

## 11. From the Cold War to the new international disorder

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To understand the actual evolution of institutional forms, one has to go beyond the narrow framework of Nation-States and of international relationships and the way they mutually interact. Institutional change has clearly and increasingly a supranational dimension, which is put over national societies through power relationships as well as various unintentional processes. After the Second World War, for instance, while the Bretton Woods system and the Marshall Plan resulted from the political will of the United States, diffusion of mass production and scientific management spread across borders through spontaneous diffusion and adaptation of best organisational practice.

The international dimension of institutional dynamics is the subject of the present chapter, which focuses more specifically on connections which exist between the sphere of security and the sphere of economy. Though the existence of such connections is widely recognised, both their nature and meaning remain rather confused. There is a general agreement, however, on the fact that wars play a major role in the dynamics of institutional forms. Such a consensus is grounded on the last century's historical experience. The First World War altered, in a fundamental way, virtually everything which had been taken for granted during the previous century. It reversed the course of globalisation (Berger, 2003), contradicted the liberal view that free trade would render wars impossible and provoked two major events – America's entry into European politics and the Russian Revolution, which changed the focus of economic life for almost a century. The institutional changes induced by the Second World War and the Cold War, which are described in Part 1, were even more fundamental.

The institutional role of wars stems from the fact that in contrast with peace times, which tend to be periods of rather slow institutional change, wars pave the way for radical transformations, which are both adaptative and creative responses to the destruction of the old order. They create new political circumstances, a new balance of power, a new social environment and a new "mental climate", both in the public and amongst decision-makers, which call for drastic institutional revision. They put into motion both endogenous

adjustment mechanisms and deliberate, though more or less adequate, political strategies.

Outcomes of a major war are usually new security and socio-economic architectures, which have to be, at least to some extent, mutually compatible. This last requirement was illustrated, *a contrario*, by the disastrous consequences that resulted, after the First World War, from the attempt to set up new security institutions while restoring some of the pre-war economic institutional arrangements, such as the Gold Standard. This was not, of course, the only problem at the time. Others were the long-lasting retreat of the USSR from the world market, the imposition of sanctions on defeated Germany and the “every country for itself” international regime, which resulted from the unreadiness of the USA – the new hegemonic state – , to fulfill its role after the end of the British supremacy (Kindleberger, 1973).

These mistakes were not repeated after the Second World War, as lessons of the past were not forgotten. The US resolutely substituted their leadership to the previous international power vacuum and created collective institutions, which shaped for several decades international relations and domestic developments in capitalist countries. Other new institutional arrangements of the time, such as the European Community of Coal and Steel, also resulted from deliberate and carefully thought-out political decisions aimed at preventing the return of the war.

The Cold War, whose economic and political determinants are recalled in Part 1, had no less powerful institutional effects. It played a major role in Europe, first in the implementation and legitimisation of the two distinct modes of regulation which dominated the continent after the Second World War (Part two), and then in the rise of their respective problems (Part 3). Part 4 presents the new situation created after the fall of the Berlin Wall by the removal of the military threat, the emergence of the United States as the unique superpower and the process of European construction.

## 11.1 An economic interpretation of the beginning of the Cold War

Amongst the many explanations which have been given of why the Cold War began, some focus on economic determinants (Kaldor, 1990). They stress the fact that it was a positive-sum strategy at the time for Governments of the Soviet Union, the United States and Western Europe, which all had to get economic benefits out of it, though for quite different reasons. On the Soviet side, where the Stalinist system was, since its very beginning, a “war economy”, i.e. an economy very similar to capitalist economies in wartime, the new conflict helped to justify both the pursuit of the war model and its imposition to satellite countries. In the US and in Western Europe, anti-

Communism was a powerful instrument of mobilisation, legitimisation and consensus around Atlantic solidarity, after the political split between the two sides of the Atlantic introduced by the first post-war elections.

