



The World Is Flat:

A Brief History of the Twenty-First Century

Author: Thomas L. Friedman

Publisher: Farrar, Straus and Giroux

Date of Publication: April 2005

ISBN: 0374292884

No. of Pages: 488

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[Summary published by CapitolReader.com on October 27, 2005]

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About The Author:

Thomas Friedman is a foreign affairs columnist for the *New York Times*, where he has won the Pulitzer Prize three times for his work. He is also the author of three bestselling books: *From Beirut to Jerusalem*, *The Lexus and the Olive Tree: Understanding Globalization* and *Longitudes and Attitudes: Exploring the World after September 11*.

General Overview:

The World Is Flat: A Brief History of the Twenty-First Century is Friedman's explanation of the brave new world facing us; a world that although recently started, is growing at a rapid pace never seen before in history. The new, "flat" world is one where technology and collaborative economies have created an entirely new playing field. It will change all of our theories of economies, politics and jobs. It will increase competition and require not only an emphasis on new skills sets, but a much more self-reliant, creative and innovative mindset.

The book is written as a series of discoveries Friedman reflects on following his journeys around the world in an attempt to redefine the core of globalization. Through his own experiences and those of friends, interview subjects and acquaintances, Friedman personalizes the steps and landmarks that have put us where we are and shows both the positive and negative impacts of flattening to America and the rest of the world. He also shares insight into what he sees as the choices that must be made to maintain relevance in the new flat world, how the same tools flattening the world are being used for good as well as bad and the dangers that can "unflatten" the world with devastating effects.

*** Please Note:** This CapitolReader.com summary does *not* offer judgment or opinion on the book's content. The ideas, viewpoints and arguments are presented just as the book's *author* has intended.

While We Were Sleeping

While many of us had some knowledge that outsourcing, trade agreements and technology were leveling the playing field, few of us were really aware of the truth. The playing field isn't being leveled, it's being flattened. Today, more people than ever are able to collaborate and compete for increasingly different kinds of work from diverse corners of the world. The flattening of the world means we are now connecting all the knowledge centers on the planet together into a single global network which has the possibility of ushering in an amazing era of prosperity and innovation. It has all happened so quickly, many Americans, who were focused on terrorism, aren't yet prepared for what it means for them.

Globalization 3.0

Technology has taken this third era of globalization to another level. The first era of globalization lasted from 1492 to 1800 with the discovery of America and trade between the Old World and New World, shrinking the world from large to medium. The second era lasted from 1800 to 2000 where multinational companies changed the landscape and shrunk the world from medium to small despite the Great Depression, World Wars I & II and the Cold War.

In 2000, we entered a world that has gone from small to tiny and for the first time, shaped by individuals instead of corporations. While the previous two eras were driven by Europe and America, this era is being driven by non-Western, non-white countries such as China and India.

Tax Returns, Technical Support & X-Rays

One example of the flattening of the world is the shift from manual labor to skilled labor moving overseas. In a flat world, any activity that can digitize and decompose the value chain will be moved overseas. In 2003, some 25,000 U.S. Tax Returns were done by CPAs in India making \$100 per month. In 2005, it's expected to be 400,000. Many CAT scans done at U.S. hospitals are analyzed by doctors in India and Australia. News services conduct data analysis and number crunching from Indian bureaus. Inbound and outbound calls from companies such as Dell, GE, SAP and Microsoft are being transferred directly to India and China.

Companies are making this move because not only are they able to save millions on the lower costs, but they are getting a better quality of worker. Low-wage, low-prestige jobs in the U.S. such as call center operators are considered high-wage, high-prestige jobs in other countries and the workers are enthusiastic, eager and well-educated.

What Goes Around Comes Around

While many assume the effects are negative for America, that isn't necessarily true. While there does have to be consideration for those who will be out of a job looking for a safety net, the wealth being created in these other countries is having a positive effect on the U.S. The computers in all of these foreign companies are running Windows, chips

are from Intel, phones are from Lucent, air conditioning from Carrier and bottled water from Coke. American exports to India alone doubled from 1990 to 2003.

These are products made by Americans in America. Right now, the cycle of production for these items requires a critical mass and product cycle that only America has to offer. China, India and Russia have not developed their R&D to this level. It's important to note that this isn't going to last as these countries are quickly developing the means to become the designers and architects of the world, which America is now.

