

Lexus and the Olive tree

By Thomas Friedman

In this fascinating book, the famous journalist, Thomas Friedman explains the impact globalization is making on politics, economics, society and religion. Friedman dramatizes the conflict between the Lexus (globalisation) and the Olive tree (the ancient forces of culture, geography, tradition and community.) He discusses the benefits and costs of globalisation. He critically examines the potential backlash from people who have been hurt by globalisation and tries to explain what preventive measures can be taken.

Introduction

Globalisation is not a new phenomenon. From the mid-1800s to the late 1920s, the world saw a frenetic pace of globalisation. If we look at the volumes of trade and capital flows across borders, relative to GNP, and the flow of labor across borders, relative to populations, the period of globalization preceding World War I was quite similar to what we are seeing today. Countries like Great Britain, were huge investors in emerging markets. There were no currency controls. So no sooner had the transatlantic cable been connected in 1866 than banking and financial crises in New York were quickly being transmitted to London or Paris. In those days, people also migrated freely. Other than in wartime, countries did not require passports for travel before 1914. Immigrants went into America without visas. The inventions of the steamship, telegraph, railroad and eventually telephone, all helped to shrink the world significantly.

There are many similarities between the previous era of globalization and the one we are now in. But as Friedman correctly points out, what is new today is the degree and intensity with which the world is being tied together into a single globalized marketplace and village. What is also new is the sheer number of people and countries who can take advantage of the globalized economy and information networks. During the pre – 1914 era of globalization, many developing countries were left out. The pre-1914 era may have been large in scale relative to its time, but it was minuscule in absolute terms compared to today. Daily foreign exchange trading in 1900 could be measured in millions of dollars. In 1992, it was \$820 billion a day, and by April 1998 it had risen to \$1.5 trillion a day.

Today's globalization is also different technologically and politically. The previous era of globalization was built around falling transportation costs, due to the invention of the railroad, the steamship and the automobile. Today's globalization is built around falling telecommunications costs – thanks to microchips, satellites, fiber optics and the Internet.

The earlier era was dominated by British power, the British pound and the British Navy. Today's era is dominated by American power, American culture and the American dollar.

Indeed, many people equate globalisation with Americanisation.

Friedman has divided the book into three parts. The first part of the book explains how to look at today's globalization system and how the system works. The second part explains how nation-states, communities, individuals and the environment interact with this system. The third part explains the backlash against globalization. And the fourth explains the unique role the United States has to play in stabilizing this new system.

Integration

Globalization has one overarching feature – integration. The threats and opportunities in a globalised economy increasingly derive from whom one is connected to.

Globalization is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper and cheaper than ever before. Globalisation has accelerated capital flows across the world. In 1975, at the height of the Cold War, only 8 percent of countries worldwide had liberal, free-market capital regimes. Foreign direct investment at the time totaled only \$23 billion. By 1997, the number of countries with liberal economic regimes constituted 28 percent, and foreign investment totaled \$644 billion.

The Cold war and Globalisation

Friedman in his catchy journalistic style has highlighted some differences between the cold war and globalisation. While the cold war was all about weight, globalisation is all about speed – speed of commerce, travel, communication and innovation. In the cold war, the most frequently asked question was: "Whose side are you on?" In globalization, the most frequently asked question is: "To what extent are you connected to everyone?" In the cold war, the second most frequently asked question was: How big is your missile?" In globalization, the second most frequently asked question is: How fast is your modem?" The defining document of the cold war system was "The Treaty." The defining document of globalization is "The Deal."

As Friedman puts it, the cold war was a world of "friends" and "enemies." Globalization, on the other hand is turning all friends and enemies into "competitors." During cold war, people worried about being attacked by a known enemy. Under globalization, they have to be afraid of an enemy they cannot see, touch or feel.

The New Dynamics

In today's global environment, the US is the sole and dominant superpower. All other nations are subordinate to it at least to a certain extent. The balance of power between the US and the other states, though, still matters for the stability of this system.

