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Beyond Empire and Terror: Critical Reflections on the Political Economy of World Order

ROBERT W. COX

The 10th anniversary is a significant marker in the history of this Centre, the more so since both the study of political economy and the world it contemplates have been undergoing major changes during that decade. I mark the revival of the idea of political economy from the appearance of the late Susan Strange's article 'International Economics and International Relations: A Case of Mutual Neglect' published in *International Affairs* in April 1970. It began the process of breaking down disciplinary boundaries by challenging people from two entrenched disciplines to learn from each other. Encouraged by the response, particularly from international relations and political science specialists—who are perhaps less secure in the conviction of the self-sufficiency of their own discipline than were the economists—Susan carried the attack further by proclaiming that IPE, *international* political economy, should be an 'open field' ready to explore the findings of people working from the whole range of disciplines concerned with the nature and dynamics of societies. It led, in her words, to the rejection of 'the comfort of separatist specialization in the social sciences' and towards 'the attempt at … synthesis and blending, imperfect as we know the results are bound to be'[1].

Her advice turned out to be a prediction. The 'new political economy', if I may borrow the name of your journal, has come to absorb the perspectives of ecology, gender, cultures and civilisations. There are no bounds to its quest to understand and explain present and emerging realities. The narrow explanatory capacity of positivistic 'neorealism' in international relations studies has been outstripped by the comprehensive 'new realism' embraced by Susan Strange.[2] Now from within the discipline of economics there is emerging a movement towards a broader explanation of economic phenomena by incorporating political, cultural and ethical factors.[3]

This expansion of the scope of political economy was not an inspiration coming from theory itself. It was impelled forward by change in the real world. As Hegel said: 'The owl of Minerva spreads its wings only with the falling of the dusk'.[4] Theory follows reflection on what happens in the world; and there

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has been much to reflect about which could give rise to dissatisfaction with established explanatory orthodoxies. Some of the more important developments have been:

- the collapse of the Soviet Union, and with it of the bipolar world, and the emergence of what French diplomacy calls the 'hyper-power' of the USA;
- growing public concern about the stability of the biosphere and along with that of the risks inherent in an uncontrolled biotechnology and the profusion of genetically modified organisms;
- the persistent tendency of capitalism to widen the gap between the rich and the poor;
- a resurgent affirmation of identities of an ethnic, national, religious or cultural kind;
- a new salience of irregular or extra-legal activities like 'terrorism' and organised crime;
- and a growing scepticism of people towards all forms of established authorities.

We need an ontology that identifies the lineaments of the 'real world' of today; and an epistemology that helps us to think about and to understand the forces at work. This is the challenge to political economy—to that new open approach to the transformation of the world which it is the task of this Centre to develop. I would like to take this opportunity you have given me to present some tentative reflections of my own on the scope of this challenge.

The first ontological question is: What is power? And the second is: Where does power lie in the present world order?

'Power' I take in a very general sense to mean whatever force can intentionally bring about change in the behaviour of any of the diversity of agents in world political economy. I do not assume *a priori* what those forces or those agents are. States are obviously to be included among the agents. Military strength and the capacity for economic coercion are obviously to be included among the relevant forces. But there are many other things in each category. The problem is to infer from observation of what has happened what the key forces are and what agents are capable of wielding those forces.

Configurations of power

I would suggest that at the beginning of the twenty-first century there are three configurations of power that we have to take as a starting point:

I. The first is what is often now called the 'American empire', or more often now simply 'Empire'. It differs from the imperialism of the 19th and early twentieth centuries, which meant political and administrative control by European powers and by the USA of overseas territories—and, in the case of Russia, overland territories. The new 'Empire' penetrates across borders of formally sovereign states to control their actions from within through compliant elites in both public and private spheres. It penetrates first into the principal allies of the USA but also into many other countries where US

interests wield influence. Transnational corporations influence domestic policy in countries where they are located; and economic ties influence local business elites. Military cooperation among allies facilitates integration of military forces under leadership of the core of 'Empire'. Cooperation among intelligence services gives predominance to the security concerns of the imperial leadership. The media generalises an ideology that propagates imperial values and justifies the expansion of 'Empire' as beneficial to the whole world. Economic systems of the component territories of 'Empire' are restructured into one vast market for capital, goods and services. In the imagined future of 'Empire' the 'hard power' of military dominance and economic coercion is both maintained and transcended by the 'soft power' of attraction and emulation.[5] 'Empire' constitutes a movement towards convergence in political, economic and social practices and in basic cultural attitudes—a movement tending to absorb the whole world into *one civilisation*.

This configuration of power has been represented as a latent 'global state' in which the political and administrative and economic structures of many states become merged to form one all-powerful whole; and this larger whole becomes consolidated in the realm of inter-subjectivity through the global diffusion of imperial ideology.[6] Where recalcitrant political entities defy absorption into the functioning of 'Empire' and appear to threaten its core values, symbols and agents, then the old style imperialism of military and economic force takes over. The governing principle of 'Empire' is unity.

II. The second configuration is the persistence of the Westphalian inter-state system that was inaugurated in Europe in the 17th century and spread throughout the world during the period of European dominance. The sovereign state, though weakened, remains a hardy structure. Sovereignty has a dual aspect. One aspect is the autonomy of each sovereign state in the society of nations. The other is the authority of each state within its own territory and population. Both aspects are protected by respect for the principle of non-intervention in the internal affairs of other states. Both external and internal sovereignty remain a defence against absorption into 'Empire'. The two fronts on which the residue of the Westphalian world confronts the impact of 'Empire' are, first, the defence of the inter-state system and its creations, international law and the United Nations (UN); and, second, the strengthening of links between citizens and political authorities. These protect national autonomy in economic and social organisation; and thus, by extension, sustain a plural world of coexisting cultures and civilisations. The governing principles of the Westphalian world are pluralism and a continuing search for consensus.

