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Conditional Co-operation: Coping With US Hegemony

The obvious fact of US global hegemony has taken quite some time to enter public awareness. It is frequently described now, sometimes quite critically, sometimes celebrated as a great blessing to the world – e.g. in Thomas L. Freedman’s *The Lexus and the Olive Tree. Understanding Globalisation* (1999). Even the notion of an American Empire has come into use, the term often being used in a complacent manner. The most spectacular acknowledgement of US dominance was presented by the US historian Paul Kennedy. Until recently the prophet of American decline, he celebrated the one remaining global superpower with a brilliant essay in the London *Financial Times*. Its telling title is “The Eagle has landed” (Kennedy, 2002). This essay was illustrated with a frightening giant eagle surrounded by tiny animals symbolising Great Britain, Russia, China, India, Japan and France. It is one thing to recognise and acknowledge, or to reject US hegemony. It is, however, quite a different matter to capture this situation in a model which allows description, explanation and forecasting of events, as well as an explicit discussion of political options in coping with the hegemon. Such a model is also crucial for understanding globalisation as the making and emergence of global rules

A Model of US Hegemony

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

The military-technology core

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

The monetary-industrial core

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

The ideology-media core

In ideology-media terms – one might also speak of mythology-media terms – American superiority rests on the presentation and enforcement of a simplistic home philosophy propped up by highly sophisticated research tools. The simple ideas making up the Washington Consensus, which rarely stimulates economic development leading to increased welfare, are based on a completely unrealistic model of automatically equilibrating markets. The theoretical foundation of the Washington Consensus is nothing but an artefact of unrealistic and misleading fiction about the real world. Its origin can be traced to the myths of the American founding fathers (see Will Hutton, *The World We're In*, 2000). This is far from being an ideologically biased judgement but rather a sober assessment, *inter alia* by the conservative market economist Ronald D. Coase in his Nobel Prize lecture (1992). Ideological hegemony irrespective of adequacy includes control over academic degrees, financial endowments, rewards and publication paths (Wade, 2002), as well as access to global media. A simple idea plus scientific/moral legitimisation plus global mediation (by UPI, CNN, Syndicate Press etc.) – this is the essence of ideological dominance. Ample funds are available for this purpose, from the US budget and as well as from EU institutions and private foundations.

Alliances as instruments of domination

Today, in 2002, US “core” superiority appears to be universally unquestioned. Unilateral superiority, however, is not sufficient for domination. For global dominance to become effective, the US is bound to build alliances.

In his analysis of the current geopolitical situation, Harvard political scientist and former US deputy defence secretary Joseph Nye Jr. (2002) arrives at a similar understanding of today’s world. Another prominent scholar of international relations, Huntington (1999), thinks that even in a monopolar constellation the US must rely on co-operation with regional powers to maintain its capability for global intervention. As dominance provokes world-wide resistance, the “lonely superpower”, becoming increasingly isolated, may ultimately end as a “hollow hegemon”. Huntington consequently pleads in rather general terms for a multipolar, more symmetrical world order, even though the three core areas of US dominance remain outside his analysis. So far, the United States’ ability to form alliances still appears to be intact, but, due to the unilateral and arm-twisting way of preparing for war against Iraq, it came under increasing strain in mid-2002.

Military alliances. In order to shape and employ alliances as a means of dominance and intervention, “just causes” are defined and propagated by the US and its allies. They have to be persuasive to rally public rage and support in democratically advanced countries. Thus “human-rights violations” (e.g. in the case of former Yugoslavia) or “terrorism”, both undoubtedly reasons for concern and appropriate counter action, are all too frequently instrumentalised for quite profane purposes, e.g. to dominate regions rich in natural resources or of strategic interest. The designated culprit to be destabilised becomes the embodiment of “evil”; a “rogue” to be disciplined, if necessary, by military means. Mostly, US alliances rest firmly on US special relations with the United Kingdom and include NATO members. Whenever possible, actions are legitimised by UN Security Council decisions. In contradiction to the UN Charter, however, the new NATO Treaty of 1999 allows NATO to act unilaterally, if this is regarded to be in NATO’s vital interest.

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

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

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

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

Britain holds a privileged position in the US game of alliance formation, preventing the EU from bringing its full weight to bear against US positions. (See also Huntington, 1999 and Hutton, 2002). Using its weight, the EU could gain the relative majority of shares in the IMF and could thus become able to out-vote the USA. Britain is also the US voice in NATO. Tony Blair's New Labour policy, fully backed by the US administration, the financial world and global media, lends his unconditional support to US dominance, going far beyond the historical and special relationship between the two countries.

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

Wherever governments do not bow to the Washington Consensus, appropriate messages plus funding are mainly propagated via non-governmental organisations (NGOs). In “old democracies”, NGOs act as fairly independent pressure groups to survey and correct “official rationale” in questions of ecology or human rights. Post-Soviet NGOs, idealised as “civil society” per se, were intended to actively intervene in the *res publica* or, perhaps in Tocqueville’s sense, even replace it. As Ferenc Mészlivetz (1999) has shown, this hope was not fulfilled, i.a. for lack of financial autonomy and hence dependence on foreign donors. Many NGO programmes are shaped by the donors’ perceptions and requirements. Money exerts a special influence. It is superior to brute force, for it enables agents to do without force. One has, however, also to bear in mind that many people in the former communist countries as well as in the “emerging markets” countries honestly believe in the moral, political and economic values on which the Washington Consensus is based.

The origin of US superiority

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

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

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

How to Deal with the Eagle?

As superior power tends towards abuse, it is a classical political task to draw limits. Their scope ought not to be exclusively self-defined. The prerogative of power should ultimately be exercised

by international organisations with universal representation, i.e. by the United Nations Organisation, which therefore should be strengthened.

However, how is one to contain the dominant global power? What can be done while global power has not yet eroded? For heuristic purposes it is useful to compare the current unchallenged US dominance with the situation of the “price leader” active in a market with other, larger or smaller, market participants. As we know from Stackelberg’s analysis of monopolistic markets (1934), the “price leader” sets the price and all other large or small competitors have to accept it. Possible alternative strategies for the other market participants include offering slightly different goods, thus circumventing domination by the price leader.

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

The model of US dominance introduced above allows to discuss unbiased four options for dealing with the hegemon:

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

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

Option 4 corresponds to the vision of a multipolar world. It takes into account both the futility of amassing highly sophisticated but morally and legally banned weapons and the perception of the obsolescence of classical wars between states using armies and obeying internationally accepted principles of warfare. The planned US military intervention against Iraq may well turn out to become the last conventional war. The future of military conflict will be “low intensity conflict”, as was convincingly argued by the military historian Martin van Creveld (cf. his book *The Transformation of War*, 1991).

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

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

- *First*, and foremost, that Europeans do not enjoy being subjects of a hegemon. (This is what Thomas L. Friedman of *The New York Times* assumes to be the case when he sees the happiness of the world realised when people queue up for the blessings of McDonald.)
- *Second*, and decisively, that leadership can be mobilised as well as the capacity of enduring the conflict until success is achieved.

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

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