Globalization and State Power

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CHAPTER II

Globalization and the Exercise of American Power

The United States is undoubtedly the hegemonic power in the contemporary global order and has been for more than 50 years. It remains dominant today, despite the daunting challenges and transformed context wrought by the terror attacks of September 11, 2001. In fact, the United States is so dominant that it is easy to forget that both the duration and extent of its extraordinary—some say historically unique—preponderance of power in military, economic, and geopolitical terms was not always taken for granted. "Most observers have expected dramatic shifts in world politics after the Cold War such as the disappearance of American hegemony, the return of great power balancing, the rise of competing regional blocs, and the decay of multilateralism," observed G. John Ikenberry before 9/11, the "Bush revolution" in American foreign policy, and the war in Iraq. "Yet despite expectations of great transformations and new world orders, the half-century-old American order is still the dominant reality in world politics today."[1]

The war in Iraq has magnified concerns about the decay of multilateralism and brought new critical scrutiny to the American exercise of power, but the rest of Ikenberry's analysis remains persuasive today. In the first decade of the new millennium, the preoccupation with American decline in the post-Vietnam War, post-Watergate, oil crisis era of the 1970s—as well as the intellectual controversy set off by Paul Kennedy's thesis about the rise and fall of great powers that spurred a huge debate about American decline in the 1980s[2]—seem echoes of a distant bygone era.[3]

The United States appears to hold the fate of the international system in its hands. It can largely determine the viability of key international treaties and the cornerstone institutions of global governance as well as the geopolitical agendas to be taken up (whether willingly or more coercively) by nation-states around the world. In short, the United States presides over an international order in which the key institutions largely do its bidding, reflect and promulgate the values to which it lays claim, and inspire the diffusion and widespread adoption of "American" values such as liberal democracy, competitiveness, and free trade, which come to appear as natural and inevitable.[4] Today there is no longer much debate about the fact of America's preeminent status as hegemonic power.[5] There is a great deal of debate, however, about the consequences of America's exercise of hegemonic power.

EVALUATING AMERICAN HEGEMONY

In nearly every commentary about the dominant influence of the United States on global politics and economics there is an air of inevitability about America's role, but acknowledgment of both the broad sweep and the depth of American hegemony comes in two versions: in simplest terms there are the *critics* who can only muster a grudging acquiescence when faced with overwhelming evidence of American global dominance and the *boosters* who, try as they might to maintain objectivity, delight in the sway of American power.

It will become clear that the two camps part company decisively in how they might answer our two core questions: (1) how does globalization affect state power? (2) what are the consequences of America's unrivalled power? The critics see a zero-sum game in which state power exercised by the United States tends to crowd out and constrain the exercise of power by other states. Not surprisingly, the boosters see a win-win situation. For them, globalization, in the sway of American leadership, is like a rising tide that raises all ships, enhancing prospects of democracy and prosperity, and encouraging the effective applications of state power by any and all states that recognize the rules of the game.

America's Magnetic Attraction: Two Polar Positions

Few take issue with the claim that the United States dominates the global order. Its hegemony is acknowledged, if ruefully, even by those who by habit, perspective, and national interest might wish that the international system looked a lot more "multipolar" than "unipolar" across all the dimensions of power and influence. Consider the following observation about the preponderant global influence of the United States:

> *Among the 189 countries in the world today, one constitutes a category all by itself. . . . I'm talking about the United States, the world's only "hyperpower." The United States is predominant in all areas: economic, technological, military, monetary, linguistic, cultural. The situation is unprecedented: what previous empire subjugated the entire world, including its adversaries?*[6]

To put this observation in perspective, it was offered by Hubert Védrine, the French foreign minister from 1997 to 2002, in a book entitled *France in an Age of Globalization* that is really a primer on America's global influence. Clearly, the former French foreign minister, even when he puts his best academic and diplomatic gloss on French misgivings, must be counted as a leading critic.

The United States "rules supreme in the waters of globalization," concedes Védrine, noting that the United States (like Britain, its hegemonic forerunner in the nineteenth century) uses its position to pursue an "open door" trade policy. "Americans get great benefits from this for a large number of reasons: because of their economic size; because globalization takes place in their language; because it is organized along neoliberal economic principles; because they impose their legal, accounting, and technical practices; and because they're advocates of individualism."[7]

In Védrine's eyes, there is an overlay of regret mixed with grudging respect, and the inevitable criticisms, explicit and implied, inspired by France's deeply felt global mission as civilizer, diplomatic force, and counter-weight to the U.S. "hyperpower." It should come as no surprise that France would prefer a multipolar world order since a less lopsided geopolitical configuration would preserve a greater sphere of maneuver for France and for the European Union (the expansive regional platform from which France can exert significant global leadership).

But there is more than self-interest or petty rivalry in the French foreign minister's observations about American power and influence. Védrine fears that the ability of the United States to attract others to the American model—the *magnetic attraction* of American power—generates some potentially dangerous consequences. In terms of the scale of influence and universality, for Védrine America is more like the Roman Empire than the British Empire: "American globalism . . . dominates everything everywhere."[8]

Hence, any failures of the American model create worrisome spillover effects. He argues that the American electoral system fails to protect democracy from the influence of money and lobbyists and that a global vision "torn between isolationism and hegemony, weakened by abstention, often hindered by tensions between the White House and Congress . . . is a serious handicap for the United States, and therefore a problem for everyone."[9] Like a real magnetic field, it seems, the force of American hegemony can both attract and repel.

