What are the possibilities for and conditions of global security in the twenty-first century?

This book provides an innovative study of future wars, crises and transformations of the global political economy. It brings together economic theory, political economy, peace and conflict research, philosophy and historical analogy to explore alternatives for the future.

Patomäki develops a bold, original and thought-provoking political economy analysis of the late twentieth-century neo-liberalisation and globalisation and their real effects, which he describes as a twenty-first-century version of imperialism. In order for us to understand global security and to anticipate the potential threats and crises, he argues that a holistic understanding and explanation of history is necessary and demonstrates that a systematic causal analysis of structures and processes is required. Putting this theory into practice, Patomäki constructs a comparative explanatory model that traces the rise of imperialism in the late nineteenth century, culminating in the First World War. He argues that even a partial return to nineteenth-century ideals and practices is very likely to be highly counterproductive in the twenty-first century world and could become a recipe for a major global catastrophe.

This book will be of interest to students and scholars of international relations, globalisation studies, politics, economics and security studies.

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War, future crises and changes in global governance

Heikki Patomäki
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From the perspective of global security the period since the end of the Cold War has been a dispiriting disappointment. What seemed liked an extraordinary historical opportunity for improving prospects for sustainable peace and economic development was basically squandered by two conjoined forces: a preoccupation with the dynamics of neoliberal globalization and an unchanged reliance on the geopolitics of military power. To the extent that this atmosphere took seriously the challenge of constructing an improved world order, statesmen and social scientists alike tried to make the most of a triumphalist mood prevalent in the West, especially in the United States, after the collapse of the Soviet Union, and with it the disappearance of a socialist alternative to capitalism. The most rigorous commentators on this passing scene based their hopes for a benevolent future on the combined effects of global economic growth, the spread of constitutional democracy to the far corners of the planet, and the primacy of American power.

It all seemed consoling and from an American perspective extremely self-satisfying, really too good to be true. The ‘end of history’ not only arrived, but it adopted ‘the Washington consensus’ as the way forward. It was seen as plausible to promote democratizing tendencies by persuasion, to establish laissez-faire capitalism as the universally accepted ideological foundation of economic globalization, and to administer the whole apparatus of world order from the American capital as the acknowledged military, diplomatic, cultural, and economic leader. Reputable social scientists infused this world order fantasy with empirical and normative overtones, conceptually framed as ‘democratic peace,’ claiming that its legitimating philosophical roots could be found in *Perpetual Peace*, the speculative 1795 essay of Immanuel Kant.

Of course, there were some dissenting voices that did not subscribe to such a rosy picture of what lay ahead. Perhaps, the most influential of these was that of Samuel Huntington, who saw the outcome of the Cold War as altering world order in fundamental respects, but not in ways that gave us reason to be hopeful about the new phase of world politics. For Huntington there were four main features of the post-Cold War realities that were destined to shape the future: first, a shift in identity politics toward ‘civilizations’ and away from states; secondly, a corresponding shift in conflict patterns in the direction
of ‘a clash of civilizations;’ thirdly, a conviction that liberal democracy was a
distinctively Western political orientation that would not be adopted in non-
Western political settings; and fourthly, the anticipation on inter-
civilizational struggle that would put the West on the defensive.

For some on the right, 9/11 was a vindication of Huntington’s vision, and
its main tenets were indirectly promoted by such anti-Islamic ideologues as
Bernard Lewis and Fouad Ajami, providing the deep underpinnings of justi-
cation for the rather crude geopolitical ambitions of the neoconservatives who
dominated the foreign policy process of the presidency of George W. Bush.
This is the approach that produced the Iraq War, as well as threatens to
unleash warfare on a regional scale in the Middle East where a variety of
American security goals converge—energy resources, nuclear proliferation,
Israeli security, and the containment of political Islam. The geostrategic
response to 9/11 has produced a post-Westphalian configuration of seemingly
perpetual war. It is properly conceived as post-Westphalian because neither of
the main actors is properly considered to be a normal state: on one side, a
global state, if not a non-territorial empire, and on the other side, an extremist non-territorial, non-state ensemble of shadowy actors, a network of ideas
and practices, with minimal administrative links and no diplomatic presence.
Such a confrontation on a global scale is something quite new, subverting the
traditional framing of war either by reference to the violent interaction of
sovereign states or as sustained violence within a particular state.

Such a set of dire circumstances was not preordained. There were other
policy initiatives that could have taken the quest for global security in far
more encouraging directions. It was certainly plausible for the prevailing side
in the Cold War to have pushed hard to achieve nuclear disarmament in the
immediate aftermath of the Soviet collapse. After all, the main strategic and
normative rationale for nuclear weaponry, which was never entirely convinc-
ing, was the supposed mutual need of these antagonistic superpowers for
the means to deter their adversary. With the rationale of deterrence removed,
why were nuclear weapons still needed, and if retained, would not this
heighten exponentially the prospects for their spread? India, Pakistan, and
South Korea acquired nuclear weapons in the subsequent decade, validating
such an apprehension, while Russia and the United States not only kept their
 arsenals of these weapons, but keeps 3,500 of these mass-killing instruments
on hair-trigger alert, ready for launching in a matter of minutes. Additionally, the United States is actually developing new types of nuclear weapons
and speaks openly about their potential battlefield uses. This unwillingness of
the nuclear weapons states, led by the United States, to explore nuclear
disarmament (and other demilitarizing initiatives) in the 1990s seemed then,
and even more so in retrospect, to exhibit a dysfunctional geopolitical mental-
ity that was not only ill-adapted to take advantage of the security potential-
ities of changing historical circumstances, but seems catastrophe-prone over a
longer time horizon.

The same can be said about concerns relating to the outbreak of genocidal
violence and civil strife in a variety of countries, especially in the South. It
would seem that with the leadership bestowed upon the Western democracies
after the Cold War that it could have been an ideal time to construct frame-
works for mutually beneficial patterns of cooperation. A first move in such a
direction would have been the establishment under the auspices of the United
Nations of a robust, well-funded, emergency peace and reconstruction force
available for a variety of missions usually discussed beneath the banner of
‘humanitarian intervention,’ and more recently by reference to the emergent
norm associated with ‘the responsibility to protect.’ Many additional promis-
ing possibilities were present, including the adoption of some variant of a
‘Tobin tax’ to give the UN financial stability, and greater political independ-
ence, as well as the upgrading of human rights and environmental protection
within the UN System. None of these developments long advocated by civil
society actors even reached the stage of credible proposals because the statist
geopolitics of Westphalian lineage continued to dominate the political
consciousness of elites and publics alike.

A similar blockage of moves toward global democracy also meant that the
framing of political life would remain locked in its Westphalian cage despite
the embrace of economic globalization, the rise of non-state and civil society
actors, and the increasing jeopardy associated with a variety of unmanageable
pressures on the global commons. Most surprising of all was the salience of a
severe split geopolitical personality with respect to ideas of democratic par-
ticipation, accountability, rule of law, and transparency: the simultaneous
promotion of constitutional democracy as the only legitimate form of gov-
ernment at the level of the sovereign state combined with undisguised oppos-
tion to all efforts to democratize institutional behavior in global arenas,
including at the United Nations.

It is with these considerations in mind that Heikki Patomäki’s book needs
to be welcomed as an invaluable contribution to the literature relevant to
world order thinking. Its particular focus is on the future of global security
given the distinctive tensions between the workings of the transnational
economy and their political manipulations by powerful actors. Adopting a
global economy perspective, with an acknowledged debt to the pioneering
work of Stephen Gill and David Law, Patomäki uses a sophisticated and wide-
ranging set of techniques to encourage the deepest attainable understanding
of future possibilities to avert the worst and promote the best in world affairs.
By the worst, Patomäki is thinking primarily of major nuclear war or some
kind of ecological catastrophe caused by global warming; by the best, global
democracy as the foundation of demilitarized and humanized security along
with a more egalitarian and environmentally responsible distribution of the
planet’s wealth and income.

There is much that is impressive and attractive about Patomäki’s eclectic
approach. To begin with, while relying on the work and terminology of social
science, he is consistently sensitive to the limits of knowledge when dealing
with either the interpretation of the past or the projection of the future. In
this spirit, this ambitious book constantly reminds the reader that every inference about social, economic, and political reality must be open to revision based on further refinements in methods of inquiry, discovery of past misperception, and the disclosure of new information. At the same time, Patomäki refuses to rest his assessments on either the subjective shoals of normative preference or a demobilizing skepticism that insists that since nothing useful can be known, and all depends on power and will.

He builds his analysis around two sets of approaches: the first of these involves the deep exploration of historical analogy, believing that a constructive process of learning can emerge from a careful comparison of the period 1870–1914 with the current unfinished period stretching so far from 1970–2007. These periods are so delimited because of several strikingly similar global economy features, thereby making them suitable for comparison. Not everyone would think of 1970 as a strategic threshold for the study of world order, but Patomäki makes the case persuasively that the closing of the gold window by Nixon in 1970 generated a new set of global competitive trends that point almost forty years later to an imminent rupture in global history that could take the form of either a disastrous breakdown or a promising breakthrough with respect to the quality of world order.

Patomäki’s second emphasis, which makes for a stimulating contrast with a reliance on historical analogy is to construct a series of scenarios that are intended to depict the most interesting and plausible among the infinite range of alternative futures. This approach takes account of the human inability ever to know fully the past or reliably predict the future, but at the same time, the capacity to learn from past experience sufficiently to detect the more likely and desirable future consequences of present trends, as well as to engage in imaginative storytelling that builds a coherent tale out of a bewildering array of facts, fears, and aspirations. It is this combination of looking to the past and future with the objective of approaching the outer limits of attainable knowledge with practical relevance to the governance of the planet that in the end makes this book such an exciting adventure in ideas. It makes us take social science seriously for what it can contribute without embracing either a false scientism that endows numbers and models with an authority that they do not possess or championing an equally false utopianism that transforms fervent wishes into alleged expectations without envisioning a plausible path from here to there.

This is a book that teaches us, above all, how to think about issues that we care deeply about, as well as instructing us on what we can learn about the complex and fragile realities that presently constitute the evolving world order. It also assesses the more likely among the significant positive and negative outcomes among these underlying trends. It is a book that needs to be read, studied, and reflected upon by all those who care about a better future for humanity, that is, hopefully and realistically, almost all of us!

Richard Falk
Preface

Conventionally, social sciences have focused on examining the past. In a typical exercise it may sometimes be mentioned, usually as a kind of afterthought, that the past can be a source of historical lessons for the future, or that past and present trends can assist in anticipating the directions in which the world is heading. But most research in the social sciences remains silent about possible futures.

The idea of studying the future in its own right, however, emerged more than a century ago. In 1902, H.G. Wells argued that the future of humankind is a no less suitable subject for scientific inquiry than the past and the present. Futurology should not be just a branch of sociology, but rather an attempt to bring together all relevant disciplines ‘for whatever they could tell about the future of earth and especially its human fauna’. In spite of Wells, it took some 60 years before futurology became a practical endeavour. Still in the early twenty-first century, most social scientists give scant if any attention to the future. But what is the point of social sciences if they can only say something about that which has already been and cannot be shaped anymore?

The study of possible futures must be grounded on the analysis of causally efficacious geo-historical layers of reality – agency, structures and mechanisms. Thus, most parts of my study are about the past rather than about the future. The point, however, is to develop a basis for the future scenarios of chapters 7 and 8. In chapter 2, I use W. Warren Wagar’s fully fleshed-out single-path scenario of the twenty-first century to draw some methodological and theoretical lessons. However, Wagar’s scenario is extremely unlikely to become true as such (as he himself made clear). It reads almost like good science fiction rather than systematic scientific scenarios of possible futures. Yet, at a more general and abstract level, Wagar’s story is an important storm warning.

The scenarios of chapters 7 and 8 are grounded on a historical analogy to the 1870–1914 era as well as on a causal analysis of contemporary processes of globalisation, neo-liberalisation and the rise of new imperialism in the United States of America. In chapters 3 and 4, I develop an explanatory model and story about, first, the rise of new imperialism in the late nineteenth century and, second, the outbreak of the First World War. In chapters 5 and 6
I provide a causal analysis of the late twentieth century neo-liberalisation and globalisation and their effects, which – as I argue – also include a tendency towards something akin to a twenty-first century version of new imperialism. An impatient reader who wants to get straight to the main point may want to read the introduction and then jump to chapters 7–9.

This project has been in the making since 2003. Thanks to the funding from the Academy of Finland, I have been on research leave and finally able to complete this book in the academic year 2006–7. Particularly during the intensive months of writing in the Northern winter and spring 2007, I have benefited from the advice and insightful comments of many people. First, I would like to thank a group of colleagues who are involved in the Centre of Excellence in Global Governance Research at the University of Helsinki, namely James O’Connor, Milja Kurki, Jamie Morgan and Teivo Teivainen. Their comments on the draft of (parts of) this book have been extremely valuable and helped me overcome some of the difficulties I have faced in getting all the bits and pieces together in a coherent and plausible manner.

My second academic affiliation lies with the Globalism Institute of the RMIT University in Melbourne, Australia. In the Southern summer and autumn 2007 I have been greatly inspired by the spirit of the place, beautifully elucidated in the Manifesto of the Globalism Institute (http://globalism.rmit.edu.au/about/globalism_institute.html#Manifesto). Despite being busy with a million things, somehow Paul James found time to read and comment on almost the entire manuscript – many thanks! Manfred B. Steger also helped with parts of the manuscript and most importantly, stimulated my thinking by numerous intensive discussions on the political history of social democracy, globalisation, globalist imaginary and futures studies. I have also benefited from the very useful feedback I received on chapter 6 in a seminar organised by Simon Batterbury at the University of Melbourne, Australia, in April 2007, and on parts of chapter 8 in a seminar at the Chiba University, Japan, organised by Takehiko Uemura, in May 2007.

As always, Katarina has encouraged me greatly and helped to simplify and clarify some parts of the text. I am also grateful to Barry Gills for his encouragement and support throughout this project. A number of other people have also given very helpful advice and comments on various parts or aspects of the book, including Hayward Alker, Juhana Aunesluoma, Tuomas Forsberg, Marjo Koivisto, Kari Laitinen and Jim Mittelman. Robyn Milburn provided research assistance for early versions of chapters 2 and 5. In 2006–7, the Helsinki Collegium for Advanced Studies provided excellent facilities for research, including the superb assistance of Sveta Kirichenko, Kirsi Reyes and Tuomas Tammilehto. Roderick McConchie has helped a great deal in improving the language of chapter 1, parts of chapter 2 and chapters 7—9. It is worth stating that no one mentioned here is responsible for the imperfections that remain in the final version.

Early (and in some regards different versions) of two of the chapters have been published previously. Chapter 2, bearing the same name, is forthcoming

This book is dedicated to the youngest of my four children, Oona. She was born in the year 2000 and will be fifty years old in 2050 – if all goes well.

Heikki Patomäki
Helsinki, 22 May 2007
Acknowledgements


Thanks to W.H. Freeman and Company for permission to use Figure 4.1 ‘Dynamics of international violence’ from Naxli Choucri and Robert C. North (1975), Nations in Conflict: National Growth and International Violence, San Francisco: W.H. Freeman.

Thanks to Alan Freeman for permission to use Figure 5.3 ‘Number of people living in countries with declining per capita income’, taken from his paper presented at the BISA conference in London, December 2002.
The anticipation of futures is a necessary part of all social actions, and particularly so in the world of modern organisations. If social sciences are to be relevant, they should also be able to say something about possible and likely futures. The future, which is real but not yet determined and therefore consists of a multiplicity of different possibilities, unfolds through various transforming events and nodal points. Future possibilities are based on the already existing geo-historical social structures. However, since history unfolds in relatively open systems, forecasts are contingent on a number of uncertain conditions: multifarious geo-historical processes and mechanisms (including homeostatic causal loops), and the modes of responsiveness of actors, which are linked to layered systems of collective learning and self-regulation.

As John Maynard Keynes emphasised in *The Economic Consequences of the Peace* and particularly in his analysis of the Russian revolution of 1917 and the civil war, incremental cumulative changes are very important for understanding history and great global events and transformations:

> The great events of history are often due to secular changes in the growth of population and other fundamental economic causes, which, escaping by their gradual character the notice of contemporary observers, are attributed to the follies of statesmen or the fanaticism of atheists.

*(Keynes 1920)*

On the other hand, extraordinary events and episodes also play an important role in world history. Economic crises and large-scale collective violence, particularly wars that have immediate effects on the heartlands of the world economy, have from time to time been catalysts of far-reaching ideological and institutional changes. For instance, despite rapid population growth and other fundamental economic causes, and despite the inexorable will of V.I. Lenin and other leaders of the small Bolshevik faction of the Russian Social-Democratic Labour Party, it is unlikely that the revolution of 1917 would have happened in Russia without the disastrous First World War. Similarly, the Wall Street Crash of 1929 and the Great Depression of the 1930s
constituted a key cause of the rise of the National Socialist German Workers Party to power in Germany in 1933 (in the 1928 elections, the NSDAP gained only 2.6 per cent of the votes, clearly less than in the previous elections). In the 1930s, the Great Depression also stimulated collective learning processes whereby the principles of Keynesian economics were widely adopted. Among the outcomes of these learning processes was the Bretton Woods system of world economic governance, agreed on by 44 states in New Hampshire, US, in 1944.

Anticipations of the future can be misleading. In late nineteenth-century Europe, many, including famous social scientists such as Auguste Comte, Karl Marx, Emile Durkheim and Max Weber, assumed that the rapid integration of the world’s societies and economies was making war obsolete. Likewise, a hundred years later, there appears to be a post-cold war ‘metaconsensus’ according to which ‘we are entering a period in which deep political rifts are disappearing [. . .and] the imperialist rivalries between the hegemonic countries, which in the twentieth century had provoked two world wars, have disappeared, giving rise to interdependence between the great powers, cooperation and regional cooperation’ (McNeill and McNeill 2003: 288). Therefore, ‘nowadays only small wars exist, many of which are of low intensity and almost always on the periphery of the world system’ (de Sousa Santos 2006: 394). This consensus is made even more plausible by the apparent fact that since the end of the cold war, there have been fewer wars and war-related deaths than in previous decades. According to the Human Security Report 2005 by the University of British Columbia (Human Security Centre 2005), wars have not only been far less frequent in the early twenty-first century, but also far less deadly. The number of armed conflicts has dropped by 40 per cent since 1992 and the deadliest conflicts, with 1,000 or more battle-deaths, by 80 per cent. Wars between countries are rarer than in previous eras and now constitute less than 5 per cent of all armed conflicts. Most of the world’s violent conflicts are concentrated in Africa. Should we conclude that war is indeed becoming obsolete?

Anticipations of the future are rarely unanimous. Between 1870 and 1914, there were also many who did not share the expectation that wars in Europe were disappearing. Following the Industrial Revolution and Napoleonic wars, European powers were constantly alarmed about the technological progress of other states and therefore incessantly adopted and developed new military technologies. For instance, after the engagement between the ironclad Monitor and the Confederate Merrimac during the American civil war in 1862, there was a panic in Britain that technological progress would soon leave her without any efficient navy. Explicit scenarios of future wars also started to appear regularly at this time. After the Franco-German war, in the early summer of 1871, an anonymous story about a successful German invasion of the United Kingdom alarmed the British and became popular reading throughout Europe. This story – entitled The Battle of Dorking – provided an exemplar for numerous pieces of fiction on future warfare. By the 1890s, these
stories had become a regular feature of the popular press. While Victor Hugo anticipated that the development of technology would eventually provide a supreme deterrent and make war obsolete, many others imagined future wars and a few writers even maintained a pessimistic vision of ever more destructive wars between the modern states (see Clarke 1966: chapters 2–4). Perhaps the most important of all these future-oriented authors was H.G. Wells, who soon began to advocate a world state as the solution to the problems of humanity. Wells foresaw an aerial war in 1902 before the development of aeroplanes. Further, in 1913, Wells forecast the development of atomic bombs and power and imagined a hugely destructive worldwide atomic war being fought later in the twentieth century. In 1902, in his non-fictional *Anticipations of the Reaction of Mechanical and Scientific Progress upon Human Life and Thought*, Wells proposed a world republic, an idea that he started to cultivate in many of his writings appearing before the First World War. In 1917 he wrote: ‘It is chaos or the United States of the World for mankind; there is no other choice’ (cit. in Wagar 2004: 141).

Similarly, during the cold war, a wide range of stories and scenarios on future wars was published. Well-known mass cultural products include Nevil Shute’s apocalyptic novel *On the Beach* (1957), adapted for a popular Hollywood screenplay in 1959; Herman Kahn’s famous and overtly optimistic scenario on manageable nuclear war (*On Thermonuclear War*, 1961); Stanley Kubrick’s *Dr. Strangelove or: How I Learned to Stop Worrying and Love the Bomb* (1964), based loosely upon the thriller novel *Red Alert* by Peter George (1958); and *The Day After*, an American television film about a nuclear war between the United States and the Soviet Union (1983). However, in the immediate aftermath of the cold war era, the prevailing mood was that of relief – often euphoric. In the expectation that History had finally come to an end (Fukuyama 1989; 1992), the possibility of a large-scale war fought with weapons of mass-destruction was overlooked for a while. Thus the ‘metaconsensus’ triumphed: wars were becoming more marginal and multilateral cooperation would prevail, at least in the core areas of the world economy.

However, about ten years and a number of limited-scale conventional wars later, dramatically portrayed in the global media, the spectre of nuclear war has resurfaced. New apocalyptic stories have been gaining popularity. Much of the Religious Right in the United States, supportive of the administration of George W. Bush, believes that it can decipher an eschatological story in the Bible about the end of the world involving a nuclear war. The popular series *Left Behind*, authored by Tim LaHaye, and which has sold over 60 million copies in the US between 1995 and 2006, is a drama about the end of the world as we know it. At the same time, a number of well-known scientists and futurologists have written best-selling books that discuss the prospects of humanity surviving through the twentieth century. Violence, war and new technologies of destruction assume a key role in their accounts (e.g., Martin 2006 and Rees 2003; whereas Kunstler 2006 and Hawking 2006 place greater emphasis on the dangers of global warming). Moreover, the eminent
Doomsday Clock of the Bulletin of Atomic Scientists is now closer to midnight than it was at its inception in 1949:

We stand at the brink of a second nuclear age. Not since the first atomic bombs were dropped on Hiroshima and Nagasaki has the world faced such perilous choices. North Korea’s recent test of a nuclear weapon, Iran’s nuclear ambitions, a renewed U.S. emphasis on the military utility of nuclear weapons, the failure to adequately secure nuclear materials, and the continued presence of some 26,000 nuclear weapons in the United States and Russia are symptomatic of a larger failure to solve the problems posed by the most destructive technology on Earth.

(Board of Directors of the Bulletin of Atomic Scientists 2007)

Meanwhile, the academic discipline of International Relations (IR) has recognised that the end of the cold war did not in itself resolve the problem of new technologies of destruction. One of the best-known IR theorists, Alexander Wendt has taken leaps along the Wellsian path by arguing ‘that a global monopoly of violence – a world state – is inevitable’ (2003: 491). Wendt’s argument is also about the tendency for military technology and war to become increasingly destructive and about learning from the consequent experiences and vulnerabilities. ‘The scale of surviving states may have been efficient for many centuries, but ballistic missiles and nuclear weapons are now making them obsolete as well’ (ibid.: 508). Less well-known but compelling is Warren Wagar’s scenario A Short History of the Future (first edition 1988, third edition 1999), which anticipates the collapse of the global capitalist system, the death of 6 billion people in World War III in 2044, mass starvation and the foundation of a democratic socialist world state in the 2060s (and then, much later, the more utopian world of small communities as well). Wagar’s scenario provides a starting-point for my discussions in chapter 2.

Anticipations of the future are too often based on recent historical events, short-term trends or mere ideological illusions. It is a key argument of this book that they should rather be grounded on systematic causal analysis of structures and processes, including their potential for crises and other possible nodal points of world history. Scenarios are not predictions. They start with an analysis of the existing structures and processes and their inherent possibilities, coupled with the assumption that futures remain open until a particular possibility is actualised. For instance, what do we know about the causes of war in the late twentieth century? Studies of the post-Second World War conflicts in the global south indicate that humanitarian crises, catastrophes, genocide and wars have often been preceded by economic decline and growing inequalities (see Nafziger and Auvinen 2003). On the basis of this link between socio-economic developments and violence, should we also not ask what is likely to happen when the world economy as a whole is in a long period of slackening and of unstable growth and increasing inequalities,
coupled with rapid geo-economic relocation of industrial production? Is it possible that conflicts will again escalate and become potentially violent even in the shifting central areas of the world economy? Or will these threats stimulate collective learning processes that will contribute to making systems of global governance more sustainable? Are there any lessons that we should learn from nineteenth- and twentieth-century world history in this regard?

**Historical analogies**

Everything in history repeats itself, as Marx once said (1968 [1852]: 96), following Hegel. However, nothing ever remains exactly the same. For Marx, the first time is often a tragedy, while the second is a farce. Marx thought the second time may be a farce either because the actors cannot recognise what is new or because a backward learning process is taking place, generating an attempt to reverse history, even though the objective circumstances have changed. In this book, I ask whether it is possible or likely that there will be another round to the tragedy of 1870–1914 as well. The problem is that ‘in the past, the worst disasters could not kill mankind’ (Jaspers 1961: 318). Would a replay of the developments that led to the First World War be possible, perhaps as a tragic farce?

History literally never repeats itself. Temporal social contexts are always different in some regard and action, by definition, involves the possibility of acting otherwise. However, explanatory models, which I also call iconic models, are based on the controlled use of abstraction and idealisation. Moreover, the systematic use of imagination – metaphors and analogies – plays an essential role in constructing an adequate iconic model. Instead of deriving propositions from ‘a secure starter set’, social scientific research starts with a broadly pluralist set of interesting candidates and eliminates and refines them step by step until only a contracted range of fully endorsed iconic models is left. This is the reductive approach to model-building. Iconic models are projective and make reference to the real world; a model stands in for a real causal complex or complexes in the social world.

Instead of armchair philosophising, research is about encountering, collecting and analysing historical evidence. Although quantitative data is indispensable and, as will be seen, often very useful, qualitative evidence is ontologically primary. The process of collecting and analysing evidence is doubly hermeneutic. Both the accounts of the lay actors and the iconic models of the researcher are situated not only in space but also in time and necessarily assume the form of a narrative. Now, by way of idealisation, abstraction and analogy, it is possible to construct an abstract analysis of existing mechanisms and their inherent contradictions, i.e., a sketch of likely developmental possibilities, given particular mechanisms, tendencies and contradictions. We can also develop scenarios and stories of possible and likely futures on this basis.
A key historical analogy of this book is that the contemporary era is in some important regards similar to the era of 1870–1914. This can also be formulated more hypothetically: although there are many obvious differences between these eras, my hypothesis is that at least some of the central mechanisms, tendencies and contradictions are basically the same. I am not alone in suggesting similarities between these eras. For instance, in their famous critique of the globalisation thesis that late twentieth-century globalisation is unique, Paul Hirst and Grahame Thompson (1999) argued that before 1914, the world economy was at least as highly integrated as it is today. In terms of migration, for instance, the pre-1914 world was in fact more mobile and globalised. In slight contrast to Hirst and Thompson, Robert Went sees both important similarities and differences:

A key aspect of today’s economic globalization is the emphasis on the combination of policies free trade and free movement of capital, which seems to signify a return to the similar international regime that existed before World War I. But despite many similarities, economic globalization is not repetition or continuation of this previous period of capitalism [. . . ] today’s world economy is characterized by an increasing number of cross-border links among different countries, a higher level of internationalization of capital, an integrated worldwide financial system, and a greater role for international organizations and panels charged with coordinating and regulating economic policies. Consequently, domination is expressed today mainly in economic and hardly at all in military rivalry among the main capitalist powers. 

(Went 2002: 60)

However, Bernard Porter, a well-known historian, compares the British Empire and the subsequent American non-territorial ‘super-empire’ in some detail. His conclusion differs from Went’s, claiming that in many respects the American practices resemble those of Britain in the 1840s and 1850s rather than the more explicitly imperial rule of the late nineteenth century. However, he concludes that in some regards the United States has already gone further than the British Empire at any point in time.

Both ‘empires’ have arisen and then spread around the world on the crests of waves of expanding commerce and foreign investment, called ‘free trade’ in the one case, ‘globalisation’ in the other. [. . .] However, modern American ‘imperialism’ is not like old British imperialism. It is much, much bigger . . . She exceeds any previous empires the world has ever seen: for example in the spread of her cultural and economic influence; in her military dominance; and in the extent of her ambition to remodel the world in her own image.

(Porter 2006: 163–64)
Stanley Hoffman (2003) focuses on the rules of the use of force, suspecting that the George W. Bush administration ‘may want to return to pre-1914 conditions, when the only international limitations on the right of each sovereign state to use force were rules dealing with the *jus in bello* – the ways in which force could be used – but not with the goals’. Philip S. Golub concurs about this point with Hoffman and argues further that recent developments might indeed lead to the situation that prevailed in the period 1870–1914. In that wave of globalisation, the contradiction between ‘the transnational character of capitalism and the segmentation of the modern interstate system along national lines’ proved fatal.

Late 20th-century globalisation, understood as the unification of the world economy under a neoliberal model appears exhausted. The symptoms are manifold: imperialist wars, rising nationalism, aggravated trade conflicts within and without the capitalist core, global social turbulence. Underlying all these are deep structural imbalances in the world economy and a universal widening of social inequalities within and between nations.

(Golub 2005: 1)

These claims about similarities (and differences) between two geo-historical eras emphasise somewhat different aspects of world politics and the economy, and they may also disagree somewhat in their interpretations. Analogies can be used in varying ways in arguments; from analogies that demonstrate similarities in some respects to those that show similarity in respect of a property or outcome known to belong to one analogue but not yet known to belong to the other. However, historical analogies are always complex and open to different interpretations. If the eras are in some important regards dissimilar, we need to know whether another characteristic or outcome of the first era is also likely to belong to the contemporary era. In every historical analogy, there are both horizontal and vertical relations. *Horizontal relations* concern similarities and differences between the historical eras, while *vertical relations* concern relevant causal mechanisms and processes within them, as well as possible causal connections between them (see Hesse 1966: 58–64). In establishing the degree of validity of an analogy, it is essential to study vertical relations by building explanatory models of significant contrastive processes, trends or outcomes in both eras.

A word of caution is in order here. Studies on the use of precedent cases and historical analogies in foreign policy decision-making have indicated that ‘analogies have almost invariably misguided’ the decision-makers (Khong 1992: 7). Typical misused analogies have been based on accounts of dramatic instances or events such as ‘summer 1914’, ‘Munich 1938’, ‘the Winter War 1939–40’, ‘Operation Barbarossa 1941’, ‘Pearl Harbour 1941’, ‘Cuba 1958–59’, rather than on systematic analyses of long-term historical processes. Particular diplomatic negotiations or sudden outbreaks of war or revolutions
may not constitute nodal points in any sense; they may be seen better as outcomes of earlier processes and turning points. Moreover, misused analogies tend to stem from simple descriptions of the source of the analogy, which are all too often one-sided or false. For instance, American and other Western foreign-policy-makers have often assumed that ‘Munich 1938’ was caused by mere Western indolence, and that the Munich Agreement with Hitler’s Germany contributed to the outbreak of the Second World War. However, a systematic analysis might also reveal that the main concern for Chamberlain and his cabinet was the real fragility of London, particularly vis-à-vis its colonies, while Britain (together with France) was undergoing massive military rearmament simultaneously with the negotiations; and that the most likely alternative to the Munich Agreement would have been simply to start the Second World War a year earlier. The Treaty of Versailles had already foreclosed many possible lines of development; it also connected the two world wars (in an important sense, we could talk of the world war of 1914–45). Moreover, while the Great Crash of 1929 was a saddle point, inducing widespread economic stasis and regression around the world, it was also a jumping-off point for Hitler and the NSDAP, creating a new opportunity for the Nazis to rise to power. After January 1933, for any appeasement to have worked, it is likely that much more would have been needed, and much faster, than was provided in Munich in 1938.

The widespread misuse of historical analogies reinforces the point about the need to focus on real causal mechanisms, structures and long-term processes. It serves also as a reminder about how important it is always to bear epistemological relativism in mind: although rational truth-judgements are possible, all beliefs and all knowledge claims are socio-historically produced, contextual and fallible. Moreover, history is open and thus there are many possible futures. The point is, however, that we can try to learn from past mistakes, past trials and errors and try to build better models and stories on that basis. As will be explained in chapters 2 and 8, it is only through (non-pathological) learning and an openness to change that a global security community can become possible.

Global political economy

In the late 1980s, Stephen Gill and David Law (1988: xxii–xxiii) coined a new term to replace International Political Economy (IPE), namely, Global Political Economy (GPE). Writing from a neo-Gramscian perspective, and in the spirit of Robert Cox (1981, 1983), Gill and Law argued that a political-economy analysis should not be limited narrowly to diplomatic relations between governments of modern nation-states, which are taken as given, and a few other actors such as non-governmental organisations (NGOs) and international organisations. The focus should not be on the actions of a few collective actors, particularly states, but rather on the underlying socio-economic processes and structures. Deeper and larger historical processes (of production,
exchange and finance in particular) in part determine forms of state and world orders. In contrast to Immanuel Wallerstein’s World-Systems Analysis, but in accordance with the rising literature on globalisation, Gill and Law also claim that there is now a rather well integrated global political economy, ‘whereas in the past, there was a less complex international political economy’ (1988: 378).

GPE in this sense emerged in International Relations as a critical response to the standard liberalist distinction between politics and the economy that has prevailed in IR theory. The exclusion of social relations of production, exchange and finance and related social/political spaces seems almost constitutive of IR as a discipline. Consider the case of Wendt’s widely discussed *Social Theory of International Politics* (1999), in which he argues that systemic IR theory requires that domestic or unit and systemic levels can be separated.

Some might disagree. They might argue that international interdependence is eroding the boundary between state and system, making domestic policy increasingly a matter of foreign policy and vice-versa, or that the boundary between state and the system is a social construction in the first place which needs to be problematized rather than taken as given. (Wendt 1999: 13)

For Wendt, the legal organisation of political authority distinguishes between the domestic and international spheres. This is partly because of ‘the international institution of state sovereignty, in which states recognize each other as having exclusive political authority within separate territories’ (Wendt 1999: 13). The inside (rules) are thus different from the outside (rules). Wendt thinks that this provides an opportunity for a states system theory, the purpose of which is to explain why and how states, conceived as analogous to people, interact in a systemic setting, and with what outcomes. Although aware of the fact that ‘in not problematizing something we are temporarily naturalizing or reifying it’ (Wendt 1999: 89), Wendt nonetheless points out that if we want to find out how the states system works, ‘we will have to take the existence of states as given’ (Wendt 1999: 246).

However, although some of Wendt’s conceptions are also useful for my purposes, the basic state-anthropomorphic metaphor, coupled with the exclusion of political economy, a priori leaves out both possible transformations of states as social systems and related emergent structures. It also precludes the possibility that states, their foreign policies and, in particular, the relevant intra-, trans- and inter-state relations are systematically misidentified by his theory. The quest for explanatory depth would seem to imply a quest to delve deeper into the political economy (re)production and transformation of states themselves; of boundaries between states; and of the geo-historically separated yet closely related spheres of the economy and politics, and intra- and intersystemic mechanisms of dependence and power structures.
Thus GPE is not a mere sub-field of International Relations, but is founded on a call for a newer and more adequate starting-point for the field of analysis (see Gills and Palan 1994: 3–8; Guzzini 1994: 25, 33–34). GPE also implies an attempt to reintegrate economics and politics. The term political economy referred originally to the study of social activities of production and exchange defined largely in terms of morality, prevailing customs, laws and systems of government. Although many thinkers argued that individual self-interested actions can lead to order and progress through self-regulating markets under certain favourable social conditions – a sentiment shared in part by Marx – the assumption used to be that production and exchange are inseparable from society. However, the broad understanding of the nexus of political economy has passed through various phases of study. In the late nineteenth century it was also challenged by the marginalist revolution that tended to constitute economics as a disconnected sphere, a closed system following its own calculative logic. This is also the origin of the still prevailing disjunction between economics and political economy.

Hence, by the late nineteenth century, the idea began to emerge that politics and economics operate according to different principles, although both are in some sense regulated by the nature of the state. Political economy ceased to be a dominant mode of study and the ‘discipline’ (following Marshall) of economics was increasingly differentiated from it. Following Robbins’s 1932 definition, economics delineates itself more narrowly as the study of the allocation of scarce resources. The economics method is based on the study of individual behaviour in pursuit of given ends, following a ‘scientific’ or quantifiable modelling form of closed systems (as ends are assumed to be given, the focus is on the ‘efficiency’ of achievement via market transactions) developed by William Stanley Jevons (1871), Alfred Marshall (1891), and Léon Walras (1926).

In this phase, political economy became a subordinate discourse. Its study and influence diminished through the twentieth century as economics expanded and political economists were often inclined or forced to expend time and effort on methodological criticism of economics (assumptions that imply systematic ignorance of geo-history, institutions, etc.). Political economy does however remain vibrant amongst Marxists, Gramscians, some post-Keynesians and other branches of what has become known as heterodox economics. This vibrancy was given additional impetus in a third phase beginning in the 1970s with the rise of a new focus on global phenomena. This reinvigoration however, has not reconciled political economy and economics, but has rather occurred largely outside mainstream economics departments in business studies, sociology, IR and a variety of other trans-disciplinary settings.

As a focal part of the third phase, Global Political Economy has opened up a new perspective on many issues in world politics and economics. However, despite very promising innovations, what tends to be lacking in GPE is economic theory. GPE scholars have been better at analysing the
development of economic policies in terms of power-relations in the world economy than efficiency, growth, the ecological effects of production and consumption, income distribution, inflation, (un)employment, business cycles, exchange rate fluctuations or, in general, economic crises. This is understandable, given the urge of neoclassical economists to be 'scientific' by studying closed systems of multiple and mostly linear equations in terms of equilibrium. This urge has been so strong that even many heterodox ideas have quickly become re-articulated in these terms. Many GPE scholars have understandably taken distance from this kind of theory (but see O'Hara 2006, for instance, for a response that takes economic theory seriously).

The standard procedure of neoclassical models has been to start from the assumptions, however arbitrary, that reinforce the laissez faire conclusion of David Hume and Adam Smith. The success of the neoclassical revolution is related to the fact that it has simultaneously safeguarded the kernel of the classical laissez faire orthodoxy and made it appear scientifically based (these theoretical issues will be discussed in more detail in various footnotes to chapters 3–5, as well as in chapter 6). The key, it was presumed, was an understanding of the way the price mechanism functions in an economy with many consumers, producers and commodities. How does the price mechanism guarantee an optimal allocation of given resources? On what conditions does the system have a unique and stable equilibrium? The price mechanism has been studied by using formal methods derived, first and foremost, from probability theory, differential calculus and Newtonian mechanics. This approach obviously excludes geo-history, institutions, structures of power and many other things deemed crucial by political economists.

However, there is a limit to how far GPE can go without explicitly addressing the problems of economic theory, however different one’s explanations may be from those of the neoclassical economists. Although there is no politically neutral ‘economy’ separate from the rest of society, the concerns of classical political economy cannot be ignored. What is produced, how is it produced, and who gets what is produced? Moreover, questions of efficiency are also important. Given particular geo-historical politico-economic aims and needs, what determines efficiency in the production, distribution and consumption of the relevant goods and services? What about economic growth? Furthermore, in a monetised and commodified world economy, what explains economic cycles and their various lengths or changes in the differences in income distribution? What is the nature of money and what causes inflation, or creates a debt problem, or generates financial crises? What determines (un)employment? Are serious politico-economic crises – including financial ones – possible and likely in a given geo-historical context, and if yes, under what precise conditions and with what consequences? Given the prevailing politico-economic mechanisms, what would the consequences of, say, rising inequalities, the debt problem or a major financial crisis in the early decades of the twenty-first century be? Moreover, in precisely what
ways would various socio-economic outcomes, structures and processes shape the forms and practices of the state, worldwide institutions, and global (in)security? The GPE that is unwilling or unable to give answers to such questions is necessarily limited in its explanatory power, and also likely to remain a relatively marginal phenomenon.

Outline of the contents of the book

What are the conditions of and possibilities for global security in the nineteenth century? Have we learnt anything from the late twentieth-century peace and security studies? As I argue in chapter 2, the democratic peace hypothesis does not provide a firm or fixed ground for global security. I explain in some detail what is wrong with the theory of democratic peace, particularly as a guide to a more peaceful world. Moreover, the concept of securitisation, although helpful in analysing some aspects of the processes that are relevant to global security, is of limited applicability. Securitisation is only an aspect of complex processes and in itself it does not explain much. However, the main purpose of chapter 2 is also methodological. I discuss the role of time and the future in social sciences, and explain how causal complexes – including prevailing narratives, relations of power, political economic developments and organisational responses to them – can be systematically modelled and how these models can be used as a basis for scenarios of possible futures. A scenario is always conditional on the actions of relevant actors, whereas actors and actions are structured at many levels. The point of a scenario is to specify these conditions, structures and mechanisms, and tell causally grounded possible stories.

I conclude the second chapter by tentatively reconsidering some of the prevailing arguments for a world state. In the end, must humanity construct a world state to survive, for the sake of global security? Is a world state ‘inevitable’? My point is that without a pre-existing and underlying political security community, a world state could easily become either a totalitarian monster, sustained largely by massive violence, and/or precipitate a global civil war with no less detrimental consequences. The process of establishing mechanisms of peaceful change and opening up shared world political spaces amounts by and large to the democratic transformation of systems of global governance. I conclude by arguing that despite the real possibility that a war of mass destruction will end the planetary-nuclear era, it must remain an open question for the time being whether a world state (in some sense) could become a meaningful and desirable option at a later historical point (and not only for reasons of global security). As public time unfolds and new vantage points open up, we and others may be able to imagine possibilities that we cannot see now.

In chapters 3 and 4, I go back in time and develop an explanatory basis for the key historical analogy of this book. Any historical explanation of the era of competing imperialisms (1870–1914) and the First World War must
make numerous assumptions about relevant causal mechanisms, processes and their geo-historical connections. An explanation will also tell a temporal story about events, episodes and large-scale processes that led first to neo-imperialism and then to the Great War. There have been, and are, multiple possible explanatory stories about these processes and the causes of the 1914–18 war. In the third chapter, I focus on the explanations of the war that were developed by liberal and Marxist theorists of imperialism at the time of the First World War or immediately after it. Classical theorists of imperialism saw the causes of the war in terms of long-term politico-economic processes. I relate their stories and causal accounts of imperialism and the war to the theoretical framework of chapter 2, as well as discussing empirical and historical evidence offered by the classical theorists themselves. The point is that these explanations can illuminate a number of principal components and aspects of the geo-historical processes that led to the war.

The comparative summary at the end of chapter 3 provides the basis for chapter 4, which analyses the geo-historical layers and components of this explanation and story in more detail, and also systematically discusses more recent explanations of the War. The first turning-point to be explained is the turn to new imperialism from the 1870s onwards. At a time when Britain was losing its unique position as the industrial workshop of the world, and when the unification of Germany in 1871 was also perceived as signalling the military significance of competing industrialisations, the conservative elites of Europe, (re)turned gradually to an explicit policy of imperialism in the 1870s and 1880s. European neo-imperialism was later also imitated by the United States and Japan. The turn to competing imperialisms also coincided with the long downward wave of 1873–95, involving deflation and recurring economic crises and depressions. The population growth of the industrialising countries was rapid and there was also some per capita growth, even if only by fits and starts and often at a sluggish pace. The new upward wave began in the 1890s, at a time when the logic of territorial competition already prevailed. Moreover, the key elements of the geo-historical complex that led to the armaments race and ultimately war, also included market mechanisms, changing relations in politico-economic domination, democratisation, nationalism and the role of the mass media.

Although classical theorists of imperialism seem to provide a tentative outline for an explanatory story, the accounts of Schumpeter, Veblen, Hobson, Kautsky and Lenin were also contradictory in many ways. Moreover, they were constrained by limitations of the available sources and conceptual resources of the Edwardian era. Further, the classical theorists left important aspects of both imperialism and the 1914–18 war unexplained. While they recognised that industrialisation implied a rapidly growing increase in the destructive and war-making powers of the states, they did not explain the outbreak of the war, why it eventually lasted for more than four years, or how both imperialism and the war can also be seen in terms of long-term trends of modernisation in Europe. The classical theorists made divergent background
assumptions about the role of the military (aristocracy, dynastic rules), the nature of the territorial state, and the origins and essential structures and mechanisms of capitalism. In particular, they were involved in a scattered and unresolved debate concerning the role of mechanisms of industrial capitalism in co-generating the conditions for imperialism and war. In chapter 4, I explicate and assess these assumptions critically in order to construct an empirically plausible and theoretically adequate explanatory story. Thus chapter 4 deepens, re-contextualises and in some ways also revises the explanatory story developed in chapter 3. In conclusion, I introduce my own explanatory model and story of the origins of the First World War, which also provides the basis for my historical analogy between 1870 and 1914 and the era of neoliberal globalisation that began in the 1970s.

In chapter 5, now moving forward in time, I turn to the contemporary era. In this chapter I discuss early twenty-first-century politico-economic mechanisms and processes, focusing on the self-reinforcing process of neoliberalisation and contemporary tendencies towards new imperialism. Globalisation as a political project rests on claims that liberalisation and economic interdependence are conducive to peace and prosperity. More ‘globalisation’ seems however to mean less economic growth and more inequality. I portray first the relative downward phase that started in the 1970s and discuss the so-called Kondratieff cycles, arguing that they are best understood as mere trend-spotting observations that in themselves explain very little. Next, I propose an explanatory model. The complex that has produced the long downward phase includes the prevailing economic policies; tendencies towards rising inequality and, consequently, under-consumption; decline in the marginal productivity of capital; and the uncertainty and risks caused by global finance. I also put these elements into a concrete world historical context, stressing the changing role and positioning of the United States in the global political economy. Finally, I explain why a new upward wave looks unlikely. A worldwide framework of institutional arrangements has been created that, among other things, prevents a turn to a new genuinely upward phase in the world economy. Through a series of responses and pathological learning processes, reducing resources for future learning, originality and creativity (for a definition of pathological learning, see Deutsch 1963: 170), neo-imperialist tendencies seems to have re-emerged in the global political economy. It may even be possible that the world has already been set on a path that is likely to lead, in the absence of countervailing tendencies or forces, towards a new major catastrophe, in some way similar to the outbreak of the First World War.

In chapter 6, I focus more systematically on the historical analogy between the Europe of 1870–1914 and the world since the 1970s. The complex of relevant material and efficient causes at work in a particular social time-space field include profound discourses and narratives (some of which are co-constitutive of politico-economic systems as well); relations of power, including structural power; incremental and cumulative socio-economic
developments; (often pathological) collective learning including through political struggles; and alterations in income differences and employment opportunities; and various organizational responses and their various intersections and cumulative effects. The main emphasis of chapter 6 is on two nodal points, focusing on choices made in and by the US; namely, the end of the Bretton Woods system in the early 1970s, leading to the global process of neoliberalisation; and the tentative return to explicit ideologies of new imperialism in the early twenty-first century. Modern organisations, including states, are responding to politico-economic developments and problems, changes in relations of power and hegemony, incremental socio-economic changes, and to the responses of other organisations to all of these. The point of chapter 6 is to explain two important nodal points in the ongoing era of 1970–2007, as well as their actual and potential consequences, in these terms.

In chapters 7 and 8, I outline three scenarios of future changes in global governance. These scenarios also explain the possibility of future crises, catastrophes and wars, including those in the core areas of the world economy. It is of course impossible to preclude the possibility that a fifth Kondratieff cycle might begin at some point as a consequence of a combination of neo-imperial policies of securing cheap raw materials and energy and opening up new markets, military consumption and spending, further commodification, and partially autonomous technological innovations, possibly aided by mechanisms and processes that are being ignored or misidentified in my explanatory model. However, because the problem seems to lie in the structurally determined under-consumption/overproduction, a low propensity to invest and the essentially connected orthodox orientation of economic policy, it is difficult to see what could generate a long-term upswing. In the absence of global structural reforms and worldwide reorientation of economic policies, it is not only possible but indeed likely that the world economy will continue in relative recession or is even sinking into a downward spiral. Moreover, as the so-called lateral pressure theory has shown, it may be that not only relative stagnation or depression but also acceleration of a particular kind of growth – called ‘lethal growth’ by Nazli Choucri and Robert C. North (1975: 1) – may generate, trigger, or inflame potentially violent conflicts, particularly in the core areas of the world economy. Causal effects are often delayed and the long-term consequences of learning processes, at times pathological, may prove critical in the next phase.

The first scenario of a possible and likely future in its three variations is based on the hypothesis that the prevailing orthodoxy generates strong tendencies towards a global tragedy, perhaps resembling that of the First World War. Even though multilateralism will prevail at first, the unilateralism of the leading state and the related logic of development of the world economy are likely to cause intensified competition among the super-states and major blocs. They may also be increasingly drawn into military intervention, wars in the global south, and an armaments race. The final result
of related geo-politico-economic competition and struggles may be a major catastrophe.

The basic assumption of the second scenario is that it is possible to plan political actions and strategies on the basis of plausible and realistic models of the relevant forces and mechanisms seen to operate in open systems where strict predictions are not possible. The future also depends on our actions; however, the identity of ‘we’ is specified (although of course not all actors are in a position to shape large historical processes). In chapter 8 I return to historical learning from, and the counterfactual possibilities of, earlier eras. I focus on the systematic transformative proposals of John A. Hobson, Keynes and beyond, and the possibility of adapting and developing them further in the twenty-first century. Since such emancipatory changes are probably not possible without a strong alter-globalist political movement, I also discuss the emergence of global civil society and potential new forms of political agency. Since it seems unlikely that long-term learning alone could produce changes, as a final point of the second scenario I analyse the dialectics between limited-scale future wars and economic crises, and the rise of a transformative movement.

The third scenario, also developed in chapter 8, focuses on possible future catastrophes that may, under some circumstances and with appropriate timing, also trigger positive changes in global governance. In particular, I discuss scenarios of potential global crises resulting from the by-products of 200 years of rapid economic growth and technological development. I look at global climate change and its far-reaching consequences. Under certain conditions, it is both possible and likely that environmental and other disasters may also set off ethico-political responses that both play a part in and contribute to peaceful transformations of systems of global governance. However, I also discuss the possibility of a major violent catastrophe. Economic growth and technological development make weapons of mass destruction more easily accessible, not only to states but also to non-state actors. The spectre is that marginalised and oppressed ‘outcasts’ of the global political economy will at some point use weapons of mass destruction to further their cause, or out of a sense of desperation and eschatological beliefs. I argue, among other things, that the sub-scenario C₂ – a one-off strike with weapons of mass destruction triggers global changes – is more likely than the scenario C₃ of fundamental change after a major catastrophe, and that both of these possibilities, which are extremely hazardous and undesirable, are nonetheless real in the absence of global transformations.

My three scenarios exhaust neither world historical nor story-telling possibilities. I consider different genres of narratives in some detail in the chapter 9, the concluding one. Following the conclusions, there are two appendices. The first discusses the problem of solving collective strategic dilemmas in terms of levels of consciousness and political learning of humankind; and the second is an analytical outline of all the historical layers of agency, structures and mechanisms that were involved in the causal complex that produced the First World War.
2 Global security
Learning from possible futures

What are the conditions of and possibilities for global security in the twenty-first century? Before answering this question concretely, first I have to tackle the prevailing theories of peace and security and build a conceptual framework for constructing explanatory models and scenarios of future possibilities. What, then, are the dominant theories of peace and security in the early twenty-first century? Can we confidently maintain that we, the academic community of researchers working on peace, conflicts and security, have genuinely learnt something from the late twentieth-century peace and security studies? How widely accepted are the prevailing theories, and how strong is the evidence for them?

In the long aftermath of the end of the cold war, two main lessons seem to suggest themselves. The first is the theory of democratic peace: liberal democracies do not fight each other (Doyle 1986; Russett 1993; MacMillan 2004). Could the liberal democratic zone of peace perhaps be further expanded? Will the democratisation of states eventually lead to global peace? The second lesson, however, would seem to be that security is not only about the objective absence of threats of political violence and war but also involves the politics of securitisation and de-securitisation (Wæver 1989; 1995; 1996). The theory of securitisation is that actors can bring about securitisation by presenting something as an existential threat and by dramatising an issue as having absolute priority. By revealing the politics of security, the post-structuralist theory of securitisation stresses the responsibility of actors for their speeches and actions. The moral seems to be that only by resisting the temptations of securitisation can the political conditions for a security community be created and maintained.

Perhaps the key to global security lies in furthering the process of democratisation of states and reversing processes of securitisation within states. However, many scholars who have adopted a long-term perspective have argued over the years for a major structural transformation of the international system. Given the destructive powers of nuclear weapons and other weapons of mass destruction, John Herz (1957), Hans Morgenthau (1961), Daniel Deudney (1999, 2000) and Alexander Wendt (2003), among others, have argued for a global monopoly of legitimate violence. In their view, it is
inconceivable that a few nation-states could legitimately retain the exclusive right to possess nuclear weapons for the next 50, 100 or 200 years. Moreover, as long as a few separate states possess and control nuclear weapons (while others are simultaneously trying to acquire them), it is possible that these weapons will eventually be used. The future of humanity may thus depend upon a transformation of the international or world system into something akin to a Weberian world state.

In this light, consider the scenario of the next 200 years told by Warren S. Wagar, whose book *A Short History of Future* (1999) relies in part on concepts and contentions of the world-systems analysis. Wagar does not claim to be able to predict the future. Rather, his project is about writing a plausible and fully fleshed-out single-path scenario of a possible future, based to a large extent on extrapolating future trends from the past. Wagar (1999: 9–95) envisages a world economy in which capital is concentrated in a few global mega corporations while inequalities continue to rise. The Global Trade Consortium (a future version of the World Trade Organisation) becomes even stronger, in fact preparing most of the regulation and planning on the planet, even if most citizens seem relatively ignorant about its real powers. The sustenance of formal (polyarchic) liberal democracies takes increasingly repressive forms. Crime becomes a chronic problem, particularly in the biggest conurbations. World population continues to grow at a rapid rate and most of humanity lives in big cities. Ecological problems, global warming in particular, are getting rapidly worse. The states at the centre of the world economy make a number of large-scale military interventions on the peripheries.

In Wagar’s narrative, after a long-wave of economic growth in the first decades of the twenty-first century, a downward wave will begin in 2032. The world GDP dramatically falls 25 per cent within the first two years of the depression (in comparison, the Asian crisis of 1997–98 meant ‘only’ a loss of 6 per cent of potential world output). At its lowest points, reached in 2038 and again in 2043, the depression results in unemployment for half of the workers in the centre, and more than half on the peripheries. In Wagar’s scenario, the low point of 2038 is followed by a weak and short-lived recovery, which quickly turns into a new deep downturn. This contributes to the exacerbation and escalation of a number of deep-seated conflicts, particularly in the United States. By this time, the US has become a society that is deeply divided into classes, races, and ethnic groups. A populist leftist woman, Mary Chávez, is elected President of the United States in 2040. Her attempts to raise taxes to fund new social programmes causes an aggressive attack from white conservatives. Her struggles also concern foreign policy. Chávez wants the US to withdraw from the Confederated States of the Earth (which replaced the United Nations in 2026) and disassociate the US from the hierarchical system of global governance. The conflict between the President and Congress escalates and leads to an insurrection.

Although the European Union (EU) recognises Senator Ruggles as the
legitimate leader of the US, Chávez crushes the armed rebellion. Chávez aligns the US with the poor nations. The EU and the Pacific Community, terrified by the spectre of collapse of the global order, make a surprise nuclear attack on the US and its semi-peripheral allies. However, two American nuclear submarines and some American planes in the air escape their attention, ensuring rounds of retaliation. Moreover, as soon as the Indians realise that no world authority remains to stop them, they initiate a nuclear war against Pakistan. Most of the Northern hemisphere and the Indian subcontinent are devastated. Out of nine billion people, only two billion survive, most of them in the southernmost regions. The nuclear winter and collapse of world trade makes life miserable for most survivors for many years to come.