Homesourcing

Outsourcing isn't the only job change affecting the flat world. Homesourcing, moving jobs from the office to the home, is another manifestation of the same thing; the corporate push to lower costs and increase efficiency. Employers say it increases productivity by measurable standards. An example: Jet Blue has 400 reservation agents, all working from home in the Salt Lake City area.

Flatburgers

If you go through the drive-in at the McDonalds in Cape Girardeau, Missouri, your order will be taken by a call center operator in Colorado Springs shared by other McDonalds. Owners say it has increased productivity, lowered costs and reduced wait time. If you decide to go inside instead, you can place your order with a credit card reader at the table.

A Collective Unease

It can't be underestimated how much the flattening of the world will change the role and form of government, innovation and business, the role of women, war, education, religion, art, science and research. Many are uneasy about the disruptive nature of revolutions and the speed at which this change is coming about is something we have no experience in dealing with. The potential for major disruption is great. The challenge for America, as well as the rest of the world, is to absorb these inevitable changes in a way that does not overwhelm people, but also does not leave them behind.

Ten Flattening Forces

In world history, there are 10 major political events, innovations and companies that led to the flattening of the world, each creating new forms and tools for collaboration.

- 1. The Berlin Wall** – When the Berlin Wall came down, it unleashed forces that ultimately led to the liberating of millions. It also tipped the balance of power across the world in favor of democratic, free-market oriented governance. It allowed us to think of the world differently; as more of a seamless whole.
- 2. Netscape** – In the mid-90s, the move from a PC-based platform to an Internet-based platform introduced the killer application called the web browser. The first mainstream browser was Netscape and it triggered sharing, accessibility and imagination. The web became useful for millions and set off an explosion of demand for all things digital, sparking the Internet boom.

3. **Work Flow Software** – After Netscape allowed people to connect, they wanted to shape, design, create, sell and buy things from anywhere. We needed programmers who could create magic pipes and standard protocols so sales, shipping and storage could be seamless. This began with Microsoft allowing us all to work off the same screen and toolbar.
4. **Open Sourcing** – By making source codes available online, people from everywhere began coming together to write everything from their own software to dictionaries. The free software movement is created, maintained and improved by its users, not corporations, and has made many tools available to those around the world who would not have received them otherwise.
5. **Outsourcing** – Y2K demands encouraged America and India to begin a relationship because tedious work without an enormous competitive advantage had to be done. We passed it on to India, followed by e-commerce, which was easily tackled by the educated engineers of India. It's been growing ever since.
6. **Offshoring** – When China joined the WTO in 2001, they created a world where everyone has to run faster. This spurred offshoring, taking a specific function of your company and running it from another place. American companies have noticed the value of the cheaper labor, increased efficiency and lower taxes in helping them compete in a more global market. It is important to note that offshoring isn't just about America moving functions to other countries. One example, Mercedes-Benz's first non-German car factory was announced in 2003; a \$600 million plant expansion in Tuscaloosa, Alabama.
7. **Supply Chains** – This method of collaborating horizontally between suppliers, retailers and customers is best exemplified by Wal-Mart, but the concept has flattened the world by forcing the adoption of common standards, which helps lower border friction.
8. **Insourcing** – While few companies can afford a major supply chain operation, insourcing has allowed them to compete. An example is Toshiba, which has repair workshops run by UPS; UPS picks up the computer, repairs it and ships it back to you. UPS has a similar relationship with Nike; you order a product online, Nike sends the order to UPS, which locates the product at a UPS-managed warehouse and ships it to you.
9. **In-forming** – Access to information is the total equalizer and the creation of resources such as Google, Yahoo and MSN have allowed people from all over to access information about so many things in so many languages, information they would have never gotten otherwise. This has formed global communities never imagined before.
10. **The Steroids** – Digital, mobile and virtual innovations added to the other flatteners give them super power. Laptops, cell phones, VOIP and handhelds have all connected the world at hyper-speed with the uber-steriod turbo-charging the flat world; wireless.

Triple Convergence

Starting in 2000, the 10 flatteners began to converge and businesses and individuals began to develop new habits, skills and processes to get the most out of it. “Convergence I” was when all of the flatteners began working together to create a global, web-enabled playing field. “Convergence II” was the emergence of a large cadre of managers, innovators, business consultants, designers and workers getting comfortable with the new way of doing things. “Convergence III” was the introduction of these new processes to three billion people who had previously been frozen out.

As a result, global collaboration and competition has become easier, cheaper, more friction-free and productive. The real IT Revolution has just begun.

