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EKONOMSKA TEORIJA I RAZVOJNA POLITIKA

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A BRIEF POLITICAL ECONOMY OF GLOBALIZATION AND EMU

„In the end, the desirability of a European monetary union will be judged not by its impact on inflation and unemployment but by its effect on peace and conflict within Europe and with the rest of the world” (Feldstein (1997), p. 42)

1. Introduction

The emergence of European Economic and Monetary Union (EMU) in world scene, sets up a new reality for its members as well as for the rest of the (developed at least) world. It is a reality with adverse initially economic and political outcomes, but with a future that the progress of globalization will make it eventually worthwhile... This is more or less what part of the American literature on the subject pretentiously asserts; pretentiously, because it rests on hardly attainable preconditions (see e.g. Keohane (1999), Little and Olivei (1999), Rodrik (2000)). As a matter of fact, there is a good many American authors questioning with solid arguments any optimism about EMU and/or globalization (see e.g. Feldstein (1997), Friedman (1999)). The critical consideration of these two opposite viewpoints is what motivates our judgements in this essay given that globalization has been induced by American interests and hence, that the American literature should be our primary bibliographical source (1). We shall realize that humanity and along with it Greece, play in essence a game of fire prompted by the Americans and with eager play-mates the great powers of Europe. Consequently, anything can happen, and the paper in hand unfolds the main facets of the game in an effort to comprehend this novel „Pandora's Box”, but not certainly what it reserves for us (2).

Section 2, below, helps us understand American ambitions and subsequently, the developments that have been scheduled by them with regard to European Union (EU). They are aiming at globalization, i.e. at a sort of international economic integration centered upon a global network of unfettered markets, via an order of things, which (i) economically, presupposes in the beginning the complete discipline of national economies

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and then, the abolition of welfare state through which sizeable socioeconomic groups derive power harmful to the integration, (ii) politically, involves in the beginning „loose borders” and then, their permanent elimination, the cantonization of the developed at least world (Friedman (1999), Rodrik (2000)). In terms of game theory, this new order of things contains the strategies and rules of a game, which as such can have many solutions including other forms of globalization beyond the version envisaged by American interests. Yet, these interests wish to impose their own version, the one just described, and try to persuade their European playmates to play in that direction (3).

Section 3 investigates the way Europeans play this game politically in order to understand why EMU had to take the shape Maastricht-Amsterdam, which is far from how European integration was dreamed of back in the era of European Economic Community (EEC). The economic consequences of EMU are examined too; they are consequences that challenge EMU's very existence, canceling any concept of unified Europe. This is something Americans have predicted, and when they speak of progress of globalization, they really mean their unquestionable rule over the Old Continent after the dissipation emanating from EMU (4). The analysis ends in Section 4, With the general conclusion that the future of humanity might be auspicious if it were sought in the constant improvement of its postwar achievements, as the only viable model of constructive and democratic coexistence of the peoples.

2. The Experiment of Re-Globalization

One argument that is being advanced increasingly the last years, is that national borders demarcate political and legal jurisdictions, which are heterogeneous and segment the markets by introducing large transaction costs (Anderson and Marcouiller (1999)). Special emphasis is placed on the risk of opportunistic behavior that accompanies the limited enforcement of international contracts with regard to capital flows. Moreover, it is underlined that although the satisfaction of the terms of a domestic contract within a country is not only a legal matter but depends also on the local socioeconomic conventions, such conventions rarely cross the border and intensify the problem of enforcing international contracts (Casella and Rauch (1997)).

Such considerations explain allegedly why in spite of the significant progress of international economic integration, integration still remains depressed by comparison with what economic theory would predict (Helliwell (1998)). There should have been homogenization of the developed economies, but it is obstructed by the political, legal, and cultural differences among the national states. Therefore, if the full internationalization of the markets is to be the goal, national sovereignty will have to be restricted consid-

erably. The lessons from the first time globalization appeared under Pax Britannica and ended ingloriously in World War I, should be utilized as well. To see how the modern, the American-minded, version of globalization exploits past experience, let us examine Diagram 1, which presents the classical „trilemma” among capital mobility, fixed exchange rates, and autonomy of monetary authority. It is a trilemma, because only two, any two, of these three targets are feasible, and we shall find out this historically.

2.1. An Outline of the World Political Economy of the 20th Century

The circumstances of the world economy and the multiform power of Imperial Britain gave rise to the international monetary system of the Gold Standard (O'Rourke and Williamson (1999)). That is, this system was the result of coincident events rather than the intentional aftermath of British politico-economic choices (5). It was the natural consequence of interacting processes that started surfacing alongside and compatibly with the naturalness of the national liberation revolutions of the 19th century. Revolutions, which produced the nation state as the unique outlet for the mutually beneficial coexistence of the peoples, under the influence of the declarations of the French Revolution in 1789. The Gold Standard collapsed in 1913, presaging the war that would be caused a year later by the ambitions of Imperial Germany to replace Britain in world hegemony. The interwar period witnessed an attempt to revive a decentralized form of the Gold Standard in New York and Paris. The purpose of this revival was the restoration of the prewar international integration, which failed because of the breakdown of prewar capital flows and prewar control of natural resources, of the absence of a great power like Imperial Britain or Germany, and of the new phenomenon of recognizing to Labor a political role following the Bolshevik Revolution in 1917 (Eichengreen (1992), Kenwood and Lougheed (1971)). The whole experiment of reconstructing the Gold Standard finished definitely with the Great Depression. The Depression raised urgently the issue of ceding privileges to the masses in the form of fascism-nazism in most of Continental Europe, and in the form of welfare state in USA, Britain, and France, to escape from the communist danger (Soldatos (2000)). The national political economies found themselves suddenly emancipated for the first time after their emergence. They were on their own, but abandoned to wander in a staggering and hence, opportunistic international environment, which fascism-nazism tried to take advantage of even militarily via World War II, and it was defeated.