The surviving countries begin to build a new world order, but at first on the basis of the old system. However, the World Party, already secretly founded well before the Catastrophe, starts to gain ground. Gradually countries and regions start to join the new democratic and socialist Commonwealth, occasionally only after a violent struggle. The last skirmishes between Commonwealth militias and local resistance groups take place in 2068. The new world state is governed by a democratically-elected world parliament. It is also built on a more sustainable ecological basis than its predecessor. In Wagar’s story, the socialist world state is also transitory since it lasts only for about 100 years; it will be eventually replaced by a community of smaller political communities, some of them living outside planet Earth and reaching further into space by 2300.

Should anything like the Catastrophe of 2044 ever happen what should be said in retrospect about the most popular security theory of the late twentieth and early twenty-first century? The theory of democratic peace would have failed for two reasons. First, although most states, including the EU, remained formally democratic in Wagar’s story, democracy no longer existed in the first decades of the twenty-first century as a real political choice. Global free trade, global finance and related non-democratic systems of global governance dominated the world and regulated the states. One-sided focus on the existence of periodical two- or multiparty elections and a few basic rights within separate states thus misled the theorists of democratic peace. Second, the theory of democratic peace failed to recognise the political economy conditions of a security community. While in the early decades of the twenty-first century conflicts and wars occurred only in the global south, the structural conditions for a major conflict also gradually evolved within the centres of the world economy. With the Great Depression of the 2030s and subsequent ups and downs, the American identity was suddenly transformed by means of democratic elections. At last, it appeared, the voters were experimenting with some real choices. In a search for support for its leftist-populist economic policies, the new American government became an ally of many of the transformative movements and states of the global south. This triggered a process of securitisation, and the EU leaders began to portray developments in the US as an existential threat. The Europeans argued that if we did not tackle the
challenge of President Mary Chávez and her policies, everything else would be irrelevant. They thus sided with the conservative faction of the Congress in the armed conflict in the US. However, this alliance led first to a strong reaction by the Chávez regime – which survived the violent challenge – and shortly thereafter to the dramatic escalation of the conflict.

In this chapter I attempt to outline a better way of studying possible futures of global peace and security. First, I explain in more detail what is wrong with the theory of democratic peace, methodologically and empirically, as well as a guide to a more peaceful world. Next, I discuss the role of time and the future in social sciences. Moving on, I analyse how causal complexes – including prevailing narratives, relations of power, political economy developments and organisational responses to them – can be systematically modelled and how these models can be used as a basis for scenarios of possible futures. Securitisation is only one component of complex processes. Any scenario is always conditional on the actions of the relevant actors. Actors and actions are structured at many levels. Various illusions play an important role in constituting modes of agency and their responsiveness. I conclude by tentatively re-thinking the arguments for a world state. In the end, must humanity construct a world state to survive, for the sake of global security? Is a world state as ‘inevitable’ as Wendt (2003) claims and as Wagar (1999) seems to assume?

What is wrong with the theory of democratic peace?

The theory of democratic peace is reliant on the identification of what appears to be a strong and enduring constant conjunction: liberal-democracies do not fight each other. The argument is that X (liberal-democratic regimes) explains the absence of Y (war, organised violence between two states). A background assumption must be that Y is a normal thing to occur, and that X is the mechanism or thing that explains why it does not occur in this special situation. Moreover, statistical demonstrations of the democratic peace theory are dependent on the particular theoretical categories adopted and related data coding procedures (Alker 1996: 338–53). The democratic peace hypothesis assumes statist and legalist categories of significant violence, defining ‘war’ in a way that does not count American covert operations to overthrow democratically-elected regimes or the use of transnationally-constituted military force within countries as wars (Barkawi and Laffey 1999: 414–15); and it is inclined to code ‘democracy’ in a way that excludes, for example, Milosevic’s Yugoslavia (Serbia) of the 1990s from the list of allegedly democratic countries (Serbia was bombed by liberal-democratic NATO countries in 1999). Moreover, a cross-sectional correlation does not translate into a universal causal push in the desired direction. As Jack Snyder (2000) has argued, in some contexts democratisation may actually increase the risk of nationalist violence.

Although the correlation is not as pure as some advocates of the theory
would like us to believe, and although liberal democratisation may sometimes contribute to increasing violence, the cross-sectional correlation does exist (see Goenner 2004, accounting for some but not all aspects of theory-dependency of democratic peace data). Various mechanisms to explain this correlation have been suggested, often boiling down to constraints on political leaders imposed by democratic mechanisms of checks and balances and public opinion; and an ideology implying a liberal-democratic distinction between friends and enemies. However, from a critical realist (Patomäki and Wight 2000; Patomäki 2002) perspective, it is the very idea of a constant conjunction that is problematic. Constant regularities only occur in closed systems. As will be explained below, the world is anything but closed. This suggests that it cannot simply be factors internal to democracies that are responsible for this apparent constant conjunction. Here the explanans and, up to an extent, also the explanandum of the theory changes. For instance, what has been the role of a shared belief in the ‘invisible hand’ of free trade and markets, particularly in the core areas of the world economy (the OECD world), and the related Kantian civilising effect of commerce? What is the overall and possibly changing causal complex that has worked to make the twentieth (and perhaps also twenty-first?) century relations between capitalist, Western-minded liberal-democracies peaceful?

Even if a mechanism (perhaps of a Kantian form) or a structured complex was identified, it would still only be transfactually operative in an open system. This means that there must have been something about the other relevant complexes and processes that have also been playing a causal role. Hence, the real tendency of the causal complex may have more to do with something else; something, that is, that may or may not be internally related to liberal-democratic procedures per se. Hence, an adequate analysis must also focus on relations and processes rather than just the mere presence of liberal-democrat procedures and characteristics, and so form a picture of the relevant parts of the geo-historical whole in question. If there is anything to explain, it must be explained in terms of real tendencies and real working of spatio-temporal causal complexes in open and therefore changing systems.

What is an open system? Bhaskar (1978: 76–85) defines an open system negatively in terms of absence of a closure. Without a closure there can be no constant conjunctions. In a closed system, extrinsic and intrinsic conditions remain constant. That is, although extrinsic influences into the system or complex under study are possible, they remain constant; and although the constitutive units are not strictly speaking atomistic as intrinsic changes may in principle also occur, their structure can be taken as given or constant or always isomorphic. In laboratory experimentation, scientists can create artificial closures in order to identify the causally powerful mechanisms that work transfactually, due to their causal powers, in open systems outside laboratory, where no regular associations or constant conjunctions occur.

Social scientists cannot create artificial closures in the same way. In addition, the rate of intrinsic changes seems to exceed anything found in nature.
By the mid-1970s, even the most dedicated positivists had to admit that the project of finding universal invariances – or constant conjunctions – in society was loaded with difficulties. By elaborating upon the implications of the *ceteris paribus* clause, Johan Galtung used this as an opportunity to bring in the critical theoretical or dialectical idea that society can also be transformed by human activities. He started by declaring that there are no iron laws in social science:

> A conception of science that does not conceive of data as the final arbiter in scientific controversy is at the same time a science conception that sees empirical reality as flexible, ‘laws’ as rubber laws rather than iron laws and sees potential reality as relatively easily brought into being; transformed into empirical reality. But that makes prediction problematic, to say the least, and the basic thesis of this chapter is that absolute prediction in social sciences is meaningless: there are no absolute invariances valid for the future. Formulated briefly: there are no laws in social science.

(Galtung 1975: 72)

What Galtung fails to do here is to spell out more generally the essential ontological qualities of society. Social systems are open: neither the intrinsic nor the extrinsic condition of closure is, in general, applicable. Social entities – including socio-historically formed social actors and their understandings and relations – can and do change. Any social whole, specified in whatever manner, is susceptible to extrinsic influences, including influences from non-social layers of reality (physical, biological, ecological, etc.). In the sense that every event has a real (structured and complex) cause, ubiquity determinism holds; but causality does not have anything to do with constant conjunctions. Causality is about the production of outcomes also by means of reflexive social actions. Socio-historically formed human/social beings and their contextual reasons for action are also causally efficacious.

However, what we could call contrastive demi-regularities are pervasive in society. A demi-regularity, or demi-reg for short, is a partial event regularity which prima facie indicates the occasional actualisation of geo-historical causal forces or mechanisms over a definite region of time-space. (Lawson 1997: 204–13) There are many well-known demi-regs. ‘An increasing portion of the world’s population lives in cities’; ‘since the late nineteenth century, wars between liberal-democratic countries have been much less frequent than inter-state wars between them and others, or inter-state wars between others’; ‘the global economic growth has been steadily slowing down since the 1960s’; ‘average unemployment rates in western industrial countries were higher in the 1990s than the 1960s’; ‘measured in incomes in constant dollar-terms, global disparities have been growing rapidly since the early 1960s’; and so on. This would seem to indicate that the clear-cut dichotomy between open and closed systems is not plausible. In fact, almost all systems can be
argued to be somewhere in between absolutely open and absolutely closed systems, i.e. they are also closed to a varying degree (Töttö 2004: 269–84).

It is not, however, sufficient to find the contrastive demi-regularities and, then, specify the conditions of their continuation. Rather, these empirical facts and their meanings and implications should first be critically examined. For instance, what are the definitions of ‘democracy’ and ‘war’ in the theory of democratic peace? Second, and even more important, there should be a movement towards analysing the deeper social structures and causal complexes that generate these manifest phenomena. It is thus necessary to explicate the causal powers and liabilities of social actors (as pre-formed, complex, intra- and interrelated systems) and structures (as internal and external social relations), also often organised as systems. A system should perhaps be given an autopoietic and processual definition. While social systems and organisations are open in many important regards, they tend to be reflectively self-producing. Through external feedback, their own operations ensure, within limits, their future continuation (see Mingers 1995). A large-scale demi-reg can be indicative of a widespread pattern of unintended consequences of social actions. Autopoietically, it can also result from active and reflective self-regulation and self-production – memory-based reactions to external feedback by means of responding and internal restructuring – against the widely prevailing tendencies of decay, forgetting, irregularity or disorder (entropy).

In the social worlds, memory and communication are the mechanisms capable of producing the outcome that rules, practices and systems transcend time, place and, also, the biological existence of human beings. However, rules, regulations and organising principles cannot be more exact and clear than the meanings circulated, stored and transformed in the practical social world, in embodied actors and social practices. Shared meanings can also be contradictory. Actors hold conflicting theories about social meanings, practices and institutions, and these are connected to differentiated horizons and horizon-constituted interests in human societies. Autopoiesis is therefore always ambiguous and at least potentially political.

**Time and future in peace and security studies**

Conventionally, studies in social science have focused on examining the past. Even though the cold war was at the centre of attention for decades, its end came as a total surprise to most researchers. This raised the question of whether social sciences should also be able to say something about the future. Most often, however, this question was conceived merely in terms of testing the validity of existing theories, for example, whether theories of Political Science or International Relations predicted the end of the cold war.4

Contrafactually, however, consider the possibility that we had knowledge of a large number of relevant and stable law-like social regularities, perhaps comprising laws of development and change, in addition to simple
regularities. Suppose further that we had good reasons to be confident that the thus identified causally determinist system will continue to prevail unchanged in the (distant) future. We should thus be in a position to be able to predict the future. Largely for these reasons, many of the nineteenth-century social scientists such Thomas Malthus, Auguste Comte, Karl Marx or Max Weber thought that they could anticipate the future, yet they did not articulate the idea of studying the future in its own right. However, at the dawn of the twentieth century, H.G. Wells argued that the future of human-kind is no less a suitable subject for scientific inquiry than the past and the present. Wells proposed a new field of study, now known as ‘futures studies’. Both for Wells and, later, for the pioneers of futures studies in the 1960s, the basis for confidence was indeed in the idea that causal regularities are universal. As Wells maintained in 1902 (before he became a socialist and started to advocate world government),

Suppose the laws of social and political development, for example, were given as many brains, were given as much attention, criticism, and discussion as we have given to the laws of chemical combination during the last fifty years, what might we not expect.

(cited in Wagar 2004: 38)

A century later, we know not only that this project failed but also why it had to fail. Prediction is fundamentally problematic because there are no truly constant conjunctions. As explained above, at best we can have knowledge of a restricted number of spatio-temporally limited, contrastive demi-regs. Yet, the lack of stable regularities notwithstanding, the whole point about peace and security studies is that they should contribute to understanding the conditions of future peace and security better. Prediction is not possible, no conjunction is eternally constant, and most apparent regularities are very unstable (either misidentified or liable to a rapid change). Hence, our knowledge of one limited, even if relatively stable, demi-reg such as the democratic peace hypothesis cannot be relied upon as the foundation for thinking about the conditions for a future peaceful global order. Moreover, albeit for different reasons, the post-structuralist theory of securitisation is also only of limited value. Although it can illuminate the constitutive effects of security-talk, and thereby some aspects of the process of escalation of conflicts, it does not have much to say about the wider context, causes, and consequences of securitisation.

Building upon ‘the systematic possibilism’ of Hayward Alker’s (1996: 257–63) ‘Orwellian Lasswell’, my argument is that instead of trying to predict the future, peace and security studies should be concerned with the conditions of generating possible futures and modelling them in terms of scenarios and stories. The point of systematic modelling of possible futures is to reveal various – particularly unintended – consequences of social actions and their potentially cumulative or transformative effects. Social actions presuppose and reproduce or transform social structures.
Since I have developed closely related ontological and methodological ideas elsewhere (Patomäki 2002: chs 2–5; Patomäki 2006a), I will proceed in outlining the basic notions of future-oriented global peace and security studies. First, both politics and organised violence require organised social systems. I adopt the metaphor of organisations as complex responsive processes of relating. ‘The relational processes of communication, within which people accomplish joint action, are actively constructing the future as the living present and that future is unknown in advance’ (Stacey, Griffin and Shaw 2000: 188).

Organisations that are actively constructing the future do not usually – depending on their organising principles – have any clear boundaries and can be intra-, trans- and interrelated (however closed they sometimes try to make themselves). Modern sovereign nation-states are organisations, but so, for instance, are their ministries. Other relevant organisations include international organisations such as the OECD, multinational corporations and banks, secret associations of radical Islam, the Brazilian movement of landless workers, or members of the International Council of the World Social Forum. Organisations – as complex responsive processes – are not only responding but also learning. Learning processes may also lead them to revise their identity, goals and strategies.

Particularly interesting for a social scientist are the limits of self-production of organisations and systems, and the conditions of continuation of contemporary demi-regs. These limits and conditions may also have to do with impediments to, and pathologies of, learning. First, interests and power tend to interfere in communication and learning processes. Bhaskar (1979: 74) distinguishes three ways in which interference between a subject’s interest in an object and his knowledge of it could operate. It could operate consciously (as in lying); it could operate semi-consciously, as in the wishful thinking of the incurable optimist or the special pleading of a pressure group; or it could operate unconsciously, whether or not it may subsequently become accessible to consciousness. The conclusions of the unconscious mode of interference can be either rationalisations of motivation; or they can constitute mystifications or reifications of social structure (ideologies). Bhaskar’s schema can be seen as an articulation of Marxist ideology-critique.

We do not have to assume, however, that only one mode of action – strategic action – prevails, or that interests can be defined narrowly in terms of money, property ownership, or anything similar. More generally, interests can be layered – surface-level interests are justified in terms of deeper background discourses – and are explainable in terms of geo-historical processes. For instance, repression and violence stemming from defending particular established interests can be an outcome of a pathological learning process. For Karl Deutsch a learning process is pathological if it leads to ‘a change in inner structure that will reduce rather than increase the future learning capacity of the person or organisation’. He goes on to argue that
will and power may easily lead [. . . even] to self-destructive learning, for they may imply the overvaluation of the past against the present and the future, the overvaluation of the experiences acquired in a limited environment against the vastness of the universe around us; and the overvaluation of present expectations against all possibilities of surprise, discovery, and change.

(Deutsch 1963: 248)

In addition, various fallacies and illusions play an important role in the construction of social and economic realities. As Jon Elster (1985: 127) puts it, ‘to explain the economy, one must also explain how the economic agents – and, following them, the political economists – arrive at incorrect beliefs about how it works’. The same applies to politics. There are structurally-induced illusions about how the world works and these play a key role in economic and political processes. These illusions, as sub-varieties of ideological thinking, include illusions as local and particular knowledge, in contrast to understanding the totality of social relations and processes. Things may appear to a particular, positioned actor in a way that reflects the essence only from its limited point of view, which may be distorted or one-sided. An important case is the narcissism of collective memory: actors only see themselves and their own unique suffering and/or success in the mirror of history (Chandhoke 2003: 161–65).

A closely related case is that of a symmetric situation of Manichean dualism of good and evil, and related concrete struggles, where the involved actors are incapable of seeing how their conception of the other mirror images the other’s conception of them; further, while the Manichean dualism generates strategic actions, actors remain incapable of seeing how their actions contribute to sustaining the other’s conception (Aho 1990).

Moreover, a typical strategic illusion induced by a particular position and its limited point of view is that of the fallacy of composition: what is possible for one actor in a given moment is not possible for all or many simultaneously. For instance, a state may try to keep a ‘security margin’ by keeping itself somewhat better armed than its (potential) military competitors. However, if all relevant states – or even two of them – tried the same, the result would be an arms race.6

These illusions, as sub-varieties of ideological thinking, include reification and naturalisation. It is possible – and all too easy – to reify both cultural understandings and historical social processes. Reification prevents one from seeing the mental and geo-historical contingencies of generating these understandings and social processes, and in particular from understanding one’s own involvement in their (re)production. Two subcategories can be distinguished:

1 An actor may fail to see the particular image schemas, categorical structures, prototypes, frames and metaphors that give rise to particular forms of reasoning and social relations (including self-other relations). Although it can
be explicated, human thought is mostly unconscious, and abstract concepts are largely metaphorical. Embodied reason is emotionally engaged. Many of the reasons generated by the embodied mind, often inconspicuously, are efficient causes of actions (Lakoff and Johnson 1999).

Effects of social processes may be presented as being outside the reach of human influence. Although the precise definition of reification is theory-laden and contested (Archer 1995: 136, 148, 198), the basic idea is that the human mind, social relations and processes are presented as independent of actors and actions and thereby are thing-like or natural, due to ontological miscategorisation. Reification may also stem from sweeping generalisations made on the basis of relatively short-term and/or spatially limited trends. Trends can also be seen as external things because their underlying social causes are not properly understood. Underlying causes may also include one’s own role in bringing them about. Many claims about ‘globalisation’, for instance, fall into this subcategory of illusions as reification of social processes.

Finally, even when actors develop awareness and they stop seeing the social context in mere parametric terms (as an ‘external thing-like environment’) and become conscious of the strategic interactions and game-like situations between actors (Elster 1978: 159), they may still reify their and others’ interests and options. For instance, governments may recognise that ‘globalisation’ is a Prisoner’s Dilemma game (see Appendix 1), where states compete in attracting investors by means of neoliberal reforms and future commitments. However, because of the reifications of interests and strategic options, they still do not know how to resolve the contradiction between individual and collective rationality, and this reification may also be the result of other interests playing a role in the communication and learning processes.

Given the interference of power and interests in social learning processes; the tendency to pathological learning, which may involve processes of securitisation and social construction of enemies; and the role of various illusions and ideological discourses; it is possible that the complex responsive processes to a variety of economic and political developments may lead to increasingly counterfinal and thereby, possibly, destructive outcomes.

From this perspective, we can see the point and significance of the study of possible global futures. The point is to build analytical scenarios, grounded on explanatory modelling of contemporary demi-regs and trends in terms of actors (either embodied or corporate, the latter being reflectively organised social systems), modes of action, rules and regulations, practices, and resources, and in terms of social wholes often organised into social systems. With well-grounded analytical scenarios we can study possible and likely consequences of various learning processes and the consequent actions. Actions may have unintended consequences, possibly with systematic cumulative effects. Scenarios are also conditional stories, or temporal narratives. Relevant conditions include:
Conditions imposed by two ‘orders of constraint’ that shape and select policies of organisations, including states or regional federations (Patomäki 2002: 55–56):

i The first comprises factors that set a bound on the scope and diversity of the narratives (or scenarios) the organisation is capable of generating. In the Foucauldian terminology, discourses are bound by the way they characterise the field of possible objects; establish the way language functions with respect to objects; and position the speaking and acting subject. These in turn are shaped by the available set of key image schemas, categorical structures, prototypes, frames, metaphors and narrative structures, embodied in the actors that are positioned within the relational organisation.

ii The second involves the mechanisms of choice, which select and amalgamate the narratives under consideration. This is a matter of the form and way of localisation and circulation of discourse(s) within the organisations. Prevailing official discourses are often adopted from other organisations, frequently by mimicking apparent success, but practices usually reflect more specific geo-historical and cultural understandings too. Dimensions of power, including the Weberian capacity of an actor positioned within a social relationship to carry out his own will despite resistance and organisational structures come into the picture here.

Conditions that stem from the socially framed and defined day-to-day problems of the relevant actors. Usually these have to do with the political economy of production or destruction, and, perhaps increasingly often, with the ecological consequences of production and destruction. Problems faced by modern citizens – civil society is also a space of communication – and organisations concern typically contrastive trends of growth or decline; availability and legitimate distribution of employment and resources; relative power and control over forces of production and destruction; and (the lack of or potential for) freedom as self-expression, self-realisation and self-determination, in the context of prevailing forces and relations of production and destruction. Problems defined and faced by actors are discussed in terms of collective memories, prevailing ideologies and available stories, which may implicate various illusions. In order to analyse conditions C2, it is necessary to grasp both the underlying economic processes, first, and then, second, the communicative process of representing (aspects of) them as problems. The latter is of course closely related to conditions C1.

Conditions created by the responses of other organisations related to ‘us’. These can be modelled in terms of C1 and C2 of those particu-
lar organisations and consequent learning processes that may be pathological and involve various illusions. Consider securitisation as a communicative process. In contrast to the post-structuralist theories of securitisation, security talk is not only self-referential. Security statements are usually related to external realities; their rhetorical success is not only dependent on the meanings, fears and hopes they can evoke but also on their capacity to interpret external situations and circumstances in a culturally meaningful way. In particular, political economy developments are important in the formation of temporal relational contexts of action. Moreover, authority, asymmetric access to security-information and privileged access to mass media – i.e. relations of power between the speaker and his or her audience – play a key role in determining the success of securitisation (Balzacq 2005: 182–84). Another limitation of the post-structuralist theory of securitisation is that it has thus far focused only on one isolated organisation in time, instead of the geo-historical processes of interactions between organisations, seen as complex responding processes of relating. Other organisations’ forms of responses and relating are part and parcel of the external circumstances. Conditions C₃ bring these dynamics to the forefront.

(C₄) **Conditions of structural power.** By structural power I mean the reproductive and transformative effects of contextual social action on internal and external relations of positioned practices, and thus on the capacity of actors to produce effects. Unintentional consequences and impersonal effects of action play an important role in this structuration (Patomäki 2002: 113–17; Guzzini 1993; Barnett and Duvall 2005). Although conditions of structural power should also be analysed in terms of C₁–C₃, it is important to emphasise that the reproduction or transformation of the conditions of social action always presupposes structures and implies power. Also, the specification of relevant C₄ is a matter of concrete empirical research. A few examples should suffice to illustrate the way these conditions work. For instance, political parties, political opinions and politicians require some popularity among citizens in democratic welfare states, yet the capacity of states to transform social contexts by means of taxation and regulation has been constrained by the potential responses by domestic and transnational corporations (e.g. in terms of investment strikes). On the other hand, corporations, political parties and states may be intra- or trans-related, for example through simultaneous or successive positioning of individual actors; or interrelated through relations of financial (inter)dependency; or both, through systems of industrial and technological planning, not least in the military segment. In
turn, the responses (C₃) of corporations to the talks and actions of states-actors depends on the everyday problems they are facing (C₂) and on the stories that they are telling (C₁). On the other hand, possible corporate stories are constrained by relevant internal and external relations of power. These are liable to geo-historical changes. To illustrate further, in the late twentieth century both states and corporations have been increasingly conditioned by globalising finance. Financial capital tends to be allocated collectively, in accordance with the expectations generated by the investors’ shared frameworks of interpretation (C₃ to C₁). Many of the financial actors are so positioned that they cannot avoid affecting the outcomes, independently of their will. The dealers and fund-managers make their far-reaching investment decisions on the basis of their largely shared discursive understandings of the world, which usually presupposes the essentials of orthodox economic theory and the so-called Washington consensus (C₁). Similarly, the credit-rating agencies – Moody’s and Standard & Poor’s in particular – base their assessments on models that presuppose the validity of the basic tenets of orthodox economics and the Washington consensus. Because of the level of indebtedness, competition to attract investments, and the widespread fear of sudden financial capital flight, the discourses of financial actors have non-intentional power effects over both states and other economic actors (through C₃ to C₂). On the other hand, relations of financial dependency may also, in some ways, be translated into bargaining resources in the negotiations between states, as in the context of the WTO. There are various feedback effects. For example, conditions C₄ – through C₂ (responding to the day-to-day problems) and also C₃ (relating to the responses of other organisations) – can play an important role in the selection conditions of C₁b, thus co-generating self-understandings, self–other relations and collective learning that may also amount to illusions (i)–(ii) and pathological learning processes.

With this analysis we can explicate the assumptions of Wagar’s story of the events and processes leading to the Catastrophe of 2044. What exactly are the conditions C₁ to C₄ Wagar assumed? Wagar presupposed that the illusions of local and specific knowledge – in contrast to understanding the totality of social relations and processes prevail among the key decision-makers both before and at the time of the deep economic depression of the late 2030s. These one-sided and short-sighted illusions, combined with structurally-induced ideological understandings of how the capitalist world economy and its governance work, determine the counterfinal responses to the economic slump. Further, reification of socio-economic processes plays a part in the processes of securitisation and construction of enemies. Moreover, Wagar assumed that struggles over the distribution of resources within the United
States, where inequalities have been on the rise for decades and conflicts over class- and identity-based self-expression and self-realisation abound, lead eventually, under the stressed economic circumstances of the late 2030s, to new self-understandings and redefinition of the US identity. Elsewhere in the core of the world economy, however, the prevailing global order of economic liberalism is equated both with the preconditions of growth and security. Hence, President Chávez’s populist-leftist redefinition generates novel Manichean self-other relations and dramatic processes of securitisation. In the context of economic depression and widespread unemployment, the armed conflict within the US further heightens the actors’ emotions and existential concerns, both in the US and elsewhere. In this temporal context, fear, suspicion and miscalculation ground the European decision to attack.

Conversely, by analysing C1–C4 in terms of contemporary realities, we can also see that Wagar’s narrative is only one possibility among many and may lack plausibility in some important regards. Wagar’s assumptions concerning prevailing trends in world economy may be false since no long-term upward swing (fifth Kondratieff-cycle) seems to be in sight in the early 2000s. Moreover, it may well be that instead of populist-leftist redefinition of the United States, the contemporary problem lies rather in the dialectics of securitisation and oligarchisation in the US, stemming largely from responses to its political economy dependencies, competitive positioning and financial problems. Depending on other organisations’ responses to the early twenty-first century American project of achieving total global military dominance and its increasingly frequent resort to neo-imperial unilateralism; and depending on a number of political economy contingencies such as the possibility of the collapse of the US dollar, new tensions and an arms race may emerge between the US and other (possibly evolving) super powers such as the EU and/or China, with Brazil, India, Japan, Russia and a few others such as some Islamic states playing some role, possibly as allies. Based on a scrutiny of contemporary C1–C4, consequent possible and likely developments should be modelled systematically, in order to learn from possible futures.

Is a world state necessary?

With his story about the Catastrophe of 2044 and its aftermath, Wagar underlines that the post-1945 era of late global or planetary-nuclear era of jet airplanes, rockets and missiles, satellites and nuclear explosives (Deudney 2000: 90) may continue until its destructive powers are finally actualised in a nuclear war. Indeed, in his story it is only after the huge catastrophe that humanity finally comes to its senses and establishes, even if only after years of further struggles, a democratic socialist world state. Wagar in fact thinks that his key point is not dependent on any specific turn of the story depicted in A Short History of Future,

The world has had more than half a century to get it right. After what
appeared to many observers as the greatest catastrophe in human history – the Second World War – humankind may have enjoyed an unprecedented opportunity to build a stable, just, and integrated world order. It did not. The catastrophe was apparently not great enough. Too much had survived intact. For the most part, although certainly not entirely, we went back to business as usual. Capitalism, which had already begun to globalize in earlier centuries, resumed its globalizing ways, and every nation went back to pursuing its ‘vital national interests.’ Now the last and only chance for humankind – in all likelihood – is a catastrophe that will shake civilisation to its foundations.

(Wagar forthcoming)

This is, of course a theme that has occupied many great minds in peace and security studies, in some cases already before the 1940s (in The World Set Free in 1913 H.G. Wells imagined a planetary nuclear war in 1958–59 between regional powers; see Wagar 2004: 143–7). Morgenthau (1961) argued in his Politics Among Nations that a world state is eventually necessary. ‘The experience of two world wars within a quarter of a century and the prospects of a third one to be fought with nuclear weapons have imparted to the idea of a world state an unprecedented urgency’ (Morgenthau 1961: 501). ‘There is no shirking the conclusion that international peace cannot be permanent without a world state’ (Morgenthau 1961: 513). His conclusion was to advocate the Mitranyan functionalist path to ‘the creation of an international community as a foundation for a world state’ (Morgenthau 1961: 536). Similarly, John Herz (1957) concluded that because of both increasing economic interdependence and the emergence of massive air power and nuclear weapons, territorial sovereign states had become dysfunctional. ‘[T]he meaning and function of the basic protective unit, the “sovereign” nation-state itself, have become doubtful’ (Herz 1957: 473). ‘One radical conclusion to be drawn from the new condition of permeability would seem to be that nothing short of global rule can ultimately satisfy the security interest of any one power, and particularly any superpower’ (Herz 1957: 491).

In the immediate aftermath of the end of the cold war, and subsequent Western euphoria, this problematic was almost forgotten for a while. However, about ten years and a number of limited-scale conventional wars later, the problematic resurfaced in IR literature. Wendt (2003: 491) has now gone so far as to argue ‘that a global monopoly of violence – a world state – is inevitable’. Leaving aside his mechanistic, organist, Darwinist and systems-theoretical metaphors and analogies, Wendt’s argument is essentially about the tendency for military technology and war to become increasingly destructive and about learning from the consequent experiences and vulnerabilities. ‘The scale of surviving states may have been efficient for many centuries, but ballistic missiles and nuclear weapons are now making them obsolete as well’ (Wendt 2003: 508). However, on a par with security concerns is the Hegelian logic of recognition.
This reflects Hegel’s teleological view that the end of the state is not just to protect its members’ physical security, but to make their subjectivity possible, which cannot be fully realized until all are recognized as equal and an impartial judge exists to enforce this status against criminals.

(Wendt 2003: 513)

In my opinion, arguments concerning the (urgent) need for a world state should be presented in terms of systematic futures studies, based on empirical research more than in terms of – at least in some regards anachronistic – philosophies of history. For instance, is it possible to construct a plausible, systematic scenario, grounded on empirical evidence and explanatory models of contemporary demi-regs, structures, mechanisms and systems, of developments leading to a large-scale nuclear war in the foreseeable future? If the answer is yes, the arguments of Morgenthau, Herz, Wendt and many others would assume acute and of immense importance. Indeed, it seems to me that although Wagar’s scenario may fall short of being plausible in all of its parts, parts of his story can be revised without changing the main conclusion, i.e. that the planetary-nuclear era is likely to continue (only) until its destructive powers may be actualised in a nuclear war within the next ten to fifty years.

Under some plausible assumptions, a catastrophe could be rather close. For instance, there are good reasons to think that the world economy has been locked in a long downward phase. Since the 1960s, decade after decade there has been, globally, less growth and more un- and under-employment of industrial and human capacities. More ‘globalisation’ seems to mean less economic growth; various further crises and slumps are possible in the near future. Simultaneously – given the contemporary hierarchies, divisions, and inequalities – interests of positioned actors and asymmetric power relations tend to shape the communication and learning processes of many organisations, including states and regional political formations. Although this can be shown in detail only by systematic empirical research, it seems that pathological learning processes and various illusions prevail in a number of key contexts (see chapter 6). Moreover, there are also other possible paths towards a nuclear war than the one depicted by Wagar. Just consider the roles of China, India, Japan and Russia, and the possibility of a new fragile power-balancing system of regional superpowers in the Americas, Europe and Asia. In the contemporary nuclear-planetary era, a war of mass destruction seems a real possibility, and it may prove even more destructive than in Wagar’s story.

Even under these circumstances, a Weberian world state is neither inevitable nor (necessarily) desirable. I think Wendt (2003: 505) is right in prioritising the emergence of a universal security community before any further steps towards a world state can be taken. ‘[M]embers of the system must no longer routinely perceive each other as physical threats, and expect to settle their disputes peacefully’. Indeed, as many political analysts have argued over the years, a world state as such is no guarantee for peace. Without a
pre-existing and underlying political security community, a world state could easily become either a totalitarian monster, sustained largely by massive violence, and/or precipitate a global civil war with no less detrimental consequences (Aron 1962: 725–66; Morgenthau 1961 [1948]: 514–18). Raymond Aron also warned about the dangers of believing in a strict logic of history leading inevitably to the final stage of human development.

The fanaticism I oppose . . . is of the ideologists of [the twentieth] century, simplifiers and ‘perfectionists’, who believe themselves to possess an infallible formula for prosperity and justice [and peace] and who will accept any violence in order to attain this luminous goal. To doubt these models has nothing to do with vulgar scepticism. It is, on the contrary, to rely on reasoning that confirms the imperfection of all social orders, accepts the impossibility of knowing the future, condemns the vain pretension of drawing up the schema of an ideal society.

(Aron 1962: 757)

Therefore, in his search for the potential political foundations for a world state, Morgenthau (1961 [1948]: 521–36) emphasised the gradual development of a world community of moral judgements and political actions and stressed the importance of mechanisms of peaceful changes for resolving political conflicts. To take Morgenthau’s rather cautiously-presented idea a little further, and to use the terms of the theory of securitisation, it can be argued that desecuritisation entails the opening out of peaceful politics. Further, as I have elaborated elsewhere, the processes of establishing mechanisms of peaceful change and opening up shared world political spaces amount, by and large, to democratic transformations of systems of global governance (Patomäki 2003a: 366–71; Patomäki and Teivainen 2004). Democratic world politics presupposes, too, the prospect of (some agreements over) redistributive justice, since political struggles and attempts at changes of rules and principles may concern not only recognition of equality and difference but also distribution of socio-economic opportunities and resources (Patomäki 2001a: ch. 4). Moreover, as will be argued in chapters 7 and 8, apart from concrete strategies for democratising systems of global governance, it seems equally important to find functional and non-centralised ways of reflectively and democratically regulating, steering and planning the world economy. The point is also to preclude economic collapses, crises and depressions that might trigger, among other things, processes of securitisation, enemy-construction and large-scale (possibly catastrophic) violence.

Conclusion

The democratic peace hypothesis does not provide a firm and fixed ground for global security. Moreover, the concept of securitisation, although helpful in analysing some aspects of the processes that are relevant to global security,
has only very limited explanatory power in itself. Because of the lack of firm guarantees of peace, the idea of a world state has thus re-emerged as a key reference point in the scholarly discussions about global security. However, I have argued in this chapter that instead of hasty and potentially dangerous visions of a unified world state, it is better to ground one’s responses to problems of global security on concrete scenarios about possible developments of temporal relational contexts – as conditional stories – that are based on explanatory models of contemporary realities. Future-oriented peace and conflict research should be seen also as a pluralist and politically reflective early-warning system, based on long-term analysis of social processes and structures. We (as human beings with geo-historically evolved identities and understandings) and others (other humans) can and should learn from possible future catastrophes. It is equally vital to develop plausible scenarios of desirable future transformations in order to avoid paths that are likely to lead towards a catastrophe – i.e. visions of other possible futures.

The avoidance of a major catastrophe is obviously not the only aim. In general, it is the task of peace and security research to show how the trends and real tendencies of history can be overturned to act consistently in such a way as to prevent a transformation of peaceful politics into violence and to promote instead transformation of potentially or actually violent situations into peaceful and democratic politics.

Despite the real possibility that a war of mass destruction will end the planetary-nuclear era, on the basis of my tentative discussion in this chapter, it must remain an open question whether a world state in some strong sense could become a meaningful and desirable option at a later world historical point (and not only for reasons of global security). As time unfolds and new vantage points open up, we and others may be able to imagine possibilities that we cannot see now. One thing is certain though, Wagar was right in his story when he made the world state last only for a hundred years. There can be no end to history, neither now, nor in the year 2250 – or in year 10,000 for that matter – unless humanity succeeds in destroying itself (excluding for now other, less likely contingencies). History of the human species must remain open-ended, however stable the underpinnings of any particular set of institutional arrangements may appear to a given observer at any moment in world history. Indeed, as depicted also in Wagar’s *A Short History of the Future* (1999), even the biological constitution of our species-being may gradually change, also by our own making.
A key hypothesis of this book is that the ongoing era from 1970–2007 may be in some important regards similar to the liberal epoch of 1870–1914. The 44-year-long liberal epoch a century ago was characterised on one hand by the second Industrial Revolution, free trade, free movement of capital and rapid globalisation; and on the other hand, by nationalism, freedom of sovereign powers to use violence, new imperialism, imperialist wars, worsening trade conflicts within and without the capitalist core (albeit still in the context of relatively free trade) and social turbulence in Europe as well as in many colonies and China. We also know the dramatic outcome of those processes: the First World War.

For any historical explanation of the First World War, it is necessary to make numerous assumptions about relevant causal mechanisms, processes and their connections. An explanation also tells a temporal story about events, episodes and processes that led to the ‘Great’ War. There have been, and are, multiple possible explanatory stories about the causes of the catastrophe of 1914–18. None of them is self-evidently true, or, for that matter, consensually accepted by researchers in the pertinent disciplines such as history, peace and conflict studies or IR. I discuss and assess the relative merits of different explanations in terms of the theoretical framework introduced in chapter 2 as well as in terms of assumptions about economic theories. However, additional concepts and theories are required and, equally importantly, a mere theoretical reinterpretation and assessment is clearly not enough. A systematic assessment of the available empirical evidence is also needed. In dialectical argumentation, a researcher moves along complex cycles that criss-cross the same ground from different angles trying to identify weak points (of view) and looking for the best candidates among competing alternatives. Therefore, (s)he seeks a resolution that has the most balanced and strongest overall case; it is not ‘the uniquely correct answer’, but the strongest and most defensible position. Moreover, the best available explanatory model, comprising the most defensible components for endorsement, always rests on relatively insecure ground. It is always possible to find a still stronger or more defensible position, that is, a model and story which is truer.

In this chapter I look at the explanations of the war given by liberal and
Marxist theorists of imperialism at the time of the First World War, or immediately after it. Classical theorists of imperialism saw the causes of the war in terms of long-term politico-economic processes. I relate their stories and causal accounts of imperialism and the war to the theoretical framework of chapter 2, and also discuss empirical and historical evidence presented by the classical theorists themselves. The point is that these explanations can clarify a number of principal components and aspects of the geo-historical processes that led to the war. Moreover, the comparative summary at the end of this chapter provides the basis for chapter 4, which analyses some of the layers and components of this explanation in more detail and also discusses more recent accounts of the war. Thereby, I try to build a comprehensive explanatory model of my own.

Classical theories of imperialism and war

Why did the great powers of Europe resort to competitive new expansionism and imperialism from about 1870 onwards? Why did they start to assume that imperial expansion was essential for their security? Why did this imperial expansionism eventually evolve into an arms-race between two military alliances in Europe? Classical theorists of imperialism – Joseph Schumpeter, Thorstein Veblen, John A. Hobson, Karl Kautsky and V.I. Lenin – were mostly concerned with explaining the processes of imperial expansion, but as it turned out, also developed a basis for explaining the war.

The Franco-German war of 1870–71 (preceded by the Second war of Schleswig in 1864 and the Austro-Prussian War of 1866, as well as various diplomatic crises) interrupted Pax Britannica. Pax Britannica refers to the half-century-long period following the 1815 Battle of Waterloo and the Concert of Vienna, which attempted to restore pre-French Revolution political order in Europe. During this period, Europe was relatively peaceful, although social and revolutionary restlessness broke out occasionally in a number of European countries, particularly in 1848, and although limited wars – such as the Greek War of Independence (1821–29), the Crimean War (1854–56) and the Franco-Austrian War (1859) – were fought in some parts of Europe. The British Empire controlled most key naval trade routes and enjoyed unchallenged industrial and sea power. Well into the 1850s Britain was virtually the only industrial economy in the world. Britain dominated overseas markets and favoured free trade and a strategy of informal colonialism. It controlled markets like China’s – forced open to ‘free trade’ by two opium wars in the 1840s and 1850s – without direct colonial administration. While engaged in opium trade and wars in the East, the Royal Navy contributed to the suppression of piracy and slavery in the rest of the world. Britain also went beyond the seas and developed and funded a universal mail system.

The Franco-German war completed the unification of Germany. In January 1871 the German states proclaimed their union under the Prussian King, uniting Germany as a nation-state. By that time the British had started to
reconsider their policies, also due to changes in their politico-economic position. The German victory over France and unification were major concerns and triggered additional discursive changes in Britain. In the mid-nineteenth century ‘imperialism’ had been seen as a negative term, associated with Napoleon’s efforts to turn Europe into a single empire. Moreover, for decades the prevailing opinion of British liberals was that the time of colonialism was drawing to a close. A leading critic of colonial possessions, Richard Cobden argued that colonies were economically and militarily unsustainable and wanted to substitute free trade for colonies. The United States had become independent almost a century earlier and had emerged as the biggest market for British exports. Even when the Indian Rebellion of 1857 was suppressed violently and the authority of the East Indian Company was assumed directly by the British Crown, no one was openly talking about an empire. In his *Imperialism, The Highest Stage of Capitalism*, V.I. Lenin depicted the prevailing mood of the mid-nineteenth century as follows:

In the most flourishing period of free competition in Great Britain, i.e., between 1840 and 1860, the leading British bourgeois politicians were opposed to colonial policy and were of the opinion that the liberation of the colonies, their complete separation from Britain, was inevitable and desirable. M. Beer, in an article, ‘Modern British Imperialism’, published in 1898, shows that in 1852, Disraeli, a statesman who was generally inclined towards imperialism, declared: ‘The colonies are millstones round our necks.’

(Lenin 1998 [1920]: 43)

Still in 1872, Charles Dilke, a social reformist liberal politician, argued that colonies do not make sense in economic or in military terms: ‘no-one has ever succeeded in showing what effect upon trade the connexion [colonial ties] can have’ (Dilke 1999 [1872]: 23). White colonies such as Australia, Canada, New Zealand and South Africa had become increasingly autonomous in their policies. They taxed British exports one-sidedly, yet depended on Britain for their defence. In addition to the white colonies, Great Britain possessed ‘on the one hand garrisons such as Gibraltar, and on the other mere dependencies like the West Indies and Ceylon’ (ibid.: 20). Dilke saw two options: either separation or, preferably, greater contributions from the colonies to make the mother country’s position more sustainable. Many others disagreed, however. Separation was no option. As competition with other industrialising countries and their producers increased, protected imperial markets began to appeal to vulnerable sectors of industry (Cain 1999: 9). Many argued that both Britain’s power and internal stability depended on her global trading position. Colonies were not only markets in themselves but also provided the means for the military defence of the global network of trade. (Ibid.: 13) An official turn came in 1876 when Prime Minister Benjamin Disraeli – following his landmark speech in the Crystal Palace in
1872 and the Conservative election success of 1874 – declared that Queen Victoria would take the title ‘Empress of India’, indicating that ‘empire’ and imperialism should, from then on, be seen also positively. The empire was to form a customs union, a uniform defence system was to be created, and a central organ in London was to create a closer connection between the imperial government and the colonies.

Although in fact the British continued to practice free trade, the French were particularly quick to follow the newly declared British model. The extension of the French empire in Senegal and Sahara in 1880 was followed next year by the annexation of Tunis. Soon France was actively engaged in the scramble for Africa in 1884. French colonial expenditures and acquisitions served at least two purposes. The expansion of the French colonial empire was seen first, as a method of ‘rejuvenating’ the country after its humiliating defeat in the Franco-Prussian War. Second, politicians such as Jules Ferry (foreign and prime minister of France in the early 1880s) concluded that sheltered overseas markets would solve French economic problems, caused not only by German and American protectionism, but also by intensified US competition in the South American markets (Ferry 1998[1884]). Germany had reacted to economic depression with the adoption of tariff protection in 1879 and the United States followed suit in 1890. While the Russian Empire was continuously pushing for southward expansion, the emerging industrial powers of Germany and the United States – as well as Japan in the east – responded to British, French and Russian imperialism by joining the competition for new colonies in the 1880s and 1890s. Colonial wars and expansion, unexpected diplomatic manoeuvres, realignments, secret treaties, and complex strategic calculations characterised international politics of the era. Thus Africa was divided between the European colonial powers and the colonial control in the Middle East and Asia was deepened and extended. Between 1876 and 1900, the total colonial and imperial area expanded from 46.5 million km² to 72.9 million km² and population from 314 million to 530 million people (Milios 2001: 114). In addition, Qing-China – itself about the size of Europe in terms of population and territory – became partially a semi-colonial area.

At the turn of the century, imperialism was a hotly debated political and academic issue. How should imperialism be understood and explained? Is there any moral or other rational justification for it? John A. Hobson, after he was pushed out of the academic community (because of his unorthodox views, Hobson was prevented from giving further lectures in Political Economy at the University of London), was recruited by the editor of the *Manchester Guardian* to be their South African correspondent. During his coverage of the Second Boer War (1899–1902), Hobson began to form the critical idea that imperialism was a result of the expanding forces of modern industrial capitalism. In his *Imperialism* (1902), Hobson developed the concept that imperial expansion is driven by a continuous – but cyclically worsening and improving – situation of overproduction and search for new markets and investment.
opportunities overseas. Hobson’s magnum opus provided a lot of material for a number of subsequent theorists of imperialism, most notably Kautsky and Lenin (but also H.N. Brailford and Leonard Woolf, among others). Veblen reviewed Hobson and other early analysts, but his starting point was in some ways perhaps closer to Joseph Schumpeter’s liberalist analysis of imperialism and the war.

**Joseph Schumpeter**

It is worth starting with Schumpeter’s liberalist account as it laid the blame on the recurring pre-capitalist structures rather than on industrial capitalism itself. In his essay on imperialism, Schumpeter was both reacting to the neo-Marxist theories of Otto Bauer and Rudolf Hilferding and trying to explain the 1914–18 war. For Schumpeter, ‘imperialism is the object-less disposition of a state to expansion by force without assigned limits’ (Schumpeter 1989[1951]: 7). According to Schumpeter, the main cause of imperial competition among the European great powers was their outmoded form of non-democratic governance: princes and the customs of a pre-capitalist milieu as well as the absolute monarchical state. He stated bluntly that ‘imperialism is an atavism’ (ibid.: 85). There were no concrete economic reasons behind the late nineteenth-century imperialism. Imperialistic wars might have been profitable before the Industrial Revolution but since then, wars have no longer been cost-effective in any reasonable sense (ibid.: 22). Schumpeter equated rationality with the instrumentalist logic of *homo oeconomicus* and agreed with those mid-nineteenth-century British liberals who had claimed that overseas colonies are excessively costly. So both imperialism and wars must have been irrational; neither wars nor imperialism could have had anything to do with the general interests of capitalist society or with the inherent laws of capitalist development. Because of the processes of democratisation, individualisation and rationalisation that accompany the development of capitalism and liberalism, ‘a purely capitalist world therefore can offer no fertile soil to imperialist impulses’ (ibid.: 90). Even more strongly, ‘capitalism is by nature anti-imperialist’ (ibid.: 96) and ‘where free trade prevails no class has an interest in forcible expansion as such’ (ibid.: 99).

The nineteenth-century nationalism and imperialism may have, in part, stemmed from the irrational need ‘for surrender to a concrete and familiar super-personal cause’ (ibid.: 14). More importantly, imperialism was caused by ‘that large group of surviving features from earlier ages that play such an important part in every concrete social situation’ (ibid.: 84). However, certain ‘subsidiary factors’ facilitated the survival of imperialistic dispositions and structures. In particular, the non-liberal and non-democratic political systems also made it possible for particular economic interests to dominate policymaking. Schumpeter was critical of cartels and monopolies and attempts to create protected markets. However, because trusts, cartels and monopolies can attain their primary purpose only behind protective tariffs, their emergence
requires also state actions. Competitive markets alone do not generate monopolies. At the request of special interests, the (anachronistic) rulers have often been happy to set tariffs to acquire revenues. For Schumpeter, if a firm could not survive without politically won markets, it had ‘expanded beyond economically justifiable limits’ (ibid.: 114). Since cartels successfully impede the founding of new enterprises, foreign investment outlets are also sought. When export-hungry monopolists from different states crave the same markets, ‘the idea of military force suggests itself’ both ‘to break down foreign customs barriers’ and to ‘secure control over markets’ (ibid.: 109). Empire, formal or informal, is the outcome. ‘Trusts and cartels . . . can never be explained by the automatism of the competitive system’ (ibid.: 117). They arise from state policy. Schumpeter’s preferred solution to the problems of war and imperialism was simple: thorough implementation of the principles of economic and political liberalism.

It is important to stress that in his analysis of imperialism, Schumpeter presupposed the basic conceptions of the neoclassical economic theory. The central idea is that perfectly competitive free markets are stable and optimally efficient. A corollary is the so-called ‘Say’s law’, which states that the supply of any goods automatically creates an equivalent demand for goods.4 Schumpeter also relied upon Ricardo’s comparative advantage argument for free trade, later elaborated into a standard neoclassical model by Eli Heckscher and Bertil Ohlin (a few years after Schumpeter’s essay on imperialism). Schumpeter’s analysis of war and imperialism was thus theory-driven and largely based on the liberalist idea of a harmony of interests in competitive laissez faire –markets: ‘Under a system of free trade there would be conflicts in economic interests neither among different nations nor among the corresponding classes of different nations’ (ibid.: 100).

At the time of the Second World War, E.H. Carr (1964[1946]: 41–62) famously identified the liberalist harmony of interests thesis as one of the causes of the First World War and also as a key source of the troubles of the interwar era. According to Carr, the harmony of interests thesis of classical political economy described an economy of small producers and merchants that ceased to exist with the Industrial Revolution. The thesis was rendered in some ways relatively plausible, however, ‘by the unparalleled expansion of production, population and prosperity, which marked the hundred years following the publication of The Wealth of Nations’ (ibid.: 44).5 Yet no set of allegedly universal principles, such as the invisible hand of competitive markets, can guarantee domestic or international peace. Actions grounded on assumptions of utopian harmony tend to take part in creating, reinforcing or deepening conflicts because universalist utopias often mask particular identities and interests as universal, i.e. as necessarily shared by all. According to Carr (ibid.: 208–23), instead of presumptions of automatic harmony, there would need to be political mechanisms for resolving real conflicts by means of peaceful changes.
Thorstein Veblen

Like Schumpeter, Veblen explained modern imperialism largely in terms of dynastical habits of state-leaders and vested interests of business men. However, Veblen’s analysis differs from Schumpeter’s at least in four important respects.

First, Veblen had first hand experiences of politics in the United States and was less convinced than Schumpeter that mere formal institutions of democracy such as regular multiparty elections would suffice to prevent aggressive and expansionist foreign policies. For Veblen, modern imperialism had demonstrated how slight the differences may be between people of supposedly autocratic states and those in constitutional democracies. Veblen observed American democracy – where no absolutist or monarchical institutions remained and where most male citizens had a right to vote – from within during an age in which political corruption and economic power abuses were abundant and explicit. At the same time, the US engaged in imperialism particularly in the Caribbean and Pacific areas and, eventually, also took part in the First World War (see Cramer and Leathers 1977: 238–40).

Second, Schumpeter based his case on the experiences of the mid-nineteenth century British liberalism, which appeared to oppose both imperialism and wars. However, for Veblen the development of free institutions in England arose partly as a result of the opportunity for common people to drift into peaceful habits of thought (ibid.: 244). In other words, according to Veblen, war itself tends to reinforce or restructure forms of agency and social practices and relations, also towards a more nationalist and aggressive direction. On the other hand, an enduring peace and absence of war may enable new practices and institutional possibilities.

Third, Veblen disagreed with Schumpeter about the harmony of interests thesis. Although modern machinery and techniques have enabled growth in productivity and per capita production, it is an illusion to believe that the acquisition of wealth by property owners automatically serves the common good. The problem is that this illusion may serve to legitimise the rights to acquisition through ownership arrangements and financial operations, including acquisition from other parts of the world, as the ‘general’ interest of society and a nation. Veblen distinguishes carefully between an early capitalist enterprise and a big, modern business enterprise:

The institutional animus of ownership, as it took shape under the discipline of early modern handicraft, awards the ownership of property to the workman who has produced it. By a dialectical conversion of the terms, this metaphysical dictum is made to fit the circumstances of later competitive business by construing acquisition of property to mean production of wealth; so that a business man is looked upon as the putative producer of whatever wealth he acquires. By force of this sophistication the acquisition of property by any person is held to be, not only expedient
for the owner, but meritorious as an action serving the common good. Failure to bargain shrewdly or to accumulate more goods than one has produced by the work of one’s own hands is looked upon with a feeling of annoyance, as a neglect, not only of opportunity, but of duty. The pecuniary conscience commonly does not, of course, go to quixotic lengths in a public spirited insistence on everybody’s acquiring more than an aliquot part of the aggregate wealth on hand, but it is felt that he best serves the common good who, other things equal, diverts the larger share of the aggregate wealth to his own possession. His acquiring a defensible title to it makes him the putative producer of it.

(Veblen 1923 [1904]: 290–91)

Thus, the harmony of interests ideology often justifies government policies that promote and protect the rights of excessive acquisition of business, whether at home or abroad. The excessive wealth of the upper class tends to feed into a system of expressing one’s status and excellence in terms of rituals of spending and display (see also his theory of leisure class, Veblen 2001[1899]). Since there is no natural or just limit to this kind of acquisition, it can lead easily to conflicts. Thereby the quest for profits may also lead to inter-state competition among the vested business interests. ‘War and preoccupation with warlike enterprise breed a warlike animus’ (Veblen 1923[1904]: 299). Thus, once the policy of state militancy has been entered into for the purpose of supporting acquisitive business ventures, ‘the objective end [. . .] necessarily shifts from business advantage to dynastic ascendancy and courtly honour’ (ibid.: 300). Wealth has effects on behaviour; excessive wealth even more so. Ceremonial elitism may (re-)emerge in a stratified, unequal and relatively wealthy society. In other words, Veblen argued that the tendency towards a return to dynastic and ceremonial habits can also be endogenous to capitalist market economy, not merely an unexpected and unexplained reappearance of primitive traits, as for Schumpeter.

From a Veblenian perspective, it is clear that Schumpeter lacked an explanation of the turn to new imperialism from the 1870s onwards. If capitalism tends to be as anti-imperialist and pacifying as Schumpeter assumed, there must have been specific circumstances as well as an agency that stirred up a patriotic zeal and disturbed the relative peace of the mid-nineteenth century. For Veblen, in addition to the interests and agency-inherent modern business enterprise system, some intellectuals and, in particular, journalists writing to the yellow press were also responsible for the change of mood in the 1870s. Moreover, Veblen argued that the mass media outlets were in practice under the control of businessmen who would not, as a rule, give sway to any ideas adverse to their interests. However, the reasons and influence of these intellectuals and journalists can also be explained by tensions and frustrations generated by changes in the worldwide context. According to Veblen, these included technological changes (that also exposed countries more readily to the military forces of the others); the exhaustion of ‘unoccupied’ space on the
planet (which also led to the emergence of the ‘science’ of geo-politics); England’s diminishing competitive edge in the world markets; and the growing social dissent and turbulence in most Western countries. (See Cramer and Leathers 1977: 249–50.)