In the United States, where isolationist Republicans had taken over the Congress, national security was deliberately played as an alternative to social security by the Democrat Government. After the conservative backlash of 1945–47, during which the US army was demobilised, foreign aid programmes interrupted and most of the New Deal policies reversed (Woolfe 1987), anti-Communism was instrumentalised by Democrats, who considered US assistance to the reconstruction and prosperity of Europe as the only way to check the contraction of markets and to prevent the coming back of massive unemployment, both to incite Republicans to globalism and to legitimise government planning and intervention.

In Western Europe, where the political scene had by contrast shifted to the Left, anti-Communism and Atlanticism were played out of absolute economic necessity. Left-wing political parties and coalitions which had emerged from the war were not frightened by Communists, with whom they had fought against Nazism, but European people aspired to the American way of life and Governments desperately needed American assistance to buy food and equipment. To put forward the communist threat was seen as the only way, in a context of divergent political views between the two sides of the Atlantic, to re-open the dollar tap in spite of dissimilar political sensibilities.

In any case, the decisions which originally fixed the limits of the Atlantic alliance were economic, not military. The rupture between the former allies became definitive only in 1947, when the Soviet delegation left the Paris Conference in which the Marshall Plan was discussed. Only then were satellite countries of the Soviet Union explicitly forbidden to participate in the new American-ruled economic institutions, such as IMF or GATT, and excluded from financial and military assistance by the United States.

The North Atlantic Treaty Organization was not a complement of the Marshall aid, but the other way round. The first reaction of the American government after the war had been to leave the defence of Europe to the Europeans, invited to rebuild their defence capabilities and to develop a common conventional army. The US approach did not change until the Berlin blockade, which showed the military weakness of the newly set WEU (Western European Union).<sup>1</sup> Only then did the American Government decide, asked for a permanent presence of American troops in Europe by several European countries – especially the United Kingdom – , to resume its military engagement on the old Continent. In 1949, against the will of a majority of its people, it superposed an Atlantic military architecture both to

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<sup>1</sup> The WEU was a military alliance between France, the UK and the three countries of Benelux resulting from the Brussels Pact, which was signed in March 1948.

the WEU and to the newly set international economic institutions of Bretton Woods. Henceforth the military aspect of the American leadership became determinant, as defence of the “free world” was confounded with defence of the new international economic order,

Until the Korean war, however, the American defence budget remained relatively small.<sup>2</sup> In 1950, the crossing of the 38th parallel by the North Korean army provoked both an American and a European re-armament and accelerated the formation of two military blocs. The United States adopted, for the first time in its history, the European practice of having a permanent army in addition to a Navy and a military Air Force. The commitment of increasing resources to military objectives had powerful economic, financial, technological, diplomatic and military effects.

## 11.2 The economic and institutional role of the Cold War in Europe

Social and political elites of Western Europe, aware of the catastrophic consequences of the application of pure *laissez-faire* theories in the 1930s and of changes in technology, social organisation and state intervention provoked by the war, welcomed the “great transformation” which was designed, implemented and diffused under the guidance of the United States. Sometimes labelled as the “Atlantic compromise”, the new economic organisation which took place under the American nuclear umbrella rested on three main institutional arrangements.

The first involved a new monetary and trade international system, which bound Western industrialised countries around the dollar and free trade. In order to prevent aggressive devaluations as in the 1930s, the new monetary system of Bretton Woods banished floating changes and expressed the value of currencies in dollars convertible into gold.<sup>3</sup> Regulated by institutions

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<sup>2</sup> Less than 15 \$ billions per year.

<sup>3</sup> Keynes's alternative proposal was international transactions be conducted not in national currencies such as the dollar, but in an adhoc international currency, held by an International Clearing Union, which would impose the same rate of interest on creditors and on debtors. In his view, this arrangement would give creditor nations an incentive either to adjust the value of their national currencies against the international currency, or to reinvest massively by buying more of the debtor country's products, so debt would be a transient phenomenon, not the cumulative, compounding problem it has become. Keynes predicted that the US proposal for an international stabilisation fund (the IMF) and a World Bank would lead to a massive endemic debt, the continued impoverishment of the poor world and the growing power and wealth of the rich world, particularly the United States. As the US threatened to withhold its war loan if Britain persisted in pushing Keynes's idea, Britain backed down.

controlled by the United States -such as the GATT, the FMI, the World Bank or the OECE/OECD – , the new arrangements were a compromise between the opening of domestic markets and the maintenance of a national control. They ensured, more than real liberalisation, financial and commercial interdependence and cheap supply of commodities and energy to Nation-States belonging to the “Western camp”.