III. The third configuration is what is often called 'civil society' or sometimes the 'social movement'. This exists both within states and transnationally. This configuration of forces has become more evident in recent decades, initially in a movement for an alternative to the economic globalisation of transnational corporate power and then as a direct confrontation of 'Empire' in the popular mobilisation against the Anglo-American invasion of Iraq. 'Civil society' differs from both 'Empire' and the state system in that it

functions as a decentred network rather than as a disciplined hierarchical structure. Modern information technology in the form of the internet and the cell phone has helped it to develop and to mobilise for action. This loose flexible character is a strength in being able to bring together a diversity of groups around some central issue. It is also a weakness by making it difficult to articulate a clear programme of action because of this very diversity; and also by leaving the movement open to disruption by *agents provocateurs*. The 'social movement' operates as gad-fly and opposition within states and within 'Empire'. It has an ambiguous relationship with the state system, rivalling it in one sense but seeking to strengthen it as a system responsive to popular initiatives in another. Its diversity and popular basis is totally opposed to the centralising and homogenising force of 'Empire'.

Behind and below these three rival configurations of power lies a covert world including organised crime, 'terrorist' organisations, illegal financial circuits, intelligence operatives, arms dealers, the drug trade and the sex trade, and sundry religious cults. This covert world functions in the interstices of the three overt configurations of power. Some of its component elements, like 'terrorist' networks, conspire to subvert and destroy established powers. Other components, like organised crime, are parasitical upon established power and live in symbiosis with it. The covert world is always present in some measure. Its expansion signals trouble for the established order—a loosening of confidence in the security that established order is supposed to ensure for people in general.

Legitimacy and hegemony

There is one general factor that indicates the extent of the trouble. It is called *legitimacy*. Legitimacy or illegitimacy characterise the relationship of government to the governed—or, more broadly, the nature of authority. The relationship is legitimate when people in general accept the institutions and procedures of authority and the decisions which emerge, even if they do not like them. When that general acceptance becomes eroded, when there is no general acceptance that decisions have been properly arrived at, the relationship becomes illegitimate. Fear is a critical indicator—fear on the part of those in power as well as among those subject to authority. The tyrant is in constant fear of being overthrown; and those over whom the tyrant rules are kept in obedience through fear. Legitimacy calms fear on both sides—for the governors and for the governed. When the public is gripped by a fear which authority seems impotent to calm, the scene is set for arbitrary power—for the 'man of destiny'. When governments provoke fears among the public, they are preparing for repressive measures. This inverse relationship between fear and legitimacy is the key to the problem of public and social order.

Two Italian thinkers of the twentieth century focused on this problem. Guglielmo Ferrero, an historian of conservative inclination, derived the idea of *legitimacy* from his reading of Talleyrand's *Mémoires* in reflecting upon the settlement at the Congress of Vienna that closed the era of the French revolution and Napoleonic empire. Ferrero developed the idea in two books written while

he was resident in Switzerland in exile from Fascist Italy. They were published in the USA in 1941 and 1942. '[A] legitimate government', he wrote, 'is a power that has lost its fear as far as possible because it has learned to depend as much as it can on active or passive consent and to reduce proportionately the use of force' and also 'A government is legitimate if the power is conferred and exercised according to principles and rules accepted without discussion by those who must obey'.[7]

Antonio Gramsci, Marxist philosopher and political activist, writing in a Fascist prison in the 1930s, developed an idea of *hegemony* that has a similar meaning to Ferrero's *legitimacy*. Hegemony, for Gramsci, was a condition in which the governed accepted or acquiesced in authority without the need for the application of force. Although force was always latent in the background, hegemony meant leadership rather than domination. Gramsci traced the genesis of hegemony to civil society, in the spread throughout society of common conceptions of how things work and ought to work. As a Marxist activist, he was concerned with the construction of a hegemony that would be led by the working class but would encompass other social classes. Ferrero looked to political institutions and government rather than to social classes. Both Gramsci and Ferrero agreed in their apprehension that a crisis of hegemony or of legitimacy would lead to dire and unpredictable consequences—very likely the emergence of charismatic 'men of destiny'. In that sense we may say that they both had a conservative approach to orderly and progressive social and political change.

The three configurations of power in the world today overlap geographically. They are not confined by boundaries. They have points of geographical concentration, but are in contest everywhere asserting rival claims to legitimacy; while the expansion of the covert world, in both its subversive and parasitical aspects, undermines legitimacy everywhere.

Empire

It is easy to accept the phenomenon of 'Empire' as the main fact about the present state of world affairs; but it is important to look critically at its origins and prospects. The analogy is often made rhetorically with Rome—the USA as the new Rome. The aura of Rome's empire endured for a thousand years far outlasting the decline of Roman power. Barbarian armies invaded the Roman empire not to destroy it but to merge with it and take power within it. Spiritual forces from the Middle East penetrated throughout the empire and took the institutional form of Rome in the Catholic Church. The successor political authorities invoked the legitimacy of Rome.

The parallel does not work for the USA. US power has provoked an affirmation of *difference* on the part of other peoples. They do not strive to merge into a homogenised imperial whole. They prize their own distinctiveness. US influence had a benign quality, often welcomed abroad, in the decades following the Second World War. It is now regarded abroad with great suspicion. American values do not now, if they ever did, inspire universal endorsement as a basis for social and political life. Once widely admired, if not emulated, they have become more contested and more ambiguous. The terms

'democracy' and 'liberation' have become transformed to mean open markets and military occupation. Even the seductiveness of American material culture turns to irony. Much has been made of US 'soft power': that the American appeal to others may be stronger than the 'hard power' of military and economic coercion. The relationship between 'hard power' and 'soft power', however, has been inverse rather than complementary. The aggressive application of 'hard power' in the last few years has dissipated the gains US 'soft power' made in the post-Second World War era.

