

The lexus and the olive tree by thomas friedman

[War](#), [Cold War](#)



The Lexus and the Olive Tree written by Thomas Friedman is not important because it simply refutes the long held belief that globalization is a temporary side affect to the machinations of American foreign policy interests, but because Friedman takes it one step further by claiming it is a totally new world system which has completely replaced the old Cold War system. Even the title of his book is representative of this idea. The Lexus and the Olive tree represent " symbols of the post-Cold War era: half the world seemed to be emerging from the Cold War intent on building a better Lexus, dedicated to modernizing, streamlining and privatizing their economies in order to thrive in the system of globalization. And half of the world-sometimes half of the same country, sometimes half of the same person-was still caught up in the fight over who owns which olive tree. The Olive trees represent what roots us, anchors us, identifies us and locates us in the world." According to Friedman, the trick to being successful in the global market is finding a balance between the Lexus and the Olive Tree. However, on the other side of the coin, any conflict between these two forces can cause a terrible backlash. The concept of the post cold war era being dramatically different is important because it shows just how much global economics (globalization) has shaped the political outcome of the world we now live in. Politics are no longer the driving force of change, it is now economics. Politics have become less and less important, economics, the free market, are now the catalyst for social change and political initiative: both good and bad. Friedman is quoted as saying that globalization " is the inevitable integration of markets, nation-states and technologies to a degree never witnessed before – in a way that is enabling individuals, corporations

and nation-states to reach around the world farther, faster, deeper and cheaper than ever before and in a way that is enabling the world to reach into individuals, corporations and nation-states farther, faster, and deeper, cheaper than ever before." It is the idea of conforming to globalization that Friedman continues on to his next important idea, the "golden straitjacket." Friedman's concept of the "golden straitjacket" is important because, as Friedman says in his own words, "to fit in the golden straitjacket a country must either adopt, or be seen as moving toward, the following golden rules: 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 tariffs on goods, removing restrictions on foreign investment, getting rid of quotas and domestic monopolies, increasing exports, privatizing state owned industries and utilities, deregulating capital markets, making currencies convertible, opening its industries, stock, and bond markets to direct foreign ownership and investment, deregulating its economy to promote as much domestic competition as possible, eliminating government corruption, subsidies and kickbacks as much as possible, opening banking and telecommunications systems to private ownership and competition, and allowing its citizens to choose from an array of competing pension options and foreign run pension and mutual funds. When you stitch all of these pieces together, you have the golden straitjacket." In order to achieve this kind of integration, Friedman says that we must, as countries, put on our "golden straitjacket" and conform to globalization, not expecting globalization to conform to us. It is

that mistake which can keep countries from joining the rest of the integrated and fully functioning " global marketplace." It also explains why the United States is the most successful, because, frankly, we have always been able to adapt, once we know how our particular " straitjacket" must be worn.

Another concept that Friedman touches on is the misunderstanding about what Globalization actually is. According to Friedman " It is a technology driven phenomenon not a trade driven one." He further describes one of the downfalls of globalization as Microchip Immune Deficiency. Friedman states that it is this 'disease' which caused the downfall of many a cold war era firm. Because executives were not able to " keep-up" with the changes, which evolved at the end of the Cold War, in technology, they were left behind and replaced by firms on the cutting edge. It was not so much that they didn't know about the technology, but they were simply too slow in implementing it into their firm. Adaptability and speed, new concepts relating to business in the post-Cold War era, now dictate who will survive in the new global marketplace. This concept is important to the ongoing discussion of globalization because it helps to clarify the issue of who is successful in the global economy and why. Although all of the analogies cited in Friedman's book can become a little tedious, the message regarding conformity and survival of the most adaptable to change is loud and clear. Those who shun globalization and what it brings may very well hang on to their " Olive Tree", but they will certainly be saying goodbye to their " Lexus." Friedman explains that it is information and technology which are the most effective tools for survival in the post Cold War era and those who are the fastest, or fittest, companies will be the ones who, not only survive,