After this war, there would not be any problem of international disorder, but the prewar danger of the communist exploitation of the class consciousness of the masses was still present. To confront this danger, national sovereignty and the welfare state should become the cornerstone of the postwar world order. The Bretton Woods agreement in 1944. from the viewpoint of international monetary relations, and the General Agreement

on Trade and Tariffs (GATT) from the viewpoint of international trade relations, reflect this precisely state of affairs. The GATT was focusing on the removal of border restrictions to trade, which according to Bretton Woods, would be conducted under fixed exchange rates taken care of by the national monetary authorities. This general framework of international cooperation formed the basis for closer cooperation in Europe through initially the European Coal and Steel Community (ECSC) and then, through the EEC. In 1971, the Bretton Woods regime collapsed under the burden of the large capital flows needed by the unprecedented postwar development. In the future, these flows would become compatible with the national monetary autonomy, under the regime of floating exchange rates. It was a regime that was adopted and prevailed until 1990 in conjunction again with (more liberal versions of) the GATT (Lawrence (1996), Ruggie (1994)).

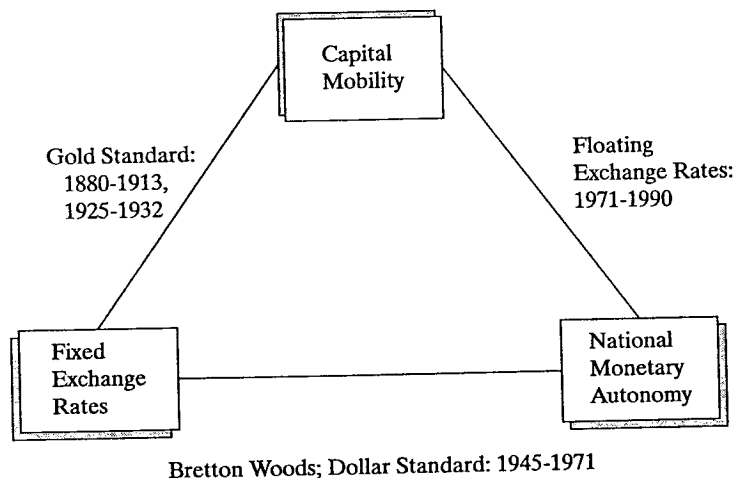


Diagram 1: The Traditional Trilemma

Since then, there is under way an escalating attempt to revive globalization once more given that the communist danger has vanished, trade unionism has suffered serious damages, and USA has become the planetarch. That is, globalization is unfolded before us as a political chiefly development and not as simply the consequence of the economic argument for further supposedly international economic integration. Such a point of view is also corroborated by the fact that contrary to the globalization under the British Empire, Americans are pursuing it nowadays zealously and at the expense of the nation state. In addition, it should be noted that the immense international integration achieved since 1945, did not occur under a regime of globalization. On the contrary, it was the respect of national sovereignty that started weakening economic, social and especially for Europe, political borders. This proved to be beneficial even to the world markets of financial

capital, the integration of which has been larger than that in other markets (Obstfeld and Taylor (1997)).

2.2. The Design of the World Political Economy of the 21st Century

Anyway, let us examine what exactly the term globalization signifies in our times. It is certainly an effort to reincarnate the modus operandi of a past era without its alleged mistakes, an effort to repeat history, the works and days of unregulated capitalistic anarchy, as Marx would put it. Its advocates cite instructively Diagram 2 (Rodrik (2000, p. 181)). In contrast with Diagram 1, which simply depicts the reality of international monetary relations, Diagram 2 sums up ways of broader, politicoeconomic, structuring of the world scene, again in the form of trilemma. The coexistence of floating exchange rates and national monetary autonomy between 1971-1990, is described in the new diagram as Bretton Woods Compromise. It was a compromise in the sense that the flows of the rapidly increasing international capital were compromised with the nation state, though they should not, (but the compromise was compelled by the Cold War circumstances). Rapidly increasing the same period, was the so-called international understanding as well as the tendency local problems to be treated supranationally. The socioeconomic stratification in the developed countries was simultaneously becoming more homogeneous, making the demands by various socioeconomic groups and hence, the handling of such demands, to exceed national borders. In sum, political processes referring to broader population groups beyond the national ones, a sort of „mass politics”, were born, surpassing the nation state but without questioning it that period.

The state of affairs of the Bretton Woods Compromise ended in 1990, when international integration started to be guided by American mainly interests, challenging the nation state by rendering integration a matter of intercountry antagonism (Frey (1996), Rodrik (2000)). Tight money, small public sector, national provision of public goods only when it is compatible with the international integration of the markets, low and harmonized internationally taxes, flexible labor contracts, removal of regulations from markets and trades, privatizations, and openness everywhere, became the central policies of intercountry antagonism. They became the core of an international setting of loose borders; a setting for which Friedman (1999, p. 87), who called it Golden Straitjacket, writes:

„As your country puts on the Golden Straitjacket, two things tend to happen: your economy grows and your politics shrinks... [The] Golden Straitjacket narrows the political and economic policy choices of those in power to relatively tight parameters. That is why it is increasingly difficult these days to find any real differences between ruling and opposition parties in those countries that have put on the Golden Straitjacket. Once your country puts on the Golden Straitjacket, its political choices get reduced to Pepsi or Coke...”