In contrast, Thomas Friedman (a leading booster of U.S. dominated globalization, although he tries to deny it) thinks that there is far less to worry about when it comes to the tightly linked phenomena of American hegemony and globalization. Their magnetic appeal is overwhelmingly positive, almost hypnotic. For Friedman, globalization is as natural as the sun rising and nearly as essential for wellbeing. "Generally speaking, I think it is a good thing that the sun comes up every morning," remarks Friedman. "It does more good than harm, especially if you wear sunscreen and sunglasses."[10] American dominance seems equally natural and foreordained.[11]

It is not quite right, however, to say that the influential *New York Times* op-ed journalist, lecturer, and author thinks that when it comes to globalization there is nothing new under the sun. In comparison to the era of globalization before World War I, the degree of economic integration is far greater. New computer-based technologies transform the way the world does business and the way ordinary people cross boundaries in their lives (apparently Friedman's elderly mother in Minneapolis plays bridge on the Internet with someone in Siberia). The United States has replaced the United Kingdom as the dominant power and like Britain in the earlier era America today makes good use of its dominant position in the global order. "That earlier era was dominated by British power, the British pound and the British navy," wrote Friedman in *The Lexus and the Olive Tree,* comparing the contemporary era of globalization to the period before World War I. "Today's era is dominated by American power, American culture, the American dollar and the American navy."[12]

American influence and strategic design, he argues, was behind the formation of the key institutions of global governance and gave the United States a huge advantage once the current era of globalization blossomed. As Friedman put it, "[W]hen the Information Revolution flowered in the late 1980s—and made it possible for so many more people to act globally, communicate globally, travel globally and sell globally—it flowered into a global power structure that encouraged and enhanced all these trends and made it very costly for any country that tried to buck them."[13]

In Friedman's interpretation of the formation and consolidation of the contemporary international system, globalization has locked in American dominance as a permanent fact of life about global power. And American influence is both benign and pervasive: it forces a market discipline and political responsibility on leaders everywhere, and creates the opportunities (as detailed in Thesis 3) for a virtuous cycle of modernization and democratization on an increasingly developed plane.

Friedman tries to preserve a journalist's proper impartiality about globalization and U.S. power, but fails to persuade on this point, at least. Almost by definition, for Friedman American power and influence has become indistinguishable from globalization. Globalization in turn tends to universalize the virtues of democracy, modernization, and development, virtues for which the United States has achieved the greatest success in global branding.

The magnetic force of American power, charging every particle in its field, attracting and repelling, generates fundamental disagreements about who wins when America rules. For Védrine the United States wins at great peril to others; for Friedman everyone who is willing and able to follow the example set by the United States benefits from globalization in America's image. A chasm divides the critics from the boosters, but these broad-brush treatments have their limits. They clarify the terms of the debate about American hegemony, but do not provide the necessary fine-grained analysis and carefully discriminating argument. To refine the answers to our two core questions about state power and the consequences of American hegemony, we must look more closely at the specific challenges faced by the United States, which reveal its sources of unrivaled power, its vulnerabilities, and its capacity to mold the global order to do its bidding—up to a point.

A DAY IN THE LIFE OF A HEGEMONIC POWER

How pervasive is American influence over the forces of globalization from economic integration to the configuration of geopolitical power? How well is America doing as the mover, shaker, and shaper of globalization? And, finally, what does the unique global role of the United States mean for American national politics? One day in the life of the last remaining superpower (November 19, 2003) as described in the pages of perhaps the world's leading daily for globalization news, the London-based *Financial Times*, reveals quite a lot about the challenges America faces in the global age.

It was by no means a slow news day in London. President Bush was beginning the first full day of his historic visit to the United Kingdom (the first official state visit by an American president in more than 80 years) by breakfasting with the Queen at Buckingham Palace. Meanwhile, the tabloids were going mad about the cost of the visit, including 14,000 shifts by London's Metropolitan Police, who were bracing for sizeable demonstrations against the war in Iraq and operating on high alert due to the increased risk of terror attacks.

By any standard the high visibility meeting between two leaders under political fire for the war in Iraq to discuss the way forward—set against the backdrop of intensified resistance to Anglo-American occupation in Iraq—was a huge story in London. Nevertheless, the *Financial Times* (which in the preceding weeks often gave pride of place in coverage to the war in Iraq and its domestic fallout) led with the headline: "Dollar hits record low against euro."[14] The story blamed the weakening dollar on the release of U.S. Treasury figures indicating a precipitous decline in the net inflow of foreign capital to the United States. Although a monthly dip, however steep, cannot demonstrate a trend, a drop from $50 billion in September to $4.2 billion in October (the lowest monthly figure since 1998) raised concerns about the size and consequences of the current account deficit that averaged $48 billion a month for the first half of 2003. As one currency analyst put it, "The September data is the strongest evidence to date that the record US current account deficit has become too large to finance through the net foreign investment into US securities."[15]

Just below the lead story was one with a Washington dateline about the decision by the Bush administration to impose unprecedented restrictions in the form of quotas on several varieties of apparel and textile imports from China.[16] The two stories are connected and, taken together, they underscore what many consider one of the most worrisome aspects of American vulnerability in an interdependent global economy. The United States has become increasingly reliant on the inflow of foreign capital to offset American's chronic trade deficit.