But more than governments, it is traders who are driving the financial markets. Today's global markets are made up of millions of investors moving money around the world with the click of

a mouse. Friedman calls them “the Electronic Herd.” The herd gathers in key global financial centers, such as Wall Street, Hong Kong, London and Frankfurt, which Friedman calls “the Supermarkets.” Today, the attitudes and actions of the Electronic Herd can even trigger the downfall of governments. WE saw this happening in South East Asia in 1997-98.

The advance of globalization has been incredibly fast. It has caught most people unaware. To take an example, most people had not even heard of the Internet in 1990. Also, few people had an E-mail address then. But today the Internet, cell phones and E-mail have become essential tools that many people, just cannot live without.

The Need to preserve the Olive tree

Participation in the global economy is not without its pitfalls. If globalisation comes at the price of a country’s identity, if individuals feel their olive tree roots (their sense of identity) crushed by this global system, they will revolt. Therefore, the survival of globalization depends, in part, on how well a balance is achieved between global integration and regional identity. A country without healthy olive trees will never feel secure enough to open up fully to the world and reach out into it. But if a country is focused only on its identity and decides to remain isolated, it will not go very far. Keeping the two in balance is a constant struggle.

Democratisation of Technology

According to Friedman, the democratization of technology is an important factor behind globalisation. It is the result of several innovations that came together in the 1980s involving computerization, telecommunications, miniaturization, compression technology and digitization. Today, telephone calls can be made cheaply from anywhere. Innovations in miniaturization have steadily reduced the size and weight of computers, phones and pagers. Now they can be taken to more and more far-flung places and afforded by people with less and less income. Democratization of technology, has made it possible for people around the world to get connected and exchange information, news, knowledge, money, family photos, financial trades, music or television shows in a cost effective way, that was unimaginable before.

Democratisation of Finance

The democratization of finance is also accelerating globalization. For much of the post – Cold War era, most large-scale domestic and international lending or underwriting was done by big commercial banks, investment banks and insurance companies. These institutions always preferred to deal with blue chip companies with proven track records. But the democratization of finance has dramatically transformed the scenario. The world has been transformed from a place in which a few banks held the sovereign debts of a lot of countries, to a place in which a lot of bankers held the sovereign debts of many countries, and finally to a place today in which many individuals, through pension funds and mutual funds, hold the sovereign debts of many countries.

Democratisation of Information

Due to the democratization of information, governments cannot isolate their people from understanding what life is like beyond their borders. Life outside cannot be made to look worse than it is. And life inside can't be made to look better than it is. Thanks to the democratization of information, people of a country increasingly know how people of another country live - no matter how geographically isolated they may be.

While availability of information has increased, conventional wisdom about the impact of more information on the stability of the Electronic Herd has been wrong. Most commentators, viewed advances in information technology as a boon. They expected market efficiency to improve when supplied with better information. But history reveals that greater availability of financial information and improvements in communications have tended to attract impulsive new players to the speculative game. The first generation of daily newspapers stimulated the South Sea Bubble. The new 'money market' columns of the British newspapers contributed to the mining mania of 1825. In recent times, the quick flow of information has increased the volatility of markets on several occasions. As Friedman puts it, "When for political, economic or social reasons, markets in one country become unstable or weak, the Electronic Herd can transform what might have been a brutal but limited market adjustment downward into something much more painful and exaggerated, and it can also transmit instability much more quickly between markets, and from bad markets to good markets."

Global Reach of Companies

Companies are moving their capital around faster than many people realize. They not only build factories but also develop alliances with locally owned factories, all over the world. These relationships are flexible and can be moved from country to country, producer to producer, with increasing velocity in search of the best tax deals and most efficient and low wage locations. Cisco has several factories around the world manufacturing its equipment, but it owns only two of them. The others are alliance partners integrated with the Cisco design, inventory and marketing system through the Internet.

The Rise of the Internet

The Internet, which has come in the last stages of the democratization of technology, finance and information, has contributed to this new era of globalization. The Internet is ensuring that how we communicate, how we invest and how we look at the world will be increasingly global. The Internet is enabling us to communicate with anyone globally practically for free. The Internet is also forcing people to think globally – with respect to both competitors and customers. The Internet, has created a global postal system and a common global shopping center, in which people can all buy and sell. It has also created a common, global information pool.

