

Egon Matzner
<<http://members.aon.at/egonmatzner>>

La Marsa, 10 October, 2002

Globalisation in a Monopolar World*

1	“The Eagle has Landed”	2
2	Vision of a Multipolar World	3
3	A Model of US Hegemony	4
4	Globalisation as Rule Making	11
5	The Treacherous Global Playing Field	16
6	September 11 and what followed	19
7	How to Deal with the Hegemon?	21
	Literature	24

Earlier versions of this analysis were presented and discussed at the European Studies Institutes at the Universities of British Columbia, Vancouver, of Carlton, Ottawa, of Alberta, Edmonton, at Victoria, Victoria and of Szombathely, Hungary as well as at the Universities of Economics and Management in Bratislava and Lodz, Poland. Extensive discussions took place in Austria at the European Forum, Alpbach and at the European Peace University Institute in Stadtschlaining. I am grateful for the many critical and supportive arguments from which I could take benefit.

The model of US dominance on which this analysis is based was first published in the author's book *Monopolar World Order. On the Socioeconomics of US Dominance*. Szombathely: Savaria University Press 2000. Online edition: www.ciando.de, Munich 2001.

* The author expresses his thanks to Silvia Plaza for translating parts of the manuscript from the German original and for improving the whole text stylistically.

1 “The Eagle has Landed”

This essay is about globalisation. It differs from most articles and books on the same topic by conceiving globalisation as man-made and not as a quasi-natural process. It focuses on the making of rules that influence the flows of trade, finance, information and technology – i.e. the phenomena that dominate most of the literature on globalisation.

Global rule making is intrinsically related to power capable of exerting global influence. Thus, an analytical model is needed that captures the essential elements of the power structure which evolved after the implosion of the Soviet Empire and the end of the bipolar world.

The obvious fact of US global hegemony has taken quite some time to enter public awareness. It is frequently described now, sometimes quite critically, sometimes celebrated as a great blessing to the world – e.g. in Thomas L. Freedman’s *The Lexus and the Olive Tree. Understanding Globalisation* (2000). Even the notion of an American Empire has come into use, the term often being used in a complacent manner. The most spectacular acknowledgement of US dominance was presented by the US historian Paul Kennedy. Until recently the prophet of American decline, he celebrated the one remaining global superpower with a brilliant essay in the London *Financial Times*. Its telling title is “The Eagle has landed” (Kennedy, 2002). This essay was illustrated with a frightening giant eagle surrounded by tiny animals symbolising Great Britain, Russia, China, India, Japan and France.

It is one thing to recognise and acknowledge, or to reject US hegemony. It is, however, quite a different matter to capture this situation in a model which allows description, explanation and forecasting of events, as well as an explicit discussion of political options in coping with the hegemon. Such a model is also crucial for understanding globalisation as the making and emergence of global rules. This is what this essay is about. The basic idea that inspired it was my vision of a multipolar and less asymmetric world.

2 Vision of a Multipolar World

The end of bipolar logic may be illustrated by an example taken from physics. Consider a situation in which two poles determine a field of energy; suddenly one of the poles disappears without replacement. In the arena of human conduct, actors in politics, economics and culture must adapt to the new monopolar power constellation. For many, this means “complete adaptation”, by own choice or enforced by the situational logic. Left to their own resources, very few actors succeed in enforcing their individual interests vis-à-vis the monopolar macro factor. However, a more multipolar and less symmetric world order is conceivable, both as a preferable state of the world and a yardstick for analytical purposes. Its main elements could be:

- (1) A reformed UN Charter as global constitution. It would have to embody the following principles:
 - political settlement of international conflicts;
 - equitable representation in the Security Council with equal weight for the major world regions;
 - guaranteed respect for cultural and institutional diversity in addition to a respected catalogue of universal human rights;
 - guarantees for sustainable economic development and the protection of bio-diversity.

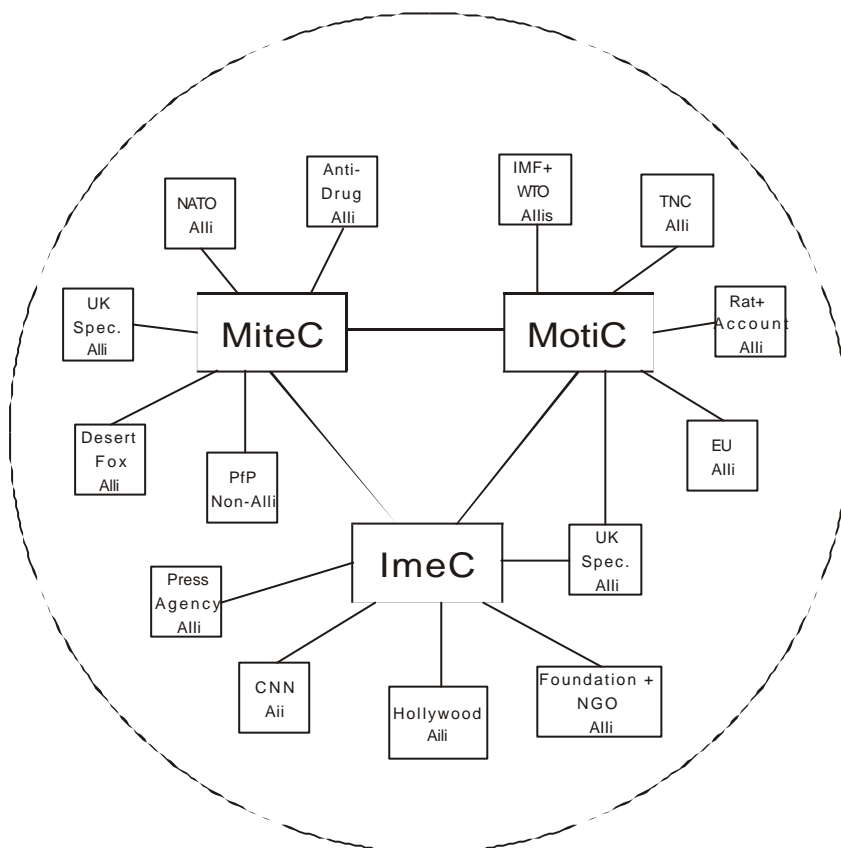
- (2) The international monetary order of a reformed International Monetary Fund (IMF) based on:
 - a global currency as international means of payment instead of a national one, i.e. the US dollar.
 - a symmetrical mechanism for settling balance-of-payments difficulties, in which both creditors and debtors would be responsible for the removal of imbalances, instead of the present asymmetrical mechanism holding solely the debtor countries responsible.
 - A World Trade Organisation (WTO) that would accept cultural, institutional and biological diversity as values not to be sacrificed to “free” world trade.