That same day's news included discouraging new data from the annual "Cyberstates" survey of high-technology industry by the American Electronic Association, which projected three-quarters of a million high-technology jobs lost in the United States in 2002–2003. Although the rate of job loses was slowing, the effect of the downturn since the Internet bubble burst in 2002 was quite dramatic: about 12 percent of the total jobs in the high-tech sector at the end of 2001 were gone.[17] At the same time, high-tech exports—which still represented nearly one-quarter of all U.S. exports—fell by 12 percent in 2002.[18]

AMERICAN VULNERABILITIES EXPOSED

What does this story (as it continues to unfold) tell us about the power and influence of the United States, its ability to mold the global order to its purposes, and the domestic repercussions of global interdependence—and unwelcome global vulnerabilities?

A somber picture emerges from this day in the life of the American hegemon: gigantic trade and budget deficits, the flare-up of endemic trade wars facing the United States with key trading partners, the well-founded fears of job-losses in key sectors of the American economy, a growing vulnerability to "inflationary collapse" if China or other deep-pocket, big-surplus countries decided to ratchet down their willingness to fund the American deficit for any reason (whether due to their own domestic political considerations or due to objections to U.S. foreign policy or trade policy).

It has taken some time for the new facts of life to filter through America's self-image as kingmaker and "workshop of the world" in the global age. Is globalization "Made in America"? Have a look at the label in the clothes or the shoes you are wearing: you are a lot more likely to see "Made in China" (or in Indonesia or the Philippines or Slovakia) than "Made in America"—or so it seems in textile towns in places like North Carolina where a great many people feel the pinch of foreign imports, fear worse, and let the politicians know it. Likewise, the job losses and slumping economic fortunes in California, home to America's embattled high-tech capital Silicon Valley, have tremendous political repercussions. Global interdependence cuts many ways.

For better or worse, there is nothing new in American trade deficits and the vulnerabilities they expose. Since 1995, when the U.S. Treasury shifted its dollar policy to push up the value of the dollar against the yen and the mark, there has been a surge in imports (since a high dollar policy lowers the cost to American consumers of imported products) and a corresponding increase in America's trade deficit. By 2000, the steadily rising trade deficit amounted to a huge 1.5 percent of world gross domestic product (GDP).[19] What is newer is the exposure this deficit represents. Despite the powerful up tick in the U.S. economy in the fourth quarter of 2003, grounds for concern remained about how sound the fundamentals of the American economy may be.

Robust growth, a recovering stock market, and some good news on job growth provided positive auguries through the winter and spring of 2004. But the growing deficit raised widespread concern, the weak dollar created endless copy for editorial writers and political spinners in the run up to the November 2004 election, rising interest rates beginning in spring 2004 increased the anxiety levels for many Americans who were nearly maxed out on credit cards and stretched by mortgage payments (often with variable rates), and sluggish job growth in June and July raised doubts about the recovery. "[T]he twin U.S. budget and trade deficits would set alarm bells ringing if we were a third world country," wrote Paul Krugman, economist turned op-ed writer and Administration critic in *The New York Times*. "For now, America gets the benefit of the doubt, but if financial markets decide that we have turned into a banana republic, the sky's the limit for interest rates."[20]

The budget and trade deficits have become an important nexus where global economic interdependence and partisan domestic politics come together to produce deepening vulnerabilities. Needless to say, all these concerns about deepening economic vulnerabilities that straddle the domestic and international domains are magnified by fears of a trade war between the United States and China. Seizing the initiative, China wasted no time in blasting the American decision to impose quotas, saying it "runs against WTO principles of free trade, transparency and non-discrimination."[21] Given both the sensitivity and significance of U.S./China relations, the news of intensified strains over trade policy assumed importance well beyond the limited scope of the new restrictions (which covered less than 5 percent of the $10 billion annual Chinese imports to the United States in clothing and textiles alone).[22]

While this trade controversy was being played out, the United States also had to reckon with the domestic and geopolitical repercussions of a trade war on another front. Playing to domestic constituencies in politically crucial industrial states, in March 2002 Bush had unveiled with considerable fanfare a decision to impose a set of duties of up to 30 percent on some steel imports. Predictably, the policy hurt steel-consuming industries in the United States (such as automobile manufacturing) and infuriated steel-exporting trade partners. The EU, Japan, South Korea, China, Norway, New Zealand, Switzerland, and Brazil challenged the U.S. tariffs at the World Trade Organization, arguing that these steel tariffs violated international trade rules. In November 2003, the WTO's appellate body affirmed an earlier ruling against the United States.

The Bush administration was then faced with an unusually determined stance by a host of trading partners lead by the EU to wield massive WTO-approved retaliatory tariffs on a range of carefully selected products targeted to hurt the president's chances in swing states in November 2004, including such states as Florida, Ohio, Virginia, and Pennsylvania. Bush backed down and eliminated the American steel tariffs in December 2003. But even with one key front in the all but perpetual trade wars between the United States and the European Union taken out of the battle, another opened up.

