



Money and Power

The History of Business

by Howard Means
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288 pages

Focus

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Take-Aways

- The notion of business as a system of social and economic organization developed within the past few centuries.
- Economic development historically was linked to political development, including the rise of democratic capitalism.
- Business is often a trailing indicator of political trends.
- To endure, nations must learn to manage wealth, which is a great leveler.
- Boom and bust were evident in the 1600s, when tulip bulb prices skyrocketed in the Netherlands and then collapsed.
- When the Civil War started, no American company was valued at \$10 million or more.
- Ford was a brilliant innovator of assembly-line processes, but he had virtually no sense of the power of advertising and public relations.
- Rockefeller's Standard Oil created history's first billionaire.
- Microsoft shared wealth with unprecedented breadth, creating more than 20,000 in-house millionaires.
- The cyberspace wealth machine opens the road to riches to everyone.

Rating (10 is best)

Overall	Applicability	Innovation	Style
9	6	9	10

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Review

Money and Power

This volume, based on a PBS documentary, is as much about the unique characters who drove the evolution of business as it is about vast historic trends. Author Howard Means blends the color of a cinematic treatment with the rich context and detail of a comprehensive history. In so doing, he's accomplished the ultimate historian's goal: Presenting history in such a way that it is clearly relevant to modern-day life, and in this case, business. From biblical moneychangers to the miraculously large pool of Microsoft millionaires, Means traces the history of commerce from the perspective of power, asking who acquired it, how they amassed it, how they used it and what became of it? *getAbstract.com* recommends his intense narrative to anyone in business, since business is about money, and money is, after all, power.

"Throughout the last millennium, it was control that created fortunes: control over the oceans or the railroads, the highways or the airwaves."

"Today, business drives the world, from all around the world. A global network of corporations, stock markets, banks and industries churns out more riches than humankind has ever known."

Abstract

Hail the Moneychangers

The moneychangers of the Bible were the earliest ancestors of today's bankers. Economists tell us that despite their poor public reputation, they provided a valuable service, even then, as they helped stabilize currency fluctuations among various regions.

Although business may be as old as, well, the oldest profession, our modern concept of business as a form of social and economic organization is relatively recent. In part this is because economic revolution has depended on political upheaval, as embodied in the Magna Carta. Historic shifts pushed economic changes. For instance, at the same time that the American Revolution created the world's first experiment in democratic capitalism, the Industrial Revolution devised the means of mass production. The two movements cross-fertilized. The pursuit of political freedom intertwined with the pursuit of economic liberty.

The First Philanthropist

Like it or not, until recently the story of business was mostly peopled by white Western males. The legacy of this political incorrectness traces its lineage to Godric, an Englishman later dubbed Saint Godric. Born in 1065 near Walpole in Norfolk, in the east of England, he was the oldest of three children whose father was a subsistence farmer. Godric managed to throw off the circumstances of his birth. He left home as a teenager and, for a while, traveled from town to town as a peddler. Then, he became a ship's mate and began sailing up and down Britain's east coast. Godric bought cheap goods from Scotland and sold them for a profit in English ports, making his fortune as a seagoing trader.

Godric was a brawler, a womanizer and, when necessary, a con man. When the monks of Farne invited him to pray with them, he was overcome with remorse for his behavior toward his fellow man. At age 40, he renounced his business activities, gave away his worldly goods and became a hermit. He is said to have developed the gift of prophecy and legend maintains that animals of all kinds were drawn to him. Godric is remembered as a man who faced life's schizophrenic duality — the pull of profit on the one hand and spiritual pursuits on the other. Godric earned a substantial fortune, which he gave to the poor. He retired to an isolated forest in northern England, dedicated himself to God

“Economic power frequently precedes and helps create political power, but business itself is often a trailing indicator of where politics is heading.”

“By the millennium’s end, a culture obsessed with finding meaning in a world and workplace radically altered by the technological revolution would be rushing to embrace the spirituality of the new age.”

“Being free to pursue political fortune almost inevitably entailed the freedom to pursue economic fortunes.”

and was eventually canonized. He is also considered the first lyric poet in the English language, based on his surviving hymn to the Virgin Mary. He died just a few days before he turned 105 years old.