Hardware, Operating system and Software

Friedman compares countries to three parts of a computer. First, is the hardware, the basic shell around the economy. During the cold war, there were three kinds of hardware in the world – free market, communist and hybrid.

The second part is the “operating system” which refers to the broad macroeconomic policies of any country. In the communist countries, the basic operating system was central planning. The government decided how capital should be allocated. The communist version of the operating system was DOS Capital 0.0.

In the hybrid state, the operating systems were various combinations of socialism, free markets, state-directed economics and crony capitalism, in which government bureaucrats, businesses and banks were all tied in with one another. These versions ranged from DOS Capital 1.0 to 4.0, depending on the degree of government involvement and the sophistication of the economy.

The developed countries have advanced versions of operating systems. This group includes France, Germany and Japan. Their version of operating systems is DOS Capital 5.0. Others, like the United States, Hong Kong, Taiwan and the United Kingdom, have liberalized their economies and have DOS Capital 6.0.

The third component is the “software’. By software, Friedman refers to the quality of a country’s legal and regulatory systems, and the degree to which its officials, bureaucrats and citizens understand its laws, embrace them and know how to make them work. Software covers banking laws, commercial laws, bankruptcy rules, contract laws, processes for judicial review, international accounting standards, commercial courts, regulatory oversight agencies backed up by an impartial judiciary, laws against conflicts of interest and insider trading by government officials, and mechanisms to implement these rules in a reasonably consistent manner.

In the cold war, the debate was over whose hardware would dominate the world. This struggle ended with the collapse of the cold war system. Most countries began to embrace the same basic hardware – free-market capitalism.

As Friedman correctly points out, it is easy to declare a free market in a country. What’s more difficult is to enforce equitable laws and commercial codes and to set up courts that will protect people from unfettered capitalism. It’s easier to open a stock market than to build a regulatory framework. It’s easy to suddenly loosen the reins on the press and permit the free flow of economic information. But it’s very difficult to establish and protect a truly independent free press that will expose corruption inside government and expose companies that are cheating their shareholders. People in India would understand what Friedman is talking about here!

The Role of the State

Friedman emphasizes that even in the globalised economy, the state has an important role to play. As he puts it, "Because of globalization and the increasing openness of borders, the quality of your state matters more, not less. Let me repeat that a little louder: IN THE GLOBALIZATION SYSTEM YOUR STATE MATTERS MORE, NOT LESS. Because the quality of your state really means the quality of the software and operating system you have to deal with the Electronic Herd. The ability of an economy to withstand the inevitable ups and downs of the herd depends in large part on the quality of its legal system, financial system and economic management – all matters still under the control of governments and bureaucrats. Chile, Taiwan, Hong Kong and Singapore all survived the economic crises of the 1990s so much better than their neighbors because they had better-quality states running better-quality software and operating systems."

In the cold war, it was the size of the state that mattered. In the era of globalization, it is the quality of the state that matters. The need of the day is a better state, a smarter state and a faster state, with bureaucrats that can regulate a free market, without either choking it or letting it get out of control. The challenge for governments today is to improve the quality of their states even as they reduce the size of their states. One of the sustainable competitive advantages that a country can have today is a lean, efficient, honest civil service. Indeed, this is probably Singapore's greatest strength.

Lack of operating system and software explains the Asian currency crisis of 1997-98. The globalising economy offered Asian countries more and more capital. Poorly regulated, local banks, bought dollars and converted them into local currencies without hedging their forex exposure. They lent money to cronies for various nonproductive investments. These nations needed more liberalized operating systems that would reduce the role of governments, let markets more freely allocate resources to their most productive uses, encourage more internal competition and weed out losers through effective bankruptcy laws. And they needed more sophisticated software that would improve the quality of governance, regulate a faster, more open economy, discipline company managers, open them up for shareholder scrutiny and be strong enough and flexible enough to handle any sudden large-scale withdrawal of foreign investment from the herd. Unfortunately, the southeast Asian countries did not have such mechanisms in place. That is why the currency crisis happened.