On March 1, 2004, for the first time ever, the European Union imposed trade sanctions on the United States for their failure to repeal a law that gives tax breaks to U.S. exporters, which was ruled illegal by the WTO in 2002. Then, in April 2004, the EU announced plans to retaliate against the United States for a WTO violation again (the Byrd Amendment, which permits the proceeds of antidumping duties and antisubsidies duties to be passed onto the companies that initially brought the complaint). Showing their determination—and political savvy—once again, the EU targeted the same states as they had in the steel dispute, and the same industries that might prove particularly sensitive to trade pressures and show their displeasure in November: textiles, tobacco, clothes and shoes, fruit, vegetables, and rice.[23]

Meanwhile, the U.S./China front remained exposed, although there were signs in April 2004 that the United States and China were taking steps to ease tensions, resolve disputes, reduce the trade deficit, and blunt charges that competition from China was hurting the American workforce.[24] This new commitment to resolve disputes, sustained mostly by Chinese concessions, suggests that the strategic stakes in this bilateral relationship in both economic and geopolitical terms have become higher than ever. (The growing significance of and shifting balance in U.S./China relations will be discussed further in Chapter 4).

Beyond the importance of specific bilateral relationships, the trade disputes with China over textiles and apparel, the controversies with the EU and a host of trading partners about steel—and the news in April 2004 that Brazil won the first round at the WTO in a dispute over subsidies to American cotton farmers—reveal some important truths about state power in the era of globalization.

These trade disputes provide indisputable evidence that even the ranking hegemon is not free of the constraints of negotiated sovereignty imposed by multi-level governance. When Bush backed down in the face of retaliatory tariffs when the WTO affirmed its judgment against the United States in the steel dispute, it became clear both in the United States and around the world that even the United States can be subjected to the will of the WTO, a key institution in the architecture of global governance. Like the "Butterfly Effect" ascribed to Edward Lorenz, in which the flap of a butterfly's wings in Brazil could set off a Tornado in Texas, when Bush blinked in the steel case it had global repercussions.

Brazil was emboldened, as would be other states bringing claims against the United States, by the knowledge that victory at the WTO was achievable—and

American climbdowns in advance of aggressive and politically astute retaliatory tariffs were to be expected. It is also very clear that global trade politics has become national and local politics in the United States. If the cotton ruling is upheld and if, as some observers expect, it opens the door to broader challenges to agricultural subsidies, American farmers (who have come to depend on $19 billion annual farm subsidies) will notice—and critical votes in Farm Belt states, which Republicans rely upon, may turn into swing votes.[25] Hence we can expect that trade politics about steel, agriculture, or outsourcing, will turn heads on main street—and may shape voting behavior in swing states at election time.

When it comes to economic interdependence (and recalling our core questions), the vulnerabilities reflected in trade deficits, reliance on China and other big-surplus countries to fund the budget deficit, and subjection to WTO rulings all point to an important conclusion. Even for the United States, globalization limits the capacity of the state to secure desirable outcomes and effectively shape the behavior of other states and social actors. The facts of life of economic interdependence provide strong corroboration, as well, for Thesis 2, which emphasizes that as powerful as it is, the United States is not immune from the constrains imposed by the necessity to operate through inter-state negotiations and the arrangements imposed by multi-level governance.

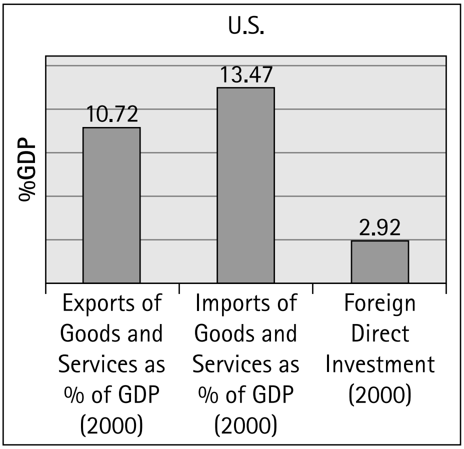
AMERICAN POWER: DOMINANT BUT NOT OMNIPOTENT[26]

As Védrine conceded, "the United States rules supreme in the waters of globalization."[27] Taken together, however, the symbiotic terms of U.S./China relations, the endemic trade wars, mounting trade and budget deficits, and the declining fortunes and job losses suffered by U.S. manufacturing from the textile mills of the South to the high technology meccas of Silicon Valley all begin to suggest that there is another more vulnerable side to American hegemony. Above we examined the contour's of American vulnerability associated with global economic independence and the resulting constraints that are imposed on its autonomous control over policy outcomes. But the notion of American economic vulnerability—or indeed that of significant constraints on its policy or its geopolitical sphere of maneuver—should not be exaggerated.

The *US Global Profile* suggests the magnetic attraction of the United States, which brings nearly half-a-million students annually to study in America. It also reveals both a highly integrated economy, with imports accounting for nearly one-seventh of the country's GDP and—at over 15 percent of total government spending—the massive commitment to the military capability needed to sustain geopolitical dominance. Whatever disagreements there may be about the status and role of the America as global hegemon (even empire), this much is beyond dispute: the United States is the dominant player in global economic competition and the unrivaled geopolitical power. Neither its newly exposed vulnerabilities

FIGURE 2.1
US Global Profile

Economic Integration



Political Integration

Number of diplomatic missions in U.S.	163
Number of U.S. diplomatic mission abroad	142

- Joined the United Nations in 1945.
- Kyoto Protocol not ratified.
- Convention on the Elimination of All forms of Discrimination against Women not ratified.

