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Friedman Essay

Borders, Bubbles and Greed

Do the current corporate scandals (Enron-Arthur Andersen, etc.) and the state of the economy support Friedman's thesis on Globalization?

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The recent corporate scandals do not refute or support Friedman's thesis on Globalization, rather, they demonstrate that Globalization is a process and in any process there are roadblocks, byproducts and bad apples. The real scandal is if we don't learn from these scandals and rely on past practices rather than new initiatives to take us to the "promised land."

I think what the scandals do is reinforce the resentment that many non-globalists feel towards this process which they feel like they have no control over.

Implied in Friedman's thesis of Globalization is that the driving factor to encourage globalization is "greed," masquerading as the desire for the better life, ie: "developing countries don't want to go the barricades, rather they want to go to Disney world."

Without this motivational "carrot," many people, executive and worker alike, would have little or no motivation to work harder outside their established routine. If there were no material reward for innovation and dedication, no one would build something bigger and better for themselves, or the world as a whole (see: *communism*). When these heads of corporations flagrantly abuse their gained advantages, whether they be education, insight, connections, capital, or position, the general public throughout the world reacts with spite and cynicism resulting in an amotivational atmosphere.

Friedman talks about the "robber barons," who manipulated the old-boy political network to obtain rights to railroads, forests and mining in the manifest destiny years in America as though they don't exist in this more sophisticated round of globalism. Guess what? Today's robber barons are the "visionary" leaders like Kenneth Lay of Enron who drove their companies with a ego-centric and condescending view that they were smarter than the rest of the world, and deserve wealth more. Thus they went on with their inner-circle "shell games" thinking the rest of the electronic herd wouldn't catch on for years.

The missing ingredient to their economic-centric view of globalization is the factor of making decisions (whether they be economic or cultural) out of genuine humanitarian interest. Not hand-outs, but win-win decisions made with ethics and foresight. Things like creating jobs where loyalty is fostered resulting in an

inspired and productive workforce, making good on promises to workers, educating shareholders and explaining what your plans are and why.

For globalization to work, there must be ethics, respect for culture and a genuine interest in other's interests and realization of everyone's essential right to exist and express themselves in ways that may not sync up with US-centric thinking.

In the chapter "Revolution in America" Friedman excitedly touts America's virtues as a leader and credits America for inventing most all the aspects of this modern Globalization. I think for this to be truly the case, America must learn to be a better follower in order to be a better leader. Globalization cannot happen without input from all the countries participating. The best leaders listen carefully and America does not.

Being a leader in the political or corporate world makes one prone to inflating one's self-importance and a tendency to (somewhat naively) rely on models of past success to transfer to future success. This tendency was clear in the examples about Compaq, IBM, and myriad other businesses. They didn't progress until they admitted they were on the wrong path. I think these same tendencies or self-importance and repetition can be applied to the US's role as a leader.

Friedman briefly compared the roads of the Roman Empire to the routes used by the backlash, but I feel this comparison is apt on a broader scale as well. By expanding their influence and culture and economy throughout a greater region, Rome was undertaking their own version of globalization. We can also compare the US to past leaders in previous globalizations such as the Spanish, Dutch, British and even the Germans and Japanese in their "settling" of SE Asian and South Pacific islands, (though in retrospect we sometimes call it Imperialism).

The primary reasons now or then for expansion into new regions tend to be for economic gain (how can we get these desirable consumers goods for cheaper?) and strategic transportation and communication links (how can we improve and protect our communication and transportation routes?).

Sure the colonizers paid the natives more for their products they would have made otherwise, but at the same time, they did so at great harm to cultures and took advantage of trusting natures. They also introduced products which left permanent scars on the people which have not healed after multiple generations.

The colonizers paid no more than they absolutely had to and justified the occupations by building infrastructure, which wasn't needed or requested by the traditional peoples, but rather as means to increase the ease of delivery and transport for their own profit. Once the resources dried up, the colonizers left the party leaving all the mess.

If the US can accept that these things did indeed happen in the past and be dedicated themselves to learn from past lessons, that knowledge will allow this newest wave of globalization to be the most successful yet, both in terms of economic benefit and cultural significance. A mantra for the new globalization might well be, "Promoting the economy while protecting the environment and encouraging cultural exchange." Without any one of those 3 concepts, globalization is just a sham to make money from other nations resources and labor.

These corporate scandals and problems could have been prevented by understanding that the (quoting Friedman), "more transparent we are about our financial data and transactions, the less likely it is that there will be stampedes." However, the strategies employed by Enron, A-A, Adelphia et al, depended on just the opposite. Disguise rather than disclosure. Deceit and personal gain rather than benefits for all. The result is a sense of distrust and in America, but an even more detrimental feeling of "the Emperor wearing no clothes" in other countries who are further down the globalization ladder and look to America for courage and guidance.

Corporate executives from the likes of Enron, AA and Adelphia built public trust and abused it. The trickle down economy trickled down so far that the human costs goes beyond cynicism, to foreclosed homes, empty Christmas trees and starving seniors like the Chinese cab driver who bought into the governments system and was understandably upset when the government told him now that he was old, he was on his own to make ends meet.

If people aren't going to receive any money for their work, most would prefer to sit at home and live in poverty rather than working hard feeling like their efforts will be "rewarded" with ineffective retirement plans and stock options worth nothing.

The only "payoff for the people" from these scandals is watching the deposed leaders slander and blame one another in the media as they are led away in handcuffs. But then they hire as many lawyers to defend them as their off-shore bank accounts allow and tie up courts and taxpayers money getting themselves acquitted or casual sentences at worst. In Japan, this lack of taking responsibility is perhaps the most shocking since their custom suggests that the leader of the failed enterprise take full blame and ousts himself. (figuratively or literally). Never do they delegate blame. Right or wrong, these scandals gives Japan and other countries pause for thought about US's leadership abilities.