The American 'empire' may appear as the predominant military and economic force in the world. It is less stable and less durable than first appears. US unilateralism and its use of 'coalitions of the willing' in impatience with opposition by the majority of states and peoples has divorced the exercise of US power from the legitimacy of universal consent. The American public's sustained support for US military intervention abroad is dubious. The ability of US forces to construct viable administrations in occupied territories has become very doubtful.

After the 9/11 attacks, a US President, the legitimacy of whose election was questionable, gained a new instantaneous legitimacy through the patriotic rallying of the American people behind his proclaimed 'war on terror'. That regained domestic legitimacy was put in question internationally following the successful military campaigns in Afghanistan and Iraq, as the justifications given for the invasion of Iraq were discredited, as the ability of the USA to sustain a long occupation became questionable, and as the vision of grateful 'liberated' peoples faded.

'Empire' may be a fantasy for a certain US political elite which is not shared unequivocally by US military leaders anxious to conserve their forces, nor by the public at large with little taste for an extended aggressive war and long-term occupation abroad, and which American corporate power would prefer to achieve by other than military means.

The economic power behind 'Empire' is another thing. Like Rome, America sucks in the resources of the empire beyond its shores. The massive and prolonged US trade deficit measures the extent of US consumption of foreign production. The US trade deficit—and the burgeoning budget deficit that the would-be imperial regime of George W. Bush is running up—is financed by a flow of foreign capital into the USA. This economic edifice rests on what Susan Strange called the 'structural power' of the USA in global finance. This is based upon the role of the US dollar as the principal world currency, the global predominance of American financial markets, and US control of the International Monetary Fund and its predominant influence in the other international economic institutions, the World Bank and the World Trade Organization. The status of the dollar as world currency gives the USA, as a debtor country, the unique privilege of being able to borrow from foreigners in its own currency, which means that any depreciation of that currency will both reduce the value of US debt and increase the competitiveness of US exports.

'Structural power' in global finance has enabled the USA to shape the global economy by influencing other states to bring their economic practices into conformity with an American concept and practice of global capitalism and by

adopting a common way of thinking about economic matters, what in French is called *la pensée unique*. (The English term 'neoliberalism' fails to capture the irony of the French.)

US 'structural power' in finance rests ultimately upon confidence—confidence in the value of the US dollar and in the capacity of the US economy to be the motor of a global economy. But confidence, like legitimacy, is a fragile thing. A major factor that tests the confidence underpinning US 'structural power' in finance is the debtor position of the USA. In the Bretton Woods era following the Second World War, the USA was the principal source of credit for the rest of the world. During the period from 1977 to 1981 the USA transformed itself into the single largest consumer of international credit, while Japan, subsequently followed by China, took the place of the USA as the single largest source of credit for the rest of the world.[8] Any threat of withdrawal of that credit and flow of capital could precipitate crisis.

Egregious behaviour in American capitalism compounds the problem of confidence. The Savings and Loan bank fraud of the 1980s set a standard for greed and conspiracy in perhaps the greatest money scandal in US history, which ultimately cost the US taxpayer US$1 trillion.[9] More recently, the bursting of the dot.com bubble, the Enron and Worldcom scams and the Arthur Anderson accounting scandals underlined again American capitalism's inherent waste and unpredictability—a cautionary tale for foreign investors.

The use of US 'structural power' as coercion to shape foreign economies on the US model has generated resentments that dissipate American 'soft power'. In the East Asian crisis of 1997–98, the USA rejected a Japanese initiative for a regional solution and managed the crisis in such a way that European and American firms were able to buy up Asian assets at fire sale prices while Asian populations suffered economic disaster.[10] It shook Asian confidence in the benign nature of US hegemonic power and reinforced the determination of Asian governments to obstruct the foreign buy-out of national economies. Such an experience gives pause to other financial powers to consider how to construct their own 'structural' independence from the unilateralist tendencies of US financial dominance; and also to devise the means of inducing the USA to control its own massive trade and budget deficits—to subject itself to the same kind of 'structural adjustment' the IMF has forced upon many poor countries.[11]

The experience of the Asian financial crisis has encouraged a movement towards a regional economy in Asia with built-in protection against dependence on US financial dominance. China has now displaced Japan as the principal US creditor and has become the new focus for Asian economic regionalism. Both China and Japan have been diversifying their trade and capital flows towards other Asian countries as a hedge against too much dependence on the US market. In the year 2000 a group of Asian countries including China and Japan agreed to create a virtual Asian monetary fund independent from the IMF to guard against a future Asian currency crisis like that of 1997.[12]

These are indications that Asia could move towards greater financial and economic independence through stronger regional structures. In Europe, the adoption of the euro, the establishment of the European Central Bank and the prospect of further integration of European financial markets are *de facto* steps

towards independence from the rule of the dollar and towards the consolidation of a plural world in finance. Of course, the weakness of the euro area, as of Asian economic regionalism, lies in the lack of a central political authority over finance. Yet in both cases the movement is sustained and is impelled forward by the experience of US unilateralism.[13]

The economic structure of American empire is viewed with caution by European and Asian financial powers, apart altogether from the resentments it arouses in many economically weaker countries. A major crisis of confidence could deal US structural power a vital blow; and confidence is troubled by the erratic behaviour of US political and military unilateralism.