The second institutional pillar, which was inspired by Keynesian ideas, was a new approach to state management, in which national states regulated domestic economic activity through permissive credit, high levels of social expenditures and countercyclical fiscal and monetary policies. The Welfare State which took care of the way the labour force was reproduced through education, health, retirement and unemployment, was also in some countries, such as Britain and France, a “warfare state” which used the defence sector as an instrument of industrial policy, and whose military expenditures had structural effects in terms of strategic choices in technology, energy, development of skills and geographical location of industries (Kaldor, 1982).

The third change was the diffusion of a new productive model, often labelled “Fordist”, which associated scientific management methods, mass production and mass consumption of standardised goods. Each European country developed its own version of this general model, characterised both by an oligopolistic type of competition and by new capital-labour relations. Unions accepted scientific management methods which they had previously fought, provided wage earners received, through direct wage increases and social benefits, the major share of productivity increases stemming from the new production methods. The diffusion of this new model, enhanced by the crossing of the Atlantic of “productivity missions”, led to tremendous improvements in both labour productivity and living standards.

Based on the combination of a military alliance and an international economy open to trade, investment and information, the “Atlantic consensus” also had a cultural and political dimension. Processes through which European economies were able to recover after the Second World War were successful not only because external constraints were imposed on economies, but also because forms of capital accumulation and income distribution were sustainable and socially accepted, at least initially. European people, who had been liberated by American troops, had a perception of the United States as a benign superpower, which used its dominant position to promote an order based on universal rules beneficial to all rather than to push forward its specific economic interests. It was all the more so that the United States encouraged the building of European institutions, considered by some Continental countries previously enemies as the way not only to ensure peace through economic cooperation, but also to modernise domestic economies. For the United States, it was a means to consolidate democracy and the market economy as well as to reinforce Western European security.

The legitimacy of post-war institutional arrangements and their massive acceptance by European peoples – traumatised by a succession of wars, invasions, occupations and destructions – rested mainly on their capability to secure unprecedented rates of economic growth with much milder cyclical crises than ever before. The progressive erosion of this legitimacy was due to growing economic and social unrest, which can also be related to the Cold War.

In Eastern Europe, social forces and regulatory institutions were even more influenced by the Cold War. Soviet leaders, because they failed to win the adherence of subordinate nations on which they imposed new institutional arrangements, were forced to establish their power on a territorial and military basis and to maintain the unity of the system mainly by coercion. In the initial period, while American governments worked at economically and culturally integrating their allies through compromises articulated within an international and intergovernmental structure of the capitalist world, they undertook to standardise politically their satellite countries, by setting up Communist Parties in control of all economic and political activities.

The common features of Eastern economies were centralised control of economic activities through State ownership and the use of administrative methods of regulation, and the fulfilment of centrally defined goals amongst which one essential, if not the most important, was preparation for war. While agriculture and consumption were relatively neglected, the military sector was given a high priority through investment and supplies, captation of technological resources, quality control and privileges for the *nomenklatura* (Kornai, 1980).

In international relationships, East European economies combined autarky and closure on the external world, in sharp contrast with the Communist rhetorics of a “proletarian internationalism” opposed to a “bourgeois nationalism”. Bipolarity, the most striking characteristics of the Cold War, did not really apply to international economic relations. There was in fact one international economic system, in the camp dominated by the United States. The Comecon, originally conceived as the Eastern alternative to the Marshall Plan, did not succeed in integrating socialist countries economically (Feis, 1947; Mikesell, 1947). The only integrated activities were military activities, in which a strict territorial division of labour amongst the members of the Warsaw Pact limited the possibilities for separatist actions. In other fields, relations between the URSS and its satellite countries essentially remained bilateral (Lavigne, 1985).

