

FOREWORD

The Crisis of the Globalist Project and the New Economics of George W. Bush

Since the English edition of this book appeared in October 2002, I have had more space and time to speculate and write about the meaning of recent developments in the project of globalization. This Foreword brings together my latest thoughts on the subject.

In 1995, the World Trade Organization was born. The offspring of eight years of negotiations, the WTO was hailed in the establishment press as the gem of global economic governance in the era of globalization. The nearly twenty trade agreements that underpinned the WTO were presented as comprising a set of multilateral rules that would eliminate power and coercion from trade relations by subjecting both the powerful and the weak to a common set of rules backed by an effective enforcement apparatus. The WTO was a landmark, declared George Soros, because it was the only supranational body to which the world's most powerful economy, the United States, would submit itself.¹ In the WTO, it was claimed, the powerful United States and lowly Rwanda had exactly the same number of votes: one.

Triumphalism was the note sounded during the First Ministerial of the WTO in Singapore in November 1996, with the WTO, International Monetary Fund (IMF) and the World Bank issuing their famous declaration saying that the task of the future was the challenge that now lay in making their policies of global trade, finance and development 'coherent' so as to lay the basis for global prosperity.

The Crisis of the Globalist Project

By the beginning of 2003, the triumphalism was gone. As the Fifth Ministerial of the WTO approaches, the organization is in gridlock. A new agreement on agriculture is nowhere in sight as the USA and the European Union stoutly defend their multi-billion-dollar subsidies. Brussels is on the verge of imposing sanctions on Washington for maintaining tax breaks for exporters that have been found to be in violation of WTO rules, while Washington has threatened to file a case with the WTO against the EU's de facto moratorium against genetically modified foods. Developing countries, some once hopeful that the WTO would in fact bring more equity to global trade, unanimously agree that most of what they have reaped from WTO membership are costs, not benefits. They are dead set against opening their markets any further, except under coercion and intimidation. Instead of heralding a new round of global trade liberalization, the Cancun Ministerial is likely to announce a stalemate.

The context for understanding this stalemate at the WTO is the crisis of the globalist project – the main achievement of which was the establishment of the WTO – and the emergence of unilateralism as the main feature of US foreign policy.

But first, some notes on globalization and the globalist project.

Globalization is the accelerated integration of capital, production and markets globally, a process driven by the logic of corporate profitability.

Globalization has actually had two phases, the first lasting from the early nineteenth century till the outbreak of the First World War in 1914; the second from the early 1980s until today. The intervening period was marked by the dominance of national capitalist economies characterized by a significant degree of state intervention and an international economy with strong constraints on trade and capital flows. These domestic and international constraints on the market, which were produced by the dynamics

of class conflict internally and inter-capitalist competition internationally, were portrayed by the neoliberals as having caused distortions that collectively accounted for the stagnation of the capitalist economies and the global economy in the late 1970s and early 1980s.

As in the first phase of globalization, the second phase was marked by the coming to hegemony of the ideology of neo-liberalism, which focused on 'liberating the market' via accelerated privatization, deregulation and trade liberalization. There were, broadly, two versions of neoliberal ideology: a 'hard' Thatcher/Reagan version and a 'soft' Blair/Soros version (globalization with 'safety nets'). But underlying both approaches was unleashing market forces and removing or eroding constraints imposed on transnational firms by labour, the state and society.

Three Moments of the Crisis of Globalization

There have been three moments in the deepening crisis of the globalist project.

