

Lecture- 16



IV. DISTINGUISHING PRIVATE AND PUBLIC DIGITAL SPACE

The Internet is only one portion of the vast new world of digital space, and many of the dramatic features attributed to the Internet's power to neutralize sovereignty are actually features of private digital networks, such as those used in international finance. Many assertions about economic processes, dynamics and potentials are happening in private digital space and have little to do with the Internet. I consider this a serious, though fairly common, confusion. comes to the broader subject of network power, most computernetworks are private. It might be worth repeating that even if we just consider Internet Protocol compatible networks and we take the figures for the period preceding the explosion of business interest in the Net, also then most networks were private: Just counting networks as opposed to traffic volume, in 1994 there were about 40,000 IP compatible networks, but the Internet itself accounted for about 12,000 of these. That leaves a lot of network power that may not necessarily have the attributes of the Internet. Indeed, much of this is concentrated power and reproduces hierarchy rather than distributed power. Most financial activity and other significant digital economic activities take place in private digital networks. Further, as I already mentioned, much of the use firms make of the Net today assumes the form of firewalled web sites and, increasingly, privatized "tunnels" — the new citadels on the Net. This is not likely to strengthen democratic practice.

Further, we must recognize that private digital networks are also making possible forms of power other than the distributed power made possible by public digital networks. The financial markets illustrate this well. The three properties of electronic networks: speed, simultaneity and interconnectivity have produced orders of magnitude far surpassing anything we had ever seen in financial markets.

Before the financial crisis in Asia hit the global market, turnover value was estimated at US\$ 75 trillion — a figure that dwarfs the value of cross-border trade and investment. The consequence

has been that the global capital market now has the power to discipline national governments, as became evident with the 1994-5 Mexico “crisis” and the 1997-8 Asian crisis, when investors were capable of leaving en masse taking out US\$55 billion, and the foreign currency markets had the orders of magnitude to alter exchange rates radically for some of these currencies.

It also may be significant that although in some ways the power of these financial electronic networks rests on a kind of distributed power, i.e. millions of investors and their millions of decisions, it ends up as concentrated power. The trajectory followed by what begins as a form of distributed power may assume many forms, in this case, one radically different from that of the Internet. It signals the possibility that digital network power is not inherently distributive. Intervening mechanisms can re-shape its organization. To keep it as a form of distributed power requires that it be embedded in a particular kind of structure.

Digital space, whether private or public, is partly embedded in actual societal structures and power dynamics: its topography weaves in and out of non-electronic space. In the case of private electronic space, this feature carries enormous implications for theory, for the results of the digitalization of economic activity, and for the conditions through which governments and citizens can act on this new electronic world of the economy and power. The embeddedness of private economic electronic space entails the formation of massive concentrations of infrastructure, not only worldwide dispersal, and a complex interaction between conventional communications infrastructure and digitalization. The notion of “global cities” captures this particular embeddedness of global finance in actual financial centers.

There is no purely digital economy and no completely virtual corporation. This means that power, contestation, inequality, in brief, hierarchy, inscribe electronic space. And although the digitalized portions of these industries, particularly finance, have the capacity to subvert the

established hierarchies, new hierarchies are being formed, born out of the existing material conditions underlying power and the new conditions created by electronic space.