The aim of such a truly new world order is to create conditions inducing a diverse world co-operating out of self-interest with gains benefiting all co-operating parties.

3 A Model of US Hegemony

Most models in the social sciences implicitly assume a situation allowing the expression and exchange of individual interest. They therefore tend to capture situations of equilibrium in which mutual benefit is assured to the participants by assumption. It is, however, highly questionable whether the expression of individual and mutual interest is feasible in situations characterised by disequilibria. It is quite certain that it is impossible to realise mutual interest in asymmetric relations, which tend to go together with unequal exchange. It is therefore inadequate to represent such situations by equilibrium models. I suggest, instead, to adopt a graphic model explicitly focusing on the pillars of US influence.

Fig. 3.1 The MOWO Net



Legend:

MOWO	the Monopolar World Order Net
MiteC:	the Military-Technology Core
MotiC:	the Monetary-Industrial Core
ImeC:	the Ideology-Media Core
Alli(s):	Alliance(s)
PfP:	Partnership for Peace: Non-Alliance

Source: Egon Matzner 2000, *Monopolar World Order. On the socioeconomics of US dominance*, Szombathely: Savaria University Press, p. 156. (Online edition: www.ciando.de, Munich, 2001)

3.1 The MOWO Net

As shown in Fig. 3.1, US dominance rests on superiority in three major and interdependent key areas, decisive in exerting influence. They are: (1) the military-technology core (MiteC); (2) the monetary-industrial core (MotiC); (3) the ideology-media core (ImeC). In addition, US superiority is supported in each area by two capabilities, i.e. technological/organisational conception and execution, as well as by adequate accessibility of resources.

The military-technology core (MiteC)

In the field of military technology, in terms of technological/organisational conception of “hardware” and “software”, the US is currently uncontested. The US military budget was drastically increased in 1999, including *inter alia* the “Strategic Defence Initiative”. A further increase followed after September 11. These increases will boost the US lead even more. Global US military strength is unequalled and enhances US capabilities in all other respects, too.

The monetary-industrial core (MotiC)

In monetary-industrial terms, US superiority rests on the US dollar acting as world currency, as well as on the United States’ influence as most powerful member of the IMF and as a powerful centre of alliances within WTO. The dollar as world currency enables the United States to “live above its means”, i.e. to settle its balance-of-payments deficits by emissions of dollars at zero interest. Under-valuation of the dollar strengthens the US economy’s export potential and increases dependence on credits of countries using the dollar as unit of account, as is the case with oil exports. (Schulmeister, 1999).

The ideology-media core (ImeC)

In ideology-media terms – one might also speak of mythology-media terms – American superiority rests on the presentation and enforcement of a simplistic home philosophy propped up by highly sophisticated research tools. The simple ideas making up the Washington Consensus, which rarely stimulates economic development leading to increased welfare, are based on a completely unrealistic model of automatically equilibrating markets. The theoretical foundation of the Washington Consensus is nothing but an artefact of unrealistic and misleading fiction about the real world. Its origin can be traced to the myths of the American founding fathers (see Will Hutton, *The World We’re In*, 2000). This is far from being an ideologically biased judgement but rather a sober assessment, *inter alia* by the conservative market economist Ronald D. Coase in his Nobel Prize lecture (1992). Ideological hegemony irrespective of adequacy includes control over academic degrees, financial endowments, rewards and publication paths (Bhaduri and Nayvar,

1996, Hodgson and Rothman, 1999, Wade, 2002), as well as access to global media. A simple idea + scientific/moral legitimisation + global mediation (by UPI, CNN, Syndicate Press etc.) – this is the essence of ideological dominance. Ample funds are available for this purpose, from the US budget and as well as from EU institutions and private foundations.

The three key areas of dominance are strongly interdependent, as evidenced by the use of almost identical electronic equipment on the part of both the US military and Hollywood. “Uncle Sam goes to Siliwood” (Hozic, 1999) is the telling title of a study exploring this phenomenon.

3.2 Alliances as instruments of domination

Today, in 2002, US “core” superiority appears to be universally unquestioned. Unilateral superiority, however, is not sufficient for domination. For global dominance to become effective, the US is bound to build alliances. Some of the most important and visible alliances are outlined in Fig. 3.1 above.

In his analysis of the current geopolitical situation, Harvard political scientist and former US deputy defence secretary Joseph Nye Jr. (2002) arrives at a similar understanding of today’s world. Another prominent scholar of international relations, Huntington, thinks that even in a monopolar constellation the US must rely on co-operation with regional powers to maintain its capability for global intervention. As dominance provokes worldwide resistance, the “lonely superpower”, becoming increasingly isolated, may ultimately end as a “hollow hegemon”. Huntington consequently pleads in rather general terms for a multipolar, more symmetrical world order, even though the three core areas of US dominance remain outside his analysis. So far, the United States’ ability to form alliances still appears to be intact, but, due to the unilateral and arm-twisting way of preparing for war against Iraq, it came under increasing strain in mid-2002.

