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BOOKS

The Pick Of This Year's Crop Of Books

Running the gamut from Ted Turner to Alexander Hamilton

Choice, like freedom, can be a burden. But in an election year, it seems appropriate that the act of choosing should be a major theme in several of the top 10 business books of 2004 as selected by *BusinessWeek* reviewers. For example, James Surowiecki argues that decisions made by a group are often better than those made by the smartest man or woman alone. In the provocative **The Wisdom of Crowds: Why the Many Are Smarter Than the Few and How Collective Wisdom Shapes Business, Economies, Societies and Nations** (Doubleday), the *New Yorker* staff writer provides numerous example to support this thesis, and cites the backing of social scientists who salute "decentralized self-organizing systems," such as Adam Smith's invisible hand. Moreover, he tells when tapping into the crowd pays off big and why the group can go wrong, as when stock-market speculation spirals out of control. Although the author isn't always convincing, reviewer Christopher Farrell found that "he musters ample proof that the payoff from heeding collective intelligence is greater than many of us imagine."

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What if the cornucopia of choices facing all of us becomes overwhelming? Barry Schwartz's **The Paradox of Choice: Why More Is Less** (Ecco) describes

So many great
business books
So little time.

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how Americans are increasingly flummoxed by the necessity of selecting from a vast and growing number of alternatives in almost every sphere of life, from consumer goods to 401(k) investments to religion. The professor of social theory at Swarthmore College provides a survey of social scientists' research into how people make these judgments: We learn why the most diligent pre-choice research tends to get trumped by anecdotal evidence, such as a friend's recommendation, and why consumers sometimes cannot decide and leave the store empty-handed. Schwartz exaggerates a bit, as when he links rising societal levels of depression to the "relentless" experience of disappointment over decisions made. On the whole, however, his book is absorbing, witty, and persuasive.

To respond to forces that are shaping consumer behavior, corporations may need to partner with their customers, say C.K. Prahalad and Venkat Ramaswamy in **The Future of Competition: Co-Creating Unique Value with Customers** (Harvard Business School Press). Only by letting individual corporate customers and consumers fashion products and services will business leaders escape the trap in which their products' only distinction is price, say the two professors at the University of Michigan Business School. Reviewer Steve Hamm found that the "provocative" book lays out "how to change organizational behavior to make co-creation natural rather than an isolated, heroic act." The authors have sweeping change in mind: Alterations must be made to every corporate function, from product development to sales and marketing. Indeed, what the duo contemplates is nothing less than the democratization of commerce.

Perhaps the most profound and polarizing tremors shaking the business world involve international trade, outsourcing, and economic development in less fortunate areas. In **In Defense of Globalization** (Oxford University Press) by Columbia University economist Jagdish Bhagwati, which reviewer Peter Coy called "a forceful but nuanced" brief for free trade, recognizes that such phenomena are hardly all to the good. Yet Bhagwati insists that globalization can be a positive influence when guided by enlightened government policies. "Trade enhances growth, and...growth reduces poverty," he says, grounding the argument in statistics and real-world evidence. A recurring theme is that globalization unfairly takes the blame whenever something bad is going on, from the erosion of indigenous cultures to mistreatment of women and children to environmental damage.

What else does it take for a company to be a winner in a changing world? That's the question addressed in **Confronting Reality: Doing What Matters to Get Things Right** (Crown Business), by former Honeywell International (HON) CEO Larry Bossidy and management guru Ram Charan. The authors offer a model for facing facts in three areas -- external realities, internal realities, and financial targets -- helping readers to see how these are linked and how to reassess them. They provide several case studies that hold lessons about what to change and what not to change. And they conclude with tips on how to prepare an organization for transformation. "The busy authors have managed to bring fresh insights to a matter that's high on the corporate agenda," observed reviewer Diane Brady.

Some of the protagonists in the year's best business books are familiar to everyone. *New Yorker* writer Ken Auletta profiles one of the most colorful in **Media Man: Ted Turner's Improbable Empire** (Atlas Books/Norton). Lots of ink has been spilled to describe Turner's creation of Cable News Network, his career as a yachtsman, and myriad other successes. But Auletta shows us something new -- a Turner who lost his power and maybe even his way after 2000. In that year, he was shut out of merger talks and later stripped of his vice-chairman title at what would soon be called AOL Time Warner. We also see a new Ted -- one driven by philanthropic interests, anxiety about the spread of nuclear weapons, and concerns about the clout of Big Media.

Are such large media companies stifling innovation? Stanford University law professor Lawrence Lessig suggests that they are in **Free Culture: How Big Media Uses Technology and the Law to Lock Down Culture and Control Creativity** (Penguin Press). Lessig notes that new technology -- including file-

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sharing software, CD recorders, and e-mail -- tends to undercut corporations' control, enabling the public to make many copies of original works. Companies holding copyrights have responded by suing users, startups, innovators, and hobbyists. They have gotten statutes passed outlawing the breaking of copy-protection technologies, no matter what the reason. Meanwhile, the author worries that the debate is being oversimplified -- as being just between the pirates and those who favor property rights. All innovation involves some imitation, he suggests, and argues that the owners of intellectual property are claiming rights that they never had in the past.

At times the value of new thinking gets exaggerated -- as with some of the tech companies that were hyped during the 1990s. That period is the subject of Roger Lowenstein's **Origins of the Crash: The Great Bubble and Its Undoing** (Penguin Press), which reviewer Marcia Vickers called "a crucial account of an era of excess and folly." The author documents a gradual but momentous shift toward stock ownership that led about half of the U.S. public to invest in stocks by the mid-'90s. But it wasn't until the advent of the Internet, which spawned "a combination of childlike euphoria and not so innocent greed," that investor delirium appeared. Lowenstein documents how investment bankers, entrepreneurs, and venture capitalists -- all hailing the "magical rise" of profitless New Economy companies -- wielded unprecedented influence over both inexperienced and sophisticated investors.

Another side of Wall Street can be seen in Emanuel Derman's **My Life As a Quant: Reflections on Physics and Finance** (Wiley), which reviewer Peter Coy called "a literate and entertaining memoir." A victim of academic-world underemployment, Derman bailed out of the halls of ivy for the world of investing. Starting at Goldman, Sachs & Co. (**GS**) in 1985, he moved from fixed-income to equity derivatives to risk management, becoming a managing director in 1997. The most challenging part of this book is the author's detailed explanation of trading tools: For example, there's the formula for pricing options on Treasury bonds, which he co-invented with Goldman colleagues Bill Toy and the late Fischer Black. But *My Life As a Quant* is not all tough sledding: With references that range from Mother Goose to Goethe, it's an amusing tale of one man's unlikely experiences.

Finally, history buffs will enjoy Ron Chernow's **Alexander Hamilton** (Penguin Press), a celebrated biography of the founding father who laid the foundations of the U.S. capitalist system. Chernow traces Hamilton's life from his illegitimate birth on the Caribbean island of Nevis through his death at the hands of duelist Aaron Burr. Like a Horatio Alger hero, Hamilton rose by dint of his talents -- as an orator, soldier, and student of finance -- and as a result of being in the right place at the right time. A top wartime aide to General George Washington, he later served in the first President's Cabinet as Treasury Secretary. It was there that his prodigious abilities were most on display, as he devised the first U.S. tax and budget systems, the country's first central bank, and its first monetary system. *Alexander Hamilton* offers a glimpse of a man from the past who, in Chernow's words, became "the messenger of America's economic future."

Compiled by Hardy Green

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