Managing Globalisation

Countries must not only globalize but also know how to do it. Those that have painstakingly built up transparent and credible financial and legal infrastructures are much better positioned to fend off speculative attacks on their currencies. They can also better withstand sudden outflows of capital. True, there are some exceptions. Even a country with a sound operating system and software can run into trouble. Good examples are Sweden in 1992 and the savings and loan debacle in America in the 1980s. But the two countries bounced back quickly because their operating systems and software were fundamentally sound.

The Political Impact

The impact of globalization on political crises has been different from that on economic crises. Today the great powers do not want to jump into a war. Instead of getting drawn into regional conflicts, such as Bosnia, Rwanda, Liberia, Algeria or Kosovo, today's great powers prefer to isolate these civil conflicts, and drive around them as though they are bad neighborhoods. And when they do get involved, as in Kosovo or Bosnia, they try to withdraw quickly. Becoming involved only diminishes their power. That is why many regional military conflicts today, instead of automatically becoming globalized, as in the Cold War, tend to become ghettoized. So, what we are seeing is a peculiar phenomenon. While regional military crises are getting ghettoized, regional economic crises (like Mexico in the mid-1990s, Southeast Asia in the late 1990s and Russia at the end of the 1990s) are getting globalised.

The Cultural Impact

Friedman admits that globalization is rapidly eroding national cultures. So countries have to take steps to prevent their cultures from being erased by the homogenizing impact of global capitalism. Given the force and speed of globalization, those cultures that are not robust enough to do so will be wiped out.

Friedman feels that nations must have the ability to "glocalize." Healthy glocalization is the ability of a culture, when it encounters other strong cultures, to absorb influences that naturally fit into and can enrich that culture, to resist those things that are truly alien and to compartmentalize those things that, while different, can nevertheless be enjoyed and celebrated as different. Glocalization enables a country to be able to assimilate aspects of globalization and culture in a way that adds to its growth and diversity, without overwhelming it.

Glocalization is actually a very old process. In ancient times, local cultures encountered the spread of Hellenism and tried to absorb its best features without being overwhelmed by it. For example, Judaism absorbed influences from many different countries over generations, without ever losing its core identity. When the Jews first encountered the Greeks in the fourth century B.C., the one thing that was absorbed most thoroughly into Jewish thought was Greek logic, which was melded into biblical and rabbinic learning.

Friedman quotes famous rabbinic scholar, Tzvi Marx, "The sign of a healthy absorption is when a society can take something from the outside, adopt it as its own, refit it into its own frame of reference and forget that it ever came from the outside. This happens when the external force being absorbed touches something latent in your own culture, but may be is not fully developed, and the encounter with the outside stimulus really enriches that latent thing and helps it flourish."

Unhealthy glocalization involves absorbing something that isn't part of the culture and which doesn't connect with anything latent in the culture. But people have so lost touch with their culture, that they think it does.

Glocalization alone, though, even in its most healthy form, is not sufficient to protect indigenous cultures from globalization. Friedman advocates zoning laws, protected area laws and educational programs to protect unique regions and cultural heritage from the homogenising impact of globalisation. It doesn't mean saying no to every McDonald's, but it can mean saying no to McDonald's in certain neighborhoods. This requires strong planning by bureaucrats who can't be easily bought off and by politicians who take cultural preservation seriously. In Singapore, Lee Kuan Yew has been at the forefront of such a movement.

Friedman feels very strongly about the need to protect national cultures, "Culture, at its best can be one of the most powerful forms of voluntary restraint in human behavior. It gives life structure and meaning. It sanctions a whole set of habits, behavioral restraints, expectations and traditions that pattern life and hold societies together at their core. When unrestrained globalization uproots cultures and environments, it destroys the necessary underlying fabric of communal life."

For sustainable globalization, nations will have to manage the filters needed to protect their cultures and environments, while getting the best out of everyone else's. The trick is to encourage diversity. According to Friedman, "If globalization becomes just a more efficient way to exchange cultures – for me to sample that Japanese girl's sushi and Kabuki while she tastes my McDonald's and Disney – so that people can actually pick and choose more, if it turns out to be a confederation of distinct cultures and not a homogenization of them, and if it promotes a more culturally diverse universe, rather than a soulless, standardized globe, it will be sustainable."