The Golden Straitjacket is the first stage toward the international discipline underlying the American version of international economic integration, and encompasses: (i) the insulation of policymaking bodies from politics to enable decisionmaking that serves integration independently of the public's will which is revealed by the political mechanism; (ii) the replacement of the national developmental goals by the need to consolidate integration; and (iii) the elimination or privatization of social insurance, i.e. the disappearance even of the most elementary form of welfare state, as the final stroke on organized labor and on the other organizations of the people whose mobilization might disturb the attentiveness of a country to integration. This last aspect of world discipline is underlined emphatically to avoid the frustration of globalization by the masses in case of a world economic crisis, i.e. to avoid the precedent of interwar years.

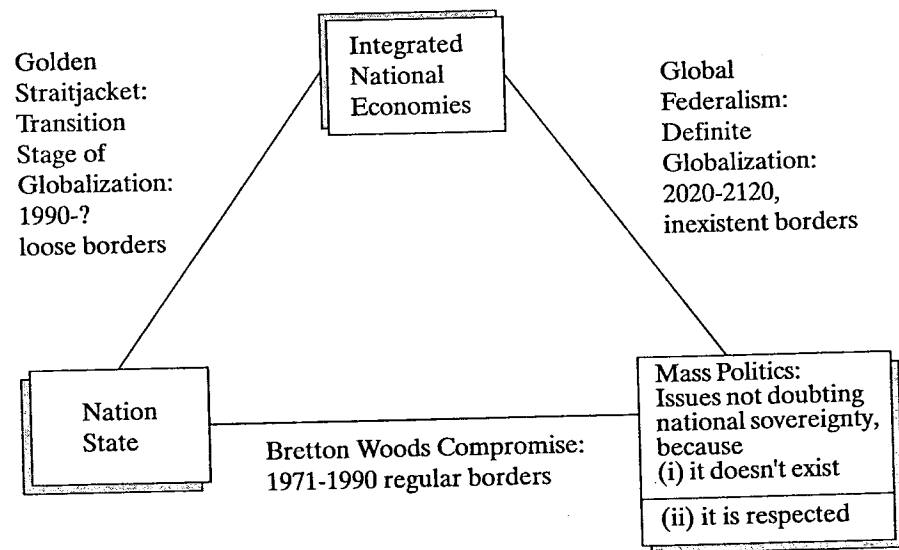


Diagram 2: The Generalized Trilemma

It is self-evident that only a few may be fond of this quickly developing order of things (6). Therefore, the orchestrators of globalization present it as the transitional stage toward Global Federalism, which allows for the coexistence of integration with mass politics. Nevertheless, these politics will not be concerned about national sovereignty matters, not because they will be respecting it as in Bretton Woods Compromise, but because national sovereignty will have become extinct, it will have ceased to exist even in the form of loose borders, (see also Diagram 3). The situation will be one of a cantonized humanity under an elementary supranational democracy, operating as a consultative ve-

hicle to those who will be running globalization, without controlling them and of course, without raising issues that might resurge the nation state and threaten Federalism (7).

The nation state will have been previously abolished after the subjugation of every resistance to the institutionalization of its abolition; subjugation by chasing down national identity – history, traditions, religion, language – on the pretext of safeguarding the human rights of minorities – national, religious, sexual, etc. even if the manipulated dispute is about a handful of people (8). Only then it will be possible to enjoy a unique global monetary authority and one only fiscal authority under a global executive, legislative and judicial power. Power exercised by the tycoons of the strong and large economies like those of G-7, with the national politicians (of both small and large countries) being re-dressed as local officials of globalization, or being ostracized in case of refusal to submit (Rodrik (2000)).

It is clear now why the designers of globalization have started since 1990, to propagandize the end of History, because this is what will actually happen if globalization finally triumphs. The human existence will have been confined to its material dimension, because materialism is indispensable to this triumph. Any system of non-materialistic values might simply impede the smooth course of the system of unfettered markets and unabridged property. The advocates of globalization are aware also that neither Global Federalism can become popular and in fact, admit that there will be resistance, though not so extensive as to cause a world war: Nations have realized that in one way or another technology brings them closer and in the bottom line, people are not willing to sacrifice the „goodies” technology offers (9).

Globalists see resistance as temporary backlashes to the entrenchment of nation state, defending from a sequence of financial crises, which is likely to be triggered off by the process of globalization prior to its completion. Two types of backlashes are anticipated: Firstly, the „Argentinization” of nation states in a global scale, i.e. the provision of large benefits to the people at a short period of time, boost of inflation, coup d'etat, and finally, restoration of democracy, as it happened with Peron's Argentina. Second, and more dangerous for globalization, retreat to protectionism. Yet, regardless backlash type, there is the optimism that globalization will have prevailed definitely by 2020 in the form of Global Federalism, and will last for a century after which the „Wars of Secession” are expected to break out (10)...

3. The Lost Bet of EMU

It appears that globalization aims at removing every political element from economic decision-making. It seeks to rule the world by „divine right”, the greatest and

indisputable power to control everyone and everything and hence, it can not tolerate political democracy. Nevertheless, let us not rush to proclaim it a totalitarian regime and a relentless enemy to Popperian Open Society, an enemy reducing its alleged quest for economic freedom to a fiction (Popper (1966/1945, vol.II. p. 348)). We should not also elaborate further upon the fact that the visualized extinction of the nationally organized dominion, intends to subject nations politically to the American predominantly interests, following the economic subjugation induced by the dismantling of the welfare state. Simply, Global Federalism has been conceived by its designers to act as a conceptual standard against which to compare and manipulate the deviations of the actual course of things. They are not naive enough to disregard the following observations (and not to hush them up too), with respect to the role of Europe in shaping reality.