The first was the Asian financial crisis of 1997. This event, which laid low the proud 'tigers' of East Asia, revealed that one of the key tenets of the globalization – the liberalization of the capital account to promote freer flows of capital, especially finance or speculative capital – could be profoundly destabilizing. The Asian financial crisis was, in fact, shown to be merely the latest of at least eight major financial crises since the liberalization of global financial flows began in the late 1970s.² How profoundly destabilizing capital market liberalization could be was shown when, in just a few weeks' time, a million people in Thailand and 21 million in Indonesia were pushed below the poverty line.³

The Asian financial crisis was the 'Stalingrad' of the IMF, the prime global agent of liberalized capital flows. Its record in the ambitious enterprise of subjecting some 100 developing and transitional economies to 'structural adjustment' was revisited, and facts that had been pointed out by such agencies as the United

Nations Development Programme (UNDP) and United Nations Conference on Trade and Development (UNCTAD) as early as the late 1980s now assumed the status of realities. Structural adjustment programmes designed to accelerate deregulation, trade liberalization and privatization had almost everywhere institutionalized stagnation, worsened poverty and increased inequality.

A paradigm is really in crisis when its best practitioners desert it, as Thomas Kuhn pointed out in his classic *The Structure of Scientific Revolutions*, and something akin to what happened during the crisis of the Copernican paradigm in physics occurred in neoclassical economics shortly after the Asian financial crisis, with key intellectuals leaving the fold – among them Jeffrey Sachs, noted earlier for his advocacy of ‘free market’ shock treatment in Eastern Europe in the early 1990s; Joseph Stiglitz, former chief economist of the World Bank; Columbia Professor Jagdish Bhagwati, who called for global controls on capital flows; and financier George Soros, who condemned the lack of controls in the global financial system that had enriched him.

The second moment of the crisis of the globalist project was the collapse of the Third Ministerial of the WTO in Seattle in December 1999. Seattle was the fatal intersection of three streams of discontent and conflict that had been building for some time:

- Developing countries resented the inequities of the Uruguay Round agreements that they felt compelled to sign in 1995.
- Massive popular opposition to the WTO emerged globally from myriad sectors of global civil society, including farmers, fisherfolk, labour unionists and environmentalists. By posing a threat to the wellbeing of each sector in many of its agreements, the WTO managed to unite global civil society against it.
- There were unresolved trade conflicts between the EU and the USA, especially in agriculture, which had simply been papered over by the Uruguay Round agreement.

These three volatile elements combined to create the explosion in Seattle, with the developing countries rebelling against

Northern diktat at the Seattle Convention Center, 50,000 people massing militantly in the streets, and differences preventing the EU and USA from acting in concert to salvage the Ministerial. In a moment of lucidity right after the Seattle débâcle, British Secretary of State Stephen Byers captured the essence of the crisis: '[T]he WTO will not be able to continue in its present form. There has to be fundamental and radical change in order for it to meet the needs and aspirations of all 134 of its members.'⁴

The third moment of the crisis was the collapse of the stock market and the end of the Clinton boom. This was not just the bursting of the bubble but a rude reassertion of the classical capitalist crisis of overproduction, the main manifestation of which was massive overcapacity. Prior to the crash, corporate profits in the USA had not grown since 1997. This was related to overcapacity in the industrial sector, the most glaring example being seen in the troubled telecommunications sector, where only 2.5 per cent of installed capacity globally was being utilized. The stagnation of the real economy led to capital being shifted to the financial sector, resulting in the dizzying rise in share values. But since profitability in the financial sector cannot deviate too far from the profitability of the real economy, a collapse of stock values was inevitable, and this occurred in March 2001, leading to prolonged stagnation and the onset of deflation.

There is probably a broader structural reason for the length of the current stagnation or deflation and its constant teetering at the edge of recession. This may be, as a number of economists have stated, that we are at the tail end of the famous 'Kondratieff Cycle'. Advanced by the Russian economist Nikolai Kondratieff, this theory suggests that the progress of global capitalism is marked not only by short-term business cycles but also by long-term 'supercycles'. Kondratieff cycles are roughly fifty- to sixty-year-long waves. The upward curve of the Kondratieff cycle is marked by the intensive exploitation of new technologies, followed by a crest as technological exploitation matures, then a downward curve as the old technologies produce diminishing returns while

new technologies are still in an experimental stage in terms of profitable exploitation, and finally a trough or prolonged deflationary period.