The state system

The state system, though weakened, is a more durable structure. It is challenged by 'Empire', but is self-consciously resisting its own demise. Where it has been weakened is when the United Nations, which is the institutional embodiment of the state system in our time, has been seen to have become an agency of US power.[14] The strength of the UN lies in a perception that no single dominant power can control it, that its decisions depend upon a process of consensus in which all powers have a voice, even if not in practice an equal one.

An imbalance in the state system arises when one 'hyper-power' has overwhelming military and economic clout and other powers lack credible capacity for collective military action and financial independence. This situation undermines the effectiveness of the UN as the instrument for achieving consensus in the management of conflict. The restoration of the UN—and more broadly of the process of multilateralism—will depend upon overcoming that imbalance. It can happen only when the major states acquire effective military and economic capacity, underwritten by financial independence, to act in concert with others; and upon the USA coming to play a role as one state power among others, albeit the most powerful one. The legitimacy—or hegemony in the Gramscian sense—of a world order requires the existence of force in the background to sustain an institutional process that states and people generally will find acceptable or will at least acquiesce in. It also requires a commitment to seek consensus on the part of all major powers.

Civil society and the social movement

Civil society as a global social movement is an amorphous thing, but not to be dismissed as ephemeral or naively utopian. Its existence is a measure of the degree of separation of people from constituted authority—of the decline of deference in the face of authority—and thus a test of the legitimacy of constituted authority whether in the state or in the inter-state system. Civil society has an independent constraining impact upon both 'Empire' and the state system.

The social movement is a different kind of power compared to the other two configurations. It is non-territorial, or rather trans-territorial, and it is non-hierarchical and non-bureaucratic. It takes the form of a fluid network composing,

decomposing and re-composing in reaction to the other two configurations, 'Empire' and state system. Civil society persuaded Gerhard Schröder that he would not be re-elected Chancellor of Germany unless he opposed the US plan to invade Iraq. It confirmed the Canadian government in its opposition to the war. It demonstrated public opposition to the war in Italy and Spain whose governments nevertheless took the domestic political risk of aligning themselves with the USA. It showed how fine was the line of tolerance in Britain for Tony Blair's Gladstonian rhetoric.

The weakness of the social movement is the obverse of its strength—its open non-hierarchical character, which makes it difficult to coordinate action and define clear objectives and leaves it open to infiltration by extremist elements and *agents provocateurs* as happens regularly at mass mobilisations to demonstrate resistance to 'Empire' and the 'corporate agenda'. But the social movement has been developing its means of coordinating action and articulating alternative perspectives for the world. The fact that this takes place through a long process of discussion and consensus formation through a diverse and wide reaching network enhances the legitimacy of the movement in working towards a counter-hegemonic alternative to the status quo.

The creation of the World Social Forum and its regional counterparts has provided an embryonic institutional structure. The social movement can function both within societies independent of government control and it can put pressure on governments and on the agencies of the inter-state system.

Values

The social movement impacts upon the realm of values. It expresses people's inherent values and is part of the process of transforming values. It has raised consciousness of the position of women in society and of the threats of environmental degradation. It has championed peace and opposed aggression. It has put a higher value on life than on profit.

Values are a product of history. They change over time. Often changes in the real meanings of values are obscured by language. The same words—freedom, democracy—obscure changes in the meanings they cover. Research into the actual content of values has to look at people's attitudes and behaviour that give meaning to the words rather than at the words themselves.

In June 2003, following the crisis in the Western world over the invasion of Iraq, a group of western European notables, including former presidents, prime ministers and ministers of foreign affairs, published a declaration reaffirming the vital importance of Europe's association with the USA. The declaration affirmed that Europe and North America shared the basic values and political objectives of democracy and liberty and together could share these values with the rest of the world.[15] This was the expression of a political hope. Was it a correct assessment of political reality? That would have to be judged in relation to the transformation of values on the one side and on the other of the Atlantic.

Civil society in western Europe has by and large come to imagine that Europe as a whole has transcended former conflicts among European nations, accepting cultural diversity while remaining somewhat suspicious of centralising authority.

In this thought, consensus is to be achieved through a cautious elaboration of transnational law and institutions. Furthermore, the emerging European entity and its component national entities tend to envisage *world* political order in similar fashion as the search for consensus and the elaboration of international law. This is not just a matter of moral preference. It is *realpolitik*. It is the interest of the European entity and of its component parts to shape world order in this manner so as to preserve the autonomy of Europe and of its component states in world politics.

The USA, meanwhile, has been moving in an opposite direction, towards a unipolar concept of world power in which the USA has emerged from the global conflicts of the Second World War and the Cold War as the paragon of economic, social and political order with a mission to transmit its values and its order to the rest of the world, both for the benefit of other peoples and to ensure the security of its own way of life. In part, this evolution in US values has been encouraged by the collapse of Soviet power and the vision that this has left the American way as the 'end of history' beyond which no fundamental change is conceivable. In part, it arises from the domestic shift in power within the USA from the northeast, with its historic links to Europe and European thought, to a southwest more susceptible to the idea of American 'exceptionalism',[16] more affected by the history of race and immigration, and more impregnated by the certainties of Christian fundamentalism as to the absolute and evident nature of good and evil.

This conviction of being the bearers of an exceptional historic mission has led US leadership with public acquiescence to refuse to ratify the Kyoto accord on environmental protection, the treaty to abolish the use of land mines and the International Criminal Court. American 'exceptionalism' affirms in practice that the USA is not a state like all the others and that US officials, the agents of this special responsibility, cannot be subject to other than US law. Europeans and Americans have been drawn towards two fundamentally different visions of world order.

