

Milken, the sorcerer's accountant with the ill-fitting toupee, who invented the modern junk-bond market, thereby providing the rocket fuel that launched the red-hot leveraged buyout business and helped push stock prices and CEO salaries to astronomical new heights.

There is also the unforgettable Ivan Boesky, king of risk arbitrage. His short-lived Reagan-era reign ended in prison, but not before director Oliver Stone immortalized him in *Wall Street* as the barely fictionalized Gordon Gecko, author of that eternal 1980s battle cry of the MBAs, "Greed is good."

As Madrick carries us briskly past these characters, past Reagan and Rubin, George Soros and Sandy Weill, Angelo Mozilo and Alan Greenspan, right up to today, we see for the first time clearly how deeply and systematically the entwined ideology, market innovations, and politics of our long Nixon-Reagan-Clinton-Bush era finally brought us to the global economy's shattering near collapse—and its slow and aching fragile recovery.

It's this ability to move across politics, academic economics, and the intricacies of day-to-day finance at both the personal and institutional level that makes this such a valuable book. Other volumes have admirably captured one or another part of the story; none before *Age of Greed* has brought all the elements together so clearly and comprehensively. Beyond his scope, however, Madrick's strength is his voice—his ability to present all this complex history in a way that is neither dry nor lurid but rather shrewdly intelligent and easily digested. For the intelligent reader unversed in financial arcana, Madrick's will remain the benchmark book for years to come.

In the end, it's a sobering read, though, because after showing us how we got here, there's little Madrick can offer about the way out. But that is not his fault—and we owe him thanks for what he has done. **TAP**

Richard Parker teaches political economy at Harvard's Kennedy School of Government. He is the biographer of John Kenneth Galbraith.

BOOKS

The Manichean World of Tim Wu

THE MASTER SWITCH: THE RISE AND FALL OF INFORMATION EMPIRES

BY TIM WU, Knopf, 366 pages, \$27.95

BY PAUL STARR

For the past dozen years, several distinguished thinkers about law and technology have warned that a golden age of Internet freedom may be about to close. The most influential alarm-ringer has been Lawrence Lessig, who argued in his 1999 book, *Code*, that under corporate and governmental pressures, the Net could be flipped to serve top-down control instead of individual freedom. In *The Future of the Internet and How to Stop It* (2008), Jonathan Zittrain showed why this reversal might come about as a result of popular demand. Both the personal computer and the Internet are what Zittrain calls "generative" technologies, free to be built on without corporate or governmental permission. Besides generating positive innovations, however, these technologies invite viruses and other mischief, which drive people toward safe, reliable "information appliances" tethered to particular companies (think Apple's iPhone). Those appliances may be not just convenient but even dazzling in their design and performance, while subtly transforming the once freewheeling Net into a corporate-controlled system.

Now another book in the same vein, Tim Wu's *The Master Switch*, presents a historical argument that the information industries are prone to cycles—actually, he calls it the Cycle—in which an initially wide-open industry gives way to a closed empire, until in time, the empire comes under attack, and the Cycle begins again.

Wu's title phrase, "the master switch," is a clever double entendre: Information industries switch back and forth between open and closed, and when they close down, the result is centralized control through a "master switch" (a phrase Wu borrows from Fred Friendly, one

of the pioneers of television news). The basis for Wu's argument is the development of the telephone, broadcasting, and movie industries in the 20th century, and for people who are unfamiliar with this history, the similarities Wu finds among these industries may make his argument seem convincing.

The Master Switch is an entertaining book, colorfully written with paired heroes and villains, typically lone inventors wronged by corporate empire builders. The best part of Wu's book concerns recent struggles in the communications business. His accounts of the reconsolidation of the telecom industry and the battle between Google and Apple are superb. This is the terrain that Wu seems to know best; in fact, the book looks like a case of history written entirely from the standpoint of the present: Wu observed the conflict between the forces of openness and closure in the contemporary world, and sure enough, turning to history, he found the same pattern everywhere.

In the current battles over net neutrality and other issues, my sympathies are the same as Wu's. Although I have never met him, Wu lists me in the acknowledgments as one of several authors to whose work he is "deeply indebted." But despite some strengths such as his analyses of recent conflicts between tech companies, his book is deeply dissatisfying: The history he tells is oversimplified and misleading, and when he turns to what ought to be done, he ends up in a tangle of confusion, pulled one way by his narrative and the other way by free-market ideas that he earlier shows have served mainly as camouflage for corporate ambition. Like many who come out of the tech world, he has an aversion to government that distorts his understanding

of what has shaped the past and how to shape the future.

