THE TEN BEST BUSINESS BOOKS OF THE YEAR

Books that go behind the scenes at corporations—stories grounded in people and events—generally make the liveliest business reading. And many such books appeared in 1989.

With the Presidential election history, the flood of books addressing economic policy slowed. By contrast, the number of corporate sagas seemed to mount—sometimes alarmingly. But several stood out—well-told tales offering fresh news or understanding. Half of BUSINESS WEEK's choices for the year's best business and economics books are corporate inside stories.

Perhaps the liveliest is Liar's Poker: Rising Through the Wreckage on Wall Street (Norton). It is an insightful look at Salomon Brothers in the mid-1980s.

As described by author Michael Lewis, who joined the firm as a 25-year-old trainee, the scene inside Solly's bond-trading room was a carnival of obscenity, practical jokes and junk-food pig-outs. But the fun had its dark side. Inexperienced young employees such as Lewis, who was an art history major with a stint at the London School of Economics, were earning enormous sums; in his second year, Lewis earned a $225,000 bonus. And the big bucks, as he tells it, often came at the clients' expense.

In West of Eden: The End of Innocence at Apple Computer (Viking), journalist Frank Rose chronicles the wrenching changes at Apple from the time Steve Jobs hired John Sculley as president in 1983 until late 1985, when Sculley forced Jobs out. Written in a wry, authoritative tone, the book successfully captures the spirit of Apple under Jobs.

As Rose sees it, shared delusions bound Sculley and Jobs until Apple ran into trouble. Then Jobs grew wary of Sculley, who was, after all, just a marketing guy, and Sculley stopped listening to Jobs. But beyond the souring of one friendship, Rose tells of a group of quixotic Californians who created a $1 billion corporation, then saw their dreams collide with the realities of business.

Just out and still to be reviewed in these pages, the engrossing Down to the Wire: UPI's Fight for Survival (McGraw-Hill) describes a financial nightmare. Battered by a series of inept owners, UPI has teetered on the brink of collapse for well over a decade and retains but a pale glimmer of its former glory. Authors Gregory Gordon and Ronald E. Cohen, who covered the turmoil for UPI, were fired when they refused to let UPI review their manuscript. Their breathless but newsworthy account shows that without the dedication of grunt-level employees, UPI would have written its own obituary years ago.

Rude Awakening: The Rise, Fall, and Struggle for Recovery of General Motors (William Morrow) is an ambitious and satisfying exploration of GM Chairman Roger B. Smith's time at the top. As noted auto analyst Maryann Keller tells it, when Smith took charge in 1981, GM's culture was more in need of rebolting than its cars.

According to Keller, a number of flaws with which GM entered the 1980s persist. Among them are parochialism—many GM executives don't understand the success of their Japanese rivals—and a "contemptuous paternalism" that shields employees from accountability. GM's radical reorganization, which was announced in 1984, and its joint venture with Toyota Motor in California have been traumatic, Keller says, but real change remains elusive.

The focus of When the Machine Stopped: A Cautionary Tale from Industrial America (Harvard Business School Press) is a small, little-known company. Author Max Holland uses the story of a Los Angeles-area machine-tool maker, Burgmaster Corp., to explore why many U.S. industries can no longer compete.

Founded in 1944 by Czech immigrant Fred Burg, the company was a thriving $8 million enterprise in 1965, when it sold out to conglomerate Houdaille Industries Inc. Burg's hands-on guid-
Books

ance was replaced by modern management techniques imposed from afar, with disastrous results. In 1979, Hou-
daille was purchased in a leveraged buyout led by Kohlberg Kravis Roberts & Co. The LBO, in Holland’s view, crip-
ples Burgmaster by creating pressure to generate cash. By 1985, debilitated by debt, competition, and a sickly market, Burgmaster was shuttered.

Holland is highly critical of government policies that encourage LBOs and speculation instead of productive investment. The nitty-gritty of machine tools can be tough going, but this is a provocative, often fascinating study.

Of books that tackled large economic and business issues in 1989, none encompasses more than The New Realities: In Government and Politics/In Economics and Business/In Society and World View by Peter F. Drucker (Harper & Row). According to the economist and management guru, between 1965 and 1973, the world crossed a “divide” to new political, social, and economic realities.

In accessible prose, Drucker lays out the trends that concern executives: the globalization of markets, what he calls the death of the Soviet empire, the Information Revolution. While Drucker sometimes dresses up simple ideas in lofty terms, The New Realities is a stimulating analysis of trends that will grow in significance.

One of the most controversial concerns facing U.S. business is foreign investment. With hundreds of billions of dollars flowing from overseas, many commentators are inclined to exaggerate the benefits or harm such investment brings. In The New Competitors: How Foreign Investors Are Changing the U.S. Economy (Basic Books), professors Norman J. Glickman of Rutgers University and Douglas P. Woodward of the University of South Carolina expose the misperceptions at each extreme.

The authors dispute the proposition that foreign investment necessarily creates jobs or lowers imports. But they count as pluses the capital, technology, and management practices that foreign investors bring. The New Competitors goes far toward closing what the authors call America’s “ignorance gap” about foreign investment.

The Debt and the Deficit: False Alarms/Real Possibilities (Norton) makes a brief, remarkably clear case against prevailing assumptions about its subject. Economists Robert Heilbroner and Peter Bernstein argue that neither the national debt nor the budget deficit is as disastrous as is generally believed.

When viewed as a percentage of GNP, they contend, the debt is smaller than in the 1950s and 1960s. Compared with the debt of other industrialized nations, it is not particularly large. And the deficit, when subjected to normal business accounting methods, shrinks dramatically.

Heilbroner and Bernstein think attention should be paid instead to integrating the U.S. economy into the world economy, keeping inflation in check, and ending urban decay. Their position is controversial, but their lucid little book has helped focus the deficit debate.

The Japan book of 1989 is The Enigma of Japanese Power (Knopf), a challenge to our understanding of that country’s political workings. Author Karel van Wolferen, a Dutch journalist, holds that Japan’s parliamentary democracy is a veneer. Voters have no real choice of leaders or policies.

Rather, Japan’s power structure consists of warring factions; there’s no accountability at the core. The message for Japan’s trading partners: Japanese politicians have no means of delivering on promises to open markets or boost imports.

Enigma’s picture of Japanese life is excessively bleak, and some critics have noted that the bureaucrats van Wolferen deci-
dides have guided Japanese industry to global dominance. But this impressively researched book is a welcome counterweight to the cultural introductions and how-to-business manuals that Japan continues to inspire.

Investment guides are also hardy—and often predictable—personals among business books. This year, however, brought an exceptional one: On Wall Street: How to Use What You Already Know to Make Money in the Market (Simon & Schuster) by Peter Lynch, who manages Fidelity Magellan Fund, the largest ($10 billion) mutual fund on the planet.

Lynch practices value investing—selecting stocks he believes are worth more than their price and waiting for the market to agree. In this sensible, persuasive, and easy-to-read book, he advises amateurs to disdain the picks of market mavens and invest in companies they know. Ironically, One Up amounts to a convincing argument for buying individual stocks rather than diversified mutual funds such as Fidelity Magellan.

BY DENISE DEMONG
Denise Demong edits the Books section.