### 11.3 The Cold War and the rise of structural problems

In spite of their differences, both post-war systems entered into crisis in the

1970s as a result of changes in the global environment as well as of their own endogenous dynamics. Though it did not create them, the Cold War contributed to the rise, worsening and persistence of their difficulties, contradictions and problems. In both camps, it prevented any radical institutional change, in spite of the growing inadequacy of post-war arrangements and of the increasing need for new institutional configurations. Even when the progressive erosion of the economic foundations of the two post-war security systems gave rise to growing economic imbalances and social conflicts, the discipline of the Cold War froze the economic, military and ideological status quo. It was not just mere chance that, during the 1970s and the 1980s, the structural character of the economic problems was systematically ignored or underestimated: to address these problems would have meant to reconsider security arrangements as well as their socio-economic foundations.

In the Western world, a first negative consequence of the Cold War was permanent inflation. The unrestrained creation of dollars, especially at the time of the Korean and Vietnam wars, made it impossible in the long term to maintain parity with gold. The outburst of the United States deficits led in 1971 to the unilateral decision to put an end to the Gold Exchange Standard. The result was monetary instability and a multiplication of non-tariffs obstacles which deeply affected the management of international trade.

After the first oil shock, to inflation were added recession and upward unemployment trends, which resisted both Keynesian and restrictive public therapies. Growing financial constraints and public deficits destabilised the welfare-warfare State. They exacerbated the problem of the allocation of public resources between alternative ends, especially in those countries with high military expenditures. Increasing budget deficits led to massive emission of Treasury bonds and other forms of public debt, thus to huge transfers of wealth to the financial sector and to the growth of financial institutions and markets.

The conservative influence of the military also contributed to the slowing-down of productivity growth. In countries where the military sector had a strong control over advanced research, the military orientation of technology contributed to freeze and to reinforce the old industrial basis in spite of the gradual exhaustion of the cluster of innovations inherited from the war. Military preoccupations encouraged artificial assistance to a number of heavy Fordist industries, which evolved along rigid trajectories with sharply diminishing returns. It was a factor of destabilisation when emerged worldwide a new technological system based on electronic and information technologies (Kaldor, Albrecht and Schméder, 1998).

The Cold War also undermined the transatlantic community of values by creating severe political and ideological dissensions. American and European public opinions had divergent views on such issues as the Vietnam War, the deployment in Western Europe of the American cruise missiles or

the Strategic Defense Initiative. The arms race also undermined the consensus on policies and institutions. In the 1980s, many Europeans deeply resented “Reaganomics”, i.e. the conjunction of financial deregulation and liberalisation, of conservative “supply revolution” and of aggressive military Keynesianism of the “Star Wars”.

While Western countries were confronted to the progressive exhaustion of the economic growth associated to the post-war welfare-warfare paradigm, Eastern Europe was confronted with the problem of sustaining a war economy without a war. Because the Soviet system was resource-constrained – as opposed to a demand-constrained market system –, it only worked coherently in wartime. In the absence of war, maintaining a centralised system became much more difficult. The privileged position retained by the military sector thus magnified the problems of shortage, leading to a waste of resources and efforts as well as to bad productivity performances (Kornai, 1985). As the greater part of technical resources was mobilised in the defence sector, technical change in civilian production was very slow and productivity in the consumer goods sector very low. Hence a vicious circle of chronic shortage and under productivity.

When domestic reforms were introduced in some socialist economies, in spite of the hostility of the Soviet Union which led to the so-called “normalisations” of 1956 in Hungary and 1968 in Czechoslovakia, they did not succeed in balancing the negative effects of the high priority given to military activities. Improvements in efficiency did not reduce indebtedness, nurtured during the 1970s on the need for Eastern countries to import food and equipment from the West and for Western banks to recycle petrodollars, which led them to extend Western credit to socialist countries. The sudden interruption in 1982 of loans to Poland by European banks, more the result from the alarming amount reached by the debt of Eastern countries than from the revival of the Cold War by President Reagan, led in the early 1980s to austerity policies and to the revival of a “new Cold War”.

