, and local) for the promotion of particular business- and global trade-friendly government policies.</p>
NAFTA/Latin America	<p>NAFTA and other government-organized trading blocs of nation-states have become less important because the most important actors on global trade policy are now the transnational corporations. NAFTA (and the other trading blocs) were victims of their own success.</p>

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	Central and South American countries are in general doing well with international corporations taking advantage of the less expensive work force available in these nations. Countries with a lot of natural resources, such as Brazil, are doing very well.
Cuba/Caribbean Nations	<p>Raul Castro publicly abandoned socialism after the death of his brother in 2009, but in reality Cuba was moving towards a democracy several years before the death of Fidel Castro. Cuban exiles streamed back to Cuba and pumped hundreds of millions of dollars into the economy. Cuba's courting of the transnational corporations to develop tourist facilities on the island paid off and Cuba is enjoying a stable and growing economy.</p> <p>Most Caribbean nations are doing well as the result of a booming tourist trade and the push by transnational corporations to have safe “playgrounds” for their upper level management. Unfortunately, Haiti was too far gone to be of much interest as a tourist attraction and consequently is still mired in stifling poverty.</p>
European Union (EU)	The influence of the EU as a trading block is diminished somewhat with the rise of global free trade. The transnational corporations have absorbed many of the smaller EU companies. Transnational corporations have the greatest influence over policy, allying themselves with governments to ensure transnational-friendly EU policies. As a result, they were able to gradually push through a series of reforms to the EU labor/employment market. These reforms made it easier to hire and fire employees and made lifetime employment a thing of the past. Additionally, the traditionally large entitlement programs sponsored by the EU nations were scaled back, which enhances the economic competitiveness of the EU.
Japan	Japan has reformed its financial institutions and after an initial period of floundering has bounced back and become a positive economic force in the region. Japan has opened up its markets to a large extent under intense pressure from the transnational corporations (some of them originally Japanese) and global capital markets. The Japanese refer to this as the “Second Invasion of the Black Ships,” likening it to Commodore Perry’s forced opening of Japanese markets to westerners in the 1850s.
China	China is now a regional power, but it does not have global military ambitions. There are still occasional frictions with Southeast Asia and the U.S., but China consistently opts for diplomacy over military action at the end of all crises. China is instituting gradual political reforms and is continuing a policy of economic liberalization allowing for continued penetration of the Chinese markets by transnational corporations. The Chinese market has matured somewhat and has opened to western (and other foreign) goods and services. U.S. trade deficits with China remain, but are below the crisis levels of the 1990s.
India	Overall India is doing somewhat better than it was in the 1990s. It would be doing well except for its huge population growth (especially in the underclass). This keeps a ceiling on growth, but the middle class has expanded somewhat.

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Southeast Asia	<p>ASEAN is strong and strengthening after series of political and economic reforms allowed for a fairly quick recovery from the late-'90s slump. Transnational corporations are in the area having found these countries to have a favorable infrastructure for their facilities. Trade with U.S., China, and Japan also fuels the good economies of these nations.</p> <p>The Koreans are no longer a flash point for conflict, since the collapse of the Kim Jong Il regime. The peninsula remains divided politically, but a greater degree of openness and economic reforms have alleviated the military threat. China has imported its brand of capitalism to North Korea, allowing North Korea to maintain a military regime beholden to China, but one that is now a non-disruptive ally.</p>
Russia	<p>Russia is characterized by a state of chaos and lawlessness with massive corruption at all levels of its government. There is no investment from abroad since the great defaults of the late 1990s and early 2000s. The different regions of Russia are going their own ways. There is little that Moscow can do to enforce its will given its decayed military infrastructure and inability to collect taxes. Siberia has essentially seceded from Russia and is aligning itself with Asia. The EU (especially the Eastern European countries) and the Central Asian countries are following a military and economic containment policy against Russian economic contagion.</p>
Middle East	<p>The Middle East is an occasional bottleneck for economic growth stemming from oil supply disruptions; however, the western governments, especially the U.S., get involved (diplomatically and militarily) in order to avert economic disaster and disruption of the global economic order. Significant progress has been made on developing and implementing alternative energy sources, but this is primarily limited to the more developed countries. The majority of the world is still heavily dependent on petroleum.</p> <p>There are major undercurrents of radical Islam throughout the Middle East in response to the "money is everything" global ethos.</p>
Africa	<p>Africa is doing better than it was in the 1990s, but it is still held back by population growth, disease, and lack of infrastructure, especially in Central Africa. South Africa is the engine of growth for sub-Saharan Africa, as its already huge corporations offered transnationals the only available regional platform for reliable access to the natural resources.</p> <p>North African countries are increasingly more tied to Mediterranean community institutions with the passing of the older generation of leaders, but radical Islamic undercurrents still continue in these nations.</p>
Philosophy of U.S. Government in Society	<p>The least possible intervention in business is the general philosophy of the U.S. government. The federal government is significantly smaller, having privatized many of its functions or having transferred those functions to state or local governments. The federal government focuses on national security and law enforcement in order to maintain an environment conducive to business. The welfare "safety net" is preserved as a rational measure to reduce "friction" in employment markets, as well as social unrest that could endanger the continuation of economic stability and</p>