John A. Hobson

In his *Imperialism: A Study*, Hobson (1988[1938]) discussed comprehensively different aspects of imperialism and wars. Although Hobson’s basic argument was in some regards in line with cosmopolitan liberalism, he also argued that the new imperialism of the late nineteenth century was co-caused by inner mechanisms of industrial capitalism. At the outset of his book, Hobson first countered some of the standard economic arguments for imperialism and argued that imperialism is not a solution to the supposed problem of surplus population in Britain; and showed empirically that trade does not follow the flag. Only a very small proportion of Britons emigrated in any given year, and the rapid population growth was already slowing down at the turn of the century. In addition, the proportion of emigration actually diminished towards the end of the century. Most important, only ‘an infinitesimally small fraction settled in the countries acquired under the new Imperialism’ (ibid.: 43). Most British emigrants went to the US, Canada, Australia or South Africa, in that order. Similarly, the new imperialism had relatively little commercial value. Between 1855 and 1903 the percentages of the total value of imports from British possessions and exports to them remained relatively stable, at 20–25 per cent and 25–37 per cent respectively, with some fluctuations. ‘The greatest increase of our foreign trade was with that group of industrial nations whom we regard as our industrial enemies, and whose political enmity we were in danger of arousing by our policy of expansion – France, Germany, Russia and the United States’ (ibid.: 35). The standard economic arguments for new imperialism were thus illusionary.

However, Hobson developed a theory describing an economic mechanism that can explain, in part, the rise of new imperialism. Hobson’s main contribution to economic theory is the notion of the tendency towards under-consumption and oversaving/overproduction. In the under-consumption theory, recessions and stagnation arise due to inadequate consumer demand relative to the amount produced. According to Hobson, under-consumption is caused, to a significant degree, by socio-economic inequalities, because the marginal propensity to consume is lower in the high income groups. Less technically, people from the well-to-do classes, who tend to reap the largest part of economic surplus, can and will reasonably consume only a proportion of their income and tend to save the rest. Under these circumstances, the rate of saving is relatively independent of the rate of interest and thus, there is no guarantee of any sort of ‘equilibrium’ or balance in the money markets; i.e., savings do not necessarily translate into domestic investments or consumption (ibid.: [46]). Simultaneously, the new techniques of machinery and
power increase productivity, which means that production is likely to exceed the effective demand of the domestic markets (the original context Hobson had in mind was that of Britain during the second Industrial Revolution). Moreover, the emergence of trusts and cartels mean that enterprises can shape prices, at least to an extent, at their will. Thus during the era of new imperialism, 'the power of production far outstripped the actual rate of consumption, and, contrary to the older economic theory, was unable to force a corresponding increase of consumption by lowering prices' (ibid.: 75). Hobson’s point was also to counter the argument of imperialists, who had been claiming that:

So long as England held a virtual monopoly of the world markets for certain important classes of manufactures goods, Imperialism was unnecessary. After 1870 this manufacturing and trading supremacy was greatly impaired: other nations, especially Germany, the United States, and Belgium, advanced with great rapidity, and while they have not crushed or even stayed the increase of our external trade, their competition made it more and more difficult to dispose of the full surplus of our manufactures at a profit.

(ibid.: 72)

Hobson countered that the main reason for this perception is not so much foreign competition as insufficient domestic demand (however, see Hobson 1988: 104–5 for a statement on how foreign competition in fact had led to the loss of confidence and reliance on free trade in textile, metal and other British industries). Domestic demand is not fixed but dependent on many things, including income distribution (ibid.: 31). Hence, inequalities and flawed policies may cause insufficient domestic demand. Given this situation, certain well-positioned actors – typically with biased and limited understandings of how the economy really works – may assume that the only remedy for the lack of effective demand would be external expansion. This is what Britain attempted with imperialism in the last decades of the nineteenth century. Hobson’s (ibid.: 33) statistical data in fact shows that the percentage of exports from Great Britain to British possessions rose from the low of 25.6 per cent in the early 1870s to 37 per cent in 1900–03, indicating that the new imperialism of the late nineteenth century might actually have worked, to an extent, for Britain. In the late 1930s, Hobson was more explicit that in the context of rapid technical advances ‘each country is afraid of being flooded by foreign goods in its own markets’ (ibid.: [50]). Colonial ventures and imperial trade provide a convenient alternative to such competition, at least for some. Moreover, this is not only an explanation of imperialism but also of the conflict between great powers, for ‘if several advanced countries engage upon the same process, as in India, collisions of interest, partly political, partly commercial, are likely to arise’ (ibid.: [48]).

Oversaving at home means an abundance of private financial capital. A concentration of industries affects the same way by ‘at once limiting the
quantity of capital which can be effectively employed and increasing the share of profits out of which fresh savings and fresh capital will spring’ (ibid.: 76).

Now, the tendency to oversave generates speculative financial capitalism. Also on the basis of his experiences during the Second Boer War (but citing a number of other cases as well), Hobson contended that finance capitalists are particularly prone to imperialism and, thereby, often have an interest in supporting militarism. According to Hobson, finance capitalists, as well as other investors, are attracted to imperialism because they require an external outlet as a result of surplus that tends to be unproductive at home. Imperialists ‘insist that his Government should help him to profitable and secure investments abroad’ (ibid.: 55) at the public expense. ‘War, militarism, and a “spirited” foreign policy are the necessary means to this end’ (ibid.: 106). To maintain its profitable character, capitalism is thus often impelled to seek the help of the national state, which is an essential part of the capitalist socio-economic system. Once this path is taken, there is a likely slide ‘towards a growing parasitism’ (ibid.: 107).

To some extent in Imperialism, and perhaps particularly in his later works, Hobson tried to avoid both economic reductionism and determinism in explaining imperialism and wars. ‘I am not here arguing the case for an exclusively or even mainly economic causation of modern Wars’ (ibid.: [49]; but for a contrasting point, see p. 96). A pivotal problem of capitalism is that it does not work as a single system that seeks overall profits for everyone concerned but is a decentralised system, and capitalists often prefer a short to long run:

it is not necessary to contend that capitalism as ‘an economic system’ benefits by war, but only that certain sections of capitalism with political influence at their disposal favour pushful foreign policies that involve the risk of war.

(ibid.: [54])

Hobson therefore shared Schumpeter’s and Veblen’s concern about the role and power of particular vested interests within European and North-American states that remained – despite constitutionalisation and democratisation – to a varying degree autocratic, undemocratic or corrupt. A political aspect of imperialism is its tendency to generate public debt. According to Hobson, the more democratic a country – or the more there is social unrest and protest within a state – the less easy it is to impose costs of essentially private gains upon the general public. The creation of public debts helps to hide the true economic costs of imperialism. Moreover, imperialism and wars, as well as claims to the necessity of national unity and the urgent priorities of ‘high politics’, have anti-democratic implications. Executive subordinates the legislative, parliamentary processes are bypassed or marginalised, and military tends to assume the first financial priority independently of the preferences of citizens (ibid.: 140–52). Additionally, imperialism and war shape
actors and their characters: ‘the South of England is full of men of local influence in politics and society whose character has been formed in our despotic Empire’ (ibid.: 151). Hence, to the extent that non-democratic dispositions in fact facilitate and encourage (further) imperialism, imperialism as a political process tends to be self-reinforcing.

However, politics is not only about hiding things but also about making public speeches and arguments. Hobson dedicated the second part of *Imperialism* largely to a critical scrutiny of scientific and moral arguments for imperialism. Actions and policies must be legitimised in generally acceptable terms. Although Hobson occasionally talked about ‘economic interests masquerading as patriotism, civilisation, and the like’ (ibid.: 107), moral and ideological beliefs of intellectuals, journalists, politicians and foreign policy-makers can also have an autonomous role in social causation. Therefore, reasons for action matter. Hobson analysed these layers of imperialist discourses. The bottom line of the justification of the late nineteenth-century imperialism was natural history understood as (vulgar) Darwinism. The nation that has the capacity to beat and subordinate other races is more efficient and powerful and – here the argument in favour of imperialism switches from descriptive to normative – is thus entitled to rule in the name of evolutionary progress.

Thus, emerging from natural history, the doctrine soon takes on a large complexity of ethical and religious finery, and we are wafted into an elevated atmosphere of ‘imperial Christianity’, a ‘mission of civilization,’ in which we are to teach ‘the arts of good government’ and the ‘dignity of labour.’

(ibid.: 157)

Hobson tackled justifications of imperialism with a long and critical excursion into Malthusian economics, race theories, moral philosophy and international political theory (ibid.: 153–284). He took dominant discourses seriously and presumed that they matter a great deal in politics. The crux of Hobson’s critical scrutiny is that, ultimately, ideologies of imperialism are based on a series of socially-produced fallacies, illusions and reifications.

Imperialist ideas were prevalent not only among the ruling elites, but became increasingly widely circulated almost across the political spectrum. In the 1880s, in France, Jules Ferry (1998[1884]) declared that ‘the superior races have a right because they have a duty; they have the duty to civilize inferior races’. In Britain, the same idea was being popularised as the ‘white man’s burden’. Two decades later, in the 1907 Stuttgart Congress of the Second International, European socialists and labour parties debated colonialism. A number of representatives supported Eduard Bernstein’s modestly imperialist point that ‘civilised people have to exercise a certain guardianship over uncivilised peoples’.10
Karl Kautsky

Kautsky discussed imperialism and anticipated – like many other critics of militarism\(^1\) in the decades preceding 1914 – a full-scale world war in some of his early writings, including *Socialism and Colonial Policy* (2003[1907]).\(^12\) Here I focus on Kautsky’s (1970[1914]) well-known and controversial article ‘Ultra-imperialism’, which was completed several weeks before the outbreak of the war, but was published in September 1914 in *Die Neite Zeit*. In the revised version of the paper, Kautsky saw the European arms race as an inevitable result of competing imperialisms.\(^13\) His point was to pose a new question about the future, formulated in the summer of 1914 as follows:

> with the result that the arms race which was previously only a race for land armaments has now also become naval arms race, and that the long prophesied World War has now become a fact. Is this side of imperialism, too, a necessity for the continued existence of capitalism, one that can only be overcome with capitalism itself?

(ibid.: 44)

Kautsky answered his own question by arguing that there is no economic necessity for continuing the arms race after the World War, ‘even from the standpoint of the capitalist class itself’ (ibid.: 44). Kautsky argued that capitalism itself is threatened by the contradictions between capitalist states. Thus he declared that ‘every far-sighted capitalist today must call on his fellows: capitalists of all countries, unite!’ (ibid.: 45). Kautsky saw a growing opposition to imperialism from North Africa to the Middle East, from India to Eastern Asia; as well as a growing opposition at home from the working class. He proposed that the next phase of capitalism would be ‘ultra-imperialism’, based on the ‘translation of cartellization into foreign policy’ and creating, in effect, ‘a holy alliance of imperialists’ (ibid.: 46). In other words, capitalist states could begin to cooperate in the future and govern the world in a concerted manner, thus preventing anti-imperialist forces from becoming too influential (the ultimate threat was socialism and the end of private property). According to Kautsky, there are many different modes of expansion of capitalism.

However, Kautsky’s ‘ultra-imperialism’ is interesting also because it tells a distinctive story about the transformation of the free trade arrangements into competing imperialisms. Kautsky reasoned that free trade came to dominate after the Napoleonic wars because of the superiority of England’s industry. Britain was the industrial workshop of the world and imported agricultural goods and raw materials. The division of labour was unambiguous and all sides were supposed to benefit – as Ricardo’s theory about comparative advantage indicated. ‘But this sweet dream of international harmony quickly came to an end’ (ibid.: 42). Over time, it became clear that it was much better to specialise in industrial production, with productivity gains that were increasing exponentially. While Britain thrived, states that remained agrarian
decayed and tended to lose their pre-industrial manufacturing sector. Thus the United States and some states in Western Europe such as Belgium, France and Germany – soon followed by Japan – developed strategies to create autonomous heavy industry. They imposed protective tariffs against English free trade and invested in science, technology and education. At that time came too the new methods of the second Industrial Revolution. With new competitive industries emerging, Britain ceased to dominate the world markets in the 1870s. The new industrial states

proposed that the great industrial States divide those zones of the world that still remained free, as long as the latter could not resist them. England reacted to this. This was the beginning of Imperialism.

(Kautsky 1970 [1914]: 43)

Kautsky also emphasised the effects of railways. At first railways were built only in highly industrialised and heavily populated zones (close to urban centres in Europe and North America), but from the 1870s onwards they opened up new areas to extensive and intensive world trade and investments. ‘Hence as the drive for increasing capital export from the industrial States to the agrarian zones of the world grows, so too does the tendency to subjugate these zones under their State power’ (ibid.: 43–44). Railways in the ‘agrarian zones’ were often built with foreign capital. However, according to Kautsky, capital exports can have another very important effect as well. Under suitably regulated and otherwise favourable conditions, foreign capital may facilitate or accelerate the development of local industries. Thus a new generation of ‘newly industrialised countries’ may soon emerge and start to compete in world markets with the old ones.

V.I. Lenin

In response to Kautsky, Lenin entitled his 1917 booklet *Imperialism as the Highest Stage of Capitalism*. If Schumpeter was on one side of the political spectrum, assuming that capitalist market economy had only little to do with imperialism or wars, Lenin was on the other side, developing the idea that imperialism and the World War constitute the final historical stage of the development of capitalism, characterised by parasitism and decay. Lenin started with an analysis of cartels, trusts and monopolisation of production. In contrast to Schumpeter, Lenin argued that the tendencies towards economic concentration are in line with Marx’s theory of the development of capitalism:

Official science tried . . . to kill the works of Marx, who by a theoretical and historical analysis of capitalism proved that free competition gives rise to the concentration of production, which, in turn, at a certain stage of development, leads to monopoly. Today, monopoly has become a fact.

(Lenin 1998[1920]: 8)
Lenin acknowledged that state actions do play a role in the process, but the main tendencies are inherent to capitalism. He compared Germany, where industry is protected by tariffs and freight rates, and free-trade based England, and argued that in the latter ‘concentration also leads to monopoly, although somewhat later and perhaps in another form’ (ibid.: 8). According to Lenin, differences between state policies yield only minor variations. ‘The concentration of production is a general and fundamental law of the present stage of development of capitalism’ (ibid.: 8). However, Lenin used the term ‘monopoly’ and related descriptive terms rather loosely. Thus a firm employing more than ten thousand people is ‘giant’ and a market with a dozen firms is considered ‘monopolistic’. In effect, Lenin was mostly depicting a process of growth of units of production and the oligopolisation of markets. In the first decade of the twentieth century the Standard Oil Company and the United States Steel Corporation in the US and the prevailing cartels in the German chemical industry provided the main examples for Lenin of situations approximating true monopolies. (The Standard Oil Company was disintegrated and divided into several smaller companies by the anti-trust laws and actions of the early 1910s; there were similar although less successful attempts against the US Steel Corporation. Lenin fails to mention these developments.)

What is also important is that this process was geo-historical, with clearly discernable phases. Before the 1860s, free competition prevailed in most industries. The trend towards concentration, trusts and cartels began in the era of long international depression – coinciding with the second Industrial Revolution – that started in the 1870s and lasted until the first half of the 1890s. Lenin makes his point simply by giving long quotations from a 1914 study of Th. Vogelstein:

The great revolution commenced with the crash of 1873, or rather, the depression which followed it and which, with hardly discernible interruptions in the early eighties, and the unusually violent, but short-lived boom about 1889, marks twenty-two years of European economic history.  

(cit. in ibid.: 9)

Until the depression of the 1930s, the era from 1870–75 to 1890–96 was widely recalled as ‘the Great Depression’. Lenin argued that monopolisation began during this late nineteenth-century Great Depression. However, it was especially after a new upward wave had begun that ‘cartels became one of the foundations of the whole of economic life’ (ibid.: 9). Lenin cited economies of scale, bigness itself, technical improvements, efficiency and also the possibility of buying patents from others as reasons for cartelisation and monopolisation.

The second major feature of the latest phase of capitalism, according to Lenin, was the rise of speculative activities and the role of banks. With large concentrations of industrial capital, associated with the need for large-scale
investments and accumulation of savings in the banks, the economic system becomes less focused on the production of commodities and more on financing organisational developments and speculative investments concerning ownership arrangements (through mergers and acquisitions). The economic system also became increasingly focused on fluctuations and trends in stock markets. The banks have an especially important role in this regard. While banks too are experiencing the trend towards economic concentration, they are shaping industrial developments through the control of money capital (they can give credit and loans to firms for building industrial facilities, but also for speculative activities, and make investments on their own, resulting in direct control of industrial enterprises through their boards and other bodies). On the other hand, banks themselves can also become objects of speculative activities. The overall result is that the ‘industrial capitalists’ become dependent on banks and speculation. Moreover, governments become involved in financial developments, which shape state policies as well. Lenin talked about ‘personal unions’ between different organisations, including the state, citing Germany as an example:

The ‘personal union’ between the banks and industry is supplemented by the ‘personal union’ between both and the government. ‘Seats on Supervisory Boards,’ writes Jeidels, ‘are freely offered to persons of title, also to ex-civil servants, who are able to do a great deal to facilitate ‘relations with the authorities.’ . . . ‘Usually, on the Supervisory Board of a big bank, there is a member of parliament or a Berlin city councillor.’ (ibid.: 21)

An economy on the dominance of finance capital gives rise to what Lenin called ‘financial oligarchy’. Once a handful of people control huge amounts of money capital, the inevitable result is a penetration of their power ‘into every sphere of public life, regardless of the form of government and all other “details”’ (ibid.: 30). The tendency to export capital and to try to find profitable projects abroad, in close collaboration with the state, leads to ventures that have often far-reaching consequences to inter-state relations. Lenin approved a study that saw the German–Ottoman construction of the Baghdad railway in the early years of the twentieth century as particularly responsible for Britain’s policy, which was to ‘isolate Germany and surround her with an imperialist anti-German alliance’ (ibid.: 31). Lenin also referred to a number of instances when nationally-based trusts, cartels and banks concluded agreements ‘by which they divided the world between themselves’ (ibid.: 38), specifying territorial regions for each to exploit without any significant market competition. However, with changing capabilities, struggles over territorial redivision of the world were taking place almost constantly. Moreover, sometimes states played an active role in organising state monopolies (for instance, in 1911 the German state established a state-owned and -controlled oil company). Lenin saw a number of reasons for potential conflicts between
imperial great powers, such as possible shortage of raw materials and a struggle over them.

What is important in Lenin’s account of the late nineteenth and early twentieth century capitalism is that politico-economic expansion followed territorial logic. As later research has established, external state sovereignty was constituted as analogous to private property rights in seventeenth- and early eighteenth-century Western and Northern Europe. This gave the sovereign body an absolute and exclusive control or ownership over all things ‘inside’.

Lenin’s concept of monopoly capitalism amounts largely to the same thing as state sovereignty, namely, the exclusive control or ownership over all things ‘inside’, although only in those markets – or areas of production and trade – where a particular monopoly actually prevails. Hence, both monopoly capitalism and state sovereignty are territorial in their logic of expansion. Although Lenin recognised that capitalist world markets have had a long history and that there had been earlier waves of colonial expansion, it was conceptually logical to think that the latest phase of capitalism amounts ‘to a colonial policy of monopolistic possession of the territory of the world which has been completely divided up’ (ibid.: 49). As far as I can see, Lenin does not claim that freely competitive markets would necessarily follow the same territorial logic – thus he readily acknowledged that in the early and mid-nineteenth century the prevailing liberalist opinion in Britain opposed colonialism and imperialism. Despite Lenin’s sharp and necessitarian polemics against Kautsky, he left room, at least in principle, for the possibility of many different modes of expansion of capitalism. Hence, Lenin's explanatory argument could not logically exclude the possibility that territorial imperialism might eventually turn out to be a mere phase of capitalism, not its end-stage.

What Lenin argued, however, was that the development towards economic concentration and monopolies – as well towards the dominance of finance over production – was inherent to the capitalist market economy and that competing imperialisms was the inevitable outcome of this process. Imperialism, in turn, ‘is striving towards violence and reaction’ and thus also territorial annexation is built into the logic of monopoly capitalism (ibid.: 50). Furthermore,

an essential feature of imperialism is the rivalry between several Great Powers in the striving for hegemony, i.e. for the conquest of territory, not so much directly for themselves as to weaken the adversary and undermine his hegemony. (Belgium is particularly important for operations against England; England needs Baghdad as a base for operations against Germany, etc.).

(ibid.: 51)

Lenin went so far as to claim that a crucial difference between the old and new form of imperialism is the contemporary existence of rival states and
competing imperialisms. However, this is a claim that he did not – or could not – explain only in terms of Marxist economic theory. In Lenin’s account, the existence of many separate sovereign states and competing imperialisms remained on the whole an unexplainable geo-historical fact.

Conclusion: towards an explanatory synthesis

Schumpeter, Kautsky and Lenin, and, up to a point, Veblen too, tried to explain not only imperialism per se but also the First World War. Most strikingly, however, it was Hobson who systematically articulated connections between imperialism, nationalism, militarism, great power hostilities, armaments race and the risk of a major war – and he did so more than a decade before the summer of 1914. Hobson was among those who anticipated a major war.

First, Hobson (1988[1938]: 11–13) argued that aggressive imperialism tends to foster animosities among competing imperialisms. The scramble for Africa and Asia evoked new alliances, drove all the concerned states to spend an ever-growing share of their resources on military and naval equipment and, while producing doctrines of national destiny and imperial missions of civilisation for popular consumption, evoked ‘a calculating, greedy type of Machiavellianism, entitled “realpolitik” in Germany’. This all led to what Hobson called ‘the sliding scale of diplomatic language’ with a characteristic new cynical vocabulary of sphere of interest, sphere of influence, suzerainty, protectorate and so on. The process was reciprocal. Imperial Britain was provoking attitudes of enmity in other states and ‘since these other nations are not only eager to do their share, but by their jealousy at our undertaking their work continually threaten to wreck the peace in Europe’ (ibid.: 70). The mechanism Hobson proposed to explain this outcome is uncomplicated and in a sense also quantitative:

Apart from the enmity of France and Germany, the main cause of the vast armaments which have drained the resources of most European countries is their conflicting interests in territorial and commercial expansion. Where thirty years ago there existed one sensitive spot in our relations with France, or Germany, or Russia, there are a dozen now; diplomatic strains are of almost monthly occurrence between Powers with African or Chinese interests, and the chiefly business nature of the national antagonisms renders them more dangerous, inasmuch as the policy of Governments passes under the influence of distinctively financial juntos.

(ibid.: 126–27)

Imperial expansion thus multiplied the number of ‘sensitive spots’. Although decades had passed since a war between major powers (with the partial exception of a war between the US and Spain in the Caribbean), Hobson saw these developments as a major threat to peace in Europe. He also made a
straightforward argument against the armaments race. In essence, Hobson’s argument presupposed something very close to Richardson’s model of arms races, which in turn is a special case of fallacy of composition (as explained in chapter 2). The fallacy of composition is a typical strategic illusion induced by a particular position and its limited point of view: what is possible for one actor in a given moment is often not possible for all or many simultaneously. For instance, a state may try to keep a security margin by keeping itself somewhat better armed than its (potential) military competitors. However, if all relevant states—or even two of them—tried the same, the result would be an explosive arms race. In a sense, Hobson tested how far this logic could go:

> Were logic applicable in such cases, the notion that the greater the preparation for war the smaller the probability of its occurrence might well appear as a reductio ad absurdum of militarism, implying, as it does, that the only way to secure an eternal world peace is to concentrate the entire energy of all nations upon the art of war, which is thus rendered incapable of practice.

(ibid.: 128)

The normal outcome of imperialism is not war, but militarism and limited imperial wars in the peripheries. A major war represents not the success, but the likely failure of this policy (and likely failure of attempts to deter others from attacking by means of armament). Thus theories of imperialism take us a long way towards explaining the First World War.

However, theories of imperialism vary in their accounts of the key causal mechanisms and processes. Table 3.1 summarises the explanations and related ethico-political visions of the classical theorists of imperialism. I am concluding this chapter with the argument that they all illuminate some important aspects of the causal complex that produced the outcome we know as the First World War; and that they should thus also be seen as complementary accounts. Schumpeter, Veblen, Hobson, Kautsky and Lenin proposed different causal hypotheses and told different stories about imperialism and the war because of their different ethico-political aims and horizons. While they were referring to the same natural and social realities, and while they were also in broad agreement about some of the processes and mechanisms, their scientific explanations were future-oriented in the sense of constructing arguments and stories that also supported their preferred political alternatives.

Warren Wagar’s distinction between ‘Pollyannas’ and ‘Cassandras’ helps explicate these different future-orientations.

Futurist Pollyannas generally anticipate happy futures, in hopes of persuading readers that a given preferred future is in the cards, and should therefore receive all possible support. Futurist Cassandras generally anticipate dire futures, not because they prefer or even necessarily expect
Table 3.1 Five explanations and visions of a desirable future

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<tr>
<th>Schumpeter</th>
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<th>Hobson</th>
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<td><strong>Main explanation of imperialism and the war</strong></td>
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<td>Anachronistic political institutions, interacting with state-based special interests in capitalist market economy.</td>
<td>Full implementation of economic and political liberalism within nation-states.</td>
<td>Insufficient domestic demand, caused by inequalities and economic concentration; the dominance of finance and special interests encourage imperialism and militarism; the ‘sliding scale’ of diplomatic and popular discourses are self-reinforcing; ideologies of imperialism and realpolitik.</td>
<td>Ultracentralisation – multilateralist imperialism of Great Powers – is a possible solution within the capitalist world order; in the longer run, however, the aim must be to establish more equal and balanced development and, also, democratic socialism, perhaps implying global democracy.</td>
<td>Like Hobson’s and Kautsky’s economic accounts, but monopolisation is an inevitable process in capitalism; also the ‘Great Depression’ 1870–96 is an important step in the process towards monopoly- and finance-dominated capitalism and imperialism; competing territorial imperialisms leads to war.</td>
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<td>Inherent tendencies of laissez-faire market economy towards ‘acquisition’ that leads to the re-emergence of quasi-dynastic habits and practices; the important role of nationalism, intellectuals and yellow press in agitating jingoism; but also anachronistic and authoritarian practices and institutions.</td>
<td>Replace big business and elitist ceremonialism with technocratic planning of otherwise decentralised and egalitarian system; also a Kantian league of democratic nations; however, Veblen often used satire and evaluative terms to criticise existing realities, but did not always try to formulate concrete policy alternatives.</td>
<td>Social reforms or democratic socialism within nation-states to strengthen domestic demand of goods and services; but ultimately also global reforms are needed: fair global regulation of trade and European and global federalism.</td>
<td>Once the objective conditions are ripe, worldwide socialist revolution, although in each state separately; ultra-imperialism, bourgeois reformism and pacifism, as well as visions of global democracy, go against ‘objective laws’ of history.</td>
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them, but in hopes of generating enough terror that policy makers and the public will respond with appropriate remedies.

(Wagar 1991: 5)

Often, ‘Pollyannas’ predict a happy future on the basis of continuity from the present, thus trying to justify the ongoing practices and policies; whereas ‘Cassandras’ warn about dire futures, often in terms of ‘if we do not replace X with Y then ...’. The pre-1914 imperialists were typically Pollyannas who talked about the ‘white man’s burden’, the ‘mission of civilisation’ etc., and claimed that imperialism has beneficial consequences. Liberalist and Marxist theorists of imperialism were, however, mostly Cassandras, warning about future exploitation, repression and major wars unless parts of the pre-1914 century socio-economic and international contexts were replaced with something better and more sustainable. The First World War and subsequent twentieth century developments, including anti-colonial struggles and decolonisation, shifted the burden of proof to the Pollyannas. For decades after 1945, until the 1990s, openly imperialist ideologies were virtually banned.

Schumpeter’s story was of incomplete liberalist modernisation. Thus his normative vision was to replace anachronistic dynastic orders with liberal-democratic institutions of representative democracy. Veblen partly disagreed with Schumpeter, seeing ceremonial elitism and authoritarian militarism as a possible and likely line of development of modern industrial capitalism. Thus Veblen’s vision was to replace business elites and dynamic militarism with a combination of technocratic planning of industrial processes and an egalitarian and decentralised (anarcho-syndicalist) way of organising production (cf. Tilman 1972). Particularly during the war, Veblen was also in favour of a Kantian league of democratic nations (cf. Veblen 1919). Likewise, for Hobson too, liberalist modernisation within territorial states was not enough. As will be explained in more detail in chapter 8, Hobson professed the idea that social, democratic, and cosmopolitan reforms were also needed. He argued for democratic welfare states (or for democratic socialism) as well as for a federation of civilised nations, capable of preventing inter-state war by regulating trade and political relations among nations. Kautsky, in turn, was a Marxist who started with a belief in the Marxist story of historical stages and developments leading eventually to a socialist revolution but had adopted, by the time of ‘ultra-imperialism’, a more Hobsonian reformist stance. Lenin, however, remained a true – as well as anti-pacifist and statist – revolutionary, following the model of the French Revolution. Basically, in his Imperialism as the Highest Stage of Capitalism, Lenin was looking for historical signs that the Marxist eschatological story about the end of capitalism would be reaching its final phase.

In their explanatory accounts, the classical theorists of imperialism also agreed on many things. They all saw a specific elite mentality with related practices and institutions, as well as particular vested interests in capitalism, as important components in the complex that produced both imperialism and
the war. Schumpeter focused on the conservative political order of the nineteenth century Europe that tried – after the French Revolution – to preserve nobility and hereditary monarchy and often resorted to repressive and autocratic practices. He also stressed the effects of cartelisation and monopolisation and the role of related special interests in nineteenth- and early twentieth-century capitalism. Veblen argued, however, that constitutional (semi-)democracies can behave similarly. The processes that lead to the reinforcement or simulation of traditional dynastic ascendancy and courtly ceremonies and honour can also emerge from within the business enterprise system. Veblen also argued that steps towards an authoritarian and dynastic direction must be produced by manifold meaningful actions, and emphasised the role of intellectuals and journalists. Moreover, both Schumpeter and Veblen recognised the overall context within which the transformation from the British-dominated free trade towards competing imperialisms occurred from the 1870s onwards. In Germany, the United States, and elsewhere, protectionist and developmentalist policies were crucial for creating the conditions for industrialisation. This was associated with the decline in British (and French) competitiveness. Lenin in turn stressed the consequences of the late nineteenth-century long depression, which probably reinforced the perception of increased competition, despite continuous expansion of production and trade. While it is likely that Hobson was right about insufficient domestic demand in Britain, the combination of declining competitiveness and the long depression might have contributed to the generation of pro-imperialist understandings in Britain as well as in France. There was a perceived need to find new outlets for British and French goods, services and money.

The accounts of Veblen, Hobson, Kautsky and Lenin are thus in many ways complementary. England’s diminishing competitive edge in the world markets in the 1860s and 1870s, the relative lack of domestic demand, and the era of slower growth between 1873 and 1895 were probably connected. Wide socio-economic disparities caused not only insufficient demand for goods and services but also growing social dissent and turbulence, thus feeding ideas about ‘surplus population’ among the business, aristocratic and dynastic elites. At around the same time, the German wars of unification triggered, or at least contributed to, the processes of securitisation in France and Britain, and perhaps also elsewhere. The Franco-German war of 1870–71 particularly demonstrated the rising industrial capabilities of Germany. Rapid technological changes increased both productive and destructive powers; the latter also exposed countries more readily to the military force of others, feeding a sense of insecurity. Once the slide towards competing imperialisms and militarisms had started by the early 1880s, the availability of food and raw materials, access to markets, and inviolability of private property rights all tended to become increasingly securitised in the way they were not, at least not to the same extent, under the earlier free trade regime. Through state actions, the expansion of industrial capitalism became territorial expansion.
Competing territorial imperialisms led to the exhaustion of ‘unoccupied’ space. This gave rise to the new ‘science’ of geo-politics, providing belligerent guidelines for military-territorial control of either overseas or continental sections of the surface of the planet. Although Rudolph Kjellén only introduced the term geo-politics in 1916, Friedrich Ratzel had already introduced the notion of *lebensraum* in the 1880s, A.T. Mahan developed his influential accounts of military control of seaborne commerce in the 1890s, and Harold Mackinder his theories of the heartland in the early 1900s. As a concept that co-constituted practices of state-governance, geo-politics is a characteristic product of this era. Geo-politics – an apparently universal ‘theory’ of territorialised and securitised understandings – cogenerated and justified foreign policy actions that, in the end, led to the First World War.

Causal complexes consist never of a single cause, but a complex of conditions, which include not only efficient but also material, final and formal causes (cf. Kurki 2006). The world historical context of the globalisation of trade and finance, as well as of competing imperialisms, was produced by the interdependent social actions of numerous actors. Many of these actors were aware of, and reflexive about, the components of their world historical context. However, at any particular moment of these geo-historical processes several of the components – and in particular the causal processes and mechanisms that generated them – constituted unacknowledged or misidentified conditions of action too. While theorists of imperialism tried to build holistic models of these conditions, manifold *illusions* of local and particular knowledge prevailed among the contemporary actors.
4 The origins of the First World War

Using historical counterfactuals in constructing open-system explanations

What explains the 1914–18 war that claimed the lives of 10 million people, caused unprecedented levels of social and industrial mobilisation and triggered some of the most remarkable military and, subsequently, political revolutions? There are thousands of scholarly and popular works on the Great War. However, many well-known historical accounts of the First World War contextualise the war only briefly before moving to discussing in detail its outbreak, escalation, strategies, battles, negotiations and outcomes (e.g. Stevenson 2004); or tend to focus on the armaments race of the last decade before the war (e.g. Stevenson 1996). However, there have also been longer-term historical accounts, such as A.J.P. Taylor’s (1971) standard benchmark treatise *The Struggle for Mastery in Europe, 1848–1918*; Joachim Remak’s (1976) *The Origins of World War I, 1871–1914*; and Eric Hobsbawm’s (1994a) repeatedly reprinted *The Age of Empire, 1875–1914*, focusing on the war in the last chapter.¹

The academic discipline of International Relations (IR) was founded in 1919 in response to the Great War. As a social science, IR has been expected to search for generalisable theories and causal accounts. Its original task was to find out the causes of war in order to prevent the catastrophe of 1914–18 from ever being repeated. The catastrophe was soon repeated—or, in an important sense, continued—in the form of the Second World War. Before long, in the cold war context, the First World War lost its special importance for IR. For instance, both Neorealist (Waltz 1979: 172; Gilpin 1981: 145, 192–94, 200–7) and neo-Marxist (Wallerstein 2000: 258) theories of hegemonic stability and succession present the outbreak of the First World War as a mere instance of theory-derived and simple law-like regularities in world politics. These studies do not compare different explanatory stories or assess critically the available empirical evidence about trends and episodes that led to the outbreak of the war. Even the more open-minded empirical studies of war and peace (e.g. Vasquez 1999: 268–69, 272–74) have characteristically discussed the origins of the First World War only as an empirical case of one war among numerous wars. A notable exception to this tendency to neglect concrete analysis of the causes of the First World War has been the lateral pressure theory. This was developed by Nazli Choucri and Robert C. North
(1975) to synthesise historical narratives of the long-term developments that led to the 1914–18 war and, simultaneously, test quantified hypotheses against the available data. With the exception of the lateral pressure theory and a few notable articles (e.g. Lebow 2000; 2001), and with a partial exception of works such as Richard Hamilton and Holger Herwig’s (2003) *The Origins of World War I* that focuses on the summer 1914 decisions, late twentieth-century IR has not really challenged the long-term accounts of the classical theorists of imperialism.

Hence, the explanatory story that I sketched at the conclusion of chapter 3 provides the starting point for this chapter. To summarise, at the time when Britain was losing its unique position as the industrial workshop of the world, and when the unification of Germany in 1871 was also perceived to signal the military significance of competing industrialisations, the conservative elites of Europe, following Prime Minister Disraeli’s new line for Britain, (re)turned gradually to explicit policies of imperialism in the 1870s and 1880s. European neo-imperialism was later imitated also by the US and Japan. The turn to competing imperialisms also coincided with the long downward wave of 1873–95, involving deflation and recurring economic crises and depressions. The population growth of the industrialising countries was rapid and there was also some per capita growth, even if only by fits and starts and often at a sluggish pace. The new upward wave began in the second half of the 1890s, at the time when the logic of territorial competition was already prevailing. Moreover, the key elements of the geo-historical complex that led to the armaments race and, ultimately, to war, included changing relations of domination, market mechanisms, democratisation, nationalism and the role of mass media.

Although classical theorists of imperialism seem to provide a tentative outline for an adequate explanatory story, the accounts of Schumpeter, Veblen, Hobson, Kautsky and Lenin were in many ways contradictory. Moreover, they were constrained by the limitations of the available sources and conceptual resources of the Edwardian era. Further, the classical theorists left important aspects of both imperialism and the 1914–18 war unexplained. While they recognised that industrialisation implied a rapidly growing increase in the destructive and war-making powers of the states, they did not explain the outbreak of the war, or why it eventually lasted for more than four years, or how both imperialism and the war can also be seen in terms of long-term trends of modernisation in Europe. The classical theorists made divergent background assumptions about the role of military (aristocracy, dynastic rules), about the nature of the territorial state, and about the origins and essential structures and mechanisms of capitalism. In particular, they were involved in a scattered and uncompleted debate concerning the role of mechanisms of industrial capitalism in co-generating the conditions for imperialism and war. In this chapter I will explicate and assess critically these assumptions in order to construct an empirically plausible and also theoretically adequate explanatory story.
This chapter thus deepens, recontextualises and in some ways also revises the explanatory story developed tentatively in chapter 3. I shall discuss the relevant components and geo-historical layers in a reverse temporal order. First I will try to explain why the war did become so ‘Great’ (why did it last for more than four years and result in 10 million casualties)? Second, why did the war start the way it did? What were the immediate conditions for the outbreak of the war? Would it have been possible to avoid the war, even under the conditions of the 1910s? Third, moving towards deeper geo-historical layers and higher levels of abstraction, what exactly were the connections between wars, the state, dynastic institutions and aristocracy? What about sovereign territorial states and the globalising mechanisms of capitalist market economy? To what extent was the ‘Great War’ a result of the dynamics of industrial capitalism? To what extent is it plausible to use uneven industrial developments and aggregate economic imbalances as explanations of imperialism and the war (also in the light of later economic theories)? Having tackled these big questions as concisely as possible, I will summarise and discuss the lateral pressure theory of Choucri and North. Although their account omits important layers, mechanisms and processes, it also enables a systematic assessment of the role of different conditions and processes in setting the stage for the outbreak of the 1914–18 war. In conclusion, I will also try to identify critical geo-historical nodal points by using the methodology of counterfactual scenarios and thereby explicate my own explanatory model and story of the origins of the First World War.

**Why did the war did become so ‘Great’?**

Industrial Revolution complicated and obscured the relationship between resources and control over land. Despite a number of military innovations, the wars of the French Revolution and Napoleon – the struggle before 1914 known in English as the ‘Great War’ – still followed the millennial tradition of wars between military-agrarian civilisations and empires. However, already the American civil war of 1861–65 and the Franco-German war of 1870–71 were in important regards modern industrial wars (for a discussion of the industrialisation of war in the nineteenth and early twentieth century, see Giddens 1987: 222–32).

The nineteenth century was exceptional because for the first time in centuries there were long periods of relative peace in Europe. A few wars notwithstanding, Europe was no longer plagued with recurrent warfare. The contrast to the inter-dynastic era of 1689–1815, characterised by nearly constant warfare both in Europe and European colonies, was evident (see Hamilton and Herwig 2003: 2–10). The core of the modern world seemed to have become relatively peaceful. Hence, in 1914, the war came as an immense surprise to most Europeans, even though there had been writers and intellectuals anticipating a major war – but only very few of them warning that it would be unprecedented in destructiveness and likely to spread to imperial
peripheries (see Clarke 1966: 68–69). Moreover, after the outbreak of the war, the prevalent expectation remained that the war would soon be over. This miscalculation made, in part, some of the decisions to begin or join the war easier. The better informed general staffs often concealed their misgivings from their political leaders (Stevenson 2004: 8).

The first thing to be explained is thus the long duration and exceptional destructiveness of the First World War. The opening months of the war were about movements and manoeuvres, although the speed of these movements remained limited by the bodily velocity of humans and horses (the internal combustion engine lorry was becoming increasingly widespread and soon aeroplanes added a new dimension to warfare, but nothing resembling the fully motorised blitzkrieg was yet technically possible). It was only after the failed attempts to end the war quickly that the first trenches were dug and hidden machine gun posts were built in autumn 1914. Those early months of the war in 1914 reveal all kinds of counterfactual possibilities. The German plan was to win the war rapidly – the spectre for the German general staff was to be stuck in a non-winnable war on two fronts – by a sweep through Belgium and into France. At first, the intended main war offensive was against France, and it was assumed that Britain would stay aside. The Germans anticipated that the British liberal government of Herbert Asquith would not see their invasion into Belgium as a reason to go to war against Germany. ‘The evidence seemed to indicate that Great Britain would maintain its traditional hands-off policy’ (Cowley 2001: 266). However, the evidence was misleading. After the British learnt about the German ultimatum to Belgium, they decided to join the war. Nonetheless, until early 1916, the British remained a junior partner in the continental land war.

At first the Germans seemed to have a real chance to win the war, at least against France, and thereby, subsequently, also against Russia, in alliance with the Austro-Hungarian empire. The German army had prepared a plan to win a war against France in less than two months, by approaching Paris from the north-east. Despite some alterations and setbacks, in August-September 1914 the Germans came relatively close to realising their plan and were already reaching the outskirts of Paris. However, perhaps in part because they compromised the original plan – seen in some ways as too risky – with a more cautious strategy of spreading the German forces across the Western front and also to the Eastern front (ibid.: 272–75), the momentum was soon over and the trench warfare began.

In 1914 Germany was the most populous country and the biggest industrial economy in Europe. In 1913, Germany’s population was 65 million, against France’s 41 million and UK’s 46 million. Also in terms of its national product, Germany was bigger than France, and about the same size as Britain (Maddison 2001: tables A1-a and A1-b, 183–84). As shown in Table 4.1, in 1870–71 Germany already produced more steel and coal than France and its products were often of very high quality. Germany bypassed British levels of production in the late 1890s. Moreover, universal male franchise in the
federal parliament (*Reichstag*) elections came with a price: obligatory military service (conscription), following the Prussian model. The dense German railway network made it possible to mobilise, transport and, to an extent, also supply the well-trained and large German army. However, with the rapid movements into France in the first weeks of war, supply-lines became a major problem.

After the momentum of August-September 1914 was lost, it turned out that Germany could not win the war rapidly. Particularly once the British had decided to join the war, the stalemate on the Western front led to a gradual escalation of the war. At first Britain sent a mere 80,000 troops to France. Eventually about a million British men would lose their lives in the war; and large parts of the British Empire would be mobilised to join the war in Europe. In the Balkans and on the Eastern front too, the war remained inconclusive despite German and Austro-Hungarian advances. A number of countries joined the war, including Italy, Japan and Ottoman Turkey. Turkey’s entry opened the whole of the Near East as a new arena of hostilities. Both parties were trapped in the conflict:

From now on, the drama would unfold without a script. The war plans had been tried and failed, with hundreds of thousands of killed and wounded as the consequence. This fact alone virtually precluded a negotiated return to the status quo, with its implication that the dead had died in vain.

(Stevenson 2004: 81)

New military and industrial innovations followed, such as military planes, poison gas and tanks, resulting only in more killing and suffering but without yielding a military breakthrough for either coalition. In 1916 the battle of the Somme alone claimed more than a million dead. While men were killing each other, women at home produced weapons and supplies. Gradually, the balance was tipped in favour of the Anglo-French-Italian alliance, despite the defeat of Russia in 1917 on the Eastern front. Already by 1914 Germany had

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**Table 4.1 Industrial production and trade: Britain, France and Germany**

<table>
<thead>
<tr>
<th>Industrial production (iron and steel)</th>
<th>Value of merchandise exports</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>– million metric tons</td>
</tr>
<tr>
<td></td>
<td>1870</td>
</tr>
<tr>
<td>Britain</td>
<td>15</td>
</tr>
<tr>
<td>France</td>
<td>4</td>
</tr>
<tr>
<td>Germany</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Sources: Choucri and North 1975: 30–31; Maddison 2001: Table F-1, 359.
lost its overseas colonies and some of its supply lines and global trading possibilities. Slowly, this also started to affect its industrial and war-fighting capabilities. Although it seems that in some of the large battles such as the Somme, Germany in all likelihood lost fewer men than the Allied Powers (at the Somme, for instance, the inexperienced British faced particularly heavy casualties), time was working against Germany (ibid.: 136–38). Little by little it was losing the best-trained parts of its army and had to mobilise less fit men with less time to train them to the front, while fresh troops were arriving at the Western front from the British Empire (mostly from the UK but in large numbers also from overseas). In 1917, the USA’s decision to join the war slowly but surely made the German and Austro-Hungarian position intolerable. The final German attempt to seize a military initiative was defeated in summer 1918.

The war and its end had dramatic and far-reaching consequences. For half a century after 1815, the aristocratic and conservative elites of Europe – led by Austria’s foreign minister von Metternich for decades – had understood war as a potential cause of revolution, which they worked hard to avoid. By 1914, however, the lessons of the French Revolution and Napoleon had been partially unlearnt. Elites had begun to represent war as a possible solution to at least some of the political problems at hand (Taylor 1971: 529–31). Yet it was widely anticipated that a long and bloody war would probably lead to social upheavals and revolutions. Although in every country there were competing views about vital national interests, the ruling elites agreed at least on the need to sustain prevailing politico-economic structures. Count Alfred von Schlieffen’s infamous war plan for the German army was premised on the idea that only a short war would allow Germany to avoid damage to its economic and financial systems but also what he called the ‘red ghost’, that is, workers’ revolts and possible revolution (Herwig 2003: 153). Thus the German decision to risk war and its strategy of winning the war by invading France through Belgium both stemmed from the understanding that timing is decisive. However, it was this risky strategy that brought Britain to the war.

Slowly but surely after von Schlieffen’s plan had failed, the fears of conservative leaders turned out to be right. The 1905 Russian revolution after the Russian defeat against the Japanese set a precedent for 1917–18. The October 1917 Revolution in Russia was accompanied by mutinies, coups d’etats, nationalist separations, revolutions and civil wars all over Europe, particularly in the defeated countries (in 1917 the French army was also at the brink of collapse). After the collapse of the regime of the Dual Monarchy and the subsequent resignation of Kaiser Wilhelm II, Germany surrendered to the Allied Powers in November 1918. The First World War had formally ended. Its outcome was ultimately decided by the number of men who could be consumed in trench warfare and by each country’s industrial capabilities of producing means of destruction. The first century of industrialising the world economy had thus resulted in a tragic catastrophe. This catastrophe – and the subsequent Versailles treaty – set the stage for a century that would
prove even more disastrous. The war and its aftermath had direct far-reaching effects that lasted at least until 1991 when the Soviet Union, the outcome of Lenin’s revolution, eventually collapsed.

Why did the war break out?

In 1900–14, Europe was an insecurity community, characterised by competing imperialisms, an armaments race between the major powers, and a high state of preparedness by the state leaders to use organised violence against other states. Even under these conditions, would it have been possible to avoid the war? At least there was nothing inevitable in the precise timing of the beginning of the war. The 28 June 1914 assassination in Sarajevo of Archduke Franz Ferdinand of Austria, heir to the Austro-Hungarian throne, succeeded out of sheer luck. Moreover, the assassination could have constituted just another serious diplomatic crisis among many others. There had been similar incidences before. The expectation that a peaceful resolution of crises was not only possible but likely may also have made it easier to resort to acts of aggression. For instance, in summer 1911, a conflict over the fate of Morocco was very close to taking the Anglo-German conflict to breaking-point:

Toward the middle of August, 1911 Churchill went to the country for a few days. ‘I could not think of anything else than the peril of war,’ he recalled in subsequent years. But Germany decided to back away – she and France reached a settlement. Part of the French Congo was added to the German Cameroons, and France was allowed to do as she pleased in Morocco. The Panther was withdrawn from Agadir in late November.

(Choucri and North 1975: 102)

Although fear of war was widespread, the diplomatic conference system worked as long as none of the state leaders was willing to risk a major war. However, at some point fear may also contribute to the readiness to take extra risks. For different reasons, both the leaders of the Dual Monarchy and Germany had concluded by summer 1914 that time was working against them (and similar learning processes were going on elsewhere in Europe). For the Austro-Hungarian Empire, the most immediate problems were internal to the multinational and multi-cultural empire, but the proposed solution was a potential war against Serbia. The war-planners in Vienna knew that an invasion of Serbia would risk war against Russia, but they were predisposed to take this course of action. Aware of the risks, Germany was nonetheless willing to support its main ally because German leaders were concerned with Russia’s rapid military recovery from the 1905 war against Japan. Germans reasoned that if a war was to break out, it was better to take the initiative as soon as possible. Also the Russian leadership was willing to take the risk of a major war by supporting Serbia even under the circumstances of June 1914 and by mobilising its army without considering the military-strategic
implications for Germany. France was loyal to its alliance with Russia, regardless of domestic opposition to this alliance. Many European states were simultaneously worried that ‘time was running out’.

Despite these considerations, a number of developments remained contingent in June–July 1914. After conducting a criminal investigation (the Serbian secret service was clearly involved in the Sarajevo assassination), as well as verifying that Germany would honor its military alliance, Austria-Hungary issued a formal letter to the government of Serbia. It was purposefully drafted in a manner that almost guaranteed war. Subsequently, after Austria-Hungary had declared war and mobilised its army on 28 July 1914, a series of decisions were hastily made in accordance with the prevailing decision-making procedures. ‘The decision-makers in the major European capitals were beset by doubts, fears, emotions, even panic as they considered their various choices and reached their decisions for war’ (Hamilton and Herwig 2003: 11). Any of these decisions could have been otherwise, but in the end they were in line with the commitments of the formally established – even if also loose and unstable – alliances (outside these alliances, Britain was committed to the neutrality of Belgium).

The 28 June 1914 assassination could have failed. Moreover, in July 1914, Germany could have decided to persuade Austria-Hungary to search for a genuine face-saving diplomatic solution. Or Russia could have declined to support Serbia, knowing that the Serbian secret service was involved in the Sarajevo assassination. Thus in a number of plausible counterfactual scenarios, the First World War might not have begun in 1914. Would this avoidance of the war in summer 1914 have saved Europe and the world from the First World War? Robert Cowley (2001: 263) for instance argues plausibly that ‘some kind of outbreak was bound to happen’, if not yet in 1914, then at some later point. In the absence of structural transformations the likelihood of a major war in Europe would have remained high for years to come. Another incident somewhere might have sufficed to trigger a major war.

However, no specific event or episode in history is unconditionally unavoidable. Perhaps, had the outbreak of the war been postponed long enough, bottom-up social and political changes could have transformed the context to a sufficient degree to overturn the tendencies and trends towards a major war in Europe? At least David Stevenson (2004: 9) thinks that the ‘details matter because although in summer 1914 international tension was acute, a general war was not inevitable and if one had not broken out then it might not have done so at all’. Timing matters. At certain contested historical turning points, multiple historical paths of development are open; some of them may be equally likely; and even the unlikely may happen (see Pierson 2004). In the first two decades of the twentieth century, the strategic situation was constantly changing. Before summer 1914, diplomatic crises and small wars in the Balkans had not led to a major European or worldwide war; and they would have been unlikely to do so in 1916 or 1917 (see Lebow 2001: 71). Had the war been avoided in 1914, Europe would have gained more time for
the required social and political transformations. On the other hand, should a major war have begun later, perhaps in the 1920s, the military outcome and its politico-economic consequences might have been considerably different, for various reasons.6

Aristocracy, the state and war

Historical episodes and processes are produced by actors and actions, but structures are a necessary and pre-existing condition for action. It is thus time to move from actions, events and technological resources to the underlying social relations. The classical theorists of imperialism saw a specific elite mentality and related practices and institutions, as well as the ensuing vested interests, as the chief components in the causal complex that generated competing imperialisms and thereby set the stage for the 1914–18 war. This causal explanation has long historical roots in the political debates and struggles of the eighteenth and nineteenth centuries.

The liberalist criticism of the upper class of professionals of violence – the aristocracy – emerged in eighteenth century Europe. As Albert Hirschman (1981) has shown, early liberalists made arguments for capitalism by trying to show that commercial activities, even banking and financial money-making pursuits, are not only beneficial but also honourable. The idea of the ‘invisible hand’ was developed in the eighteenth century, accompanied by the principle of free trade and the notion that commerce has a civilising effect on people. Liberalism opened up a perspective from which both aristocracy and war-making states started to appear increasingly suspicious. Eighteenth-century states used some two-thirds of their expenditure in war-related activities and their main source of income was from taxing trade and other commercial activities (public debt played an important role as well). Liberalists wondered whether rational citizens, working for the common good of society, and often involved in European or worldwide trade, should really pay for the privileges of aristocracy and for the expenses of armies, causing endless and useless wars? If wealth was based on production and worldwide exchange, why should the control over bits and pieces of territory be so important?

In the 1790s, Kant added that rational law-making was necessary for peace – thus he advocated what he called republicanism7 – and that the conduct of interstate relations should be regulated in terms of certain universally valid principles by forming a ‘league of nations’. After the Napoleonic wars, with the rise of industrial capitalism, this reasoning generated the first ever peace movement (The Society for the Promotion of Permanent and Universal Peace was founded in London in 1816, and similar peace societies were formed across Europe and in America).8 Pacifically minded liberalists believed that in a world based on free trade and the rational spirit of commerce, the problem of war could eventually wither away. Since then the basic liberalist idea has been that that the arbitrary and war-prone rule of dynasties and aristocracy can and should be replaced with the rule of rational citizens, which
in the nineteenth century meant propertied men capable of autonomous
reasoning.

The basic liberalist line was teleological. After the era of ancient empires
and medieval feudalism, and the related high-handed and despotic rule of
dynasties and aristocracy, rational citizens will finally take over. In line with
this teleological vision of history – and with the early twentieth century
expectation that this process should have been completed – Schumpeter
introduced the notion of dynastic imperialism as an ‘atavism’. An atavism can
mean an organism that is a real or supposed evolutionary throwback, the
unexpected appearance of primitive traits, or a reversion to or reappearance of
a trait that had been present in a lineage in the past, but which had been
absent in intervening generations. For Schumpeter, the new imperialism of
1872–1914 and the 1914–18 war stemmed from the anachronist rule of the
princes, remnants of the absolute monarchical state, and the continuing cus-
toms of a pre-capitalist milieu. These were reinforced by vested interests of
monopoly capitalists.

A look at the reasoning and actual decision-making of state leaders, gen-
erals and diplomats before the 1914–18 war shows that Schumpeter’s view
finds support in the available evidence. Under pressure from nationalist
separatism, democratic, socialist, anarchist and feminist movements, dynastic
rulers sometimes found it convenient to resort to the glory of the state,
nationalism, external expansionism and wars to legitimate their rule. Thus in
summer 1914 the Emperor of Austria Hungary, Franz Joseph, was leaning
towards the advice of the chief of the general staff Franz Conrad von Hötzen-
dorff. According to von Hötzendorff, war against Serbia was the best option
because of the internal problems of the Dual Monarchy. Austria Hungary had
already gone through a partial process of democratisation and liberalisation.
Part of the elite in Vienna came to see a war as the last chance to tackle
demands for further reforms as various nationalities wanted more self-
government and equal linguistic rights. The multinational Dual Monarchy
was particularly threatened by Balkan nationalism (Stevenson 2004: 11–13).
Thus the Austro-Hungarian decision to respond to the 28 June 1914 assas-
sination by means of war seems to have stemmed from the resolve of its
dynastic leaders and the aristocratic elites (responsible for foreign and security
policy) to resist tendencies towards disintegration. Their attempts to preserve
imperial unity turned out to be counterproductive, however. After four
years of bloody warfare, the Dual Monarchy collapsed and disintegrated into
numerous states.