3.1. EMU as a Field for National Political Confrontations

Three are the observations for the understanding of European affairs: Firstly, oligarchic interests are conflicting by nature, and each opponent will be eventually obliged by circumstances to ask the support of the masses in order to overcome rival(s) on the basis of majority voting. People will be voting in essence form this or that consortium of big multinationals, as depicted in Diagram 3. But, this will be constituting a weakness of the system, forcing it to give in to demands by lobbying groups, demands inclusive of the strengthening of a nation against other nations. I use the future tense, but the careful and informed reader will have already sensed that this is a situation characterizing more or less Euro-American and intra-European relations even today under the Golden Strait-jacket (11).

Secondly, the likelihood of general belligerency is understated by globalists purposefully, under the pretense that as Americans, they are not in the proper position to attend fully to the dynamics of political contest in the Old Continent. The peoples of Europe are peoples with long history, traditions and social struggles, and have shown the world that they are willing to protect them even through violent „isms“. Refashioned „isms“ of the past have already started to reappear, slowly at the present stage of globalization, but potentially with an overwhelming impetus in case of backlash, reserving disastrous undoubtedly consequences for all humanity (12). Such a possibility is recognized in Europe by both the center-left and the center-right, and is the second factor influencing political and economic circumstances in the European and Euro-Atlantic terrain given also Russia's reluctance to concede to globalization.

Thirdly, and more importantly, it is explained later in the text, that EMU will very likely fail economically, harming its members and all Europe (Obstfeld (1998b)). It is a conclusion reached by every objective analyst, though some Europeans disagree. All agree, however, in that if there is any merit in EMU, this should be sought in its political

perspective (13). Our earlier discussion suffices for us to understand that this perspective is about the domination of Europe by a great power-member of EMU on the basis of its participation in the games of the American oligarchy. A participation in which each interested power waves simultaneously the danger of „isms“ to this oligarchy to attract more attention. That is, although EMU is economically disadvantageous to its members, it is still to the political interest of at least its powerful members, because globalization has transformed it into an outlet for the satisfaction of purely national goals (Feldstein (1997), Hudson and Williams (1999)).

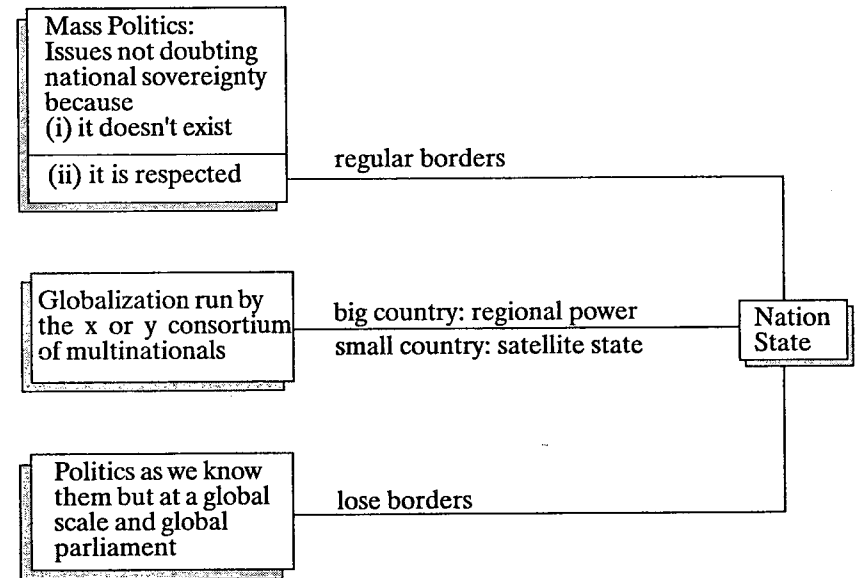


Diagram 3: Globalization and Mass Politics

EMU exists because although it is not economically profitable to Europeans, it is profitable to the American globalists. To compensate European powers for this, globalists give them the opportunity to dominate each other politico-economically and by extension all Europe, depending on whether the winning side of globalization is the one favored by a given power. These powers are not other than Germany and France, since Britain had chosen until recently, the alignment with USA and its abstention from the game of continental hegemony. Britain was correctly reckoning that the alignment with USA was its most lucrative alternative, but it was wrong to believe that the American ally would not put it aside politically to the benefit of continental powers. If one judges from the zeal Britain shows nowadays about the contrivances in EMU and EU, the country appears to

have figured out this mistake, though it has not still abandoned its plans to join the North American Free Trade Agreement (NAFTA).

Neither has Germany any notable economic benefits from EMU membership. But, its economy does not have an American orientation, and its history can not possibly allow it to cherish illusions about its political ties with USA. It follows that claiming a hegemonic role in European affairs, comes up as the natural somehow compensation of Germany for its participation in EMU. This is what is echoed by the plain and constant threat implicit in Germany's rationalization of its participation: Participation to contain a potentially dangerous Germany within Europe and prevent in turn, the resurgence of war. This is a threat directed to USA to pre-empt the political supplanting of Germany in the design of American foreign policy. It is also a threat directed to France and recently to Britain, in their role as claimers of European hegemony. As far as France is concerned, it is inconceivable to it to be absent from a game which is played by Germany; and France is accompanied, of course, by its „natural” more or less allies, Spain and Italy. As far as Britain is concerned, it just has to adapt to its unwilling detachment from the American chariot, and should feel fortunate in that it enjoys occasionally Spain's support.