Scenario Mission Drivers	Planet Enterprise
	expansion. The Department of Justice is greatly expanded and is using surveillance technology equal to that of the Department of Defense. The federal court system is also very strong and is seen as providing a “level playing field” for business.
Global Economic Integration	<p>There is a very high degree of global integration, pushed by the U.S. in particular. This is a networked world driven by transnational corporations with a lower degree of national identification. There are a few countries not taking part in the global economic expansion (e.g., Russia) that experience a rise in xenophobia and nationalist feelings, but these countries do not seriously threaten the progress of globalization.</p> <p>Two or three transnational corporations now dominate most of the major industries worldwide. There are relatively fewer small-sized companies, with a relatively larger number of “independent consultants” and very small companies. The systems create a lot of rapidly shifting opportunities for those with ability to capitalize on them.</p>
Maritime Commerce	<p>Nation-states no longer choose to exercise effective sovereignty over the merchant fleets and the U.S. has repealed the Jones Act. The merchant fleets now sail under the flags of their respective corporations instead of nation-state flags. Likewise, transnational corporations have assumed responsibilities for the ports replacing local port authorities. With transnational corporations controlling the commercial maritime environment, there have been many high-tech innovations in all aspects of maritime industry (e.g., shipboard and sea-based devices to monitor the ocean state; automated route planning for ships; improved collision-avoidance and navigational systems; and other risk-reducing, productivity-enhancing technologies). There also have been advances in port facilities such as automated port and cargo management systems and advanced automated inter-modal connections. Most of these innovations have come from the private sector and are funded mainly by user fees. These fees are held down by competition between ports.</p> <p>Advances in land transportation have squeezed many smaller ports out of the global maritime system.</p> <p>Oil is imported into the U.S. through mega-ports and is distributed across the U.S. via a new network of pipelines built by the largest oil corporations in response to complaints of roadways ever more congested with tank trucks. The demand for oil in the United States has diminished due to the use of alternative fuels and energy saving technologies.</p> <p>There are fewer fishing fleets as the result of the transnational corporations controlling the fishing industries. Even so, fish stocks are greatly diminished.</p>
Nature of and Changes in Maritime Jurisdiction	Jurisdictional zones overall have not been changed; most nations still claim a twelve mile territorial sea and 200-mile EEZ. Thanks to enhanced sensing technologies, the U.S. has the ability to closely monitor its territorial sea and EEZ. However, due to the general philosophy that government’s role is to facilitate, not regulate, commerce, the overall level of enforcement is down.
Traditional Military Threats	Traditional military threats are few and far between. In fact, nation-state conflict is almost non-existent and is discouraged by governments everywhere that owe their positions to economic growth they attribute to transnational free trade. The U.S. DOD

Scenario Mission Drivers	Planet Enterprise
	<p>is a smaller yet very capable, (Revolution in Military Affairs) lethal force that effectively acts as guarantor of the international capitalist order.</p> <p>The UN is still involved in peacekeeping, which is a troublesome chore, but the vast majority of troops deployed in peacekeeping operations are from developing countries and not the U.S.</p>
Weapons of Mass Destruction (WMD)	<p>A near avoidance of a nuclear exchange between India and Pakistan in the first decade of the millennium resulted in serious international action to control atomic weapons. This incident was the impetus for the sharp curtailment of nuclear proliferation. Additionally, nations with nuclear weapons are strictly adhering to the non-proliferation treaties, with compliance being readily verified through the use of vastly improved sensors.</p> <p>While the nuclear threat is low, there is still a threat from isolated terrorist elements using biological/chemical agents.</p>
Weapons of Mass Disruption (WMD)	<p>Mass disruption (attacking the Net, attempted sabotage of power grid) is attempted occasionally by anti-corporate Luddite groups, but increasingly effective security systems (both corporate and governmental) make this a rare event. In the U.S., a strong DOJ using high-tech sensors, coupled with improved, instantaneous communications with local police, is extremely effective in controlling this form of terrorism.</p>
Terrorism	<p>There is a threat from ideologically or religiously disaffected groups that resist the ascendancy of world capitalism, “cultural imperialism,” and “amorality.” These groups are small and closely monitored. Still, the large number of “have-nots” worldwide forces everyone to keep an eye over their shoulder.</p>
Criminal Activity	<p>Many large criminal organizations have successfully transformed themselves into legitimate enterprises and have abandoned their criminal enterprises.</p> <p>Corporate crimes (e.g., information stealing, economic warfare) are a nagging concern. Corporations engage in extensive security programs and intelligence to protect themselves from the dirty tricks of competitors and to protect their employees from terrorism. The transnational corporations are also pushing for, and are succeeding in obtaining, unified, consistent legal codes for business worldwide.</p> <p>There is generally a more libertarian attitude toward drugs. A “rationalist” approach (minimize societal costs, economic dislocations of prohibition) is advocated by the economic elite. Street crime has been almost eliminated by advanced surveillance technology; violent crime has been driven behind closed doors, where surveillance cameras are banned.</p>

