

Thomas L. Friedman. 2000. *The Lexus and the Olive Tree*. New York: Anchor. 490 pp., \$15.00.

More than two millennia ago, the Greek chorus of Socrates, Plato, and Aristotle argued that the end goal of political science was a good society, inhabited by people and institutions making justice-based decisions. During the 13th century, Thomas Aquinas Christianized Aristotle and argued that civilization's end goal was creating the kingdom of God. The burden of accomplishing these teleological pursuits rested on the talented shoulders of enlightened politicians, philosophers, and theologians.

In the second half of the 18th century, Scottish moralist Adam Smith suggested that merchants too played an important role in the development of a just society. Smith classified the creation of wealth as an important "good" in a just society. According to Smith, by pursuing their own economic self-interests, merchants could significantly enhance a nation's standard of living by unintentionally creating wealth for others.

Now Thomas Friedman, in his fascinating book *The Lexus and the Olive Tree*, goes one step farther than Adam Smith. Friedman declares that Wall Street brokers, often the scourge of business ethicists, are leading the teleological charge by demanding that political, educational, and business elites create a just society within their own nation in exchange for the capital needed to gain parity with or surpass the United States in this age of globalization.

Friedman, the Pulitzer Prize-winning foreign affairs columnist for *The New York Times*, has written an insightful, witty, and thought-provoking introductory book about the dynamics of globalization that should be read by all business, society, and ethics scholars and students. Unfortunately, Friedman suffers from the journalist/essayist's habits of generalizing based on anecdotes rather than facts, exaggeration, and name dropping. In addition, he is flippant, very opinionated, and overworks his metaphors. However, he is not boring!

Friedman's understanding of globalization is worth at least one class session in business, society, and ethics courses and could be referred to throughout a semester. This book review could serve as a foundation for such a class presentation. Questions to help stimulate class discussion appear at its conclusion.

Friedman succinctly summarizes his book and the contradictions and paradoxes of globalization in the following:

If there is a common denominator that runs through this book it is the notion that *globalization is everything and its opposite*. It can democratize opportunity and democratize panic.... It leaves you behind faster and faster, and

Table 1
Shift from Cold War to Globalization

Activity	Cold War (1945-1989)	Globalization (1989-?)
Political system	Democracy vs. Dictatorship	Democracy
Economic system	Capitalism vs. Communism	Free-market capitalism
Leading nation-states	United States vs. Soviet Union	United States
Defining anxiety	Nuclear annihilation	Too rapid change
Overarching metaphors	Division and walls	Integration and the Web
Communicational power	"Hotline"	Internet
Defining relationship	Friend or enemy	Competitor
Defining economists	Karl Marx and John Maynard Keynes	Joseph Schumpeter
Defining measurement	Weight (of missiles)	Speed (of commerce and technology)
Defining document	"The Treaty"	"The Deal"
Most frequently asked question	"Whose side are you on?"	"To what extent are you connected to everyone?"
Sport metaphor	Sumo wrestling	100-yard dash

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 (economic integration based on high-quality production processes) more intensely than ever and cling to our olive trees (separate cultural identities) 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. (p. 406)

According to Friedman, globalization is a rule-based international system that links the economic system of nations with each other. For instance, similar to falling dominoes, the plummeting of Thailand's monetary currency in December 1997 triggered economic problems in South Korea, Malaysia, Indonesia, Russia, Brazil, and Greenwich, Connecticut. Friedman traces the birth of American-led globalization to 1989, when the cold war system imploded. The previously British-led globalization effort was derailed early in the 20th century by World War I, the Russian revolution, the Great Depression, World War II, and the cold war. Friedman argues that the collapse of the Berlin Wall fostered significant changes in the logic, rules, pressures, and incentives of how nations relate to each other. In Table 1, I have summarized Friedman's many juxtapositions between the cold war and globalization paradigms.