Military alliances. In order to shape and employ alliances as a means of dominance and intervention, “just causes” are defined and propagated by the US and its allies. They have to be persuasive to rally public rage and support in democratically advanced countries. Thus “human-rights violations” (e.g. in the case of former Yugoslavia) or “terrorism”, both undoubtedly reasons for concern and appropriate counter action, are all too frequently instrumentalised for quite profane purposes, e.g. to dominate regions rich in natural resources or of strategic interest. The designated culprit to be destabilised becomes the embodiment of “evil”; a “rogue” to be disciplined, if necessary, by military means. Mostly, US alliances rest firmly on US special relations with the United Kingdom and include NATO members. Whenever possible, actions

are legitimised by UN Security Council decisions. In contradiction to the UN Charter, however, the new NATO Treaty of 1999 allows NATO to act unilaterally, if this is regarded to be in NATO's vital interest.

NATO action in Yugoslavia attained its vaguely declared political aims rather imperfectly. It proved, however, that European states can be mobilised for "out-of-area" warfare under US command, a signal certainly understood in Russia, for example, as well as in other parts of the world that are rich in natural resources.

In the *monetary-industrial core area*, US alliances rely on the world's financial centres, transnational corporations, rating agencies, auditing, accounting and consulting firms, and, politically, on the United States' special relationship with the United Kingdom. No major credits are granted without reference to US- and UK-based rating agencies. The auditing firms are indispensable in the evaluation of assets in the case of major mergers or large-scale privatisation. When market economy was introduced in the post-Soviet countries, the local offices of those agencies received subsidies from the donor countries' state budgets, particularly US-AID funds (see Janine Wedel, 1998). The respective procedures and policy targets are formulated by established intergovernmental organisations such as IMF, World Bank, WTO, ILO, OECD, or by regional institutions such as the EU, NAFTA or ASEAN.

In addition to those arenas, ad-hoc platforms are formed which essentially try to expand the markets of transitional companies through media campaigns and lobbying. A striking example of such a platform is the "Council for the Expansion of NATO" whose chairman is the chief executive officer of the second-largest US arms conglomerate. Other examples are the "International Chamber of Commerce", promoting world-wide liberalisation of markets, or the "Coalition of Service Industries" which, inter alia, tries to put the privatisation of the health sector in welfare states on the agenda of GATS negotiations in WTO.

In a similar manner, opposition to the initially successful civil campaign against the OECD's "Multinational Agreement on Investment" (MAI), crippling government authority in matters of foreign direct investment, was neutralised. The essence of MAI is now pursued by informal platforms as well as intergovernmental authorities (e.g. the EU). This strategy of immunising organised resistance by external groups has become a quite successful model of influencing governments, parliaments and institutions.

Britain holds a privileged position in the US game of alliance formation, preventing the EU from bringing its full weight to bear against US positions. (See also Huntington, 1999 and Hutton, 2002). Using its weight, the EU could gain the relative majority of shares in the IMF and could thus become able to

out-vote the USA. Britain is also the US voice in NATO. Tony Blair's New Labour policy, fully backed by the US administration, the financial world and global media, lends his unconditional support to US dominance, going far beyond the historical and special relationship between the two countries. Some commentators ridicule Her Majesty's present prime minister as an American "lap dog". (Will Hutton, 2002).

The boundaries of the third *core area*, that *of ideology and the media*, are hard to define with clarity. Yet, it is useful to make this a separate item. Networks facilitating the global propagation and implementation of the neo-conservative message are publishing houses, radio and TV networks, research institutes and consultancies alimeted by potent universities (e.g. Harvard), or accounting corporations financed by government and public institutions.

Wherever governments do not bow to the Washington Consensus, appropriate messages plus funding are mainly propagated via non-governmental organisations (NGOs). In "old democracies", NGOs act as fairly independent pressure groups to survey and correct "official rationale" in questions of ecology or human rights. Post-Soviet NGOs, idealised as "civil society" per se, were intended to actively intervene in the *res publica* or, perhaps in Tocqueville's sense, even replace it. As Ferenc Miszlivetz (1999) has shown, this hope was not fulfilled, i.a. for lack of financial autonomy and hence dependence on foreign donors. Many NGO programmes are shaped by the donors' perceptions and requirements.

Thus, the neo-conservative code of behaviour influences the most minute details, down to support for dissertation topics – however nonsensical those may be and even though they are recognised as such by the beneficiaries. The "social mechanism" at work here fully corresponds to Hedström's and Swedberg's (1998) elementary description. It consists of three elements:

- (1) Individuals (scientists, civil servants, former party functionaries, intellectuals often suppressed and treated unjustly by the former regime) under the threat of pauperisation;
- (2) Offers by foreign bodies to fund local individuals who will propagate the introduction of democracy and market economy;
- (3) Creation of institutions, contracts, etc. providing the local partners, but also the financial donors' administrators, with a source of income (the local partners often have no other alternative except poverty).

Money exerts a special influence. It is superior to brute force, for it enables agents to do without force. One has, however, also to bear in mind that many people in the former communist countries as well as in the Third World

honestly believe in the moral, political and economic values on which the Washington Consensus is based.

3.3 The origin of US superiority

The present US hegemony did not fall from heaven; it is the result of human action. A major and continuing source of US strength is the still relatively great *openness* of US society. Since its beginnings, the United States has been basically open to the influx of persons and ideas. Its open society thus has been the basis of American strength, enhanced by its Constitution. The spirit of competition still results in excellence in the three core areas on which US dominance rests. Wealth and reputation of excellence continue to build up in the three core areas. Even more importantly, US generosity and openness still attracts talents from all parts of the globe. Succeeding in the US is the highest career target for many of them. Particularly welcome are talents from regions potentially important in the future (e.g. graduate students from Latin America and the Pacific region).

Power, in addition, is a force of its own, comparable to a magnetic pole attracting metallic objects, or gravity acting on all forms of matter. If this passive power does not suffice, more active forms of power can be brought to bear. One manifestation is US negligence of international law as well as the formulation of international rules that are solely in the national US interest (e.g. arm's-length jurisdiction). A particular case in point is the acquisition of foreign technology corporations by US firms and, at the same time, denial of this right to foreign firms whenever sensitive technology is at stake. The US invokes the invisible hand of the market, or the visible hand of its law-givers, or the visible fist of its armed forces in cases perceived to be in the "national interest".