In this context, the renewed military escalation through the US “Star Wars” proved to be fatal to the socialist block. The combination of defence expenditures, military orientation of technology and stagnation of productivity and standards of living led to a cumulative depression, culminating at the end of the 1980s in a terrible economic and political crisis. This crisis, which was even worse than the Great Depression of the 1930s in capitalist countries, destroyed the belief that the counterpart of the limited performances of the socialist system was a better resistance to recessions. In such a context, the perestroika initiated by Gorbachov acknowledged not only the dramatic deterioration of socialist economies, but also the impossibility to keep under military control the evolution of societies.



## 11.4 Post-Cold War uncertainties and threats

The end of the Cold War, which opened new economic and strategic options, gave a new actuality to the issue of institutional dynamics. The integration of the world in a single system of economic and power relationships, dominated by the United States, allowed globalisation to resume fully after an interruption of almost three-quarters of a century. The end of the bipartition of the world gave way to a financial globalization and to a spectacular acceleration of the internationalization of markets, products and activities.

After 50 years of state interventionism there was an impressive coming back of economic liberalism, at least as an ideological and normative project. The return of the pendulum implied reduction of public deficits, privatisation, deregulation and a call into question of the Welfare State. In contrast to the period after the Second World War, when the pursuit of the free-market ideal was associated to the financial crash of 1929, which pushed governments to introduce deep institutional changes allowing a greater public intervention in economic and social matters, the market was presented in the 1990s as the unsurpassable and normative framework of all social activities (Fukuyama, 1989). This was particularly true in the financial sphere, the new heart of economic power, in which the new dominant actors were institutional investors. The previous “debt economy”, favourable to borrowers, was replaced by what Keynes called in the 1930s a “rent-seeking economy”.

The world economy, however, became not only more global and liberal but also more instable and exclusionary. While capital accumulation, knowledge generation and information and production and trade activities took place at a global scale that transcended national and geographic boundaries, a number of countries, regions, sectors and populations, including in the so-called “fourth world” of wealthy countries, were increasingly disconnected from the whole process of accumulation and consumption. This polarisation process was reinforced by the loss of interest in poor countries and the weakening of the patron–client structure developed by the two power blocs during the Cold War.

As hegemonic stakes became increasingly associated to transnational economic, informational and financial networks, the previous North–South orientation of capital flows shifted to a North–North circulation between the three poles of the “Triad” (North America, Europe and Asian industrialised countries). In contrast with the previous period, the US became both the main recipient country of international floods of direct investment and the main borrower on international financial markets in order to finance its trade deficit.<sup>4</sup> In several parts of the world the development and the integration of

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<sup>4</sup> Financial flows towards the US represented \$88 billion in 1990, \$865 billion in 2001. This amounted to well over \$1000 billion between 1991 and 1999.

financial markets led to financial bubbles and crashes, which could not be prevented by international organisations, at best capable of mobilising a few dozens of billions of dollars.

As a result, far from being a decade of peace, the 1990s witnessed a proliferation of conflicts, many of which were direct or indirect effects of the end of the Cold War. In post-socialist systems, where the collapse of Communism was too rapidly presented as a “victory of capitalism”, post-Cold War governments introduced neo-liberal policies, whose main effects were a fall in GDP, increased inequalities and massive unemployment. The impact of the latter was particularly dramatic, because full employment was previously guaranteed, social benefits were traditionally linked to employment and most countries lacked universal social coverage. Indeed these policies were more effective at dismantling the previous institutions than at creating new ones. They could not prevent a spiral of deflation and unemployment, nor the development of an illegal or criminal economy, which were a source of nationalistic and xenophobic sentiment.