Nations currently define themselves according to their response to the globalization phenomenon. In this sense, globalization is an interpenetrating systems model with large composed of the following three overlapping

domains: nation-states, super-markets (i.e., New York, Tokyo, Hong Kong, London, and Paris), and super-empowered individuals (i.e., Wall Street brokers, George Soros, and Internet terrorists). Economic integrationists, empowered by the super-markets, uproot cultural traditions and values, often with the support of local citizens who demand the latest technological attractions and plant the seeds of free market capitalism. The linkages among nation-states, super-markets, and super-empowered individuals is evident in the following anecdote:

In the winter of 1998 I interviewed the Prime Minister of Thailand, Chuan Leekpai. Half joking, half serious, I began the interview by looking across the table at him and saying: "Mr. Prime Minister, I have a confession to make. I helped oust your predecessor—and I didn't even know his name. You see, I was sitting home in my basement watching the Thai baht sink (and watching your predecessor completely mismanage your economy). So I called my broker and told him to get me out of East Asian emerging markets. I could have sold you out myself, via the Internet, but I decided to get my broker's advice instead. It's one dollar, one vote, Mr. Prime Minister. How does it feel to have Tom Friedman as a constituent?"

The Prime Minister laughed, but he knew just what I meant: joining the global economy and plugging into the Electronic Herd (investors) is the equivalent of taking your country public. It is the equivalent of turning your country into a public company; only the shareholders are no longer just your own citizens. They are the members of the Electronic Herd, wherever they might be. And, as I noted earlier, they don't vote just once every four years. They vote every hour, every day through their mutual funds, their pension funds, their brokers and, more and more, from their own basements via the Internet. (p. 167)

Taken out of context, the preceding anecdote, and many others that appear throughout the book, could cause one to characterize Friedman as an arrogant, pro-American millennial economic integrationist insensitive to other cultural preferences. But this is not Friedman's position. Instead, he writes that

the challenge in this era of globalization—for countries and individuals—is to find a healthy balance between preserving a sense of identity, home and community *and* [italics added] doing what it takes to [economically] survive within the globalizing system. (p. 42)

Similar to a careful reading of Adam Smith and Karl Marx, it is important for readers to distinguish between Friedman's descriptions and prescriptions. Friedman's description of current affairs is very accurate. In the era of globalization, nations are like homeowners awaiting the onslaught of four interrelated democratization hurricanes—the demo-

Table 2
Golden Straitjacket Rules

Golden Straitjacket rules: Adopt them and gold will flow into your nation
Establish the private sector as the primary engine for economic growth
Stabilize prices (maintain low rate of inflation)
Reduce the size of the state's bureaucracy
Reduce taxes
Maintain a balanced budget
Lower or eliminate tariffs on imported goods
Remove restrictions on foreign investment
Eliminate domestic monopolies and quotas
Deregulate economy and encourage domestic competition
Increase exports
Privatize state-owned industries and utilities
Privatize banks and telecommunication systems
Deregulate capital markets
Make currency convertible
Open industries and stock and bond markets to direct foreign ownership
Eliminate government corruption, subsidies, and kickbacks
Allow competing pension plan options

cratization of technology (how we communicate), finance (how we invest), information (how we learn), and decision making (how we decide what to do). When the hurricane touches ground, capitalism's process of "creative destruction" is triggered, and less efficient production processes and services are replaced by more efficient ones.

As suggested by the interpenetrating systems model, these business-oriented hurricanes can change the political landscape. When dictatorial police-states connect with the Internet to maintain economic pace with other nations, uncontrollable information flows into and out of their nations. For instance, China Online, which is located in Chicago, provides accurate black-market currency rates in China's major cities, to the chagrin of political elites in Beijing. As a result, Chinese citizens now have unprecedented access to information about their own nation and the rest of the world.

In the age of globalization, the primary power brokers are investors, whom Friedman refers to as the *Electronic Herd*, not government officials. At the front of the herd are the finance students, who sometimes are required to sit in on our business, society, and ethics courses. The Electronic Herd's bloodhounds are Moody's Investors Service, Duff & Phelps Credit Rating Co., and Standard & Poor's. Governments fear no-confidence votes from the Electronic Herd.