Information Flows

International mail (letters per person per year sent or received from abroad) 1997	9
International phone calls (outgoing minutes per person per year) 1997	85

Cultural Influences

Percentage of population foreign born (1990–1995)	7.9
Imported feature films as percentage of total films distributed (1994–1998)	42

People Flows

Number of students abroad/number of foreign students (thousand) 1994–1997:

American students abroad	30.4 thousand
Foreign students in U.S.	454.8 thousand

Security and Military Interaction

Military expenditure as percentage of government spending	15.70
Arms exports (percentage of total exports)	4.7
Arms imports (percentage of total imports)	0.2

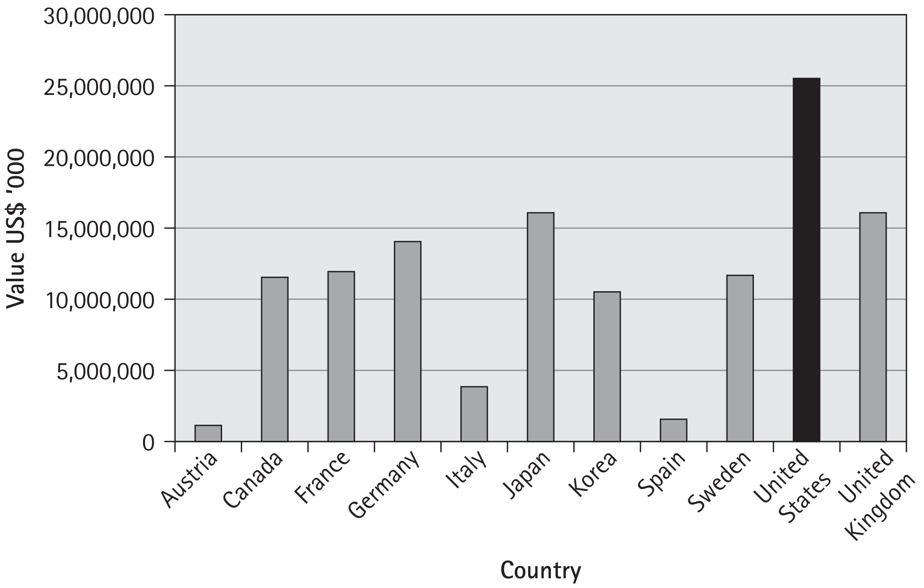
nor the concessions it must make, however reluctantly, to the facts of life of multi-level governance undercut the status of the United States as hegemon. Rather they affirm the universality of interdependence in the global age, while they preserve the familiar order of things.

Competitiveness Where it Counts

There seems to be a growing consensus that the competitiveness that matters most for advanced economies is competitiveness in knowledge driven sectors where the quality of goods (more than the price of goods) is the primary source of competitive advantage.[28] "For high-income economies at this Innovation-Driven stage of economic development, global competitiveness is critically linked to high rates of social learning (especially science-based learning) and the rapid ability to shift to new technologies," states the recent World Economic Forum report on global competitiveness. "Successful economic development is thus a process of successive upgrading, in which businesses and their supporting environments co-evolve, to foster increasingly sophisticated ways of producing and competing."[29]

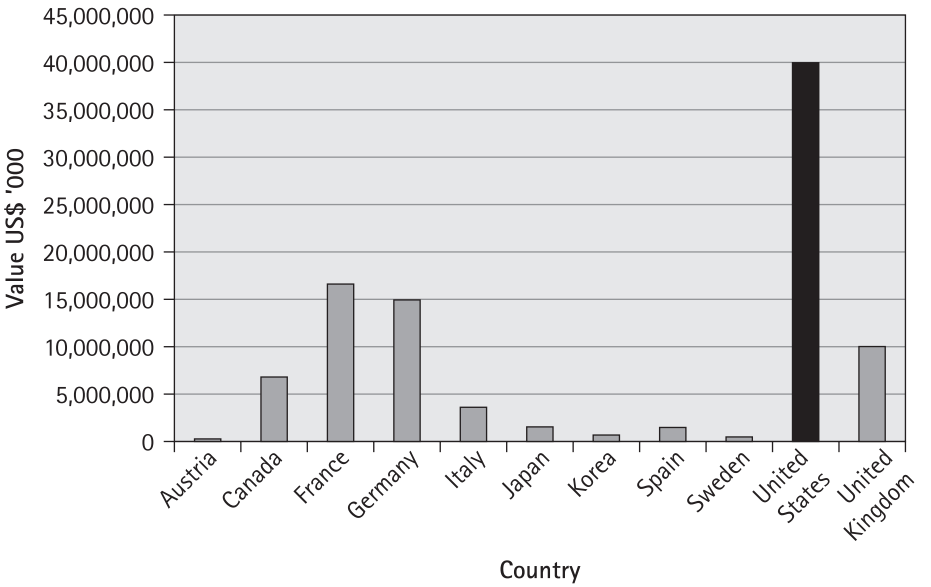
Highly successful advanced economies should be particularly strong in their global share of high-technology exports and in this dimension the United States dominates, with more than one-quarter of the world's total.[30] Figures 2.2, 2.3, and 2.4 indicate in stark graphic terms the level of American leadership in telecommunications equipment and in semiconductors and its dominance in aircraft and spacecraft sectors. The 2002–2003 World Economic Forum report on global competitiveness places the United States number one in the world in its Technology Index and Growth Competitiveness Index rankings. (The Growth Competitiveness Index is based on an ensemble of variables that are considered

FIGURE 2.2
Exports of Telecommunications Equipment in 2000



Source: ITC Databases: International Trade Statistics (764).