"The hidden hand of the market will never work without a hidden fist – McDonald's cannot flourish without McDonnell Douglas, the designer of the F-15. And the hidden fist that keeps the world safe for Silicon Valley's technologies is called the United States Army, Air Force, Navy and Marine Corps." (Thomas L. Friedman, 1999).

3.4 Applications

The simple model introduced above (p. 5) can demonstrate its usefulness in discussing a number of important questions, e.g.: (1) Interpreting the process of globalisation; (2) assessing political strategies, e.g. EU policy towards globalisation or the Third Way programme and its connection with the Washington Consensus; (3) ranking countries according to their geopolitical

and socioeconomic weight; (4) explaining September 11; (5) designing and evaluating options available to states and organisations to deal with the seemingly overwhelming power of the United States; and, (6) evaluating the future of US dominance. This essay will content itself with discussing topics 1, 2, 4 and 5.

4 Globalisation as Rule Making

"Globalisation" is a word with many different meanings. In most cases, it refers to increasing shares of international trade in goods, to the growth of transnational companies, of foreign direct investment, or of the volume and speed of financial transactions. This study attempts an alternative approach: it explicitly distinguishes between three different meanings of the term:

- (1) Globalisation understood as the making of globally applied rules.
- (2) Globalisation perceived as globally aggregated external effects as well as global public goods or "bads".
- (3) Globalisation understood as the global supply of private goods.

There is no doubt that the power exposed by the model called MOWO Net penetrates the triad of global rule making, global external effects/ global public goods/bads and global private goods.

4.1 The Washington Consensus

Although greatly neglected in political and scientific analyses, global rule making is of greatest importance in the many-faceted process called globalisation. As a matter of fact, and irrespective of intellectual neglect, it circumscribes the core of the American strategy after the implosion of the Soviet Union. This has been the declared aim of US global policy. The change of policy was clearly expressed in a speech delivered by Anthony Lake, security adviser to George Bush sen.:

"The successor to the doctrine of containment must be a *strategy of enlargement*, enlargement of the world's free community of market economies." (A. Lake, speech on 21 September 1993, emphasis added.)

Enlargement of markets turned out to comprise the opening of markets in the widest sense, from goods, capital, services to intellectual property, scientific discovery to the blueprint of the universe's genetic heritage. Its essence is

summarised in three spectacular policy targets that could have been defined by bookkeepers:

1. Priority to currency stability and to balanced budgets
2. Deregulation of prices and markets
3. Privatisation of business and assets.

This program for the enlargement of markets has become known as “Washington Consensus”. In the early 1980s, it became the development strategy of the IMF, the World Bank and of related financial and economic institutions in the US and the EU. Countries with structural current account deficits normally, i.e. in the absence of US geopolitical interest, qualify for stand-by and other credits only if the conditions of the Washington Consensus are met. As a consequence, the policies of deficit countries have to be adapted to the radical prescriptions of the lender institutions. This is presented, irrespective of its adequacy, as a “Structural Adaptation Program” (SAP) strictly in line with a globally applied formula.

The principles of this global policy prescription were part of an economic policy manifesto of the US Business Round Table already in 1979. It was later adopted by President Ronald Reagan and later renamed “Washington Consensus” by World Bank economists. In the 1980s, it served as so-called IMF conditionality for loans to Latin American debtor countries. After the end of the Soviet Union, the Washington Consensus was extended to the post-Communist and former Third World countries. Implicitly, it also serves as guideline for the policies pursued by WTO, OECD, EU and NAFTA. The Washington Consensus can therefore be regarded as the core rules governing globalisation. Global public effects and global public goods as well as the global supply of private goods, can all be perceived as *epiphenomena* to the making and enforcing of global rules.

For the sake of analytical clarification, the three types of globalisation will be elaborated further.

4.2 Three types of globalisation

Type 1: global decision rules

This type of globalisation denotes decisions/non-decisions and actions/lack of action on the part of actors with global reach. The actors may be companies, institutions, states and networks connected with them, including global markets. In a first attempt, the following kinds of actors can be discerned:

- (a) Globally active enterprises: most of them are under US control. They are, like IBM or Microsoft, also decision-makers on global standards ("law givers"). Control is mostly affected via property titles, but that is not essential. What lastly counts is US control over technologically sensitive exports. The US government regularly exerts this control in line with US national interests.
- (b) UN agencies: the United Nations is kept in check by the US or left without backing if it does not give the desired backing to US interests. Some UN bodies are largely controlled by the US and its allies. This is true of the IMF, the World Bank, but also of OECD and OSCE.
- (c) NATO and the EU: they are either influenced or dominated by the US. In doing so, the US makes use of its three pillars of US dominance and of its alliances.

When international standards are set by leading corporations themselves, e.g. standards in electronic communications (J. Braithwaite and P. Drahos, *Global Business Regulation*, 2000), the global actors are their own "law givers". It is interesting that the same also applies to stock exchanges, which often are misunderstood as the best models of competitive markets. Until very recently, great efforts were made to turn the rules governing the New York Stock Exchange into a global standard. The US concept of shareholder value, (i.e. the principle that the maximisation of a company's stock value is the overriding goal) is replacing the criteria which so far determined the internal organisational structure of enterprises. For example, the German model of employee participation in company management, together with other forms of stakeholder interests reflecting historical and cultural diversity, is being reduced by the global imposition of a standard. Another example is the liberalisation of capital transactions demanded by the IMF world-wide, irrespective of different countries' political or historical preferences, or their readiness for such a measure. In Asia and Russia this caused an avalanche of short-term capital imports and subsequent sudden exit of capital that led to massive unemployment and the destruction of otherwise viable capital. Under the impact of the wave of mega bankruptcies in part triggered by deregulation, the adequacy of copying US standards as "best practice" is currently being reconsidered.