The trough of the last wave was in the 1930s and 1940s, a period marked by the Great Depression and the Second World War. The ascent of the current wave began in the 1950s and the crest was reached in the 1980s and 1990s. The profitable exploitation of the post-war advances in the key energy, automobile, petrochemical and manufacturing industries ended while that of information technology was still at a relatively early stage. From this perspective, the 'New Economy' of the late 1990s was not a transcendence of the business cycle, as many economists believed it to be, but the last glorious phase of the current supercycle before the descent into prolonged deflation. In other words, the uniqueness of the current conjuncture lies in the fact that the downward curve of the current short-term cycle coincides with the move into descent of the Kondratieff supercycle. To use the words of another famous economist, Joseph Schumpeter, the global economy appears to be headed for a prolonged period of 'creative destruction'.

The New Economics of George W. Bush

The crisis of globalization, neoliberalism and overproduction provides the context for understanding the economic policies of the Bush administration, notably its unilateralist thrust. The globalist corporate project expressed the common interest of the global capitalist elites in expanding the world economy and their fundamental dependence on one another. However, globalization did not eliminate competition among the national elites. In fact, the ruling elites of the USA and Europe had factions that were more nationalist in character as well as more tied for their survival and prosperity to the state, such as the military-industrial complex in the USA. Indeed, since the 1980s there has been a sharp struggle between the more globalist faction of the ruling elite

stressing the common interest of the global capitalist class in a growing world economy and the more nationalist, hegemonist faction that wanted to ensure the supremacy of US corporate interests.

As Robert Brenner has pointed out, the policies of Bill Clinton and his Treasury Secretary Robert Rubin put prime emphasis on the expansion of the world economy as the basis of the prosperity of the global capitalist class. For instance, in the mid-1990s, they pushed a strong dollar policy meant to stimulate the recovery of the Japanese and German economies, so they could serve as markets for US goods and services. The earlier, more nationalist Reagan administration, on the other hand, had employed a weak dollar policy to regain competitiveness for the US economy at the expense of the Japanese and German economies.⁵ With the George W. Bush administration, we are back to economic policies, including a weak dollar policy, that are meant to revive the US economy at the expense of the other centre economies and push primarily the interests of the US corporate elite instead of that of the global capitalist class under conditions of a global downturn.

Several features of this approach are worth stressing:

- Bush's political economy is very wary of a process of globalization that is not managed by a US state that ensures that the process does not diffuse the economic power of the USA. Allowing the market solely to drive globalization could result in key US corporations becoming the victims of globalization and thus compromising US economic interests. Thus, despite the free-market rhetoric, we have a group that is very protectionist when it comes to trade, investment and the management of government contracts. It seems that the motto of the Bushites is protectionism for the USA and free trade for the rest of us.
- The Bush approach includes a strong scepticism about multilateralism as a way of global economic governance since while multilateralism may promote the interests of the global capitalist

class in general, it may, in many instances, contradict particular US corporate interests. The Bush coterie's growing ambivalence towards the WTO stems from the fact that the USA has lost a number of rulings there, rulings that may hurt US capital but serve the interests of global capitalism as a whole.

- For the Bush people, strategic power is the ultimate modality of power. Economic power is a means to achieve strategic power. This is related to the fact that under Bush the dominant faction of the ruling elite is the military-industrial establishment that won the Cold War. The conflict between globalists and unilateralists or nationalists along this axis is shown in the approach towards China. The globalist approach put the emphasis on engagement with China, seeing its importance primarily as an investment area and market for US capital. The nationalists, on the other hand, see China mainly as a strategic enemy, and they would rather contain it than assist its growth.
- Needless to say, the Bush paradigm has no room for environmental management, seeing this to be a problem that others have to worry about, not the United States. There is, in fact, a strong corporate lobby that believes that environmental concerns such as that surrounding GMOs is a European conspiracy to deprive the USA of its high-tech edge in global competition.