Scenario Mission Drivers	Planet Enterprise
Illegal Immigration into the US (from where, how (land/sea))	Pressure on U.S. borders is lower due to liberalized labor laws, freer trade and migration, and global economic growth. Improved port security and technology also make it unwise to attempt to land illegal immigrants.
Power & Influence of International Organizations	<p>In general the power and influence of international organizations is declining while that of the international corporations is increasing. Anything not economically focused loses some relevance, including the UN and NATO. NATO remains as counterbalance to Russia, but it is smaller and more focused. Peacekeeping missions are still undertaken under the banner of the UN, but the U.S. does not play a big part in them.</p> <p>Transnational corporations influence international political events (e.g., forcing the end of the blockade against Iraq). Economic sanctions by nation-states generally have been abandoned as ineffective and counterproductive. “Constructive engagement” is often used by corporations as an argument for freedom to do business everywhere.</p>
State of American Educational System	Superb education and training is available to those who have the means and are “wired.” The “top end” of education is privatized with vouchers (seen by critics as a transfer payment to private educational entrepreneurs). There are a large number of direct corporate sponsorships, with corporations identifying the best and the brightest from kindergarten through graduate school. “Edutainment” — the classroom as one big advertisement — is the current educational philosophy.
Global Information Infrastructure	<p>IT is ubiquitous, instantaneous and invisible (having been miniaturized and incorporated into almost all everyday “smart” products). Many people “commute” to work on the Internet. The Net is the backbone of world commerce and life in general — people can get anything, anywhere, anytime. The Web is vastly expanded from the 1990s and is easily available all over the world via satellite. Transnational corporations invest heavily and promote universal connectivity.</p> <p>There is a very fast rate of corporate-driven IT adoption with a high refresh rate of technologies. Sensor technology is omnipresent, cheap, effective, efficient, and unobtrusive. This “total visibility” or “transparency,” coupled with the instantaneous communications, underlie the world and its security.</p>
Environmentalism (state of environment, government policies, global warming, etc.)	<p>Transnational corporations react to the public’s concern for environmentalism by publicizing their own “green” efforts and by actually doing remediation where it makes economic sense. Even though the corporations are only responding to the fact that environmentally concerned buyers reward companies seen as “green,” the result is still a healthier environment. Some cynics see this as phony and only public relations, but spending for environmentalist aims by the transnational corporations has risen dramatically.</p> <p>Backstopping the public’s concern, a strong judicial system also acts as a deterrent to transnational corporations.</p>

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Availability of Natural Resources — Fish Stocks and Seabed Resources (not environment)	<p>Natural resources rise to their true “sustainable” price and transnational corporations are pursuing policies for long-term sustainable growth. With fewer players in every major industry, corporations are more able to pursue “enlightened self-interest” and avoid some of the resource-destructive competition of the past.</p> <p>Fishing rights in the United States are now sold (similar to Britain in the late 1990s) and large corporations bought almost all of them after strong lobbying efforts convinced the federal government that exploitation must be limited to a few responsible players who will manage the fish stocks at a sustainable level. The high-tech fishing boats employed by the large corporations, along with the purchasing of the majority of the fishing rights, has forced almost all of the small fishing fleets and individual owners out of the business.</p>
Workforce Demographics	<p>If you are educated and smart, you are in great demand. If not, your prospects are limited. There are large income disparities between the “Saved” and the “Drowned”; however, the number of people in the drowned class has not increased thanks to the general economic expansion. Society is a meritocracy where excellence is rewarded prodigiously and mediocrity is marked down to its true value.</p> <p>There is a large, self-employed cadre that works either for the transnational corporations or their subsidiaries.</p> <p>Companies try to enmesh their key employees through a creative structuring of compensation and perks (e.g., company mansions, luxury travel services) that blur the line between work and leisure.</p> <p>Education is the most important quality of a human being in this economy and corporations invest heavily in education, particularly continuing education. There is some controversy over the use of insurance and medical information (especially genetic profiles) by corporations, with a nascent (but still generally illegal) market for the genetic profiling of employees to weed out those likely to be bad investments for corporations</p> <p>While the population of the U.S. has aged with the baby boom generation, major advances in health care have significantly improved the health of the elderly. This, coupled with the high demand for educated, skilled workers has allowed the baby boomers to work, if they want, well past retirement age (67 in 2020) greatly reducing the drain on the social security system.</p>
Volunteerism	<p>Low. People with the ability to volunteer are more interested in reaping the benefits of a booming economy. Selflessness is a great sacrifice.</p>