Friedman divides the Electronic Herd into two types of cattle. The "short-horn cattle" buy and sell stocks, bonds, and currencies around the world on a daily basis. The democratization of finance has expanded this stampede to include everyone whose money is deposited in the large investment firms as well as those trading on the Internet. The "long-horn cattle" are multinational corporations who relocate their physical assets around the world. Although the financial commitments of multinational corporations tend to be more long-term than those of institutional and individual investors, they too can stampede in and out of nations with relative ease.

The Electronic Herd is attracted to nations that wear what Friedman refers to as a "Golden Strajacket." Table 2, which I have constructed based on Friedman's prose, summarizes the threads in this "one size fits all" strajacket. If worn correctly, the Golden Strajacket creates new wealth.

The Electronic Herd has been scorched in nations that have inadequately eliminated government corruption. Investors need transparency in economic affairs. Corruption breeds an uneven playing field with many dark passageways. A well-placed bribe to a corrupt government official by a competitor can quickly make a shambles of a firm's previously successful business plan. Therefore, in addition to the Golden Strajacket, investors are now demanding democratic political institutions, including a free press and a high-quality legal system that enforces laws in a fair and equitable manner. In other words, the Electronic Herd is demanding the creation of "just" societies.

Importantly, the Electronic Herd is pushing democratic reforms based on their own self-interests rather than a concern for the public welfare or a longing to finally achieve the end goals laid out by Socrates, Plato, Aristotle, and Aquinas. For the Electronic Herd, a just society is desirable because it is more economically efficient. Friedman notes that "the most open-minded, tolerant, creative and diverse societies will have the easiest time with globalization, while the most closed, rigid, upright, self-absorbed and traditional companies and countries, which are just not comfortable with openness, will struggle" (p. 227).

The Electronic Herd is not only ushering justice within nations but also between nations. Friedman posits a "Golden Arches" theory of conflict prevention based on an insight he received during his world travels: "No two countries that both had McDonald's [i.e., a middle class big enough to support it] had fought a war against each other since each got its McDonald's" (p. 248). Although globalization may not guarantee world peace, economic integration restrains nations from declaring war on each other because the Electronic Herd will divest from the military conflict.

Table 3
Globalization and Political Positions

Let-Them-Eat-Cakers		
Separatists	Rass Perot Dick Gephardt	Newt Gingrich Bill Clinton Integrationists
Social-Safety-Nets		

Friedman is also quite blunt about the negative aspects of globalization, which include (a) political homogeneity, (b) environmental degradation, (c) commercialization of local cultural, and (d) the increasing economic gap between the rich and poor. Unfortunately, he is much less insightful about solving these problems.

First, the Golden Strajacket tends to homogenize a nation's political parties. Political leaders who violate the rules of free market capitalism and political democracy risk an Electronic Herd stampede out of the nation. As a result,

political choices get reduced to Pepsi or Coke—to slight nuances of taste, slight nuances of policy, slight alterations in design to account for local traditions, some loosening here or there, but never any major deviation from the core golden rules. (p. 106)

Friedman argues that this phenomenon has already happened in the United States. As demonstrated by Table 3 (which appears in the book on p. 438), politicians in the era of globalization can be classified according to the following two criteria: the extent to which they support globalization (Separatists or Integrationists) and the extent to which they propose government programs that aid those who are not economically successful (Let-Them-Eat-Cakers or Social-Safety-Nets). During the past decade, many Democrats have developed a greater appreciation for free market mechanisms while many Republicans have developed a greater appreciation for social safety nets.

Friedman's political analysis may explain in part why grassroots protests were minimal during the very controversial 2000 U.S. presidential election recount on behalf of Al Gore and George Bush. Gore and Bush are both economic integrationists, although Bush slightly more so. In

addition, Gore and Bush are both social-safety-netters, although Gore slightly more so. Friedman argues that the same political homogeneity is occurring in other nations as well.