Although the liberalist vision provides an important insight into the ori-
gins of the war, the problem is that it presupposes the universal efficiency and
justice of capitalist markets. The assumption is that free markets and trade
are beneficial to everyone. The plausibility of liberalism’s account of a na-
tural harmony is dependent on the validity of a particular economic theory and
related theory of justice (given the assumption that if my sense of justice
prevails everyone will be content and the world peaceful). The ethos of a
The capitalist market economy has been based on the scalar distribution model of justice—the more you contribute, the more you get. John Locke justified this ethos with a labour theory of value. Everybody is entitled to one’s personhood and the products of one’s own labour. Private property and its yields may also accumulate over time and across generations. At first, Locke (1963[1690]: 25–27, 327–29) assumed that everybody is labouring alone: a man (and his family and possibly a few other humans) against nature. All value is produced by undifferentiated and self-sufficient labourers, like a Robinson Crusoe, or, perhaps more realistically, some of the British migrants in the wilderness of the seventeenth century North America (ignoring of course the non-agrarian Indians). This presumption is plausible to the extent that one is assuming that human powers and rationality are instinctual, i.e., independent of socialisation, communication and learning. What has puzzled commentators, however, is the claim that this account of the causal origin of value in undifferentiated original labour applies also to a highly organised and thoroughly monetised market society that presupposes private property that can be inherited and otherwise passed on to others, social classes, and an advanced distribution of labour (e.g. MacPherson 1964: 238–51). Assuming the social nature of human powers and the complex social division of labour and cooperation, what could justify an individualist interpretation of the output, and its distribution?

One solution has been to maintain, first, that what matters is procedural distribution, and, second, that playing by the competitive rules of the market ultimately benefits all parties. This was the essence of Robert Nozick’s libertarian response to John Rawls’s A Theory of Justice, in his book entitled Anarchy, State, and Utopia (1974). Nozick maintained that if property is justly acquired and freely transferred, then no political authority may touch that property, not even via taxation, without the consent of the owner. The notion of justice inherent in mainstream neoclassical economics that emerged in the late nineteenth century has always been close to Nozick’s theory (although Nozick also appealed to the Kantian idea that people should be treated as rational beings, not merely as a means to others’ ends).

The two key notions of neoclassical economics that emerged in the late nineteenth century are: (i) Pareto-optimal equilibrium (Lawson 1997: 86–103) and (ii) marginal productivity (Keen 2001: 110–26). Pareto-optimality means that no arrangement can improve the position of anyone without making worse the position of somebody else. This implies that redistribution is not allowed to increase overall well-being or justice. Pareto-optimality is used routinely by the economists as a normative standard in evaluating different possible institutional arrangements (Rescher 1966: 12–18). Furthermore, according to the theory of marginal productivity, the contribution of a factor is defined to be the marginal product of that factor. If we make enough assumptions about rationality, the nature of transactions, the substitutability of factors, diminishing returns, and so forth, then a mathematical theorem can be invoked to show that the sum of the contributions, thus defined, will
be exactly the amount produced. If we make additional assumptions to ensure ‘perfect competition’, it can be shown that the market price of each factor will be equal to its contribution. In a famous, and also contested, interpretation of the ethico-political essence of marginalist economics, John B. Clark wrote in 1899: ‘it is the purpose of this work to show that the distribution of income to society is controlled by a natural law, and that this law, if it worked without friction, would give to every agent of production the amount of wealth which that agent creates’ (Clark 1908: 1). Assuming the scalar distribution model (‘the more you contribute, the more you get’), this amounts to a theory of justice according to which in competitive markets everyone gets what they deserve.

The problem is that this account of justice excludes a number of other plausible senses of justice. Moreover, classical and neoclassical theories about the mechanisms of capitalist market economy works have been, and remain, contested. For instance, the twentieth-century social democratic parties were committed to redistributive accounts of justice, just as Keynes and his followers argued that redistribution and countercyclical public spending on civilian projects are necessary for a well-functioning market economy. Marxists have maintained, more radically, that inherited private property and its accumulation is in itself a necessary cause of an irrational use of resources, exploitation and violence. Marxists advocate deeper and more fundamental social transformations. What, then, is the truth about relevant politico-economic mechanisms and processes? How does the capitalist market economy really work? What have been – and are – the consequences of the mechanisms and processes of the world economy to global security?

Capitalism, state and war

Whereas for classical liberalists capitalism is in no significant way responsible for imperialism or wars, some critics such as Veblen and Hobson generalised the criticism of traditional privileges and inequalities and applied it also to property-owners and managers. The nineteenth century processes of democratisation created tensions within inegalitarian societies. Socialists and social liberals argued and struggled for redistribution. These tensions, in Hobson’s analysis, had led to the demise of the Liberal party and its original ideals:

Having conceded under pressure the form of political power in the shape of elective institutions and a wide franchise to the masses, they are struggling to prevent the masses from gaining the substance of this power and using it for the establishment of equality of economic opportunities. . . . It is not that Liberals have openly abandoned the old principles and traditions, but that they have rendered them of no account by dallying with an Imperialism which they have foolishly and futilely striven to distinguish from the firmer brand of their political opponents. This surrender to Imperialism signifies that they have preferred the economic
interests of the possessing and speculative classes, to which most of their leaders belong, to the cause of Liberalism.

(Hobson 1988[1938]: 143–44)

Marx and his followers went a step further. They claimed that in the liberal-capitalist phase of history, the state is a necessary part of the class structure of society (see Schecter 2000: 41–2). The object of Marx’s critique was Hegel’s ‘rationalised theology of the state’. Marx contended that Hegel projected idealised human attributes first to God and then to the state. As a result, the state became God-like. Hegel’s mystifying move had two ideological effects. First, attributes of social relations and practices were mistaken as actual and potential human attributes. Thereby, second, historical conflicts and struggles were pushed out of sight. In contrast to real world repression by the state – sustaining and causing property, exploitation, violence and injustice – the state was represented by Hegel as harmonious and idealised, God-like human being. This mystifying ideology had led to the practice of treating the state as person-like, idealised in various ways, and thus represented as essentially a coherent and relatively harmonious whole. In Marx’s view, in reality the monopoly of violence by the state was used to sustain property rights and unjust (or exploitative) outcomes of economic processes.

From a long-term historical perspective, Marx was probably more right than his liberalist counterparts at least in one important regard. Foraging societies, which existed for more than 100,000 years before the slow Neolithic agrarian transformation began, had to be egalitarian. As long as human groups were nomadic, they could not create or store surpluses that would generate significant distinctions in wealth. Even the early Sumerian state-formations that emerged around 3500–4000 BCE, with large villages and organised religious and ceremonial activities, provides little evidence of any significant social stratification or wealth differences (Ponting 2001: 76). However, with the emergence of more intensive and planned forms of agriculture, a sense of village and family property developed. Collectively-organised forms of agriculture necessitated storage between harvests and made possible the accumulation of surplus and sustenance of non-farmers. At the same time the possibility of taking or robbing what others had produced and stored to satisfy one’s immediate needs also emerged. Violence – that had been ritualistic or stemmed from stirred-up emotions – became gradually more instrumental. Increasing social complexity and division of labour led to new abstract forms of thinking about religion and social organisation. At first religion and the temple provided leadership, owning all the land, but soon different functions and properties were at least partially separated. New groups of non-farmers appeared, in particular craftsmen and merchants. Another group of men, by specialising in violence, were able to secure a living without themselves producing the food and other commodities they consume. These developments made property both more diverse and precisely
defined; they also gave rise to the notion of abstract value, which in turn made possible not only further division of labour and systematic trade but also inequalities and exploitation. These developments also generated new forms of organised violence, taking the forms of human sacrifice, slavery and competing systems of warfare. (Christian 2005: 240–52; McNeill and McNeill 2003: 43–51)

I thus agree with Marx that inequalities, property, state-formations and organised violence have been historically linked. However, although Marx made an important point, his theory of state presupposes the validity of a particular account of justice and related economic theory. Marx never spelled out a theory of justice – rather, he often appeared to think that morality is merely a form of ideology, with no independent critical force – and consequently there has been a long debate over whether Marx thought that capitalist exploitation is unjust, and if yes, on what grounds (see Geras 1989). Marx gave many reasons for being critical of capitalism, including a notion of freedom (‘workers are being disciplined and enslaved by the property owners’), a theory of alienation (‘capitalism suppresses human essence and potential’), and a postulation of historical stages (‘it is inevitable that capitalism will be replaced with a more progressive system’). However, I think that in Capital, Marx (1906) developed an immanent critique of the moral ethos of capitalism and thereby presupposed Locke’s theory of justice, according to which labour is the source of all value.

Marx argued that in a class society, the propertied class extracts a surplus value from the production process. Thus one class of people receive benefits without contributing accordingly to the social process of production. The tacit ideal behind this argument is scalar distribution (‘the more you contribute, the more you get’). Marx’s argument that all real work, at least when conceived as ‘abstract labour’, is, for many purposes, essentially homogeneous. To demonstrate this, Marx tried to show that the monetary quantification of the value of working hours in the labour markets indicates that there is a substance of labour that is quantifiable and thus homogeneous, namely ‘abstract labour’ (Marx 1906: 81–96). This idea – that seems to cast a metaphorical abstraction of value into a materially real substance of the external world – was in turn made plausible by the presumption that human skills, capacities, technologies and machines have been produced by past labour. Although the actual productive power of labour varies historically, essentially, and as potential, human labour is always more or less the same. Socialism will first abolish capitalist class exploitation and people will get what they really contribute to the production process, measured in terms of working hours and their productivity (efforts, talents). At the same time, an increasing portion of produced wealth will go to common goods such as health and education. However, as explained in the ‘Critique of the Gotha Programme’ from 1875 (Marx 1979), in a future classless and stateless society, which has finally absented scarcity and material conflict, need-based fairness will prevail more fully:
In a higher phase of communist society, after the enslaving subordination of the individual to the division of labor, and therewith also the antithesis between mental and physical labor, has vanished; after labor has become not only a means of life but life’s prime want; after the productive forces have also increased with the all-around development of the individual, and all the springs of co-operative wealth flow more abundantly — only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: from each according to his ability, to each according to his needs!  

Marx conceded with Locke, Hume and other liberalists that the capitalist state’s main purpose is to ensure — by means of violence — that private property rights and contracts, including work contracts, are honoured. Some of the earlier waves of globalisation would have not been possible without universalist ideas, rules and principles, including those of justice. In particular, the Britain-based expansion of the capitalist market economy was grounded on the Lockean universalism of private property rights and contracts. John Locke (1963 [1690]) contended that many areas outside Europe are uncultivated — in the state of nature — and could thus be freely acquired by the Europeans. The non-agrarian aboriginals could be pushed back also by means of violence. For David Hume (1975 [1777]) a century later, justice had to do with private property and ownership; a just individual abides by the legal rules governing private property and ownership. The three fundamental and universal rules of justice, namely, stability of possession, transfer by consent, and keeping of promises, were laws of nature, and obedience to laws must be guaranteed by means of violence. Thus, also free trade and worldwide investments required the projection of military power around the world (as the late nineteenth-century theorists of geopolitics would claim). Having experienced nineteenth century state-repression first hand, Marx was also convinced that states were sustaining and causing capitalist exploitation, violence and injustices in the colonial areas too.

However, in my opinion Marx was quite wrong in taking the idea of historical phases so categorically. Layers of social realities from various eras of the past tend to remain causally efficacious and an important component in any social context. Thus, for instance in the Communist Manifesto, Marx and Engels gave a misleading picture of British society politics. Their picture of Britain as a class-society was overly simplified. Instead of two well-defined and exclusive classes of capitalists and workers, British society in fact consisted of a multiplicity of estates, classes and professions rather than consisting merely of large-scale capitalists and industrial factory-workers. Moreover, while the Reform Act of 1832 significantly increased the representation of the northern industrial cities such as Manchester in the House of Commons, Parliament continued to be dominated by the aristocracy and gentry for several decades after 1832 (see Boyer 1998: 169–70). Arguably, even after the British Representation of the People Act of 1884, aristocracy and gentry
occupied many key positions in the British state, administration and army, including in the colonial administration of the British Empire.

Although geo-historical realities are always more complex and multi-layered than what Marx, Engels and many of their followers have been willing to allow, it is true that private property constitutes essential relations between state and violence in capitalist market society. Yet it would be wrong to assume that these deep structures alone would be sufficient to generate any particular concrete geo-historical outcome such as the 1914–18 war. For instance, it was not necessary that the industrial capitalist expansion of the nineteenth century would become territorialised in the way it did from the 1870s onwards. Although Lenin thought that neo-imperialism was a necessary (and also the final) phase of capitalism, many aspects of the securitisation and territorialisation of economic expansion seem to have been contingent on the overlapping and mutually reinforcing effects of other mechanisms and processes. As Schumpeter, Hobson, and many others pointed out, if free trade had prevailed (as it did to an important degree), it would have been possible to buy food, raw materials or any other vital goods freely from the world markets. Moreover, free trade would also have maximised the size of the markets for the products coming from any particular country (although of course free trade would not have secured any part of world markets in monopoly terms). Kautsky argued further that late nineteenth century imperialism was in itself an impossible project. On the basis of trade statistics, he concluded that no matter how large your empire, your country would still need to buy numerous vital items in large quantities from world markets, and you would still need to sell your goods, predominantly, in the markets of other imperial states. So if the role of aristocracy can be only a partial explanation, and if also the deep structures of industrial capitalism and the states-system were not quite sufficient for the production of competing imperialisms in the late nineteenth century, and thus for co-generating the conditions for the 1914–18 war, what other layers, components, and mechanisms did these processes require?

The role of leading states, uneven developments and economic cycles

Complex state-formations have existed for about 5000–6000 years. The concept of property is perhaps a bit older, but assumed more diverse and concrete forms with the emergence of states. Money has existed almost as long as states as an abstract measure and store of value and medium of exchange. From the era of early state-formations onwards, conflicts and struggles over the state have not only concerned the occupation of positions in the hierarchy but also the rights of subjects or citizens and the rules and principles of production, exchange and money. In the classical era of military-agrarian empires, land was the basis for production, wealth and power; in the modern era, the resources of states and control over territory have been related in a more
complicated and ambiguous way. Industrial capitalism is different from earlier modes of production.

Since the eighteenth century developments in Europe, and in Britain in particular, the capitalist market economy has revolved around the contested idea of self-regulating markets. However, the laissez faire system is not natural but rather a geo-historical social construction, and presupposes extensive setting up of agencies, regulation and even planning. There is a need to administer detailed regulation of many spheres of social life if one wants to create and practically sustain the fiction of self-regulating markets for labour and commodities (as opposed to mere markets which have existed for millennia). The transformative capacity of states is, in turn, dependent also on their administrative capacities. Thus the emergence of conditions for industrial revolution included also the development of state powers. Modern European states, and perhaps Britain in particular, played a key role in producing the conditions for and institutions of an industrial market economy. Similar processes were underway in China and elsewhere centuries before the eighteenth century industrial revolution in Europe, and in some ways even before the rise of new judicial forms of enterprise and money in Renaissance Italy. Industrial production, trade and finance in turn provided new resources for the states.

**Leading states and free trade liberalism**

The state is an open, related and responding system. The state and its policies are open to various conflicts and struggles. In capitalist market economy, actors can further their interests by shaping the state, its organising principles and its policies. Whatever the state does effects the outcomes in the ‘self-regulating’ markets. In Wallerstein’s reading, the decisive markets for goods and services (but usually not for labour) are world markets. Entrepreneurs regularly seek state interference both in domestic and world markets in multiple forms such as subsidies, price regulation, restraints of trade, tariffs, guarantees etc. His explanation for the late nineteenth and early twentieth century (re)turn to competing imperialisms – resembling Robert Gilpin’s (1981) neorealist theory of hegemonic cycles – is based on a claim about a few simple trans-historical regularities.

In 1815–73, Britain had simultaneous advantage in production, trade and finance. According to Wallerstein (2000: 257; cf. Gilpin 1981: 137–45), hegemonic states during the period of their hegemony tend to be advocates of global liberalism, implying the endorsement of the free flow of goods, capital and, at times and in some ways, even labour. Liberalism is taken to include support for parliamentary institutions, the rule of law and civil liberties, which form the basis of self-regulating markets. Wallerstein’s idea is that because of the superior competitiveness of the enterprises domiciled in its territory, the hegemonic state benefits – and has little to lose – from global liberalism.
None of this should be exaggerated. Hegemonic powers regularly made exceptions to their anti-mercantilism, when it was in their interest to do so. Hegemonic powers regularly were willing to interfere with political processes in other states to ensure their own advantage. Hegemonic powers could be very repressive at home, if need be, to guarantee the national 'consensus'.

(Wallerstein 2000: 257)

However, by 1873 Britain had already lost its competitive edge in production and was also facing increasing competition in world commerce (cf. Gilpin 1981: 156–97, emphasising more the importance of increasing costs of political dominance and military technologies). 'When hegemony is eroded, and especially when the world-economy is in a Kondratieff downturn, a scramble arises among the leading powers to maintain their shares of the smaller pie, which undermines their collective ability to extract surplus via unequal exchange' (Wallerstein 2000: 262). This is a dense passage, loaded with contentious theoretical presuppositions. Kondratieff cycles are descriptions about the rate of growth, not about absolute growth. A long downward wave may make competition between states appear antagonistic, but in the late nineteenth century, for instance, the overall 'pie' was still growing. In other words, in the 1870s or 1880s, the economic competition between states was not a negative- or zero-sum game, but remained in principle a positive-sum game (of course, the nature of the game-like strategic situation depends also on the perceptions and understandings of the actors; see Appendix 1). In the late 1890s, a new long boom started, with very rapid economic growth from a long-term historical perspective.

Moreover, Wallerstein seems to take for granted the validity of Arrighi Emmanuel’s (1972) theory of unequal exchange. Unequal exchange is presented as the main explanation for the regional inequalities that have prevailed since the Industrial Revolution. These inequalities have repeatedly risen, although in cases of a new round of industrialisation, they have declined across certain regions or at least countries. Emmanuel’s model is built on Marx’s theory of value, assuming that all parts of the world produce an equal amount of economic value since essentially human labour is always more or less the same. According to the theory of unequal exchange, comparative advantage does not work to benefit all the agents involved in trade; and free trade does not lead to the equalisation of wages across countries, even though it is true that price differentials for homogeneous goods declined because of globalisation between 1870 and 1913 (in that era, financial capital could flow fairly freely across borders in its quest for the most profitable investment opportunities; see Rowe 2005: 415–21). However, because of persistent or growing wage differentials between core and periphery – in Emmanuel’s original model due to labour immobility, but other explanations have also been provided – the exchange of products between core and peripheral countries entails an exchange of unequal values. Because of wage
differentials (assuming homogeneous labour), more work is exchanged for less work and thus a surplus is transferred from peripheral to core countries.

The theory of unequal exchange provides an important insight into regional differences but also misses the crucial causal effects of uneven industrialisation and the cumulative effects of rises in productivity and economic growth (Gilpin 1981 is in fact an improvement in this regard). Since 1815, the use of external sources and new technologies of energy have greatly increased productivity wherever it has occurred. Technologically innovative industries (including innovation in agrarian production) have generated not only population growth but also rapid per capita growth. Technologically innovative industries have been particularly advantageous if they require inputs from multiple sectors that exist within the confines of the same state or area. On the other hand, mere extraction of raw materials, or specialisation in the production of simple or standardised goods that often face declining terms of trade, do not generate per capita growth in the same way. Hence, as will be discussed in chapter 5, an institutionalised worldwide division of labour tends to generate increasing inequalities but not necessarily for the reasons that Wallerstein accepts as true.

Uneven developments and the state

Leading states tend to lose their economic and technological advantages. Both Gilpin (1981: 175–85) and Wallerstein assume that global liberalism makes it difficult to prevent the spread of technological expertise. Moreover, technological diffusion is often followed by innovations in new places, relatively unconstrained by previous heavy investments in earlier technologies and related established practices and vested interests. ‘Hence over time it is virtually inevitable that entrepreneurs coming along later will be able to enter the most profitable markets with the most advanced technologies and younger “plant”’ (Wallerstein 2000: 261). This does not happen automatically, however, but requires ‘a firm and discreet and intelligent organisation of the entrepreneurial effort by the state-machinery’ that aims at ‘improving inch by inch its long-term competitiveness’ (ibid.: 262). As entrepreneurs regularly seek state interference in world markets, the vision of state-led industrial development can emerge from within the group of actual or potential capital-owners and managers.

This is in fact a crude description of what happened in the USA, in Germany and in other industrialising countries of the nineteenth century. While free trade and European imperialism led to the decline of proto-industries in Persia, India, China and elsewhere, some European states, English-speaking (former) colonies and Japan quickly started to adopt and develop new industrial technologies. Friedrich List (1789–1846) exemplifies the nineteenth century movement towards the idea of state-led industrial development. List was a civil servant, then appointed briefly a professor of administration and politics in Württemberg. Soon he faced repression and a prison sentence.
Thus he emigrated to the US where he resided from 1825–32, first engaging in farming and afterwards in journalism. It was in the USA that he found inspiration in Alexander Hamilton’s work and became a political economist, while retaining a strong interest in history and political theory. The national economic plan that Henry Clay, an important early nineteenth-century politician, called ‘The American System’ was rooted in Alexander Hamilton’s American School. It was designed to enable the development of the American manufacturing sector, largely centered on the eastern seaboard, to compete with British manufacturing (the US was at war with Britain in 1812, yet after the war British factories overwhelmed American ports with inexpensive goods). With these ideas and influences, List returned to Germany as the US consul at Leipzig in 1832. He strongly advocated the extension of the railway system in Germany. It is often claimed that the establishment of the Zollverein (customs union), economically unifying Germany, was partly due to his enthusiasm and advocacy. In 1841 List was offered the post of Editor of the Rheinische Zeitung, a new liberal paper that was being established in Cologne. However, apparent ill-health prevented him from accepting the post – which eventually went to Karl Marx.

Like his US predecessors, List reacted critically to the unique power and economic position of industrialised Britain, which also constituted a potential military threat. He protested against the cosmopolitan principles of classical liberalism and the absolute doctrine of free trade. In his principal work The National System of Political Economy, List (1885[1841]) insisted on the special requirements of each nation according to its circumstances and especially to the degree of its development, and he famously doubted the sincerity of calls to free trade from developed nations, Britain in particular. He argued that the purpose of the ‘cosmopolitical’ principles of free trade that Adam Smith and other liberals advocated was ‘to conceal the true policy of England . . . in order to induce foreign nations not to imitate that policy’:

Any nation which by means of protective duties and restrictions on navigation has raised her manufacturing power and her navigation to such a degree of development that no other nation can sustain free competition with her, can do nothing wiser than to throw away these ladders of her greatness, to preach to other nations the benefits of free trade, and to declare in penitent tones that she has hitherto wandered in the paths of error, and has now for the first time succeeded in discovering the truth.

(ibid., fourth book, ch.33: 2)

List was a republican thinker who developed ideas about freedom, democracy and prosperity of citizens in the modern context of industrialisation. Since the rise of Renaissance Italian city-states, ‘freedom and industry [have been] inseparable companions’. Italian city-states were weak, however, strained by internal struggles and the ‘lack of national union and the power which springs from it’ (ibid., first book, ch.1: 1–2). They were thus vulnerable to
intervention and domination by other states. It was this weakness that ultimately inhibited their further development and also led to the widespread corruption of the self-serving elites. On the basis of his understanding of the historical lessons of modern Europe, List concluded that only political communities with sufficiently large scale can survive and prosper. City-states are too small, while the cosmopolitan principles of liberalism – although not totally untrue – tend to mask the interests of the most advanced nations and states. Thus List assumed that the appropriate scale would be provided by the nation-state.

List was also arguing for a long-term perspective and systematic economic planning. Adam Smith’s ‘invisible hand’ was neither generalisable nor did it describe accurately the actual practices of the British state. According to List, it is regularly the case that the already existing private interests of the separate members of the community would not lead to the highest good of the whole. Even in the case of Britain, the landed aristocracy expressed such interests in introducing the Corn Laws that served only their short-term interests, rather than the interests of the industrialising Britain as a whole. The protectionist Corn Laws in fact induced the Continental nations to seek methods of establishing a manufacturing power of their own²² (ibid.: fourth book, ch.33, 4).

For List, wealth consists not in the quantity of actual exchange values which it already possesses, but in the long-term development of its productive powers. Thus statesmen should be prepared to take the long view, despite the need to deal also with matters of immediate urgency, and bring into existence through legislative and administrative action the conditions required for the industrial progress of the nation. This meant, among other things, protective tariffs in the early phases of industrialisation; active engagement and public investments in the physical infrastructure (canals, railways, commercial fleet, navy); focused attempts to improve the general level of education and other prerequisites of scientific research and technological development within the country; and active colonialism following the model of the British in India (i.e. creating a core-periphery pattern of trade).

What Wallerstein represents as the inevitable, law-like development of the world economy was in fact a historical description of the particular nineteenth-century ethico-political projects of Clay, List and others. Their projects of national development by active state policies emerged from within the state-apparatuses (although entrepreneurial and capitalist ambitions also played a formative role; List’s father was a craftsman and a petty entrepreneur). These projects were, in part, a reaction to the problems and threats posed by the dominance of the leading state, Britain; but they were also modelled on its evident success in industrialisation.

The revolutions of 1848 – at a time when Europe was facing a long and severe economic depression – disrupted bottom-up democratic plans to create a German Federation. Twelve years later, after a period of a long boom in Europe, a conflict over army reforms caused a constitutional crisis in Prussia. The Prussian king, Wilhelm I, appointed Otto von Bismarck prime minister
in 1862. Bismarck tried to resolve the constitutional crisis and established Prussia as the leading German power through foreign triumphs. From 1866 onwards the National Liberals were the main allies of Bismarck (democratic radicals and Marxist social democrats refused to join this alliance). In a few years, Bismarck’s military and political victories led to the formation of a conservative-liberal, Prussian-dominated German state (see Hobsbawm 1997: 129–33).

In a sense, List’s national-republican project turned out to be a great success, but it also became militarised through Bismarckian foreign policy and wars, in part because the earlier, more democratic and peaceful path to national unification failed. Moreover, although the French may have been defeated because of poor leadership, it was German industrialisation that made its victory possible in the 1870–71 war (the French army had technological advantages in some areas; however, Krupps steel-made artillery proved effective and German railways were vital for the Prussian war efforts). The parallel US project of industrialisation and federal nation-building was also a success in some ways – but it also precipitated a civil war in the early 1860s between the industrialising north-east and the slave-labour based agrarian South. These wars, and especially the Franco-German war of 1870–71, caused alarm in Britain, which was simultaneously also facing increasing commercial competition in world markets.

**Economic cycles and crises**

Economic cycle refers to the periodic fluctuations of economic activity around its long term growth trend. Economic growth was slow before 1815, compared to the standards of the industrial era (see Maddison 2005). Effective industrialisation in the first half of the nineteenth century accelerated growth and possibly also made economic cycles steeper.  

In Britain in particular, but also elsewhere in Europe and North America, the 1840s seem to have been a particularly dismal decade in terms of economic developments. The conditions of the working class in industrial cities such as Manchester – perhaps the most industrialised city of the world at the time – declined in absolute terms. The average working class life expectancy in Manchester was only 17 years, less than any time before or after the 1840s. Almost 60 per cent of children born in Manchester to working class parents died before their fifth birthday (Boyer 1998: 159). Soon after 1848, however, a long upward wave and boom began that lasted until 1873. This long wave – coupled with various social reforms – raised living standards across British society and also elsewhere in Europe and North America, although it may have been accompanied by rising income inequalities too as the rich were getting richer.

Following the period of slower growth from 1873 to the 1890s, depressions and uncertainty, a new upward turn finally began in 1890–96. This is a typical example of a long wave. A downward wave may also involve years of negative growth, although these are rare, whereas an upward wave means
positive growth every year although at varying rates. Within these apparent long waves, various cycles with shorter spans have been identified:

1. The Kitchin inventory cycle (3–5 years)
2. The Juglar fixed investment cycle (7–11 years).
3. And the Kuznets infrastructural investment cycle (15–25 years).

The nineteenth-century theories of business cycles were usually based on the idea of under-consumption. Under-consumption hypothesis posits a general tendency towards oversaving and insufficient aggregate demand, but also allows for periodical fluctuations and crises. The original context of the development of this hypothesis was the British depression of the late 1880s. At that time, classical economists were at a loss to explain the recurrently occurring vicious business cycles. Although the concept of under-consumption/oversaving had been proposed in some forms before, it emerged as a plausible alternative and was endorsed by economists such as Hobson, who also used it to explain the rise of new imperialism.

In the 1930s, Keynes became the leading figure of a new generation of economists. Perhaps the main difference between John Maynard Keynes and the earlier theorists of economic cycles and repression is that Keynes (1961[1936]: 324–26) also stressed the role of expectations regarding an uncertain future and investments. Income distributions and variations in consumption explain business cycles only in part; the determination of investments is equally important. Investments are codetermined by horizons of expectations and (particularly long-term) interest rates. Keynes provided also an alternative way of understanding fluctuations in consumption. Unpredictability and uncertainty of the future is a key to understanding many developments in a market economy. For instance, the public's preference for liquidity – people's wish to hold cash instead of consuming or investing their money – is caused not only by the use of cash in exchange but also by the uncertainty of the future. When there is confidence in the future, people feel secure about consuming and investing.

All the subsequent theories of economic cycles have focused more on investments than on consumption (as the names of different cycles indicate: Kitchin – stockpiling and inventories; Juglar – large fixed investments; Kuznets – large infrastructural investments). In his later economic theories, Schumpeter (1939a, b) for instance stressed the role of clusters of technological innovations and cyclically fluctuating financial possibilities for funding them. However, it was also Keynes's insight that finance is critically important and that the development of financial markets changes the way capitalist market economy works. In developed money markets, it is possible to speculate, on credit, about the future and changes in interest and currency exchange rates (Keynes 1961[1936]: 170). On the other hand, the marginal productivity of capital depends not only on the price of capital goods but also on expectations of future revenues. Rising prices, for example, raise
expectations and thereby increase the marginal productivity of capital and investments. Investments in turn have multiplying effects on other economic activities (ibid.: 135–46).

At the heart of Keynes’ general theory is, first, the idea that economic developments often have cumulative and multiplying effects, both upwards and downwards and, second, that the ‘development’ of financial markets creates new sources of uncertainty and disturbances. The development of financial markets makes the dynamics of savings, investments and interest rates more complicated and contradictory. Small errors in calculations or unexpected changes can thereby make some financial actors insolvent quite easily; relatively minor problems or changes may thus trigger a major crisis. When speculation in this sense prevails, financial markets become increasingly volatile and crisis-prone. Increased uncertainty and crises affect anticipations of future and usually decrease the marginal productivity of capital and thereby investments. This has multiplying negative effects on other economic activities.

It is beyond the scope of this chapter to provide a detailed explanatory model for why exactly the speed of economic growth slowed down after 1873 and why, in the subsequent two decades, various economic crises and depressions were so frequent. Suffice to say that this era began with stock exchange crashes and bank failures in 1873 in Austria, Germany, the United States and elsewhere, followed by a sweeping and enduring fall in production and trade, and a rise in unemployment. In a few years, this situation led to protectionism and cartel formation, at first particularly in Germany. After a brief recovery, the same thing happened again in 1882–84. Great Britain suffered the repercussions of these crises: exports became more difficult, market competition increased, industrial activity slowed, prices fell, and unemployment of unionised workers rose (Beaud 2004: 136–39). As shown by Table 4.2, this period was by and large severely deflationary. Prices began to rise again after 1895–96.

It was this world economic context of the 1870s and 1880s within which ‘certain English industries were beginning to grow quite sensitive to the dumping tactics employed by German and American exporters’, as Schumpeter (1989 [1951]: 14) acknowledged (also see Cain and Hopkins 2002:

<table>
<thead>
<tr>
<th></th>
<th>Great Britain</th>
<th>France</th>
<th>Germany</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period maximum</td>
<td>152 (1873)</td>
<td>144 (1872, 1873)</td>
<td>136 (1873)</td>
<td>213 (1865)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>136 (1873)</td>
</tr>
<tr>
<td>Period minimum</td>
<td>83 (1896)</td>
<td>82 (1896)</td>
<td>82 (1895, 1896)</td>
<td>75 (1896, 1897)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-war maximum</td>
<td>116 (1912, 1913)</td>
<td>116 (1912, 1913)</td>
<td>115 (1912, 1913)</td>
<td>113 (1910, 1912–13)</td>
</tr>
</tbody>
</table>

Source: Beaud 2004: 139 (originally from Frédéric Mauro 1971).
There was also a perception in both Britain and France that the German and American markets had become less open to their exports, while flooding their markets with cheap goods. The collective outcome of the worldwide trend of slower growth and increased international competition — perhaps particularly from Britain’s point of view — was the perception of a tougher situation. This was the context in which the British conservatives proposed their ‘Imperial Federation’ plan comprising protective tariffs, militarist sentiments and an ideology of a unified ‘Greater Britain’. Although the ‘Imperial Federation’ plan was never fully implemented, other states responded to it by taking it as a model for their own policies. Thus, by the time when the new upward wave begun in the 1890s (for an explanation, see chapter 5, ‘The long wave cycles’, p. 181), economic competition among the major states was by and large securitised, and imperialist and militarist perspectives had become dominant.

The theory of lateral pressure

The starting point of the theory of lateral pressure, originally developed by Choucri and North (1975) to explain the First World War, is that some of the more important causes of war are rooted in the processes of national growth. Choucri and North focus on the four decades preceding the war 1870–1914, the first half of which was actually an era of relatively slow and unstable growth. Ignoring the variation within this epoch, their main thesis is that a substantially growing state is likely to generate expansion, competition, rivalry, conflict and violence. Based on the systematic study of the 1870–1914 period, their basic claim is that when many states expand their interests and activities outward, colliding interests with the spheres of interest become increasingly likely. Therefore a growing state can easily find itself embroiled in international conflicts, crises and wars. Indeed, based on their analysis of political economy developments in 1870–1914, they conclude that ‘growth can be a lethal process’ (ibid.: 1).

The theory of lateral pressure provides a systematic empirical analysis of the overall context in 1870–1914, given the prevailing modes of responsiveness and the actual responses that generated competing imperialisms between European great powers (though Japan and the United States also became involved later). In other words, the study of Choucri and North is about contrastive demi-regularities of a particular politico-economic context, not about universal invariances. At the heart of the theory of lateral pressure is a metaphor that comes from the physical world and practices of engineering. Literally, lateral earth pressure represents pressures that are ‘to the side’ (horizontal) rather than vertical. Accordingly, in the theory of lateral pressure, economic growth is understood as physical expansion in space understood in terms of containers, putting pressure on other physical containers or at least on their extended (imperial) space containers. The metaphor of ‘lateral pressure’ translates easily into an implicit territorial understanding of geo-politics.
and may thus be misleading; it assumes what should be explained. What is particularly valuable of Choucri and North’s study, however, is its attempt to pull together and assess different explanations of the 1914–18 war in a systematic fashion.

Choucri and North’s study tries to identify certain trends and processes but not predict the outbreak of the war of any other particular event (ibid.: 9). Choucri and North ‘uncovered an extensive interdependency among certain variables: growth, expansion, competition, conflict of national interests, alliance, and violence’ (ibid.: 2–3). Moreover, they concluded that given these ‘variables’, several combinations of them and different specific paths of causality would have led to a roughly similar outcome, namely to setting the stage – establishing violence-prone interaction patterns, arming the players, and deploying the forces – for the First World War. The Choucri-North model of the dynamics of international violence is depicted schematically in Figure 4.1.

According to the model of Choucri and North, in the world historical context of 1870–1914, population density and national income and trade per capita contributed to colonial expansion. Domestic and transnational socio-economic structures and processes were thus important taproots of colonial expansion and, indirectly, large-scale violence. The expansion of colonial areas in turn contributed to the intensity of intersections, and both of these variables

![Figure 4.1 Dynamics of international violence: the model of Choucri and North. Source: Choucri and North 1975: 168.](image-url)
induced military expenditures. Military expenditures in turn further increased the intensity of intersections and also intensified alliance-formation. Together intensity of intersections, military expenditures and intensive alliance-formation contributed, finally, to violence. The statistically significant links were somewhat different for different countries and not always applicable throughout the era of 1870–1914.

Despite complexity, the overall outcome would have often remained more or less the same independently of a number of possible alterations of the levels of ‘variables’. Moreover, in the 1870–1914 context, many coefficients for various processes exhibited markedly greater sensitivity to upward rather than downward swings. Also on the basis of their analysis of the sensitivity of the outcomes to different coefficients, Choucri and North conclude:

Our analysis has substantiated our hypothesis that military expenditures and alliances (both generated by national growth) often evoke a violent response from rival powers (although not necessarily an increase in military spending). This response, in turn, evokes violence-behaviour by the first country. This action–reaction process, so characteristic of major-power interaction, partially validates and partially modifies Richardson’s hypothesis.

(ibid.: 278)

Taken at face value, Choucri and North’s positivist methodology implies reification of not only actions but also of struggles over, and transformations, of the geo-historical context in the period 1870–1914. However, if interpreted merely as an analytical description and systematic assessment of some of the contrastive demi-regularities of the 1870–1914 era, Choucri and North’s study illuminates how different components of this context tended to reinforce each other. It also illuminates how they generated a world historical causal path that in a few decades resulted in setting a stage for the outbreak of the First World War.

A synthetic explanation of the 1914–18 war: actors, structures and nodal points

In attempting to explain the late nineteenth century new imperialism and the First World War, I have now criss-crossed the same ground from different angles. I have moved from the empirical level of analysis to a more abstract analysis of layers of geo-historical realities that produced the conditions for the First World War. I have also tried to identify weak points of view and to look for the best candidates among competing alternatives. Although I could have continued the process of assessing empirical and theoretical evidence for much longer, I am now in a position to conclude with what looks like a plausible model. Judgments about plausibility are tricky, however. It is always possible to find an even stronger or more defensible position, that is, a
model and story which is truer. Perhaps even more strikingly, however, we also know that experts in world politics have an especially poor track record in revising their understandings on the basis of evidence (Tetlock 1999, 2005). This is in part because of the methodological problems of explaining outcomes of open systems.

Given the multiplicity of relevant conditions in an open system, any attempt to explain a major outcome such as the First World War must include manifold causal conditions and mechanisms. It must also locate them in time, and thereby tell an explanatory story. Usually actors acknowledge and monitor several conditions for action – even though their specific understanding may also be vague, contradictory or contested – yet many conditions remain also unacknowledged. Since cause is a necessary part of a given complex condition, any claim about C being a cause for an outcome X implies a counterfactual claim that without C, that particular geo-historical complex would not have produced X. This counterfactual implication can be a mere hypothetical thought-experiment, for the plausibility of the absence of C in a given geo-historical context is a separate issue.

A number of components of a causal complex can be necessary for a complex to produce the relevant outcome; and thus a specific outcome may be contingent on a number of activity- and concept-dependent conditions and manifold actions. The strongest and most defensible explanation of the 1914–18 war must thus specify a series of temporally-layered counterfactuals, some of which may also be plausible on the basis of the available evidence. Moreover, it is also essential to consider the possibility that there could have been other sufficient conditions capable of producing a similar result. While specific outcomes may appear highly contingent, it is in fact possible that similar outcomes could have occurred independently of several parts of the relevant complex. Deeper explanations should recognise the existence of the possibility of similar or analogous structures and processes across a wide variety of contexts. These structures and processes may have the power and potential for producing similar outcomes, whether actual or not.

Openness to particular counterfactuals seems typically a matter of the specific ideological sympathies and antipathies activated by particular problems. This is in part due to the nature of social sciences in which explanatory work must proceed in an open system context that lacks the possibility of experimental replication (cf. Lawson 2007). It is thus of critical importance to derive falsifiable implications from counterfactual propositions that can be investigated in terms of actual historical world and other falsifiable arguments. For example, scholars can shed light on how close Germany came to victory in August–September 1914, or how hesitant the decision-makers of Austria had been prior to summer 1914 to resort to war against Serbia despite the opinions of some military advisers. In the following I will specify layers of relevant social realities in a systematic fashion, starting with agency and actions, moving to structures and mechanisms, and concluding with an
account of the key nodal points (these layers, components and nodal points are collected in tables in Appendix 2).

**Actors**

As Anthony Giddens (1979: 64) emphasises, social structures do not exist independently of actors or their knowledge. Society presupposes the existence of:

(i) knowledge – as memory traces – of ‘how things are to be done’ on the part of social actors (i.e. actors must be competent);
(ii) social (and positioned) practices organised through the recursive mobilisation of that knowledge; and
(iii) the transformative capabilities, i.e. power, that the production of those practices presupposes.

In this section, I explicate the layers of agency and modes of action that were significantly present in the 1870–1914 era and play primary roles in my explanatory story about the causes of the First World War.

Dynastic rulers – themselves usually coming from the hereditary class of military leaders (aristocracy) – remained important foreign-policy makers in 1870–1914, and also shaped mass public opinion, for instance, with their statements and interviews in the press. Various types of dynasties had governed most state-formations and empires since the early state formation five to six thousand years ago, the sole exception being periods of republican city-states in ancient India, Hellas, Rome, Hansa League, Renaissance Italy and a few other places. However, in modern Europe, absolutist monarchy and particularly authority derived from God was questioned by modern science and scientific theories; by various modern republican experiments; and by the project of Enlightenment. These developments culminated in the French Revolution.

In the nineteenth century, constitutionalisation and democratisation took place throughout Europe (except in Russia). Yet, in accordance with the conservative tenets of the Concert of Vienna order in Europe, dynasties still remained in leadership and decision-making positions in 1914. The agency and powers of dynastic rulers was in part defined in the new constitutions of European states. In part their agency was based on traditional notions of honour and glory as well as on the rules and principles of territorial military rule and power balancing, for instance through interdynastic marriages. In 1914, four of the European dynastic leaders were kinsmen (Nicholas II of Russia, Wilhelm II of Germany, George V of England and Leopold II of Belgium).

Professionals of organised violence emerged with early state formations. The term aristocrat is derived from the Greek words *aristos* (‘best’) and *kratein* (‘to rule’), originally referring to the bravery of army leaders. A roughly similar concept and equivalent social class existed in most complex political
systems from 3000 BC until the French Revolution, including even many of the republican systems. Although it is part of the concept of aristocracy that property and privileges pass down through inheritance, which also enables roles other than those related to military leadership, the primary military meaning of aristocracy endured until 1914. In addition to being major landowners, the nineteenth-century European aristocrats habitually served as army officers, diplomats, colonial administrators and state officials. In many places, aristocrats used to have an exclusive right to state offices. Also important from the point of view of explaining both imperialism and the developments that led to the First World War is that finance was dominated by gentlemen that by and large had their roots in nobility (this is the central thesis of Cain and Hopkins 2002, although they stress that the English gentleman was made through suitable education and socialisation, as well as by being born into nobility). This was probably at least a reason for Hobson’s suspicion that finance is particularly prone to imperialism.

The agency of both dynastic leaders and aristocrats was a constant object of political struggles in the nineteenth century. The American and French Revolutions denied the idea that aristocracy represented the ‘best’ of society, and in the 1830s and 1840s this challenge re-emerged in Europe. Had the attempted transformations succeeded, say, in 1848, Europe would have looked different in the 1870s and 1880s and of course also in the 1910s. How much would this have changed the responsiveness of states and thereby world history? Schumpeter claimed that the absence of dynastic rulers and aristocracy would have made a decisive difference; thorough implementation of liberalist principles should have prevented imperialism and the war. However, ideas and practices can, and often do, transcend their social origins, even if in a somewhat altered form. A case in point is the scheme of balance of power that emerged in the early eighteenth century, after Newton’s theory had been widely accepted in European courts. Newton’s Third Law – which states that for every action there is an equal and opposite reaction – seemed to accord with the common sense of inter-dynastic struggles and practices of alliance-building. Moreover, in a Newtonian system, a system is stable only when all the forces affecting its parts are in balance (equal each other out). This ideal of stability was established as a social norm for the first time in the Peace of Utrecht (1713). On the other hand, any perception of change – as interpreted by any of the parties – in the strength of one or several of these forces would seem to threaten stability, as happened with the unification of Germany. As part of the meaningful framework of ‘how things are to be done’, the balance of power scheme co-constituted the mode of responsiveness of Britain to the German unification.25

Political parties and more or less professional non-aristocratic – at first often gentlemen – politicians rose with parliamentarism, following various republican attempts and particularly the Glorious Revolution in Britain. With further democratisation in the nineteenth century, frequently linked to upheavals, revolutions or wars, suffrage was gradually extended to cover
larger parts of the population (the French Revolution introduced universal manhood suffrage but applied it only once). Also per capita economic growth qualified more people to vote, for instance in Britain, particularly in the decades preceding the war. With democratisation of the vote came the democratisation of candidacy. New political parties emerged. These represented not only the opinions and visions of land-owning aristocracy and military (conservatism), entrepreneurs and the middle classes (liberalism), but also of new democratic, socialist, feminist and nationalist movements. Often these movements turned into political parties, or at least started to shape their programmes. Industrialisation made labour movement increasingly vibrant and popular in 1870–1914. Foreign policy-making remained the locus of tiny elites, but issues of foreign policy were debated widely in the press, in the parliament and by representatives of different political parties.

In summer 1914, the decisions to go to war were made by a coterie of some six, eight, or ten individuals, consisting usually of the monarch, a prime minister, a foreign minister, a war minister, an army chief of staff and possibly a finance minister. The British monarch, George V, took no significant part in the discussions, and Emperor Franz Joseph had in the end only a peripheral role (Hamilton and Herwig 2003: 11). Typically the army chief of staff and many of the ministers came from aristocracy, but the decision-making was not confined to them. Moreover, the contentious decisions of labour and socialist parliamentary groups to support the war effort of their countries were significant to the subsequent developments.

Double book-keeping, capital accounting and new legal forms of enterprise, property rights and contract emerged first in Renaissance Italy; although in some ways similar earlier practices and formations had existed in various ancient civilisations and did exist in the contemporary Islamic world, India and China. Trade with shares was associated with early colonial ventures. Financial markets proper emerged first in the seventeenth-century Netherlands (and were closed down in frequent intervals after each major financial bubble and crisis). Stricter separation of private and corporate property – the joint stock corporation – was introduced in the mid-nineteenth century US. Soon European countries followed and introduced similar legislation.

In the course of this long historical process evolved new forms of agency characteristic of capitalist market society, namely Schumpeterian entrepreneurs, Marxian capitalists, and Veblenian technocratic managers of firms. As a consequence of liberalisation of production, trade and finance, in principle anyone with a potentially profitable idea or project (innovation in the economic sense of the term) and sufficient venture capital could become an entrepreneur in the Schumpeterian sense. Perhaps even more easily, anyone with notable wealth and possessions – including of course the members of aristocracy and dynastic families – could become a capitalist in the Marxist sense by investing parts of their monetised property in shares of enterprises. Moreover, due to economic concentration and increasing technical complexity in the late nineteenth century, a new class of professional managers
emerged. Their knowledge of ‘how things are to be done’ was formed in the new business schools.

Until 1914, entrepreneurs and capitalists – together with aristocrats, many of whom had turned into capitalist, financiers or in some cases even entrepreneurs – were overrepresented in parliaments. They owned most newspapers and presses and had thus a say on what could be published and discussed in the public sphere. Moreover, states – although democratised in some regards – seem to have become increasingly capitalist. In the seventeenth and eighteenth centuries states had started to raise funds for wars and other ventures by borrowing money on a large scale. State policies and legal innovations also contributed to the rise of financial markets. In the nineteenth century particularly those in possession or in charge of large concentrations of capital were increasingly involved in running state bureaucracies or shaping state policies. Moreover, the ‘national interest’ was defined to include the protection of commercial and financial interests.

The idea of *res publica* and elected officials is as old as the state; it re-emerged first in the city-states of ancient India, Greece and Rome; then in Renaissance and seventeenth century Europe; and again in the French and American Revolutions. Since the French Revolution, republicanism has been fused with nationalist, socialist, anarchist and feminist ideas. What was common to these modern social movements was their criticism of established privileges and attempt to realise the idea, in one way or another, that all human beings – or at least all members of a territorial political community (cf. Linklater 1982) – have the same potential, whether for public reasoning, political deliberation or work understood as self-development.

For many activists of these movements, poverty, inequalities, exploitation, imperialism and wars were social ills that can and should be absent by means of collective action. They disagreed in their interpretations about the source of the main problem and visions of actualising the allegedly universal human potential. Those inclined to nationalism confined their transformative activities to their own ‘nation’; this solution was also often encouraged by the prevailing institutional framework. Many activists faced repression, which shaped the subsequent developments of the movements. Some learnt the lesson – even cultivated the idea – that genuine changes are impossible without violence. Given the geo-historical layers of agency, it may be that the counter-revolutionary repression of political activists by the dynasties, aristocratic state and army officers and some capitalists was likely, even inevitable to an extent. The aristocratic self-understanding as ‘best fit to rule’ and their knowledge about ‘how things are to be done’ were prone to violent response to all demands to democratise society. What was not as inevitable was the outcome of these struggles.

Following various struggles, and with gradual democratisation in the nineteenth century, some activists of the emergent movements had turned into professional politicians by 1914. Journalists and intellectuals often participated in the organised activities of modern social movements, but their
agency was not reducible to these movements. Print capitalism, rising levels of education and literacy, and the spread of regularly published newspapers created the conditions for a national public sphere and thereby also for nationalism as an ideology in the late eighteenth and early nineteenth centuries. Moreover, science societies and universities, some of them liberal and free (Göttingen, Berlin), educated an increasing number of young men. Many of them became civil servants, entrepreneurs, managers and so on, but some assumed the role of professional intellectuals, writing books on economic and political theory and articles to newspapers. Some were lucky to secure a place in the established universities. Others – often the less conventional and more radical thinkers – had to escape repression in another, sufficiently liberal state. Classical theorists of imperialism – Schumpeter, Veblen, Hobson, Kautsky and Lenin – were all intellectuals. Journalists and intellectuals developed constitutive ideas for modern social and political transformations, including those that took place between 1917 and 1920.

The modern state is constituted as a person in international law and more loosely in many journalistic and practical political discourses. Nonetheless, collective actors such as corporations, universities, newspapers or states are not actors in the same sense as human agents. As a social system, the state is real because it has visible causal effects. As an organisation, the state has the capacity to form a will, articulate intentions and implement them. In some contexts, it may perhaps be legitimate to speak of a state’s opinions, intentions and actions as if it were a human person, but in fact these are just anthropomorphic expressions about those institutions and practices that constitute a state’s mode of responsiveness. The state is not a person, despite its legal personality. The plausibility of the state-is-a-person metaphor rests on the assumption behind many practices that external sovereignty is analogical to exclusive private property, and sovereign state is, metaphorically, a possessive individual. However, as a collective actor state is in a non-stop process of formation of its identity, interests and foreign policy, in which many concrete human actors participate in one way or another.

Structures and mechanisms

The next task is to explicate the layers of social structures and mechanisms that constituted or generated key aspects of the action-context in 1870–1914. Although efficient, formal and final causes operate only through human agency, society is both the ever-present condition and the continually (re)produced outcome of human agency. Although aristocratic land-owners became increasingly business-orientated and capitalist over time, various pre-modern relations and practices of state governance remained efficacious throughout the pre-1914 era. For instance, at the time of the 1848 revolutions, important state positions were occupied by monarchs, princes and aristocrats; they also controlled the means of violence. In alliance with some of the wealthier parts of the middle class and emerging industrial capitalists (see O’Boyle 1961
about the social basis of these struggles), the pre-modern rulers were able to partly repress the revolutions and partly transform them into more 'acceptable' forms of nationalism, combined with some modest reforms. Following the basic principles of the Concert of Vienna, the European dynastic rulers and aristocrats also worked together to suppress attempts to revive the ideas of the French Revolution. Although it is clear that with subsequent nineteenth century political reforms the pre-modern relations and practices of state governance became less important, the role of these 'atavisms' remained significant until 1917–18.

Pre-modern structures do not, however, suffice to explain the return to competing imperialisms in the 1870s and 1880s. Due to the Industrial Revolution, economic growth accelerated in Europe during the first half of the nineteenth century. Industrial civilisation, based on the work of machines operated with external sources of energy, was preceded by a series of innovations in China, India and, later, Europe. In some plausible counterfactual worlds, industrialisation could have also begun for instance in China, with far-reaching world historical implications (see Patomäki 2007a). However, with the rise of industrial capitalism first at the north-western corner of the Eurasian continent, newly acquired property and therefore more widely based representation became increasingly prevalent. At the same time, as Veblen argued, excessive acquisition of wealth in a capitalist market economy can give rise to a tendency towards a return to something resembling dynastic ascendancy and courtly honour even in a relatively democratic context. The tendency to economic concentration facilitates this excessive acquisition of wealth and gives large-scale owners resources that they can translate into political influence. Moreover, as these developments may lead to the establishment of vested interests to foreign acquisition in many states, excessive concentrations of wealth can also generate a tendency towards inter-state competition. As capitalists and entrepreneurs seek various forms of state interference both in domestic and world markets, powerful vested interests can also translate into favouring imperialist policies.

Perhaps more important, however, is the role of state in responding to uneven developments and industrialisation. This response has been justified also in terms of a reaction to the military threat posed by the technologically more advanced industrialised countries. For Clay, List and others, the project of state-led industrialisation was also about freedom, self-determination, democracy and well-being. In Germany and elsewhere, the project of state-led industrialisation probably gained popularity also because it opened up state offices for newly educated young men (cf. O’Boyle 1961: 382–83). A developmentalist state made rapid industrialisation outside of Britain possible. However, the developmentalist state also strengthened the tendency towards economic concentration and the liability to territorialisation of the competition between state-based actors in the world economy.

In the period 1870–1914, also various structurally induced illusions about how the world works co-constituted responses of dynastic leaders and
politicians, and thus shaped state interactions. The social construction of enemies – that in this era often followed the quasi-dynastic formation of new alliances – presupposed ancient Manichean meaning structures. Discourses of imperialism, in turn, exemplified various forms of narcissism of collective memory; and enabled high-minded justifications of external expansionism. The imperial expansion itself was made possible by modern industrial war-making capabilities and economic competitiveness.

Partially false, misleading and ideological economic theories and policy discourses conditioned the focal state responses to the economic problems of the 1870s and 1880s. With hindsight, appropriate domestic economic policies and collectively responsible multilateral responses could have made all parties less insecure and economically better off (but were probably beyond the reach of the policy-makers in the 1870s and 1880s, given the nature of their historical agency and conceptions of political economy available to them). In the absence of adequate collective responses, narcissism of collective memory, reification of socio-economic processes and fallacies of composition generated short-sighted unilateral responses. In about twenty years’ time, the collective outcome of these responses was an arms race between great powers, with Britain and Germany in particular. This arms race was made more severe by the second Industrial Revolution. Technological changes were turning weapons systems rapidly obsolete, accelerating the pace of the arms race and consolidating military–industrial complexes.

Explanatory story

It is time to summarise the explanatory story, in a reverse temporal order. Even after the First World War had commenced in Europe, a relatively quick end to it remained a genuine possibility. Had Germany defeated France on the Western front in September 1914, an early peace treaty might have been a real historical possibility. However, given the pre-war naval arms race that had occurred between Britain and Germany, both of them could have decided – for different reasons – to make a peace treaty an unlikely prospect. Nonetheless, an abrupt end to the war was a possibility. There was also nothing inevitable about the precise timing of the war. The June 1914 assassination in Sarajevo could have failed, or Germany and Austria-Hungary, or Russia and France, could have responded in a different manner, as they had done before. Had Europe survived the summer of 1914 without an outbreak of a major war, the likelihood of a great war would nevertheless have remained high for years to come.