WU'S ARGUMENT REVOLVES around two claims: The information industries go through a predictable Cycle between open and closed structures, and "industry structure ... determines the freedom of expression in the underlying medium." If both these claims are correct, free expression is periodically destined to be crushed. But neither generalization stands up to close scrutiny.

If the Cycle is to be taken seriously, there needs to be a causal mechanism that produces oscillations between openness and closure. Unfortunately, Wu never provides one. At times he talks about the Cycle as an eternal aspect of all human history, as when he begins the final chapter with the wisdom of the 14th-century writer Luo Guanzhong: "An empire long united, must divide; an empire long divided, must unite. Thus it has ever been, and thus it will always be." Elsewhere, Wu presents the Cycle

as a phenomenon of capitalism, invoking Joseph Schumpeter on the role of entrepreneurs in bringing about bursts of innovation and "creative destruction." In still other places he writes of the "exceptionalism" of the information industries, implying that something specific to them produces the Cycle.

To be sure, many industries go through changes in structure, often from an early competitive phase to a "mature," consolidated market, and sometimes new technologies or government policies open those industries to new competition. But because these events do not come with any regularity, there is no law of the Cycle for the information industries. Wu's discussion is limited to the United States during the 20th century. The Cycle doesn't reliably show up in other countries, or in other centuries, or in other information industries that he doesn't mention. The history of the print media—of book publishing, for example—is not usefully conceived of as following the Cycle.

Whether industry structure matters

for freedom of expression depends on the kind of industry in question as well as policies pursued by government. At the founding of the republic, the United States created a communications network that fostered free expression—the Post Office. But the government didn't invite rival postal firms to compete; in fact, it created a monopoly. That monopoly, however, was conducive to free expression because of the policies Congress adopted, which subsidized the circulation of newspapers irrespective of their viewpoint and spread postal service throughout the country.

Likewise, in telephone service, after an early period of open competition beginning in the 1890s, the advent of the Bell monopoly around 1920 did not bring about a decline in free expression. In the early competitive phase, some offices had needed both a Bell phone and one from the local independent phone company to reach all their customers since the two networks didn't interconnect. But the shift to one phone network didn't restrict free expression. As in the case of the Post Office, what was crucial for expression was not industry structure but the rules the government established for the network—in this case, common-carrier regulations that required the Bell system to treat customers and their messages without discrimination.

Wu's real concern about the structure of the telephone industry is not free expression but technological innovation, and in his selective account, AT&T engaged in a long history of efforts to suppress new technologies. But the reader should keep in mind that during the era of the Bell monopoly, virtually every major advance in telecommunications in the world came out of the United States, almost all of those from Bell Laboratories. Here as elsewhere, Wu fails to provide any comparative, international reference for judging U.S. policy and performance. What's also missing is any nuanced analysis of how government policy sometimes stimulates technological progress, even in a regulated monopoly, and sometimes inhibits innovation (as American policy long did in ceding too much control to Bell over devices connected to the network).

INSIDE THE WORLD OF JIHAD, AT HOME AND ABROAD



JIHAD JOE

Americans Who Go to War in the Name of Islam

BY J. M. BERGER

Cloth; 978-1-59797-693-0; \$29.95 \$23.96
MAY 2011

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Inside FBI Counterterrorism
BY RAYMOND W. HOLCOMB
WITH LILLIAN S. WEISS

Cloth; 978-1-59797-361-8; \$29.95 \$23.96
JUNE 2011



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Wu's selective, Manichean history is nowhere more evident than in his treatment of radio and television. His arch villain is David Sarnoff, the longtime president of the Radio Corporation of America and founder of NBC, portrayed by Wu as being in league with the Federal Communications Commission in squelching a series of independent inventors whose work threatened RCA—Edwin Armstrong (FM radio), Charles Francis Jenkins (mechanical television), and Philo Farnsworth (electronic television). “Sarnoff’s story,” Wu writes, “is perhaps this book’s most compelling parable of the Kronos effect [a father eating his children to prevent rivals from developing], and what bears most attention is the power of his particular methods. ... Sarnoff managed his empire by using government to restrict inventions, and hence the future.”

