

“Network Power and Globalization”

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Good morning. I'm delighted to be able to participate in celebrating the IIT-Bombay's founding. As someone who has gone to the best universities in the United States, I'm well aware that the IIT-Bombay is one school that I certainly couldn't have gotten into – so I'm very pleased to be up here on this panel with so many IIT folks. When I show my wife the alumni tote bag I got this morning with registration, she'll finally believe that I'm moving up in the world.

As Pradeep mentioned, I've recently published a book on the “social dynamics of globalization.” Well, we all know about globalization – but what are these social dynamics that I focus on? Let me give an example that may very well have been relevant for some of you today: suppose you were expecting to meet someone in Manhattan, but lost your cell phone or blackberry, and had no back-up plan to coordinate. What would you do?

Easy, you might think: head for the reception desk downstairs to leave a written note. But what if we make it a little more complicated? Suppose your friend didn't know which hotel the conference was at, and had no way of finding out. What would you do? Now you might think it would be absurd to suppose that the two of you—lost among millions of other people in the middle of Manhattan—would ever find a way of meeting up. But,

in fact, if you were like most New Yorkers, you'd head to the clock tower in the center of Grand Central Station and wait there for your friend. And at what time would you go? Most people say they'd go at twelve noon. And, most likely, you'd find your friend waiting there for you.

This is an example of what the Nobel-prize winning economist Thomas Schelling calls the logic of "tacit coordination." What it basically shows is that even without prior agreement, we can coordinate our activities together by second-guessing what the other person might do. Now, of course, you have to second-guess what he'll be second-guessing about *your* behavior. Philosophers sometimes call this kind of guessing about other people's guesses a game of "higher-order expectations."

Ok, so now let's think a bit more carefully about Grand Central Station. What's so great about it? In fact, nothing – sure, it's a place where commuters pass through, and it's very pretty. But the reason it is an established meeting place is simply that it *is* an established meeting place. Even an arbitrary rendez-vous spot can serve as a powerful convention.

Let's apply this thinking to globalization, which is what I try to do in my book. Let's take the example of an international business conference. Suppose you are sent an invitation to an international conference with a location yet-to-be specified. Which language do you suppose will be spoken at the conference? [English].

Now suppose you were told you'd be meeting up with an international team of scientific researchers coming from a variety of different backgrounds. Which language do you suppose they will use to communicate? [English]

Now, suppose you are asked to send a proposal to someone overseas, and you don't know which word-processing program he or she uses. Which one would you use for your first try, hoping for easy compatibility between your word processing systems? [Microsoft Word]

In all these cases, what's going on is that an international network is coming together using a certain "standard"—like the English language, or Microsoft Word—to be able to connect. The fundamental thing that underlies the new global networks, and keeps them together, is in fact nothing more or less than exactly this kind of *shared standard*—that is, a convention that allows us to cooperate, whether we're talking about languages, measurement systems, or technology platforms.

What's fascinating about standards, though, is that the more widely used one of them becomes—that is, the more people who depend on it to mediate their activities—the more *valuable* it is for everyone else to use *that same one*. Take English, for an obvious example. It's not the new global lingua franca because it's such a great language, but it's because so many people currently speak it that we can expect even more will want to speak it in the future. It's become like the clock tower in Grand Central, a point of coordination among billions of people asking not where, but *how* they are going to be

able to meet up with everyone else. Globalization presents not a problem of physical coordination—where am I going to meet my lost friend—but a problem of social coordination—which standards should I use to be connected with everyone else.

Now, everybody remembers New York Times-columnist Thomas Friedman’s explanation of the world as flat. But the idea that I want to put across today is that the world *isn’t* flat, exactly. It’s networked.

What’s the difference, you’re going to ask. Well, in a flat world, it wouldn’t matter which standards you used. But in a *networked* one, the question of which standard people use to coordinate their activities matters enormously. And this raises complicated issues. For example, the use of shared standards allows us to participate in a new, networked global economy and to do and experience lots of fantastic things. On the other hand, to enjoy these benefits, you usually don’t have any choice *but* to accept and connect up with whatever the dominant standard of the day happens to be: you pretty much *have* to use Microsoft, or speak English, or learn to speak it if you don’t already speak it well. A single person, or a small group of individuals rarely have much power over the choice of which standard to use, at least once a particular convention has been established.

This takes me to the key issue of the new form of power that I argue is at work in today’s globalization: what I call “network power.” The idea of network power consists in the joining of two ideas. First, that coordinating standards like languages or technical platforms are more valuable when greater numbers of people use them. This is the idea

that economists sometimes describe as “network effects,” and which I think we must consider not only with regard to technical standards, but also social ones. And second, that this dynamic can lead to the progressive elimination of the alternatives over which otherwise free choice can be exercised. Or, to be brief about it: that there are many different possible rules of the game, but once one set of rules gets established, it can lock-in as the convention of choice for some aspect of globalization.

Network power emerges with the new forms of social coordination made possible by global standards, building off the compression of space and imagination that technical advances have brought about. That social coordination is the highest form of globalization: simply being able to “go global” in a technological sense—the ability to teleconference internationally or take an international flight—that’s just the beginning of globalization. The real heart is in the shared standards that mediate our activities *once we’ve already been hooked together* by these technical advances. As one of these shared standards gains prominence, it can push to universalization—to becoming a dominant global standard.

Now in some cases, we might well think it doesn’t *matter* that we’re converging on a set of dominant standards in globalization: say, the English language or the trading rules set by World Trade Organization agreements. But in other cases, we might think it matters a lot. We might think that people are at risk of losing valued cultural identities, local practices and norms.

My guess is that a huge amount of the resentment against globalization that we see on the front pages of the newspapers can be explained if we look at globalization this way. A networked world is not the same thing as a flat world: it's only possible to connect and collaborate with other people in a network if you agree to do things the same way they do. So while living in a globalizing world means that we can all access many more interesting things than we could if our horizons were more exclusively local, we only get to access these things if we accept certain 'rules of the game' that aren't easily changed, that don't always include everyone, and that aren't necessarily equally easy for everyone to learn to adopt.

This brings me to one final point I wish to make before closing, which ties the argument I've been developing here back into what Pradeep and Arjun were discussing. They spoke about the shift of power to Asia, and the rise of a "third wave" of globalization centering on Asia, Latin America, and Africa. I think if we add the idea of network power to that understanding, it shows us how there can be a kind of "momentum" in the power that one country or set of countries has geopolitically. For example, it is commonly remarked that the United States is now overextended militarily and financially, and if we are to judge its power by those metrics, it's an empire on the way out. But if we look at the network power of the standards that the US has established—often building, it should be added, on standards that it inherited from Western Europe following the industrial revolution—then the picture becomes more complicated. A country that has set the standards for today's globalization may reap benefits from being the center of the new global networks long after any more obvious signs of its power have faded.

I'd be very happy to discuss any of this further in the Questions and Answers – whether it's the description of globalization as driven by new networks, or the ethical and political concerns raised by network power, or even where I think India fits in the new global networks. Thank you very much for your attention and, again, for including me in these festivities.