FIGURE 2.3
Exports of Aircraft and Spacecraft Equipment in 2000



Source: ITC Databases: International Trade Statistics (792).

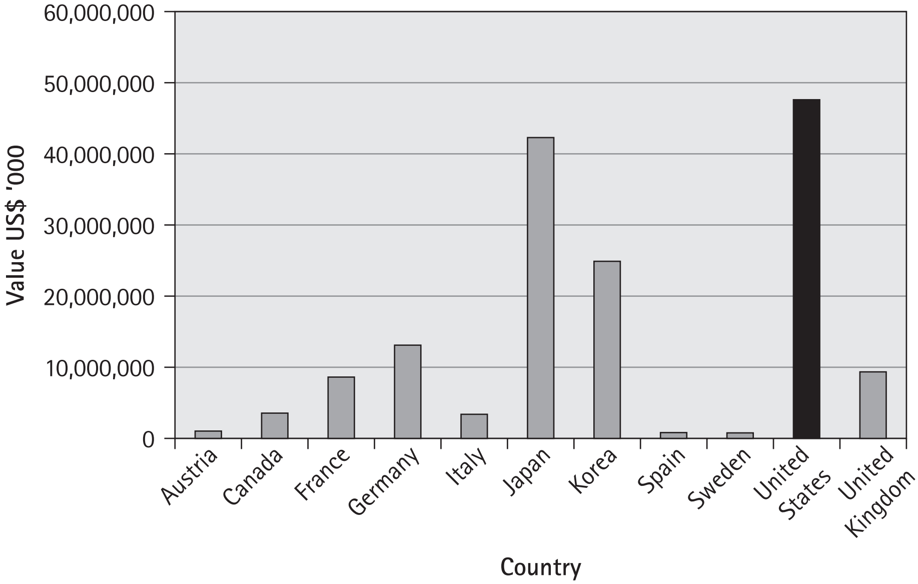
the drivers behind economic growth in the medium as well as the long term, including factors related to the performance of public institutions, the qualities of the macroeconomic environment, and technological progress and innovation).[31]

In its national competitiveness balance sheet, the United States also scores first in several technology measures including "technological sophistication" and in "company spending on research and development." Also among America's notable competitive advantages may be found first place rankings in six dimensions of microeconomic competitiveness identified in the report:

1. Sophistication of Company Operations
   - Extent of marketing
   - Degree of Customer orientation
   - Extent of incentive compensation
2. Quality of the National Business Environment
   - Venture capital availability
   - Utility patents
   - Intensity of local competition

If these signs of U.S. superiority in key indicators of technological innovation and firm behavior come as no surprise, neither do several competitive disadvantages of the United States that are also identified by the report. Among these may

FIGURE 2.4
Exports of Valves, Transistors, and Semiconductor Devices in 2000



Source: ITC Databases: International Trade Statistics (776).

be found: national savings rate (ranked 75), prevalence of foreign technology licensing (63), investment rate, 2001 (71), exports, 2001 (79). Perhaps most predictably, strong negative competitive indicators included: military expenditure relative to central government expenditure (64), business costs of terrorism (74), and compliance with international environmental agreements (58). The quality of public schools (29) and math and science education (38), access to credit (48) and efficiency of the tax system (38) must also be included among the notable competitive disadvantages that characterize the U.S. economy.[32]

However, on balance, the exhaustive research behind the *Global Competitiveness Report* confirms the overall dominance of the U.S. economy, a key attribute of its hegemonic standing. The American economy is especially strong where it counts, in knowledge-driven quality-competitive, high-tech sectors. It exhibits tremendous strength in microeconomic behavior, unrivaled excellence in the sophistication of firm operations, and unsurpassed strengths in its business environment. These drivers of economic development and competitiveness are more than enough to provide an optimistic reading of future competitiveness, and in the current period (through the second quarter of 2004) the United States has exhibited the economic growth trajectory to back up the analysis.

But trade deficits, massive job losses in key manufacturing sectors, which include very significant losses in the knowledge-driven, high-tech industries, and the reduced value of the dollar, matter as well in both economic and political terms. These developments reveal imbalances in the American economy that are intensified by global economic competition. They also signal political challenges that may have a life of their own in any congressional district where jobs are bleeding away and where protectionist tariffs either won't help enough or have been withdrawn. As jobs across the spectrum are migrating (being "outsourced") in huge numbers to lower wage locations in the global factory, voters are experiencing firsthand the insecurities that are endemic to this global age. Clearly, the United States is not ranked first in growth competitiveness for no reason, and yet the American economy, as powerful as it is and is likely to remain, is far from invincible.

