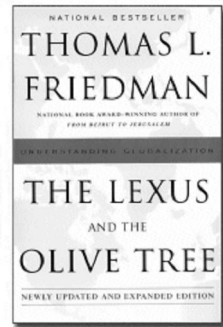


The Digital Age and Democratization

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Book Review of *The Lexus and the Olive Tree: Understanding Globalization*

By Thomas L. Friedman

New York: Anchor Books (490 pp)

The association between the Lexus and the olive tree initially brings to mind Koestler's bisociative act of simultaneous thinking on all levels – such as that required for bringing together *cabbages* and *kings*. But, as intimated in the book, the two elements of the analogy are really embedded in just one context. On the one hand, the computer-aided manufacturing of the Lexus car represents an age old human drive, that is, the drive for sustenance or improvement and prosperity. On the other, the olive tree represents another age old human drive, that is, the drive for rooting or belonging and identity. While these drives may run at odds with each other on the path (or should I say I-Way?) toward globalization, both are nonetheless essential for survival.

Thomas Friedman presents an engaging interpretation of the Digital Age phenomenon — at once amusing, awesome, and terrifying — that is changing the way people communicate, do business, and look at the world. Globalization has replaced the Cold War system's balance of terror with a free-for-all electronic global economy of which no one person or state can claim credit or eschew blame.

This is made possible by the integration and democratization of communications technology, capital, and information across a multitude of national borders, virtually linking big and little guys alike, peasants and entrepreneurs, artists and technocrats, all and sundry — from the humble village of Gujialingzi in northeast China to flashy Silicon Valley in California

— into one global village. While this village exists on the main in cyberspace, the consequences of its activities are quite real and, particularly for those not yet fully acquainted with the new system, often painful.

Friedman views globalization from the perspective of liberal democracy and free-market capitalism, which, to his mind, remains the most effective way of organizing society after the end of the Cold War and the collapse of communism. (A view no doubt shared by *The New York Times*, for which he works as foreign affairs columnist.) Through this ideological looking glass, he sees the stability of the system of globalization as contingent on the interaction of three overlapping balances of power.

The first is the balance of power between the United States and other nation-states. The former, of course, is touted to be the champion of liberal democracy and has inarguably emerged today as sole superpower. Balance of power in this instance entails ensuring U.S. dominance over subordinate countries to maintain, among others, world peace. In recent years, this has been construed to mean direct intervention to get at a perceived enemy – be it man or country — such as when the United States scorched Iraq to kick out Saddam Hussein.

The second balance of the system of globalization is one between the nation-states and global markets. In this instance, balance of power entails opening, deregulating and privatizing one's national economy to make it more competitive and attractive to foreign investment. This is seen as a logical consequence of internationalization.

Friedman refers to global markets as the Electronic Herd, consisting of millions of faceless investors or otherwise speculators in dreams, moving money blips around the world at electronic speed. Led by Wall Street bulls, the Herd grazes in other key financial centers, as well – Hong Kong, London, and Frankfurt, which Friedman dubs the Supermarkets. He points out the following: “The attitudes and actions of the Electronic Herd and the Supermarkets can have a huge impact on nation-states today, even to the point of triggering the downfall of governments ... the United States can destroy you by dropping bombs, and the Supermarkets can destroy you by downgrading your bonds” (13). Friedman cites the case of Suharto, who was ousted in 1998 when international investors withdrew support for, and confidence in, the Indonesian economy.

An emerging third balance of the system of globalization is the balance between individuals and nation-states. At no other time in history

has the individual been afforded the opportunity of great mobility and reach than in this age, where the convergence of computing (i.e., processing), optic disks (i.e., storage and retrieval), telecommunications (i.e., transmission speed, volume, quality), and content (i.e., script, sound, image, text, etc.) has wired the whole world into networks. For this reason, the Digital Age is also known as the Age of Networked Intelligence (Tapscott 1996). Balance of power here means keeping an eye on those who have made the most of this opportunity of global networking, invariably achieving the stature of what Friedman calls Super-empowered individual. Of particular interest are Super-empowered individuals with an axe to grind. These individuals can act directly on the world stage, unbeknownst at times to their own state, sowing seeds of terror and destruction that affect both markets and other nation-states.

Friedman cites the third balance to explain why the U.S. Air Force was behooved to launch 75 cruise missiles (costing \$1 million per missile) on Osama bin Laden who was, at the time, residing in Afghanistan, treating him just like an enemy nation-state, when the latter declared war on the United States in the late 1990s. This was way before the 9/11 attack and President Bush, Jr.'s war, purportedly just but decidedly flaming, against terrorists.

Globalization is consequently a culture of its own, and tends to have a homogenizing effect involving the spread of *Americanization*. Friedman's tongue-in-cheek *Golden Arches Theory of Conflict Prevention* (*golden arches* refers to the McDonald's logo) — which states, to wit, that no two nation-states wage war on each other after the establishment of a McDonald's branch or franchise in each, their citizens preferring, instead, to stand in line for McDonald's burgers and fries — is quite revealing of this homogenization.