Identity Crisis

The flattening of the world will reshape political identities, recast political parties and redefine political activists. Tensions among our identities as consumers, employees, citizens, taxpayers and shareholders will come into sharper conflict. This will all have to be sorted out. Who will look out for different communities that have never connected before? How will we determine whether or not a business partnership is a true collaboration or if someone is being taken advantage of?

What about the element of humanity lost when you flatten your supply chain and take out the middle man? Who will own what in the world of free software, shared communities and intellectual property? How will we protect ourselves while we’re busy competing?

America & Free Trade

It’s easy to believe that America would be better protected if we erect walls and ban outsourcing and offshoring. If we have to compete on an equal level, won’t that destroy our jobs, wages and economies? Although there will be some that fall through the cracks, more Americans will be better off in a flat world if we stick to the basic principals that make our country great.

The assumption that a flat world will destroy labor in America is based on the belief that everything that is going to be invented has been invented and economic competition is a zero-sum game. America will do fine in a flat world as long as it continues to churn out knowledgeable workers able to produce idea-based goods that can be sold globally. There may be limits to the amount of factory-based jobs in the world, but there is no limit to the number of idea-based jobs.

Human wants and needs are infinite. We went from wanting our coffee to needing our Starbucks. We went from wanting to search for things to needing our Google search engine. The way we will succeed is by upgrading our skills and making the investment in practices that will enable our society to claim our slice of this more complicated pie.

Being an Untouchable

To compete in the flat world, we will have to constantly upgrade our skills because the jobs will be for those with the knowledge and ideas to seize them. Making yourself an untouchable – someone whose job cannot be outsourced – means that you need to be specialized. A specialized position is one that cannot be digitized or easily substituted.

If you can't be specialized, you have to be anchored, meaning you need a job that requires you to be in your location; waitress, barber, plumber, nurse, electrician, etc. Everyone has to become adaptable so we can continue to add value. Our nation has to be made up of workers who "learn how to learn."

The Quiet Crisis

The best example of the crisis in America could be seen in watching the U.S. basketball team struggle in the 2004 Olympics; something we never thought possible after professionals were allowed to play. Across the U.S., we are experiencing a steady erosion of our scientific and engineering base, which has always been the source of our innovation and the rising standard of living.

We are still leading the world in science, education, capital markets and innovation, but we are running sprints while our competitors are running marathons. We have to change course even though it appears right now that it is not necessary. We don't want to wait until the storm comes to start dealing with our three dirty secrets:

1. Not enough Americans are going into science and engineering fields.
2. We are suffering from a serious lack of ambition while our competition is hungry.
3. There is an education gap emerging between the U.S and China and India.

Our way of doing things has to change and our society will require a commitment to building the infrastructure, safety nets and institutions to help every American become more employable. This is going to be painstaking as we sort out what to keep, what to discard, what to adapt, what to adopt, where to redouble our efforts and where to intensify our focus.

Leadership, Muscles, Cushions, Social Activism & Parenting

How do we go about finding our way in the inevitable disruption flattening will bring?

Politicians have to work at educating people on the new, flat world and what they need to thrive in it. We need leaders willing to inspire and explain. Workers will need to become more responsible for managing their own careers, risks and economic security and government must help them build the necessary muscles to do that. This can be done by creating legal and institutional frameworks for universal portability of pensions, healthcare, social security, Medicare and Medicaid.

Some cushions are worth keeping, such as social security. Others, such as welfare, which is a discourager of work, are not. We need a form of wage insurance that allows us to manage the strains produced by flattening without becoming protectionists and ultimately

lowering everyone's standard of living in an effort to protect the weak. Global corporations will have to develop a moral conscience as the supply chains tilt more in their favor, as in the case of Wal-Mart.

We need a new generation of parents, ready to administer tough love stressing creativity, innovation, a hard work ethic and excellence. Parents in China and India are doing this better than us right now. We have to combine education of cognitive skills with character building and we must teach our children to go beyond their comfort zones, to do things right and be ready to suffer some short-run pain for longer gain.

Companies in the Flat World

Some companies are adapting to the triple convergence while others aren't. There are some simple rules that corporations will need to follow to flourish in the flat world.

