

# Three Billion New Capitalists

## The Great Shift of Wealth and Power to the East

By the beginning of this century it was already commonplace to speak of the U.S. as a "hyperpower," to talk of its military, political, and economic clout as unprecedented in world history, and to assume that American dominance would continue at least throughout our lifetimes. It is conventional wisdom that America will have no serious rivals for at least a generation. But the American position is far more fragile and ephemeral than much of the world believes. Clyde Prestowitz shows the powerful yet barely visible trends that are threatening to end the six-hundred-year run of Western domination of the world. The trends include America's increasingly unsustainable trade deficits; the equally unsustainable (and dangerous) buildup of massive dollar reserves in places like Japan and China; the end of America's position as the world's premier center for invention and technological innovation; the sudden entrance of 2.5 billion people in India and China into the world's skilled job market; the role of the World Wide Web in permitting many formerly localized jobs to be done anywhere in the world; and the demographic meltdown of Europe, Japan, Russia, and, in later decades, even China. *Three Billion New Capitalists* is a clear-eyed and profoundly unsettling look at America's and the world's economic future, from an author with a history of predicting the important trends long before they become apparent to others.

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Praise for Three Billion New Capitalists

"Clyde Prestowitz warned us twenty years ago about the price we would pay for ignoring our trade deficit; now he sums up the failures and risks of America's current international position with eloquence, and offers a policy alternative to a trend that cannot be allowed to continue."

-Richard Holbrooke, former U.S. Ambassador to the United Nations

"Clyde Prestowitz's new book is a winner! He zeros in on the emergence of market economies in China, India, and the former Warsaw Pact nations. He makes a compelling argument that this is the most important new force shaping the world today. This book should provide the incentive for government and business leaders to reshape their strategies to deal with this dramatic force."

-William J. Perry, 19th Secretary of Defense

"Globalization is not what you think it is—a seamless integration of the global economy and world financial markets. The Chinas and Indias of the world challenge those of us in the West to rethink the standard US-centric framework of globalization. Prestowitz gets it—and provides a long overdue wake-up call that urges us to consider a very different world order."

-Stephen Roach, Chief Economist, Morgan Stanley

"Clyde Prestowitz spells out how America's current economic, fiscal and trade policies are leading toward a new global economy where China and India rule and the U.S. lags far behind. This is a sobering warning that should be read—and remembered—by anyone who cares about America's economic future."

-Richard J. Durbin, Assistant Democratic Leader, United States Senate

"In his provocative and thoughtful analysis, Clyde Prestowitz lays out in rapid-fire succession the unique forces that are reshaping the global economy, and the failure of the United States to grasp that its relative economic superiority, competitiveness and power are slipping away. In the candor for which he has become justly famous, Prestowitz takes the facts, however uncomfortable, and connects the dots to compel only one conclusion-that the United States' position in the world is neither birthright nor immutable, and absent concrete policy reform, our economic dominance and global influence are in genuine peril."

-Ambassador Charlene Barshefsky, former U.S. Trade Representative.

"Once again, Clyde Prestowitz is the canary in America's economic coal mine. We ignore his counsel at our peril."

-Senator Jeff Bingaman

"A provocative read that is sure to spark much-needed discussion and debate among business leaders, policymakers and economists about globalization and the impact it has on the sustainability of the American dream."

-J.T. Battenberg III, Chairman and CEO, Delphi Corp.

"Clyde Prestowitz has always been ahead of the curve in understanding and explaining the trends that shape our global economy. In THREE BILLION NEW CAPITALISTS, he once again combines lively and interesting explanations with lucid and even prescient analysis."

-Hernando de Soto, author of The Mystery of Capital and The Other Path

"Clyde Prestowitz has done it again. Usually, a book following a successful one is a letdown. Not this time. Prestowitz focuses our minds on the rise of Asia in the context of globalization and the new IT technologies, and argues that the time has come for the United States to rethink its strategic economic options. This is a thoughtful, thought-provoking book that must be read."

-Jagdish Bhagwati, author of In Defense of Globalization

Reviews of Three Billion New Capitalists

Three Billion New Capitalists: The Great Shift of Wealth and Power to the East

Prestowitz, Clyde V. (Author)

ISBN: 0465062814 / Basic Books / Hardcover, \$26.95 (272p) Economics - Theory

Ex-Reagan administration trade official Prestowitz follows up his critique of U.S. unilateralist foreign policy in *Rogue Nation* with this perceptive diagnosis of the nation's economic decline under globalization. While China and India focus on trade and industrial policies and turn out competent workers who put in long hours at a fraction of American wages, the U.S., Prestowitz argues, struggles with crushing trade and budget deficits, a zero savings rate, failing schools, dwindling investments in scientific training and research, a collapsing dollar and a debt-dependent economy that will face an "economic 9/11" once foreign creditors bail out. The argument echoes Thomas Friedman's *The World Is Flat*, but Prestowitz's analysis is more thoughtful than Friedman's pro-globalization cheerleading. He criticizes, from firsthand experience, Washington's cavalier embrace of free trade and aversion to industrial policy ("they'll sell us semi-conductors and we'll sell them poetry," notes one Reagan administration economist) and argues cogently that the research and development apparatus and high-tech entrepreneurship that is supposed to save America's economy is likely instead to follow the manufacturing base offshore. It's a lucid and sobering forecast.

--Publishers Weekly