Scenario Mission Drivers	Planet Enterprise
Energy Availability and Alternatives	<p>Energy is available, but the price reflects true societal costs (e.g., efforts to eliminate spills, reduction of air pollution and greenhouse gases, etc.). While the use of petroleum is declining among the more developed nations, petroleum is the primary energy source for most of the world.</p> <p>The demand for oil in the United States has diminished as the result of the widespread use of hybrid cars that get in excess of 100 mpg and the implementation of fusion reactors.</p>
US Fiscal Health and Priorities	<p>The U.S. government is fiscally sound with a balanced budget. The federal government is tightly managed and focuses on national security, law enforcement, welfare transfer payments and the preservation of the global free-trade regime. The widespread outsourcing of federal government functions is continuing. Every potential government program must pass two tests: does this require the government's intervention at all and could it be done more effectively in the private sector with the government acting only as an integrator/manager?</p>
State of Technology Investment	<p>Business is investing heavily in IT, alternative energy, education/training technology, biotechnology, and efficient transportation. The model of research and investment is the private consortium, and privately funded research is used to tackle big problems rather than government programs. There is some research done by nation-states, especially the U.S., in the area of defense applications.</p> <p>Universities are more research-based and corporate-dependent as government research funds dry up.</p>
Changes In Government Decision Making Processes	<p>In an intensification of 1990s trends, governments around the world are more beholden than ever to transnational corporations in an effort to ensure continued economic growth. It is a global version of "it's the economy, stupid."</p> <p>In the United States, state and local governments are more powerful relative to the federal government, but all have lost ground to the private sector (mainly due to the privatization of government functions). State rules and regulations have been standardized in order to facilitate commerce and attract business. Federal intervention is limited even in areas where interstate commerce is involved. The role of the government at all levels is more to smooth the wheels for business than to regulate it. Congress still irons out international agreements, but has avoided isolationist or protectionist moves. Some cynics say this is because transnational corporations paid for the congressional campaigns. Although businesses are not, as some claim, writing legislation and buying votes, their influence is markedly greater than twenty years ago. The majority of voters seem to be content with this situation as long as prosperity lasts.</p> <p>Transnational corporations are constrained by market forces, global media, and the court system.</p>

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Government Restructuring	The governmental structure is essentially the same, but many facets have been privatized, and the federal government is primarily focused on 4 major areas (defense, free trade, law enforcement, welfare). Local governments have taken over some functions of the federal government (e.g., some social welfare policy, more bloc grants, and environmental policy).
Global Standards; Regulatory Harmonization	<p>International standards are primarily arrived at by agreement among the applicable transnational corporations. There are standardized accounting procedures worldwide and the world economy is driven toward regulatory harmonization by economic necessity. Exceptions are severely punished by the market.</p> <p>Patents for standards (e.g. Windows 97, back in the old days) occasionally provide economic winners with windfall profits.</p>
Leisure Time and Activities	<p>There is little free time for upper class executives, and their leisure time is filled by corporate perks that blur the line between leisure and work. Transnational corporations own huge vacation areas in places like the Caribbean. Gambling is huge. The use of “homegrown” designer drugs among the poor is a problem, but corporate testing policies for drug use are widespread and deter the “haves” from this pastime.</p> <p>Virtual vacationing is popular (the high-end versions are timesaving for the rich, low-end TV-like versions are money-saving for the poor). The pleasure boating industry is focused on quick individual boating experiences (wave runner), but cabin cruisers are still widely used. The huge advancements in navigation and sensing technologies, as well as communications, have greatly enhanced the safety of the pleasure boating public. There is rarely, if ever, any searching to SAR, and private industry handles most cases.</p> <p>The cruise ship industry is booming.</p>
Privatization	Privatization of government services is widespread and successfully done. What has not been privatized is not profitable, and much of what remains is at the state or local level.