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Jeffrey Barlow
Pacific University

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Dining, Whining, and Opining: From the Googleplex to Beijing

Editorial by Jeffrey Barlow

All editorials are at bottom opinion pieces; otherwise we would launch them under other, more objective titles. In this October posting of Interface, I discuss recent travels to Silicon Valley against the backdrop of the current economic panic on Wall Street. I argue that the world market, due to the impact of the Internet, is a unified one requiring that any solutions to the crisis take into account opinions abroad, particularly in Asia.

My travels began in mid-September when I had the good fortune to travel to Google in Mountain View, California, where I observed the opening several hours of this year's "Zeitgeist" conference—Google's annual extravagant gift to its more important partners. I was not included in this group, but while in good faith looking for the conference to which I had been invited, I was misdirected to the Zeitgeist auditorium just as the lights went down, dazzling digitized displays came up, and James Fallows introduced Jared Diamond, both particular heroes of mine. As I had two hours to find my own conference and there were plenty of extra seats, I saw no reason to hustle out.

Ninety very informative and entertaining minutes later, I went from there to another part of the Googleplex for the conference of the Family Online Safety Institute. There I viewed the PBS documentary "Growing Up Online," with its producer Rachel Dretzen and a number of representatives from various interest groups and industry sectors who were also there to discuss the question of safety on the Internet. This group was dressed very differently than the Zeitgeist audience, less entertained than concerned, and our lunch, while tasty and filling, was somewhat south of the fine dining I had seen being prepared for the Zeitgeist luncheon as I left.
Then that evening it was back to the Intel complex in Hillsboro, Oregon, to hear Dr. Kanwal Rekhi, the most successful of Indian-born entrepreneurs in the U.S., discuss "The Branding of India, Indians, and Indians in America" at the local meeting of The Indus Entrepreneurs, or TIE. While now immensely wealthy and treated with open awe by the audience largely composed of young Indian engineers, many from Intel or other Silicon Forest firms, as we Oregonians like to call our own high-tech enclave, he chronicled a period when Indians like himself were met with suspicion and steered forcefully away from the front office to careers as techies. More than once when seeking venture capital in the late 1960s and early 1970s he basically was told that his small group of Indian entrepreneurial friends was not fundable because they had no white guys in management and sales. Since then, Dr. Rekhi has gone on to found, work with or invest in more than fifty high tech firms worldwide.

In between my conferences at Google and at Intel, I met with a variety of people in the industry, including members of our Berglund Center board. Throughout this rapid series of events, I was informed by my reading of one of the books reviewed in this issue, Palfrey and Gasser's *Born Digital*. Palfrey and Gasser concentrate upon a world of Internet-enabled "Digital Natives" who promise, if conditions are right, to make immense contributions to human progress. But while thoroughly enjoying the work and finding it a useful guidebook to the people I was meeting from the Silicon Valley to the Silicon Forest, it was also oddly dissonant with the events unfolding around me.

My travel took place from September 16th to the 17th, while the U.S. stock market fell almost 800 points and rose 700, at one point gyrating over a range of more than 600 points in one day. American financial authorities and the White House rushed to create an immense and somewhat vague relief package that may or may not stem the current outgoing tide of investment capital and the associated decline of financial markets worldwide.
Behind this worldwide financial panic is, of course, electronic communication and computer-enabled investment practices ranging from derivatives to currency arbitrage. The net has made us one bourse. And the economic role of "foreigners"—a term that while ostensibly merely descriptive can quickly become pejorative—has altered significantly. In the 18th century we were also one bourse, a net of precious metal extraction and trading that took silver from Peruvian and Mexican mines to Europe, onto India, and then finally to China, which was silver's ultimate consumer. That market was held together not by electrons but by slow and uncertain winds pushing creaking sailing ships, when all worked properly, across vast oceans of space and time. Then, few were aware that the price of silver in China was somehow related to the ability of English or American entrepreneurs to purchase iron and coal for emerging modern industries.

While the net of sailing ships also transformed economies, it did so very slowly, and so subtly that the effect was easy to miss. Now the transformations, occurring in Internet time, are so rapid that they again defy comprehension. But it is apparent that the world has just changed significantly. While many of those changes are unknowable at present, certain elements are clear. One is the simple truth that we are one bourse; foreigners, Americans, our fates are very much intertwined.

Americans like to think that our influence upon the "outside" world is disproportional to its influence on us. Clearly our importance to the world market is disproportionate to our numbers, even to our wealth, because of our reckless willingness to borrow, both as individuals and as a nation. But our current reliance on outside capital to finance the resultant deficit, and our willingness to import oil even at catastrophic prices, makes us particularly vulnerable to the perceptions of foreign investors.

We are also more dependent than we have ever been on the talents of what many call "foreigners" even if those so designated are nationalized citizens or even American-born, as my recent travels demonstrated to me. Indian techies are ubiquitous in Silicon Valley and of course, the
meeting of TIE at Intel demonstrated their importance in the Silicon Forest as well. The estimate of the Indian techies at Intel was that they were more than one third of the total engineering work force.

All of these people, Americans or not, Palfrey and Gasser call "Digital Natives." But those authors remind us that this is by no means a "generation," because of the gap between the digitally-enabled wealthy and the very dominant poor, but rather a select "population." But the cultural context in which this minority progresses is surrounded by multitudes who see the intrusion of a global culture centered upon the values of science and the Western tradition, not as an opportunity but as a threat to indigenous cultures and beliefs.

Moreover, as Americans we have an additional problem. Our recent high-handedness in international affairs has added greatly to long-term resentments at our past pronounced economic, cultural, and political dominance. For example, our daughter is studying in Beijing at Tsinghua University, China's own geek and policy wonk paradise, with a group of twenty-somethings, including Africans, Russians, Palestinians, Iranians, and some few Americans. When one of their number arrived at lunch recently and breathlessly announced that the American economy had finally collapsed, the group largely met the news with excited approval, seeing it in part as a possible beginning of their own liberation from American influence.