Type 2: Global external effects, global public goods/bads

This type of globalisation denotes the global effects of aggregated individual decisions. Globalisation in this sense is the sum total of all individual external effects which, taken together, constitute global public goods (cf. the innovative study by Inge Kaul et al., *Global Public Goods*, 1999). Global public goods may be something positive, such as knowledge, education,

(partly) the Internet, eradication of diseases, international peace-keeping etc. They may also be something negative and could then be called global public bads, such as ignorance, epidemics, destruction of the earth's atmosphere, wars, damage to bio-diversity, financial instability (financial crises), etc.

It is important to understand that those global public bads are the aggregated result of a multitude of private (individual or institutional) decisions/actions/non-actions. Globalisation makes its impact in two ways. On the one hand, there are global actors producing commodities with global negative effects. Examples are products containing DDT, fluoridated carbohydrates, etc. On the other hand, this rather small number of producers of (potentially) globally negative effects, distribute their products among a large number of consumers/users. Mass use or mass consumption has a global negative effect in terms of resource consumption and pollution. The damage is thus caused by the interaction of a limited number of producers and a very large number of users/consumers.

Type 3: global private goods

This type of globalisation denotes globally available private goods and services that are produced and sold by private global companies. In everyday parlance, the word "globalisation" is often used in this sense. Conspicuous examples are drinks (offered by brand corporations like Coca Cola or Starbucks), food chains (like McDonalds), financial services (like American Express), or electronic hardware and software (as offered by IBM and Microsoft). However, those are private goods without specific external effects. They are on offer in competition with similar competing goods produced locally, regionally or internationally. They are therefore to be regarded as a type of globalisation ranking below types (1) and (2) described above.

4.3 Two evaluation criteria

If one observes that global players enforce global standards, one must deal with the question whether this is to be considered a negative development. This need not be the case in general. The (nearly) universal traffic regulation of right-hand driving reduces accidents and thus destruction. It must be considered as something positive. The same holds for a global communications tool like the World Wide Web. It is another matter if there is only one global communications standard which one global player (like Microsoft) imposes uniformly on everybody else. Uniformity makes the system very vulnerable to the epidemic spreading of computer viruses, e.g. the "I love you" virus that caused considerable material damage. This is the well documented and argued message of Allen Hedley's new book *Out of Control* (Hedley, 2002). In this case, diversity in operating systems, such as

enabled by LINUX, would be preferable. Under this decentralised system, the instant global spreading of computer viruses would not be possible. A particularly negative effect is due to the global enforcement of a single criterion governing company evaluation, as manifested by the shareholder value principle. It is facilitated by the American accounting norm called “Generally Accepted Accounting Principles” (GAAP) which was to be enforced world-wide. (Matzner, 2002) In summer 2002, under the impact of fraudulent accounting, this process was stopped, at least for some time. Evolutionary economic theory has shown that institutional uniformity brings about vulnerability to crisis (see, *inter alia*, Gernot Grabher and David Stark, *Organizing Diversity: Evolutionary Theory, Network Analysis and Post-Socialism*, 1996, Geoffrey Hodgson, *Economics and Utopia*, 1999). The system of central planning based on collective ownership failed for this very reason. It is therefore quite possible that the same argument holds true for the institutional uniformity of the system of market economy based on uniform private property. This would be the result of global enforcement of the Washington Consensus. Also for this reason Joseph E. Stiglitz (1998), then still vice-president of the World Bank, pleaded for the introduction of a post-Washington Consensus that would allow room for cultural diversity and different historical backgrounds. So far hardly noticed, the Washington Consensus has a destructive influence.

From the above considerations, we derive two evaluation criteria to be applied to the three types of globalisation:

- (1) The value-added criterion: it asks whether the enforcement of a global rule potentially leads to an increase in value added (or to less destruction of value added);
- (2) The diversity criterion: it asks whether the diversity of basic market institutions (like the type of property, the labour contract, the type of markets or state authority) is furthered/admitted or reduced/discouraged by the enforcement of global rules.

The distinction between three types of globalisation, together with the suggested two evaluation criteria, amounts to a new world view. It allows a differentiated understanding of the contested process. As a consequence a policy of globalisation is conceivable which comes close to the vision of a multipolar world. It may also help to avoid clashes between those who until now have been more or less dogmatic supporters or opponents of globalisation.

5 The Treacherous Global Playing Field

The asymmetric logic inherent in the monopolar world order also governs relations between countries and regions. This obviously applies to the relations existing between the USA, its allies and the rest of the world. Asymmetry is clearly visible in the relations between EU member countries and the candidate as well as associated countries – in other words between the applicants for entrance or for closer co-operation and those deciding upon it. The situation is complicated by the fact that global asymmetries are strategically and tactically interacting with European ones. In addition to the inherent global asymmetries, the “rich men’s club” has established barriers which render the flow of goods and people from the poorer countries even more difficult, if not impossible.

5.1 The catching –up countries’ current account deficits

A common feature of transformation and other development countries is the structural deficit in their current accounts. This is the logical consequence of deregulation of international trade in goods, services and capital between less developed and more developed countries.

The less developed countries characteristically show a high demand for both consumer and investment goods. They are, by definition, less capable of selling their industrial products and services in the rich countries. The result are permanently recurring deficits in their balance of payments. Apart from transfers, those deficits can be financed in three ways: (1) by borrowing; (2) through the sale of assets; and (3) through foreign direct investment.

Borrowing occurs more or less under market conditions. These are in turn influenced by rating agencies licensed by the US Securities and Exchange Commission (SEC). The interest rates charged *inter alia* depend on the size of the respective debt expressed as share in GDP, as well as on the inflation rate, export revenues, etc. Borrowing is made very difficult except for countries like Turkey in which the US (or NATO) has a strategic interest.

The deficit countries are urged to pursue policies reducing current account deficits via high interest rates, cuts in public expenditures and similar measures. This, of course, is not the way to enhance growth in productivity and to promote catching up with economically more advanced countries. It is an impediment to the reduction of asymmetries. The same holds true for the sale of assets like land and natural resources.