Britain, of course, balances uneasily astride this cleavage. Civil society in Britain has moved a long way in the European direction. In scholarship, the 'English school' has projected a concept of international society and world society that is in keeping with the European outlook on the world.[17] But the historical Anglo-Saxon partnership is seen by some as security for Britain's aim for leadership in Europe; and the moral certainties of American Christian fundamentalism find an echo among some people in this country—and not the least influential. The transatlantic crisis over Iraq is also a crisis of British society.

This is not just a matter of governments with different policies. If it were so, one could just wait for some realignment towards consensus as governments change. More serious is a long-term trend in the way people think about themselves and about the world. Government policy ultimately finds its support—its legitimacy—in the foundational world view of popular culture.

A Canadian sociologist recently published his research on social values in both the USA and Canada as traced in opinion surveys over the past decade. The conventional wisdom has been that Canadians have evolved in their thinking

under the influence of the US media and US corporate culture toward convergence with US values—that Canadians, in the words of this author, are 'unarmed Americans with health insurance'.[18] His research suggested, on the contrary, that values in the two countries were on a divergent course and that Canadian values were evolving much more in line with European values.

Sociologists have suggested that industrial societies have gone through a common pattern of change in values. The pre-industrial condition gives prominence to the values of deference to authority, particularly religious authority, suspicion of change and aversion to social mobility. With the coming of modernity societies move towards an emphasis on rational–legal authority, a drive for economic growth with attachment to the outward signs of wealth that money can buy, and aspirations to upward social mobility. Then, transcending these values of modernity, some elements of society, sated with indulgence in the fruits of modernity, move towards a post-modern concern for the *quality* of life both of individuals and of the planet, and towards a new respect for human diversity in rejecting the vision of a homogenised culture of material affluence.

The recent movement of values in the USA, as measured by the study I refer to, defies this supposedly common pattern. Of course, all societies are complex and cannot be summarised under such a generalisation. There is, to be sure, in America a residue of the idealism of the Civil Rights, anti-Vietnam war, feminist and environmentalist movements of the 1960s. But the dominant trend has been away from that, turning a back on both the contesting idealism of the 1960s and the much earlier civic engagement that de Tocqueville saw as the salient characteristic of American democracy during his visit in the mid 19th century.[19]

The study I am referring to concludes that in the current pattern of social change 'many Americans are shutting themselves off from the world around them, becoming increasingly resigned to living in a competitive jungle where ostentatious consumption and personal thrills rule, and where there is little concern either for the natural environment or for those whose American Dreams have turned into nightmares'.[20] In this mental vision of the world there is an admixture of fundamentalist Christian religiosity[21] with a nihilistic rejection of any rules. Together, this results in a thorough rejection of the post-modern openness to change, flexibility and diversity that other industrial societies have begun to embrace.

Thus it would seem that western Europe and the USA are moving in different directions regarding the way people perceive the world and understand its problems. The world outlook of most Canadians supports the secular, pluralistic view characteristic of Europe, although there is a Canadian minority aligned with the now dominant American perspective. In this sense, Canada can be attractive to American dissenters while it tends to be irritating to the US mainstream.

In the balance of world forces, western Europe may be weakened in the present by its military posture relative to the USA and in the long term by demographic decline; but European values are strengthened by the fact that the idea of a plural world is congenial to people in other parts of the world and their governments—to Russia, which like Europe is threatened by demographic decline, and to China and India and other Asian countries with growing populations and resentment against the universalist pretensions of the USA. The

European perspective is also attractive to Latin Americans who see themselves as reluctant members of an American empire. Mexico's decision, despite economic pressure, not to support the US invasion of Iraq was indicative and American unilateral commitment to Israel in the conflict over Palestine has antagonised more than just the Arab and Islamic world. Beyond the way these sentiments are reflected through the state system, the mobilised global social movement has articulated opposition in civil society to the vision of 'Empire'. To borrow the American usage, this attractiveness of European values is Europe's 'soft power'.

'Terrorism' and the covert world

How then does the 'war on terror' relate to the balance of power between the three configurations: 'Empire', the state system and the social movement? 'Terrorism' is the weapon of the weaker force confronting military and police power. It arises when conflict appears to be irreconcilable, non-negotiable. It can work when the legitimacy of the established order is already undermined. It worked in Havana during the Cuban revolution. It worked for the Irgun and the Stern gang in the founding of the state of Israel.[22] It did not work for the radical Quebec separatists of the *Front de libération du Québec* in Montreal in the October crisis of 1970.[23] It is presently at an impasse in the Palestinian resistance to Israeli occupation and in the resistance within Iraq to Anglo–American occupation. The word 'terrorist' is used by established authority to stress the illegitimacy of the perpetrators of irregular violence. Those people prefer words like 'freedom fighters' and 'martyrs' that lay claim to an alternative legitimacy.

If the term 'terrorism' gained particular currency in the microcosm of the Palestinian conflict, it has since 9/11 gained broader application in the macrocosm of the 'war on terror' and it has been adopted as a form of justification by the dominant force in other conflict situations, notably by Russia in relation to Chechnya. In the broader conflict—in the minds of those who have adopted the 'clash of civilisations' thesis of a global struggle between Islamic and Western civilisations—'terrorism' is a violent reaction to 'Empire'; and for dominant power the response to 'terrorism' is an expansion of 'Empire'. The two are joined in a dialectic without end since the two contestants are not of the same order—the one, territorial power, the other, the rage of people that ignores territorial boundaries—and their conflict precludes any ultimate synthesis.

Violence against the institutions of established order engenders repressive reactions that raise fear and curb liberties. The restriction of liberties diminishes the order's legitimacy. The physical elimination of 'terrorists' by police and military action does not eliminate 'terrorism'. It encourages more people to take up the role of 'terrorist'. The only way this quagmire dialectic could end would be by transcending the conflict in a reestablished legitimacy. But how?