1. When you're feeling flattened, reach for a shovel and dig inside yourself. Don't try to build walls.
2. Learn to act really big even if you aren't. Take advantage of all the new tools for collaboration to reach farther, faster, wider and deeper.
3. If you're big, learn to act small by enabling your customers to act really big.
4. Learn to collaborate. Value creation comes from knowing that no single firm will be able to master the market alone.
5. Constantly identify and strengthen your niches and break down your business to sell yourself to your clients.
6. Outsource to win, not to shrink. Outsource to innovate faster and cheaper, to gain market share and hire more and different specialists.
7. Don't view outsourcing as betrayal. It's not for Benedict Arnolds; it's for idealists.

The Unflat World

There is no guarantee that the new technologies will be used for the benefit of humanity. In addition to those left behind by the triple convergence, there are those who will find various ways to use technology to pose a danger that could unflatten the world very quickly. We need to learn how to deal with them.

Too Sick, Disempowered and Frustrated

There are millions of people on the planet whose lives are stalked every day by HIV-AIDS, malaria, and polio. Despite some of them living in very close proximity to the flat world, their lack of hope creates a seemingly insurmountable distance between them and it. We have to address these health issues before we can begin to usher these people into the flat world.

The disempowered live in a flattened world, but don't have access to the tools or skills to participate in any meaningful way. To be able to see this world around them and not internalize it creates anger and resentment. This is mostly due to unstable and counterproductive political forces. There is a great need for a political movement to advance the agenda of how we globalize.

In a flat world, different societies and cultures come in much greater direct contact with one another before they can prepare themselves. Some react to this by feeling threatened, frustrated and even humiliated. One example is the Islamic terrorist movement. Extremists do not want to change and the openness of the flat world is a serious threat.

The humiliation of a world flattening without them will spark rage and be taken advantage of by those who do have access to the flat world, but use it to forward their terrorist plans and ideas. The ultimate danger this poses is so severe that it could unflatten the world in just moments.

The Environment

The constraint of natural resources is emerging as a major barrier to the flattening of the world. As millions of people from China, India, Latin America and the former Soviet Union build wealth, they will want their cars, houses, refrigerators, microwaves and toasters. This will ultimately lead us to an energy shortage; or worse, energy wars.

It is predicted that China will go from importing 7 million barrels of oil today to 14 million by 2012. We would need to find another Saudi Arabia to accommodate that. Like the American dream, the Chinese, Indian and Russian dream is high energy, high metal and high electricity. We can't meet the needs of a flat world without finding a radical new approach to energy usage and conservation.

Conflict Resolution, Corporate Style

War is obviously a major threat to the flattening world and always must be taken into account when planning for the future because conflicts between new players such as China and Taiwan, North and South Korea, India and Pakistan could erupt at anytime. However, a flatter world can be a tool to prevent war.

The "Golden Arches Theory of Conflict Resolution" stipulates that when a country reaches the level of economic development that will support a McDonalds, citizens would rather wait in line for burgers than go to war. As countries get woven into the fabric of global trade and rising living standards, the cost of war becomes prohibitively high. Getting dropped from the supply chain would have a massive chilling effect and although this may not prevent wars, countries will think more than twice about engaging in anything but a war of self-defense.

Imagination Starts At Home

Imagination is key and we have to learn how to encourage people to use it in productive ways. The first flattener, the fall of the Berlin Wall, was brought about by people who dared to imagine a different, more open world where everyone could realize their own potential. September 11 changed all of that and showed how imagination can also lead to death and destruction.

We have to use our imagination to minimize alienation and celebrate interdependence rather than self-sufficiency, inclusion rather than exclusion, openness, opportunity and hope rather than limits, suspicion and grievance. We start this by first being the best global citizens we can be and that begins in America.

We have to stop exporting fear, which only results in importing fear, and start exporting hope. We can't coax the best out of the rest of the world by snarling at it all the time. We have to find the line between precaution and paranoia and get back on the right side of it. We have to realize that September 11 is about them, not us. We are about the Fourth of July and the Berlin Wall coming down.

Imagination is the product of the narratives people are nurtured on and the context in which people grow up, see the world and others. We have to reinterpret our narrative to be more forward looking and adaptive. This is working in the examples of eBay around the world and the free market of India.

The flattening of the world presents us with new opportunities, challenges and partners. It also brings new dangers and we have to find the right balance between them. We have to nurture imaginations, fight against the excesses of protectionism and work harder, run faster and become smarter. When we do connect all of the knowledge centers together, America's strength will lead to an explosion of innovation and more than our fair share of the new, flat world.

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