In many ways, traders such as Godric helped give birth to the modern banking system. How? Well, financing a shipping venture required making an investment based on waiting a lengthy period for a payoff. You had to hope the ship survived weather, pirates, mutiny and many other threats, and returned to port laden with booty. Financing such endeavors required capital markets, a fact that the Italians understood first. By the mid-fifteenth century, they were Europe’s bankers. The word “bank” itself derives from the “bancos” or benches that the Italian bankers sat behind while conducting their trades. As John Kenneth Galbraith declared, “Banking belongs to the Italians.” Cosimo de’ Medici headed the primary Italian banking family, the de Medicis, who became perhaps the greatest arts patrons in European history.

The Tulip Craze

If you think the recently exploded high-tech bubble was unique, consider the Netherlands in the early 1600s. There, greed found its expression in the unlikeliest of commodities, the tulip bulb. In January of 1637, the price of some bulbs blossomed almost 3,000%. Based on recent history, you might be able to guess what happened next. In scant weeks, the bottom dropped out of the tulip markets. Citizens who went to bed rich awoke in financial ruin. The lesson was established, if not always heeded, that money could be a great leveler of society and that the market could be equally a source of newfound riches or a dangerous siren luring investors and their fortunes into dangerous waters.

Getting Steamed

Few realize that the Industrial Revolution started as a partnership between two men, James Watt and Matthew Boulton. Before their arrival on the scene, steam engines were immense devices as big as four-story houses that could only move up and down. At Boulton’s suggestion, Watt figured out how to incorporate a novel feature — forward propulsion — into the engine, and for that he is regarded as the father of the Industrial Revolution. Boulton is the one who understood how to modify Watt’s product to appeal to the market.

Boulton’s chance encounter with Watt depended on absurd good fortune. John Roebuck, a Scottish iron manufacturer, purchased two-thirds of Watt’s patent. In 1773, however, Roebuck lost heavily in a risky mining venture. That year, an untimely economic depression finished him off and he declared bankruptcy. Boulton, one of Roebuck’s creditors, started picking through Roebuck’s assets to satisfy debts. He plucked the one asset no one else wanted — the share in James Watt’s patent. In 1784, Boulton apparently first suggested to Watt that he design a steam engine capable of propelling a moving carriage. Another Boulton associate, William Murdoch, took Watt’s resulting engine and built a working miniature.

In many ways, Watt, Boulton and Murdoch’s work led to May 10, 1869, the day when the final spike was driven at Promontory Summit, Utah, to complete the Transcontinental Railroad. Today, Watt’s steam engine is the symbol of the Industrial Revolution.

Meeting Mr. Morgan

The Transcontinental Railroad exposed two problems as American as apple strudel. If real opportunity was to be found in the west, the money was on the Eastern seaboard.

“Call it the Information Revolution, the High-Tech Revolution, the Internet Revolution — by whatever name, it took business by the neck, shook it and spread its spirit broadly around the globe.”

“Mostly, the story of business is the story of white Western males.”

“Famously taciturn, Morgan saved the nation with little more than nods and grunts.”

But the furious pace of competition and growth following the completion of the railroad made capital much more scarce. Enter J. Pierpont Morgan.

Morgan’s father ran the family bank’s London office, where J. Pierpont got his training. The younger Morgan became the guarantor of great vats of money crossing the Atlantic, and he had a commanding approach to meeting his commitments. He ruthlessly consolidated warring industries, eventually fulfilling the role of a virtual U.S. central bank. To understand Morgan’s demeanor, imagine a virtually mute Alan Greenspan. Where Greenspan’s cryptic observations can send today’s stock market into a tailspin, Morgan was notoriously taciturn, commanding his financial empire with little more than grunts and groans.

In 1861, no American company was valued as high as \$10 million. J. P. Morgan insisted that firms had to consolidate to avoid throat-cutting competition, and his formula worked. By the onset of the 20th century, 300 companies passed the \$10 million threshold. The largest was U.S. Steel, whose market cap was \$1.4 billion in an era when the entire national product of the United States was only about \$20 billion. Big business was here to stay.

John D. Rockefeller

Oil is a good example of an industry in which Morgan viewed the fierce competition as disorderly. But big oil consolidated on its own, thanks to a man who was, in fact, the son of a snake-oil salesman: John D. Rockefeller. By the beginning of the 1880s, Rockefeller’s Standard Oil company held 90% of the world’s refining capacity.