But this does not necessarily spell, as Daniel Lerner (1958) once predicted in relation to communication in the context of the modernization paradigm, the passing of traditional society. On the contrary, according to Friedman, countries that will reap most the benefits of globalization will be those that are able to deal creatively with the tension between the new system and the ancient forces of culture and community. While global markets are not concerned with ideology or cultural identity per se, these are concerned nonetheless with the stability and transparency of a particular economy, which derive precisely from social and political stability.

Consequently, Friedman develops his case relative to the human motivations represented in his analogy of the Lexus and the olive tree. His lively and insightful arbitrage regarding the emerging features and characteristics of globalization is sprinkled with anecdotes, personal observations, *theories*, reflections, jokes, advertising slogans, and metaphors, bringing down to the level of the senses the promises and perils of an otherwise complex, if not perplexing, phenomenon.

Friedman's book is divided into four major parts, namely: Seeing the System, Plugging into the System, The Backlash Against the System, and America and the System.

As Friedman sees it, the system of globalization was presaged by the breaking down of walls of isolation, security, protective tariff, and capital controls around the world – the Berlin Wall, the Iron Curtain, the Warsaw Pact, to name some. This was made possible by three fundamental changes or *democratizations*, as he calls them, incubating since the Cold War and reaching critical mass by the late 1980s. These are the following: the democratization of technology, the democratization of finance, and the democratization of information.

Democratization of technology refers to the fundamental change in how we communicate with each other. Because of dramatic advances in communications technology, both in hardware and software, information today is virtually instantaneous, and may be had cheap, multi-media, on-demand, anytime, anywhere. More people now have the chance to access information and apply knowledge.

This translates, among others, into geographic dispersal of jobs though outsourcing or else the moving of whole company divisions and production lines from high-wage western countries to low-wage Asian, African, Pacific and other English-speaking countries across the globe. Friedman cites a host of examples — from Selectronic, a telecomputing firm in India that transcribes doctors' dictation from a toll-free number in the United States, to an AOL subsidiary in the Philippines, whose customer-service representatives answer some 10,000 to 12,000 technical and billing enquiries a day, mostly from the United States.

Democratization of finance refers to the fundamental change in how we invest. Before, for most of the post-Cold War era, big commercial and investment banks and insurance companies reigned supreme over the dominions of domestic and international lending or underwriting. Since these slow-moving traditional institutions had a limited definition of those deemed creditworthy, upstarts and most other people found it difficult to access cash.

But with the coming in the late 1960s of *commercial paper* or bonds that were sold directly by corporations to the public to raise capital, the securitization in the 1970s of home mortgages that translated once more for the public into bonds guaranteed this time by the monthly cash flow of those paying off home mortgages, and, finally, the selling in the 1980s of junk bonds that placed bets on the eventual success of small companies not considered of investment grade by major banks, investment floodgates finally sprang wide open for the little people. All sorts of business opportunities, sunny and shady alike, including movies that were yet to be made, were offered for their partaking. As part of the Electronic Herd, these little people have even now come to invest on foreign governments, states, and corporations.

Democratization of information refers to the fundamental change in how we look at the world. Not too long ago, radio and television broadcasting were constrained by limited spectrums, transmission technology, and regulation by government. With the advent of cable television, more channels came into the picture. Multi-channeling reached greater heights in the 1980s with satellite transmission of television signals. Ironically, the technology of smaller, stronger, and cheaper satellites for spying, developed during the Cold War in the space race between Russia and the United States, now serves to bring the whole world into your living room, unregulated when you use a plate-sized satellite receiver dish to pull down signals from the sky (i.e., DSL or direct satellite link).

Democratization of information has further been enhanced by compression technology and fiber optics (e.g., CDs, DVDs, DVD-I), but, most dramatically, by the spread of the Internet. Friedman considers the latter technology as “the pinnacle of the democratization of information because no one owns the Internet, it is totally decentralized, no one can turn it off, it can potentially reach every home in the world and many of its key advances were done by collaboration among individuals – many who have never met each other – who worked together over the network, contributing their ideas for free” (62-63).

He presents interesting events in its evolution, from Pres. Dwight D. Eisenhower’s crash program in response to the Soviet launch of the Sputnik satellite on October 4, 1957 to the design of hyperlinks or software standards that address, link, and transfer multi-media documents over the Internet, such as the URL (uniform resource locator), the HTTP (hypertext transfer protocol), and the HTML (hypertext mark-up language).

Among the many repercussions of the democratization of information is that most governments today can no longer isolate their citizens from what is happening in the outside world, and, for that matter, under authoritarian regimes, from what is happening inside their own country.