Transcending 'Empire' and 'terror'

My contention is that the state system remains the most feasible means for restoring legitimacy in global governance. Its primary challenge is to induce an

American 'hyper-power' to abandon the mirage of 'exceptionalism' and bring the USA back into membership along with other states in a community of nations. The diplomacy of other powers may have some influence to this end; but the outcome will depend most of all on how Americans in the aggregate come to see the world. The social movement has a role to play in the transformation of American opinion; and in challenging the state system to transform itself into a mechanism for working collectively on the salient problems affecting the condition of the world's peoples. What, then, are these problems, these priorities?

The first and most obvious is the health of the biosphere which is the condition for the survival of all forms of life. Individual states may be tempted to see their own interest in shifting pollution from their shores to other countries or in consuming disproportionate amounts of the world's resources. The social movement puts pressure on all states to regulate pollutants and the consumption of energy and resources in the interest of all. The very nature of this task defies exceptions—and *exceptionalism*. It concerns the whole planet. It requires regulation of the whole in which all participate and share responsibility. The pressure for action and observance of common rules would have to come from within the state system impelled forward by a public opinion sustained by the social movement.

The second salient problem is to bring about some reasonable degree of equity in the conditions of life of people around the world. Capitalism in the leading countries has in the past been legitimated by legislation guaranteeing a minimal economic and social security, including health and education, and providing orderly means for settlement of social conflicts. Latterly, governments have been cutting back on these guarantees—which have been the social achievement of reformist politics over decades—in an effort to subordinate everything to the market. The legitimacy of the economic system is threatened when these 'acquired rights' are eroded and when chief executive officers, who in some cases have destroyed companies and the livelihood of employees, are rewarded with obscene riches. What is true in the nation is true of the global economy. Global capitalism of the kind forced upon poor countries through the 'structural adjustment' imposed by the 'hard power' of the so-called 'Washington consensus'—the consensus of the IMF, World Bank and US Treasury—has widened the gap between rich and poor and deprived countries of the power to control their own economies.[24] This consequence of global capital has produced the 'anti-globalisation' movement in civil society that has confronted the managers of the global economy at every summit meeting since the 'battle in Seattle' of November 1999.[25] The legitimacy deficit in global economic management engenders fear and resentment that could threaten the whole edifice. Legitimacy requires that global economic management subordinate the absolute claims of market logic to an assurance of social equity.

The third point is more technical: the need for reform in the international organisation of credit. The USA, the nation with the world's largest debt, finances its massive trade and budget deficits, which includes the cost of its military adventures, by an equally massive inflow of foreign capital. This is what

enables government and people in the USA to command the resources of the rest of the world and to pay for the building and use of its own military power. This American 'structural power' in finance is a major reason for the lop-sidedness of the state system and for the expansion of American 'empire' with its dialectical twin 'global terrorism'. A restoration of the state system as the mechanism for managing world affairs in a plural world order would depend in large measure upon achieving some balance in global finance, the sinews of power. There is evidence of movement in this direction during the past decade.[26] The creation of the euro as an alternative international currency and the emergence of more coherent regional economy in Asia show potential for achieving such a balance.

The fourth point is probably the most fundamental. It lies in the relationship of power to knowledge and consciousness in the way people think about the world. It brings us back to the choice between one homogeneous world to be shaped into one civilisation and a plural world of coexisting civilisations. It is a choice between, on the one hand, a fundamentalist drive towards an absolutist moral unity and, on the other, an expectation of diversity with tolerance and a willingness to confront the frustrations of a search for consensus on divisive issues. The material and moral costs of the first lie in the erection of a repressive power to enforce conformity on a diverse world, a power that could ultimately destroy the individual freedom that the one civilisation proclaims as its very essence. The costs of the second option are the building up of a sufficient number of centres of military and financial 'hard power' to give credibility to the component entities of a plural world.

This may sound like a return to the past; but some features of the past deserve recognition for their ability to enable diverse peoples to live in peace for extended periods of time while following each their separate social, economic and cultural paths. This is substantial freedom—freedom of choice for different human communities. 'Empire' offers the illusion of a uniform patented form of democracy and human rights under a colossal power that of its very nature contains its own contradiction: the repressive force necessary to maintain it which constitutes an overwhelming threat to freedom and dissent.

The world is awash with fundamentalisms each of which claims possession of a universal knowledge of good and evil. The security of the world's people is only conceivable in a moderating of these claims. Life in a plural world would be a continuing search for common ground among diverse concepts of civilisation—not a merger of civilisations but a mutual understanding to respect difference, to relieve oppressive domination, and to find peaceful means for settling conflicts that may well arise out of different ways of organising society and economy and different moral choices. It would be messy, but safer on the whole.

I can find no better conclusion than the words written by a critically perceptive American scholar more than 15 years ago, back in the glory days of the Reagan administration: 'Despite its colossal military means, America feels perpetually threatened and overextended. It is difficult to exaggerate the dangers of such a condition—either for the world or for democracy in America itself. The United States has become a hegemon in decay, set on a course that points to an

ignominious end. If there is a way out, it lies through Europe. History has come full circle: the Old World is needed to restore balance to the New.'[27]