Growing Disparities

One of the most negative effects of globalization is the growing income gaps between the haves and have-nots. Friedman describes the phenomenon of "winner take all." The winners in any field today can become really rich because they can sell their services in the global marketplace. But those whose are just a little less talented, or not skilled at all, can sell only in their local market and therefore tend to earn much less.

While the winners can do incredibly well in this global market, those with only marginally inferior skills will often do much less well, and those with few or no skills will do very poorly. Therefore, the gap between first place and second place is growing larger, and the gap between first place and last place is becoming staggering. In many fields, there is rarely one winner. But those near the top get a disproportionate share. The more that different markets get globalized and become winner-take-all markets, the more inequality will there be within countries and between countries.

Shifting Power Base

Globalization involves a power shift from the state and its bureaucrats to the private sector and entrepreneurs. Those who derived their status from positions in the bureaucracy, or from their ties to it, or from their place in a highly regulated and protected economic system can lose out. Affected parties may include business owners who were protected by the government through high import tariffs, labor unions who consistently negotiated fewer work hours with more pay in protected markets, workers in state-owned factories who got paid whether the factory made a profit or not, the unemployed in welfare states who enjoyed generous social security benefits and subsidised health care no matter what, and all those who depended on the largesse of the state to protect them from the global market. There is likely to be a backlash from such people.

As more countries embrace globalization, there is still another new backlash group. It comprises people who feel they have tried globalization, who have gotten hammered by the system, and who, instead of doing whatever it takes to get back into the global economy are now trying artificially to shut it out or change the rules of the system.

Cultural backlash becomes politically very destabilizing when it combines with other groups such as those that are economically aggrieved by globalization. This phenomenon is visible in the Middle East, where fundamentalists of many stripes have become highly adept at weaving the cultural, political and economic backlashes against globalization into one flag.

Benefits all the same

But, for all the upheavals globalisation has brought to society, it also has raised living standards higher, faster and for more people than at any time in history. It has also brought more poor people into the middle classes more quickly than at any time in human history. So while the gap between the rich and the poor is getting wider – the floor under the poor has been rising steadily in many parts of the world. While relative poverty may be growing, absolute poverty is actually falling. According to the 1997 United Nations Human Development report, poverty has fallen more in the past fifty years than in the previous five hundred. Developing countries have progressed as fast in the past thirty years as the industrialized world did in the previous century. Since 1960, infant mortality rates, malnutrition and illiteracy are all significantly down, while access to safe water is way up. In relatively short periods of time, countries that have been the most open to globalization, like Taiwan, Singapore, Israel, Chile and Sweden, have achieved standards of living comparable to those in America and Japan, while the ranks of the middle class in countries like Thailand, Brazil, India and Korea have swelled, due partly to globalization.

Globalization also enhances freedom and contributes to the alleviation of poverty in ways that previous systemic changes and technological leaps could not. It promotes better, more accountable government and gives individuals, activist groups and companies much greater power to shape the new world. The poor are beginning to understand this and exploit it.

Globalization may cause pain. But it also enables people to talk about their pain or get organized to do something about it.

At the 1999 Seattle WTO summit, the US and other developed countries threatened to cut developing countries from global trade unless they improved their labour and environment standards. The developing countries protested because without lower wages and environmental standards, they could never take the first step up the development ladder. It is not a strange coincidence that the backlash against globalization is often stronger among Western intellectuals than emerging-market workers. Workers in poor countries may not like many things about globalization, but they know that the alternatives are a lot, lot worse.