The resurgence of ethnic nationalism was most virulent in multinational States, in which ethnic divisions and rivalries inherited from the former Empires had persisted beneath the surface during the Cold War. This was particularly true in Yugoslavia and in the former Soviet Union, where transition from a State-controlled economy to market relationships gave rise to violent ethnic-nationalistic mobilisation and to a series of wars, in particular in the Balkans and in the Caucasus. What was at stake in these civil and inter-ethnic wars was to take political and economic control of both territories and states. Similar conflicts arose in countries where regimes were formerly supported by the Soviet bloc, such as Afghanistan, Cambodia, Angola and Somalia, and more generally in areas where superpowers interrupted their logistic support to either Communist or anti-Communist movements and guerrillas.

Consequences of new developments were also very negative for poor countries located in the periphery of the Triad, whose strategic interest vanished and whose economic position deteriorated, as their economy was increasingly oriented towards the extraction of resources in order to pay high levels of debt. Based on neo-liberal theories and the so-called “Washington Consensus”, trade liberalisation and drastic restrictive policies were imposed on them by international organisations (Stiglitz, 2002, 2003). Such policies, however, were incompatible with development, which requires both capital accumulation and use of local inputs. In those countries and regions undergoing marginalisation (in some parts of Africa, Central America, the Caribbean and Asia), to which foreign public aid was interrupted and which did not attract foreign investment, the problem was not transition but development impasse, economic criminalisation and state collapse.

In many countries where the central government was no longer capable of collecting taxes and paying regular military forces, the reduction of both

public resources and military budgets led to the breakdown of military institutions. The State's weakness – or “failure” according to international standards (such as democracy, rule of law, monopoly of legitimate violence, control of territory, good governance) – creates an endless vicious circle: transfer of military resources to an informal sector characterised by illegal and/or criminal activities (corruption, misappropriation of public assets and natural resources, black market of weapons, rackets, drug trafficking), proliferation of paramilitaries and of self-defence militias, recruitment of mercenaries, new escalade of violence. Those “deregulated” conflicts have much in common with the new economic regime: means of violence are privatised and liberalised as well as decentralised and deterritorialised; global networks (financial, criminal or technological) play a crucial role; information and communication technologies (mobiles, Internet, electronic media) are massively used.

As States degenerate and can no longer protect their citizens, violence, either by public or private actors, is mainly directed against civilians. With the substitution of communitarian or religious identity to previous nationalist or ideological motivations, stake shifts from territorial conquest on the battlefield to political and psychological pressure on “minds and hearts”. Such a drift to civilian targets makes it difficult to distinguish between civil war, “ethnic cleansing”, organised crime, genocide, (mass) terrorism and other forms of extensive human rights violations. In contrast with previous “classic” forms of war, these new forms of violence tend at deliberately destroying the economic and political bases of societies they devastate following a process (disappearance of security and of the rule of law, privatization of military activities, proliferation of war lords, decline of production and taxation) almost diametrically opposed to the process which historically accompanied the building up of the modern state.

### 11.5 Towards which institutional dynamics?

In the Regulationist approach, choices about security cannot be separated from choices about economic development. Whatever their specific causes and manifestations, deregulated conflicts of the present period represent not only local dangers but also major threats to global security and stability. While there is a general agreement on the need to adjust security policies, there is no such agreement on the nature of problems nor on the way to proceed in order to meet them. The United States and the European Union, in particular, have distinct views on what policies should be. In regulationist terms, however, the implications and consequences of various policies are clearly different.

The US stance *vis-à-vis* what is viewed as a great global threat involving terrorism and weapons of mass destruction is to lead spectacular and technology-intensive wars (Gulf, Kosovo, Afghanistan, Iraq), if necessary pre-emptive. Such high-tech wars, which include air bombing as well as future Star Wars and anti-missile defence, are largely aimed at showing foreign governments and public opinion the importance that the US attaches to maintaining its overwhelming technological and military superiority over the rest of the world. It also manifests its choice of a “hard security” approach, whose objective is less to protect the US from the “danger belt” through defensive missiles than to take advantage of the huge technological effort made by the US during the Cold War as an instrument of power in the new conditions.