In my explanatory story, the most important geo-historical nodal point was the 1870–1890 turn to competing imperialisms (the Franco-German was in 1870–71, and Disraeli delivered his Crystal Palace speech in 1872). It was a jump point in a sense of creating a new imperialist horizon of possibilities, but it was also a branch point, gradually foreclosing possible lines of development towards a pluralist security community in Europe.26 The British,
who had trading posts, military bases, colonies and dependencies all over the world – and particularly in India – initiated the neo-imperial turn in the context of its declining competitiveness, long downward wave of the world economy, and the ‘German threat’. Britain’s global reach – commercially, financially and militarily – was mobilized as a resource in geo-economic competition. The multi-sided and gradual turn to imperialism by the great powers of the late nineteenth century set into motion a self-reinforcing process that implied further securitisation of politico-economic relations inside Europe and in part also globally.

Industrial production involves long-term investments that are risky for the investors. ‘Unless the continuance of production was reasonably assured, such a risk was not bearable’ (Polanyi 1957[1944]: 75). The leading state’s attempt to secure its position by protectionist and imperialist means – however half-hearted those means might have been in practice – was perceived not only as a model to be followed but frequently also as a threat to the vital industrial interests of the new industrial countries. Subsequently, some states responded in kind. The overall context was soon becoming more competitive and territorialist, as well as imperialist and militarist. These developments constituted a long-term process of mutually self-reinforcing securitisation. From the 1890s onwards, this process of securitisation led to a hectic process of alliance reformations, then an arms race and finally the war.

The ‘German threat’ emerged from the outcome of German unification and the Franco-German war of 1870–71. As a geo-historically constituted understanding, however, it was also an outcome of the power-balancing practices. It is uncertain whether the 1870–71 Franco-German war could have been avoided, although, as always, various contingent decisions and events were involved also in the episodes that led to the outbreak of this war. Given the outcome of the 1848 revolutions, expansionist France and unifying Prussia-Germany were on a collision course in the overall context of national industrial growth, nationalism and a prevailing framework of international relations (the Vienna-style diplomatic conferences failed to mitigate tensions between France and Prussia). It thus seems that the most plausible counterfactual has to do with the outcome of the war. As James Chace (2001) has argued, the French were well equipped, possessing new industrial products that the Germans could not match, such as an early machine gun and a rifle that increased the rounds an infantryman could carry and substantially improved his range. ‘The French capitulation resulted very simply from poor leadership’ (ibid.: 288). Failure to defeat France could have prevented the Bismarckian unification of Germany in 1871.

Moving towards deeper geo-historical layers, the failed revolutions of 1848 appear decisive in light of the subsequent developments. That year there were social upheavals and attempts at democratic transformations throughout Europe. The failures of these revolutions, particularly in Germany and France, had important long term consequences. For instance, the emerging German
nationalism was set into a new path and became ‘all the more dangerous for having failed its democratic political mission’ (Hans Joachim Hahn 2001: 152). The original purpose of the revolution – constitutional self-determination of unified Germany, social and economic progress, and political emancipation – were in largely replaced with romantic myths about the German nation. More generally, although 1848 left a lasting impact not only in France but throughout Europe, and constituted an important turning point, it failed to transform Europe in any immediate way. As Hobsbawm (1997: 15) summarises it, ‘the (British) industrial revolution had swallowed the (French) political revolution’. The massive economic advances of industrial capitalism were not accompanied by simultaneous equally massive democratic or social transformations.

In a sense 1848 was also one of the break points of modernisation, contributing in the long run to a rupture of social structures and their constellation in the globalising Europe, since several of the democratic and social demands were gradually met in the course of the nineteenth and early twentieth centuries. However, 1848 was also a connector point, interposing social and political reforms into a process of the rise of nationalism and to the reproduction of pre-modern class-structures, for example through symbols of nationalism. It can also be seen as a saddle point, inducing stasis or even regression compared to what could have been possible at that point.

After 1848, German unification and industrialisation took a specific path led by Bismarck from 1862 to 1890. In France, the uprising of 1848 resulted in general elections with universal manhood suffrage in 1849. However, French men elected Louis-Napoleon Bonaparte as the President of France. Soon he declared himself the Emperor of France, took the name Napoleon III, and ruled France until the defeat of the Franco-German war in 1871. Louis-Napoleon Bonaparte tried to accelerate French industrialisation but also had a project of creating a greater France. He wanted to strengthen France by uniting the French-speaking people and by reinforcing France’s ‘great power’ status. The French and German national projects were both expansionary and soon collided.

The German victory over France in 1871 alarmed the British, as could have been predicted on the basis of the prevailing British mode of responsiveness, particularly among the British gentlemen who dominated the state and the City of London (even though there were intra-organisational struggles, particularly between liberals and conservatives, over giving meaning to these developments). The conservative interpretation prevailed in the 1874 elections as well as in the intra-bureaucratic struggles. This outcome explains organisational responses to the politico-economic conditions of the 1870s. Britain was the leading state and this response was in turn interpreted – and acted upon – by others in imperialist terms. This led to further responses in the continual process of structuring conditions of actions, many of which were subsequently unacknowledged or misidentified.
Conclusion

The First World War was in many ways a result of modernisation in Europe. Its scale and destructiveness presupposed techno-scientific planning and rationality, industrial production, mass armies of millions of men, railway-based systems of logistics and supply, and partially democratised states. Unlike in earlier dynastic wars, economic cycles, industrial competition, nationalism, militarism, newspapers, public opinion and insurgent ‘masses’ played key roles in the processes that led to the war. The state leaders of the remaining non-constitutional and undemocratic state of Russia faced soon a successful revolution by the men it had armed for the war.

Before 1914, a belief in the inevitable progress of humanity was dominant. After the war, that belief was thoroughly shattered, paving the way for irrationalist reactions. And worse was to follow – the ‘age of extremes’, as Hobsbawm (1994b) aptly calls it. However, the First World War can also be seen a result of the one-sided nature of modernisation and its partial failure to realise some of its potential more rapidly. For instance, had the liberalist era continued in the 1870s and 1880s, Britain could have paved a way onto another path. The labour movement and social reformism were on the rise. The early twentieth century anti-imperialists were developing multilateral and proto-Keynesian ideas about global governance. There could have been a possible peaceful path to decolonisation as well. Moreover, even with the neo-imperial declarations of the 1870s, it remained possible that the third Republic of France would not have responded by taking the British declaration of a new imperial model so seriously as to follow it in practice. Moreover, other states could have decided against – or refrained from making the decision in favour of – following the same pattern. Also, the earlier struggles over democratisation, self-determination and various social issues are relevant. In particular, had the revolutions of 1848 been more successful, the industrialising part of the world could perhaps have drifted towards a more peaceful path, and avoided the catastrophe of 1914–18.

In the absence of the possibility of scientific experimentation, it is difficult to make satisfactorily reliable judgments on the plausibility and likelihood of large-scale world historical possibilities. There are reasons to believe, however, that given the context of prevailing forms of agency, structures and mechanisms in the last quarter of the nineteenth century and early twentieth century, various processes were markedly more sensitive to swings leading to escalation of conflicts among the industrialising, capitalist, sovereign states than to swings leading to the development of a European, or a global, security community. As Hobson argued, aggressive imperialism tends to foster animosities among competing imperialisms. The scramble for Africa and Asia evoked new alliances, drove all the concerned states to consume a growing share of their resources upon military and naval equipment, and generated doctrines of national destiny and imperial missions of civilisation for popular consumption.
The situation would probably have remained fairly similar despite some significant transformations of agency and structures. Although decisively different paths of world history were – in all probability – feasible, on the whole they were arguably somewhat less likely than those involving a violent catastrophe. This hypothesis is consistent with the finding of Choucri and North. In 1870–1914, the overall outcome would have often remained more or less the same, independently of a number of possible alterations of the levels of ‘variables’. Typically the coefficients for various processes exhibited markedly greater sensitivity to upward (liable to conflicts) rather than downward swings (reducing the risk of war). It is also consistent with Veblen’s argument that the response of the republican US to the developments of 1870–1914 was quite similar to those of supposedly more autocratic and aristocratic states.

Moreover, although more rapid social and democratic reforms would have been possible, there seems to have been a limit to the speed of transformations without violence involving states. Had the more radical visions succeeded at least in one or two key countries in 1848, it is possible that the violent experiences of post-1789 and also post-1917 would have been repeated. In the 1790s, conservative Europe turned against France; and the monarchists in France repeatedly fought against the republican government. This antagonism led to the revolutionary wars of 1792–1802; to the rise of Napoleon in 1799; and, following an assassination plot, to the recreation of a hereditary monarchy in France in 1804; and finally to the Napoleonic wars of 1803–15. A somewhat similar sequence occurred in Russia after the October 1917 revolution. Following a long and bloody civil war, a series of external military interventions and a number of violent episodes within the Bolshevik leadership, Stalin became a dictator for life. Stalin was never formally acknowledged as a monarch, but this is what he in effect became, having more powers than his nineteenth- and early twentieth-century predecessors. My point is that 1848 could have triggered similar reactionary developments in Europe, at the time when industrialisation was already increasing the available forces of destruction in the 1850s.

The key to understanding the limits of the nineteenth century world-historical possibilities lies first, in the nature of the flow and endurance of social time and, second, in the conditions for the absence of a security community. Major transformations do not happen overnight. Social structures presuppose, among other things, knowledge as memory traces of ‘how things are to be done’ on the part of social actors. The durée of the day-to-day life intersects with the durée of the biological lifespan of individuals. Humans are complex living beings and self-organised systems. Living beings are structures and systems that exhibit high levels of order. An organism stays alive in its highly organised state by taking energy and information from outside itself and processing these to produce, within itself, a lower entropy, and in turn, a more organised state. It takes a considerable amount of time and energy and manifold life experiences to become a social actor with the
characteristics of a particular geo-historical form of agency. Formative learning is an activity and information intensive process, always threatened by entropy (for instance, forgetting is a constant tendency and process that may undo or transform previous learning unless countered by continuous practices).

Positioned practices are organised through the recursive mobilisation of knowledge of 'how things are to be done'. The same applies to self-producing social systems: the existence and reproduction of their organising rules and principles depend on the knowledgeable competence of actors and their actions. Actors have an age, they belong to a context and to a generation that shares at least some experiences, and every one of them is aware that they will eventually die. Social action – including interaction within and across modern organisations – also obtains its meaning via the life of each actor. A story or a 'myth', which is often characteristic of a specific agency, has motivating powers or charisma because it gives meaning to life. Temporal myths and stories have a structure that is based on both the general human condition on the one hand, and on cultural variations in story-telling and relatively enduring world-understandings on the other. People can find it more important to do the right thing, as designated by these existentially constitutive stories and myths, than to avoid the risk of death.

Social transformations – whether judged right or wrong within a given framework of evaluation – must therefore take time and always be expected to encounter resistance. Sudden attempts at thorough or radical transformation are likely to evoke resistance and violent repression. It is here that the notion of a security community becomes relevant. The key to understanding and explaining the possibility of security communities lies in the self-transformative capacity of contexts, generating dependable expectations of peaceful changes and integration (Patomäki 2002: 200–2). To put it as simply as possible: contexts differ in their openness to change, and this is crucial for the emergence and maintenance of a security community. One indicator is whether preparations are being made for a violent repression or war against dissident or context-challenging groups or states within the global community. It also matters whether actors categorise themselves as parts of a wider whole. Among the relevant actors, is there a shared belief in the existence of a larger community?

The preparedness to use violence is typically based on the necessitarian assumption about the unchangeable essence of both oneself and the others, perhaps seen as enemies. In Manichean understandings, evil must be eliminated. This is closely related to strategic-instrumentalist mode of action: only simple and unchangeable – essentially atom-like – beings can be treated unproblematically in utilitarian terms by teaching them lessons of obedience by means of sanctions and painful experiences (see Appendix 1). Hence the self-transformative capacity of contexts is not compatible with illusions and mystifications about, or reifications and naturalisations of social realities. Conversely, the denaturalisation of understandings can contribute to the openness and responsiveness of the community.
The point is that nineteenth-century Europe was not a secure community. With gradual democratisation within states, often following upheavals, revolutions and wars, the self-transformative capacity of national contexts was gradually enhanced in some ways. Although the propertied class constantly feared that the democratic majority would challenge their private property rights and other privileges, per capita economic growth facilitated various compromises. These compromises would become deepened and consolidated in the mid-twentieth century. However, there was no equivalent process in the international sphere.28

The problem was that many changes in the international context were inevitable given the unevenness of long-term growth trends, national unification of parts of Europe, and other major politico-economic transformations. Yet the prevailing modes of responsiveness and international institutions made only very limited peaceful changes possible. Both the principle of free trade and the balance of power scheme were status quo orientated — the first through de facto maintaining or reinforcing a given international division of labour, the latter through fixing a particular interpretation of a legal-diplomatic agreement of a territorial division and level of armaments as the norm to be preserved.29 Other traditional institutions of international society (sovereignty, international law, diplomacy etc) were status quo oriented as well. In this kind of context, modernisation, growth, economic cycles, imperial expansion and power-balancing generated manifold contradictions and conflicts. The nineteenth century actors were unable to solve these dilemmas and conflicts by means of peaceful changes or in terms of organising collective actions and establishing common institutions. This inability spawned and escalated conflicts and gradually created the conditions for the First World War.
The long downward wave of the world economy in the late twentieth century
Towards a return of the past?

From the ashes of the Second World War rose a new world order designed by representatives of only two states, the United States and Great Britain. The outcomes of subsequent multilateral negotiations were also shaped by Stalin’s Soviet Union. The United Nations Charter was more democratic than anything seen in international relations ever, yet the UN system was soon paralysed by the cold war. Liberal democracy prospered in the better-off parts of the Western world, particularly in Japan and Western Europe, as well as in a handful of neutral countries. Moreover, the Bretton Woods system was created to replace the nineteenth-century institutions of free trade, globalising finance and gold standard with the system of capital controls and the collective management of exchange rates that were tied indirectly, via the dollar, to gold. The Anglo-American politico-economic agreements reached during the dark days of the Second World War were different from anything that the industrial and capitalist world had seen before. They established rules for a relatively open and multilateral system of trade and payments, but they did so in a way that would reconcile openness and trade expansion with flexibly fixed exchange rates, capital controls and commitments of national governments to full employment and economic and political stabilisation.

The Bretton Woods system was a compromise between various positions. Most notably, Keynes and the British wartime cabinet emphasised imperial preferences, full employment and state interventionist policies for political stabilisation. The American State Department favoured a traditional, laissez faire free trade position (see Ikenberry 1992). The compromise with the classical free trade liberalism notwithstanding, the Bretton Woods system represented a partial victory of productivism over financial capital; it imposed significant constraints on the freedom of movement of financial capital (Gill 1997: 7). From the point of view of economic growth and prosperity, particularly in the OECD world but also elsewhere, the Bretton Woods era was a great success, ‘the golden age of capitalism’. In 1950–73, world population grew very rapidly at a pace of 2 per cent a year and per capita income 3 per cent a year, by far the fastest growing phase in human history (see Maddison 2005: 6–7). At the same time, although uneven industrialisation continued to widen the prosperity gap between many regions and countries,
income inequalities diminished within most countries, except perhaps in Latin America (see Cornia 2004).

From the 1970s onwards – well before Lenin’s heritage came to an end in 1989–91 – the Bretton Woods system was gradually being transformed into a neo-liberal world order. This transformation is usually described in terms of the concept of globalisation. The term ‘globalisation’ is relatively new and was not generally known before the 1980s. In its short history it has been associated with the ideology of transnational neo-liberalism that emerged in the 1970s and ascended in the 1980s. The ground was prepared by the use of such terms as ‘transnational’, ‘global’ and ‘globalism’ in the 1970s, and also stimulated by outer-space pictures of the earth and rising ecological awareness. In the 1980s, the notion of globalisation was first discussed by some critical sociologists, such as Roland Robertson (e.g. Robertson and Chirico 1985; Robertson and Lehner 1985). During the second half of the 1980s, however, ‘internationalisation’ and ‘globalisation’ became commonly used terms in intellectual, business, media and other circles.

Transnational neo-liberalism assumes that globalisation of the economy and business has made the world an economistic unity; or that (the only) rational economic policy, when implemented by most states, will soon lead to a harmonious coming together of the world economy.1 The rearticulation and advocacy of neo-liberalism began in the early 1970s by the followers of Milton Friedman, Friedrich A. Hayek and, more generally, orthodox neo-classical economics; and by transnational think tanks such as the Trilateral Commission. Increasingly, organisations such as the City of New York or the International Monetary Fund (IMF) and countries such as Chile started to implement neo-liberal policies. Since the 1980s, the economic policy requirements of this ideology have been spelled out in the ‘Washington consensus’. According to this consensus, economic growth can be best achieved via ‘free’ international trade, sound budgets – meaning normally fiscal austerity, which translates into cuts in welfare spending – low inflation, privatisation, economisation of social life, and deregulated markets, including financial markets.2

Globalisation as a political project rests on claims about peace and prosperity (on economic efficiency and consumers’ freedom of choice). The economic claim is that free market economic policies – particularly those associated with ‘the Washington consensus’ – not only solve a number of day-to-day economic problems but also speed up economic growth and thereby benefit everyone, including the poor of the planet. The political claim is basically two-fold. First, the world is united in its interest to promote economic liberalism (the harmony of interests thesis). Second, globalisation of liberal democratic rule implies that there will be no more wars between states (the democratic peace theory).

Simple economic evidence seems to question the first two claims. Average global per capita economic growth has actually slowed down if not come to a near halt. In retrospect, the oil crisis of 1973–74 appears as the starting point
of not only neo-liberalism but also a long and gradually deepening recession. There are many indications that decade after decade, there has been, globally, less per capita growth and more un- and under-employment of industrial and human capacities. To put it bluntly, more ‘globalisation’ seems to have meant less per capita economic growth. Also the harmony of interests thesis looks rather weak. Moreover, although the defenders of neo-liberal globalisation (Bhagwati 2004; Wolf 2004) usually claim that poverty and disparities in the world are decreasing (usually resting their case on the increasing prosperity of hundreds of millions East Asians), this is at best a one-sided partial truth. Following the second oil crisis in the early 1980s, an increasing number of countries and people have been impoverished in absolute terms in the context of persistently high population growth. While there has been rapid per capita economic growth in parts of Asia, many other parts of the world have experienced long term economic decline. Inequalities have again been on the rise within most countries. Although the OECD world remains mostly very affluent by world historical standards, and although some Asian countries have grown and industrialised (as their ‘globalisation’ has remained selective), the harmony of interests thesis seems to rest on assumptions that do not stand closer empirical scrutiny.

In this chapter, I explore two sets of issues. First, what are the causes of the ongoing downward phase of the world economy? Have neo-liberal economic policies played a role in these developments? What kind of a role? How should we then explain the adoption of these policies? Second, what does this all mean politically? What are the implications of a sluggish, ambivalent and unequal growth to democratic peace? Apart from violent conflicts in parts of the global South, is it also possible that the logic of violence and war return to the core areas of the world economy? Will the liberal dream of eternal peace collapse once again? By taking some steps towards explaining the past and present trends, I also hope to shed some provisional light on possible futures.

**Economic developments since the 1960s**

In retrospect, the oil crisis of 1973–74 appears to be the beginning of a long and gradually deepening recession. Although relatively few economists have actually studied long-term global trends in any systematic fashion, there have been some notable exceptions (e.g. Freeman and Louçã 2001; Maddison 2005). Although David Felix (1995) may not be an expert of long-term trends and cycles, he is among the first to have systematically compared different eras of the second half of the twentieth century. Felix’s focus is on figures for the G7 countries in the periods 1946–58, 1959–70 and 1974–89. In the Bretton Woods era the real per capita growth rate was about 4.5 per cent, whereas for 1974–89 it declined to 2.2 per cent. A much bigger sample of 57 countries points to the conclusion that this has been a general worldwide trend. It seems that at the turn of the 1990s per capita growth seems to have come to a halt (or at least dropped to something like 1 per cent or less).
There are of course different ways of calculating average per capita growth, yielding different results. For instance, Alan Freeman (2003) uses constant per dollar values and IMF data. According to his calculations, whereas in the 1970s the per capita growth was, on average, more than 3.7 per cent, it was slightly negative in the 1990s and early twenty-first century (in constant 1995 US dollars, converted from national currencies at current exchange rates). In 1988 global GDP per capita was USD 4,839 and in 2002 it was USD 4,748. From this perspective, there seems to have been virtually no per capita growth since the late 1980s.

Obviously, even if we leave aside the methodological difficulties of comparing different growth rates, it is clear that the situation is not similar in every country. In some places – in a few OECD countries, and particularly in China and India – there have been, and may continue to be, rapid growth. Yet more people are also living in countries with stagnant or declining standards of living. Measured in constant 1995 dollar terms, the absolute world GDP might have begun to decline in the mid-1990s. The Asian crisis of 1997–98 that had also spread to Russia and Brazil pressed a hollow in the graph that otherwise had shown stagnating growth. As a consequence, per capita world economic output in 2002 seemed essentially the same as in 1980 and, as indicated, slightly less than in 1988 (see Freeman 2003). It seems that the years 2004–06 have seen faster growth but still within the confines of the long-term slowdown. Figures 5.1 and 5.2 display per capita growth in

![GDP per capita growth in High-Income Countries in 2000 US dollars, 1961–2005 (annual %), WDI](image)

**Figure 5.1** Slow-down of economic growth in high-income countries.

*Source:* World Development Indicators (WDI) data.
high-income countries and the world as a whole, as measured in 2,000 US dollars (compiled by the World Bank, available in the World Development Index).

Moreover, the remaining growth has also become more volatile and sensitive to disturbances (ibid.: 8). In particular, in the OECD countries and Latin America the ratio of investments to GDP has also declined rapidly. Oil-exporting countries and sub-Saharan Africa were only very partial exceptions, largely following the trend. Only a number of Asian countries provided a true exception in this period, sustaining a high and relatively stable growth with a rising ratio of investments to GDP (ibid.: 8–9). In Japan, profit rates were halved when compared to the period before 1970 and at the same time the growth of net capital stock, productivity and wages declined steeply (see Brenner 2002: 7–9). However, this may, of course, have been in part due to the fact that Japan was undergoing a technological transformation, massive reinvestment and early outward investment which stimulated growth elsewhere in the region in this period.

What is also important is that the slackening growth has been accompanied by growing disparities between countries and regions, and between different social classes. The ratio of the richest one-fifth of countries to the poorest one-fifth was 30:1 in 1960, 60:1 in 1990 and almost 90:1 at the end of the 1990s. It seems that the global poor have remained as poor as they were

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**Figure 5.2** Slow-down of economic growth in the world as a whole.

*Source: World Development Indicators (WDI) data.*
in 1820, and that the fruits of industrialisation have been experienced only by some countries and people (UNDP 1999: 2–3, 29–38). Moreover, as shown in Figure 5.3, in 1980 about 120 million people lived in those nine countries where per capita income declined in the previous decade. In 1998 there were 60 such countries, with a total of 1.3 billion inhabitants. This is also a qualitative change compared to the Bretton Woods era. For the first time since World War II the world economy seems to have become close to a constant (or even negative) sum game where many are losing in absolute terms. Although relative inequality has steadily risen since the industrial revolution, the average citizen in the 1950s and 1960s seems to have benefited from economic developments to at least some degree in most countries. Following the second oil crisis in the early 1980s, the situation has become quite different. An increasing number of countries and also people in many regions have been impoverished in absolute terms (Freeman 2002).

In addition, inequalities have been on the rise also within countries. As Figure 5.4 displays, the share of the top 0.1 per cent of incomes declined in the US until the 1970s, but this development has been reversed from the late 1970s onwards (see Piketty and Saez 2003: 36, Figure XII). In the US the share of the pre-tax income that goes to the top 1 per cent of households increased from 17.5 per cent in 2003 to 19.8 per cent in 2004 in one year alone (Aron-Dine and Shapiro 2006: 1). The situation in the United States in 2004 had become similar to what prevailed in 1917, before the US joined the First World War. The difference lies in the composition. A larger rise of

![Figure 5.3 Number of people living in countries with declining per capita income.](source: Freeman 2002: 1)
the top wages explains the restoration of the upper class share of incomes, although it is now different in composition as capital incomes constitute a much smaller share than in the first decades of the twentieth century. The overall developments have been similar in many countries, although very few countries match the US in terms of rate of growth of inequalities.

More globally, research based on the World Income Inequality Database (WIID), co-developed by WIDER and UNDP, including information of about 73 major countries that represent most of the world’s population and all the continents, show a general fall in inequality during the Bretton Woods era (except in Latin America and parts of sub-Saharan Africa). These developments have been reversed, as a clear rise in inequalities has occurred, particularly over the last two decades (see Cornia 2004; Cornia et al. 2004). In the 1980s and 1990s, wage and income differentials grew in most of the OECD countries, particularly in the US and the UK but also in such traditionally egalitarian countries as Sweden and Japan. However, the fastest ever recorded changes in income inequality took place in Eastern Europe and the CIS (including the former Soviet states in Central Asia) after the collapse of the Soviet model.

Similar trends are also evident in the countries of the global South. All but three Latin American countries experienced a rise in the already very high inequality levels. In the Southeast and East Asian economies, the reversal of the stable declining inequality trends started in the late 1980s and was exacerbated by the 1997 Asian crisis. In sub-Saharan Africa the picture is more ambiguous and the figures also less reliable. It seems, however, that while in some countries the urban–rural divide has become less severe,
inequalities in general between households are rising in others (the overall context in Africa, however, is that of a general economic decline). North Africa and the Middle East are less well documented by WIID, yet countries of these regions also seem to concur with the general trends of economic decline and/or rising inequalities. Of the 73 major countries surveyed by WIID, only 5 per cent of the population were living in countries with declining inequality. The use of purchase power parity (PPP) values does not affect the picture of growing disparities within countries in any way. The number of the relatively poor has been rising in many, including the poorest, countries, not to speak of income inequalities per se.

Methodological choices make a difference. For instance, it may be reasonable to use purchase power parity (PPP) values instead of constant dollars, as I have done in Figures 5.1 and 5.2. Consequently, the world economic growth would seem somewhat higher and the differences between countries significantly less dramatic than, for instance, in Freeman’s constant dollar-value calculations. This is because the price level in less well-off countries tends to be and become lower than in better-off countries, and thus dollar-converted values make them look poorer than they actually are. The difference is particularly striking in the case of India and China. Nevertheless, the use of PPP-values does not really change the general picture. In spite of rapid growth in India and China, there has been a wide-ranging slow-down of per capita economic growth. For instance, the 2004 Report of the World Commission on the Social Dimension of Globalization (World Commission 2004), which was set up by the International Labour Organisation (ILO), uses the World Bank figures measured in PPP terms and includes China and India. Consistent with Figure 5.2, it shows that the growth of world GDP per capita was 4 per cent in the 1960s, 2 per cent in the 1970s, 1 per cent in the 1980s, less than 1 per cent in the 1990s, and even less in the first years of the twenty-first century. Also according to PPP figures, inequality has been increasing at least between the richest 10 per cent and the poorest 10 per cent of countries, although obviously the difference between the average of the OECD world and those in Asia who have prospered has become smaller.

The GDP of a country is defined as the market value of all final goods and services produced within a country in a given period of time, which is only a way of measuring the size of an economy. Calculating Gini coefficients is a standard technique used by economists to measure the distribution of income among the participants in a particular economy, but there are other possible ways of assessing levels of inequality. GDP and Gini coefficient calculations are not supposed, of course, to tell any unambiguous truth about world economic developments. Forming a global picture of the world economic growth and inequalities based on statistics requires a number of methodological and interpretative choices. For instance, what is the base year? How should the currency conversions be done? What weight is thereby (implicitly) given for instance to the rather significant economic growth that occurred in India (3–4 per cent per capita per annum) and China (6 per cent per capita...
p.a.) in the 1990s? And how should we interpret developments in India and China? India and China are among the few countries in the global South that have thus far spared themselves the debt crisis, maintained capital controls and developed large sectors of heavy industry. Freeman (2002: 13; 2003: 158–59) argues that an exception should in fact be made of China, particularly when the focus is on the effects of neo-liberal globalisation, since ‘the Chinese state has dominated over market and global processes’. However, in terms of internal inequality, China and India do not necessarily constitute exceptions to the rule. Although absolute poverty has been declining in China during the era of high growth (World Commission 2004: 45, Figure 19), at least until 2003 when a reversal seems to have taken place despite further growth, it is also clear that income inequalities between households and regions also grew there in the 1990s.6 The trends in India are ambiguous and difficult to interpret. However, household surveys in India do not show increased per capita consumption, and at any rate, developments in India have involved a moderate rise in recorded consumption inequality and, possibly, by a larger one in unrecorded inequality (Cornia 2004: 7).

Despite these methodological reservations and interpretative qualifications, my overall conclusion on the basis of various GDP per capita and Gini coefficient statistics is:

1 that per capita economic growth has slowed down significantly since the 1960s and 1970s, despite rapid growth in China, India and some other Asian countries,
2 and that inequalities have been on the rise – in many contexts quite dramatically so – since the 1970s.

What matters for the purpose of establishing a research problem and hypothesis is whether or not a qualitative judgment can be made that there has been a general and clearly discernible pattern, not the exact figures. Global GDP and income inequality data form only two synthetic series in representing the variation of a complex monetised ‘quantity’ that is in a sense the creation of a statistician (Schumpeter 1939a: 18). At best, a general trend of this kind can only be taken as a possible surface level indicator of some deeper mechanisms and processes.

In the remainder of this chapter, I try to answer tentatively two sets of questions. First, what are the mechanisms that have caused the decline of world economic growth and the rise of inequality? On the basis of proposed hypotheses about these mechanisms, are there reasons to expect a new era of growth or, alternatively, on the basis of this iconic model, are there reasons to anticipate further crises? Second, I also indicate some of the social and political consequences of slackening global economic conditions and growing disparities. What sorts of connections are there between the long-term world recession and related economic crises, on the one hand, and worldwide conflicts, foreign policies of states, and even wars, on the other?
The long wave cycles

In the early twentieth century, a number of economists noted that it seems that in the capitalist world economy there are not only various short-term cycles but also longer wave cycles. The longest waves seem to take about half a century. Most clearly this idea was articulated by Nikolai Kondratieff, a Russian economist who published a series of articles on this theme in the 1920s (a key essay has been published in English: Kondratieff 1984[1928]). Kondratieff found the long wave cycles by studying time-series of various data available at that time. His conclusions appeared to be in line with the contentions of contemporary qualitative historians (ibid.: 64). The long wave cycles appeared to last from 48 to 60 years. However, even this generalisation was originally — in the 1920s — based on the observation of a time span including at most only two and a half cycles. Any claim about regularity of intervals can thus be, at best, only an informed guess. Moreover, it is in fact questionable whether Kondratieff’s first cycle should be counted at all, since — as was argued in chapter 4 — intensive growth following the Industrial Revolution really started only in the 1820s. In industrialising Europe, the 1840s seems to have been a difficult decade, with unemployment and declining living standards for many. However, overall there was sustained intensive growth from the 1820s to the late 1850s; and soon this period was followed by a long upward wave that lasted until the early 1870s.

Kondratieff’s point was that during a rising wave in capitalist market economies, booms are more frequent than recessions; during a downward wave, recessions and depressions dominate. Kondratieff’s (ibid.: 32–59) data covered price- and value-series as well as physical volume-series of production and consumption in England, France, Germany and the United States from the late eighteenth century until the early 1920s (not all of this data is particularly reliable). In order to bring out the long cycles in their pure form, he fitted a theoretical curve to each empirical series of data (by using the least square method) and then processed the data and smoothed the deviations, using the method of moving average. Whenever possible, Kondratieff also used per capita rather than absolute values. The long wave cycles were most clearly visible in prices, interest rates and wages. They could also be seen in international trade. However, in other cases, and particularly in the physical volume-series, the data was too incomplete to allow for very far-reaching conclusions.

Table 5.1 summarises the Kondratieff cycles until early the twenty-first century, as extrapolated from Kondratieff and Korpinen’s 1981 study. Kondratieff (ibid.: 64–80) assumed that before the beginning of the rising wave of each long cycle, a number of profound changes in economic conditions take place, including technological innovations, monetary alterations and expansion of space for capitalist markets, perhaps also by means of imperialism. Downward waves are also accompanied by long depression in agriculture. These assumptions may have played a role in his periodisation. The mostly
**Table 5.1** Kondratieff cycles until the early twenty-first century

<table>
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<tr>
<th>Cycle</th>
<th>Upward Wave</th>
<th>Downward Wave</th>
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<td>First</td>
<td>1. 1780-1810</td>
<td>1810-1845</td>
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<tr>
<td>Second</td>
<td>1845-1875</td>
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<td>Third</td>
<td>1890-1915</td>
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<td>Fourth</td>
<td>1940-1975</td>
<td>1975-2000</td>
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**ex ante** extrapolated fourth cycle seems to fit very well with developments in the world economy since the 1970s. Compared to most other turning points, the period of 1973–76 was relatively smooth and peaceful. Pekka Korpinen has pointed out that although this was a turning point in the fourth Kondratieff cycle, it did not resonate with shorter cycles as in the most severe economic crises. In 1981 he argued that the ‘worst crisis is probably ahead of us, occurring at some point in the long downward wave, when the world economy is in recession’ (Korpinen 1981: 96).

Kondratieff was not alone in studying the long waves of the capitalist world economy. Famously, he was followed by Schumpeter (1939a, b), who agreed with many of Kondratieff’s claims. Schumpeter (1939a: 220) even suggested that the long cycles had probably already started in Europe during the last quarter of the seventeenth century. Although some of the financial, technological and other mechanisms of crises, and thus economic waves, might have remained in some ways similar for centuries, this claim is difficult to falsify or verify also because of the problems with available data. Like Kondratieff, Schumpeter associated long wave cycles with the temporal rhythm of great technological innovations:

> First, . . . innovations do not remain isolated events, and are not evenly distributed in time, but on the contrary, they tend to cluster, to come about in bunches, simply because first some, and then most, firms follow in the wake of successful innovations; second, . . . innovations are not at any time distributed over the whole economic system at random, but tend to concentrate in certain sectors and their surroundings.

(ibid.: 100–01)

According to both Kondratieff and Schumpeter, the Industrial Revolution took place during the first Kondratieff wave. Steam power and weaving machines were adopted. It is doubtful whether this should be counted as a
‘long cycle’, given the uniqueness of the economic situation at the time of the Napoleonic wars in Europe and the fact that industrial production was still fairly small-scale and confined to Britain. The next and perhaps the first true long wave was associated with the building of railways. On the basis of European and North-American figures (excluding the rest of the world), it seems that from the mid-1840s to the early 1870s there was a period of relatively rapid growth. It was followed by what the contemporary observers called the Great or Long Depression of 1870–96 (later the term was reserved to characterising the 1930s). Thus the old liberal era of 1870–1914 should be divided into two sub-periods, in accordance with Kondratieff’s cycles. More rapid growth occurred in the second sub-period 1896–1914, which corresponds to the upward phase of the third cycle, associated with innovations such as electricity, internal-combustion engine, cars and airplanes. After World War II, the ‘golden era of capitalism’ began, based on mass production of consumer durables and electronics. This was the most rapid period of growth in human history.

Some claim that the fifth wave has already started with the rapid development and expansion of the new information and communication technologies (Hämäläinen 2003: 80–90). Others anticipate that that may well happen with further development of intelligent and industrial robots, critical advances in the exploitation of renewable energy sources and in biotechnology (see for instance Wagar 1999: 19–20). However, data does not support the hypothesis that a new upward wave would have started by the mid-2000s.

The main problem with the studies on the long wave cycles has been the lack of clear accounts of those causal mechanisms that could be responsible for producing the outcome, namely long wave cycles of economic development as indicated by synthetic time-series. Kondratieff himself believed that the fact that investments with true long-term effects (such as new factories, railways, channels, large land development projects, etc.) often get clustered accounts for the temporal rhythm of the capitalist world economy and fluctuations around the long-term growth trend. The upper turning point is explained in terms of shortage of capital and rising interest rates. Kondratieff thought that a long decline of the price level and the corresponding accumulation of funds that can be loaned almost for free will eventually instigate a new wave of innovations and investments.

Schumpeter emphasised the historical uniqueness of each wave, as well as the role of technological innovations. Elaborating upon Kondratieff’s views, for Schumpeter the key to explaining cycles is his account of the role of money and banking. He proposed a theory according to which credit-creation is, at least in significant part, directed towards the financing of innovations. Presupposing a specific historical–institutional setting of financial markets, Schumpeter (1939a: 109–30) developed a theory of bankers’ rational foresight and capability to direct credit to profitable innovations, performing the role of rational – even if decentralised – planners of the capitalist market economy. Moreover, although Schumpeter did not pay much attention to the
role of the uncertainty of the future and aggregate demand (so central to the theorists of under-consumption and particularly to Keynesian economists), the core of Schumpeter’s theory of business cycles has been re-proposed recently:

It is because there is available money looking for profit in the hands of non-producers that the new entrepreneurs can bring their ideas into commercial reality. It is here that the possibility of operating with borrowed money becomes a truly dynamic force. Financial capital will back the new entrepreneurs and it will be more likely to do so, in spite of the high risks, the more exhausted the possibilities are for investing in the accustomed directions.

(Perez 2002: 33)

Perez’s neo-Schumpeterian account is, however, a major improvement upon Schumpeter, at least in one respect. She takes into account the development of socio-economic inequalities that result from each cluster of innovations and from the related speculative activities. Political struggles over the adequate institutional framework – in order to ensure adequate aggregate demand – is very much part of her story of technological revolutions and financial capital. She claims that

gradually, as the rich and the successful get richer and more successful, while the poor get poorer and weaker, the legitimacy of the established political regimes comes increasingly under question and pressures for reversing the centrifugal trends become stronger and clearer.

(ibid.: 41)

**Explaining the long cycles**

A good analogy for Kondratieff’s method might be to say that it is similar to Philips’ famous wage-inflation trade-off – it is mainly trend spotting. The empirical identification of long waves within the overall growth trend in the capitalist world economy explains very little. The long wave cycles are best understood as contrastive demi-regularities (or demi-regs) rather than universal invariances. Contrasts between different times and places often reveal relatively regular patterns in the way certain phenomena occur. Demi-regs are interesting first and foremost because they demand explanation. The essential question is whether it is possible to identify relatively enduring mechanisms that have causally produced the demi-reg we have detected. We also know that any demi-reg may at some historical point be transformed or cease to exist. Also this kind of change would require explanation (see Lawson 1997: 206–08).

The starting point must be the analysis of open systems with many simultaneous tendencies and complicated mechanisms. Social systems are not only
open, they are also overlapping and, in parts, intra-related. The effects of various tendencies and mechanisms can be delayed, overlapping, mutually reinforcing and/or contradictory. Causal powers and processes can also be contradictory in the specific sense that they may lead to conflicts and learning. These may bring about the emergence or development of new modes of agency and transformation of social structures. Causally efficacious economic mechanisms are social, i.e. they depend on social practices and institutions and their internal and external relations. Changes of practices and institutions can transform these mechanisms, or at least their effects. Moreover, it is not necessary that the same causal complexes be responsible for the same rhythmic tendency, or the actual and empirically observed demi-reg, since different causes can bring about similar kinds of outcomes. Each wave of economic development is historically unique, although some of the generative mechanisms may be inherent to capitalist market economy per se (as it evolved in the seventeenth and eighteenth centuries in Europe and Americas).

From this perspective, how should we explain the long wave cycles in the capitalist world economy? In this section, I outline briefly a few hypotheses for an explanatory model that seems to accord with some of the relevant earlier explanatory models, and with available historical and empirical evidence concerning the fourth long cycle in particular (i.e. empirical evidence about the late twentieth-century developments). A more systematic scrutiny of these hypotheses is beyond the scope of this chapter, but some aspects of them will be discussed and elaborated upon further in chapter 6.

**The role of economic knowledge**

Prevalent economic thinking can have real effects through economic policies and may, in part, be responsible for the phases of long cycles. Korpinen (1981: 14) has put forward an important hypothesis that monetarist, or more generally free market economic policies tend to contribute to recession and deflation, and that Keynesian and monetarist policies occur in long cycles of learning and unlearning. However, Korpinen ignores power both as a transformative capacity and as relations of domination. The value of money and economic policies also has to do with income distribution and relations of power. Power relations based on private property rights and an uneven distribution of property – constitutive of capitalist relations of production and exchange – may in part account for a tendency towards the prevalence of orthodoxy in policy-making. Orthodoxy assumes that capitalist markets are self-correcting and in a state of equilibrium (or getting there) that is normally beneficial to all parties. Quantity theoretical thinking and modifications of monetarism and rational expectations theory are historical variations of free markets orthodoxy. Could it be that only in specific circumstances can the counter tendencies to orthodoxy become strong enough to make a real difference in policy-making?

Korpinen’s hypothesis should thus be reinterpreted. In a capitalist market
society, the general tendency towards the prevalence of free markets policies becomes stronger when (1) the economic developments seem favourable in the world economy, i.e. when there is stable growth and high employment at least in the centres of the world economy and inflation is increasingly seen as the main problem; and/or when (2) the position of private capital becomes more secure in terms of structural power and/or political positioning. Once dominant, however, orthodox policies may contribute to the slowing down of economic growth through various mechanisms, efficacious in different geo-historical contexts in different ways. These geo-historical differences notwithstanding, there seems to be a general tendency towards gradually deepening deflation, that is, a downward phase involving under-consumption/overproduction, unemployment, stagnating or declining prices, social problems and political reactions to them. This does not concern just the direct effects of free markets and anti-inflationary monetary and fiscal policies – which vary historically and can sometimes be fused with other elements – but also the emergence, triggering, strengthening and releasing (e.g. by means of de- and re-regulation) of some of those mechanisms that are characteristic to a capitalist market economy. Income distribution, future expectations and the effects of financial markets are among the most important of these mechanisms.

**The effects of orthodoxy on distribution of incomes and aggregate demand**

A characteristic consequence of free market policies is the concentration of incomes and wealth to relatively few while many others are either lagging increasingly behind or, particularly during a downward wave, may face impoverishment in absolute terms. As Joan Robinson (1956: 78) has noted, a central paradox of capitalism is that ‘each entrepreneur individually gains from a low real wage in terms of his own product, but all suffer from the limited market for commodities which a low real wage entails’. The point is that workers are also consumers and their purchasing power creates demand for the goods and services the capitalist firms are selling. Moreover, the propensity to consume is usually (much) higher in lower income groups than among the wealthy. Thus, to the extent that the short-term wish of each and every individual employer is fulfilled (i.e. real labour costs are put down) – to the extent that there is increasing unemployment and to the extent there are growing socio-economic inequalities – the aggregate demand for mass products and services is likely to decline. The likely result is under-consumption/overproduction in at least some industries.

More precisely, what are those mechanisms that produce the outcome of growing inequalities? They can assume many different forms, from the structures of labour markets to the system of taxation or the characteristic functioning of global financial markets. A general hypothesis can be posited, however. A capitalist market society that is organised according to free market principles provides ample opportunities to translate the positions in
relations of production, constituted by private property rights, into privately appropriated incomes and wealth. This is because the starting point of orthodoxy is that nothing should intervene in the ‘free’ operation of markets, including those structures and relations of power in labour markets and elsewhere that determine the distribution of profits and wages. Typically, free market thinking also involves a Lockean sense of justice according to which the results of one’s ‘own labour’ – including the products of labour hired by property owners – belong exclusively to oneself, i.e. the property owners, whether individual or corporate. Therefore the prevailing ethos is that privately appropriated wealth should be taxed and its use regulated as little as possible. However, the property and wealth accumulated this way can also be used to raise and educate the next generation; and of course property is freely transferable and can be inherited. This kind of a historical–institutional context may thus give rise to the development and, subsequently, reproduction of relatively enduring socio-economic classes and growing disparities between them.

A trend towards increasing inequalities and thereby towards relative decline in aggregate demand (‘under-consumption’) would thus seem to be one of the main consequences of the free markets policies. As noted in chapter 3, this was also the fundamental explanation of J. A. Hobson (1988[1902]) to nineteenth-century poverty, recessions and imperialism. Social problems and insufficient demand for products – and the corresponding excess capacity to produce – at home give rise to attempts to expand external markets and also export surplus labour to colonies. A number of early twentieth-century theorists of business cycles and imperialism followed Hobson in this regard.

_Uncertainty and the marginal productivity of capital_

Consumption explains business cycles only in part; the determination of investments is equally – if not more – important. Unpredictability and uncertainty of the future is the key to understanding many developments in a market economy. When there is confidence in the future, people feel secure about consuming and investing. A crucial insight of Keynes was the notion that the development of financial markets changes the way capitalist market economy works. In developed money markets, it is possible to speculate about the future and changes in interest and currency exchange rates (Keynes 1961[1936]: 170). On the other hand, the marginal productivity of capital depends not only on the price of capital goods but also on expectations regarding future revenues. Rising prices, for instance, raise expectations about the future and thereby increase the marginal productivity of capital and investments. Investments in turn have multiplying effects on other economic activities (ibid.: 135–46).

Developed financial markets, where it is possible to buy and sell shares and other financial assets many times a day, imply the possibility of speculative investments. What is essential for speculative calculations is not the long-term
productivity of capital goods but short-term changes in the prices of stocks and other financial assets and anticipation of others’ expectations about changes in relative asset values (ibid.: 147–63). The development of financial markets makes the dynamics of savings, investments and interest rates more complicated and contradictory. When speculation in this sense prevails, financial markets become increasingly volatile and crisis-prone. Increased uncertainty and crises affects the anticipations of the future and usually decreases the marginal productivity of capital, and thereby investments. This has multiplying negative effects on other economic activities (although may, from a neo-Schumpeterian perspective, also release funds for risk investments in innovations).

Roughly in accordance with the neo-Schumpeterian account of historical phases, but giving finance much more autonomy, Minsky (1982: 166–77) maintains that at times of long wave of growth and affluence, financial markets begin to develop in a more speculative and crisis-prone direction. Capitalism also generates innovations in finance, not only in production and exchange. New financial instruments and other innovations often presuppose deregulation and re-regulation. Consequently, there is a relation between the development of financial markets and the rise of orthodoxy to prevalence. In classical economic liberalism, money is merely a product among other goods and therefore the ‘invisible hand’ guides the free trade of money. Orthodoxy also thinks that the real economy unequivocally determines the prices of money and financial assets. It is also a common assumption that financial and other markets are either in a simultaneous (Pareto-optimal) equilibrium or moving towards such an equilibrium if there have been disturbances or movements of correction (Toporowski 2002).

Hyman Minsky’s model about the determination of investments explains why developed financial markets themselves tend to produce economic crises, recessions and unemployment. Banks create money when they give loans against future revenues and profits. The monetary system is stable only as long as streams of revenue and profit enable firms to meet their financial liabilities (Minsky 1982: 22). Financial actors try to innovate new forms of profitable finance, which typically increase velocity of circulation and decrease liquidity. Many capital goods have been bought at least in part on credit. This makes their value dependent on developments in financial markets, which in turn are contingent on actors’ expectations about the future, commonness of speculative orientation and the general degree of involvement in debt.

Speculative activities sensitise actors on alterations in expectations about the future while no-one can predict the future because the development of asset values is always uncertain in open systems and determined in significant part by actors’ expectations and anticipations (ibid.: 59–69). The higher the liabilities in relation to revenues and liquidity, the more unstable the financial system becomes. Relatively small changes in interest rates or revenues may make actors A insolvent and they can in turn endanger the solvency
of those actors B who are expecting due payments from A. In the midst of mounting difficulties many have to opt for ‘Ponzi finance’, i.e. they have to take expensive short-term loans merely in order to meet their financial liabilities. A rapid rise in Ponzi finance indicates a crisis in the near future. Relatively small absolute changes in interest rates, streams of revenue and wealth can thus trigger a financial crisis (ibid.: 162–77). In other words, financial innovations and increasing involvement in debt make the financial system more chaotic, although regulatory authorities try to close down major loopholes.

The ‘development’ of financial markets sucks capital and resources from other sectors of the economy, while increasing risks and uncertainty. Typically, at some point the distinction between speculative investments and swindles may become blurred, and various financial scandals start to be increasingly common. For these and other reasons, confidence in the continuation of the bubble may start to falter. Some may switch to speculating on decline and in some contexts these anticipations may become self-fulfilling. Small errors in calculations or unexpected changes can thereby make some financial actors quite easily insolvent (for instance, in the 1998 crisis, Long-Term Capital Management, with a basic capital of $4 billion, had created liabilities worth $200 billion that it suddenly could not meet, thus risking the solvency of a number of banks and other major investors). In developed financial markets, relatively minor problems or changes may trigger a major crisis. (See Patomäki 2001a: ch. 1; and for an analytical and very illuminating history of financial crises since the seventeenth century, Kindleberger 2001).

**Interaction of tendencies and the role of state**

The mechanisms created, strengthened or released by the orthodoxy often reinforce each other. For instance, under-consumption relative to capacities to produce, possibly co-caused by rising inequalities, compels firms to revise their expectations downwards. Depending on the particular geo-economic context, growing disparities may thus decrease the marginal productivity of capital and thereby investments. Corporations who must operate on terms set in part by developed financial markets tend to become increasingly short-term orientated. Instead of planning, innovations and productive investments, it may become more important for firms to cut down their most immediate costs, particularly labour costs. Whether this means lower wages or more unemployment, the collective outcome is a reduced aggregate demand for goods and services. This must be taken into account by firms when they adjust themselves to market developments. With lowered expectations, the marginal productivity of capital goes down and, with it, investments, with the standard multiplier effects.

Also, the disturbances and uncertainties created by developed financial markets that tend to make the horizons of actors shorter can reduce the propensity to invest in such productive activities that would require long-term
planning. Characteristically, financial markets also enable mechanisms that tend to concentrate wealth in the hands of the relatively few, thereby contributing to the global problem of under-consumption / overproduction. Financial crises also have direct effects on growth, employment and purchasing power. Since the late 1970s there have been more than 200 major financial crises, often involving a substantial loss of output and employment. A combined banking sector and currency crisis is usually the most expensive type in terms of loss of output. The IMF (1998: 79) has estimated the loss of output to be in these cases, on average, 15 per cent of the national GDP. The Asian crisis of 1997–8 led to the loss of 6 per cent of the world GDP (UNDP 1999: 2).

All of this impacts the states’ tax revenues and expenditures. When tax revenues go down, it is not easy to increase state expenditure, particularly if the prevalent orthodoxy requests states to follow balanced budgets, cut down taxes, eliminate price ‘distortions’, and commercialise as many activities as possible and transfer them to maximally ‘liberalised’ capitalist markets. Because states’ expenditures constitute a major part of the world economy, this has obvious consequences to both aggregate demand and rising inequalities, reinforcing other tendencies. It seems that this is indeed that way the world economy has become locked-in in a long but gentle downward wave since the 1970s.

By reorganising the economies and economic policies in many, if not most, countries on free market principles, has created a worldwide – but unevenly distributed and thus far fairly mild – tendency to deflation and recession, characterised also by occasional major financial crises. Moreover, free trade benefits more those countries where the technologically dynamic industries are located. Specialisation in stagnating industries or, even worse, primary products means that one can only compete in terms of quantity and price, implying typically declining terms of trade (cf. Hämäläinen 2003: 3–32; Akyüz 2003). Many countries in different parts of the world – in Latin America, sub-Saharan Africa, Middle East, Central Asia and even South East Asia – have at times experienced economic decline or even partial collapse, instead of sustained per capita growth.

Free market policies seem to co-cause increasing inequalities and imply attempts to cut down state expenditure. In the contemporary contexts, however, this is more easily said than done. Growing relative impoverishment, relatively high levels of unemployment (particularly in low or negative per capita growth areas), disparities and social problems tend to raise public expenditure, particularly in those countries where a well-functioning welfare state once evolved. Consequently, the ratio of state expenditure to GDP may rise at first, even when the absolute per capita levels of welfare services and effective income transfers are downsized (cf. Esping-Andersen 1990: 19; Clayton and Pontusson 1998). Possibly also because of this automatic Keynesian mechanism, the decrease of global aggregate demand has been gradual and contradictory, rather than assuming the form of a great crash. Moreover, central banks and the IMF have been acting as lenders of last resort.
– and also tightening financial regulations in some regards after each major crisis – and thus been able so far to prevent 1929 from happening again.

Long cycles, conflicts and violence

Long-term economic cycles are not mere empirical regularities, but outcomes of manifold – and partly contradictory – causal mechanisms in open systems. These cycles themselves may have a causal role in episodes of political conflicts and even violence. Kondratieff was interested in the possibility that his long cycles might contribute to our understanding of world history. In particular, Kondratieff discussed the occurrence of political violence in nineteenth- and early twentieth-century Europe, Russia and North-America. Although the most severe crises and depressions seem to take place during a downward trend, ‘as a rule, the periods of the rising waves of long cycles are considerably richer in big social upheavals and radical changes in the life of society (revolutions, wars) than are the periods of downward waves’ (ibid.: 70). Kondratieff acknowledged, however, that this is a rather loose empirical association.

It is true that two out of three turning points in the twentieth century coincided with the world wars (also, the first cycle turned at the time of the Napoleonic wars). However, the turning point of 1973–76 was relatively smooth and peaceful. Korpinen has explained that although this was a turning point in the fourth Kondratieff cycle, it did not resonate with shorter cycles as in the most severe economic crises. Why was this cycle different? Instead of giving an explanation, Korpinen argued in 1981 that the ‘worst crisis is probably ahead of us, occurring at some point in the long downward wave, when the world economy is in recession’ (Korpinen 1981: 96).

Kondratieff’s study indicates that the relationship between economic developments, inequality and wars is complicated. For instance, Nafziger and Auvinen (2003) argue, on the basis of the systematic study of late twentieth-century violence in the global South, that humanitarian crises, catastrophes, genocides and wars are often preceded by an economic decline. On the other hand, it may be that not only depression but also growth in particular politico-economic contexts may generate, inflame or trigger violent conflicts, particularly in the core areas of the world economy (Kondratieff excluded Latin America and the European colonies in Africa and Asia from his study). In particular, World War I came at the end of the third upward wave of 1890–1914. This concurs also with the basic claim of the lateral pressure theory developed by Choucri and North (1975), as discussed in chapter 4, and by Ashley (1980).

However, there may be no contradiction between these two sets of hypotheses about the causal connections between economic growth or lack of growth and wars. The causal effects of many social processes are often delayed. As discussed in detail in chapters 3 and 4, the turning point for the nineteenth century era of long peace in the core areas of the world economy came during the downward wave that lasted from 1870–75 to 1890 (cf. Polanyi 1957[1944]: 264–66).
Significantly, as a response to the economic troubles of the day, in 1875–80, the European great powers returned to the practices of imperial expansion of past centuries. Facing politico-economic depression, declining competitiveness, and social unrest, conservatives in Britain declared that it would begin to rely – however half-heartedly in practice – more extensively on its empire and develop a system of imperial preferences. Following the model of Britain, other states began to see colonial possessions as equally important. The remaining non-colonised space outside Europe was soon occupied.

What, then, explains the new upward wave that began in the 1890s and lasted until the First World War? First, growth in this era was accompanied by the consolidation of trade unions and socialist parties, which contributed to the rise of the real wages in at least many of the core countries. Following numerous strikes and occasional riots in the 1880s and 1890s, a new regime of regulation concerning wages and workers’ benefits emerged:

The tendency towards a rise in real wages in the four principal capitalist countries resulted from this new balance of forces. Between the 1870s and the period preceding World War I, real wages rose on the average by one-fifth in Germany and two-fifths in France.