Notes

1. Susan Strange, *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge University Press, 1996), pp. xv–xvi.
2. In Strange, *The Retreat of the State*, p. xv, she referred to 'the new realism of the Stopford–Strange analysis of corporate strategies and state development policies' and cited Peter Drucker as using the term 'to describe fundamental technological and managerial changes of recent years'. The term 'new realism' was in the title of a book, Robert W. Cox (ed.), *The New Realism: Perspectives on Multilateralism and World Order* (Macmillan for the UN University Press, 1997), to which Susan Strange contributed a chapter entitled 'Territory, state, authority and economy: a new realist ontology of global political economy'.
3. A notable instance is the formation of the transnational academic organisation, PEKEA, Political and Ethical Knowledge on Economic Activities, which was launched at an international conference held at the headquarters of the UN Economic Commission for Latin America in Santiago de Chile, September 2002, with Professor Marc Humbert, Faculté de sciences économiques, Université de Rennes as President of the steering committee. As a forerunner, one could cite René Passet, *L'économique et le vivant* (Payot, 1979), the work of an economist seeking to reinvent economics as subordinate to both the biosphere and human social relations.
4. T. M. Knox (trans.), *Hegel's Philosophy of Right* (Oxford University Press, 1967), p.13.
5. The concept of 'soft power' comes from Joseph S. Nye, Jr, *Bound to Lead: The Changing Nature of American Power* (Basic Books, 1990), p. 32, which he defines as 'intangible power resources such as culture, ideology and institutions' or those aspects of a dominant power that are attractive to people beyond its borders. Nye was arguing against the thesis that American hegemony was in decline as a result of the rising costs and waning usefulness of military power. 'Hard power' includes military and economic coercion capability. The former Canadian Minister of Foreign Affairs, Lloyd Axworthy, appropriated the concept of 'soft power' in his pursuit of 'human security' through such projects as the land mines treaty as a primary goal of Canadian foreign policy.
6. Two recent books discuss the emergence of this latent force: Martin Shaw, *Theory of the Global State: Globality as an Unfinished Revolution* (Cambridge University Press, 2000); and Michael Hardt & Antonio Negri, *Empire* (Harvard University Press, 2000). Shaw focuses on the political and institutional aspects of the emergence of the 'global state' in a spirit of benign inevitability. Hardt and Negri look more to cultural and knowledge aspects and to a dialectic in which the 'multitude'—a post-Marxist name for all those subject to power—will ultimately overcome 'transcendence' whether in the form of God, the state or 'Empire'. A liberal imperialist perspective that justifies 'Empire' as the enforcer of moral law and human rights is the theme of Michael Ignatieff, *Empire Lite: Nation-building in Bosnia, Kosovo and Afghanistan* (Penguin Canada, 2003).
7. Guglielmo Ferrero, *The Principles of Power: The Great Political Crises of History*, trans. by Theodore R. Jaeckel (Putnam, 1942), pp. 41 and 135. See also *The Reconstruction of Europe: Talleyrand and the Congress of Vienna*, trans. by Theodore R. Jaeckel (Putnam, 1941).
8. Eric Helleiner, *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s* (Cornell University Press, 1994), pp. 13–14, 183–5; and Randall D. Germain, *The International Organization of Credit: States and Global Finance in the World Economy* (Cambridge University Press, 1997), pp. 78 and 110–11. Commenting on rumours that the US Secretary of the Treasury might be behind a policy of allowing the dollar to decline on world markets, *The Economist* of 24 May 2003 wrote: 'The brutal reality is that, with a current account deficit of around $500 billion a year, America needs to attract quantities of foreign money. The risk is that, if foreign investors believe the Bush team is intent on pushing the dollar down, they will become much less keen to hold American assets. That, in turn, could punish stock and bond markets.' *The Economist*'s worries had a precedent in the stock market crash of 1987 that followed upon the Reagan administration 'talking the dollar down' in the hope, to cite Helleiner, 'that this would both devalue the US external debt and prompt foreign governments to begin expansionary policies that would help reduce the US deficit without requiring the United States to arrest its growth', p. 184. Private investors began to pull out of US investments, which led to fears for a uncontrollable collapse of the dollar. The policy was checked by the Louvre agreement of February 1987 in which the USA agreed to defend

the dollar in concert with foreign central banks and to reduce its budget deficit, which was seen as the cause of the trade deficit. Japanese investors continued to reduce their US investments. By mid October, when unexpectedly high US trade deficit figures were published, stock markets, beginning in Tokyo, collapsed around the world.