Hegemony By Design? America's Global Economic and Geopolitical Dominance

In this the era of globalization it is easy to see that the various domains of global power and influence are interactive and overlapping. Because it is the hegemonic power, almost by definition, the United States benefits disproportionately from the design of the institutions of global economic and political governance. Thus, a mutually reenforcing logic has tended to enhance American power. The formative role of the United States as fledging hegemon in the post-World War II era provided it with the tools to shape the institutions of global governance that emerged in this period; these institutions in turn have safeguarded American interests ever since and helped consolidate both the international order bequeathed by the United States and America's dominant role in that order. This is the core premise of Thesis 1 (the invisible hand thesis).

Even erstwhile critics recognize that there is nothing sinister in this pattern of snowballing hegemony. As Védrine explained America's unprecedented dominance in every area (including economic, military, technological, and cultural), he acknowledged "while U.S. domination may be the result of a project . . . it is certainly not the result of a plot."[33] No conspiracy theory is required in order to recognize that hegemony is anchored and enhanced by a set of multilateral institutions that serve American interests.

Explanations vary in interesting and important ways about how and why the hegemonic order dominated by the United States was consolidated. For example, Robert Hunter Wade downplays the intentionality or grand vision associated with American hegemony and emphasizes the snowballing advantages of an "international economic architecture" that buttresses the geopolitical and economic power of the United States through the invisible hand of global market forces.[34] In an argument to which we will return in Chapter 6 when we discuss Thesis 1, Wade describes the bountiful advantages that flow to the United States from an international financial architecture that gives the United States uniquely autonomous and powerful tools of statecraft to control foreign exchange markets.

Hence, argues Wade, the rest of the world is harnessed to the economic rhythms of the United States, and the United States alone possesses the ability to adjust exchange rates for domestic political goals or to hurt competitors. Not only can the hegemonic power pull the levers to advance its interests with reference to financial markets and international trade, it can also use its dominance in the arenas of global governance to good effect. It can advance parochial policy aims, while gaining the benefits of political cover associated with participation as one among many in multilateral institutions. "To supervise this international framework you need a flotilla of international organizations that look like cooperatives of member states and confer the legitimacy of multilateralism, but that you can control by setting the rules and blocking outcomes you don't like,"[35] observes Wade in an argument reminiscent of Joseph Stiglitz's critique of U.S. dominance of the WTO and the IMF.[36]

In the end, the architectural design of American hegemony is both powerful and elegant, forcing others to accede to U.S. interests, yet concealing as best it can the principles of construction that might offend visitors from abroad who might prefer a more balanced multipolar system. This is how Wade describes the bottom line of U.S. dominance along the road to a new American Empire:

> *This international economic architecture allows your people to consume far more than they produce; it allows your firms and your capital to enter and exit other markets quickly, maximizing short-run returns; it locks in net flows of technology rents from the rest of the world for decades ahead and thereby boosts incentives for your firms to innovate; and through market forces seemingly free of political power it reinforces your geopolitical dominance over other states. All the better if your social scientists explain to the public that a structureless and agentless process of globalization—the relentless technological change that shrinks time and distance—is behind all this, causing all states, including your own, to lose power vis-à-vis markets. You do not want others to think that globalization within the framework you have constructed raises your ability to have both a large military and prosperous civilian sector while diminishing everyone else's.*[37]

Of course, not everyone agrees that the bottom line of U.S. hegemony is a beggar everyone else outcome, that the resulting dominance has given rise to an imperial America, or that the consolidation of U.S. hegemony is best explained by a combination of the invisible-hand of markets and the whip hand of blatant American self-interest projected onto the global arena.

In striking contrast to Wade, G. John Ikenberry argues that American hegemony was built on a set of principles that articulated a compelling vision for liberal hegemony expressed in a nondiscriminatory free trading system, democratic governance, and the institutions to regulate both. And there was nothing much invisible about it. Ikenberry argues, in fact, that American hegemony was the product of two rather explicit postwar settlements and that the United States was able to advance its vision of the international order because America's vision was able to resolve a crucial problem: "how to build a durable and mutually acceptable order among a group of states with huge power asymmetries."[38]

The pair of settlements (or tacit agreements about the era's institutionalized arrangements) that helped to shape, define and justify the broad policies, institutions, and values of the postwar order varied in specificity and scope. The more sharply drawn and acutely focused of the two was the "containment order" that consecrated the Cold War: a wary balance of power backed by nuclear deterrence and animated by ideological and geopolitical competition. More sweeping, but also more diffuse, was the broader vision for a liberal democratic order. It was also more American in design and purpose, as Ikenberry observes, than was recognized at the time:

> *The liberal democratic agenda was built on a robust and sophisticated set of ideas about American security interests, the causes of war and depression, and the proper and desirable foundations of postwar political order. Indeed, although the containment order overshadowed it, the ideas behind postwar liberal democratic order were more deeply rooted in the American experience and a thoroughgoing understanding of history, economics, and the sources of political order.*[39]

American policy-makers made the case that free trade, an open trading system, and a set of multilateral institutions was in the broader interests of Western democracies. Ikenberry argues that it was a case that could be sold convincingly to Asian and European partners because the United States was satisfied to "lock in" the terms of these favorable settlements, preferring stability and predictability to the uncertainty of an unconstrained hegemonic order in which the United States might aggrandize even greater power. To use Mearsheimer's framework, the United States exhibited the tendencies of defensive rather than offensive realism.[40] Ikenberry argues that the willingness of the United States to exercise "strategic restraint"—and persuade potential partners of their commitment to the principles of a noncoercive and multilateral postwar order—were essential to achieving a durable settlement. In short, "the United States gained the acquiescence of secondary states by accepting limits on the exercise of its own hegemonic power."[41]

