

POWER SHIFT by Alvin Toffler


By contrast, this trilogy starts from the premise that today's high-speed changes are not as chaotic or random as we are conditioned to believe. It contends that there are not only distinct patterns behind the headlines, but identifiable forces that shape them. Once we understand these patterns and forces, it becomes possible to cope with them strategically, rather than haphazardly on a one-by-one basis.

All three books probe a single lifetime--the period beginning, say, in the mid-1950s and ending approximately seventy-five years later, in 2025. This span can be called the hinge of history, the period in which smokestack civilization, having dominated the earth for centuries, is finally replaced by another, far different one following a period of world-shaking power struggles.

A "powershift" does not merely transfer power. It transforms it.

Those who fought for control of the future made use of violence, wealth and knowledge. Today a similar, though far more accelerated, upheaval has started. The changes we have recently seen in business, the economy, politics, and at the global level are only the first skirmishes of far bigger power struggles to come. For we stand at the edge of the deepest powershift in human history.

Knowledge, as Francis Bacon advised us, is power--but for knowledge to win in a



western, it usually had to ally itself with force or money.

Yet among the numberless possibilities, the three sources of power symbolized in the western movie--violence, wealth, and knowledge--turn out to be most important. Each takes many different forms in power play. Violence, for example, need not be actual; the threat of violence can also lurk behind the law. (We use the term violence in these pages in a figurative, rather than literal, sense--to include force as well as physical coercion.)

The main weakness of brute force or violence, however, is its sheer inflexibility. It can only be used to punish. It is, in short, low-quality power.

Wealth, by contract, is a far better tool of power. A fat wallet is much more versatile. Instead of just threatening or delivering punishment, it can also offer finely graded rewards--payments and payoffs, in cash or kind. Wealth can be used in either a positive or negative way. It is, therefore, much more flexible than force. Wealth yields medium-quality power.

A revolution is sweeping today's post-Bacon world. No genius in the past--not Sun-Tzu, not Machiavelli, not Bacon himself--could have imagined today's deepest powershift: the astounding degree to which today both force and wealth themselves have come to depend on knowledge.

Knowledge itself, therefore, turns out to be not only the source of the highest-quality power, but also the most important ingredient of force and wealth. Put differently, knowledge has gone from being an adjunct of money power and muscle power, to being their very essence. It is, in fact, the ultimate amplifier. This is the key to the powershift that lies ahead, and it explains why the battle for control of knowledge and the means of communication is heating up all over the world.

In general, in the pages ahead, data will mean more or less unconnected 'facts'; information will refer to data that have been fitted into categories and classification schemes or other patterns; and knowledge will mean information that has been further refined into more general statements. But to avoid tedious repetition, all three terms may sometimes be used interchangeably.

Knowledge is the most democratic source of power.

Beneath all the razzle-dazzle, the refinancings and reorganizations, there is an emerging pattern. For what we are seeing is a change in the structure of business and the beginnings of a shift of power from "smokestack money" to what might be called "super-symbolic money"--a process we will explore in more detail later.

But if today's new breed are more buccaneer than bureaucrat, they could be termed "electronic pirates." The power they seize is dependent on sophisticated data, information, and knowhow, not just bags of capital.

Behind many of their criticisms lurks the unstated idea that power is somehow extrinsic to production and profits. Or that the abuser of power by economic enterprises is a capitalist phenomenon. A close look at today's powershift phenomenon will tell us instead, that power is intrinsic to all economies.

Yet just because most transactions in business involve no direct violence does not mean that violence has vanished. The reality is that violence has been contained, transmuted into another form--and hidden. By seizing into its own mailed fist the technologies of violence, and attempting to eliminate or control all violence, the state reduces the independent manufacture of violence by the corporation and other institutions.

But the last, and most important reason why corporations--and even governments--resort to open violence less often than the preindustrial past is that they have found a better instrument with which to control people. That instrument is money.

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What happened is that, during the industrial revolution, the elites in society shifted from a primary reliance on the low-quality power produced by violence, to the mid-quality power produced by money.

Until the 1970s, long-term capital was readily available for Blue Chip dinosaurs, but much more difficult for smaller, innovative and entrepreneurial firms to obtain.

However, as in the case of Morgan, the question of whether or not he broke the law is far less important for the country than his net impact on American business. For while finance was restructuring other industries, Milken was restructuring finance.

Virtually every Milken-funded takeover resulted in the sell-off of divisions or units, because, in fact, the parts were worth more than the whole; the synergy, less than imagined.

One thing seems clear. When the battle to reshape global finance reaches its climax in the decades ahead, many of the greatest "powers that be" will be overthrown.