The primary goal of Germany as well as of France is the unification of Europe the way Bismarck had unified the German state around Prussia, with the place of Prussia taken now by Germany or France. The difference is that France contemplates a central administration of a sort of strong confederation (as e.g. the British Commonwealth at its zenith of glory), whereas Germany is insisting on a federal Europe (as e.g. the modern Russian Federation) (14). It is for this and only this reason that the game of globalization – EMU is played by these powers to which Britain should be added from now on. For how long will this game last? It is clearly doomed to fall through unless the three powers agree to alternate in the hegemony of Europe, individually or via axes. Yet, why should Germany be consented to such an arrangement in the long-run, when its political benefits come and go and is hurt economically, especially after the precedent of having Germany prominently bearing the economic burden of EEC?

For the moment, it plays the game safely, because the central policies of the Golden Straitjacket are identical with those it advanced successfully at Maastricht and Amsterdam as prerequisites for protecting itself from the lower on the average economic performance of the rest of Europe. That is, Germany and globalization seem to go hand in hand for the present, and Germany subsequently is favored by globalization. But, only „seems”, since although EMU membership amounts to putting on the Golden Straitjacket, the EMU-tailored jacket does not leave much room for establishing a central fiscal authority. *Without it*, EMU and globalization are sooner or later destined to fail whereas *with it*, the reins of Europe are taken by Germany and the road to European and Global Federalism opens widely. The road has not opened so far, because France and Britain are too strong to stand becoming the underdog of the story without fighting (15).

3.2. EMU as a Self-destructive Economic Scheme

More specifically, the acronym EMU refers to double union, namely economic and monetary. The second is already a reality in the sense that national monetary independence has been given up in favor of the European Central Bank (ECB), and that EMU members are promoting additionally the harmonization of financial institutions and of the overall monetary sector. However, the implementation of economic union, which presumably should entail analogous developments in the fiscal sector, has been simply confined to the penalization of deviations from certain fiscal standards and to a future tax harmonization (Little and Olivei (1999), Obstfeld (1998b)). The key ingredient of a fiscal unification, which is the introduction of cross-border transfer payments to deal with asymmetric cyclical fluctuations within EMU, remains outside protocols, because it would imply full economic and soon, political federalization. Those who would be benefited greatly from such a development are certainly the USA, but mainly, Germany, which would be elevated to the leading force of federal Europe. This is the reason these two countries plead for fiscal unification, without, of course, the desired feedback from France and Britain. It is self-evident that this matter is of utmost importance, and its bargaining will predicate not only the fortunes of Europe and globalization, but also the course of all humanity.

It is thus explained why the advocates of EMU emphasize the alleged benefits from the monetary only union, which union is condensed in the adoption of supranational Euro under the supervision of ECB. The supranational currency resolves indeed the trilemma of Diagram 1 concerning the coexistence of fixed exchange rates, capital mobility, and national monetary independence, because simply such independence ceases to exist. Note that the benefits from the common currency are anticipated *ex post*, i.e. as the goal of a setting (free trade, labor mobility, symmetry of cyclical fluctuations, and cross-border fiscal transfers), which must preexist to a monetary union for it to be effective, but which does not actually exist and is expected to emerge afterwards from the union (Frankel and Rose (1997), Kenen (1995)). The benefits that are mentioned are that the common use of Euro will reinforce (i) economic efficiency by economizing on the costs of exchange rate volatility and currency conversion, and (ii) the economic growth stemming from the greater mobility in capital markets (Feldstein (1997), Obstfeld (1998a) (17).

Nevertheless, both of these assertions lack sound theoretical foundation and decisive empirical documentation. With regard to the efficiency argument, theory does acknowledge that fixing exchange rates contributes not only to efficiency, but also to the treatment of destabilization originating in monetary disturbances (Obstfeld (1998b)). But, theory points out additionally the weakness of such an exchange rate regime to confront destabilization caused by disturbances in real economic activity and in the terms of trade. This type of destabilization may be handled best by flexible exchange rates, which even

Ireland had to use extensively (1995-1998) to ensure its smooth entrance into the EMU. The management of non-monetary destabilization would be feasible under fixed exchange rates if cross-border fiscal transfers were postulated (17). Moreover, the harmonization of a number of economic and social regulation, prevents their antagonistic use (toward other EMU members) by a country-member experiencing, for instance, a country-specific recession.

Next, as far as the growth perspective of capital mobility is concerned, empirical findings reveal that this perspective is insignificant save the case capital flows introduce financial innovation (Levine (1997), Lucas (1987), Rodrik (1998))). But, even in this case, theory cautions that the causality may run in the opposite direction, with growth influencing financial arrangements rather than vice versa (Lucas (1998)). Moreover, according to empirical and historical analyses, in the absence of crossborder transfers, free capital movements can be hardly sustained for more than five years (Obsfeld and Rogoff (1995)). In a few words, the future of EMU is foreseen to be short-lived even if the desiderata for a successful monetary union do emerge ex post. EMU simply contravenes a basic rule of economic theory that without the support of fiscal authorities, monetary policy can not by itself influence permanently key economic factors (Sargent (1999)).