Who wins when America rules? Wade and Ikenberry are sharply at odds. Wade argues that when America rules, every one else loses in a zero-sum game played by rules that inevitably enhance U.S. power at the expense of every other state. In stark contrast, Ikenberry argues that American hegemony was built on a set of commonly held liberal democratic principles. The postwar order was anchored by a pair of settlements that were honorably negotiated by a hegemonic power, which was more interested in stability than domination. By this account, which bears much kinship with Thesis 3 (globalization as the engine of democracy and progress), when America rules it attracts other states into a win-win partnership and enhances a global project for democratic stability. Although divergent in their interpretations of the postwar hegemonic order and the role and function of American power, Wade and Ikenberry would probably find ready agreement in the proposition that 9/11 and the emergence of the Bush doctrine heightened the willingness of the United States to project power in a far less restrained manner, a theme to which we now turn.

From Magnetic to Irresistible Force?

As we will discuss further in Chapter 5, after the terror attacks of September 11, 2001, and with the emergence of the Bush revolution in foreign policy, America's rules of engagement with the rest of the world changed rather dramatically. First, because the nation faced terrible new dangers, the United States took the reasonable position that it could not rely on others to protect its people or safeguard its borders. This belief won very broad support at home and an extremely sympathetic hearing abroad. It went the more controversial step further of asserting that the United States could not afford to be constrained by multilateral institutions.

What was even more revolutionary and unsettling for many was the second belief enshrined in the emerging Bush foreign policy doctrine, as Ivo H. Daalder and James M. Lindsay put it "that an America unbound should use its strength to change the status quo in the world."[42] As a result, the emerging Bush doctrine argued that the United States should "go abroad searching for monsters to destroy."[43] At a stroke, Bush unilaterally abrogated the terms of the postwar settlement described by Ikenberry that had anchored liberal hegemony and stabilized the international order.

For more than a half-century, the leadership of the United States was entrenched in a rule-bound system of international law and global governance that limited the prerogatives of the weak as well as the powerful. Paradoxically, American strength and global authority was enhanced by its willingness to accept limits on the exercise of its hegemonic privileges, and a stable order was secured. Philip Stephens, a columnist in the *Financial Times,* has articulated very clearly the dangers associated with a transformation of U.S. foreign policy doctrine that erodes the principles of the post-World War II geopolitical and security order:

> *That order, entrenched in the UN and Bretton Woods systems, in Nato and in a panoply of multilateral treaties, may now be too badly broken to fix. Mr Bush's national security strategy, with its emphasis on unfettered US power, has replaced rules-based leadership with imperial hegemony. I sympathise with the idea that structures shaped by the cold war have lost some of their relevance. But the underlying choice for the US is as it was in 1945: does it exercise its leadership co-operatively or coercively? Mr Bush has made his choice.*[44]

In geopolitical and military terms, the United States remains unrivaled and faces no serious contenders for state dominance. That does not mean, however, that the exercise of American power is unrestrained. As competitive and dominant in key, high-tech sectors as the U.S. economy remains, the changing terms of U.S./China relations, trade wars on several fronts, and the loss of some two-and-a-half-million manufacturing jobs in the first three years of the twenty-first century reveal new vulnerabilities—and demonstrate that even the sole hyperpower is not immune to competitive pressures or wholly free of the constraints imposed on all states by powerful international organizations such as the WTO.

It seems that in the post-9/11 era, the United States has forsaken the self-imposed strategic restraint described by Ikenberry. For how long and to what purpose will the United States assume the potentially more dangerous geopolitical posture of an imperial power? Is this more aggressive approach the necessary but temporary response to the new security threats of this woeful era, with the United States likely to revert to the post-1945 strategic restraint doctrine when the insecurities of 9/11 have been reduced to a more acceptable level? Or are we entering a new phase of geopolitics in which the United States doesn't simply exert a magnetic force—attracting some and repelling others—but becomes an irresistible force, willing to turn the international order upside down in order to control the global agenda to advance its national interests? We will discuss the implications of this turn toward a new American empire in Chapter 6.

Deeply held convictions about America's ultimate role in the global era turn on the answers to these questions, just as the fate of presidencies in the years ahead may turn in large measure on the electorate's assessment of an administration's success in managing the domestic consequences of globalization as they have come to be measured in terms of homeland security, employment and competitiveness, and the capacity of those representing the United States to work effectively in the economic and political institutions of global governance.

Undoubtedly, globalization and the power of the U.S. state are intertwined in a kind of Gordian knot, the fate of the United States and the future of global politics, more tightly bound together than ever before. What we don't know is whether—or under what circumstances—the Gordian knot may be loosened. And there is little agreement about whether that would be a good or bad thing. But this much is clear as we proceed to an analysis of the global challenges facing Europe: the problem posed by power asymmetries has returned with a vengeance, and the need for a fresh political settlement to consolidate and justify a new international political order is very much back on the table.