There are some differences however between the Democrats, who tend to rely more on economic, technological and financial than on military instruments to “export the US leadership in the world” (Clinton), and the Republicans, whose reaction to the economic and security challenges was to massively increase military expenditures and to launch asymmetric wars in Afghanistan and in Iraq. Because they consider trade as a new and crucial element of American influence,<sup>5</sup> the former tend to centre their action on free-trade principles and on the opening of markets. They thus favour both a “de-ideologisation” of international relationships and a new concept of governance taking into account the emergence of non-statist actors. Their objectives are to reduce US deficits and to organise the management of global affairs around common values guiding both international trade and military interventions. Because they are aware of the expensive and normative character of technology, and they want to keep it under US control, they want to substitute a “customer approach” to the technology-push and to “open” some military technologies – such as GPS, high-resolution satellites, very high frequencies – in order to prevent (through in particular the setting of standards) the emergence of foreign competition.

This last strategy, unpopular with the Pentagon, did not prove very successful when applied. While defence industries, in particular aeronautics, experienced repeated crisis, disorganisation of production, poor civilian results and huge overcapacities ending in massive lay-offs, foreign competitors went on developing their own advanced technologies, such as in the European Union Galileo or Global Monitoring for Environment and Security. Moreover, the good results of the US “New Economy” in the second half of the 1990s ended up in a bursting of a speculative bubble. After

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<sup>5</sup> In the 1990s, exports contributed one-third of the US growth and created 12 million jobs, mainly due to services (telecommunications, audiovisual, insurance, patents, financial services, software), whose trade surplus rose from \$5 billion in 1986 to \$80 billion in 1996.

the elections which brought to power a Republican president, terrorist attacks in September 2001 crashed into a weakened economy.

The reaction of the Republican Government was to reduce taxes and to emulate Reagan's military Keynesianism of the 1980s. The mixture of "hard security" and tax irresponsibility, however, led to unprecedented US deficits and a rising financial dependence of the US on the rest of the world. While the rise in defence budgets and the military interventions, after ten years of restructurations of military activities under government pressure, were welcomed by US defence industries, the equation of multipolarity with international disorder and the combination of a militarist and unilateralist attitude created tensions between the US and the rest of the world. Divergences between the two sides of the Atlantic which had been contained for several decades, in particular, reappeared.

The risk of growing fractures between the different parts of the world is worsened by the economic and institutional implications of the Republican stance, which requires not only high military expenditures and clearly identified "enemies", but also a bi-polar world, strong income and consumption inequalities, environmental degradation, a resumption of the arms race and massive economic and financial unbalances at the world level. The problem with the Republican approach to security, which extends the trajectory of Cold War thinking and tends to exasperate rather than to mitigate conflicts, is that it is filled with deep contradictions: between the assertion of the US hegemonic role and the wish to abolish all diplomatic and political constraints that such a role implies; between the simultaneous assertion of liberalism and nationalism; between the US military power and its financial capacities; between the amount of military expenditures and the operational efficiency of US troops on the ground; between methods used to win the war and methods required to win the peace.

Yet the two political parties, in spite of their differences of vision, which can be observed in particular in the volte-faces of the US technology exports policy,<sup>6</sup> have common perceptions and positions. Both agree on the strategic importance of technology; on high public expenditures, high external deficits and the rejection of financial burdens on others; on the benign effect of massive financial unbalances; and on the need to prevent the emergence of any economic or political potential "rival". None of them is bothered by the contradiction between the US's overwhelming military dominance on the one hand, and the weakness of public and private US savings and the US dependence on foreign capital on the other.

