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Mon 31 Dec 01, 8 pm Slightly revised version of “America’s empire rules an unbalanced world”,
International Herald Tribune, 3 Jan 02

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Suppose you are a modern-day Roman emperor, the leader of the most powerful country in a world of sovereign states and international markets. What sort of framework of international political economy arrangements do you create so that--as the unwilled consequence of operating within this framework and without you having to throw your weight around more than occasionally—normal market forces bolster the economic pre-eminence of your country, allow your citizens and only your citizens to consume far more than they themselves produce, and keep challengers down?

You want autonomy to decide on your exchange rate and monetary policy in response only to your own national objectives, while having other countries depend on your support in managing their own economies. You want to be able to engineer volatility and economic crises in the rest of the world in order to hinder the growth of centers that might challenge your pre-eminence. You want intense competition between exporters in the rest of the world that gives you an inflow of imports at constantly decreasing prices relative to the price of your exports. You want to invite the best brains in the rest of the world to come to your universities, firms and research institutes. You want to befriend the middle classes elsewhere and make sure they have good material reasons for supporting the framework; and make it unlikely that elites and masses should ever unite in nativistic reactions to your dominance or demand “nationalistic” development policies that nurture competitors to your industries.

What features do you hard-wire into the international political economy? First, free capital mobility. Second, free trade (excepting imports that threaten domestic industries important for your re-selection). Third, freedom of foreign direct investors from any discriminatory favouring of national firms through protection, public procurement, public ownership or other devices, with special emphasis on the freedom of your companies to get the custom of national elites for the management of their financial assets, their private education, health care, pensions, and the like. Fourth, your currency as the main reserve currency. Fifth, no constraint on your ability to create your

currency at will (such as a dollar-gold link), so that you can finance unlimited trade deficits with the rest of the world. Sixth, international lending at variable interest rates denominated in your currency, which means that borrowing countries in crisis have to repay you more when their capacity to repay is less.

This combination allows your people to consume far more than they produce; it allows your firms and your capital to enter and exit other markets quickly; and it periodically produces financial instability and crises in the rest of the world which bring you multiple benefits—they not only hold back the affected countries, but also allow your vulture funds periodically to buy up their assets at firesale prices and cause other governments to hold more of your currency and therefore help to finance your deficits.

To supervise this international framework you want international organizations that look like cooperatives of member states and carry the legitimacy of multilateralism, but that you can control according to the principle of unilateral cooperation (“We’ll cooperate provided we get to set the rules and can veto outcomes we don’t like”). In particular you need some of these organizations to operate a bail-out mechanism that protects your creditors, displaces any losses from periodic panics onto the citizens of the borrowing country, and lets you dictate domestic liberalization and privatisation in the form of bail-out conditions.

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A machiavellian interpretation of the US role in the world economy since the end of the Bretton Woods regime around 1970? Certainly. In reality, America’s engineering of its dominance has at times been for the general good, when it used its clout to “think for the world”. But often its clout has been used solely in the interests of its richest citizens and most powerful corporations. This latter tendency has been dominant lately, the campaign against terrorism a striking exception.

Think of the US position on climate change, on the protection of US agriculture, and on the privileging of US oil corporations. And think of what the US is ramming through the international economic organizations. It has engineered the WTO to commit itself to negotiate a General Agreement on Trade in Services (GATS), which will facilitate a global market in private health care, welfare, pensions, education, and water, supplied—naturally—by US firms. This will undermine political support for universal access to social services in developing countries and facilitate middle-class “exit” from their nation as a fate-sharing community.

And the US has engineered the World Bank, through congressional conditions on the replenishment of IDA, the soft-loan facility, to launch its biggest refocusing in a decade--a “private sector development” agenda devoted to the same end of accelerating the private (and NGO) provision of basic services on a commercial basis. The Bank has made no evaluation of its earlier efforts to support private participation in social sectors. Its new private sector development thrust, especially in the social sectors, owes everything to intense US pressure.

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These power relations and exercises of statecraft are obscured in the current talk about “globalization”. Far from being just a collapsing of distance and widening of opportunities for all, the increasing mobility of information, finance, and goods and services frees the American government of constraints, while putting everyone else under tighter constraints. Globalization and the global supervisory organizations enable the United States to harness the rest of the world to its own rhythms and structure.

Of course these arrangements do not produce terrorism in any direct way. But they are deeply implicated in the very slow economic growth in most of the developing world since 1980, and in the wide and widening world income inequality. (The average purchasing power of an American in the bottom 10 percent of the US population is higher than that of two thirds of the rest of the world’s population.)

Slow economic growth and vast income disparities, when seen as such, breed cohorts of partly-educated young people who grow up in anger and despair. Some try by legal or illegal means to migrate to the west; some join militant ethnic or religious movements directed at each other and their own rulers; but now the idea has spread amongst a few vengeful fundamentalists that the US should be attacked directly. The US and its allies can stamp out specific groups by force and bribery. But in the longer run, the structural arrangements that replicate a grossly unequal world have to be redesigned, as we did at the Bretton Woods conference after the Second World War, so that markets working within the new framework produce more equitable results. Historians looking back a century from now will say that the time to have begun was now.
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