but prosper, in the new age of globalization. Globalization according to Friedman is driven by the market, not the other way around, and its success is measured in terms of speed, not size. If you are not fast enough, whether you are a country or a company, capitalism is constantly destroying and replacing inefficient entities with stronger, more efficient ones. The beauty of this system, which has outlived all of the others, is that it is constantly renewing itself. Globalization must be viewed in much the same way. Nothing is sedentary, nothing fixed, everything is constantly being re-evaluated and then revamped in the new world order. Nothing is irreplaceable or guaranteed permanent, not our jobs, not our culture, not even our government. This idea gives new meaning to the phrase "survival of the fittest". Friedman's view takes it one step further. He states that globalization is replacing the need for politics, that as capitalism flourishes, politics becomes less important, less needed. As the internet and electronic communication becomes cheaper and easier to access, politics become more and more insignificant. Governments cannot lie to their citizens any longer because they all have CNN and internet access to the rest of the world. Friedman uses the example of a trip to China where he asked the Chinese interpreter about the village's broadcast sound system which were used to broadcast propaganda and the man answered that they had been taken out last year because no one listened anymore.... They all had internet connections in the village and access to satellite television news. CNN had replaced their government's propaganda machine. It is through the increased availability of information and telecommunications that carry information to the remotest parts of the world that people can stay

competitive in the global marketplace, even in the remotest parts of the world. Friedman cites an example of a trip that he made to the Indian village in the Brazilian rain forest, where their primary business is digging gold out of the ground; they monitored gold prices on their television located on the dirt floor of their homes. This could possibly be the best example of the perfect balance between the Lexus and the Olive Tree, where the old world culture is perfectly integrated with the global market, surviving intact, and is, in fact, flourishing. Besides communicating and exchanging information, the end of the Cold War also brought about a change in the way we invest our money. Friedman refers to this as the " democratization of Finance". By changing the way the United States handled loans to other governments, by making these loans public, these governments were made responsible for these loans, not just to the government of the United States but to individuals whose life savings may be a part of that loan. All of a sudden, foreign governments with loans were being held accountable to people all over the world. If a country began performing poorly, their loans were simply sold. This allowed investors to put their money in the best performers and for the countries that did not perform; they now found themselves being devalued. This forced new economic standards on governments wishing to borrow money. The lenders were now enforcing economic reforms by withholding loans if they were not happy with a government's performance in that regard. Although, banks lending money to governments abroad is nothing new, the amounts of loans being made today is massive compared to a couple of decades ago. Once again, globalization is driving changes within governments and economies, not the other way around. Friedman

gives an example in his book regarding the Asian meltdown of the mid 1990's when globalization caused a financial crisis to hit Indonesia, Korea, Thailand, Malaysia, Russia and Mexico and according to Friedman "laid bare a lot of rotten practices and institutions in countries that had prematurely globalized". Although Friedman talks about many other things such as the electronic herd and the golden arches brand of conflict prevention, the most important concept that Friedman brings to the table on globalization is that it is here to stay and although the United States is credited (or blamed- depending on who you talk to) with creating, managing and influencing globalization, it is actually globalization which created, managed and influences the United States, along with the rest of the world. An example of one country which has not yet attained this status is China. While many feel that China's fast growth will one day allow it to become an economic superpower, Friedman believes that because over forty percent of its current industry is state owned, their banks are not open to foreign investment and are largely failing, their currency is not convertible, and they do not have a stock or bond market in which foreigners can freely play, China will be running into some serious problems in the next couple of decades. In order for China to support a change over to privatization, massive amounts of Foreign Direct Investment will be needed to prevent them from being driven into a catastrophic recession. This is in direct opposition to what the Chinese government would have everyone believe. Friedman believes that without such a massive influx of FDI, there would be massive unemployment and business failure, causing major problems within their economy. He relates the transition of the Chinese to a completely capitalistic system to 1.2 billion

Chinese hitting a speed bump at eighty miles an hour, making the whole world bounce. China's transition is not going to be pretty at all, and the whole world is going to be forced to feel it. Friedman also goes on to say that even though America is by far the biggest winner in the globalization game, we still have a great deal of room for improvement. One such area is what Friedman refers to as the democratization of Capital. This means making capital available to the most distressed neighborhoods in America, so that they could improve their standard of living and create small businesses. He states, " American inner cities are emerging markets every bit as much as Bangladesh, and they sometimes need some of the same sort of market oriented assistance programs." He further states that one way to do that is through revitalizing the Community Reinvestment Act, which uses government pressure to make affordable credit available to distressed neighborhoods. He believes that by making capital available to the poorest of the poor, it will lead to a reduction in the poverty level and a higher per capita income. Taking these strategies, along with creating the legal and economic institutions which would support them, to developing countries could have the same effect in reducing poverty. Although Friedman seemed like a globalization cheerleader at times, his arguments carried a lot of weight. Given that the Cold War is over and so is the bottomless support that often came to nations when they could not support their own economies, globalization is also the only game in town. According to Friedman, " now when a nation falls it falls," with no one left to save them, but themselves. Friedman's last word " Protection, not protectionism. Cushions, not walls. Floors, not ceilings. Dealing with the reality of the fast world, not denying it."