



Wealth Is Overrated

By Kevin Kelly

And other heresies, as pronounced by Peter Drucker.

If Marshall McLuhan is *Wired's* patron saint, then Peter Drucker should be its official oracle. Drucker has the great advantage over McLuhan in that, at age 88, he is still as astute and timely as ever. And because Drucker is a historian who also gets his hands dirty with real-life management issues, he has a reputation in the business world that is truly Olympian. Kevin Kelly made his annual trek to Drucker's ranch home in Southern California to hear what the oracle is uttering these days.

Wired: My father's life, when he was my age, was not much different from mine in its daily routine. Is change slowing down?

Drucker: I've been telling people for 30 years that material changes in our lives are almost irrelevant. The important changes are demographic, in health care and education. The demographic revolution of the last 40 years is unprecedented. Today, the majority of people around the world live in cities. Urbanization changes your worldview. So, the real change is in meaning, not in goods.

What can we expect to happen because of these changes?

Thirty years from now, the big cities may be dying very fast. Downtown office buildings have become dysfunctional. As information and ideas have become mobile, the kind of work that doesn't require contact with customers or contact with other professionals - in other words, 75 percent of the work in any organization - doesn't have to be done downtown. For 300-odd years we have had a continuing, occasionally interrupted real estate boom. It was slowed down by depression, but not stopped. That boom may be over for good.

Asia is disagreeing with you. They are building super high-rises.

Malaysia, for instance, is committed to building the world's most disagreeable city. They're building megalomaniac skyscrapers, the biggest mosque, and the biggest traffic jams. It isn't just the old cities that have become nightmares. The new ones are just as bad.

Do you agree that the influence of government is withering?

Government is a growth industry. With all the talk about cutting government, the governmental share of the total gross national product has actually grown steadily in the last 20 years. It's now about a third or more all over the world. Business - the production of goods and services for consumption - as a share of the gross national product has been going downhill steadily since 1900. All of business, including farming, is shrinking at the rate of perhaps 1 percent a year, compounded.

So business is waning and government is rising!

Look, France under Louis XIV or XV had probably 4,000 central government employees in total. When people talk of Versailles, they think it was an enormous, luxurious castle. Actually, it was a small,

squalid office building. The royal quarters were no larger than my house. I have a big house, 2,500 square feet, because both my wife and I work at home. But the king of France didn't have much more. The rest of Versailles was unbelievably squalid office space in which the families of the government employees lived in corners of rooms, without indoor toilets. You couldn't even fit a small bureaucracy in Versailles.

Since 1900 the growth areas have been government, education, and health care. Government, which has been growing, may stop growing. We may be at the crest.

Do you believe there's a growing gap between the rich and the poor in America?

The way you phrase it, the answer is no. The gap is quite different. There is a growing gap between people with advanced education and people without. The difference in income for an Afro-American with a college degree is statistically insignificant (if you adjust for age and length of service) from the income of a white, Latino, or Asian with a college degree. Up to about 1970 it was economically nonrational to go to college - in other words, you did better economically by not going to college and instead getting a unionized job in the mass-production industry. But those kinds of jobs are disappearing. And since those jobs were relatively disproportionately filled by blacks, it hurts the black community most. So the gap is almost 100 percent educational.

Is capitalism changing?

At the height of his fortune, J. P. Morgan was probably worth one-third of what Bill Gates is worth now, adjusted for inflation. Out of his own pocket, J. P. Morgan could finance all of America's economic needs (except residential housing) for four months. Bill Gates's US\$36 billion would let him finance America for maybe two days. The rich no longer matter. They're celebrities, not capitalists anymore. The real capitalists are the middle-class people who put \$25,000 into a mutual fund - that's many trillions of dollars.

Do you favor antitrust action against Microsoft?

The main mission of American antitrust efforts has always been to bring a suit when the monopoly is just about over. Historical leaders like Microsoft are very vulnerable to missing a strategic turn. If you're that far out and that dominant, you have no friends. You're exposed. But when you get in trouble, you need friends. Microsoft is in an exposed position, and it takes just one major mistake, one major messing up of a major turning point, and then nobody will lift a finger to help them.

Is Microsoft going to be the next IBM?

The probability is yes. Actually, there is an outside probability that Microsoft may be tomorrow's Control Data, which essentially disappeared.

Thirty years ago, I began to doubt IBM's model, but for the wrong reasons technologically. I didn't see the PC coming any more than anybody else. I saw the likelihood of the computer approaching either the telephone or the TV set or both. Which it didn't do - yet. Instead, we got the PC.

Are there any theories of information economics you respect?

Current economics is merely refining the obsolete. Economic theory is still based on the scarcity axiom, which doesn't apply to information. When I sell you a phone, I no longer have it. When I sell information to you, I have more information by the very fact that you have it and I know you have it. That's not even true of money.

Do you think there is anything to this idea of a network economy?

In any community in transition, it is more important whom you know than what you know. That's the right definition of networking.

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