Frankly the rest of the world has a right to think America is a bully, the same American's are *allowed* to think the French are smelly, the Chinese sketchy, Canadians naïve, and Russians slow to change. Examples abound beyond Friedman's account of the World Trade Center bomber who pointed out that the

US also harms civilians and has bombed hospitals and schools, poisoned villages and the like hence they are terrorists too.

Allow me to share one example that hit rather close to home. Just the other day, Colin Powell arrived in Canada to ask for undisclosed assistance on a possible war with Iraq *and* for Canada to start issuing more complicated and secure passports which include fingerprints.

At the very same time, America is threatening Canada with closing the border if they go ahead with liberalizing their "soft-drug" policy (which much of Europe has already done and many US States have tried to do). Additionally, the US borders are fingerprinting and photographing ALL Canadian citizens of certain Arabic origins, they forcefully deported a Canadian to Syria who was in the US only to change planes to fly home to Canada, and then they imprisoned a Canadian who drove across the border to buy gas and had a hunting rifle in his trunk. It took Powell's intervention to get this "criminal" released (he had a 20 year old misdemeanor record for vandalism).

And these two countries are supposed to be best of friends and allies! If the US is treating Canada this way, how does the US treat their enemies? Globalization must be a 2 way street or else it will become strewn with so many roadblocks, traffic and trash that no one will be able to travel down it, not even the US.

Friedman addresses this need for improvement when he points out (in a rather offhanded manner) that during this period in which the US is so economically strong, the country should think about cleaning up the cities, improving education, dealing with crime, etc. I think this is of paramount importance, you can't be telling others to clean up their messes when your house is in gross disrepair at many levels.

I would add to Friedman's list, figuring out a gun policy that is somewhere in the same universe as the rest of the world, and the "radical notion" of reliable and reasonably priced, mass-transportation. One just needs a visit to Europe or Japan to realize that the important requirement of efficient transportation for all is but a dream in America. Oh yeah, while we are on the topic, streamline the legal system to reduce the ever-present liability litigation which cripples innovation and shrouds personal responsibility under a cloud of lawsuits. As Friedman points out, a functioning legal system is required for the confidence of the Electronic Herd.

Yet another roadblock to globalism gaining worldwide momentum is the state of the economy, more specifically the over-speculation which resulted in the stock bubble bursting in April 2000. I remember riding an elevator up a corporate attorney's office to sign merger papers that morning overhearing executives try to slow the quaver in their voices when talking about the hit their personal fortunes had taken in the previous 24 hours as though they were talking about baseball

scores. I feel the reasons for the bubble bursting were twofold 1) slavering greed which blinded the lawyers, accountants, corporate cronies and the Herd and 2) lack of openness to real verifiable information (both in terms of technology and accounting policy) that general investors could understand sufficiently enough to make an informed decision.

Indeed, the electronic herd showed their abject stupidity and greed by investing huge sums in “vapor ware” and web sites whose income stream was based on selling banner ads and subscriptions. Thus, the Herd had to lick it’s wounds, realizing that they had bought into their own hype and the promise of easy money which they had little idea how it was produced.

The fact of the matter was that while the Herd were driven by greed (or desire for a better lifestyle, you choose the phrase), they were also duped by “creative” corporate accountants taking advantage of legal, but ethically marginal strategies. Techniques such as transferring money offshore to defer taxes, buying and selling services between “sister companies” to make each entities’ income and sales appear higher and blurring the line between speculation and objective analysis. Basically, a institutionalized policy of double dipping and padding stats.

The lesson here is you can’t just make the pile of money grow by typing in numbers, you actually have to work to make the money, and to make that money, you can’t live on your own figurative island and take advantage of workers for too long before someone yells out that the Emperor is indeed a naked, thieving liar who intentionally misled investors, workers, families and him/herself.

In a related topic, I feel that educational, cultural exchange and economic exchange is a most excellent thing for the world. Once you have friends from a foreign land, human curiosity encourages you to learn more about that country and how it works. You likely want to visit and any knowledge certainly erodes the intimidation and fear about said country.

As someone who has traveled and worked in many countries, I feel the largest hindrance to this cultural understanding and economic exchange is the complicated policies concerning borders, visas, tariffs, restrictions, licenses etc. coupled the feeling of distrust, paranoia and fear cultivated by such policies. At his point in time, the USA is not a good example of openness in this regard. If you have ever entered the USA, you may have felt the process is rather intimidating and leaves you with, not with a feeling of security, but rather depersonalization - and I am a US citizen with no felony record, no guns and, well, I am, ahem, white.

On the other hand, entering Holland is as involved as holding your passport up as you walk by a (seemingly indifferent) customs agent in a high booth. If you

have stuff to declare, then you follow one line, if not you walk through into the country, free and clear. Now with the EC, you are then able to travel around to myriad countries as you please. They can do this because, while perhaps Europe's economics are not as "advanced" as the US, they have managed to create a multicultural society in which most people get along, are fed and clothed and don't kill each other much.

This is not to say that Europe, Canada, Japan, or anywhere else is a better example of a country than the US (although UN studies might suggest they are), my point is that until the US cleans it's own house of rampant greed, excess, and irresponsible corporate leaders (and their professional firms whom the public is inclined to trust), plus takes a proactive attitude on cultural exchange including taking the calculated risk of more open borders, doing away with irresponsible searches and seizures *and* starts integrating outside ideas, the American version of globalization will be seen as a bullying tactic rather than the grand open society of responsible economic and social exchange that true Globalization could be.