That luncheon table in Beijing is also the world of the Internet. It is far more than an increasingly homogenous—because increasingly interactive—group of twenty-somethings bopping to an MP3-delivered world beat. It includes many talented and ambitious people, as well as many poor ones, who emphatically dislike America, partly from past experience, if also from less well-founded resentments.

The current financial panic presents Americans with a number of unpalatable choices. We are now far enough from the initial suggestion of a five hundred billion dollar bailout of troubled firms—since grown to
seven hundred billion—to have read the polls, and to have had an opportunity for specialists and politicians to speak. It is evident that there is much opposition to the proposed bailout, currently a three-page document entirely lacking in details.

Here I wish to confine myself to one small corner of these issues, the question of Asian support for such a bailout. Such support might be expressed at the simplest level in rising Asian markets, which would in turn generate capital to support the American economy. Others hope that foreign institutions will kick into the seven hundred billion pot in order to protect their own economies from the consequence of what is feared to be, failing a bailout, at least a prolonged American recession.

Some foreign observers have pointed out that when the Asian economies slumped in the late '90s, our own advice, forcefully delivered through the American dominated International Monetary Fund and the World Bank, was that these countries had to suffer in order to recover. Their firms, even if long-established flagships, had to go down in the name of "market discipline." Market discipline, however, seems suddenly to have become absolutely unimportant—a fact much noted abroad.

Other Asians believe that the underlying problem is more than a temporary capital shortage remediable with a massive transfusion. Some feel that the underlying issue is a distorted financial system lacking meaningful regulation which serves in large part to regularly transfer huge sums to a small percentage of consumers, leaving the vast majority to borrow in order to finance their purchases of Asian products. As one influential Chinese investor said, "You have been selling mirror images reflected in other mirrors, and it is over."

The danger, it seems to me, is another sudden shock, perhaps a rapid decline in the value of the dollar. This would presumably stampede all doubters into signing on the dotted line, three page long agreement or not. This is the implied threat held over the American people and Congress.
There well could be some continuing decline—after all the seven hundred billion will not reduce our oil bill, nor our deficits, but rather add rapidly to them. But there are factors which reduce the probability of a rapid decline. Most Asian holders of American dollars, notably China, Taiwan, and Japan, do not want to dump that currency. Those holdings are far the largest part of their own accumulated wealth.

In addition, Asians truly want to see the American economy recover, not temporarily, but in a manner that would promise more than just a caesura before the inevitable subsequent panic. For many of these observers, themselves members of highly cooperative societies, a solution that would strengthen consumers in general—perhaps by protecting those holding delinquent mortgages—would also be a strongly positive indication that the U.S. now intends to come to grips with another important part of the underlying problem.

Another positive sign for Asians would be some indication that the investment of seven hundred billions of taxpayer dollars would purchase public equity in the firms being bailed out; equity which could later be sold, permitting the American state to reduce its deficits, which would further strengthen the economy. This was the model followed by Sweden in dealing with a very similar difficulty in 1992.

And there are, after all, also very different models to examine. When the Asian Contagion of 1997 hit Asian economies, a major issue was how to support effective demand, how to bring value back into the economies as world investment retreated and Asian currencies collapsed. The Chinese chose to invest in education and transportation infrastructure. This put money into the coffers of the local and provincial governments which managed the projects, and ultimately into the hands of workers. The result was that while Chinese growth slumped, it still continued. After the smoke cleared, China had thousands of miles of new roads, railways, many new educational institutions, and a populace that felt that such suffering as had occurred had been widely shared. Once we can decide upon an appropriate solution, we still must decide who is "us" and who is "them." Any bailout of troubled financial institutions must include
foreign ones as well. We need the talents and the investment funds of foreigners, and to pull back into a fortress America mentality would be worse than reckless; it would be stupid. Yet it will be a tempting argument for many who do not fully understand the roots of our problems, or who do not wish to solve them in an equitable manner.

But it is much easier to say what can go wrong than to be optimistic. We got into this mess in part because of the breakdown not only of our banking system, but also because of the breakdown of our political system, gridlocked in partisan struggles while quietly ceding real power to those private interests which fund the electoral system and effectively preclude real regulation. And our traditional watchdog against such crimes, the press, has mutated into some sort of infotainment monster that now gropes to understand, let alone explain, where we are now and how we got this way.

So many questions: will the captains of finance who put us on these shoals be rewarded for their prior greed from the two thousand dollars per American man, woman, and child required to fund a bailout by even the most minimal estimate? Will the incoming President be left with enough resources, let alone power, to referee what promises to be yet another struggle over the corpse of the market economy? Can either of the candidates understand this mess sufficiently to help solve it? Does the electorate even care? Can we build a consensus to look at new solutions or will we depend yet again on the Old Time Religion to see us through?

And all these questions arise in an environment where information, incorrect information, and outright misinformation, circulate only slightly slower than light. The world is not only watching now, but will be a participant in this issue, and an increasingly skeptical one.

I conclude with an incident from Google's Zeitgeist. One of the speakers was Gao Xiqing, a very sophisticated graduate of Duke Law, a former Wall Street attorney, and a protester at Tian An Menin 1989. Now he is the head of the state institution which selects Chinese investments
abroad. He was asked how China might feel about future investments in the United States including, of course, those financial instruments which support our deficit. He paused and selecting his words carefully, replied that China was going to behave as a rational investor and observe very carefully. The price of silver in China—in this case, dollars—is again important, and this time around we had better recognize that fact.