(Beaud 2004: 149)

In addition, the various social laws that were introduced from the 1880s onwards in effect redistributed wealth, and thereby increased the spending of the poor (these included various social insurances, old-age benefits, and pensions). Hence, the new social laws and the related tendency towards a rise in real wages induced aggregate demand of goods and services at home, and thereby stimulated economic growth. Second, growth in this era was also accompanied by rapidly rising military spending. In 1875–1908 absolute military spending per capita increased from 60 to 90 per cent, depending on the country (Britain and the United States were spending the biggest share). This rise occurred simultaneously with rapid population growth. Military spending increased as percentage of the rising state total expenditures, from an average of 32 per cent to 43 per cent.

Third, although the liberalist critics of imperialism have probably been right about their scepticism of the overall benefits of the late nineteenth century territorial expansion in Africa and Asia, colonial expansion opened up and created new markets, at least for some firms and goods, as well as stimulated naval and military spending. Fourth, a series of clustered technological innovations created new markets. One of these clusters revolved around electricity. ‘Equipment for electricity generating stations ... became available at the same time as cables were strung or laid, cities were illuminated, public transport was electrified, and electric motors were developed; equipment for factories, offices and homes was also electrified’ (ibid.: 154.) Parallel developments occurred in the manufacturing of the internal-combustion engine, automobiles, rubber ties, aeroplanes and the construction of roads and airports. Moreover, the technological innovations also provoked new fears and
escalated into an armaments race, thus increasing public expenditures by states. The coincidence of the discovery of a vast supply of gold in South Africa, California, and elsewhere, brought in more money to the growing needs of the world economy and also stimulated rising prices and thereby profits, and played an important role as well. (However, the basic monetarist explanation of some ‘vulgar economists’ in terms of supply of money alone is at best a partial truth; see Hobsbawm 1994: 46–47.)

Hence, in the light of Kondratieff’s cycles, it seems plausible to suggest that the late nineteenth-century rising state expenditure (including military spending); rising real wages and prices (also due to an increased supply of money); imperial expansion of markets; and the consequent availability of cheap raw materials; stimulated the third upward wave that began in the mid-1890s. This upward swing was also based on new technical innovations such as steel, electricity, internal-combustion engine, cars and various machines, without which rapid growth would not have been possible. Industrial growth was particularly strong in Germany and the US, which soon bypassed Britain in terms of production volumes. Economic growth built upon the late nineteenth- and early twentieth-century structures and mechanisms turn out to be ‘a lethal process’ (Choucri and North 1975: 1). The new neo-imperial and geo-political stories told and opinions adopted during the second downward wave constituted neo-imperial identities and also redefined the interests of the great powers. In the social context thus constituted, the unequal growth of the third upward wave led to the formation of new alliances and an armaments race between them.

Is it possible that something similar could happen in the twenty-first century? Is it likely that – despite differences in historical contexts – a similar kind of pathological learning process has been occurring in response to similar economic troubles, setting the world onto a path towards a new major catastrophe, not unlike the one that began in summer 1914?

Conclusions

It is possible that a new long-term upward wave will begin at some point as a consequence of a combination of clusters of growth-inducing technological innovations; further commodification of social and natural life that generates more market transactions; state policies of securing cheap raw materials and energy and opening up new markets, possibly by neo-imperial means; and increased military expenditure, fuelled by actual wars in the global South. Followers of Schumpeter would particularly stress the role of innovations. New technologies and new fields of economic activities should play a key role in generating a new upward swing, particularly when facilitated by suitable financial conditions. Moreover, in open systems, our knowledge of the world economy as a whole is necessarily limited. A new upward wave may also be aided by mechanisms and processes – or their combination and sequence – that have been ignored in the explanatory model presented in this chapter.
The causes of a possible new upward wave matter. To paraphrase Choucri and North, economic growth may turn out to be ‘lethal’ if co-generated by a means of securing economic expansion through violence, and if stimulated by militarism.

However, in the light of the politico-economic analysis of this chapter, a new upward wave does not look particularly likely without adequate, collectively-organised global measures. Kondratieff emphasised the role of large-scale – in part publicly-mobilised – investments such as the construction of railways or channels or building a system of basic education for the entire population, in instigating a new upward phase. Indeed, perhaps a more thorough, long-term economic turn in the early twenty-first century would require analogical measures, but this time organised globally? In this regard, I am in broad agreement with the globalist ethico-political vision of Veblen, Hobson and Kautsky, although the global measures and institutional arrangements they proposed may be in some ways dated. Publicly co-mobilised or stimulated large-scale investments in a new field of economic activities would increase aggregate demand and generate investments also in sectors linked to it. Both would have multiplier and cumulative effects on other economic activities.

Global tax-and-transfer policies could also be part and parcel of global Keynesianism. Some investments such as building an egalitarian system of basic public health and education for everybody on the planet would also increase the overall propensity to consume, and thereby total demand (although these kinds of developments would also slow down population growth, and could be designed to do so with maximum efficiency). Additional new fields include the exploitation of old and new renewable energy sources, information and communication technologies – including perhaps the development of a cheap and simple folk-computer and an adequate public networking infrastructure for it – and sustainable biotechnology. A wave of new developments would also reverse the prevailing deflationary tendencies by inducing economic growth, and growth involves some inflation. The new developments would also make the horizons of firms longer and raise positive expectations, thereby increasing the marginal productivity of capital.

However, from a global Keynesian perspective, it also seems that this shift would have to be accompanied by a more general reorientation of the prevalent economic policies. Monetary and fiscal policy, as well as social and industrial policy, must be compatible, and they must resonate with the effects of the productive investments. In addition, the global financial system should perhaps be reformed and its characteristic mechanisms re-regulated or removed. This may well be the core problem of global economic governance in the early twenty-first century. The problem is not only to mobilise large-scale investments – globally – but to transform mechanisms of a capitalist market economy in order to enable various heterodox economic policies to flourish.

In the 1980s and 1990s particularly, many of the key systems of global governance have been harnessed to the project of locking-in economic orthodoxy
for good. Stephen Gill (1997) has coined the term ‘new constitutionalism’ to describe this project. New constitutionalism is a political and legal strategy to disconnect economic policies from democratic accountability and will-formation. The aim is to ‘constitutionalise’ the protection of absolute and exclusive private property rights and the freedom of transnational traders and investors. This is achieved through regional and global multilateral institutions such as the European Union and the North American Free Trade Agreement (NAFTA); the Bretton Woods institutions; and the World Trade Organisation (WTO). These treaties and institutions are more difficult to revise than many constitutions, and so provide a solid and firm protection against all challenges to free markets policies. One of the consequences of the neo-constitutional project is the difficulty of mobilising public funding for the required massive investments.

In the early 2000s, it appears that on the initiative of the ever-stronger transnational management class, and under the leadership of the US, a worldwide framework of institutional arrangements has been created that prevents a genuine turn towards a new long upward phase in the world economy. States are not equal in economic or political terms. Structures of production and exchange, as well as global financial markets, tend to favour actors based in particular states, while the consequent resources can be harnessed in international diplomacy and global governance to serve the particular interests of the powerful private actors and related states (see Braithwaite and Drahos 2000; Patomäki and Teivainen 2004: chapters 1–3). The most powerful interests tend to prefer orthodox free market policies, universalising their particular short-term interests, but this tends to be damaging for both the (world) economy as a whole and also for large parts of the world citizenry.

Once again, in the early twenty-first century, the world economy is vacillating between relatively low per capita growth and deepening deflation and recession. Some signs point towards the latter. Of course, as I have emphasised, not all countries and regions are in the same situation. The prolongation of the period of relatively slow growth may perhaps be compatible with rapid growth in some countries such as China, for instance, at least as long as it is able to insulate itself from global financial markets and cultivates more heterodox arrangements at home. The long downward wave is also compatible with short and weak booms in some other places, including the US which can afford to follow Keynesian policies.

However, unilateral attempts to strengthen one’s position by concessions from the others and further free market measures may actually strengthen tendencies towards steepening the collective downhill. At the same time, conflicts within and between states, as well as between regional groupings, may escalate, threatening the existence of the remaining post-World War II multilateral arrangements. On the basis of historical analogy to the 1870–1914 era, it seems that in the absence of sufficiently strong counter tendencies and counterforces, a major catastrophe in the future seems a real possibility. It is time to scrutinise that historical analogy in more detail.
6 Global insecurity in the early twenty-first century

Neoliberalisation and the rise of new imperialism

In the early twenty-first century, there is no sufficient sense of a global community, of institutions and practices that assure a dependable expectation of peaceful changes. There is thus no general agreement that common social problems must and can be resolved by processes of peaceful change, following shared practices and institutionalised procedures, and without resorting to large-scale physical force. States continue to spend vast sums of money on developing means of violence and destruction to secure themselves from the violence of others. If a social system has become integrated, no relevant actor has reasons to prepare for the use of political violence against others. In other words, military spending and investments in the early twenty-first century indicate that there is, as yet, no global security community.

Nonetheless, for decades, major interstate and civil wars have been absent from the heartland of the global political economy. Humanity was lucky to survive the cold war era, but empirically it appears that most wars during and after the cold war have taken place within states and in the global South (although usually various states have been involved, some of them global in their reach). Both Europe and the North Atlantic area – consisting of established liberal-democracies – appear to be pluralist security communities, and there may be emerging security communities in other regions of the world (see Adler and Barnett 1998). It is not only the case that free trade prevails, but furthermore, it has also been given almost constitutional guarantees through the WTO (see Gill 2000). Multilateral global business regulation is more extensive and intensive than ever (see Braithwaite and Drahos 2000). The liberalist conditions of peace appear firmly established. Of the classical theorists who tried to explain the new imperialism of 1870–1914 and the First World War, Schumpeter’s vision has become mostly true. Moreover, in the Bretton Woods era, several reforms proposed by Veblen, Hobson and Kautsky were realised, at least in some form.

Yet, in the early twenty-first century, the world economy seems to be vacillating between low per capita growth and deepening deflation and recession. Economic growth in the United States in particular – still the ‘locomotive’ of the world economy – is stimulated by the debt-financing of military spending and the private consumption of the wealthy. Perhaps the composition of
growth is already turning the prevailing growth path lethal, in the sense of lateral pressure theory? Moreover, the political-economic situation appears contradictory at multiple levels. Unilateral attempts to strengthen one state’s political-economic position by concessions from others and further neoliberal measures may serve to strengthen the tendencies towards deepening the collective problems. Since Seattle 1999, most multilateral trade summits have failed. The US and the EU have resorted to a series of bilateral trade agreements with other countries. The rapid growth in parts of Asia, and particularly in China, indicates once again that leading states tend to lose their economic and technological advantages, and this may be as difficult to accept as its consequences are to accommodate by means of political changes. The supply of scarce raw materials and particularly energy sources such as oil is securitised; oil is running out. The US ‘war on terror’ has evoked a debate between explicit defenders and critics of new imperialism (cf. Harvey 2005a).

In many ways, all of this seems to resemble the era of 1873–95.

Important social processes often take a long time to unfold. One way of studying the long-term consequences of contemporary nodal points and ongoing processes is to use a historical analogy. In this chapter, I analyse the analogy between two eras. Concluding the era that started in the 1870s, the First World War occurred under circumstances that were in some significant ways favourable to liberalist theory. It ended half a century of economic globalisation and peace in Europe that are comparable to the global conditions a hundred years later (Rowe 2005: 409; cf. Hirst and Thompson 1999). In the early twenty-first century, is there an analogical turn towards competing imperialisms that in the late nineteenth century eventually led to an arms race among the European great powers?

I scrutinise the historical analogy first and foremost in terms of geo-historical nodal points, but I also explain some of the most important structures, mechanisms, actors and forms of agency. These are, of course, closely related and cannot be discussed without cross-references. I focus on world historical nodal points and self-reinforcing social processes, first abstractly and then concretely. I argue that two concrete nodal points in particular seem to stand out. The first is the end of the original Bretton Woods system in 1971–73, and particularly the decision of the Nixon administration to delink the dollar and gold. I make a case for seeing this as a trigger point, initiating and then powerfully augmenting a transformative process that led not only to the rise of neoliberalism, but was also the starting point for increasing unilateralism of the US. It was also a predisposing point, securing the satisfaction of the enabling conditions for a process with self-reinforcing tendencies. Further, it was also a break point, substantively contributing to a rupture of social-democratic structures and their alignment in the world economy, leading to the rise of transnational neoliberalism. Finally, from the counterfactual point of view of collectively rational forms of multilateralism and systems of global governance, the end of the original Bretton Woods system was also a saddle point that induced stasis and regression.
The second important nodal point from the point of view of this study is the election of George W. Bush and, in particular, the beginning of the ‘war on terror’ in 2000–01. While in some ways this nodal point can also be seen as a continuation of a number of already ongoing processes resulting from developments that started in the early 1970s, this nodal point has brought about the re-emergence of the explicit ideology of new imperialism. To compare, in the period 1873–95 the political-economic context of the rise of new imperialism included limited constitutional democracies, wide socio-economic inequalities, declining economic competitiveness of the leading state, a long downward wave, the unification and rise of Germany, nationalist and militarist effects of repressing radical socialist and democratic movements, and the predisposition to learn from the ‘successful’ practices of the leading states, particularly Britain and, to some extent, France. What are the structures and mechanisms that exist and are causally efficacious in the early twenty-first century? To what extent, and in what ways, are the prevailing structures similar to the structures and mechanisms that prevailed in 1870–1914?

Following a political-economic analysis of structures and mechanisms, I briefly examine the dominant forms of agency of the early twenty-first century. To what extent are these forms of agency similar to the forms that prevailed in 1870–1914? Given the dominant forms of agency and social structures, how different are the nature, scope and diversity of the narratives (or scenarios) the early twenty-first century organisations are capable of generating when compared to the late nineteenth century states? How similar or different are the political-economic conditions of responses to the socially framed day-to-day problems of the main collective actors? As other organisations’ responses are part and parcel of the relevant external circumstances, what action–response sequences and processes of securitisation can be identified? For instance, what is the role of the EU or China in these globalising processes; or the globalising media; or the new transnational social movements? To what extent, and in what ways, does the already existing framework of global governance enable resolution of conflicts by way of peaceful changes?

**Nodal points and self-reinforcing processes in world history**

History does not repeat itself. Only some aspects of long-term historical processes may be sufficiently similar to provide insights into future possibilities. Thus, the point is not to look for exactly corresponding episodes or sequences, but for comparable structural liabilities and tendencies that may yield analogical outcomes. Some similarities may be obvious. For instance, in its ambiguity, the long-term political-economic crisis of the late nineteenth century clearly resembles the long downturn that started in the 1970s and 1980s than it does the steep depression of the 1930s (cf. Gourevitch 1986: 74). In other cases, similarities may be only partial and also uncertain. For
instance, in discussions about whether Kautsky’s or Lenin’s understanding of imperialism is better applicable to the post-1945 or post-1989 situation, many commentators fail to stress the fact that European territorial empires came to an end by the 1970s. Late twentieth-century North–South relations of domination and dependency may have been characterised by some structural continuities and resembled in some ways the early twentieth century-imperial rule (which also included a variety of administrative arrangements), but for example David Harvey’s analogy to Lenin’s imperialism and Kautsky’s ultra-imperialism can be, at best, only partial:

[After the end of the cold war] it seemed, for a brief moment, that Lenin was wrong and Kautsky might be right – an ultra-imperialism based on ‘peaceful’ collaboration between all the major capitalist powers (now symbolized by the grouping known as the G7 . . .) was possible – and that the cosmopolitan character of finance capital (symbolized by the meetings of the World Economic Forum in Davos) would be its founding ideology.

(Harvey 2005a: 68–69)

As discussed in chapter 3, Kautsky did not present his concept of ultra-imperialism as a basis for an alternative explanation of the 1872–1914 era (in that regard he was perhaps more in agreement with the picture drawn by Lenin), but as a vision of a possible future following the First World War. In some ways, Kautsky’s vision may have come true in the course of the twentieth century, but only during and after the process of formal decolonisation. Simultaneously, Lenin was proven wrong by world history: the pre-1914 epoch of territorial imperialism did not turn out to be the highest or final stage of capitalism. Yet, Harvey suspects that it is possible that the world may still enter a new phase of Leninist imperialism:

The Bush administration’s shift towards unilateralism, towards coercion rather than consent, towards a much more overtly imperial vision, and towards reliance upon its unchallengeable military power, indicates a high-risk approach to sustaining US domination, almost certainly through military command over global oil resources. Since this is occurring in the midst of several signs of loss of dominance in the realms of production and now (though as yet less clearly) finance, the temptation to go for exploitative domination is strong. Whether or not this will lead later to a catastrophic break-up of the system (perhaps by a return to Lenin’s scenario of violent competition between capitalist power blocs) is hard even to imagine let alone predict.

(ibid.: 75)

Harvey seems to suspect that in the early twenty-first century, there are structural liabilities and tendencies similar to the late nineteenth-century era
of new imperialism. But what exactly are those liabilities and tendencies? Scenarios are conditional, explanatory, and future-orientated. Relevant conditions include those that stem from the socially framed day-to-day problems of the relevant actors as well as conditions of structural power. For instance, Patnaik (1996: 5) assumes the basics of Keynesian economics and explains that due to emergent structural relations of power, financial globalisation – which works through the IMF-conditionals – 'has undermined the ability of the nation-State to intervene in the economy to maintain high levels of activity'. This explains, as a collective outcome, the high levels of unemployment of the 1980s and 1990s and crisis of state-interventionist political-economic ideologies.

However, these constraints set by global finance do not apply to all states in the same way. The US can continue to pursue a version of Keynesian demand management policies and pull, in part, the level of activity elsewhere in the world (ibid.: 7). Moreover, the 'successfully industrializing East Asian countries' have kept 'themselves outside the vortex of globalized finance' and thus enabled state-led late industrialisation, 'reminiscent in some ways of the earlier German pattern' (ibid.: 14–15). After the Asian crisis, the same holds true of China. It has rapidly become the second biggest economy of the world if measured in PPP-terms. Will the US response be reminiscent of the British response to the 'German threat'?

Early twenty-first century industrial production remains dependent on oil. Hence, as uneven growth continues, at least in some places, and as this unevenness of growth and the distribution of its fruits may generate tensions of its own, economic growth also creates an increasing demand for oil, which is a scarce and unevenly distributed resource. As will be explained in more detail in chapter 7, when securitised, the supply of oil can become a reason for diplomatic and military manoeuvres that aim to secure the continuous availability of oil at a reasonable, or at least predictable, price. As Harvey explains, the structurally-induced 'temptation' to opt for military domination may be strong. Attempts to secure the supply of oil by means of military–territorial domination are prone to appear threatening to the interests of other industrial states, which may consequently respond in kind. Depending on the overall context, this may result in a sequence of territorialising and securitising responses.

The point here is not to argue for focusing only on supplies of raw materials and primary sources of energy, however central and essential fossil fuels are to the twenty-first century industrial world. Action–response sequences are complex and cover many issues. My point is more general and abstract, and it concerns the temporality of politics, whether the focus is on the past that cannot be changed or on possible futures. Nodal points, temporal sequences and historical paths – arrived at also through unintended and complicated consequences of interdependent actions – matter. Social processes, when they originate from contradictory rules, principles and effects, are often self-reinforcing. After a critical turning or tipping point, the dynamics of self-reinforcing process, characterised by positive feedback to at
least some actors, tends to support and institutionalise the original choice or choices. Thus reversals become increasingly difficult. Dynamics triggered by particular events and/or processes at one point in time may reproduce themselves or accelerate, even in the absence of the recurrence of the original events or processes (Pierson 2004). Three mechanisms of learning, power and institutionalisation seem particularly important in triggering and sustaining a self-reinforcing process:

1 **LEARNING**: In general, humans tend to incorporate confirming evidence, while disconfirming evidence is often filtered out (see Gilovich 1993: 75–122; cf. Fuller 2006 for an argument that this is a key reason in science for the open-ended justificatory process of falsification). Moreover, in many action–response episodes a critical point is easily reached when a particular interpretation and related expectations become reciprocally self-fulfilling prophecies. Actors respond to others’ actions in a way that seems to give evidence for a generalised world view, or culture (cf. Wendt 1999: 159–65), that in turn constitutes and sustains particular rules of action (practices). In a reciprocal process, actors may thus lock themselves in particular epistemic positions, which may also become constitutive of their mode of being and agency. This self-reinforcing process may also be characterised as a collective pathological learning process to the extent that it involves reduction of learning capacity and hardening of the will in the Deutschian sense (see chapter 2).

2 **POWER**: A slight change in relations of power may also imply more power to change the rules of the game within which political contests take place. If the opportunity to change the rule of the game is seized, the process becomes easily self-reinforcing.

   Political settings where one set of actors must initially impose their preferences on another set through an open conflict (‘the first face of power’) may change over time into setting where power relations are so uneven that anticipated reactions and agenda control (‘the second face of power’) and ideological manipulation (‘the third face’) make open political conflict unnecessary.

   (Pierson 2004: 37)

This process may also involve a pathological learning process in the sense of (1). Moreover, this kind of self-reinforcing process tends to determine the stories and narratives an organisation is capable of generating at any given moment in history.

3 **INSTITUTIONALISATION**: A change in the prevailing world-view (culture) and relations of power usually results in changes of policies and institutional transformations. Policies and institutions are generally designed to be difficult to overturn. Designers of institutions are often interested in binding their (potential) political rivals and sometimes also
themselves. Moreover, policies and institutions also tend to create vested interests that, in the subsequent phases, are likely to reinforce the world view or culture in question. Thereby institutionalisation can further reinforce a historical process and its direction.

Determination of the direction of geo-historical developments – and thus the locking-in of a particular developmental path – can be triggered or instigated by apparently small and insignificant events. Choices made on the basis of transitory conditions can persist long after those conditions change. Nothing, of course, can completely suppress or absent human learning capabilities, and thus a change or reversal of the process always remains a possibility. However, increasingly shared expectations; asymmetric relations of power; and corresponding policies and institutional arrangements can make non-pathological learning not only costly and difficult but also particularly costly to those dissidents and organisers who openly and publicly promote learning and changes. For this reason the problem of collective action is at the heart of a self-reinforcing process. An example of a self-reinforcing process is the turn to competing imperialisms in the 1870s and 1880s. This process continued and reinforced itself even after some of the conditions of the original choices had become absent (such as the downward wave of the world economy). The main point of this chapter is that also the rise and consolidation of neoliberalism since the 1970s has been a self-reinforcing process in this sense.

Nodal point 1: the end of the Bretton Woods era in 1971–73

Many accounts of the rise and consolidation of neoliberalism have thus far been fairly descriptive. Neo-Gramscian scholars have tried to redescribe and perhaps also in some ways explain the neoliberal transformation that has swept the world since the 1970s. Characteristically, the neo-Gramscian explanatory stories about these changes are outlined in terms of relations of production, historic blocs of social forces, power and hegemony (see Cox 1987, 1996; and e.g. Gill 1990, 1991, 1995, 2000, also the excellent works of Mark Rupert 1990, 1995). According to this narrative, since the 1970s, policy-makers of the OECD countries have adopted monetarist and liberalist positions as a particular, biased response to the perceived problems that have emerged since the late 1960s. This particular, and partly false, response is best explained in terms of a change in power relations in favour of transnational capital. A further post-Gramscian hypothesis is that there are also objective reasons for this shift, for it originated, in large part, in changes in the relations of production, which can be summarised as a shift from the Fordist towards a post-Fordist regime of accumulation of capital (for a more detailed discussion, see Patomäki 2003b). I think the neo-Gramscian account can be improved – and should be revised – in terms of modelling the self-reinforcing
process of neoliberalisation and the contradictions on which it is based. My explanation differs particularly from the idea that the rise of neoliberalism was mainly caused by new post-Fordist relations of production. Arguably, the hypothesis I develop about self-reinforcing processes accounts for the gradual change in relations of power better than previous explanatory stories. Apart from the role of basic causal mechanisms of industrial and capitalist market economy, the crux of my explanation lies in the discrepancy between territorial states and spaces of world economy, and in the struggles over income distribution and power in which some actors started to exploit this discrepancy. Although the Anglo-American political-economic agreements reached during the Second World War enabled democratic welfare states—which meant rising levels of living and decreasing socio-economic inequalities—these agreements implied only a limited capacity for global regulation and governance. Territorial states remained the main locus of regulation and the sole locus for tax-and-transfer policies. At the same time, the rules and principles of the Bretton Woods system—particularly when the free trade-orientated General Agreement on Tariffs and Trade (GATT) agreement is included in the definition of that system—were meant to ensure gradual liberalisation and reintegration of the world economy after the crises and wars of 1914–45. By the early 1960s, the reintegration of the world economy had opened opportunities for some actors to resolve their day-to-day problems by spatial relocation. This had far-reaching consequences for the global political economy as a whole. However, explicit political choices were involved in the ensuing transformations. The decisive choice made by President Richard Nixon in 1971 to end the Bretton Woods system was also about unilateralism vs development of global systems of governance. Ethico-political ideas associated with neoliberalism entered the public political stage only after this nodal point. However, once neoliberalism had gained ascendancy, it started to have its own effects and dynamics.

In this section, I first specify the small and apparently insignificant events that triggered and instigated—in a geo-historically specific global political economy context—the determination of the direction of late twentieth-century developments and which subsequently locked in the neoliberal developmental path. Second, I examine the small and in their own time apparently insignificant ideological and theoretical developments that later constituted the world-view, or culture, of neoliberalism. This world-view has assumed a leading role in world politics since the 1980s. Third, I explain the self-reinforcing effects and dynamics of neoliberalism.

A series of small events and episodes leading to the 1971–73 nodal point

After the Second World War, the era of formal empires was drawing to an end and, also because of the war, Britain was almost bankrupt. The former colonies and dependencies were gaining independence and state sovereignty. Yet
the British were keen to restore as much of their previous global glory and dominance as they could. Harold Wilson of the first post-war Labour government decided to reopen the City of London as an international financial marketplace (see Strange 1986: 47–48; Strange 1998: 6) Well into the 1950s, London’s international financial position was ensured because the City served as the financial centre for the closed sterling bloc of the Empire/ Commonwealth. However, the long-term viability of this bloc came increasingly into question in the late 1950s and early 1960s. As the British financial authorities learnt the benefits of offshore financing through positive feedback from their first experiments in the late 1950s and early 1960s, which they made almost by accident, they soon concluded that London’s international position might be better preserved if it were to act as a financial centre for offshore dollar transactions.

The metaphor of offshore captures well the idea that individuals and companies can make use of new types of boundaries, or ‘shores’, and in doing so can escape the containment within the space of a territorial sovereign state and thereby its control (see Palan 2003, introduction). The idea of switching location to avoid taxes or regulations is older than the term ‘offshore’. Its origin lies in the introduction and rising levels of income taxes by the territorial states in the context of a world economy in which economic transactions and relations are not tied to any given territory. At least some wealthy individuals and firms (including financial actors) could go back in time to the days of nineteenth century laissez faire capitalism – or at least low taxes – by switching their nominal or legal location to an offshore registration. At first, this was illegitimate, bad for reputation, risky and potentially costly for most actors. However, for various reasons, some national authorities allowed this to happen, most notably the US and the UK, although at that point they could have stopped it relatively easily. Later, the process became increasingly difficult to reverse (see Picciotto 1999).

As direct foreign (particularly American) investment started to grow again in the 1950s, a few new jurisdictions began to offer ‘convenient facilities’. In particular, small English-speaking statelets, often islands, which generally had been (and sometimes still remained) colonial dependencies of the British Empire, could offer numerous advantages for transnational corporations. They had a modern-style legal system, the currency of the mother country and in many cases they benefited from the tax treaties that had been extended to them. Since their own tax-base was poor, an appealing alternative was to charge a small fee on company registrations. Guarantees of secrecy, exemptions from taxes and – from the 1960s onwards – specially-tailored laxity of regulations made this option attractive to companies. These facilities were discreetly publicised in the small community of international tax specialists who were giving advice to the rich and re-emerging transnational business (ibid.: 53). As the feedback from the decisions to relocate was positive for the individuals and corporations concerned, the idea started to spread. The tacit consent to migrate offshore has often also been a compromise between
contradictory demands of labour/electorate and capital (against the democratic demands for better welfare services and higher taxes, the offshore facilities offered an easy way to give tacit concessions to capital).

At the same time, the British governments gradually structured the City of London on the model of the offshore centres of many of its former dependencies. In the beginning, this may have evolved as a mere response to the day-to-day problems of solving a number of political and balance-of-payments crises, but gradually – following learning from positive feedback – it emerged as a conscious strategy. As summarised by Ronen Palan (1999), the Euromarket first emerged in 1958. During the Suez Canal crisis and the ensuing run on the British sterling, the British government imposed restraints on sterling credits to countries engaging in third-party transactions within the sterling area and, in addition, raised the bank rate to 7 per cent. In response, British banks began actively to seek dollar deposits to use in trade credits. These transactions in dollars were then not considered to be taking place under the exchange rate regulation, reserve regulation or any other regulations of the British state.

The late 1950s was also the time of the growth of transnational firms. Capital controls were relaxed and the convertibility of currencies for non-residents was introduced. The stage was set by the return to convertibility of the Western European currencies at the end of 1958 and of the Japanese yen in 1964. Convertibility facilitated the vast expansion of international financial transactions, which deepened monetary interdependence. Hence, the supply and demand for the new extra-territorial financial services emerged simultaneously. They were encouraged to meet in London, in the new juridical space opened up by the dollar markets of deposits and loans. The Eurodollar market developed rapidly. In 1963, the Eurodollar loan market was supplemented by the Eurobond market, which consists of bonds underwritten by international banking syndicates and not subject to any country’s securities laws.

The anchor of the Bretton Woods system was the dollar, linked to the value of gold. The system did not, however, work quite as initially planned. A basic contradiction of the Bretton Woods monetary system, known as the Triffin dilemma, became clear as the American economic financial position gradually eroded. In the 1950 and 1960s, American firms became incrementally less competitive compared to their competitors in Europe and Japan. By the mid-1960s it had become evident that there was overproduction capacity in the US (see Brenner 2002: 11–24). In some ways the United States started to behave similarly to the European empires of the 1870s and 1880s, and also roughly consistently with the under-consumption hypothesis of Hobson’s theory of imperialism. Overproduction capacity and insufficient demand for American products at home and the increased competition in the economically successful Europe and Japan led to self-regarding attempts by the leading state to create more favourable conditions for external economic expansion of its producers, traders and financiers.
Under the shifting circumstances of the 1960s, characterised by rising inflation, a process of collective learning started to occur. According to the hypothesis proposed in chapter 5, in a capitalist market society, the general tendency towards the prevalence of free market orthodoxy becomes stronger when

1. the economic developments seem favourable in the world economy, i.e. when there is stable growth and high employment at least in the centres of the world economy and inflation is increasingly seen as the main problem; and/or when

2. the position of private capital becomes more secure in terms of structural power and/or political positioning.

Inflation was rising in the 1960s and was increasingly seen as the major problem of economic policy. Inflation was also seen as a consequence of the power of trade unions and democratic politicians. Moreover, as Minsky (1982) has argued, in accordance with the Keynes–Minsky hypothesis, by the mid-1960s a crisis-prone financial system had re-emerged in the US, which aggravated economic cycles. The ratios of debt to income and of debt to liquid assets had risen to levels that had ruled prior to the Great Depression.

As the financial system became more heavily weighted with layered private debts, the susceptibility of the financial structure to disturbances increased. With these disturbances, the economy moved to the turbulent regime that still rules.

( ibid.: xiii )

Consequently, a series of financial crises erupted, the first one in 1966. However, despite increased volatility, the crash of 1929 has not been repeated for two main reasons. First, the US Federal Reserve had become a lender of last resort for other banks. Second, the big federal and state governments that had evolved since the 1930s meant that the share of public expenditure of GDP had grown significantly. Government actions and automatic mechanisms of expenditure had begun to make a difference. For instance, in the late 1960s the Vietnam War created a large government deficit, functioning as a Keynesian-type mechanism stimulating fiscal policy.

In the 1960s, the US started to run large deficits. Continuing deficits on the US balance of payments were matched by increasing dollar holdings by the trading partners of the US. The Americans could pay their bills – for military spending in the context of the cold war and the Vietnam War – with IOUs (‘I owe you’), that is, by issuing bonds, notes and other forms of financial commitments (Strange 1986: 6–7). In the 1950s and 1960s, the dollar expansion helped to revive world trade and even fund investments, particularly in Europe. Yet the parity to gold tied the hands of the US government. Already by 1958–59 the accumulated dollar liabilities exceeded the large but
declining US gold reserves and the situation was becoming worse in the course of the 1960s. American competitiveness relative to Japan and Western Europe was in decline. Short-term cycles notwithstanding, the trend was that inflation was on the rise, as was unemployment (ibid.: 6; Helleiner 1994: 13–14). The unpopular Vietnam War, financed largely through a further expansion of dollars and IOUs, aggravated the problem. In addition, because of the constant surplus of the US allies, there emerged a shortage of gold. The dollar liabilities to foreigners exploded in the late 1960s (Walter 1993: 166–68). As the dollar faced inflation, it became profitable to buy dollars for the official equivalent of gold. The pressure on US government reserves was intensified by the new foreign exchange markets, with their vast pools of speculative capital moving around in search of quick profits.

Moreover, in the 1960s, the US took measures to protect its low domestic interest rates by blocking access to US capital markets and encouraging American multinationals to fund expansion abroad from their foreign earnings. American banks were likewise encouraged to set up branches abroad to service the growth of the US MNCs (multi-national corporations). To attract these activities, the Bank of England exempted foreign banks from all credit and interest rate requirements, except in sterling transactions with residents (Picciotto 1999: 57–58; also Helleiner 1994: 83–91). ‘The license so nonchalantly granted them by the US and British governments to operate in London in dollars, not sterling, made this foreign business much more profitable than their [US banks’] taxed and regulated business at home’ (Strange 1998: 155). Ultimately, the role of the City as an offshore centre – at first insignificant in terms of volumes – was itself largely dependent upon US government policy, which allowed US banks to operate free of domestic US banking regulation by establishing operations in London.

In the course of the 1960s it appeared to an increasing number of economists, journalists and policy-makers that the original Bretton Woods system was unsustainable (see Triffin 1968: preface). The Bretton Woods system had turned out to be contradictory. It presupposed a unique and transitory geo-economic constellation that could not remain unchanged. Parallel to these difficulties, transnational business and some states, including the US, were progressively exploiting more of the new exit options, which made it possible for the corporations to increase profitability and for some states to increase the competitiveness of their firms by relocating activities – or at least the notional place of transactions and book-keeping. In this context, the US government could have continued to abide with the Bretton Woods system but at the price of tight budget discipline and deflationary economic policies, weakening its relative position further, and making the position of the Nixon administration more difficult at home. However, Nixon could have chosen the multilateral path of initiating new negotiations on a more sustainable global monetary system and tried to tackle inflation otherwise. Instead, on 15 August 1971, he unilaterally imposed a 90-day wage and price control, a 10 per cent import surcharge, and most importantly ‘closed the gold window’,
making the dollar inconvertible to gold directly, except on the open market. This decision was made without consulting members of the international monetary system (or the State Department) and was soon called the ‘Nixon Shock’. In effect, Nixon tried to resolve the Triffin dilemma and inflation by changing the rules of the game of global political economy.

Although the August 1971 crisis was followed by a series of multilateral and bilateral negotiations in the autumn, seeking to develop a new multilateral monetary system, Susan Strange for instance, has argued that the US passivism was deliberate:

The important distinguishing feature about the August 1971 crisis when it came was that it was a manipulated crisis in which the US, foreseeing renewed market turbulence, resolved deliberately to use a weapon of economic diplomacy – rather as a naval strategist would use the combination of coastal reef and an offshore wind to exert better mastery over enemy. Such masterful tactics are only available to those who know their own mind. Behind the Connally ‘offensive’ of 15 August 1971 was a new clarity of US policy about the nature of the dollar problem and the chief objectives to be gained in the national interest – though it is true that external pressures sharpened this appreciation.

(Strange 1976: 336)

In 1972, the US government knowingly decided not to return to some modified form of the Bretton Woods system. The US failed to accept financial discipline and with no other credibility mechanism in place, the pressure against the dollar in gold continued. Gold became a floating asset and its price climbed. By 1972, countries began abandoning even this devalued peg against the dollar (although it took years for all of the OECD countries to do so). In early 1973 the Bretton Woods currency exchange markets closed – and soon reopened in a floating currency regime.

A series of at first small and insignificant developments of ideas and theories that became increasingly hegemonic after the ‘Nixon shock’

‘We are all Keynesians now’, remarked Nixon famously in the early 1970s. However, it was Nixon’s decision and subsequent inaction that moved the world from the Bretton Woods system towards a new era of floating exchange rates. As James Tobin has pointed out, many economists, of whom Milton Friedman was an eloquent and persuasive spokesman, had been advocating floating exchange rates:

By the early 1970s [this] view was the dominant one in the economics profession, though not among central bankers and private financiers. And all of a sudden, thanks to Nixon and Connally, we got our wish. Or at
least we got as much of it as anyone could reasonably have hoped, since it could never have been expected that governments would eschew all intervention in exchange markets.

(Tobin 1978: 153)

At first neoliberalism was more a matter of practical decisions than explicit ideology, although serving particular interests. However, particularly after 1971–73, these practical decisions started to assume a direction that resembles classical economic liberalism (perhaps in particular the nineteenth-century Manchester School of free trade and markets). The new direction needed justification – short-term opportunistic exploitation of exit options would not do as a justification in the public sphere. This is how the demand for the ideas developed in the Chicago school of economics emerged and started to grow. The Chicago school of economics is a school of thought favouring free market economics, practiced at and disseminated from the University of Chicago. The leaders used to be Nobel laureates George Stigler and Milton Friedman; also Friedrich von Hayek was also based in Chicago in the 1950s and early 1960s.

As a set of interrelated ideas, neoliberalism is strongly associated with the maximisation of negative rights of individuals, strengthening private property rights, and liberalising and deregulating global markets, including financial markets. Sometimes neoliberalism is traced back to the Mont Pelerin society (Harvey 2005b: 20–22). The members of the small and at first insignificant Mont Pelerin Society, founded in 1947 around the ideas of Friedrich von Hayek, depicted themselves as ‘liberals’. Milton Friedman was a member of that society.

In the mid-twentieth century, the nineteenth-century era of classical laissez-faire liberalism seemed over. Keynes and social democracy reigned in the West, Lenin in the East, and the idea of national liberation and state-led development in the South. Hayek, Friedman and other dissidents were committed to the ideals of personal freedom and to the free market principles of neoclassical economics. Key works of this era are Hayek’s *Road to Serfdom* (1944) – a work on political philosophy defending individual liberties and freedom of private property against all collectivist ideas – and Friedman’s *Essays in Positive Economics* (1953) – a collection of writings on economic theory defending the idea that markets are efficient and self-regulating and, also, advocating flexible exchange rates and liberalisation of finance. Despite their radical libertarian tenets and explicit denial of any connection to conventional forms of conservatism, Hayek and Friedman were also, in some ways, nostalgic thinkers. As Hayek wrote at the end of his now famous book, ‘though we neither can wish nor possess the power to go back to the reality of the nineteenth century, we have the opportunity to realize its ideals’ (Hayek 1944: 240).

Friedman and Hayek were both economists, although uncharacteristically they were also undertaking political philosophy. However, many of the
developments of economic ideas and theories that later became essential ingredients of neoliberalism occurred quite independently of the Mont Pelerin Society or its members, or even the Chicago school. From a long-term geo-historical perspective, what really matters is the development of economics, particularly in the US, and up to an extent also in Europe. The basics of the contemporary neoclassical orthodoxy were forged in the late nineteenth century. Most elements had surfaced by the First World War. Augustin Cournot, Stanley Jevons, Alfred Marshall, Leon Walras and Vilfredo Pareto developed notions such as marginal utility and marginal costs; elasticity of supply and demand curves; and general equilibrium analysis of price-determination.

From the outset, the common practice was to start from the assumptions, however arbitrary, that tended to reinforce the laissez faire conclusion of David Hume and Adam Smith. It seems that the success of the neoclassical revolution stemmed at least in part from the fact that it simultaneously tended to safeguard the kernel of the classical laissez faire orthodoxy and make it appear scientifically grounded and mathematical. The key, it was presumed, was in understanding the way the price mechanism functions in an economy with many consumers, producers and commodities. How does the price mechanism guarantee an optimal allocation of given resources? On what conditions does the system have a unique and stable equilibrium? The price mechanism could be studied by using formal methods derived, first and foremost, from probability theory, differential calculus and Newtonian mechanics.

Once the conceptual basis was established, neoclassical economists could focus on studying the mathematical properties of different systems of price-determination by using ever-more sophisticated mathematical and technical tools. This has had three very far-reaching effects. First, in contrast to the classical political economy of Adam Smith, Thomas Malthus, John Stuart Mill and others, the economy was separated from the rest of society (and implicitly assumed to be concomitant with the area of a nation-state). Second, the practical real-world problems of classical economists faded into the background and economics developed something akin to a branch of mathematics (e.g. Backhouse 1994: 195–220). Third, the more the neoclassical economists began to focus on the formal mathematical properties of various hypothetical ‘economies’, the more self-evident the conceptual foundations of their rather narrow and specific approach started to appear to them.8

At the time of the Great Depression, some collective learning did occur and largely in Keynesian terms. Until the early 1950s, Anglo-American economic discussions centred on the interpretation and validity of Keynes’ general theory. John R. Hick’s (1937) interpretation, which was in fact based more on his own earlier research than on Keynes’ classic, became gradually prevalent. Hicks reinterpreted the basic Keynesian ideas in terms of neoclassical economics and its equilibrium analysis, which resulted in the famous IS-LM apparatus.9 Others, too, such as Paul Samuelson, took as their basic task to build bridges between neoclassical economics and Keynesian
theory. Soon it became a standard argument that ‘macro-economics’ without ‘micro-foundations’ is futile. The result was the gradual reinforcement of the neoclassical conventions. As Keen (2001: 154) puts it, ‘macroeconomics, when it first began, bore little resemblance to microeconomics. Fifty years later, macroeconomics is effectively a branch of microeconomics.’ What started as Keynes’ call for realist assumptions, ended up in a reinforcement of orthodoxy under the rubric that assumptions do not matter or, if they do, matter less than ‘predictions’.

What explains these developments in economics? Tony Lawson (1997, 2003), who has studied the relationship between economics and reality in great depth and detail, denies that the enterprise of neoclassical economics would be rigged merely to show that laissez faire produces optimal outcomes. However, it is true, he admits, that in certain times and places ‘economists who did not accept the liberal views were proclaimed to be “heretics”: they became “socialists” or “prohibitionists”; they actually lost their right of belonging to the realm of political economy’ (Lawson 2003: 268). Nonetheless, ‘even allowing equilibrium theory its absurd assumptions, an equilibrating solution in this framework is not guaranteed or presumed; its possibility is merely examined’ (ibid.: 241). In his assessment ‘a causal factor of far greater significance is the inspirational role of mathematics in Western culture’ (ibid.: 242). Lawson argues that at the turn of the twentieth century, mathematics became more independent from physics, providing a pool of frameworks for studying possible realities. The constraint of social reality was lifted or at least postponed at this point.

the project of mathematising economics received the greater stimulus . . . in Austria and Germany, where the new physics, a revised conception of the role of mathematics and a specific emphasis upon axiomatic mathematics, had originated and now flourished. In particular, it was here that von Neumann, Wald, Morgenstern and other mathematicians made their initial contributions. And although approaches such as those of Wald and von Neumann were different in kind, they were later reconciled in the US, where many of the early contributors emigrated under the Nazi threat.

(ibid.: 273)

The reception of this new mathematical economics in the US was enthusiastic at the end of World War II and in the early cold war era. Lawson acknowledges that politics played a role in this reception, as McCarthyism and the early cold war context created a demand for a kind of economics that the mechanical versions of neoclassical economics and Austrian economics could both provide. ‘The neoclassical utopia of market clearing harmony and factor price equalisation was an important counter-weight to the communist utopia and its omnipotent state that promised to wither away’ (ibid.: 275). Many intellectuals who had questioned or even tried to qualify the message of
economic liberalism realised that they had become a nuisance. ‘History – also US history – cluttered the message of the near “evilness” of state interventions under all circumstances and in all contexts’ (ibid.: 275).

... the formalising project with its technicist emphasis, often to the exclusion of almost any critical or reflexive orientation, was clearly extremely attractive to those caught up in the situation. This was especially the case not just for insecure or fearful university administrators, but also for the funding agencies of US social scientific research (who were especially important in this period).

(ibid.: 274)

This would also explain the quick adoption of the ISLM-synthesis of standard neoclassical theory and Keynesianism in the US in particular. Keynes’ own interpretation of his theory and programme, including ideas about measures of socialisation of investments, large extension of the traditional functions of government and large-scale redistribution of incomes, was too leftist, despite his liberalism. In the cold war context of the US, the ISLM-model was more acceptable and soon gave way to increasingly orthodox interpretations. In fact, it was the formed professional opinion that Tobin referred to when he mentioned the prevailing opinion in economics in favour of floating exchange rates. And by the early 1970s, ‘all of a sudden, thanks to Nixon and Connally, [they] got [their] wish’. From that nodal point on, there has been a mounting demand for the advice of, as well as for the justifications provided by, neoclassical economics.

The self-reinforcing effects and dynamics of neoliberalism

The end of the original Bretton Woods system in 1971–3 was a trigger point, initiating and then powerfully augmenting a transformative process that led to the re-emergence of *haute finance* (mighty global finance), to the rise of neoliberalism and to the gradually deepening unilateralism of the US. It was also a predisposing point, securing the satisfaction of the enabling conditions of self-reinforcing processes of neoliberalisation. Simultaneously, it was also a break point, contributing to a rupture of the social-democratic structures, soon replaced by those favoured by transnational neoliberalism. As *haute finance* had had its first Golden Age in the era of 1870–1914, the end of the Bretton Woods system seems to have meant the re-emergence of some of the structures and mechanisms of the pre-1914 era.

By the time of Nixon’s decision to end the convertibility of the dollar to gold, London had once again become the largest and most important financial centre of the world. Due to economic liberalisation, transnational corporations were increasingly free to relocate their production and other activities around the world. However, in the mid-1970s, there was an attempt by the British Labour government to introduce capital controls. Financial
investors demonstrated their regained strength. Soon the outflow of money forced – eventually with the support of the IMF conditionality – the British government away from their attempt to follow Keynesian economic policies (see Helleiner 1994). Hence, the process of making London an offshore centre continued. The process culminated in the election of Margaret Thatcher, who celebrated Hayek and Friedman as her heroes, and the 1979 UK Banking Act, which was the first Act of the Thatcher government. The Banking Act removed all distinction between offshore and onshore markets. Since then, the City of London has been considered a fully-fledged offshore financial market (Palan 1998: 33). In 1981, in the United States, the newly-elected Reagan administration followed suit and enacted a law allowing the so-called ‘International Banking Facilities’ in the US, thus giving Wall Street the same offshore status as the City (Gowan 1999: 26).

The end of the Bretton Woods system was also a break point, leading to the gradual erosion of the social-democratic structures and their alignment in the world economy. The welfare states relying upon tax-and-transfer policies for redistribution and fiscal policy were vulnerable to the mobility and thereby structural power of capital (Offe 1984). In contrast to the immobility of the territorial nation-states, the mobility of capital was speeded up by the new facilities of communication and transportation and the post-war liberalisation. Moreover, the creation of Eurodollar markets and offshore facilities also made a more decisive escape for capital possible.

A telling case is that of Sweden. Of the social-democratic regimes of the Bretton Woods era, the Swedish model was perhaps the most far-reaching and universalist. The Swedish model was imitated by all Nordic countries, which together formed a highly integrated pluralist security community, Norden. The Swedish model was economically successful and sustained egalitarian economic policies for more than forty years, and translated those aspirations into a progressivist foreign policy of active neutrality of the Third Way. The fate of the Swedish model can also be read as an indication of how geo-historically diverse combinations of local/global forces have tended to produce similar results across the post-1973 global political economy. This observation supports the claim that after a certain point, the process of neoliberalisation has become self-reinforcing, also given the structures of the world economy (about the power of transnational capital, see Gill and Law 1993).

The problems of the Swedish model stemmed from insurrections against local relations of domination at the workplace; transformations of the occupational structures and class relations; the crisis of the Bretton Woods system of regulating the global economy; and the liberalisation of the exit options of capital, among other processes (for details see Patomäki 2002: chapter 9; and in particular Ryner 2002). This interplay has also reinforced the role of discourses of US-based economics, which started to replace the earlier rather Marxist concepts of the theorists of the Social Democratic Party (some of the party leaders were economists trained in the US). The first
signs of trouble emerged in the 1960s: expansionary macroeconomic policies triggered inflation, and in-built tendencies for technological dynamism were compromised for political reasons. Increasing alienation between the trade union leaders and the rank and file led to wildcat strikes. Continuous wage-push inflation became a recurrent problem in the Swedish economy. Productivity growth declined dramatically in the 1970s, particularly after the 1973 oil crisis. Indeed, the global economic crisis of the 1970s hit Sweden more severely than any other OECD country. Stagflation, declining productivity growth after decades of high productivity growth, led to Sweden accumulating substantial budget and payment deficits and a foreign debt during the period 1976–82 (Ryner 1994: 387–92).

In these circumstances, organised business and the centre-right parties of Sweden began mobilisation against left-social-democratic demands for industrial democracy and, more concretely, against the wage-earner funds. Soon, the labour movement retreated from the more far-reaching parts of the plans to co-control and democratise investments. At the same time, outside the public sector, the labour market changed and fragmented. The central trade union LO’s constituency declined between 1960 and 1988 from 75 to 58 per cent of organised labour. On the other hand, changes in the composition and positioning of the blue-collar labour and the middle class, as well as the new exit options for firms, created new conditions for the mobilisation of social forces behind the interests and visions of the transnationalising capital. Between workers and employers in sectors exposed to world markets, there in fact emerged a shared concern with containing the upward pressure on domestic costs generated by large public sectors (Clayton and Pontusson 1998: 97).

The first turning point for the Swedish model came in 1976. The Social Democrats had to step down from the government for the first time in 44 years, giving way to the Centre Party and Conservatives. This change took place six years after the US declaration that the dollar was no longer convertible to gold, and two to three years after the oil crisis, in the context of a deep Swedish economic depression. The responses to the series of economic crises further changed the context of political action and favoured particular solutions at a later stage. By the early 1980s, the responses by the Swedish governments had already brought about a redefinition of the Third Way. The Third Way began to mean, increasingly, a compromise between pure social democracy and neoliberalism, rather than the Third Way between capitalism and communism. New discourses, partly based on neoclassical economics, generated accounts about the requirements of ‘new times’ and gradual changes in the meaning of the notion of the Third Way. They also constituted neoliberal framing of new social problems.

In the new context generated by these transformations, the new Third Way, based on introducing new forms of market discipline, soon appeared to be contradictory by further undermining the legitimisation principles and industrial relations presupposed by social democracy. In the 1980s, the
employers’ federation SAF – at that time mainly representing the ideas and interests of transnational business – abandoned all major elements of the traditional Swedish capital–labour accord. SAF started to campaign for welfare cutbacks, privatisation, reduced taxes and employers’ contributions and EC membership. Moreover, Swedish firms began an investment boom abroad in the 1980s, exploiting the increasingly open exit options. The new social democratic government, elected in 1982, also tried to use financial liberalisation as a means to find a new discipline in wage negotiations in a bid to restore Swedish competitiveness. It increased the constraint of global capital markets on Sweden’s balance of payments and interest rate (Ryner 1994: 392), and soon decided to deregulate financial markets. This led to a typically boom-bubble-burst cycle, with a major financial crisis erupting in 1990 – followed by new neoliberal measures to ensure recovery from this crisis. Also, at this point Sweden decided to apply for membership in the EU and adopt the by and large neoliberal Maastricht Treaty.

Since the end of the Bretton Woods era, country after country has followed a roughly similar path (see Harvey 2005b: 120–51 for the important and interesting example of China). Local geo-historical conditions do vary, and the outcomes of local struggles have been different in many important details, but the direction has almost universally been the same. Neoliberalisation has also been aided by intentional policies of bodies of global governance. In particular, after the global debt crisis of the early 1980s, the economic (and other) policies of a large number of countries – including dozens of countries in the global South and many former Soviet bloc countries – have been under the direct control of the IMF and/or the World Bank. Already, since the 1950s, the IMF has been imposing exactly the kind of deflationary policies that Keynes warned about. In a situation of external deficit, deflationary fiscal policy is used to reduce the level of aggregate demand in the economy, which reduces imports but also employment and growth. For a quarter of century, most countries avoided taking loans from the IMF, but after the collapse of the Bretton Woods system, the situation changed. In the early 1980s, the policies of the World Bank were also neoliberalised. In the 1980s and 1990s, variously named structural adjustment programmes imposed neoliberal policies and institutions in the post-colonial world of the global South as well as in the former Soviet bloc.

In many countries neoliberal ideas have to compete in multiparty elections; and also in overtly authoritarian or autocratic contexts neoliberalism is dependent at least on passive consent. Therefore various compromises and fusions have been inevitable in different fields of propagation and implementation. For instance, in development policy, the discourse of ‘participatory development and good governance’ emerged in the programmes of development organisations in the 1980s and became ubiquitous in the 1990s (see Patomäki 1999). This discourse is a combination of two separate, and in some respects antagonistic, understandings of development. The first, providing the main framework, is the Western liberalist modernisation theory, which
sees the contemporary neoliberalised Western states – the US and the UK – as the ultimate and universal aim of development. This theory is in accordance with the Washington consensus. The second, subordinate understanding is the more critical thinking expressed by the Western social movements which in the course of the 1980s started to emphasise the importance of micro-level action-contexts, local resistance and community participation, as well as 'empowerment through participation', both in theory and in practice.

Another similar example is the New Public Management (NPM) discourse. NPM is a broad and complex term used to describe the wave of public sector reforms apparent throughout the world since the 1980s. Based on neoclassical economics, rational choice theory and managerial schools of thought, new public management seeks to enhance the efficiency of the public sector and the control the government has over it. The basic idea is that markets constitute the most efficient way of allocating resources and providing services to the customers (citizens). This implies first a preference for privatisation, for outsourcing public services as well as for public–private partnerships. Second, whenever this is either not possible or not considered desirable, it implies a project of building simulated markets within public organisations. NPM does not claim that government should stop performing certain tasks. The rationale of many social democratic parties for adopting NPM so readily is that NPM is apparently not about whether tasks should be undertaken or not, it is about 'getting things done better' (see e.g. Osborne and Gaebler 1992).

The more deeply the world has been neoliberalised, the more common sensical neoliberalism has become. The language of everyday practices at home, schools, and workplace borrows increasingly from the official discourses of neoliberalised organisations, even if often only ironically. Overwhelming evidence seems to support the idea that neoliberalism is 'the only game in town'. Moreover, a change in the prevailing world-view (culture) and relations of power usually results also in changes of policies and institutional transformations. This is of course true of neoliberalism as well. The state itself has been transformed, new forms of agency have been created, new constraints to future options have been adopted, and both de jure and de facto power relations have been transformed. For instance, the positioned practices of the liberalised financial markets have, in effect, been reorganised to form a Panopticon system of power and surveillance that promotes and maintains the leadership of neoliberal ideas (cf. Gill 1995; Patomäki 2001a: chapter 3). Successful economic policies – as measured in terms of comparative rates of GDP growth or in terms of the approval of those who create ranking lists of competitiveness and credit rating – seem possible only if they accord with the neoliberal expectations of investors, credit raters and transnational media.