Philosopher William James called Rockefeller the most strongly bad and strongly good human being he ever met. Rockefeller inherited piety and social consciousness from his mother, yet his father apparently made him ruthless and unsentimental. His life’s contradictions are, therefore, perhaps understandable. He notoriously handed only single dimes to needy children, and yet he wrote, printed and published the book on how a great family should put its fortune to public use. On the one hand, Rockefeller, who was history’s first billionaire, epitomized the robber baron. He was dogged by investigations of anti-competitive practices under The Sherman Act of 1890, yet his family became an American dynasty, a philanthropic institution that continues to give away fortunes.

Henry Ford

In a sense, the creation of a whole new industry was required to spike the demand for oil sufficiently to make John D. Rockefeller the world’s first billionaire. That accomplishment fell to Henry Ford, a remarkable genius of industrial and manufacturing systems. While Europe could claim the technical innovations that gave birth to the auto industry, Ford and the United States nurtured that industry to its current dominance. Using assembly-line processes to drive down the cost of cars, Ford created a mass market and ensured a strong demand. Essentially, his assembly-line system took the work to the men, rather than bringing the men to the work. Fuming “Time loves to be wasted,” Ford ordered that a worker should never have to take more than a single step to complete his assigned tasks. Ford mandated:

- Place tools and workers in a sequence that requires each component to travel the least distance.
- Use conveyors so that once a worker completes a task, he can release the part to the same place each time, for convenient transport to the next worker.
- Use sliding assembly lines to bring each worker the next parts to be assembled.

“Capitalism wasn’t a one-way street; it was indeed possible to do good while doing well, to both profit and protect your soul.”

“Great fortunes are the trailing indicator of great industries.”

With his innovative assembly-line methods Ford slashed the price of an automobile from \$1,250 to \$825. America’s love affair with the road began as Ford’s “Tin Lizzie” took the country by storm. As a measure of his accomplishments, Ford came closer than any other business mogul to claiming the presidency, but his legacy also includes the fact that he expressed esteem for Hitler’s virulent anti-Semitism.

Robert Woodruff

While Ford had a tin ear for the clangor of marketing and advertising, Robert Woodruff never heard an advertising jingle he didn’t like. A syndicate that his father ran hired Woodruff, a college dropout. He was assigned to help save a nearly 40-year-old Atlanta soft-drink company, Coca-Cola, and proceeded to mount some of history’s most successful advertising campaigns. His zeal and almost compulsive attention to detail helped build Coca-Cola into the first truly global brand. When the Coca-Cola company went public in 1928, a share cost \$40. In 1998, if all the dividends of one of those shares had been reinvested in the company, the share’s value would have grown to \$6.8 million. By the time he died in 1985 at age 95, Woodruff had donated some \$200 million to Emory University — the school he dropped out of in 1909.

The Newly Rich

Bill Gates is in a class by himself when it comes to acquiring wealth and influencing history. Like Henry Ford, Gates understood the power of a mass market. But, unlike Ford, he didn’t want to build the machine. Gates understood that the true powers of the computer could only be unleashed through powerful, sophisticated software systems. Gates fully capitalized on the wisdom of his predecessors, at least until he ran afoul of the government’s anti-monopolistic enforcers. Gates shared his success like no magnate before him. Microsoft’s stock option plan created more than 20,000 in-house millionaires, from the writers of software to the secretaries who labored in the corporate trenches. In the history of money and power, this was perhaps the most impressive accomplishment — the demonstration of how universally opportunity and riches could be shared.

About The Authors

Howard Means has written or co-written several books, and is a senior editor at *Washingtonian* magazine. His books include *The 500 Year Delta*, *Colin Powell: A Biography* and *The Visionary’s Handbook*, as well as the novel, *C.S.A.* His books have been published in more than ten countries and have appeared on business bestseller lists. He won two William Allen White medals for writing. David Grubin, author of the foreword, is a producer, director, writer and cinematographer who has won eight Emmy awards and has produced more than 100 films, Grubin received a Guggenheim Fellowship and was a Montgomery Fellow at Dartmouth College. He produced *Money and Power*, the PBS documentary that was the basis for this book.

Buzz-Words

Bancos / Democratic capitalism / Market cap / Moneychangers