These three democratizations identified by Friedman are at the heart of globalization, and continue to be its driving forces. While he admits that globalization is not yet global in the sense that not everyone is wired up to the system, with many a developing country still suffering from *microchip immune deficiency*, most everyone, at least, is feeling, directly or indirectly, the pressures and opportunities in adapting these democratizations, and, subsequently reforming or restructuring their economies, as well as social and political systems.

The latter would entail wearing what Friedman aptly calls a Golden Straitjacket. This straightjacket was first stitched together in 1979 by British Prime Minister Margaret Thatcher and reinforced the following year by Ronald Reagan. Among its golden rules for governments are: “making the private sector the primary engine of its economic growth, maintaining a low rate of inflation and price stability, shrinking the size of its state bureaucracy, maintaining as close to a balanced budget as possible, if not a surplus, eliminating and lowering tariff on imported goods, removing restrictions on foreign investment...privatizing state-owned industries and utilities, deregulating capital markets...opening its industries, stock and bond markets to direct foreign ownership and investment...eliminating government corruption, subsidies and kickbacks as much as possible.”(105).

While some of its rules are at first gush apparently beneficial, such as making the private sector the primary engine of economic growth and eliminating government corruption, subsidies and kickbacks as much as possible, others may be seen as highly questionable, if not unpalatable, such as opening industries, stock and bond markets to direct foreign ownership and investment. Since these elements have been stitched together into one lot, the straightjacket is therefore bound to pinch and hurt many countries that don it to help them catch up on globalization and plug profitably into the system. Friedman, for his part, guarantees two things to likely happen: the economy will grow, and politics will shrink.

His exuberance leads him to classify the broad macroeconomic policies of countries, based on degree of government intervention and

sophistication of the economy, in terms of an operating system which, alluding to Marx in playful banter, he calls DOScapital. Communist countries used to have a DOScapital 0.0 economic operating system because there was no free market, and government decided how capital was to be allocated. Hungary and the hinterlands of China have a DOScapital 1.0 operating system, while Thailand and Indonesia have a DOScapital 3.0. Korea's economic operating system is identified still as DOScapital 4.0. France, Germany and Japan, whose operating systems are based on free markets, are nonetheless deemed by Friedman as having only a DOScapital 5.0, since these countries still have significant welfare-state components. Only countries that have liberalized their economies and donned on fully the Golden Straightjacket – the United States, United Kingdom, Hong Kong, and Taiwan – possess the latest (and, need it be said, following Friedman's logic, the greatest?) economic system model, DOScapital 6.0.

While former communist and underdeveloped or developing countries can aspire along Friedman's lines for the latest economic operating system by creating new infrastructures and generating competitive economies, Tapscott (1996), for his part, cautions against unplanned economic development. He points out that 20% of the world's population currently living in developed countries consume 80% of the world's resources. The average American citizen, for example, "consumes 50 times more steel, 56 times more energy, 170 times more newsprint, 250 times more fuel, and 300 times more plastic than the average Indian citizen" (287). Raising the level of consumption in the underdeveloped or developing countries to U. S. levels, therefore, could result in a total ecological catastrophe (287).

In his analysis of globalization, Tapscott is not as gung-ho as Friedman, preferring, instead, to rethink many assumptions about the role and responsibilities of business in the new economy and in the physical, not cyber, community. Regarding the latter, he asks the following: "For all the talk about a global village, we still live in physical villages and cities and nation-states where, at least in the past, we have felt some responsibility around us . . . As we shift into cyber communities, will that sense of local and national responsibility fade?" (286)

While Friedman also considers socio-cultural factors in the process of globalization, his arguments tend to gravitate nonetheless toward the notion of technology and technological innovation as the key to development. He virtually heralds the second coming of the

modernization paradigm, fueled now by new technologies, as he inadvertently espouses unlimited production and growth. This is quite evident in his prescription for America *vis-à-vis* globalization: “Whatever organic competitive advantages America may possess at this moment in history, it still has to get the basics right in order to compete. It still must ensure that productivity, the ability to produce goods and services at lower and lower costs so that wages can rise without inflation, steadily improves” (377).

Friedman and Tapscott agree though that globalization can go both ways, that is, it can create a profound sense of helplessness and alienation, or it can touch base at the local level and provide those most in need with opportunities and resources to reshape their own lives.

Friedman’s book is very much a personal account of the emerging features and characteristics of globalization, drawn from the richness of his experiences and encounters with its manifestations as journalist-cum-global nomad. His candor, personal insights, and reflections achieve the same effect of shedding light on the subject as would any serious academic study. His anecdotes and outrageous *theorizing*, in particular, tend to draw serious attention to matters and events, provoking the reader into coming up with alternative solutions and scenarios.

I recommend this book as primer for those who intend to live and survive in this era of globalization. But it should be read safely on the I-Way given the author’s bias, which he in no way tries to hide.

Reference

Tapscott, D. (1996). *The digital economy: Promise and peril in the age of networked intelligence*. New York: McGraw Hill.

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