9. The Savings and Loans banking fiasco occurred in the context of banking deregulation, real estate speculation and the rapacious capitalism of the Reagan era. It transformed the original idea of local savings institutions designed to provide loans for home ownership into an opportunity for speculation, money laundering and covert transfers of funds. Not surprisingly, organised crime, arms dealers and the CIA as well as unscrupulous financial operators availed themselves of the opportunity. Two accounts by investigative journalists are Kathleen Day, *S&L Hell: The People and Politics behind the $1 Trillion Savings and Loan Scandal* (W.W. Norton, 1993); and Stephen Pizzo, Mary Fricker & Paul Muolo, *Inside Job: The Looting of America's Savings and Loans* (McGraw-Hill, 1989).
10. Chalmers Johnson, *Blowback: The Costs and Consequences of American Empire* (Henry Holt, 2000), pp. 221–9; and Joseph E. Stiglitz, *Globalization and its Discontents* (Norton, 2002), pp. 89–132. Michael Richardson, 'West snaps up Asian businesses', *International Herald Tribune*, 20–21 June 1998, wrote: 'As East Asia's financial and economic crisis deepens, Western companies are buying Asian businesses at a record rate to increase their strategic presence in the region and outflank rivals, especially from Japan, executives and analysts say … The fight for corporate advantage in Asia is a part of a global competitive fight that is intensifying in many key industries … Concern that Asians will lose control of their economic destiny has already been voiced by officials and other critics of foreign takeovers in a number of East Asian countries, including Malaysia, Thailand and South Korea.'
11. On this theme, see Eric Helleiner, 'Still an extraordinary power, but for how much longer? The United States in world finance,' in: Thomas C. Lawton, James N. Rosenau & Amy C. Verdun, *Strange Power: Shaping the Parameters of International Relations and International Political Economy* (Ashgate, 2000), pp. 229–48; also David P. Calleo, *Beyond American Hegemony: The Future of the Western Alliance* (Basic Books, 1987). Susan Strange compared US and Japanese financial power in 'Finance, Information and Power', *Review of International Studies*, Vol. 16, No. 3 (1990), reproduced in Roger Tooze & Christopher May (eds), *Authority and Markets: Susan Strange's Writings on International Political Economy* (Palgrave, 2002), pp. 78–85.
12. Philip S. Golub, 'Pékin s'impose dans une Asie convalescente', *Le Monde diplomatique*, Octobre 2003, pp. 14–15. The arrangement was agreed among ASEAN + 3 (Japan, China and South Korea) at Chiang Mai, Thailand, in May 2000 and is known as the Chiang Mai Initiative.
13. A sceptical comment on the progress of the euro is in Howard M. Wachtel, 'L'euro ne fait pas encore le poids', *Le Monde diplomatique*, Octobre 2003.
14. That perception emerged during the Clinton presidency and Madeleine Albright's tenure as Secretary of State. It appeared in the US veto of the candidacy of Boutros Boutros Ghali for a second term as Secretary-General of the United Nations, a reappointment supported by all members of the Security Council but the United States; and the subsequent election of Kofi Annan as the candidate favoured by the United States. US dominance of the United Nations was also evident in the inability of the United Nations, reflecting US reluctance, to act to prevent the genocide in Rwanda. In contrast, the refusal by the Security Council to endorse the invasion of Iraq by US and British forces can be seen as a *prise de conscience* of the danger to the United Nations of succumbing to overt US unilateralism.
15. *Le Monde*, 15–16 June 2003.
16. Seymour Martin Lipset, *American Exceptionalism: A Double-Edged Sword* (W.W. Norton, 1997).
17. On the English School, see Richard Little, 'The English School *vs.* American Realism: A Meeting of Minds or Divided by a Common Language?', *Review of International Studies*, Vol. 29, No. 3 (2003), pp. 443–60.
18. Michael Adams, *Fire and Ice: The United States, Canada and the Myth of Converging Values* (Penguin Canada, 2003), p. x.
19. Alexis de Tocqueville, *De la démocratie en amérique*, 2 vols (Gallimard, 1951). The American sociologist Robert D. Putnam has suggested that civil society in the USA has lost much of the spirit of association once noted by de Tocqueville as its salient characteristic. He sees this as being replaced by non-participation in group activities and a privatising or individualising of leisure time. He calls this a decline of 'social capital' which refers to networks, norms and social trust that facilitate coordination and cooperation for mutual benefit. See Robert D. Putnam, 'Bowling Alone: America's Declining Social Capital', *Journal of Democracy*, Vol. 6, No. 1 (1995), pp. 65–78.

20. Adams, *Fire and Ice*, p. 39. The method employed in this survey differs from the opinion survey that asks respondents about their political choices. Its questions focus on basic orientations towards life, e.g. deference to authority and status, ostentatious consumption, religiosity, altruism, acceptance of violence, tolerance of diversity, etc. The results reveal clusters of people with similar orientations which become predictors of behaviour.
21. Lipset, *American Exceptionalism*, p. 62.
22. The Irgun is remembered for the bombing of the King David Hotel, the site of the British military command in Palestine. The Stern Gang is best remembered for two notorious assassinations, that of Lord Moyne, the British Resident in the Middle East, in 1944, and of Count Bernadotte, the UN appointed mediator to the Palestine conflict, in 1948, as well as for its participation, along with the Irgun earlier that year, in the massacre at Deir Yassin, an event that has acquired symbolic meaning for Palestinians as the demonstration of Zionist intentions to drive them out of the land claimed by the newly founded state of Israel.
23. The FLQ aimed to liberate Quebec not only from the rest of Canada but also from capitalism. It was influenced by national liberation movements in the Third World and was committed to use propaganda and violence to pursue its goals. In 1970 its members kidnapped Quebec Minister of Labour Pierre Laporte and British trade commissioner James Cross. Pierre Laporte was killed by his captors, but James Cross was released in a deal that allowed some of the kidnappers to leave Canada.
24. On this, see, among a vast literature, Stiglitz, *Globalization and its Discontents*. Stiglitz was a member of the Council of Economic Advisers to US President Bill Clinton and subsequently Chief Economist and Senior Vice-president of the World Bank.
25. The 'battle in Seattle' refers to the anti-globalisation, anti-multinational corporation demonstrations from a variety of civil society groups that paralysed the World Trade Organization conference in Seattle, 30 November–3 December 1999.
26. Germain, in *International Organization of Credit*, p. 25 and footnote, writes: 'There are now three PFCs [principal financial centres] of global importance where New York once stood alone throughout most of the post-war period. International financial intermediation is no longer dominated by one particular type of monetary agent, but parcelled out between several types of agents specializing in banking facilities, long-term securities, equities, and innovative financial services. Public authorities no longer command unassailable authority over private monetary agents through their extensive regulatory grip over international capital movements; the power of private monetary agents increasingly shapes the context of state action within the international organization of credit. And finally, the hierarchical concentration of state power in the hands of the American government has been broken in terms of inter-state relations. Here, as elsewhere in international politics, the eclipse of American dominance makes itself felt.' Germain calls this process 'decentralized globalization' which he defines as 'the development of multiple concentrations of public and private authority connected by a highly integrated set of mutually sustaining, cross-cutting financial practices'.
27. Calleo, *Beyond American Hegemony*, p. 220.