

# Prologue

The Puritan Gift is a rare ability to create organizations that serve a useful purpose, and to manage them well. It was first brought to the shores of North America in the seventeenth century by the migrants who founded the Commonwealth of Massachusetts, a political institution that has survived and prospered for almost four hundred years. In the eighteenth century, it inspired the creation of a federal political structure that enabled thirteen obscure colonies situated at the very edge of the civilized world to convert themselves, with the passage of time, into a Great Power situated at its center. In the nineteenth century, it underlay a series of inland migrations and the building of a network of canals and railroads that opened up, and bound together, almost an entire continent. In the twentieth, it generated unimaginable wealth that enabled the citizens of the United States, among other things, to fight two simultaneous wars, one in the Atlantic and one in the Pacific, and to send a manned spaceship to the moon.

The mature corporate culture that emerged in this way would be successfully transplanted to Japan under the US Occupation (1945–1952), initiating, first, a managerial revolution and, then, an Economic Miracle that turned a poor country lacking natural resources into the second richest in the world. The principles and practices enshrined in this culture would then be re-exported from Japan to other parts of East Asia – in the 1960s and 1970s to the future ‘Asian Tigers’, and, from the 1980s onwards, to an impoverished mainland China, which now enjoys the greatest economic boom experienced anywhere in human history.

Back on the American ranch, however, all was not well. Businessmen and others abandoned the very procedures that the Occupation authorities had taught Japan’s manufacturers, replacing them with the worship of the false gods of the Cult of the (so-called) Expert, which we describe in detail in the later chapters of this book. Inflation, almost unknown in the United States in the Eisenhower years (1953–1961), became the order of the day. Growth slowed and, at times, disappeared. Simultaneously, wealth was massively redistributed in relative terms from poor to rich. Since 2000, there has been a modest reversal of direction, leading one to hope that there will be a return to traditional ways of doing things.

This book describes in outline, and occasionally in some detail, all of these developments. It also draws three lessons. The first is that, if the

rate of economic growth characterizing the American economy from 1870 to 1970 is to be restored, businessmen and others must re-discover the secrets of their predecessors' success as organizers. There is a surprising ignorance today about how business was done only half a century ago, totally misleading statements being routinely offered to an unsuspecting public by academics and consultants who should know better. This book attempts to set the record straight by recording how the nation's corporate culture came into being and what it was like at its zenith; and by elucidating, in the Appendix, the half-forgotten principles of good management on which it depended.

The second lesson is that, if the whoring after false managerial gods is abandoned in favor of the pursuit of true ones, the uneven redistribution of relative wealth that occurred in the United States in recent decades can be halted and perhaps even reversed. Much commercial activity in the United States since 1970 is best described as 'financial engineering', rather than true wealth creation – and the chief beneficiaries, needless to say, are the 'financial engineers'. The vogue for this kind of activity started on Wall Street in the 1960s but, as Mark Gimein told us in June 2006, 'over the last two decades, it has migrated from Wall Street to the rest of the business world'.<sup>1</sup> Insofar as true wealth creation becomes once again the norm, all elements in society will benefit, as they did before.

The third lesson is to be drawn specifically from East Asia: no nation or society is condemned to poverty by its past. Until World War II, it was assumed that rapid economic growth was a characteristic only of Western societies. When General Douglas MacArthur became the ruler of Japan at the mid-twentieth century, he demonstrated that America's inherited managerial culture could be successfully introduced to a less enlightened land. There is no absolute reason why, with the right approach and the right teachers, his success cannot be replicated today throughout Asia and Africa. Humanity does not have to live perpetually in a two-speed world, in which over half the people are sunk in perpetual misery.

The lessons that America brought to Japan in the 1940s, and which the Japanese taught to the Asian Tigers and China, will continue to reverberate round the world. Capitalism, as practiced in the United States at the mid-twentieth century, is achieving what Marxism could never do; the Puritan Gift to America is also America's gift to the world.