This is the appropriate point to see why some Europeans maintain an optimistic view of EMU, challenging thereby the reputation of standard economic theory. It appears that they have been victimized by the publicity given to the birth of a „New Economy” in America, to an economy allegedly absolved from cyclical fluctuations. The term captures specifically, the steady growth of the American economy the last decade, as the result of the propagation of the use of computer services and the concomitant „electronic commerce” (e-commerce). In Europe, which lags in the dissemination of information technologies but leads in the spreading of the use of mobile telephone services, the new economy is expected to spring up through „mobile-commerce” (m-commerce), as for example a special 2000 edition of The McKinsey Quarterly stresses. In any case, the changes effected on consumers and producers are admittedly dramatic, and will surely affect significantly micro-and macro-economics. The phenomenon, however, is new and the analytical tools of economic theory can not study it thoroughly for the time being, (see e.g. Allen (2000), but also the working paper „Speculative Microeconomics for Tomorrow's Economy” by DeLong and Froomkin in 1999).

This does not mean that economists watch the phenomenon as sheer spectators, and that their temporary analytical weakness gives grounds for the political exploitation of the good performance of the American economy, (exploitation like that attempted by Weber (1997)), in behalf of globalization. It is well known in economic theory for quite some time that pervasive technological changes bring about international business cycles of long duration, the so-called long waves or Kondratieff cycles. And, it is very likely that 1990 witnessed the beginning of the upward phase of a new such cycle in USA apt to

embrace the rest of the world. That is, from the standpoint of technology, the new economy is indeed new, but from the standpoint of economics, it is old enough to know that only its initial stage can be prosperous and hence, worthy politically. The new economy is bound to yield to the law of vigor, decline and eventually, replacement by an economy of a further perfected technology...

3.3. EMU and EU as *Locum Tenentes* of Globalization

The discussion of the economic dimension of the EMU confirms the political origin and character of the union. The origin is political because it excludes fiscal unification, and the character is political too, because the one that will manage to get the upper hand of this unification, will also be the one that will have seized European hegemony (18). Therefore, EMU is a dissoluble arrangement and will come apart with the irrevocable defection of the powers that will have been overridden by the settlement of the political milieu. But, the hegemony per se is problematic as well, because it is incompatible with the mass politics required by the conflict of the oligarchic interests of globalization. Hegemony means political manipulations to the advantage of the ruler even if this turns out to be against the American elite of globalization. And, this is the least one can think of the fate of this elite when one reflects on that globalists will be ruling USA, because there will have been previously in Europe a power so strong as to dominate it: How can then the European ruler refrain from not asking for the Europeanization of globalization and the subordination of USA?

These are considerations occupying every strategist in Europe and not only those of the three great powers. There is a good outlook for opportunistic maneuvering to satisfy ephemeral alas national interests, thus rendering EMU politically attractive to most European leaders despite its dim economic prospects and the skepticism of European peoples about it (19). The matter is certainly political and the involvement in it is deemed imperative even by anti-Europeanists: It is better for a country to be inside things than an outsider, especially when it is likely to face reprisals in case from deviation from „the trend”. Reprisals were proposed even for EU members like Britain, which refused initially to adopt the Euro, and Denmark, when it hesitated to ratify the Maastricht treaty. There is finally the factor of personal interest in EMU that dictates membership in it. There are surely many elected or appointed officials who benefit personally from the EMU affair and globalization. These persons seek consequently to strengthen the authority of the source of their privileges, utilizing this source anyhow to draw out additional support from the establishment (Feldstein (1997)).

Nonetheless, the future of EMU and EU is disappointing by their very conception and the collapse would be a matter of time if Americans had time to prepare for their own hegemony of Europe. It is easily inferred from the foregoing discussion that this is the

only way the specific type of globalization can be successful. American globalists have launched since 1990, an immense and devious campaign of turning European citizen into an individualistic being stripped of any non-materialistic values, as an inviolable precondition for the American reign amidst the collapsing Europe (20). But, such a campaign needs time to be fruitful, and would be in vain were Europe to collapse earlier. Therefore, full globalization is not expected earlier than 2020, and in order to delay the self-dismantling of Europe, efforts are made to expand EU eastwards so that it can exploit the cheap labor force and the consumer markets of Central and Eastern Europe (CEE) (21). The capital flows toward CEE would indeed contribute to economic growth in EU and perhaps, in CEE, though at a lesser extent. However, these capital flows are limited so far because of the proximity of most CEE countries to Russia. This ex-superpower simply does not play the game of globalization and if it decides at some future occasion to stop the game at its neighborhood, it still has the power to do so and jeopardize western capital.

The incorporation of CEE into the North Atlantic Treaty Organization (NATO) via abridged procedures, becomes thus a necessary step for the neutralization of the Russian factor and the genuine expansion of EU eastwards. The neutralization of the same factor, but now for the American exploitation of the rich natural resources of the ex-Soviet republics of Caucasus and Central Asia, has dictated the development of close ties between Europe and Turkey. Ties with a NATO country, which is simultaneously related racially and culturally to most of the peoples of these republics (22). In reality, these ties remain only nominal, since Europeans rarely invest in Turkey in spite of its even cheaper labor force vis a vis CEE, and notwithstanding its full participation in NATO for nearly half a century. But, if EU is ultimately persuaded to turn a blind eye to its enormous civilization gap with Turkey and to invest in it, EU will indeed reap the rewards pointed out by the Americans, deferring meanwhile the collapse of EU.