A Metaphorical Presentation of the Global Economy

Friedman describes the global economy using the metaphor of five different gas stations. In Japan, gas costs \$5 a gallon. “Four men in uniforms and white gloves, with lifetime employment contracts, wait on you. They pump your gas. They change your oil. They wash your windows, and they wave at you with a friendly smile as you drive away in peace.” In America, gas costs only \$1 a gallon, but it is self service. “You wash your own windows. You fill your own tires. And when you drive around the corner four homeless people try to steal your hubcaps.” In Western Europe, gas costs \$5 a gallon. “There is only one man on duty. He grudgingly pumps your gas and unsmilingly changes your oil, reminding you all the time that his union contract says he only has to pump gas and change oil... He works only thirty-five hours a week, with ninety minutes off each day for lunch, during which time the gas station is closed. He also has six weeks’ vacation every summer in the south of France.” The developing country gas station is overstaffed. “When a customer drives in, no one pays any attention, because they are all too busy talking. And only one of the six gas pumps actually works. The others are broken and waiting to be retired. Most of the customers at the developing country gas station either drive the latest model Mercedes or a motor scooter – nothing in between. The place is always busy, though, because so many people stop it to use the air pump to fill their bicycle tires.” In the communist country gas station, gas costs 50 cents a gallon – but is not available because the employees have sold it all on the black market for \$35 a gallon. “Just one of the four guys who is employed at the communist gas station is actually there. The other three are working at second jobs in the underground economy and only come around once a week to collect their paychecks.”

Threat to America

Undoubtedly, the power and influence of the US has played a major role in the spread of globalisation. Ideas and technology are not adequate by themselves. They need a strong power to promote them. According to foreign-policy historian Robert Kagan. “If a lesser power were promoting our ideas and technologies, they would not have the global currency that they have. And when a strong power, the Soviet Union, promoted its bad ideas, they had a lot of currency for more than half a century.”

The US must understand the current geo politics carefully. Friedman quotes Paul Schroeder, one of the great international historians of the twentieth century, "If you look at history, the periods of relative peace are those in which there is a durable, stable and tolerable hegemon who does the adjusting, who preserves the minimal necessary norms and rules of the game. And the hegemon always pays a disproportionate share of the collective costs, even forgoes opportunities for conquest or restrains itself in other ways, so as not to build up resentments and to make sure the system stays tolerable for others. The difficulty, comes when the benign hegemonic power which is responsible for keeping the system stable is unable, or unwilling, to pay the disproportionate costs to do so, or its hegemony becomes intolerable and predatory rather than benign, or when enough actors rebel against its rules and insist upon a different kind of system that may not benefit that hegemony."

Americanization-globalization combined with super-empowerment of people, has created a real, immediate national security threat to the US. The greatest danger that the US faces today is from super-empowered individuals who hate America more than ever because of globalization and who can do something about it on their own, more than ever, thanks to globalization. Certainly, September 11 seems to fall in this category.

In the cold war system a super-empowered angry man needed to take control of a state in order to wreak havoc on the world. But today he can use the opportunities created by globalisation to attack even a superpower.

The Paradox of Globalisation

As Friedman puts it, "If there is a common denominator that runs through this book it is the notion that globalization is everything and its opposite. It can be incredibly empowering and incredibly coercive. It can democratize opportunity and democratize panic. It makes the whales bigger and the minnows stronger. It leaves you behind faster and faster, and it catches up to you faster and faster. While it is homogenizing cultures, it is also enabling people to share their unique individuality farther and wider. It makes us want to chase after the Lexus more intensely than ever and cling to our olive trees more tightly than ever. It enables us to reach into the world as never before and it enables the world to reach into each of us as never before."

Globalization is wiring the world so tightly together, that small groups of people can threaten the whole edifice by their excesses. At the same time, the global economy makes it that much easier for all to become increasingly disconnected. Since people are all wired and networked together, they can work alone, at home, from their beach house, tree house or from remotest Africa. The more people are all networked, the more they can all be freelancers.

Sustaining Globalisation

For various reasons it is very easy to distort and demonize globalisation. People who are the biggest losers from globalisation (workers who have lost their jobs to robots or foreign sweatshops) know exactly who they are. They are easy to mobilize against more integration,

technology or free trade. People who are beneficiaries of globalization, of more open trade and of foreign investment, often don't have a clue who they are. They often don't make the connections between globalisation and their rising standards of living, and therefore they are difficult to mobilize. Many people also don't understand that globalisation is largely a technology-driven phenomenon, not a trade-driven one. Trade which is tangible, has come to symbolize for many people all the anxieties associated with rapid change and globalisation – even though the main causes of those anxieties are new technologies and deregulation. This is possibly why the WTO evokes such hostile reactions in countries like India.