The room for manoeuvre has been also limited by the legally or constitutionally binding decisions of states (and also by the Economic and Monetary Union of the EU), to make central banks independent and beyond
democratic control; and by international legal treaties that commit states to aspects of the neoliberal programme (Gill 2000). Moreover, neoliberal policies and institutions tend to create vested interests in the sense of Veblen and Hobson that, in the subsequent phases, have been – and are – likely to reinforce the neoliberal world view and culture. Thus, since the 1970s the vested interests of the social democratic or state-socialist era11 have been gradually replaced, sometimes only after fierce struggles, by the vested interests of many new actors and forms of agency that try to imitate the atomist *homo oeconomicus* model, as prescribed by neoclassical economic theory. Citizens are made to face choices (in housing, health insurance, pensions) that tie the prospects of many of them to developments in global financial markets. Highly ranked actors in key organisations know that their interests, also created by means of legal and institutional reforms, are dependent on the continual reproduction and consolidation of neoliberalism. All this tends to further reinforce the process of neoliberalisation.

**Nodal point 2: the rise of new imperialism**

In the late nineteenth century, the incremental turn to competing imperialisms by the great powers set into motion a self-reinforcing process that soon generated (further) securitisation of inter-state relations in Europe. Something similar may be happening in the early twenty-first century. Thirty years after the end of the Bretton Woods system, a new public discourse of neo-imperialism has risen. Apparently the new neo-imperialism was triggered by 11 September 2001 attacks on the World Trade Center and Pentagon; however, many of the basic strategic concepts of the new doctrine were already forged in the 1990s. The new imperialists are ambiguous about the need for territorial expansion. Although the US aims at global military dominance, and although countries have been occupied by military means (Kosovo, Afghanistan and Iraq), President Bush would still declare in the graduation address at the US Military academy at West Point in June 2002 that ‘America has no empire to extend or utopia to establish. We wish for others only what we wish for ourselves – safety from violence, the rewards of liberty, and the hope for a better life.’ (Bush 2002a)12

The word ‘empire’ may not be used in the official documents of the Bush administration, but several foreign policy observers and commentators in the US – and in Washington in particular – have publicly concluded that the strategy of an empire should be unabashedly embraced (for documentation, see Eland 2002; LaFeber 2006). One of the most outspoken advocates of new imperialism is Max Boot of the Council of Foreign Relations and former *Wall Street Journal* editor. In response to the 11 September 2001 attacks on New York and Washington, Booth argued for a return to the practices of the British Empire: ‘Afghanistan and other troubled lands today cry out for the sort of enlightened foreign administration once provided by self-confident Englishmen in jodhpurs and pith helmets’ (Boot 2001: 28–29).
With regard to Afghanistan, Boot’s advice was quickly followed by American foreign policymakers (Afghanistan has been occupied since 2002, although still in rather Kautskyan ‘ultra-imperialist’ terms). Other journalists, including Robert Kaplan (2002), have advocated the idea that the US should ‘have the stomach for imperial involvement’. Although the Bush administration may have avoided using the word ‘empire’, the US National Security Strategy (White House 2002) seems to embrace the basic notions of the new imperialism. These notions include a universalist and also narcissist commitment to lead other nations towards ‘the single sustainable model for national success’, i.e. American model free markets and liberal democracy; a commitment to prevent the emergence of any military competitor to American global dominance, resembling the idea behind the two-power standard in naval armament that Britain adopted in 1889; and readiness to use force independently of international law, if needed, which amounts to a claim to legitimate right of extra-territorial, or in other words, imperial violence. Although the US National Security Strategy (ibid.) recognises the sovereignty of other ‘great powers’ within their own territory – and the need to have good relations with them – their right for extra-territorial violence is denied. The US is assumed to be exceptional.

Should we explain the rise of the discourse and practice of US neo-imperialism in terms similar to the explanation of the rise of new imperialism in the 1870s and 1880s? Neither the sequence of things nor the context has been the same. The long mid-nineteenth-century period of growth was characterised by economic liberalism, whereas the long depression from 1873 onwards marked a turn towards modest protectionism, social reforms at home and imperialism abroad. The long mid-twentieth-century wave of exceptionally rapid economic growth was based on the embedded (social democratic) liberalism of the Bretton Woods system (cf. Ruggie 1998: 62–84), and it also coincided with and, in part, included Leninist-Stalinist-Khrushchevian industrialisation in Eastern Europe and Soviet Asia. The downward wave that began in the 1970s has been ambiguous and gently sloping and, simultaneously, characterised by the self-reinforcing process of neoliberalisation, co-causing the slow-down of economic growth in many parts of the world. Moreover, during the Bretton Woods era, the principles of the United Nations and the idea of national self-determination justified de-colonisation. In the post-colonial world, as all the sovereign states are now rightful members of the United Nations, explicit imperialism has been politically illegitimate and legally forbidden (only wars of self-defence are in accordance with the United Nations Charter). This also explains why the US government continues to avoid the term ‘empire’ when they speak or write in their official capacity; only the journalists and ‘policy observers’ may speak without the constraints of political correctness. Tendencies may be the same as in the late nineteenth century, but the context is different.

At a deep level, the key condition for understanding the self-reinforcing process of competing imperialisms in the nineteenth century, and the
armaments race in the early twentieth century, is that Europe was not a security community. Some changes in the international context were virtually inevitable given the unevenness of long-term growth trends, national unification of parts of Europe, and other major political-economic transformations. Yet the dominant modes of responsiveness and international institutions made only limited peaceful changes possible. With some democratisation within states, the self-transformative capacity of social contexts within states was gradually enhanced. Also per capita economic growth facilitated manifold compromises that were deepened and consolidated during the Bretton Woods era. However, there was no equivalent process in the international sphere. The prevailing principles of free trade and balance of power were status quo orientated – the first through de facto maintaining or reinforcing a given international division of labour, the latter through fixing a particular (interpretation of a) legal–diplomatic agreement of a territorial division and level of armaments as the norm to be preserved. Other established institutions of international society (sovereignty, international law, diplomacy etc.) were status quo orientated as well. Modernisation, state-led growth, economic cycles, imperial expansion and power-balancing generated contradictions and conflicts that the actors were, under those circumstances, unable to solve either by means of change or in terms of organising European or worldwide collective actions. This inability spawned competing imperialisms, bred and escalated conflicts, and assembled the conditions for the war.

The American turn to a new imperialism may turn out to be a similarly far-reaching nodal point in world history, perhaps constituting the first phase in a newborn era of competing imperialisms (I will discuss scenarios of possible futures in chapters 7 and 8). The neo-imperialist response to political challenges to the neoliberal/US rule in the world, to ‘terrorism’, to ‘failed states’, to the spread of weapons of mass destruction, and to the scarcity of oil, among other things, has been shaped up by the mode of responsiveness that was institutionalised during the cold war.14 However, my point in the remainder of this chapter is to try to explain how, and why, the self-reinforcing process of neoliberalisation has co-created the conditions for this geo-historical nodal point and the rise of new imperialism.15 There are four primary mechanisms that are capable of producing this outcome, and arguably all of them have been at work and causally efficacious in the post-Bretton Woods era and co-responsible for the neo-imperialist dynamics of the 1990s and 2000s.

The self-reinforcing process of neoliberalisation results in pathological learning

The first mechanism concerns patterns of learning. Humans tend to incorporate confirming evidence, while disconfirming evidence is often filtered out. This tendency is liable to becoming stronger in a context that is developing into an increasingly homogenised direction. After the point is reached when
a particular interpretation and related expectations in various positioned practices turn into mutually self-fulfilling prophecies, the process tends to become self-reinforcing. In this process, actors increasingly lock themselves in particular epistemic positions that may also become constitutive of their mode of being and agency. Over time, this process may also lead to pathological learning to the extent that it involves a reduction of collective learning capacity – less openness to surprises and discoveries – and a hardening of the will in the Deutschian sense (as explained in chapter 2).

At the time and in the immediate aftermath of the collapse of the Bretton Woods system, only a few actors openly advocated neoliberal ideas. In the early 1980s, the policies of Ronald Reagan and Margaret Thatcher were widely contested and were at first defeated in a number of contexts, including in the United Nations system. Towards the end of the 1980s, however, neoliberalism started to get the upper hand and defined the unequivocal direction of global developments.

At that point too came the end of the cold war which further reinforced the belief in the universal truth of neoliberalism and triggered interpretations of liberalism as the End of History (Fukuyama 1989, 1992). While some warned that liberalism continues to have powerful enemies that need to be accommodated or defeated (Huntington 1993), the 1990s was a decade of both the widening and deepening of neoliberalisation. In the course of the self-reinforcing process, various layers of illusions start to play an increasingly important role, such as narcissism of the collective memory (actors only see themselves and their own unique success or suffering in the mirror of history) and Manichean dualism of good and evil (neoliberalism defines good and all deviations from it are evil). By the end of the 1990s, the truth of neoliberalism already appeared so self-evident to the Anglo-American elites that they began to advocate the idea of overruling the UN’s principles – acting independently of the decisions of the Security Council – whenever a need to use force against ‘evil’ arises. This kind of self-righteous moral universalism is essential to any form of imperialism.

Unilateralism results in loops of positive feedback

The 1971 decision to de-link the dollar and gold was also a far-reaching choice between unilateralism and the development of systems of global governance. In that context, the US government chose unilateralism and maximisation of its sovereign freedom and room of manoeuvre. With far-reaching effects, the post-Bretton Woods system shifted the basis of US leadership of the West towards the more indirect structural power of global financial markets. Soon this shift turned out to have unintended, self-reinforcing consequences. In particular, the system turned out to be more unstable and crises-ridden than expected by its advocates. Yet, as was also soon discovered, if managed well, the financial crises could further strengthen the new regime:
Using its control over the IMF and the World Bank largely with the support of its European partners, Washington discovered that when its international financial operators reached the point of insolvency through their international activities, they could be bailed out by the populations of the borrower countries at almost no significant cost to the US economy. This solution was first hit upon during the Latin American international financial crisis at the start of the 1980s and it was a solution with really major economic and political significance.

(Gowan 1999: 29)

The territorial expansion of global finance to ‘the emerging markets’ entails new resources and investment opportunities for the actors and at the same time, strengthens financial multiplication. But once a financial crisis hits a country outside the Anglo-American centres, funds will tend to flee into Wall Street and, also, the City of London. The collective mobilisation of resources by the IMF and other multilateral agencies tends to prevent the crisis from spreading to the main centres, and draws fresh resources to global financial markets. The position of the major centres and the main actors are thus strengthened; and new resources for issuing bank loans and bonds or investing in all kinds of assets are created. The costs of stabilisation are borne by the crises-ridden countries. One effect of all this is that after every crisis the outside areas become more dependent on these centres and the biggest private financial actors, which can continue to grow and increase their activities and, also, profits.

The United States has thus learnt, over time, to use the globalising financial markets to pursue its own particular purposes. This is a typical positive feedback loop in a self-reinforcing process. Increasingly, the positive feedback through the global financial system has constituted an aspect of what Deutsch calls the hardening of will. ‘Will’ stems from the application of memory traces, skills and capacities from the past of a person or organisation to the anticipation of results and making decisions (Deutsch 1963: 105). Will is related to power. If a person or an organisation is able to act successfully on the basis of a relatively stable programme of its inner system it has power. Power is therefore also the ability of an organisation ‘to impose extrapolations or projections of their inner structure upon their environment’ (ibid.: 111). Deutsch argued that ‘power in this narrow sense is the priority of output over intake, the ability to talk instead of listen’ (ibid.: 111).

In this sense, the US has become, in the course of the self-reinforcing process of neoliberal globalisation, apparently more powerful than ever. Yet success in this sense often leads to a situation where ‘narrow power becomes blind, and the person or the organisation becomes insensitive to the present, and is driven, like a bullet or torpedo, wholly by its past’ (ibid.: 111). Success may thus lead to the development of a false consciousness. ‘A government, a social group, or a political organisation may live in part in a world of dreams’ (ibid.: 203).
Pathological learning leads to structural changes

Pathological learning implies a change in inner structure that will reduce rather than increase the future learning capacity of the person or organisation. In the case of organisations, this inner structure has to do with power relations and institutional arrangements. A slight change in relations of power may imply more power to change the rules of the game within which political contestations take place. Redistribution of socio-economic resources within a state may result in changes of the structures of that state. If the opportunity to change the rule of the game is seized, the process becomes easily self-reinforcing. For example, Todd (2003: 19) believes that the US has already become an oligarchic state. Less categorical in their judgement, a group of eminent APSA (American Political Science Association) political scientists have recently concluded that the already wide and growing socio-economic inequalities in the US are undermining American practices and procedures of liberal democracy (APSA Task Force 2004). The APSA Task Force on Inequality and American Democracy surveyed three areas: citizen participation, government responsiveness, and patterns of public policy-making and their consequences. The group argued that current trends undermine inclusion and fairness and make the American political system responsive mainly to the really well-off part of the population. Neoliberalisation that results in widening inequalities may thus involve also de-democratisation.

Some global organisations have been transformed in a parallel way. For instance, since the early 1980s, the US has, step by step, secured a stronger hold over the UN, also by means of financial conditioning. In 1985, the US Congress passed legislation that posed a threat to the financial situation and organisational principles of the UN. The Kassebaum Amendment provides that the US could pay no more than 20 per cent of the annual budgets of any part of the UN system without weighed voting on budgetary matters. A more implicit condition was to turn the discourses and policies of the UN more pro-American (and pro-Israel). Also American budget cuts led to American withholdings from the UN budget (Kanninen 1995: 41–44). Yet, the US rejected the proposal to reduce the American assessment of 25 per cent of the UN budget (ibid.: 73). What all this has resulted in is a constant financial crisis of the UN (many countries have followed the example of the US in not paying their dues on time) and an annual struggle over the US arrears. The agenda was set by Reagan: the stated object is to ‘reform’ the UN, but the failure to ‘reform’ according to US guidelines may lead to the withdrawal of the United States.

In the absence of evident resistance and major conflicts, narrow power can continue to resemble Richard Ashley’s (1989: 269) understanding of hegemony as ‘an ensemble of normalised knowledgeable practices, identified with a particular state and domestic society, that is regarded as a practical paradigm of political subjectivity and conduct’. At play is also the Hegelian fallacy of identifying short-term strategic success with being right. It is the apparent
success – as seen from within neoliberal frameworks of interpretation – of neoliberalisation and American unilateralism that has made it increasingly difficult for the US political elite to hear anything different.

**Resistance and problems encourages the use of force**

‘We seek a just peace’, wrote President Bush summarising the basic ideas of neoliberalism, ‘where repression, resentment and poverty are replaced with the hope of democracy, development, free markets and free trade’; ‘free trade and markets have proved their ability to lift whole societies out of poverty’ (Bush 2002b). However, the real effects of neoliberalism and American unilateralism are frequently at variance with the declared effects. Neoliberalism is in many ways contradictory, not least in the sense of being time and again counterproductive. Also, the unintended effects of neoliberalism constitute reasons for resistance and criticism. Notwithstanding the self-reinforcing process that creates evidence for a generalised world-view, or culture that in turn constitutes and sustains particular practices, not everyone actually agrees with the understandings, aims or means of US foreign policy. Hence, both the real effects and contradictions of neoliberalism, and American unilateralism, are likely to generate systematic resistance and various practical problems. A hardened will – such as that of the US foreign policy makers – may be prepared to resolve these problems by imposing its way by force.

As discussed in chapter 5, the real effects of neoliberalism have included a slackening and uneven economic growth, characteristically accompanied with growing inequalities in most countries. Growing socio-economic inequalities have, moreover, often translated into increasingly asymmetric relations of power and de facto de-democratisation in those parts of the world where democratic welfare states once reigned (and in 2007 still persist but in a neoliberalised form). Parallel developments have occurred also in global organisations such as the UN system. Another source of resistance and criticism is double standards. Asymmetric relations of power and the lack of accountability can – and often do – result in double standards. The US may practice a form of Keynesianism, run large deficits and resort to selected protectionism, while more or less effectively denying the same possibilities from many others in the name of free markets and free trade.

As a result of neoliberal global governance, some parts of the world have been impoverished in absolute terms. This is the case of ‘failure’ of some states. The main conclusion of the statistical and comparative-historical study of Nafziger and Auvinen (2003), focusing on the post-Second World War violence in the southern continents, is that there are connections between economic development, inequality and war. Frequently, collective violence occurs after a period of economic decline. Nafziger and Auvinen (ibid.: 51–55) maintain that collective (such as ethnic or national) identities are formed in the course of struggles over resources and power, typically to ensure strategic political mobilisation. Identities are not primordial, original or
fundamental. Rather their formation is part of geo-historical process, in
which economic interests and distribution of resources are often critically
important. The articulation of both identities and interests is a continuing
process, in which components of social reality are being reproduced and/or
transformed, and in which previous – and often largely forgotten – historical
(and often heroic) stories and related opinions about good and evil, justice and
injustice and friends and foes can be mobilised for various reasons and pur-
poses (see Aho 1990). Apart from civil war, the mobilisation of Manichean
discourses may also be directed against the globally dominant powers and
ideas, i.e. mainly against the US and neoliberalism.

Robert Cooper, a senior foreign policy adviser to the British Prime Minis-
ter Tony Blair, argues that the existence of zones of disorder is too dangerous
for the established states to tolerate anymore. ‘Among ourselves, we operate
on the basis of laws and cooperative security; but when dealing with more
old-fashioned kinds of states [and failed states . . .] we need to revert to
rougher methods of an earlier era’ (Cooper 2002). Cooper’s Kautskyan
ultra-imperialist point of view – ‘defensive imperialism’ – follows from the
epistemic positions of neoliberalism and the self-reinforcing process of neo-
liberalisation. For a hardened neoliberal will, the more there are recurring
problems and apparent threats as well as differences, resistance and conflicts,
the more there are reasons to become rather Weberian in imposing one’s will
– vision of a just peace – also against resistance.

Resistance may equally well stem from evident contradictions between
theory and practice. In particular, in order to make truly universal democratic
peace possible, a war has been declared by the Bush administration against
those who seem to threaten the US-led neoliberal world order. The evil others
of the world order include anti-Western ‘dictators’, radical Islamist clerics,
various ‘terrorists’ and other actors categorised as evil. Peace can only be
achieved by means of a long-term and perhaps permanent war.16 This war is
justified in terms of self-righteous universalism and thus tends to prevail over
traditional principles of international law, including the principles of sover-
eignty and non-intervention. Within the neoliberal order the assumption
seems to be that there is one universal law for everyone, as identified by the
US (and British) government. Yet the small circles of the US foreign policy
elites – sometimes claiming to draw their authority from God
17 Moreover, the global war against terrorism seems almost
permanent because the enemy is abstract (‘evil’, ‘terrorism’) and by its very
nature, unbeatable. The enduring state of emergency entails high levels of
securitisation and justifies hierarchies and exceptions to democratic political
procedures in various contexts.

Indeed, the neo-imperialists argue for a stronger and more decisive US (or,
more generally, Western) actions, on the grounds that the chief threat to the
American-dominated system is the failure to do enough, i.e. impose one’s will
forcefully enough.18 However, an actor’s fate can also be self-destructively
wilful if the actions upon that will turn out to be counterproductive:
Will and power may easily lead to self-destructive learning, for they may imply the overvaluation of the past against the present and the future, the overvaluation of the experiences acquired in a limited environment against the vastness of the universe around us; and the overvaluation of the present expectations against all possibilities of surprise, discovery and change.

(Deutsch 1963: 248)

In the first decade of the twenty-first century, the tendencies to reinforce the hard will and narrow power of the US and neoliberalism seem strong, supported by the apparent relative success of the American economy within the quite slowly and unevenly growing world economy that is liable to further financial and other crises; and by the apparently unquestioned success of the US to impose its will upon the world.

Continuing political-economic expansion creates points of conflict with others

Despite its universalism, neoliberalism can in fact be interpreted in different ways. Moreover, there is a discrepancy between neoliberal ideas and the real social practices and their effects. For instance, American unilateralism may already have partially undermined the hegemony of neoliberalism, because those actors and organisations that have adopted a neoliberal framework may respond negatively to the American attempts to dominate the world militarily and to stand above shared rules.

Throughout the era of neoliberalisation, the main centres of economic growth have been in Asia. In Europe, a neo-Listian regional entity, the European Union, has emerged, in part also as a response to the end of the Bretton Woods era. Post-Soviet Russia has partly recovered from the collapse of the Soviet Union, largely because of its possessions of fossil fuels, and it continues to possess a vast nuclear arsenal. A grouping of semi-industrial countries from the global South such as Brazil and India have assumed an increasingly assertive role in world politics, for instance in the context of the WTO negotiations. The global neoliberal empire revolving around the US may appear ontologically postmodern (Hardt and Negri 2000; cf. Morgan 2003) in part because it is not only an informal empire but also remains to a significant degree an illusion. Instead of a single empire, in the early twenty-first century there remain separate state organisations in the world, responding in their own characteristic ways to developments such as the self-reinforcing process of neoliberalisation and uneven economic developments, as well as to the neo-imperialist initiatives of the others.19

In chapter 4 I argued that the basic thesis of the lateral pressure theory, according to which substantially growing states are likely to generate expansion, competition, rivalry, conflict and violence, is applicable only to geo-historical contexts that are constructed in a particular way. The context of the
1990s and early 2000s, in which American neo-imperialism has risen, marks important structural continuities from the cold war era. The self-reinforcing process of neoliberalisation works towards the same outcome. The logic leading from neoliberalisation to competing imperialisms is in principle simple: first it involves the hardening of the will (self-righteous universalism); then it evolves into Weberian and increasingly violent responsiveness to resistance and emerging problems; and this response is, finally, likely to generate a system of competing imperialisms.

Conclusions

The end of the Bretton Woods era, the self-reinforcing process of neoliberalisation and the rise of new imperialism have brought the world in many ways close to the practices and structures of the 1870–1914 era. Although pre-modern relations and practices of state governance (monarchies, princes, aristocracy, pre-capitalist and non-democratic customs) no longer seem relevant, there is also some continuity in that regard. In summer 1914, the decisions to go to war were made by a coterie of some six, eight, or ten individuals, consisting usually of the monarch, a prime minister, a foreign minister, a war minister, an army chief of staff, and possibly a finance minister. A hundred years later, foreign policy-making remains in the hands of a few individuals and still tends to be secretive, perhaps increasingly so. Also, many forms of knowledge are familiar from earlier times. For instance, the balance of power theory – originally based on an analogy of Newton’s laws of physics, adopted by European courts in the early eighteenth century to describe and prescribe their practices and mutual relations – continues to be efficacious for instance in theories of unipolarity that assume that the US must be ‘balancing’ against everyone else simultaneously.

These continuities notwithstanding, Schumpeter’s explanation of imperialism as a mere atavism bears less weight in 2007 than it did in 1919. Pre-modern structures are less visibly present now. We are thus left with political economy explanations of the new rise of neo-imperialism in the early twenty-first century. In this chapter, I have first argued that the rise of neo-imperialism can actually be, to a significant degree, explained in terms of neoliberalisation and American unilateralism. Although vested interests and the cold war legacy have played a role, the self-reinforcing process of neoliberalisation has involved pathological learning in the Deutschian sense, thus making its truth appear self-evident; unilateralism has resulted in loops of positive feedback, reinforcing the self-confidence of the already hardened will; pathological learning has in turn induced structural changes implying de-democratisation; resistance and problems have encouraged the use of force and encouraged an explicit discourse of imperialism; and in a global context thus formed, political-economic expansion seems likely to create points of conflict with others.

The rise of neoliberalism, in turn, can best be explained as a self-reinforcing
process that emerged out of the discrepancy between the world of territorial states and spaces of globalising capitalist market economy. The Bretton Woods system was inherently dilemmatic and presupposed a largely disintegrated world economy of the 1940s, dominated by the US. However, there was nothing inevitable about what would replace it. According to a plausible counterfactual possibility, the Nixon administration could have begun a process of developing a better and more sustainable global monetary system, opening up the possibility of developing global political-economic governance. Because it did not, however, a number of things followed, in particular the self-reinforcing processes of neoliberalisation, articulated in terms of neoclassical economics and nineteenth century ideals of freedom and justice; and the increasing unilateralism of the US, justified in terms of universal validity of neoliberal ideals. The end of the cold war – a parallel but in part separate series of episodes – further accelerated these self-reinforcing processes.

Given the prevailing forms of agency and social structures, how different are the nature, scope and diversity of the narratives (or scenarios) the early twenty-first century organisations are capable of generating when compared to the late nineteenth century states? How similar or different are the political-economic conditions of responses to the socially framed day-to-day problems of the main collective actors? Social worlds have again become increasingly stratified. Many states have been geared more towards the classical task of enforcement of sanctity of private property and, to an extent (as will be discussed in chapter 7 in more detail), towards practices of war, inducing competition for technological and industrial advances.

Economic growth has also continued. Although on average per capita growth has been slow and in some places even negative, overall economic growth has nonetheless involved the development of new powers of production and destruction. Moreover, after the Bretton Woods era, the practice of excessive acquisition of wealth in market economy has returned. As Veblen argued, this created a tendency in the nineteenth century towards inter-state competition and thereby a return to something analagous to dynastic ascendancy and courtly honour. Something similar may be happening in the early twenty-first century. The process of economic concentration, which Lenin stressed, has continued. Economic cycles and crises will also reshape the world in the future, triggering individualist responses that are often counter-productive or may steer the world economy towards what Choucri and North call ‘lethal growth’. Last but not least, structurally induced illusions about how the world works remain momentous.

History and the flow of time – like causality – are irreversible. The world is not back to the late nineteenth century. Many forms of knowledge, experiences, technological possibilities, practices and institutions that exist in 2007 were absent in 1907. Nonetheless, the historical analogy between the two eras reveals striking similarities.
7 Possible futures A

The logic of violence and war returns to the core areas of global political economy

What will come next? The task of writing plausible stories of future developments in global political economy and global security would be much easier if we had secure knowledge of large-scale regularities. World-systems analysis has questioned the idea of local or national regularities, but assumes that it is possible to find regularities within the totality of a world-system. By taking a world-system such as the contemporary capitalist world economy as the basic unit of analysis, it is possible to make comparative analyses of the whole, parts of the whole, and different phases, cycles and stages of the whole. For Immanuel Wallerstein, at least, this is the only real route to true nomothetic propositions in social science. Certain phenomena can thus be seen as regular and repetitive although ‘not always absolutely identical in form or in length’ (Wallerstein 2000: 209). There are both cyclical rhythms and secular trends in the capitalist world economy, one of the most important being the Kondratieff cycles. Prices, wages, innovations, volumes of production, and trade and money supply go up and down with the long cycles. For Wallerstein, however, the key issue is profit margins and the accumulation of capital. High profit margins and high rates of accumulation tend to be associated with one another.

The Kondratieff cycles are supposed to be either 45–60 or roughly 60 years in length. The upward wave of the fourth long cycle began in 1940–46. The downward wave began in 1973–76 and should have continued until the mid- or late-1990s, or the early twenty-first century. However, given the assumption of general regularities, the problem from the point of view of world-systems analysis is that there does not seem to be any sign of a new upward wave in the early twenty-first century. It is, of course, possible that the fifth upward swing is somewhat delayed. Counting 1946 as the beginning of the fourth cycle, assuming that the length of a cycle is roughly 60 years, and allowing for a further 10 per cent margin in timing, the fifth long cycle may not commence until 2012.

Nonetheless, Wallerstein wrote confidently in 1994 that ‘we should enter, within five to ten years, a new Kondratieff A-phase, based on new monopolized leading products, concentrated in new locations’ (the A-phase is up, the B-phase down). He also specified that ‘Japan is the most obvious locus,
Western Europe the second, the United States the third (but what may prove to be a poor third)’ (2000b: 438). This forecast seems all but falsified in 2007. Warren Wagar’s anticipation, as explained in his *A Short History of Future*, written originally in the late 1980s, but from the point of view of a future historian, was rather similar:

A further downswing occurred in 1970 and thereafter, with the world economic order touching its lowest point during the recessions of the early 1980s and early 1990s. The last of the great long waves commenced early in the twenty-first century, when the economies of all the core countries recorded vigorous growth for the first time in several years. Thereafter, with only brief and no less predictable interruptions, capital flourished as never before. The chief engine of its recovery was a series of remarkable breakthroughs in technology, including the new IIRs (intelligent industrial robots), critical advances in the exploitation of renewable energy sources, and, after several false starts, biotechnology.

(Wagar 1999: 19–20)

This is not merely a matter of verifying or falsifying a simple even if somewhat inaccurately presented forecast. What also matters is the explanation offered for the expectation that a new cycle should commence. Moreover, it is also important how our knowledge of the regular patterns in the capitalist market economy is used in the analysis of possible futures. Whereas Wagar refers first and foremost to technological breakthroughs as the key generator of a new upward wave, Wallerstein also talks about the roles of market clearance, political egalitarianism and the rise of a new hegemon. According to Wallerstein, after a shakedown of waste and inefficiency, a new dynamic thrust (including innovations and productive investments) should follow. This part of his explanation would seem to be in line with a functionalist explanation of market dynamics – conceivably along Darwinist-Schumpeterian lines. Depression and crisis eliminate inefficient actors and create space for the fittest firms to take economic developments to a new level by means of technological and other innovations. 'In the B-phases one exhales the poisons (elimination of inefficient producers and lines of production and so on), which permits revitalization' (Wallerstein 2000: 218).

According to Wallerstein, however, renewed market dynamism and the related technological innovations are not the only explanations. Wallerstein also presents a version of the under-consumption hypothesis. Production does not create its own demand (i.e., Say’s law does not hold). Rising inequalities reduce aggregate demand, since ‘demand is a function of the distribution of surplus . . . [and] the distribution of surplus is primarily determined in the socio-political arena’ (ibid.: 215). One reason for the prevailing length of a cycle (roughly 60 years) is that ‘it takes time to ignite, mobilize, and summarize the political struggles in the various parts of the world economy such that the total effect would be to expand global effective demand’ (ibid.: 216). Last
but not least, a new A-phase is also associated with the rise of a new hegemon and its monopolies. A hegemon creates order and sustains openness and free trade. Further, monopolistic profits are conducive to accelerating the accumulation of capital.

In 2007, it is unclear whether there has been any major new technological breakthroughs. The information and communications technology boom (ICT) seems to have already occurred within the fourth downward wave. Moreover, inequalities have continued to rise within most countries and regions – although globally the rise of the Asian tigers and China has lifted hundreds of millions of people out of poverty and changed the balance of worldwide income distribution – and no new hegemon seems in sight. Hence, even in Wallerstein’s own terms, it is hard to see what would cause the commencement of a new upswing in the early twenty-first century given the continuous and self-reinforcing process of neoliberalisation and thus growing inequalities. Indeed, by 2003, Wallerstein seems to have adjusted his forecasts:

On the assumption that this long Kondratieff B-period will come to an end (even if there may still occur a further dramatic drop in the economic arena), what will then determine which of these three arenas will come out ahead in the struggle to be the dominant locus of accumulation in the next thirty years?

(Wallerstein 2003: 276)

The way Wallerstein formulates this question would seem to indicate that the end of the B-phase remains uncertain and that it is, in any case, possible that we will ‘see a further dramatic drop in the economic arena’ before a possible new upward turn. This uncertainty may also be read as symptomatic of a fundamental methodological problem of the world-systems analysis. It seems that Wallerstein’s intuition is that the world-system as a whole provides closure – perhaps the only closure that we can have in social science. However, the capitalist world economy, however specified, is not in fact a closed system. Outside artificially-created existential and causal closures such as the classical laboratory experiments of natural scientists, there are only systems that are open to intrinsic qualitative changes and/or extrinsic interventions by other forces and mechanisms to varying degrees (see Sayer 1992: 121–25). The point of artificial closures in laboratory experiments is to isolate the mechanisms, laws and explanatory structures that are capable of transfactually producing outcomes in the open systems. In open systems, which typically also include non-observable components and layers, explanation and prediction are asymmetrical; while meaningful and precise scientific predictions are, in general, impossible – which does not mean that nothing can be anticipated (Bhaskar 1989: 20–36).

The world economy is open since neither the intrinsic nor the extrinsic condition of closure applies to the totality of its mechanisms and complexes. In other words, extrinsic influences are always possible, however the components
of the world economy are specified (whatever is left out is also real); and the constitutive parts are not atomistic or constant in their inner structures but may also change qualitatively, among other things as a consequence of learning and politics. The methodological problem of the world-systems analysis also has major implications regarding any analysis of, and stories about, possible future paths. While Wallerstein occasionally recognises that there may also be qualitative, even causally significant changes within the capitalist world-economy, basically his argument is that things and their relations are likely to remain mostly the same until the entire world-system is transformed into something else (perhaps into a socialist world state, but he stresses that very little can be said of the would-be post-capitalist system).

In contrast to Wallerstein, I maintain that there is more room for world politics than usually allowed for in largely deterministic approaches such as world-systems analysis. The politics of global governance is important because there are real choices. However, in this chapter I focus on the possibility of the re-emergence of the logic of violence and war in the core areas of the world economy, amounting to a move from Kautskyan co-operative ‘ultra-imperialism’ to a Veblenian, Hobsonian or Leninist image of competing imperialisms. If this is the path of the future world history, as there are many plausible reasons to believe, it would not only generate militarism, enemy-construction and an arms race but also a potentially strong likelihood of a catastrophic war.

First, I outline the main reasons why a new upward swing in the world economy looks unlikely in the early twenty-first century. This provides the background context for scenarios of and explanatory stories about possible futures. Second, I specify five mechanisms of global political economy that can and are likely to contribute to reciprocal securitisation and enemy-construction. These mechanisms already exist and have real causal effects. Third, on the basis of the background context and these mechanisms I propose three related scenarios of possible paths leading towards a global military catastrophe. These scenarios should be read as global early warning indicators that aim at emancipation in the sense of peace research: to act consistently to prevent a transformation from world politics to violence and to promote a transformation towards peaceful, democratic world politics instead (see Patomäki 2001b: 734). In this spirit, and following a discussion on cases of success and failure in conflict prevention and how to learn from them, Hayward Alker, Ted Gurr and Kumar Rupesinghe propose a research design that should be able to reveal the key determinants of alternative pathways to violent conflicts and their prevention:

The Conflict Early Warning Systems coordinators anticipate that both past (since 1918) and future possible violent conflicts will be the focus of attention. If oriented towards the past, the study should contain a brief but analytical history of the chosen conflict or conflicts; for a future possible conflict, alternative scenarios should be developed as to how the
conflict in question might be expected to evolve, with or without various preventive interventions. The most important, case specific conclusions from the case studies should be about what kinds of long-term and short-term preventive actions by conflict parties or third parties would most likely make (or have made) a difference.

(Alker, Gurr and Rupesignhe 2001: 17)

In this chapter, the focus is on how a major global conflict might be expected to evolve in the absence of various preventive causal interventions and emancipatory transformations. The point is practical, however, in the sense of identifying those causes that would most likely make a difference. From the point of view of preventive intervention, the crucial determinants of success and failure are timing and agency. Timing of preventive interventions and emancipatory transformations of the background context matter a great deal because many geo-historical processes are increasingly difficult to reverse over time. Preventive and transformative agency will be the explicit theme of the scenarios developed in chapter 8.

Why a new upward swing looks unlikely in the early twenty-first century

As part of the self-reinforcing process of neoliberalisation (see chapter 6), and under the leadership of the United States, a worldwide framework of institutional arrangements has been created that, among other things, has a tendency to prevent a turn to a new genuinely upward phase in the world economy (as explained in chapter 5). The era of relatively slow average per capita growth accompanied by growing inequalities in many or most contexts, is also likely to persist (cf. similar conclusion of O’Hara 2006). Key elements of the geo-historical global complex that has produced the long downward phase of the last quarter of the twentieth and the early twenty-first century include:

- knowledge of neoclassical economics and policies of free market economic liberalism that rose in the 1970s in part as a response to the perceived problems of the Bretton Woods system, in part in the aftermath of its partial collapse, constituting a key component of the self-reinforcing loops of feedback characteristic of the process of neoliberalisation;
- tendencies towards rising inequalities and, consequently, also towards under-consumption and overproduction;
- rise in the uncertainty and risks co-caused by global finance;
- and consequent decline in the marginal productivity of capital.

However, attempts to impose free market economic policies have been contradictory, and a number of quasi-automatic Keynesian mechanisms created during the Bretton Woods era have remained in place at least within the
OECD area. Moreover, not all countries have abandoned the possibility of Keynesian demand management, and the world economy has also been reflexively regulated to prevent major crises from occurring. For these reasons, the decrease in global aggregate demand has been gradual and contradictory, rather than assuming the form of a great crash or depression. Economic growth has slowed down in most parts of the world economy and some qualitative economists (such as Robertson 1999) argue that aggregate welfare has also been in decline for a quarter of century in the OECD world. Yet the OECD world remains mostly affluent by historical world standards and some Asian countries have grown and developed. Nothing resembling the Great Depression of the 1930s has thus far occurred in the core areas.

Wallerstein, for instance, leaves only little room for the causal role of knowledge and economic policies (under his assumptions, they matter only to the extent that they have effects on income distribution). In contrast, my key hypothesis is that once dominant, free market economic policies start to repress economic growth through various mechanisms, which are efficacious in different ways in various historical contexts. There is a general tendency towards gradually deepening deflation, i.e., a downward phase involving under-consumption/overproduction, unemployment, declining prices, social problems and political reactions to them. Orthodox free market monetary and fiscal policy produces certain effects directly (immediate and, in part, intended consequences). These economic policies also give rise to, trigger, strengthen and/or release those contradictory and crisis-prone mechanisms (e.g., by means of de- and re-regulation) that are characteristic of a capitalist market economy, including the development and maturation of finance.

One typical consequence of free market economic policies is the concentration of incomes and wealth among a relatively few while many either lag increasingly behind or, particularly during a downward wave, become impoverished in absolute terms. This causes decline in aggregate demand (‘under-consumption’). This was also Hobson’s explanation of nineteenth-century poverty, recessions and imperialism. Although the context is different a hundred years later, a somewhat altered combination of many of the same mechanisms would seem to be once again causally efficacious. However, consumption explains economic cycles only in part; the determination of investment and their basis – horizons of expectations, prices and interest rates – are equally important. The marginal productivity of capital depends not only on the price of capital goods but also on expectations about future revenues. The development of financial markets makes the dynamics of savings, investment and interest rates more complicated and contradictory. Speculative activities sensitize actors to alterations in expectations about the future, whereas no-one can predict the future because the development of asset values is always uncertain in open systems and is significantly determined by the actors’ expectations and anticipations. When speculation in this sense prevails, financial markets become increasingly volatile and crisis-prone. Increased uncertainty as well as the likelihood of crises affect anticipations of
the future and tend to decrease the marginal productivity of capital and thereby genuinely productive investment.

Although there are also countervailing tendencies, the mechanisms created, strengthened or released by neoliberalism often reinforce each other. Apart from direct links, they have an impact on both the tax revenues and expenditure of states. In a context where free market orthodoxy prevails, states compete for transnational investment by means of lowering taxes and various neoliberal reforms that should, presumably, make the country more friendly to business and attractive to capital; however, this is contradictory in the sense of the Prisoner's Dilemma game (see Appendix 1), since if everybody does the same no-one increases his relative competitiveness but everyone loses tax revenues and other desired things. Because national expenditures constitute such a key part of global aggregate demand, these developments tend to reduce demand and heighten inequalities, thereby strengthening other downward tendencies.

Powerful interests in capitalist market societies tend to prefer free market economic policies, universalising their particular short-term interests. Yet, from a critical political economy perspective, the prevalence of those economic policies seems negative for both the world economy as a whole and also for large parts of the world citizenry. At the end of the first decade of the twenty-first century, the world economy is vacillating between, low per capita growth and deepening deflation and recession. Many signs point towards the latter. Of course, as I have emphasised, not all countries and regions are in precisely the same situation. A long downward wave has been compatible with a sustained period of very high growth in some countries, such as China. Growth is also thus uneven, and uneven economic growth has cumulative effects that, given prevailing rules and practices, also translate into changes in diplomatic and security relations. ‘Through a complex network of relationships, differential technological, economic and population growth can spur expansion, collisions of activities and interests, competition, military rivalry, confrontations and crises’ (Ashley 1980: 1). The downward wave is also compatible with short and weak booms outside the high-growth areas, including the US, stimulated for instance by debt-financing of military spending and the private consumption of the wealthy strata of American society. This form of Keynesianism can stimulate economic growth for a while in some places.

Mechanisms increasing the potential of mutual securitisation

Since the Bretton Woods era, the world has in some ways returned to an orthodox free market version of the capitalist market economy. The self-reinforcing process of neoliberalisation has been accompanied by a new wave of economic globalisation, heightening the sense of worldwide interdependence. However, the contradictions and crisis tendencies characteristic of the private market economy have re-emerged or been strengthened in the process.
Furthermore, neoliberalisation and the consequent contradictions and tendencies have contributed to the partial transformation of the US into a global neo-imperial state, albeit thus far without any clear attempt to recreate a formal territorial empire on the model of the British Empire. Intentions notwithstanding, although the control of regimes, policies, resources and markets can assume different forms, military occupation and de facto control of ‘failed’ or ‘rogue’ states may in effect develop into colonial-style administration.

The capitalist market economy is premised upon economic growth. Without sufficient growth, profits tend to remain low unless the rate of exploitation in the Marxist sense of the term can be increased; and many resources tend to remain underemployed, including labour, which means fewer employment opportunities. In the post-Bretton Woods era, and particularly since the 1990s, states and regional organisations have been trying to create conditions for further growth. Apart from trying to facilitate and stimulate technological developments in line with the Schumpeterian dynamics of capitalism, the means of speeding up growth have included:

- ensuring the availability of cheap labour and raw materials;
- opening up previously closed or new markets such as collapsed or ‘rogue’ states for trade and investment;
- fostering commodification, which implies the redefinition of new spheres of social, biological and physical being into private goods that can be sold in the market;
- privatisation of services;
- privatisation of ownership and commercialisation of social relations; and
- liberalisation of trade and movements and forms of capital.

Commodification and privatisation are particularly important, given that gross domestic product (GDP) is measured in terms of market transactions. If previously non-commercial or public services, cultural products, life forms, physical space, or social relations are redefined as private commodities, more market transactions will be generated. Formally, this translates into further economic growth measured in terms of GDP, and into more scope for private appropriation of surplus and thus for excessive acquisition of wealth by managers, capitalists and entrepreneurs.

**Mechanism A1: Uneven growth, economic imbalances and responses to them**

The constraints set by global finance and other mechanisms of power do not apply to all states in the same way. In the post-Bretton Woods era, the US has been able to continue to pursue debt-financed Keynesian demand management policies and in part also pull the level of activity along elsewhere in the world (see Patnaik 1996: 7). While by the 1990s, the per capita growth of Europe and Japan had slowed down to 1–2 per cent pa or has come to a near
halt, American growth has appeared stronger (however, this is largely an illusion based on the use of absolute GDP figures, as population growth in the US has been high compared to Europe; per capita growth figures have been about the same as in Europe for decades; see Boltho 2003).

Meanwhile, the ‘successfully industrializing East Asian countries’ kept ‘themselves outside the vortex of globalized finance’ and enabled state-led late industrialization, ‘reminiscent in some ways of the earlier German pattern’ (ibid.: 14–15). In the 1990s and then, particularly since the 1997–98 Asian crisis, economic growth has been particularly rapid in China. At its phenomenal growth rates of almost 10 per cent per annum, the Chinese GDP has doubled every seventh year and quadrupled every fourteenth. Figures 7.1 and 7.2 depict the US and East Asia & Pacific per capita growth rates. The US growth rates have been stable on average but volatile and slightly declining at around 2 per cent pa, whereas in East Asia and the Pacific growth has been steadily positive, accelerated, and reached a very high level of about 7–8 per cent pa in 2005. China weighs heavily in the latter group, but high-level growth in the region is not confined to China only. Extrapolating from current trends, Goldman Sachs estimates that by 2041 the People’s Republic of China will be the largest economy in the world (Wilson and Purushothaman 2003); in PPP-terms China may bypass the US already before 2020. China’s phenomenal growth may continue as long as it insulates itself from global financial markets and cultivates more heterodox arrangements at home.

Figure 7.1 GDP per capita growth in the USA, 1961–2005.
In the course of the first decade of the twenty-first century, the unevenness of global growth has also created a significant economic imbalance between China and the US.\(^4\) China’s current account surplus stood at $17 billion in 2001, having fallen year on year from a 1997 figure of $30 billion. Since 2001 it has risen rapidly, to $46 billion in 2003 (Lardy 2005), $69 billion in 2004 (NSBC 2005), and $161 billion in 2005 (SAFE 2006). Over the same period the USA’s current account has experienced a deficit that has increased from over $50 billion (BEA 2006) to over $660 billion (Goldstein and Lardy 2006). The 2005 figures represented about 7 per cent of China’s GDP and 6.5 per cent of that of the US. First and second quarter statistics for 2006 mirror these trends. The rate of increase of both as a proportion of GDP has also been generally increasing, particularly since 1997 and 2000. The US deficit, for example, has steadily increased from 0.5 per cent of GDP in 1991, to 1.3 per cent in 1997 and 3.7 per cent in 2000 (see US Dept of Commerce 2001).

How will the US respond to this and other similar imbalances in the global political economy, and what will the response of others to US actions be? Thus far the response has been neoliberal, evoking a liberalist (Lockean) sense of justice. The US has accused China of ‘dumping’, i.e., of exploiting varieties of state subsidies and support that provides an ‘unfair’ price advantage to Chinese exports; and of arbitrarily and unjustly undervaluing its currency (through state-organised manipulation of the exchange rate). The explicit norm imposed on China is orthodox free market economic policies both in trade and finance, while the responsibility of US for over-consuming and

![Figure 7.2 GDP per capita growth in East Asia and the Pacific 1960–2005.](image)

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under-saving is ignored in the arguments (Morgan 2006b). This relation bears some similarity to that obtaining between Britain and Germany in the late nineteenth century.5

At the same time, the US has been involved in various trade disputes with the EU and many other countries as well; the US trade deficit is only partly due to its imbalance with China. Natalie Kuehler wrote in 2002 that ‘in this period of increasingly frequent transatlantic disagreements, many observers claim that trade relations between the EU and the US are the worst in recent memory’ (Kuehler 2002). Because of manifold disagreements, both the US and the EU have turned towards bilateral negotiations rather than the WTO Dispute Settlement System, as with countries elsewhere.

The US–EU disagreements also indicate US double standards vis-à-vis China. The EU won a case against the US for its Foreign Sales Corporation (FSC) Law, which bestows special tax breaks on US companies in the exporting business, indicating that the US has also resorted to ‘dumping’. The US–EU disagreements also stem from ideological differences, as the US has been in favour of unrestrained commodification and privatisation, whereas the EU has put social, environmental and other limits on the American demands to extend the principle of ‘free trade’. Despite these disagreements, thus far the Europeans have made concessions to the US ‘Seat at the Table’ approach (the US demanding a role within EU policy-making) and allowed the ‘Divide-and-Rule’ tactic (the US exploiting the differences between member states) to continue to shape EU policy (ibid.). However, deepening economic imbalances, particularly where accompanied by a major economic crisis, are likely to lead to more antagonistic and unilateralist responses. These responses, should they occur, may be unacceptable to the Europeans and lead to the revision of both the inner structures and external policies of the EU. Thus the mode of responsiveness of the EU is also dependent on this global political economy process.

Mechanism A2: Neo-imperial competition over increasingly scarce resources

The industrialised world is dependent on external sources of energy. Although most of the energy required has thus far come from fossil fuels, oil is not only a key source of energy, it is also the basic raw material for thousands of oil- and plastic-based products, from toothpaste and credit cards to pens, contact lenses, eyeglasses, umbrellas, clothes, cosmetics, cameras and cars (see Prugh et al. 2005). In the early twenty-first century, everyday social contexts – even perhaps some parts of our bodies – are built from raw materials that can be found only in certain geographical locations in the world. Thus as long as uneven growth continues, at least in some parts of the world economy, it also generates an increasing demand for oil. If and when securitised, the supply of oil can also become a reason for diplomatic and military manoeuvres that aim to secure its continuous availability at a
reasonable or at least predictable price. If one assumes the role of the leader of the world, or of a global empire, the temptation to opt for military domination in order to secure stable and cheap supply of oil may be strong (cf. Harvey 2005a: 18–25, 75).

The US government under George W. Bush has reinforced the idea that energy policy is a security issue, thus securitising the supply of oil. The 2001 Report of the US National Energy Policy Development Group depicts a crisis-ridden country.

America in the year 2001 faces the most serious energy shortage since the oil embargoes of the 1970s. . . . A fundamental imbalance between supply and demand defines our nation’s energy crisis. [. . .] if energy production increases at the same rate as during the last decade our projected energy needs will far outstrip expected levels of production. This imbalance, if allowed to continue, will inevitably undermine our economy, our standard of living, and our national security.


American oil production has been declining – in 2001 the US produced 39 per cent less oil than in 1970 – leaving the US ever more reliant on foreign suppliers. The projection is that by 2020 the US will have to import nearly two of every three barrels of oil. This is ‘a condition of increased dependency on foreign powers that do not always have America’s interests at heart’ (ibid.: ix). The Report’s key recommendation is that ‘energy security must be a priority of US trade and foreign policy’. Moreover, the Report projects that Persian Gulf oil producers will supply between 54 and 67 per cent of the world’s oil by 2020. Thus, the expectation is that the global economy is very likely to continue to depend on the supply of oil from the Organisation of Petroleum Exporting Countries (OPEC) members, particularly in the Gulf. ‘This region will remain vital to US interests’ (ibid.: 84).

In a related report, Rebuilding America’s Defenses (Project for the New American Century 2000), which was published a few months before George W. Bush was elected, it is proposed that the US build a permanent military base in the Persian Gulf. It is further envisaged that once Saddam Hussein’s regime has passed, ‘Iran may well prove as large a threat to US interests in the Gulf as Iraq has’ (ibid.: 14).

The conditions of future possibilities also include conditions created by the responses of other related organisations. People are actively constructing the future in the relational processes of communication, within which they accomplish joint action. However, interests and power tend to interfere in organisational processes of communication and learning, frequently leading to biased and pathological learning. In the nineteenth century, the learning processes of states (some going through a process of nation- and state-construction) were based both on imitation of the success of the leading state and on responding to the perceived threats and injustices posed by the
leading state. The groups — or often merely a small group — of actors author-ised to take part in defining national state interests were small. These actors were usually ranked high in asymmetrical relations of class and power. In the early twenty-first century, groups of foreign policy elite similarly continue to be small and confined to a cluster of people carefully screened for the forms and substance of knowledge they represent. This is true of liberal democracies, but in addition there are also autocratic one-party states such as China that do not recognise competing groups within the foreign policy elite. Moreover, every organisation that monitors the conditions of its actions and future is also prone to structurally-induced illusions about how the world works, depending on the two ‘orders of constraint’ which shape and select policies of organisations (see chapter 2). These illusions tend to play a key role in politico-economic processes.

For instance, in the early twenty-first century, there is a federalist strand within the EU that envisages the EU as a civilised counterforce to the US. Federalists often see Europe as the rightful centre of the world and currently the most democratic, civilised and just place on the planet (indicating narcissism in the European collective memory). Simultaneously, oil is and has been defined as a security issue for the EU as well. The EU seems especially dependent on external energy sources. The EU Commission’s 2000 Green Paper on security of energy supply drew a grim picture of the EU’s energy situation. If no action is taken, it predicted, the EU’s energy dependency would climb from 50 per cent in 2000 to 70 per cent by 2030. EU oil imports originating from the Middle East amount to 45 per cent; by 2030, 90 per cent of EU oil consumption will have to be covered by imports. Six years later, in a new Commission Green Paper, it is argued that the energy challenges of the twenty-first century require a common EU response to co-ordinate relations with external suppliers such as Russia and the OPEC countries (Commission 2006). A number of civilian, technical and environmental measures are being considered.

However, while the Commission’s Green Papers indicate that the EU will remain mostly a civilian actor for the time being, and while the EU remains divided on issues such as trade disagreements with the US and the Iraq war, the Chinese foreign policy-makers have defined the availability of oil as a key security issue, in part in military terms as well. After two decades of very rapid growth, China surpassed Japan as the world’s second-largest oil con-sumer in 2003. China alone accounted for 40 per cent of total growth in global demand for oil in 2003–06. Once the largest oil exporter in Asia, China became a net importer of oil in 1993. It has been projected that by 2045, China will depend on imported oil for 45 per cent of its energy needs. Active in seeking new sources of supply of oil in Africa, the Middle East and Central Asia, China has already channelled some of its economic output into increased military spending.
Mechanism A3: Crisis-prone global finance and the precarious role of the US dollar in the global monetary system

The mechanisms of global financial markets have supported the aim of the American state to retain leadership in the global political economy in a number of ways. Global financial markets discipline states to follow free market arrangements, often on terms defined by US-based corporations and banks. Global finance enables transnational purchases, buy-outs and corporate mergers, which facilitate non-territorial economic expansion. They also redirect a large proportion of global savings to the US, including into US Treasury bonds. In 2003, the net debt of the US federation was almost $3 trillion and it needed more than a billion a day to fund its balance of payments deficit. At the end of 2006, the total US public debt amounted to $4.9 trillion, which is about 65 per cent of the US GDP and is rising at the rate of $1.7 billion a day. Foreign holdings of the US Treasury debt were almost half of the total debt held by the public. Foreign central banks owned almost two-thirds of the federal debt held by foreign residents; private investors owned nearly all the rest (Executive Office of the US President 2005: 257). The US federal debt has been mostly used to fund private consumption or public consumption (military spending), as has been the case for decades (see Minsky 1982: xxiii–xxiv). Private indebtedness has also been increasing rapidly; loans have typically been taken to fund consumption rather than investment.

Given the post-Bretton Woods monetary system, there is nothing inevitable about the central role of the US dollar. It is a matter of convention dating back to the Bretton Woods era, confidence in the US economy, political goodwill, and self-fulfilling prophecies. A potential alternative to US dollar, the euro, has been provided by the Economic and Monetary Union (EMU). Although the neoliberal anti-growth bias of the EMU is a reason why the euro has not replaced the dollar thus far as the central currency of the world, and may be unlikely to do so fully in the near future (Cohen 2003: 584–88), the emergence of the euro is nonetheless a potentially serious future challenge to the dollar. Knowing this, the US has been struggling hard to keep the dollar as the currency of world trade and finance. For instance, it has been plausibly suggested that one of the real reasons for the military occupation of Iraq was related to the precarious position of the dollar (Clark 2005). Iraq decided in November 2000 to switch its oil export revenues from the dollar to the euro and in 2002 there were serious discussions in Iran and even in OPEC about adopting the same policy. The heavily-indebted US could not have afforded to lose the privilege of controlling the main currency of global finance, since the consequences to the US economy might have been calamitous.

The position of the US dollar in the future global political economy is to a large extent dependent on the political decisions of various central banks and governments, in addition to the economic decisions of Asian investors. Since its introduction, the euro has been the second most widely-held international reserve currency after the US dollar. With more than €610 billion in
circulation as of December 2006 (equivalent to $802 billion at the exchange
rates at the time), the euro has already surpassed the US dollar in terms
of combined value of cash in circulation (Atkins 2006). In a typical piece of
news from August 2005, some of these interdependencies are revealed in a
striking fashion:

The dollar came under selling pressure last Monday after the central bank
of Russia announced it has increased its share of euros in its currency
basket to 35 per cent from 30 per cent at the expense of the dollar. This
pressure accelerated on Wednesday, after a Middle Eastern central bank
apparently followed suit. . . . The euro rallied last Monday and Tuesday
and broke out of its range of 1.1950 to 1.2250 despite the not so exciting
data. However, the re-weighting of the FX reserves of a Middle Eastern
central bank in favour of the euro was sufficient.