The key FCC decisions about FM radio and television came in the late 1930s and 1940s. To make his parable convincing, Wu has to leave out critical information that would undermine his case that federal officials were in Sarnoff’s pocket. In 1941, the FCC concluded a three-year investigation into network broadcasting targeted at RCA, which at that time owned two radio networks. The investigation resulted in new rules limiting network ownership of stations and control of affiliates and forced RCA to divest itself of one of its networks, which became ABC.

The omission of this history—indeed, the entire history of federal ownership limits in broadcasting—is especially strange in a book that claims industry structure determines the limits of free expression. The FCC, according to Wu, “was obsessed with the perceived benefits of ‘planning,’” akin, he suggests, to Soviet central planning—a false comparison in general but especially misleading about the later New Deal, with its emphasis on antitrust policy. After equating FCC regulation with Soviet planning, how awkward it would be for Wu to acknowledge that the FCC sought to promote competition by breaking up RCA and limiting concentrated station ownership.

Yet the more fundamental problem

here is that Wu’s Sarnoff parable does not explain what he thinks it explains—the development of broadcasting. If Sarnoff’s efforts caused the delay in developing FM, other countries beyond Sarnoff’s influence should have seen FM radio spread faster. The typical pattern around the world, however, was for FM radio to develop slowly because AM was so well established. Australia, for example, began FM broadcasting in 1947, shut it down in 1961 for lack of an audience, and restarted it in 1975, but it still took years for FM to spread there. FM took off in the United States in the 1970s.

Wu also argues unconvincingly that



Sarnoff’s insidious efforts to dominate television explain why TV proved to be so mediocre, “offering programming aimed at the masses, homogenous in sensibility, broadly drawn and unprovocative by design, according to the imperatives of ‘entertainment that sells.’” But American television was devoted to mass “entertainment that sells” because of the limited number of channels at the time, the economics of network programming, and—crucially—the formative political decision not to invest public funds in broadcasting. Sarnoff’s theft of Philo Farnsworth’s discoveries was irrelevant.

One of the odd things about Wu’s book is that although he criticizes broadcast and later cable television for offering choices “only in the commercial range,” he never mentions decisions about public spending as an explanation for that pattern or suggests any remedy that would actually have worked. Nor does he acknowledge the role of public-spending decisions that contributed to positive

results. That blindness is especially noticeable in his treatment of the history of computing and the Internet.

“Coming of age concurrently with an ideological backlash against centralized planning and authority,” Wu writes, “the Internet became a creature of its times.” In Wu’s telling, Friedrich Hayek is the Internet’s patron saint. Wu somehow skips over the role of the Defense Department not just in creating the Internet but in financing almost all the early development of electronics and computers in the years after World War II. And it wasn’t just money the Defense Department supplied; it provided standards and guidance, which amounted to—horrible to think!—planning.

At one point in his treatment of the history of cable television, Wu says that Ted Turner hit upon the brilliant idea of using satellites to create a cable network instead of relying on AT&T’s long lines. Then he writes, “To give credit where it is due, the use of satellites to carry television” had originated with Home Box Office. But, wait a minute, how did those satellites get up there?

Following Wu’s principle, the early American republic would not have created the Post Office or fostered the development of newspapers.

In his final prescriptions, Wu says he favors what he calls a “constitutional” rather than a “regulatory” system, though he hastens to add in a footnote that he doesn’t really mean constitutional in a “formal” sense. Actually, what he means is regulation—he just can’t bring himself to admit it. But the only kind of role that Wu can imagine for government is negative: “Government’s only proper role is as a check on private power, never as an aid to it.” If the early American republic had followed that principle, it would not have created the Post Office or fostered the rapid development of newspapers, and American democracy would have suffered. More recently, the United States would not have developed the Internet or public broadcasting. Wu’s position is not just

wrong; it's incoherent. In conflicts that pit opposed models against each other—closed and open, let's say—the government's check on private power of one kind is an aid to private power of another kind. Checking one side means favoring the other; there's no way around it.

The trouble with *The Master Switch* is that Wu thinks he has a master key to the history and future of communications, and he doesn't. A reader who pays close attention to the Cycle in its various iterations will notice a clever sleight of hand: The terms "open" and "closed" change in meaning from one chapter to another. Wu says, for example, that with the fall of United Artists in the early 1980s came "the second closing of the film industry." But this second closing is not a closing in the sense that the first one was; the 1980s brought no movie censorship comparable to the Production Code imposed in the 1930s.