For the comprehensive assessment of European affairs, we should finally elaborate upon the form these affairs would assume if for some reason the predisposition to hegemony in Europe was made inactive and if in line with globalization, EMU was authentic in the sense of embracing fiscal unification as well. Fortunately or unfortunately, the political element enters into the picture even in this case, arising this time from the desire of the American interests to politicize international economic integration instead of letting it be shaped by the forces of the world markets. The control of EMU over its policy instruments would be consequently limited, rendering in turn EMU vulnerable to political and economic crises precipitated, for instance, by a Russian-American rupture or even by a profound quarrel within America itself. In fact, EMU and any endeavor toward European cohesion, would be vulnerable to USA even without globalization, since it would be antagonizing American interests and might be countered, for example, with an oil crisis provoked by these interests.

In short, as things currently stand, post-1990 America is bad for Europe, be it a unified Europe or not; but Europe can be good for America so long as it pursues its own and world federalization, thus preparing itself for open American domination. Globalization has been already inaugurated, its appropriation by the monocacy of USA is a fact, and EU is being pushed gently for the moment to act as a surrogate of American imperialism. What else one needs to see in globalization the (delicate) antipode of the communist internationalization by the former USSR?...

4. Instead of Epilogue

To those who keep track of events, events usually speak by themselves unless they are ill-motivated, in which case it is self-evident that one has to explore if there is anything more beneath the surface. I tried to do so, avoiding the temptation to write a book, with the hope that a paper delving into the understated aspects of globalization on the basis of history, observation and common sense, could do as well. I also tried to be objective, but no writer on globalization can be entirely objective given the intense political flavor of the phenomenon. As a matter of fact, I stood up for the nation state, and now I feel I have to conclude this paper by defending the welfare state, too. I will conclude with one more observation about international economic integration, but now about the real one toward which humanity was moving until 1990, the one which is not politicized and yet democratic.

The welfare state was and still is under fierce attack from globalization, because it is allegedly inefficient, but we saw that the real reason is its intimate connection with the nation state. It simply crystallizes the politico-economic intervention of Labor in the realm of the nation state, it comprises an unwritten constitution complementing the national one, since it forges the socioeconomic coherence of a nation. It must therefore be repelled, as a decisive step toward the subversion of the nation state, because any constitution and system of values forms a binding social contract incompatible with unfettered markets and unabridged private property.

The dilemma „equality vs. efficiency” posed by globalization to defeat the welfare state is of rhetoric only value (Putterman (1998)). According to welfare economics, this dilemma can arise in a free market economy if the principal-agent, contracting and commitment problems that stem from the asymmetric information of the involved parties, impede income redistribution in a manner that does not affect labor and profit incentives. But, the same informational constraints foster also inefficiency under the unfettered markets and unabridged property rights of globalization. Consequently, there is always room for careful policies improving both equality and efficiency. The choice hence is between

the great inequality associated with globalization, and the respect of the demands that engendered the welfare state. Demands that persist in time, because every child born amidst the inequalities of society, has to grow up in an environment equalizing job prospects given talent, taste and life incidents.

This does not imply that the welfare state should be accepted in the statist form it had until recently; an inefficient undeniably form. For example, the unaccountable provision of subsidies and transfer payments should be discontinued, and whenever they are provided, they should be aiming at restoring the economic independence of the recipient. There is presently under way extensive research in the efficient welfare state, since it is to this state humanity will return back in case of definite failure of the globalization (23). It is research deliberating even the internationalization (harmonization-unification) of welfare state in response to globalization when the latter is interpreted as the internationalization of new liberalism. Is this the „duel” that mass politics will encompass in the end? Let us hope so, because technology progresses rapidly bringing peoples closer indeed, and rendering inevitable some sort of world integration, which with such politics will be at least democratic and respectful subsequently of the bare essentials of national borders (see Diagram 3). Or, not?...

Notes

1. The literature pertaining to this paper could exceed it in length. Therefore, the bibliographical references cited are suggestive, and limited to recent mainly scientific work. Moreover, a problematique about international affairs is „natural” to capitalize on experience and intuition, too. Statements of political parties and politicians worldwide, views of business analysts and representatives, news and commentaries of the media, even internet, all play their role in the evaluation of international politico-economic things.
2. This paper does justice to the instinct of the people that seemingly unrelated events taking place in the name of modernization, technology and the like at some times, or of human rights, world order, etc. at other times, are all interrelated.
3. The text mentions two more forms of globalization beyond that of the Americans. It does so acknowledging the leading role of the USA. The differentiation from what American interests plan, may be great, but it should always allow for the content of the USA. Otherwise, it would amount to a utopian scheme, to intellectual only pursuits. Such I think that they are the five other versions of globalization advanced by Hammond (1998): They are simply centered on Europe, playing down the American factor and becoming thereby fictional.