The world is somewhat different seen from elsewhere and in particular from Europe, where the removal of the military threat paved the way for a process of restructuring within a larger Europe and alternative organizational

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<sup>6</sup> The control on technology exports was shifted in 1996 from the Pentagon to the State Department, and in 1998 in the other direction.

principles. The integration of new countries' former adversaries, however, raises the problem of articulating economic and military aspects of European construction. Because the European project is from its very beginning a "peace project" of Kantian inspiration, the European approach tends to pay more attention to "soft" than to "hard" security and to prevention than to the use of force. A "soft security" doctrine implies giving great importance to a "human security" approach, in which civilo-humanitarian and military forces of intervention are integrated all along the process. It also tends to privilege expenditures devoted to diplomacy and preventive and reparative actions (technical and economic assistance, debt reduction, police and legal training, reconstruction, mine clearance) on expenditures devoted to increasing arsenals. In institutional terms, such an approach implies increased cooperation amongst countries and amongst regional and global organisations, as well as mechanisms of global redistribution and environmental protection.

The European approach stems from the direct and tragic experience that the Europeans have from war, as well as from their successful experience in building up an international system based on rules of multilateral governance. There is an agreement amongst European Nation-States to adhere to certain standards, particularly as regards democracy and human rights, fundamental to root common structures of authority. Criteria of integration of new entrants are not only economic but also political, based on the respect of such rights, whose completion implies devoting resources to economic, social and political reforms. In the field of security, the European approach is based on the conviction that national borders are no longer the dividing line between security and insecurity, that it is no longer possible to defend a particular territory or group of people in isolation, and that global problems are too complex and too persistent for a single country to solve them alone. It tends to reject as an illusion the idea that the advanced industrialised world, through a series of security arrangements, could insulate itself from the more or less chaotic and disorganised "Third World". The reasons why this kind of insulation is no longer possible are the increasing global interdependency between the various parts of the world, and the astonishing revolution in global communications.

## Conclusion

The process of globalisation, which was vigorously resumed after the end of the Cold War, has a deeply contradictory, unstable and unachieved character. There is an increasing divide between those members of a global class who live in the same global society, have access to new ICTs and credit cards, can speak English, travel freely, and those who are excluded, whose movements

are restricted – either by visas or by cost of travel – and whose principal experience is famine and war (Kaldor, 1999).

To the direct connection between the process of globalisation under way and the growing instability of the world corresponds a dangerous disjunction between economic analysis and analysis in terms of security. Such a rigid separation did not always exist. Adam Smith, in *The Wealth of Nations*, considered that ensuring security was the first and the most crucial responsibility of governments, upon which all other tasks were dependent, since it was the necessary condition for the economic development of any collectivity: The first duty of the sovereign (is) protecting the society from the violence and invasion of other independent societies. Though he thought that such protection could be “performed only by means of a military force”, the clear conceptual distinction he introduced between means and aim (peace and security) opened the way to the notion of substitutability of means, i.e the possibility to consider other means than military force in parallel or in addition to them.

Adam Smith was writing in the classical world of statist and interstatist relationships, in which the State had the monopoly of legitimate violence. Recent developments call into question three classical equations: the link between security and the State, as new conflicts involve networks of State and non-State as well as local and global actors; the equation of the security of the citizen with the security of the State, since much violence is directed against civilians with the involvement of the State; and finally the equation of security with military expenditures, since many sources of insecurity can no longer be associated with military threats by foreign armies.

From the institutional point of view, there is a dangerous disjunction in the present period between actual security needs and available organisations and instruments of regulation. Existing international institutions, which date back to the post Second World War period, remain based on Nation-States. There is no extension towards a global authority, accepted worldwide by states, groups and individuals, and capable of performing tasks traditionally performed by Nation-States at the global level. Though officially based on the UNO system, the actual global authority, essentially mediated through US and Western policies, lacks legitimacy as much as will and power. Previous statist and inter-statist forms of regulation have thus been replaced by a private oligopolistic type of regulation.

Developing new global democratic institutions would require a strong political will as well as new economic policies. Most Governments see in any extension of global authority and power a threat to their autonomy, sovereignty and control over their own society. They are unwilling to root new regulations in common economic and political institutions. It is in that respect that the EU has a role to play, if it proves capable of developing a new economic and social compromise as well as pushing forwards multipolarity, global regulation and the extension of international law.

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