5.2 Increase in export market shares

A precondition for catching up – which is just another expression for reducing asymmetry – is higher growth in investment, production and income. This would either require generous loans granted at below-market conditions, or a high surplus in exports. In either case, the deficit countries' share in the markets of hard-currency countries would have to be increased. (First J. M. Keynes, *The Economic Consequences of Peace*, 1919, L. Andor, 2000). This is a necessity that cannot be bypassed. Yet, this “must” is rarely made explicit. The official attitude held by the EU and other international organisations and institutions is that profit-guided private firms will bring this about spontaneously as soon as free market conditions have been established. However, as the example of the former German Democratic Republic clearly shows, this is not the case. The present negative situation in the former GDR could have been avoided if unification had taken place under a more realistic exchange rate between Eastern and Western DM. East Germany still is dependent on annual transfers of more than EUR 80 billion, equivalent to 160 billion former DM. Zero transfers, as frequently demanded by impatient political circles in the wealthy south, north and west of unified Germany would presuppose an increase in East German exports of the same order of magnitude. Where and how are countries or regions to obtain greater market shares? This is the crucial question to be asked and answered.

5.3 Foreign direct investment (FDI)

The answer to this question directly leads to foreign direct investment (FDI). Many people, particularly those in the World Bank, in investment banks as well as domestic politicians, look upon FDI as a panacea. In reality, foreign direct investment is a double-edged sword. Let us look more closely at the positive as well as the negative aspects connected with this financing instrument.

Foreign direct investment in deficit countries comprises both take-over of existing companies and the establishment of completely new production and distribution units. Obviously, in most cases, old or new firms taken over become subsidiaries of international or transnational companies. On the one hand, this certainly increases foreign influence on the receiving countries, but there are also a number of overriding advantages connected with FDI: First, FDI has the side-effect of introducing internationally competitive technology, know-how and organisational methods in the recipient country. Second, FDI connects the input and output of companies taken over with the new owners' supply and distribution networks. In many economic sectors, products can

only be sold under brand names. Third, FDI brings in foreign capital needed to reduce the current account deficit.

However, FDI is not to be had without certain negative aspects. (See Jan Kregel, 1994) I have already mentioned increased foreign influence. In concrete terms, the new owners often focus on controlling market shares rather than increasing domestic production. Second, they induce substantial flows of imports complimentary to output. Third, they operate under the rule of targeted shareholder value, which implies repatriation of profits. Fourth, through the instrument of derivative financing, FDI facilitates the monetarisation and subsequent withdrawal of productive assets even from production facilities. Therefore, FDI, although appearing to be inevitable, is less advantageous than believed by many people.

On the basis of these considerations a tentative conclusion can be drawn: the market forces by themselves are unable to reduce the existing asymmetries in economic and social development. Even under conditions of EU membership, concrete policies promoting development will be needed in both the candidate countries and in the EU at large. This would amount to major policy changes both at the European and the global level. Unfortunately, the time does not yet seem to be ripe for that.

5.4 The weak EU and the vision of a less asymmetric world

A reduction of asymmetries between EU neighbours and members, as exemplified in their structural deficits, could be achieved in three steps:

Step one: Making the establishment of greater symmetry an overriding target for the EU.

Step two: Taking forceful political action to promote infrastructure development and investment-enhancing credit schemes as well as other suitable monetary and fiscal policies.

Step 3: Instead of the present deflationary policies postulated by the EU Stabilisation Pact as well as by the European Central Bank statute, promotion of an expansionary scheme of monetary and fiscal policies by EU members as well as candidate countries. An overall expansionary climate would benefit the EU, its candidate as well as third countries and regions.

For the time being, the EU is not in a position to define a European public purpose. This would violate its own legislation as well the Washington Consensus. The program outlined above, however, amounts to a Post-Washington Consensus, as advocated by Joseph E. Stiglitz, Nobel Prize winner 2001 and, former vice president of the World Bank as well as former

chairman of the US president's Council of Economic Advisers. This new consensus would incorporate broader policy aims and more effective instruments than those in force at present. It would call for a reduction of the present political asymmetry between the US and the EU. This in turn will only be possible if the EU succeeds in formulating a political vision of its own, different from its present one and also different from that of the USA.

Such a policy would follow a vision of a more bargained multipolar world order.

6 September 11 and what followed

The MOWO Net model of US dominance, which was first formulated during the Kosovo war in 1999 and published earlier in *Monopolar World Order*, 2000, (pp. 155-164) is also useful in viewing at September 11. As will be shown, it lends itself to explaining some of the reasons that led to this monstrous crime, and also of what happened since then.

6.1 Pre-September 11

There is widespread agreement that the monstrous crime was the deed of a group of highly intelligent persons who proceeded with utmost precision. As their social background showed, they came from middle or upper-class families and were far from being desperately poor. They were, it appears, inspired by a sense of salvation, perhaps combined with hatred of a civilisation that, in their perception, offends or even violates, their own one. Once they accepted that the crime was to be performed, it is arguable that the behaviour of the perpetrators was rational. Why? It is quite obvious that the criminal mastermind was keen to avoid challenging his enemy in the fields of MiteC, MotiC and ImeC. The choice fell upon civil targets which, like the Twin Towers in Manhattan and the Pentagon in Washington DC, are also symbols of US supremacy. Consequently, the weapons had to be civil ones, like combs and passenger planes, far from any association with military purposes. The innocent civilian victims carried as little weight in the terrorists' calculus as their own lives.

This monstrous calculus was unintendedly supported by tenets endemic in the present general state of affairs. An important contribution came from non-regulated access to jet pilot training in private-profit aviation schools. Next came the poor quality of deregulated and privatised airport security. A

further contributing factor was the existence of deregulated off-shore banking facilities that serve the purpose of money laundering: tax evasion by earners of excessive incomes as well as money transfers to finance terrorism. (Stiglitz 2001) On top of all this came the failure of intelligence services. Again, this failure is a systemic one, since technological and particularly electronic intelligence tends to be given preference over human intelligence.