Since Wu wants his readers to agitate for net neutrality, he couldn't very well end his book holding to the notion that the Cycle is inevitable. But his mythical Cycle is a pretty good recipe for fatalism and passivity. Through a distorted account of the past, he gives no sense that politics holds much hope. Government policy, in Wu's distorted recounting, is mostly a record of regulatory capture and craven mistakes that Americans should be ashamed of—even though, strangely enough, the United States has for much of its history been a leader in communications, partly because of the constructive role government has played. Of course, some political decisions have been mistakes—that's why we have to fight for good policy, often against great odds. What ought to be gleaned from the past is not the eternal rise and fall of empires—"Thus it has ever been, and thus it will always be"—but the necessity of politics, at least for those who have some clarity about it. **TAP**

Paul Starr, the Prospect's founding co-editor, is the author of The Creation of the Media, a history of the development of communications in the United States and Europe from the 17th to the 20th centuries.

BOOKS

A Man With a Clear Conscience

THE AGE OF DECEPTION: NUCLEAR DIPLOMACY IN TREACHEROUS TIMES

BY MOHAMED ELBARADEI, Metropolitan Books, 340 pages, \$27.00

BY JOSEPH CIRINCIONE

He warned us. On Jan. 27, 2003, Mohamed ElBaradei told the United Nations Security Council that his initial inspections had revealed no evidence of nuclear-weapons activities in Iraq. The next day, ignoring this new intelligence, President George W. Bush presented an urgent case for military action in his State of the Union address, and *The New York Times*, *The Washington Post*, and most leading experts followed Bush's lead: Saddam was building a bomb, and war was the only way to stop him.

By January 2005, the official U.S. inquiry by the Iraq Survey Group would verify ElBaradei's findings: Iraq had no weapons of mass destruction and no program to produce them, and it was not making any "concerted efforts to restart [its earlier] program." By then, the war was entering its third year.

In his new memoir, *The Age of Deception*, ElBaradei grapples with some tough issues, but none brings out his passion more than the Iraq War. As the director general of the International Atomic Energy Agency (IAEA), a Nobel laureate, and now a player in Egypt's new politics, ElBaradei has had major roles in a series of events with global ramifications. This behind-the-scenes view provides new details of key nuclear dramas, including North Korea's nuclear program, the high-tech bazaar of Pakistan's A.Q. Khan, and the controversial inspections of Iran.

Readers, however, will likely find the opening chapters on the 2003 struggle over Iraq the most gripping. ElBaradei reminds us how "Western officials and media pundits ... were pointing to circumstantial what-ifs and characterizing them as proof." He quotes Vice President Dick Cheney's ominous warning to him during an early White House meeting that Cheney was "ready to discredit the inspections in

order to disarm Iraq." That, of course, is what the administration did when, as one Bush official declared on March 3, 2003, "The inspections have turned out to be a trap." Secretary of Defense Donald Rumsfeld portrayed ElBaradei as a bumbling Inspector Clouseau and contemptuously claimed, "We know where they [Iraq's nuclear weapons] are."

In his final report to the U.N. Security Council on March 7, 2003, ElBaradei demolished the central pillars of the administration's case for war: The famous aluminum tubes were not appropriate for centrifuges; the documents showing Iraq were importing yellow cake from Niger were forgeries; Iraq's capabilities had deteriorated, not improved. But to this day, the architects of the Iraq War say that faulty intelligence misled them. In an interview on Fox last February, Sean Hannity asked Rumsfeld, "How did we get it wrong on weapons of mass destruction?" Rumsfeld replied, "Our intelligence community, the CIA, and the entire community, concluded that he had them. So, too, did the intelligence communities of other nations. And it was a perfectly rational, reasonable judgment, in my view."

This is simply not true. The U.N. inspectors provided accurate intelligence, and the Bush administration chose to ignore it. In an onstage interview at a conference in November 2005, I asked ElBaradei how he felt about the everyone-got-it-wrong excuse. "I simply was reading the data we were getting," he replied. "I remember my last statement to the Security Council when I said I needed three more months. And I remember I said, clearly, this would be an investment in peace. It didn't work out that way, but at least my conscience is clear." Not many in the Bush administration can honestly say as much.