If these are seen as the premises for action, then the following prominent elements of recent US economic policy make sense:

- *Achieving control over Middle East oil.* While it did not exhaust the war aims of the administration in invading Iraq, it was certainly high on the list. With competition with Europe becoming the prime aspect of the transatlantic relationship, this was clearly aimed partly at Europe. But perhaps the more strategic goal was to pre-empt the region's resources in order to control access to them by energy-poor China, which is seen as the USA's strategic enemy.⁶
- *Aggressive protectionism in trade and investment matters.* The USA has piled up one protectionist act after another, one of the

most brazen being to hold up any movement at the WTO negotiations by defying the Doha Declaration's upholding of public health issues over intellectual property claims by limiting the loosening of patent rights to just three diseases in response to its powerful pharmaceutical lobby. While it seems perfectly willing to see the WTO negotiations unravel, Washington has put most of its efforts in signing up countries into bilateral or multilateral trade deals such as the Free Trade of the Americas (FTAA) before the EU gets them into similar deals. Indeed the term 'free trade agreements' is a misnomer, since these are actually preferential trade deals.

- *Incorporating strategic considerations into trade agreements.* In a recent speech, US Trade Representative Robert Zoellick stated explicitly that 'countries that seek free-trade agreements with the United States must pass muster on more than trade and economic criteria in order to be eligible. At a minimum, these countries must cooperate with the United States on its foreign policy and national security goals, as part of 13 criteria that will guide the U.S. selection of potential FTA partners.' New Zealand, perhaps one of the governments most doctrinally committed to free trade, has nevertheless not been offered a free trade deal because it has a policy that prevents nuclear-ship visits, which the USA feels is directed at it.⁷
- *Manipulation of the dollar's value to stick the costs of economic crisis on rivals among the centre economies and regain competitiveness for the US economy.* A slow depreciation of the dollar vis-à-vis the euro can be interpreted as market-based adjustments, but the 25 per cent fall in value cannot but be seen as, at the least, a policy of benign neglect. While the Bush administration has issued denials that this is a beggar-thy-neighbour policy, the US business press has seen it for what it is: an effort to revive the US economy at the expense of the European Union and other centre economies.
- *Aggressive manipulation of multilateral agencies to push the interests of US capital.* While this might not be too easy to achieve in

the WTO owing to the weight of the European Union, it can be more readily done at the World Bank and the IMF, where US dominance is more effectively institutionalized. For instance, despite support for the proposal from many European governments, the US Treasury recently torpedoed the IMF management's proposal for a Sovereign Debt Restructuring Mechanism (SDRM) to enable developing countries to restructure their debt while giving them a measure of protection from creditors. Already a very weak mechanism, the SDRM was vetoed by the US Treasury in the interest of US banks.⁸

- *Finally and especially relevant to our coming discussions, making the other centre economies as well as developing countries bear the burden of adjusting to the environmental crisis.* While some of the Bush people do not believe there is an environmental crisis, others know that the current rate of global greenhouse emissions is unsustainable. However, they want others to bear the brunt of adjustment since that would mean not only exempting environmentally inefficient US industry from the costs of adjustment, but hobbling other economies with even greater costs than if the US participated in an equitable adjustment process, thus giving the US economy a strong edge in global competition. Raw economic realpolitik, not fundamentalist blindness, lies at the root of Washington's decision not to sign the Kyoto Protocol on Climate Change.

The Economics and Politics of Overextension

Being harnessed very closely to strategic ends, any discussion of the likely outcomes of the Bush administration's economic policies must take into account both the state of the US economy and the global economy and the broader strategic picture. A key base for successful imperial management is expanding national and global economies – something precluded by the extended period of deflation and stagnation ahead, which is more likely to spur intercapitalist rivalries.

Moreover, resources include not only economic and political resources but political and ideological ones as well. For without legitimacy – without what Gramsci called ‘the consensus’ of the dominated that a system of rule is just – imperial management cannot be stable.