6.2 Post-September 11

It has become a standard phrase to say that after September 11 nothing remained the same and essentials of the “good” past were lost forever. If the MOWO-Net is a correct representation of the geopolitical state of the world, this common opinion is not well supported by contemporary realities. The death of almost 3,000 individuals, the enormous destruction of material assets and the chain of subsequent events should not make us overlook the blunt fact that the three pillars of US dominance remain unshattered. They have actually been strengthened and are in the process of being technologically sharpened and quantitatively expanded.

Certainly, there have been some novel elements in September 11 and the following developments. One is the new awareness that the US is vulnerable by its own decisions and non-decisions. If my perception of this vulnerability is accurate, it is, to a certain degree, also the result of deregulatory excess or regulatory negligence. It is therefore inadequate to speak about US vulnerability vis-à-vis its enemies without mentioning that the US is vulnerable by itself.

Among the new elements was, at least at the beginning, the seemingly reversal of George W. Bush's preference for unilateral action. A broad campaign was launched to include in the fight against terrorism as great a number of states as possible. NATO invoked its Article 5, co-operation in political and military terms. A large number of states beyond NATO, among them former enemies, joined. “Values” cherished by “all” Western societies were invoked, too. In this sense, a broad consensus was established that for a while, at least, strengthened US ideological hegemony (ImeC field). Thus one may fairly say that September 11, for a while at least, in a way was supportive to American hegemony.

Multilateral inclusion of many partners is a rational way of conduct. It facilitates the deployment of military force and is a precondition for mobilizing local knowledge. Satellite surveillance may be able to identify a mouse tail, but it so far has failed to spot a global icon like Osama bin Laden. To find him, one needs human intelligence and the co-operation of local people who are obviously not always prepared to accept threats, bribes or ransom.

After a short while, the US returned to its unilateral stance. Again, all major decisions are taken alone, whether they concern defining the enemy, implementing the National Defence Initiative, or the most massive increase in military spending which ever happened in peacetime. Even a modest form of co-operation would call for, at least, previous information of and discussion with allies, or consultation of the NATO Council. The contrary took place as can be seen from the cancellation of international agreements like the ban on satellite missiles of 1970.

In 2002, the US is tempted to make utmost use of its superiority and to even expand it further. In pursuing this short-term strategy, the US at the same time erodes the consensus it was able to establish after September 11. The US seems to be unaware how weak it is without at least passive support by the community of states. The latter up till now are not aware of their non-military potential to exert influence.

7 How to Deal with the Hegemon?

As superior power tends towards abuse, it is a classical political task to draw limits. Their scope ought not to be exclusively self-defined. The prerogative of power should ultimately be exercised by international organisations with universal representation, i.e. by the United Nations Organisation, which therefore should be strengthened.

However, how is one to contain the dominant global power? What can be done while global power has not yet eroded? For heuristic purposes it is useful to compare the current unchallenged US dominance with the situation of the “price leader” active in a market with other, larger or smaller, market participants. As we know from Stackelberg’s analysis of monopolistic markets (1932), the “price leader” sets the price and all other large or small competitors have to accept it. Possible alternative strategies for the other market participants include offering slightly different goods and thus circumventing domination by the price leader (see also Rothschild 1947).

Following the analogy of price leadership, the present situation could be characterised as “value” leadership by the US. It is impossible to challenge this position at present. Open opposition is ineffective, it may, indeed, be counter-productive. Therefore, the expedient attitude is one of paying respect to the leader and to act in a way reducing the power-slant whenever and wherever possible.

Opposition to US dominance has been widespread, taking, *inter alia*, nationalistic, religious, or other fundamentalist forms of expression. An early

example was the ousting of the Shah regime in 1979 and later of the Taliban fighters in Afghanistan who, as anti-Soviet forces, had been supported by the US. The US is capable of annihilating fundamentalist regimes, but it cannot make them disappear short of annihilation. The measures so far taken to fight fundamentalism seem to have reinforced it, or have at least kept it alive.

The Model of US - Dominance introduced above allows to discuss indiscriminately four options for dealing with the hegemon:

- (1) **Unambiguous support.** Any unilateral decision taken by the hegemon is accepted, irrespective of whether it agrees with one's own interests and values. This avoids conflict in the short run but increases the risk of growing troubles in the future.
- (2) **Full resistance.** This would invite the hegemon to quench the resisting forces. It can be very costly to the weaker side to expose itself to defeat or devastation.
- (3) **Tactical support** (at the surface) and **hidden defection** in favour of specific (national) interests.
- (4) **Partial consensus – partial difference.** It amounts to co-operation with respect to commonly shared values and principles, but insistence on differences that must be maintained.

Will Hutton (2002) argues convincingly for option 4 in the case of prevailing differences between the US and Europe over the issue of the private versus the public sphere. This concerns the notion of private property, which in Europe is connected with social responsibility, with the idea of a social contract, common to all European peoples and states, but not in the US. The reality of a public space, which again is a common notion in Europe exists in reduced form only in the US. This is why there are social and economic models of European capitalism, which differ substantially from American capitalism. Global corporations pushing for rapid implementation of the American model of globalisation are already very active and they have strong support by the EU council and commission. This is why an initiative for a future of the European social model is becoming an urgent issue.

Option 4 corresponds to the vision of a multipolar world as described in this text. It takes into account both the futility of amassing highly sophisticated but morally and legally banned weapons and the perception of the obsolescence of classical wars between states using armies and obeying internationally accepted principles of warfare. The planned US military intervention against Iraq may well turn out to become the last conventional war. The future of military conflict will be “low intensity conflict”, as was

convincingly argued by the military historian Martin van Creveld (cf. his book *The Transformation of War*, 1991).