Unfortunately, Friedman offers no solutions to this trend. Instead, he suggests that the economic integration/social-safety-net quadrant "is actually the only way for a country to thrive and survive this new system" (p. 444). Friedman recommends that free market mechanisms be supplemented with retraining programs for displaced workers and traditional safety net programs such as Social Security, Medicare, Medicaid, food stamps, and welfare for those who fall through the cracks.

Second, Friedman highlights the need to "green" globalization. Financial capital flows toward nations with low production costs, meaning environmental as well as labor costs. As consumption increases, more natural resources are commercialized and wastes are irresponsibly disposed. Friedman's inadequate solutions include training environmentalists in business deal making, demonstrating links between environmentally friendly policies and profitability, and using the Internet to battle bad environmental actors.

Third, nations must "develop multiple filters to prevent their cultures from being erased by the homogenizing pull and push of global capitalism" (p. 294). These cultural filters could include zoning laws, protected areas laws, and educational programs. As suggested by Friedman's preference for the political policies of Bill Clinton rather than Newt Gingrich, government regulation is essential to "protect things from the market" (p. 300). Friedman writes,

But God save us from a world where the Chinese pavilion at Disney World is our only remembrance of what China once was, and where the Animal Kingdom at Disney World is our only remembrance of what the jungle once was, and where the Rain Forest Café is the only rain forest you or your kids will ever see. (p. 305)

Fourth, Friedman considers the "winners take all" dimension of globalization, where the gap between rich and poor increases rather than decreases, to be its Achilles' heel. He points out that in the United States between 1979 and 1995, adjusting for inflation, the income of the lowest fifth decreased by 21% while the income for the highest fifth increased by 30% and that, at one point, Bill Gates' financial worth equaled the combined net worth of more than 50% of the U.S. population.

Nonetheless, Friedman argues, globalization benefits the poor in other nations. Foreign firms (a) pay their workers more than the national average, (b) create jobs faster than their domestic counterparts, (c) spend heavily on research and development in the countries where they invest, and (d) tend to export more than domestic firms. In developing nations, even sweatshop jobs are better than the alternatives of child prostitution and starvation. For these reasons, the backlash from globalization is tempered.

Friedman closes the book by pleading with the Electronic Herd and their political representatives to address poverty issues in the United States, such as crime-ridden inner cities and underfunded public schools. He reminds American readers of the many benefits they've inherited as a result of taxation and public services. In his typical tongue-in-cheek manner, Friedman suggests that people who want to experience life without taxes should move to Liberia.

In the meantime, members of the Electronic Herd, paradoxically, have become the unlikely leaders of a justice-based global government. Although their battle cry is "greed" rather than "justice," they are unintentionally creating that which the great Greek philosophers dreamed about. Friedman points out that through the Internet we now have a global postal system, shopping center, library, and university. A global bank and political system may not be far behind.

As noted earlier, this book review could be used as the foundation for a class session on the political and ethical dimensions of globalization. After presenting this material, the professor could facilitate discussions based on student answers to the following questions:

- Is the world becoming more just?
- Is globalization inevitable?
- Must globalization result in the Americanization of the world?
- Must free market capitalism be accompanied by democracy?
- Are political parties being homogenized?
- Where would you place particular politicians on the Separatist/Integrationist and the Let-Them-Eat-Cake/Social-Safety-Netter continuums?
- Is the "Integrationist/Social-Safety-Net" quadrant the preferred political system?
- How could globalization become more environmentally friendly?
- What mechanisms should cultures develop to protect their unique identities from Americanization?
- What should be done, if anything, to reduce the growing gap between the rich and poor?

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- In developing nations, are unsafe sweatshop jobs better than the alternatives of child prostitution and starvation?
 - What should investors or politicians do to address poverty issues, such as reducing crime in the inner cities and funding public schools?
 - Should there be a global political system where citizens vote for a world leader in addition to national leaders?
- Enjoy the discussions.

—*Denis Collins*
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