4. The year 1990 is used in this paper as a benchmark date for the end of postwar international order and the beginning of globalization by the Americans. Of course, the term „Americans” does not embrace all American citizens; it is used in the sense implied by notes (19) and (20). The terms „American interests” and „USA” should be interpreted accordingly whenever they are used in connection with globalization.
5. To be more precise, the emergence of the Gold Standard was foreshadowed by an 1867 idea of Napoleon III for an international currency union. This idea was backed by Germany and the United States, but failed, because Britain was reluctant to accept a small change in the weight and value of its currency (James (1999)).
6. The students of globalization admit that it has been lucrative so far, but only for a few people, since globalization enhances by its conception the gap between rich and poor. The future of this gap is surrounded by pessimism, as „the man of (British) business”, Charles Handy, notes vividly in his last book „The Thirsty Spirit”. Handy notes that there can be no future with a human face when what globalists are preparing for the world, is much more dramatic than the current unemployment of 1/3 of the world active population, and the control of 70% of international trade by 500 only firms.
7. In June 2000, the prime ministers of most EMU Countries (but not of Britain) and the president of the United States met at Berlin to start discussions officially about the form that world government should obtain. Unofficially, however, this form has been already decided, and the discussions would only be typical if Britain's absence did not invalidate them ipso facto. Moreover, there is a number of studies that allegedly offer a theoretical foundation of the premeditated world government outlined in the text. The key features of these studies are (i) the repudiation of the electoral outcome, thus dictating the replacement of the electoral process by a negotiation process involving national and international pressure groups and lobbies, and (ii) the discontinuance of the practice of asking the government to account for its deeds so long as the government materializes its intentions, but without necessarily to put all intentions to the vote of the people (given that (i) must hold). (See e.g. Keohane (1999), Moser (2000)).
8. A characteristic of the circumstances we are going through is the extensive use of the term „human rights” that is being made since 1990. Previously, the term „civil rights” was being used according to the point of view that the enactment of human rights in a country is a matter of how each country perceives and converts these rights into political ones in the sense of granting them equally to all of its subjects. For example, the movement of blacks in America and that against Apartheid in South Arica were incidents of collective action demanding from the government to grant to colored people the same civil rights whites were enjoying. Since 1990, however, the interpretation of human rights has ceased to be an internal matter of each country. It has

- been undertaken by USA on a case by case basis so as to enable this country intervene in the internal affairs of other countries even militarily on the pretext of protecting human rights. The intervention can be avoided if a country is militarily strong of if a country shows that it is willing to abolish itself for the sake of globalization.
9. The term „goodies” is used by the American literature on globalization to illustrate a difference in content by comparison with the term „goods”, which includes commodities that ensure the average standard of living in the West. For example, a television set and an automobile are goods, but a housewife's access to internet or mobile telephone are goodies.
 10. I wonder if the Wars of Secession will be wars for the reconstruction of the nation state!...
 11. The American interests backed each time by a European power may differ across powers and time.
 12. They are all aware that the case of Austrian Heider may not prove to be an isolated phenomenon. All fear that the same can happen in any European country, because simply European peoples esteem the fatherland much more than a rifice called Europe. This is the reason actually Europeanists grasp every opportunity to repudiate Austria. They even propose the unification of Europe without consulting and informing about it the people (Vestedorp, El Pais, 18-6-2000). This position demonstrates that modern Europeanists are motivated in essence by personal interest and act as local officials of globalization. It also attests to the truth of what note (7) mentions.
 13. But, very rightly, Blair and Athnar insist that what should be of primary concern is to see whether the economic perspective of EMU will be promising. We shall realize in subsection 3.2. that one can not make much of this perspective.
 14. Britain, and along with it, Spain, emphasize the issue of the international competitiveness of EMU vis a vis USA and Japan. They appear at present to want a firmly competitive EMU, before they decide to reinforce European unification further at the expense of further limitations in their national sovereignty.
 15. Britain and France are together stronger than Germany, but this status quo will certainly change if Germany decides finally to listen to Americans, who ask it to increase defense spending. (See e.g. the Wall Street Journal-Europe of 2-12-1999 regarding the NATO meeting of the previous day).
 16. The argument is that in post-2002 EMU, the financial capital will be exploiting better the various investment opportunities among country-members. The restrictions to the financing of cross-border commercial transactions will also cease to exist, encouraging thereby intra-European commerce as well as EMU's world trade.
 17. If cross-border fiscal transfers are ever enacted, it is very likely that they will be accompanied (unofficially) by national concessions. This at least has been the experience of Greece from the fund transfers for infrastructure purposes, transfers less important than those for stabilization purposes.

18. There is always the eventuality of proceeding to political unification before the economic one, as Germany and France propose. However, the power which will be the protagonist of the former, is plausible to be the best candidate to control the latter unification, too. The postponement of economic unification might alleviate the concomitant tension by shifting the interest to the negotiations for the form of the political unification. There is enough room for consent in such negotiations, since they are not meant to produce a (definite) European leader. But, if political unification is ultimately agreed to take on the form of federation the way Americans and Germans suggest, the future of Europe will be very likely German.
19. It is not only the European peoples that are reluctant to accept EMU and EU as surrogates of globalization, and that make Vestedorp propose a sort of secret unification. It is also the American people that has started to contend against the anti-Americanism of globalization. It has realized that the new order of things that is prepared behind the scenes, is one surpassing the disquiet which induced John Kennedy to underline the difference between the interests of the multinationals and the interests of the American people. The strengthening of the reaction of the Americans is inevitable, and explains why the Pentagon foresees the rapid spread of „terrorism” in USA... And if the average American is expected to react strongly to something inspired by certain privileged compatriots of his, how should each European people react to the same challenge when this is advanced in the name allegedly of some abstract European entity which may signify anything but homecountry?
20. 2020 is expected to be the year the American people will have been subjugated too; the year this people will have become obedient instrument in the service of a world supranational center.
21. The reluctance of the Europeans to expand eastwards indicates that such an expansion is what the Americans rather than the Europeans wish.
22. For the close connection of the American interests with Turkey and Caucasus see several issues of the periodical „Foreign Affairs” the last decade.
23. See e.g. Atkinson (1999), Mishra (1999), van der Linden and Manders (1999).

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