The strength of option 4 is of a political nature. As US hegemony rests on its superiority in three core areas plus a network of alliances and special relations, it cannot dominate the world by unilateralism. This was recently stressed by Joseph S. Nye Jr., a leading Harvard political scientist with inside knowledge of US defence politics. His latest book, *The Paradox of American Power*, carries the telling subtitle *Why the World's Only Superpower Can't Go it Alone* (Nye, 2002). US influence can be substantially reduced if the world's key regions, above all its traditionally most important allies, i.e. Europe and particularly Great Britain, stop co-operating automatically. There are strong reasons for non-co-operation in the core areas of military affairs (MiteC). There are equally strong reasons for discontinuing automatic co-operation in the monetary-industrial field (MotiC), as was convincingly argued by Philip Arestis et al. (2000) theoretically, and by the former German chancellor, Helmut Schmidt (2000), in political terms. It is not in the interest of most of the world, including Europe and the people of the US, to be loyal to the Washington Consensus. Finally, there are vital reasons for European self-assertion against American ideological hegemony (cf. Ernesto Laclau and Chantal Mouffe, 2001).

Option 4 is a very strong vision indeed, provided that two conditions are met:

First, and foremost, that Europeans do not enjoy being subjects of a hegemon. (This is what Thomas L Friedman of *The New York Times* assumes to be the case when he sees the happiness of the world realised when people queue up for the blessings of McDonald.)

Second, and decisively, that leadership can be mobilised as well as the capacity of enduring the conflict until success is achieved.

The Future of US Dominance. This essay is consciously and deliberately based on values such as preferring less asymmetrical power relations and more diversity in the cultural sphere and in social institutions. The guiding values could perhaps be taken from European or Western civilisation, but just as well from other civilisations, or they could be universal, or a combination of all this. Such a vision is clearly violated by the Washington Consensus, and by the conduct of US governments, which even decided to violate international law, including the Charter of the United Nations when that

appeared to be in their interest. US governments, by taking unilateral action, are alienating their country from the rest of the world, which they regard as worthy of being treated as inferior. The consequence of this kind of conduct will be overstretch of US capabilities. It is not well understood, both in the US and in the rest of the world, that the US is bound to co-operate, or doomed to fail.

Literature

Andor, L. (2000), *Hungary on the Road to European Union: Transition in Blue*. New York: Praeger.

Arestis, P., McCauley, K. and Sawyer, M. (2000), "An Alternative Stability Pact for the European Union". In: *Cambridge Journal of Economics*, No.3, Fall 2000.

Bhaduri, A. and Nayar, V. (1996), *An Intelligent Person's Guide to Neoliberalism*. New Delhi: Penguin.

Braithwaite, J. and Drahos, P. (2000), *Global Business Regulation*. Cambridge (UK): U. P.

Coase, R.L. (1992), "The Institutional Structure of Production". Alfred Nobel Prize Lecture on Economic Sciences 1991. *The American Economic Review*, vol. 82, no. 4, pp. 713-719.

Grabher, G. and Stark, D. (1996), "Organizing Diversity: Evolutionary Theory, Network Analysis and post-Socialism". In: G. Grabher and D. Stark (eds.), *Restructuring Networks in Post-Socialism*. London: Oxford U. P.

Hedley, R.A. (2002), *Running Out of Control: Dilemma of globalization*. Kumarian Press.

Hedström, P. and Swedberg, R., "An introductory essay". P. Hedström and R. Swedberg (Eds.), *Social Mechanisms. An Analytical Approach to Social Theory*. Cambridge (UK): U.P.

Hozic, A.A. (1999), "Uncle Sam goes Siliwood: of landscape, Spielberg and hegemony". In: *Review of International Political Economy*, pp. 289-312.

Huntington, S.P. (1999), "The Lonely Superpower". *Foreign Affairs*, vol. 78, no. 2, 35-49.

- Hutton, W. (2002), *The World We're In*. London: Little, Brown, Time Warner.
- Kaul, I. et al.(Eds.) (1999), *Global Public Goods*. Oxford: U. P.
- Kennedy, P. (2002), "The Eagle has landed". *Financial Times*. Weekend, February 2-3, 2002, p. I, IV.
- Keynes, J. M. (1919), *The Economic Consequences of Peace*, London: Macmillan.
- Kregel, J. A. (1994), "Capital Flows: Globalization of Production and Financing Development". Geneva: *Unctad Review*.
- Laclau, E. and Mouffe, C. (2001), "Preface" to the Second Edition". In E. Laclau and C. Mouffe, *Hegemony and Socialist Strategy. Toward a Radical Democratic Politics*. London: Verso.
- Matzner, E. (2000), *Monopolar World Order. On the Socioeconomics of US Dominance*. Szombathely: Savaria U. P. (Online edition: www.ciando.de Munich 2001).
- Matzner, E. (2001), „Third Way“: <http://members.aon.at.egonmatzner>
- Matzner, E. (2002), "Enron, Andersen & Virtual Capitalism". *Homo oeconomicus XIX(2)*, Munich, pp.251-255.
- Nye, J.S. (2002), *The Paradox of American Power. Why the World's only Superpower can't go it alone*. Oxford U. P.
- Rothschild, K.W. (1947), "Price theory and oligopoly". In: *The Economic Journal*, vol. 57, pp. 299-320.
- Schmidt, H. (2000), *Die Selbstbehauptung Europas. Perspektiven für das 21. Jahrhundert*. Stuttgart München: Deutsche Verlags-Anstalt.
- Schulmeister, S. (1998), "Globalization without Global Money. The Double Role of the Dollar as National Currency and as World Currency". In: *Working Papers*, Vienna: WIFO.
- Stiglitz, J.E. (1999), „More Instruments and Broader Goals: Moving Toward the Post Washington consensus.“ *Wider Lecture*, January 7, 1998, Helsinki.
- Stiglitz, J.E. (2001), „Rebalancing priorities“. Project–Syndicate. October 2001 <www.project-syndicate.org>

Wade, R.H. (2002), „US hegemony and the World Bank: the fight over people and ideas“. *Review of International Political Economy*, 9:2 Summer 2002: 201-229.

Wedel, J. R. (1998), *Collision and Collusion. The Strange Story of Western Aid to the East*. London: Macmillan, New York: St. Martin's Press.