Faced with a similar problem of securing the long-term stability of their rule, the ancient Romans came up with the solution that created what was till then the most far-reaching case of collective mass loyalty ever achieved; it prolonged the empire for 700 years. The Roman solution was not just or even principally military in character. The Romans realized that an important component of successful imperial domination was consensus among the dominated concerning the ‘rightness’ of the Roman order. As sociologist Michael Mann notes in his classic *Sources of Social Power*, the ‘decisive edge’ was not so much military as political. ‘The Romans,’ he writes, ‘gradually stumbled on the invention of extensive territorial citizenship.’⁹ The extension of Roman citizenship to ruling groups and non-slave peoples throughout the empire was the political breakthrough that produced ‘probably the widest extent of collective commitment yet mobilized’. Political citizenship combined with the vision of the empire providing peace and prosperity for all to create that intangible but essential moral element called legitimacy.

Needless to say, extension of citizenship plays no role in the US imperial order. In fact, US citizenship is jealously reserved for a very tiny minority of the world’s population, and entry into US territory is tightly controlled. Subordinate populations are not to be integrated but kept in check either by force or the threat of the use of force or by a system of global or regional rules and institutions – the World Trade Organization, the Bretton Woods system, NATO – that are increasingly blatantly manipulated to serve the interests of the imperial centre.

Though extension of universal citizenship was never a tool in the American imperial arsenal, during its struggle with communism in the post-Second World War period Washington did

come up with a political formula to legitimize its global reach. The two elements of this formula were multilateralism as a system of global governance and liberal democracy.

In the immediate aftermath of the Cold War, there were, in fact, widespread expectations of a modern-day version of Pax Romana. There was hope in liberal circles that the USA would use its sole superpower status to undergird a multilateral order that would institutionalize its hegemony but assure an Augustan peace globally. This was the path of economic globalization and multilateral governance. This was the path eliminated by George W. Bush's unilateralism.

As Frances Fitzgerald observed in *Fire in the Lake*, the promise of extending liberal democracy was a very powerful ideal that accompanied American arms during the Cold War.¹⁰ Today, however, Washington- or Westminster-type liberal democracy is in trouble throughout the developing world, where it has been reduced to providing a façade for oligarchic rule, as in the Philippines, pre-Musharraf Pakistan and throughout Latin America. In fact, liberal democracy in America has become both less democratic and less liberal. Certainly, few in the developing world see a system fuelled and corrupted by corporate money as a model.

Recovery of the moral vision needed to create consensus for US hegemony will be extremely difficult. Indeed, the thinking in Washington these days is that the most effective consensus builder is the threat of the use of force. Moreover, despite their talk about imposing democracy in the Arab world, the main aim of influential neoconservative writers like Robert Kagan and Charles Krauthammer is transparent: the manipulation of liberal democratic mechanisms to create pluralistic competition that would destroy Arab unity. Bringing democracy to the Arabs is not as much an afterthought as a slogan that is uttered tongue in cheek.

The Bush people are not interested in creating a new Pax Romana. What they want is a Pax Americana where most of the subordinate populations, like the Arabs, are kept in check by a healthy respect for lethal American power, while the loyalty of

other groups such as the Philippine government is purchased with the promise of cash. With no moral vision to bind the global majority to the imperial centre, this mode of imperial management can inspire only one thing: resistance.

The great problem for unilateralism is overextension, or a mismatch between the goals of the United States and the resources needed to accomplish these goals. Overextension is relative, that is, it is to a great degree a function of resistance. An overextended power may, in fact, be in a worse condition even with a significant increase in its military power if resistance to its power increases by an even greater degree. Among the key indicators of overextension are the following:

- Washington's continuing inability to create a new political order in Iraq that would serve as a secure foundation for colonial rule;
- its failure to consolidate a pro-US regime in Afghanistan outside of Kabul;
- the inability of a key ally, Israel, to quell, even with Washington's unrestricted support, the Palestinian people's uprising;
- the inflaming of Arab and Muslim sentiment in the Middle East, South Asia and Southeast Asia, resulting in massive ideological gains for Islamic fundamentalists – which was what Osama bin Laden had been hoping for in the first place;
- the collapse of the Cold War Atlantic alliance and the emergence of a new countervailing alliance, with Germany and France at the centre of it;
- the forging of a powerful global civil society movement against US unilateralism, militarism and economic hegemony, the most recent significant expression of which is the global anti-war movement;
- the coming to power of anti-neoliberal, anti-US movements in Washington's own backyard – Brazil, Venezuela and Ecuador – as the Bush administration is preoccupied with the Middle East;

- an increasingly negative impact of militarism on the US economy, as military spending becomes dependent on deficit spending, and deficit spending becomes more and more dependent on financing from foreign sources, creating more stresses and strains within an economy already in the throes of stagnation.

In conclusion, the globalist project is in crisis. Whether it can make a comeback via a Democratic or liberal Republican presidency should not be ruled out, especially since there are influential globalist voices in the US business community – among them George Soros – that are voicing opposition to the unilateralist thrust of the Bush administration.¹¹ In our view, however, this is unlikely, and unilateralism will reign for some time to come.

We have, in short, entered a historical maelstrom marked by prolonged economic crisis, the spread of global resistance, the reappearance of the balance of power among centre states, and the re-emergence of acute inter-imperialist contradictions. We must have a healthy respect for US power, but we must not overestimate it. The signs are there that the USA is seriously overextended and that what appear to be manifestations of strength might in fact signal strategic weakness.

Notes

1. George Soros, *On Globalization* (New York: Public Affairs, 2002), p. 35.
2. See United Nations Conference on Trade and Development, *Trade and Development Report 1998*; and Barry Eichengreen and Donald Mathieson, *Hedge Fund and Financial Markets*, Occasional Paper 166 (Washington, DC: International Monetary Fund, 1998).
3. Chomthongdi Jacques-chai, 'The IMF's Asian Legacy', in *Prague 2000: Why We Need to Decommission the IMF and the World Bank* (Bangkok: Focus on the Global South, 2000), pp. 18, 22.
4. Quoted in 'Deadline Set for WTO Reforms', *Guardian News Service*, 10 January 2000.
5. See Robert Brenner, *The Boom and the Bubble* (New York: Verso, 2002), pp. 128–33.

6. David Harvey, speech at Conference on Trends in Globalization, University of California at Santa Barbara, 1–4 May 2003.

7. 'Zoellick Says FTA Candidates Must Support US Foreign Policy', *Inside US Trade*, 16 May 2003. This article summarizes an 8 May 2003 speech by Zoellick.

8. For the sharpening conflicts between the US Treasury Department and IMF officials, see Nicola Bullard, 'The Puppet Master Shows His Hand', *Focus on Trade*, April 2002 <<http://focusweb.prg/popups/articleswindow.php?id=41>>.

9. Michael Mann, *The Sources of Social Power*, vol. 1 (Cambridge: Cambridge University Press, 1986), p. 254.

10. Frances Fitzgerald, *Fire in the Lake* (New York: Random House, 1973), p. 116. 'The idea that the mission of the United States was to build democracy around the world had become a convention of American politics in the 1950s. Among certain circles, it was more or less assumed that democracy, that is electoral democracy combined with private ownership and civil liberties, was what the United States had to offer the Third World. Democracy provided not only the basis for American opposition to Communism but the practical method to make sure that opposition worked.'

11. See George Soros, 'America's Role in the World', speech at the Paul H. Nitze School of Advanced International Studies, Washington, DC, 7 March 2003. Noting that he was for intervention in the Balkans, including a 'NATO intervention without UN authorization', Soros denounced the war with Iraq on the grounds that it stems from a fundamentalism that is unsound and wreaking havoc with the USA's relations with the rest of the world. The arguments he musters are those heard not only in liberal democratic circles in Washington but also in 'pragmatic' Republican party circles and Wall Street.