The Need for Safety Nets

The question to address is what is the appropriate equilibrium point between integrationism and social safety nets in today's globalization system. Friedman feels three elements are necessary: The trapeze, the trampoline, and the safety net.

The world needs a free-market-oriented economy, in which people are encouraged to swing free and take risk. Without risk takers and venture capitalists, there would not be entrepreneurship or growth. At the heart of every healthy economy are the free-swinging trapeze artists.

A growing economy also needs trampolines to catch workers who fall behind in this rapidly changing environment and retrain them. According to Friedman, "A trampoline is strong enough to catch you before you hit the ground, but not so cushy that you can lie on it forever, and it can be very useful for constantly shrinking the pool of left-behinds. The most important trampoline is lifelong learning."

The global economy also needs traditional safety nets to take care of those who simply will never be fast enough or educated enough to operate in the globalised economy. In the globalisation system, though, a rethink is necessary on what constitutes a safety net. For instance, in an era in which access to the Internet is going to be essential for learning, reserving an airline ticket, dealing with the government, communicating, not to mention shopping at the best price, universal access to the Internet may well become a basic human right.

Bad Borrowers

One of the problems in the global economy is indiscriminate borrowing and the consequent accumulation of bad debts. Bad-borrowing countries must be asked to restore the necessary conditions for growth and attracting back the Electronic Herd. That means a credible commitment to improve its economic operating system over time from DOSCapital 1.0 to DOSCapital 6.0. This clearly requires some mix of budget cutting, closing down of inefficient, bankrupt firms and finance houses, currency adjustments, interest-rate adjustments, debt write-downs and the breakup of crony capitalist practices. These reforms are needed to stabilize their currencies, eventually lower their interest rates to stimulate demand at home

and improve the prospect that contracts will be respected. The Electronic Herd must also be allowed to buy companies in these weakened economies.

Having the Electronic Herd come back with the confidence to invest long-term capital, to transfer technology and to provide cutting-edge management for factories – is one of the most effective and quickest ways to build a better local operating system. The fear of the herd running away again is one of the best long-term sources of discipline to keep a country constantly improving its software and operating systems.

Bad-borrowing countries must also be asked to reform their political system. They must curb corruption and tax evasion and improve their rule-of-law and democracy software, so that, when the belt-tightening comes, people have a sense that there is some basic fairness to the reform process. Any balance of payments assistance, recovery of loans or debt restructuring provided by the IMF or any other international financial institutions must be done only after the above conditions are fulfilled.

International agencies like IMF, must provide assistance to maintain social safety nets in these countries and provide public works jobs to soak up some of the unemployed. These minimum safety nets in these countries provide public works jobs to the unemployed. International bankers, focussed on preventing bank defaults do not worry about safety nets when it comes to helping the bad borrowers. This according to Friedman is illogical. The real crisis in these bad-borrowing countries is not economic, it's political.

To minimise the problem of bad lending and yet ensure that investors take risks, Friedman emphasizes that countries must proceed slowly and humbly. Markets function and flourish only when property rights are secure and can be enforced. This implies a political framework protected and backed by military power.

The Need for Restraint

There is nothing about globalisation that eliminates the need for ideals or codes of restraint on human behavior. The more technology dependent the world becomes, the more important are ideals and codes of restraint.

But precisely because the Internet is such a neutral, free, open and unregulated vehicle for commerce, education and communication, personal judgment and responsibility are critical when using this technology. Since kids often lack the “judgment microchip”, it is even more critical that parents and educators provide it. Parents must take responsibility for building the internal software into their kids so that they can interact with this naked technology properly.

The Internet and computers are just tools – wonderful tools that can extend and expand one's reach enormously. But people still need to know how to get the best out of them. As Friedman points out correctly, these tools can help people think, but can't make them smart. They can browse and search but they can't judge. They can enable people to interact far and wide, but

they teach them nothing about how to be a good human being. The best thing parents can do to prepare their kids for the Internet age is to stress old-fashioned fundamentals. The faster kids can go online, the stronger must be their own personal software. According to Friedman, personal software can only be built the old-fashioned way: by stressing reading, writing and arithmetic, religion and family. Those things can't be downloaded from the Internet: they can only be uploaded by parents and teachers, priests and rabbis.