(Luca 2005)

Less than two years later, the euro has rallied further still, standing at above
1.3400 in May 2007. From the point of view of many central banks, includ-
ing China’s, the decision to hold dollars, euros or any other currency as part of
their reserves is based on balancing the dependence on the US consumer
markets with hedging against the risk that any currency, including the US
dollar, may pose. For instance, China is not willing to risk a trade conflict
with the US (or EU), or the possibility that it will suffer systemic problem
assignment through a collapse of the dollar, and thus the value of its holdings
of foreign currency and of bonds (Morgan 2006b: 69). However, for private
investors, the decision to invest in currencies is a matter of maximising short-
term profits, and the private investors’ anticipations and expectations also
play a role in central bank calculations. It is thus possible that a turning-point
will be reached despite the intentions of central bankers to move slowly, and
despite the attempts of the US to use its political or even military leverage in
defending the position of the dollar as the main currency of the world econ-
yomy. Meanwhile, lesser financial crises (banking, currency or combined) may
also break out.

Mechanism A4: De-democratisation and the increasing role
of vested interests

It seems that the democratic responsiveness of state organisations has declined
since the New Deal of the 1930s and the heyday of the Bretton Woods
system. In the US, many limitations and restrictions emerged during the cold
war, but neoliberalisation has generated further limits to democracy. As
already pointed out in chapter 6, a group of eminent American Political
Science Association researchers has concluded that the wide and growing
socio-economic inequalities in the US are undermining its liberal democratic
practices and procedures (APSA 2004). They surveyed citizen participation,
government responsiveness and patterns of public policy-making and their consequences. The group argued that current trends undermine inclusion and fairness and make the US political system mainly responsive to the really well-off part of the population only. The political parties and elections are determined to a large extent by the sums of money that can be mobilised for the campaigns.

The space for democratic politics seems to have been shrinking as a consequence of neoliberalisation and globalisation, not only in the US but also more generally. There are two socially constructed boundaries in the theory and practice of liberal democracy: the boundary between the economic and the political, and the boundary between internal and external. Democratic norms are usually assumed to be valid only within the domestic political sphere. The hypothesis that the space of democratic politics is shrinking can now be formulated as follows. First, the sphere of economics, both domestic and global, is growing and taking over some of the social relations that were previously considered part of the political sphere and its legitimate powers. Second, the external regulations and processes are taking over some of the functions that have previously been considered to belong exclusively to the sovereign state. Tables 7.1 and 7.2 illustrate these developments (modified from Teivainen 2002: 4), which have taken place since the 1970s and have coincided with the third wave of liberal-democratisation (Huntington 1993; cf. Robinson 1996). Liberal democracy is increasingly recognised as a universal value, but previous attempts to extend and deepen democracy have in effect been rolled back.

Table 7.1  Boundaries of liberal democracy in the Bretton Woods era

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<tr>
<td><strong>Political</strong></td>
<td>The sphere of domestic politics – the space for democracy</td>
<td>The sphere of international politics</td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td>The sphere of the domestic economy – in some aspects under public control and within the reach of democratic politics</td>
<td>The sphere of the world economy</td>
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Table 7.2  Boundaries of liberal democracy in the era of ‘globalisation’

<table>
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<tbody>
<tr>
<td><strong>Political</strong></td>
<td>The sphere of domestic politics – the space for democracy</td>
<td>The sphere of regional and global governance and international politics</td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td>The sphere of the domestic economy – privatised</td>
<td>The sphere of the world economy</td>
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Stephen Gill (1992, 1997) maintains that the move from the situation of Table 7.1 to that of Table 7.2 has been a part of a purposeful political project that emerged after the partial collapse of the Bretton Woods system. The aim has been to stimulate economic growth. Gill has coined the term ‘new constitutionalism’ to describe this project. Essentially, constitutions are self-imposed limits to democratic majority decisions. New constitutionalism is a political and legal strategy to disconnect economic policies from democratic accountability and will-formation by means international treaties and institutions. The aim is to ‘constitutionalise’ the protection of absolute and exclusive private property rights and the freedom of transnational traders and investors because this is supposed to facilitate business and thus increase growth rates. ‘Constitutionalisation’ in this sense is achieved through regional and global multilateral treaties and institutions such as the EU and NAFTA, the Bretton Woods institutions and the WTO. Since these treaties and institutions are more difficult to revise than many constitutions, they provide solid protection against many challenges to liberal economic orthodoxy.

Given globalisation in its various economic and neoliberal senses, it would appear that there are only a few genuinely self-determining states left, among them China and the US. Most of the rest have either relinquished crucial elements of their effective sovereign powers or are in the process of surrendering to the mechanisms of the world economy and systems of regional and global governance, involving a number of Gillian neo-constitutional treaties. Of the possible major exceptions to the rule of eroding sovereignty, China is not a liberal-democratic state. Moreover, China has been in the process of adopting the WTO measures to safeguard absolute and exclusive private property rights and the freedom of transnational traders and investors. In Europe, on the other hand, the EU may be a moment in the process leading to a federal state with powers to determine relatively autonomously its own economic and security policies. The project of European integration is in part based on the neo-Listian idea that the scale of European nation-states is too small.

Virtually all classical theorists of imperialism were united in believing that the lack of democratic practices and accountability open up a space for vested interests to shape state policies. At an abstract level, they shared the idea that particular interests may favour policies that are not in the general interest. The interests of, say, financial investors, or organisations forming a military-industrial complex, may go against the rational interests of the society as a whole, even though the particular interests may be represented as common interest to the public, both nationally and globally (see Giddens 1979: 188 for a definition of ideology as ‘structures of signification mobilised to legitimate the sectional interests of hegemonic groups’). The problem is exacerbated by the fact that societies, defined by state borders, represent only limited parts of the global political economy. Short-sightedness tends to worsen this dual-level problem. Hence, gradual de-democratisation and the increasing dominance of vested interests, themselves causal outcomes of neoliberalisation and globalisation, are liable to breed policies that may readily be
interpreted as one-sided and aggressive by others. These policies are thus likely to trigger responses that can, over time, lead to mutual securitisation.

**Mechanism A5: Securitisation, enemy-construction and armaments race**

In the cold war era, there was a tendency in the USA’s foreign policy discourse to imagine first of all a morally pure ideal: ‘free market, human rights and democracy’. Second, in this discourse the actuality of the real world is set against the ideal. There is totalitarianism, tyranny, un-freedom, violation of fundamental human rights and violence. Less radically, there is the corrupted and sinful world that leans towards state-centrism, collectivism and socialism, although this partially deviant part of the world may respect human rights and the principles of liberal democracy, for instance, (think about the ‘corrupt’ case of the Third Way of Sweden that was often criticised and ridiculed in the 1970s and 1980s). This moralistic and Manichean discourse was, in some ways, mitigated by the prevalence of classical political realism (which opposed universalistic moral approaches and cultural imperialism, see Morgenthau 1961: 10–15, 60–63). It was also mitigated by the multilateralism of the US trade policies in the Bretton Woods era (for an account of the gradual transition to unilateralism, see Martin 1994).

The theory of hegemonic stability emerged in the 1970s, when the collapse of the Bretton Woods system was widely conceived as a sign of crisis in the US leadership. This theory basically claims that the stability of world is dependent on the benevolence and leadership of the US. Isabelle Grunberg (1990) has shown that the appeal of the theory stemmed from its mythic structure. The day-to-day dilemmas of the US foreign policy-makers were mixed with American ethnocentrism, assumptions about the benevolence of the US and claims that the ‘small exploit the rich’. These were the basic elements of a story that was told in terms of ancient mythical narrative structures.

In chapter 6, I argued that the rise of new imperialist discourses and practices in the early twenty-first century follows to a significant degree from the epistemic positions of American neoliberalism and the self-reinforcing process of global neoliberalisation. For a neoliberal will hardened in this process, the more there are recurring problems and apparent threats as well as differences, resistance and conflicts, the more there are reasons to become relatively Weberian in imposing one’s will – the vision of a just peace – even against resistance. However, as the lack of legitimacy cannot be resolved by means of violence and force, visible resistance and violence may also have de-legitimising effects and thus worsen the problem (cf. Ashley 1989: 279–85).

A common way of finding purpose and legitimisation is by way of constructing enemies (see Aho 1990). First, the enemies are named or labelled. Second, this naming has to be legitimated in public in terms of narratives and myths. These labels, ways of legitimisation and myths are sedimented into the deep structures of discourses from where they can be drawn – for
strategic purposes as well. Third, myths about the necessity or inevitability of X being an evildoer are told and circulated. Rituals of ‘realism’ and crudeness against the evildoers serve as ‘vivid re-enactments of the [fundamental] myths’ essential themes’. Since the end of the cold war, the list of US enemies has included ‘rogue states’, ‘failed states’, ‘the axis of evil’, ‘terrorism’, ‘drugs’ and ‘transnational crime’. However, all those involved in the global neoliberalisation process and presumably accepting the US leadership in it are exempted. China has also avoided being labelled as an enemy in the public discourses in the US thus far. A recent public opinion poll concludes that ‘Americans are more apt to view the US–China relationship as unfriendly than friendly, but only a small minority views China as an outright enemy’; however, ‘while not viewed directly as an enemy of the United States, perceptions of China’s foreign policy influence on the United States are predominately negative’ (World Public Opinion Org 2006). In a February 2006 Pew poll, 47 per cent said that China’s emergence as a world power is a threat to the well-being of the United States, while 46 per cent said that it was a minor threat (34 per cent) or not a threat (12 per cent). In a January 2006 Public Agenda poll, 29 per cent said they worry a lot that ‘the growing power of China may be a threat to the United States,’ 38 per cent said they worry somewhat, and 32 per cent said they do not worry about this (ibid.). This indicates potential for future enemy-construction should China continue to grow and increase its military spending, particularly in the wider context of problems in of trading and financial relations.

In the early twenty-first century, the Chinese view of the US has gone from being slightly negative to sharply negative (World Public Opinion Org 2007). The prevailing and future ways of legitimisation and related myths are also deeply embedded in the structures of discourses in China, from where they can be drawn for many purposes, including strategic. There are many historical layers of sinocentrism from which to draw upon if the need should arise. The successive dynasties of China were sinocentric in the sense that they regarded Chinese civilisation as universal in its reach and application. The sinocentric system was a hierarchical system that prevailed before the European international society expanded to East Asia in the eighteenth and nineteenth centuries. Surrounding countries such as Japan, Korea and Vietnam were regarded as vassals of China and relations between the Chinese Empire and these peoples were interpreted as tributary relationships under which these countries offered tribute to the Emperor of China. At the centre of the system stood China, ruled by the dynasty that had gained the Mandate of Heaven. This ‘Celestial Empire’, distinguished by its Confucian codes of morality and propriety, regarded itself as the only civilisation in the world, the Emperor of China being regarded as the only legitimate Emperor of the entire world. China nonetheless established trading relations with a few outsiders.

The tables were turned after the mid-nineteenth century Opium Wars. Led by the British, one Western power after another imposed ‘unequal treaties’ on China, including provisions of extra-territoriality that excluded Europeans
from the application of local laws. On the basis of these myths and memories, it would be easy to tell stories about the rise of China as a return to the natural order of things, or represent the early twenty-first-century US–Britain axis as the old imperialist and aggressive enemy of Confucian China.

The history of European integration is also anchored in layers of Eurocentrism that led to European colonialism and imperialism from the sixteenth century onwards, reaching its climax in the new imperialism of the late nineteenth century. The point of the European integration process has been to reverse the catastrophes of the twentieth century. Because of 1914–45 and the subsequent cold war, which made Europe a mere theatre for extra-European powers, Europe lost its position as the centre of the world. One aspect of the project of the European Union has concerned building structures of peace and unity within Europe in order to become more important in the rest of the world. Often this idea has been articulated in comparison with the US. In terms of population and economy, the EU is as big as the US, whereas in terms of political leadership or military capabilities, it is lagging far behind. This is seen as a problem to be overcome.

Christopher Booker and Richard North (2003, chapters 1 and 2) document in detail how the notion of making Europe rise again by uniting it emerged in the aftermath of the First World War. They explain how this idea was discussed and adopted by liberalists, socialists and, although perhaps more ambiguously, by the fascists and Nazis alike. Various European intellectuals and politicians criticised the perpetuation of Europe as a patchwork of nation states and supported the idea of a single market, a single currency, and uniform policies within the framework of a European federal structure. These ideas were advanced by such federalists as Altiero Spinelli, who decades later (1984) also contributed to the Draft Treaty on European Union (see Pistone 1994).

A future scenario is that the EU will become a new territorial state and superpower in the context of eroding systems of global governance and neo-imperial tendencies (see Patomäki 2007b). The legitimisation of the process of building a new territorial federation superpower must stem, at least in part, from the idea of European civilisation, which is represented as more cultivated, more pluralist and more just than that of the US. In this scenario Europe is discursively placed not only against its internal and external enemies but also above the rest of the world, which is assumed to be less civilised. Despite variations in actual details, this is how Europe has usually been articulated since the late seventeenth century (see Delanty 1995). In the next 10 to 15 years, US unilateralism and arrogance may, particularly in the context of future trade wars and other likely crises, trigger or accelerate the process of creating a European counterbalance also in the military sense of the term. In the 1970s, Galtung anticipated a division of labour between the European left and right in which ‘the left takes care of smearing the US, the right uses this to safeguard its military, political and business interests from US penetration’ (Galtung 1973: 104).

While the EU remains, for the time being, mostly a civilian actor divided
on many issues in world politics, the US has been forging a systematic global military strategy. In the *Rebuilding America’s Defenses* report (Project for the New American Century 2000), it is proposed that:

the emphasis of US Navy operations should shift increasingly toward East Asia. Not only is this the theatre of rising importance in overall American strategy and for preserving American pre-eminence, it is the theatre in which naval forces will make the greatest contribution.

(Project for the New American Century 2000: 44)

China has rapidly increased its military spending as a response to US military expansion, including the war in Iraq, by 12.6 per cent in 2005 (Cong 2005), 14.6 per cent in 2006 and 17.8 per cent in 2007 (McDonell 2007). Government spokesman Jiang Enzhu says the increase is making up for a shortfall in defence spending in recent years. Jiang says China’s national defence is aimed at securing the country’s national security and unification, and making sure it makes steady progress toward building a moderately prosperous society (ibid.). In particular, the testing of a satellite-destroying weapon, a key to future warfare, and new high-powered Jian 10 fighter jets have provoked criticism from other states. Responsive reactions are likely to lead to further responses.

**Scenarios of possible paths leading towards a global military catastrophe**

Given the contemporary trends and prevailing mechanisms, it is possible to propose three preliminary scenarios based on the hypothesis that the prevailing economic and security policies generate strong tendencies towards a global military catastrophe, resembling in some ways the processes that created the conditions for the First World War. Even though multilateralism will continue to persist at least in some areas at first, the unilateralism of the leading state, responses to it, and the related logic of development of the world economy are likely to intensify competition among the rising states, new regional blocs (possibly evolving into super-states) and subsequent alliances. The main actors in a possible future multi-polar world would be the US, the EU and China (catching up). Japan, Russia and India have more limited global ambitions and/or capabilities, although Russian nuclear weapons and oil, Japanese investment and military capabilities, and Indian aspirations to assume its rightful place will take part in shaping future worlds. In these three scenarios, the five politico-economic mechanisms specified above will play a major part in the anticipated processes of mutual securitisation, enemy-construction and an arms race.

*Scenario A: Neo-imperial competition between super-states and blocs*

In the first scenario, the long downward phase of the world economy will continue. Partially false, misleading and ideological economic theories and
policy discourses condition the state responses to the economic problems of this era. Competition over increasingly scarce essential resources and oil in particular will not only become more intense but also more openly militarist. The US will remain on its neo-imperial course. It is capable of rolling over and accumulating its debts further as well as maintaining its expensive military commitments all over the planet, but it will take extraordinary manoeuvres of power to reinforce the role of the US dollar in the global political economy. The world economy as a whole, and on average, will remain mostly in mild recession or, in some places, in deep depression, except for a few relatively weak and short-lived booms led by the US (and China), despite continuing growth in China and East Asia. However, significant growth may persist in China in particular, at least as long as it refrains from liberalising its financial markets and giving up its peculiar institutional arrangements. Uneven growth will generate diplomatic tensions between the established centres of the world economy and the new centres of growth.

In addition, because of the real effects of neoliberalisation, military interventions and wars in the global South are likely to become more widespread, and some will escalate, thus reversing the post-cold war trend of both fewer wars and fewer casualties in them. The EU will learn to behave more and more like the US, and China and other major states such as Russia, India and Brazil will follow suit. Compared to the UN Charter that excluded the use of military force except for self-defence, the early twenty-first-century military doctrines have already become more self-righteous and globalist as part of the overall developments whereby economic orthodoxy as the basis of global governance has been strengthened and institutionalised. The main aim seems to have been to secure ‘good governance’, ‘free trade’ dominated by large transnational corporations, and respect for private property rights in every corner of the world, militarily if necessary.

The designers of the post-cold war military doctrines seem to be aware of the connections between rising inequalities and the contradictions of neoliberal governance. When a number of countries and regions are in economic decline, and some face outright collapse, local and regional conflicts may escalate and become increasingly violent. This gives rise to calls for ‘humanitarian’ interventions. The combination of demands of neoliberal governance, humanitarian crises, and acute economic and geo-political interests creates a tendency towards increasingly frequent wars in the global South. China may also assume the right to intervene militarily in those developments it deems relevant.

It is assumed in this scenario that neo-imperial tendencies will continue to gain strength. Some of the ‘failed states’ and ‘rogue states’ will in fact become part of a new system of mandate or imperial control. On average, the world economy will continue to grow only slowly or remain relatively stagnant in per capita terms or, following further financial and other crises, may even diminish as a whole. Because of growing global disparities and imbalances, however, some strata and some countries may also benefit from these developments.
The post-Bretton Woods systems of multilateral governance will gradually erode, at least in some important parts. When other states and blocs adopt tit-for-tat strategies in their responses to the unilateralism of the US, the systems of global governance may soon face a stalemate reminiscent of that of the UN during the cold war. This will happen also to the WTO. These developments will result in trade wars and tit-for-tat policies extended to other areas as well. Regional trade blocs and spheres of influence will thus replace global 'free trade', at least in some important regards. The US, however, will continue to strive for global domination and therefore probably be on a collision course with the federal EU and other main actors such as China and possibly Russia, and a number of countries in the global South, including Latin America. This may lead to the formation of new military alliances as well, accompanied by the usual processes of mutual suspicion, enemification, and a high-tech arms race, possibly carefully regulated, not unlike the era that led to the First World War. Indeed, in this scenario, it is possible to envisage the assembling of conditions for a global catastrophe over the middle run (more than 20 but less than 50 years).

Scenario A2: The US crumples economically and reacts aggressively

According to many analysts (e.g., Todd 2003; Wallerstein 2003), scenario A1 is not particularly plausible because, for economic reasons, it is unlikely that the US could actually continue on its current course – particularly if the long downward phase continues. The military occupations of two developing countries of about 20 million people each, Afghanistan and Iraq, and the setting up of military bases all over the world have already overstretched the military and economic capabilities of the US. It may prove impossible to continue to pay the cost of neo-imperial policies merely by accumulating more debt (see also Bonner and Wiggin 2006, employing an analogy to the decline of Rome). The relatively weak and short-lived boom of 2004–06 may already be over by 2007–08. The Chinese, Japanese and other Asian investors will lose confidence in dollar-denominated IOUs. The US dollar will go down further and/or inflation could go up; the federation will suffer an acute financial crisis affecting its military capabilities as well.

Obviously, the US will not face the depression alone, for it will drag most parts of the world economy with it. China and the EU may nonetheless benefit, at least in relative terms, if investors envisage them as more secure places for investment. The euro may replace the dollar to a significant degree as the most important currency of world trade. It is probable that the militarily superior and unilateralist US will react rather aggressively to this new situation. It may start to demand far-reaching concessions or even imperial fees in one form or another for its superior contribution to 'world security' (in effect, the US is already relying on the financial contributions of its allies to fund its wars and armaments industry).

As an unintended by-product, however, the perception of the US as a
menacing tyrant is likely to become increasingly widespread as part of the process of mutual enemy-construction. The often-used analogy of political realists between the US and the fate of Athens before and during the Peloponnesian wars will in this sense be realised. The US has its allies and vassals, in Europe and Asia as well, and it will try to use them, as well as its military capabilities, to put increasing pressure on the others. Again, this is likely to lead to the formation of new military alliances as well, accompanied by the usual processes of mutual suspicion, enemy-construction and a high-tech arms race. Indeed, in this scenario, it is possible to envisage the assembling of conditions for a global catastrophe already in the short term (less than 20 years), although it is likely to take more.

**Scenario A3: Growth generates conflicts and an armaments race**

Perhaps the partial re-regulation of financial markets that has occurred after every major crisis, albeit in accordance with the orthodox aim of ensuring the right conditions for market self-regulation, has made them more stable. Perhaps the marginal productivity of capital is not as low as I have assumed. Is it possible perhaps to overcome the tendencies towards under-consumption by combining the late nineteenth-century neo-imperial policies, military consumption, and further commodification and privatisation? Perhaps military control can help to ensure cheap energy and raw materials, at least in the short to middle run (in the longer run, there are also obvious physical and ecological limits). Perhaps low interest rates and availability of finance will make a new series of technological innovations possible, in accordance with Schumpeter’s theory. Will all these together perhaps suffice to turn the capitalist world economy into a new upward phase? This is a possibility, although in my judgement – based on the economic explanation of the downward phase developed in chapters 5 and 6 – less likely than scenarios A₁ and A₂.

In this scenario, the new and somewhat unexpected upward phase will not reverse the basic tendencies of capitalist world economy towards rising inequality, concentration of means of production, formalisation of liberal democracy, population growth, rising crime rates and deepening ecological problems. Because of the role played by military consumption on the one hand, and neo-imperial competition on the other, the growth and economic expansion of this era is likely to prove ‘lethal’ in the sense of Choucri and North (1975). Following pathological learning processes, elites in various super-states will be increasingly inclined to represent war as a possible solution to at least some of their political problems. The labour and socialist parties share the fate of the nineteenth-century Liberal party in Britain, which was vividly described by Hobson (1988 [1902]: II.1.64):

It is not that Liberals have openly abandoned the old principles and traditions, but that they have rendered them of no account by dallying
with an Imperialism which they have foolishly and futilely striven to
distinguish from the firmer brand of their political opponents.

The consequences of neoliberalisation, militarism and neo-imperial policies
will result in a range of wars in the global South, and increasingly frequently
the super-states and blocs will find themselves on the different sides because
of their different interests and dissimilar perceptions of good and evil.

In Wagar’s story (1999), discussed in chapter 2, the eventual downturn of
the fifth Kondratieff cycle will be dramatic and violent, resulting in the
deepest global economic depression ever. When the great depression of the
late 2030s hits, no-one will make any genuine attempt to make the govern-
ance of capitalist world economy as a whole conducive to economic recovery.
On the contrary, every country and every regional federation will attempt to
escape the economic crisis by its own means and typically, it seems, by
following simplistic self-interested and short-sighted recipes that are collect-
ively counterproductive. In this kind of context, uncertainty, large-scale
unemployment and widespread impoverishment will foment manifold, deep-
seated conflicts. These would lead in a few years time to drastic political
changes in the US, enmity between the EU and its allies, and finally to
nuclear war in summer 2044.

However, an analogy with the situation before the First World War is more
plausible than Wagar’s scenario. Depending on the context, economic growth
is likely to lead to collision between different identities and interests, arma-
ments races, and eventually even war. As argued by Choucri and North
(1975) and Ashley (1980), growth may also generate or intensify conflict,
suspicion and armaments races in the context characterised by neo-imperial
orientation and geopolitical competition. Moreover, growing inequalities and
imbalance, as well as a sense of increased uncertainty and heightened inter-
dependence, are already leading to a hardening of political identities and
wills, which may further deepen suspicions and enmities between super-
states, their future alliances and stateless outcasts. In this scenario, the global
arrangements for free trade and investment will also partially erode and be
replaced by regional arrangements to a certain degree. This erosion of multi-
lateralism will bring about the formation of new military alliances as well,
accompanied by the usual processes of mutual suspicion, enemy-construction
and a high-tech arms race (possibly carefully regulated and limited). Given
these developments, envisaging the possibility of a major global catastrophe
in the short to medium run is plausible.

Conclusions

Given the circumstances of the 1910s, the First World War was likely
to happen, but it was not inevitable. A reasonable estimate of the likelihood
of a major war involving many of the European great powers breaking out
before the mid-1920s, was perhaps something like 40–60 per cent. During
the cold war, in turn, the probability of a war between the two blocs was almost equally high – in spite of the role of nuclear weapons as the ultimate deterrence – that is, possibly as high as 30–40 per cent. However, although it could have, the Third World War did not break out.

As a rule, in any given situation, a number of components are necessary for a causal complex to produce any particular outcome, such as a catastrophic war; and thus any geo-historical outcome is typically contingent on a number of activity- and concept-dependent conditions as well as manifold actions. This also holds true for the possibility and likelihood of a global military catastrophe in the period between 2010 and 2040.

It is possible, even likely, that the USA’s turn to new imperialism in the early twenty-first century has been a jump-off point in the sense of creating a new imperialist horizon of possibility, as well as a branching point, gradually foreclosing possible lines of development towards a pluralist security community in the world as a whole. This nodal point was based on the legacy of the cold war in many ways, itself in part a result of the First World War (the Russian revolution would probably not have happened without the ‘Great’ War). However, the nodal point of the early twenty-first century was also decisively co-generated by the self-reinforcing process of neoliberalisation that began in 1971–73, following the end of the Bretton Woods system. The main mechanisms that are prone to reinforce the turn to new imperialism as a key world historical nodal include:

- uneven growth, economic imbalances and responses to them;
- neo-imperial competition over increasingly scarce resources;
- crisis-prone global finance and the precarious role of the US dollar in the global monetary system;
- de-democratisation and the increasing role of vested interests; and
- securitisation, enemy-construction and an armaments race.

In this chapter, I have developed three tentative scenarios about possible paths involving escalation of the emergent conflicts that will gradually assemble the conditions for a global military catastrophe. In the first scenario, the long downturn and uneven growth will persist in the world economy, and in that context neo-imperial competition between states and blocs will lead to securitisation, enemy-construction, new alliances and an armaments race. In the second scenario, the US will crumble economically and react aggressively, causing a rapid process of securitisation and antagonisation. In my assessment, the third scenario is perhaps the most unlikely one, as it is built on the assumption of a new surge in the global economy as a whole. In the third scenario, rapid new growth will co-generate conflicts and eventually an arms race, and thus will prove lethal in the sense of lateral pressure theory as the world remains on the geo-historical path opened up by the nodal point of the rise of new imperialism in the early twenty-first century. Future developments are dependent on the paths chosen now.
8 Possible futures B and C
Wars, crises and peaceful transformations of global governance

Since 1848, upsurges of social and political reform and revolutions have involved some transnational political activities and international networks. Although most of the modern movements – liberalist, socialist, and feminist – have usually focused on state powers, a series of new multilateral and cosmopolitan visions emerged with the late nineteenth-century wave of competing imperialisms and liberal globalisation. The capacity of these movements to achieve social transformations has depended on the wider politico-economic context of their actions. The core groups of intellectuals and activists often forge, debate and propagate ideas quite systematically over an extended period of time. However, the moments when demands for reform and transformative mass movements come to the fore and achieve at least some of their goals have, as a rule, been exceptional. Sudden economic downturns and crises, as well as major wars, tend to push or even compel people to reconsider the business as usual of their everyday practices and thereby instigate transformative ethico-political responses. The triggers may consist of a number of overlapping processes that reinforce each other. Together these processes may combine to produce a tipping-point, beyond which the dilemmas of organising collective actions are relatively easy to overcome and transformative mass movements can emerge.

The so-called new social movements have arisen since 1968, at first responding to the Vietnam war, the threat of nuclear war, and the processes that led to the collapse of the Bretton Woods system in the early 1970s. Post-cold war global civil society discourse was preceded by the world order models project analysis of critical social movements and the world-systems analysis of ‘anti-systemic movements’ (see Eide 1986; Mendlovitz and Walker 1987; Walker 1988; and Arrighi et al. 1986, among others). However, it was in response to the self-reinforcing process of neoliberal globalisation, which seemed to rule out political alternatives within many states, that an explicitly global civil society emerged in the 1990s, for the first time in human history.

The earliest mention of the term ‘global civil society’ was perhaps in a scholarly article published by Stephen Gill (1991; see also Ghils 1992; Peterson 1992; and Lipschutz 1992). Apart from some transnational environmental organisations, at that time organisations of global civil society might have looked as insignificant as the Mont Pelerin society did in the 1950s or 1960s.
However, the Asian financial crises of 1997–98 soon triggered a global mass movement that gained widespread and often dramatic attention in the global media. Of the almost 200 major financial crises since the late 1970s, the farthest-reaching ones thus far occurred in the 1990s. After the Mexican crisis (1994–95) and its repercussions, the Asian crisis (1997–98), affecting Russia and Brazil as well, alarmed the world. It was at this point that global civil society became visible as a new global political force, protesting against neoliberal globalisation and professing a few institutional alternatives such as international debt arbitration and the Tobin tax. The emergent global civil society has also mobilised anti-war activities. Notably, a day of anti-war protests in February 2003 across the world against the imminent invasion of Iraq was coordinated from within the World Social Forum (WSF) process. Millions of people protested in approximately 800 cities around the world, 3 million in Rome alone.

In this chapter, I develop scenarios of changes in global governance that would eventually prevent the gradual transformation from world politics to the logic of security and violence – with a major risk of a global military catastrophe – and push a transformation towards peaceful, democratic world politics instead. First I re-examine the mechanisms of global political economy that have already been discussed in previous chapters, this time from an emancipatory perspective. What kinds of reform would be needed to overcome the tendencies towards a collective decline and, in the longer run, a possible catastrophe?

Second, I discuss scenarios of change that may emerge from within global civil society and through the nations, locating them in the wider context of future economic crises and wars as well. To what extent is it possible to foresee triggers that may also consist of a number of overlapping processes reinforcing each other for the development and growth of effectively transformative global movements into the 2020s?

Third, I also discuss scenarios of potential global crises resulting from the by-products of 200 years of rapid economic growth and technological development. I look at global climate change and its far-reaching consequences. Under certain conditions, is it possible and in fact likely that environmental and other disasters may set off ethico-political responses that contribute to peaceful transformations of systems of global governance? However, I also discuss the possibility of a major violent catastrophe, including the threat that marginalised and oppressed ‘outcasts’ of the global political economy will at some point use weapons of mass destruction to further their cause, or out of sense of desperation and eschatological beliefs.

**Overcoming tendencies towards a global military catastrophe**

In order to create the politico-economic conditions for a global security community, a better understanding of the key mechanisms and processes of global political economy than those enmeshed in various illusions and
one-sided ideological beliefs is needed. All beliefs and knowledge claims are of course socially produced, contextual and fallible, yet rational truth judgements about them are possible, and more holistic perspectives can be learnt. Developing a better understanding of global political economy is a matter of the collective learning of humankind about its own geo-historical conditions and possibilities, which should also be the basic task of social science. A lot of collective learning has already occurred during the last 120 years or so, but the collective tendency to forget remains one of the problems. Forgetting is a constant tendency and a process that may undo or transform previous learning. Indeed, the self-reinforcing process of neoliberalisation, and the rise of new imperialism in the early twenty-first century, have been made possible, at one level, by the structurally-conditioned politics of forgetting (and one-sided remembering) that has been gradually undoing many of the past historical lessons.

**Remembering the lessons of the twentieth century**

During the era of competing imperialisms in the early twentieth century, a small number of critical analysts envisaged plausible ways of overcoming some of the most problematical tendencies, which they also anticipated might lead – in the future for them – to a major war. The world wars provoked a lot of rethinking and learning, which led to the establishment of the United Nations and the Bretton Woods system at the end of the Second World War. Likewise, when the fundamental problems of the Bretton Woods system were becoming increasingly apparent in the 1960s, new visions about organising the global monetary system were developed. In the 1990s and early twenty-first century, a discourse of global justice and democracy has surfaced with the rise of global civil society, in part making explicit some of the normative assumptions of the earlier reformists.

Of the classical theorists of imperialism, Veblen, Hobson and Kautsky argued not only for politico-economic transformations within states but also for new global institutional arrangements. Of these three, Hobson’s normative vision of *Imperialism: A Study* (originally 1902) is perhaps the most clearly articulated. Hobson believed that popular democratic government and (re)constructive internationalism are essentially connected. ‘Secure popular government, in substance and in form, and you secure internationalism: retain class government, and you retain military Imperialism and international conflicts’ (Hobson 1988[1938]: 171). A hundred years later, he would have stressed substance: democracy is not simply a matter of formal franchise, although in the context of pre-1914 Britain that was an important consideration as well, but a matter of practices of governance.

Further, Hobson argued for social democracy within states and simultaneously for analogical global transformations. Free public education and real socio-economic equality of opportunity for all individuals are essential for civilising the competition and struggle within states, and for making it
more rational in terms of collective outcomes. Governmental actions – ‘state
socialism’ – are crucial to overcoming collective dilemmas in many fields.
Globally, Hobson professed the idea of an experimental and progressive pro-
cess of building a world federation. For him, the first steps in this direction
would be constituted by strengthening the rule of law in trade and finance,
developing the principle of the ‘most favoured nation’, and constructing new
systems of concerted action in various areas of political economy (credit,
finance, communication, transportation, etc).

Step by step, the early twentieth-century Darwinist physical struggle for
survival would be replaced by a Lamarckian system in which both conditions
of social mutation and selection are rationally designed to provide ‘a higher
and more complex test of character determined by a higher standard of social
utility’ (ibid.: 173). However, Hobson’s federalism was not anti-nationalist:

Internationalism is no more opposed to the true purposes of nationalism
than socialism within the nation, rightly guided, is hostile to individual-
ism. The problem and its solution are the same. We socialize in order that
we may individuate; we cease fighting with bullets in order to fight with
ideas.

(ibid.: 189)

The First World War provoked extensive rethinking and thus learning. In
1916–19, a number of individuals in key state positions were developing
holistic accounts of the world economy and constructing emancipatory
scenarios of alternative global futures. Some of them participated in the
Versailles negotiations in 1919. The alternative thinkers included Keynes, who
developed inclusive schemes for rehabilitation of the credit and economic life
in Europe and a small-scale Marshall Plan after the war, and opposed impos-
ing excessive reparations on Germany. He argued that the Eurocentric world
economy is highly interdependent, ‘the European problem is in reality a
single whole’ (Markwell 2006: 65–72). In Versailles in May 1919, another
alternative thinker, L.P. Sheldon, from the US War Trade Board and Food
Administration, proposed an original, complex scheme that in many
ways resembled Keynes’ 1940s plan for an International Clearing Union.
Hobson also took part in these discussions in his capacity as a journalist
and public intellectual, proposing for instance an international loan
scheme under the League of Nations (ibid.: 72–75). However, the prevailing
mechanisms of choice that select and amalgamate narratives and scenarios,
including the Weberian capacity of some actors to carry out their will despite
resistance, favoured more narrowly self-interested concerns and a version of
punitive justice stemming from a crude sense of the need for revenge and
submission.

It became increasingly clear with the Great Depression, the rise of fascism,
and the Second World War that one-sided punitive justice and reliance on
free markets tends to be counterproductive. In the 1940s, the Hobsonian
vision intended to counter tendencies towards imperialism and war was, at last, taken more seriously. The Bretton Woods system, and even more so Keynes’ original plan for an International Clearing Union (ICU), could be seen as a step in the Hobsonian process of building a world federation. Keynes’ plan in the early 1940s for an ICU involved an impartial system for the management of currencies, and a kind of world central bank responsible for a common world unit of currency, the bancor.

Keynes’ starting point was to assume a maximally generalisable perspective on the future global political economy, in order to avoid fallacies of composition and other particularistic illusions. Keynes wanted to ‘set the world as a whole on its feet’ and ‘lay the foundations of a sounder political economy between all nations something capable of wide and various application’ (Keynes 1980[1941]: 43). This plan, developed in various steps in 1941–43, addressed the key problem of global economic imbalances between nations:

The efforts of each of these debtor countries to preserve its own equilibrium, by forcing its exports and by cutting off all imports which are not strictly necessary, will aggravate the problem of all the others. On the other hand, if each feels free from undue pressure, the volume of international exchange will be increased and everyone will find it easier to re-establish equilibrium without injury to the standard of life.

(ibid.: 46)

Keynes envisaged the global political economy as a single whole. He wanted to avoid political struggles and asymmetrical situations where specific countries are ‘put into a position of particular obligation to others’ (ibid.: 46). Obligations should thus be made systemic and financial positions defined against the rest of the world, not against individual countries. Keynes also maintained that ‘central control of capital movements, both inward and outward, should be a permanent feature of the post-war system’ (ibid.: 52). The world should not be allowed to be dominated by unstable global finance. Moreover, no unnecessary external pressure towards contractions should be exercised against any country. On the contrary, at the time of a downward phase in a business cycle, expansionary policies should be made possible and encouraged. In line with Hobson’s vision, but citing Hansen, Keynes believed ‘that there is great force in Prof. Hansen’s contention that the problem of surpluses and unwanted exports will largely disappear if active employment and ample purchasing power can be sustained in the main centres of world trade’ (ibid.: 48).

Keynes’ proposal for an International Clearing Union was meant to enable a ‘New Deal’ within every country, including full employment; this also included tentative elements for a global new deal. Thus global funds should be established for the global common good by means of substantial levies on surplus countries, and by means of creating global money. At first Keynes
proposed that surpluses beyond a given amount would be fully confiscated for a global fund. His later, more modest formulations also included transferring resources from the surplus to the deficit countries. Moreover, Keynes argued that for some specific purposes, such as the credits and debits of states, the world economy actually forms a closed system. With common global institutions, the problems that individual states tend to face if left alone can easily be overcome:

The idea underlying my proposals for a Currency Union is simple, namely to generalise the essential principle of banking, as it is exhibited within any closed system, through the establishment of an International Clearing Bank. This principle is the necessary equality of credits and debits, of assets and liabilities. If no credits can be removed outside the banking system but only transferred within it, the Bank itself can never be in difficulties. It can with safety make what advances it wishes to any of its customers with the assurance that the proceeds can only be transferred to the bank account of another customer. Its problem is solely to see to it that its customers behave themselves and that the advances made to each of them are prudent and advisable from the point of view of its customers as a whole.

(ibid.: 44)

A crucial part of the design for an International Clearing Bank was the creation of an international bank currency called a bancor, through which countries would settle their exchange balance. In Keynes’ proposal, bancor would have a fixed (but not unalterable) value defined in terms of gold. The central banks of all member states would keep accounts with an International Clearing Bank ‘through which they would be entitled to settle their exchange balances with one another at their par value as defined in terms of bancor’ (ibid.: 72). Keynes proposed measures to prevent credit and debit balances piling up, in addition to a levy on both credits and debits.

Since Keynes’ ICU proposal eschewed the Triffin dilemma, it is likely that it would have lasted longer than the Bretton Woods system did, perhaps much longer. As explained in chapter 6, the Triffin dilemma was a direct consequence of the decision reached in Bretton Woods – on the insistence of the US – to make the dollar the currency of world trade, and let creditors to retain their surplus and remain passive. The nodal point of 1971–73 would not have occurred had Keynes’ proposal been implemented in full. In the 1960s, a number of Keynesian economists anticipated what was coming and argued for fundamental reforms of the global monetary system. Triffin, one of these Keynesian reformers, started from the assumption that, even in the short run, ‘concerted action of national monetary policies should be viewed ... as the only acceptable alternative to an impossible restoration of the nineteenth-century laissez faire mechanism of international adjustments’ (Triffin 1968: x). Basically, Triffin revived Keynes’s proposal for bancor as a
solution to the instability of the Bretton Woods system and ‘to the ever-changing realities of a more and more interdependent world’ (ibid.: 179).

Although Triffin’s proposal fell short of some aspects of Hobson’s or Keynes’ global vision, Triffin also shared a world historical view of emancipatory developments: the establishment of international reserves would be a step in ‘the long march of mankind toward its unity and better control of its own fate’ (ibid.: 179).

However, despite its impartiality and cosmopolitan aspirations, the Keynesian solution would also have been unstable. Keynes’ proposal was based on a variation of the nineteenth century liberalist dream of a utopian harmony. Keynes argued that although laissez faire markets do not ensure any automatic harmony of interests (or collectively optimal outcomes), with proper collective institutional arrangement the international economy can be made a positive sum game for all parties. It is important to understand how a particular but mostly implicit theory of justice constituted Keynes’ global vision.

Justice concerns opportunities, positions, rewards and punishments. They are justly distributed if they go to those who deserve them; beings of one and the same essential category must be treated in the same way (see Patomäki 2006b). Keynes was opposed to the Lockean conception of justice, according to which mere private property rights, including the absolute freedom to inherit property from previous generations and the freedom of making contracts, exclusively define the just procedures of economic actions. In the last chapter of his General Theory, he argued that the large socio-economic disparities that existed in the 1920s and 1930s were not justified (Keynes 1973[1936]: 374). Keynes based his argument first and foremost on his own economic theory, but he also deferred to a sense of justice according to which the equality of real opportunities and, at times, needs should play an important role in determining the distribution of wealth. He applied this sense of justice to international relations as well. As so often in social and political theory since nineteenth-century classical political economy, Keynes assumed that social harmony could be guaranteed if everyone followed his own sense of impartiality and justice. The point was to avoid conflict:

The objection to particular arrangements of this kind is that they are likely to be influenced by extraneous, political reasons and put specific countries into a position of particular obligation towards others; and also that the distribution of the assistance between different countries may not correspond to need and to the actual requirements as they will ultimately develop.

(Keynes 1980[1941]: 46)

Thus Keynes wanted to establish a ‘non-political’ and technocratic system of global governance. He felt that the world economy should be regulated in an autonomous and automatic way – it should, as far as possible, operate like the market in classical economic theory (Swedberg 1986: 378; on the doctrine of
economic neutrality, see also Teivainen 2002). The doctrine of neutrality presupposes particular technical knowledge about management of the world economy as fundamentally true, i.e., Keynes’s own ‘general theory’. It also presupposes a particular theory of justice. This theory is, in a limited sense, redistributive, and was also meant to be a defence of the capitalist market society and free trade. Keynes’ plan was technocratic, in many regards fixed and thus unchangeable, since no proper mechanisms of change were included. His plan was also Anglo-American, the rest of the world being invited to participate on the terms of the US and the UK. Moreover, Keynes’ plan did not address the discrepancy between the world of territorial states and spaces of the globalising capitalist market economy. Keynes aspired to ‘socialise’ investment – in the sense of having some state control over it – but only within states. Although his vision included controls on speculative movements of capital, there would have been exit options for private capital. For reasons outlined in chapter 6, the system of national capital controls was liable to conversion into freedom of movement of (short-term) capital in the long run.

Despite Keynes’ systematic attempts to learn from early twentieth century historical lessons, his mindset remained nineteenth century in many important ways. The twenty-first century global civil society organisations are unlikely to be satisfied with the Keynesian sense of justice, or with his technocratic solutions to the governance of global political economy. There are as many models of justice as there are economic theories (see Patomäki 2006b). Although the basic metaphor of justice is universally shared, none of the theories of justice is objectively, universally or eternally true. Deduction from abstract principles does not give us a theorem that could formally prove any theory of justice universally valid. Neither abstract rationality nor nature dictates any of them. Sound moral judgements in particular contexts depend on an actor’s ability to see things not only from his or her own point of view, but also from the perspective of all those others who happen to be involved. Moreover, moral judgements also depend on causal theories about the world and thus on understandings of responsibility. This also applies to judgements about justice, and has far-reaching implications for economic theory. Although the abstract concept of justice is universal, its substance and direction are not; although rational truth-judgements on theories of political economy are possible, they rarely go unchallenged for long. Hence, rational dialogue on as well as peaceful political struggles over different models of justice and theories of political economy is possible. Dialogical rationality accepts epistemological relativism.

Epistemological relativism means that we cannot trust anybody to know a priori, or with too much certainty, what models of justice or economic theory to follow. Epistemological relativism is one of the main arguments for democracy. Without free speech, adequate public spaces for critical dialogue and equal, universal access to collective will formation, any community may be led astray, including the world community. There is also the spectre of a
vicious circle of the accumulation of power in the hands of powerful actors, groups or coalitions, just because they are powerful – because they command resources in the global political economy – and can thus unilaterally shape not only prevailing understandings of economic rationality but also moral conceptions, rules, principles and practices. Epistemological relativism is a convincing argument for global democratisation (cf. Patomäki 2003a; Patomäki and Teivainen 2004; Held and Patomäki 2006). From this point of view, a sustainable system of global governance should be (a) capable of learning, (b) open to peaceful change and, consequently, (c) democratic.

A feasible twenty-first-century vision of a global security community and emancipatory system of global governance should thus be more abstract and universalisable as well as more changeable and open to revision than Keynes’ vision. Moreover, governance of the global political economy cannot be confined to monetary and financial relations between national states. Relations of trade and production should also be subject to just and democratic governance. Rather than states being the only subjects of global polity, global civil society movements and organisations actively strive for transformative visions, many of them professing global citizenship as well. A politicised and democratised version of global Keynesianism, aiming at developing a legitimate and self-determining system of global governance may therefore be a globalist twenty-first century response to neoliberalisation and the re-emergence of neo-imperialism.

**Learning lessons from the past and possible futures: twenty-first century responses**

In the early twenty-first-century, what might a feasible and well-founded strategy for democratising globalisation and globalisation democracy be (cf. Gills 2002)? This question has emerged with the rise of transnational political activism in the late 1990s. In the aftermath of the Asian crisis of 1997–98, various organisations started preparing a counter-event to the World Economic Forum under the banners of ‘another Davos’ and ‘anti-Davos’. These included both Le Monde Diplomatique and ATTAC (Association pour une Taxe sur les Transactions Financières pour l’Aide aux Citoyens). In Brazil, an initiative for a worldwide forum emerged in early 2000; its first formulations of the idea are generally attributed to Oded Grajew, coordinator of CIVES (Associação Brasileira de Empresários pela Cidadania). In February 2000, Bernard Cassen from ATTAC France met with Grajew and Francisco Whitaker in Paris to discuss the possibility of organising such a forum. The first World Social Forum (WSF), held in Porto Alegre in January 2001, attracted about 5,000 participants from 117 countries and thousands of Brazilian activists. The figures from the second forum show momentous growth, rising to over 12,000 official delegates from 123 countries, and tens of thousands of participants, mostly from Brazil. The third forum in January 2003 attracted over 20,000 official delegates and approximately 100,000
participants in total. The global media impact of the second and third forums was significantly greater than the first.

In this context in 2001–02 that I conducted an analysis and evaluation of various global democratic reform proposals with Teivo Teivainen (Patomäki and Teivainen 2004). Our analysis showed that it seems very difficult to significantly democratise the UN system or Bretton Woods institutions. In the late twentieth century, the Bretton Woods institutions have been imposing the kind of deflationary policies that Keynes warned about. Under the conditions of a systematic deficit, sometimes caused by declining terms of trade for raw materials, sometimes stemming from the unproductive use of original loans and often getting worse simply because of the logic of automatic debt accumulation, the required deflationary policies and adjustments have often had far-reaching negative effects. Deflationary fiscal policy is using the level of government expenditure and taxation to reduce the level of aggregate demand in the economy (ibid.: chapters 2 and 3).

The World Trade Organisation (WTO, founded in 1995) has been central to the global project of locking-in free market economic policies. Its scope and powers have been expanding. In practice, the WTO is also biased towards serving the vested commercial interests of the powerful governments. (For a systematic discussion of the mechanisms, principles and actors in global trade regulation, see Braithwaite and Drahos 2000: 175–221). In principle, free trade in terms of non-discriminatory access to energy, raw materials and markets elsewhere can be a facilitating condition of global peace. Restrictions based on local needs are not likely to endanger peace, but when wider territorial discrimination arises and access to various markets becomes securitised, the world is likely to be on its way to the system of competing imperialisms. The problem is that trade is ultimately perfectly ‘free’ only in an idealised and universalised model of global free-market capitalism. Without global regulative and redistributive mechanisms that work analogously to the mechanisms of a developmental state and redistributive welfare states, the idea of free trade becomes virtually one with the project of global neoliberalisation.

Of the existing multilateral institutions, however, the WTO seems to be the existing multilateral arrangement that is most susceptible to democratic change (Patomäki and Teivainen 2004: ch 4). The one country/one vote principle on which it is based in theory makes change possible, however difficult this may appear at the time. In the short-run, democratic reform of the WTO could focus primarily on redefining and reducing its scope and, second, on democratising its preparatory process, decision-making procedures and dispute settlement mechanisms. For the poorest countries, a mere GATT-type regime may be sufficient as a framework for trade, assuming that they are capable of mobilising a developmental state. For the other member states, there may be opt-out mechanisms and room for different economic and developmental policies. Regulation of trade in services should be clearly disconnected from the project of liberalisation and privatisation of services. The TRIPS (Trade-Related Intellectual Property rights) agreement could be
revised to be more conducive to diffusion of technologies and free communication and also moved out of the WTO, possibly back to the UN. The TRIMS (Trade-Related Investment Measures) agreement could be replaced by a new investment regime holding foreign direct investors and transnational corporations answerable to democratically elected and accountable authorities. However, these short-term changes would still leave larger questions about organising the governance and regulation of commerce and trade in the global political economy unresolved.

We concluded our analysis of global democracy reforms with the argument that the establishment of a debt arbitration mechanism and global taxes should be seen as the first priority for two main reasons. Both the debt arbitration mechanism, implying debt-reduction and cancellation in many cases, and global taxes including the CTT but not limited to it, would relieve the dominance of global finance over states, and thereby enhance the rule of law and democratic politics. The debt arbitration mechanism would mean the establishment of the rule of law in global finance, and in practice imply debt reduction and cancellations. The currency transaction tax (CTT) is a simple idea, a tax levied on every currency exchange set at a level low enough not to hinder transactions needed to finance trade in goods and services or long-term capital investment. James Tobin first proposed this tax in 1972, in the wake of the demise of the Bretton Woods system of fixed exchange rates. Tobin argued for a reform of monetary markets, ‘throwing sand in the wheels of global finance’ by raising the transaction costs of foreign exchange. Higher transaction costs would make the volatile financial markets more stable and increase the autonomy of states, particularly the autonomy of their monetary policy. Tobin’s point was to defend the possibility of Keynesian economic policies within states. Later, it was realised that the CTT could also create funds for good global purposes. The CTT can even be perceived as a mere fundraiser for development and other purposes, the preferred vision of many charity organisations.

However, from a wider global political economy perspective, and in view of subsequent developments, the strategy that emerged in the early 2000s appears unrealistic and limited. It was unrealistic in part because of the lack of transformative agency. The idea of the WSF was never to constitute any form of agency. The World Social Forum is a space that, according to its Charter of Principles, ‘brings together and interlinks only organisations and movements of civil society from all the countries in the world’. The Charter was drafted by the Brazilian Organising Committee soon after the first WSF meeting and approved with modifications by the WSF International Council in June 2001 in São Paulo. It has achieved quasi-constitutional status within the WSF process, even if its authority has occasionally been challenged. Some of the main challenges concern Article 6 of the Charter, although it is seldom explicitly mentioned in the debates. According to the Article, ‘the meetings of the WSF do not deliberate on behalf of the WSF as a body . . . The participants in the Forum shall not be called on to take decisions as a body’.
In practice, this has meant that the WSF as a body never made a declaration against the war in Iraq, for example, although it facilitated co-ordinating the demonstrations against it. According to many of its ‘founding fathers’, such as Chico Whitaker, making a declaration against the war would have been a violation of the Charter of Principles.8

Both within the WSF and outside it some of the movements have taken stands and advocated reforms of systems of global governance. The CTT movement in particular won a few symbolic victories (see Patomäki 2007c). The transnational campaign for the CTT succeeded in raising the issue on the agenda of many national parliaments, the European Parliament and a number of international organisations, including the UN. The parliaments of both Canada (1999) and France (2001) adopted motions supportive of the implementation of the tax, and in July 2004 a law was passed in the Belgian parliament. With the advent of the euro, however, the national European parliaments are powerless in any issues pertaining to currencies or foreign exchange markets (unless parliaments from all EMU countries agree to ratify an international treaty simultaneously). The campaign also relied to a large extent on the reformist momentum created by the Asian financial crisis in 1997–98. However, all localisable crises eventually fade away, and in the long run economic growth tends to continue.9

Similarly, the global debt campaign also won symbolic victories and achieved minor concessions from the powers that be. The first significant effort of the creditor institutions to reduce the amount of debt was launched in 1996. The Heavily Indebted Poor Countries (HIPC) Initiative of the World Bank and the IMF placed debt relief within the overall framework of poverty reduction of these institutions. After heavy criticism following the Asian crisis, an enhanced HIPC initiative, often called HIPC II, was launched in 1999. However, in 2005–06 most indebted middle-income countries, such as Argentina, Brazil, Korea and Thailand, decided to pay off public multilateral debts to the extent possible to avoid dependency on the IMF in particular. The lesson seems to be that only individualistic self-reliance pays.

In addition to being in some ways unrealistic (although the feasibility of proposals was a key point of evaluation), the vision that emerged in the early 2000s was also limited. Keynes’ ICU proposal from the 1940s remains much more systematic than any of the proposals or plans developed since 2000. The CTT is a case in point. Tobin internationalised Keynes’ specific suggestion for a domestic financial transactions tax.10 Although useful for many purposes, particularly if made more democratic and globalist,11 the idea of a CTT is, in the final analysis, a somewhat meagre substitute for the comprehensive, just and efficient global monetary system envisaged by Keynes.

On the other hand, as argued above, Keynes’ plan would have probably failed to be viable in the long run. Keynes did not address the discrepancy between the world of territorial states and spaces of the globalising capitalist market economy. For Keynes, states remained the locus of economic policies. In the early twenty-first century, when the problem is that ‘the global regime
of accumulation is unable to establish reasonable levels of demand and productivity [growth]’ (O’Hara 2006: 208), this is insufficient. Moreover, Keynes’ proposal was based on a particular economic theory and a particular sense of justice. His plan lacked mechanisms of both collective learning and democratic change. Moreover, although Keynes adhered to the idea that international relations should be based on the rule of law, in effect he would have left the interpretation of law to the American and British governments. There is a need for a democratically elected global assembly that would have the power to determine what the law is in the case of conflict of interpretations, and possibly also the power to coordinate and direct the economic policies of various functional and territorial organisations (Patumäki 2007d). Keynes proposal for a global bank currency should thus be complemented by a global assembly to determine the law as well as by various other democratic mechanisms of learning, change and governance. Moreover, global taxes and funds are also crucial in creating the resources needed for global economic and developmental policies. It is not reasonable, however, that global funds be dependent on a particular source only, such as the currency transactions tax. A variety of sources of global funds are required for shaping the development of the world economy. The idea of free trade should be also be replaced by more complex and pluralistic ideas of regulating world trade and global investment.

Last but not least, global governance should also concern the politics of economic growth itself. Richard Ashley has stressed that ‘the effective management of growth in the interest of peace will require the establishment of multilateral regulative rules’ (1980: 202). This is an important opening. Population growth, long waves, economic crises, differential growth and insufficient global demand are not givens, or natural things that are beyond human influence. The rate, composition and distribution of economic growth can be shaped and to a degree planned by means of global governance.

I contend that a global security community requires that the causal sources of conflict-prone processes can be shaped by means of peaceful changes in structures and institutions. Moreover, given the potential effects of global warming (see scenario C1 below), there are clearly also reasons other than peace for creating mechanisms to govern the rate, composition and distribution of growth. Sustainable global growth should be life-promoting rather than lethal, and accommodate trust, caring and social infrastructures rather than encouraging atomisation and commodification. Growth will become a key issue in future global governance. To paraphrase Triffin, the global politics of growth would constitute a step in ‘the long march of mankind toward its unity and better control of its own fate’.

Scenarios B: Peaceful and democratic reforms of global governance

Into the 2020s, is it possible to reform global governance in order to make it conducive to world economic and ecological recovery and revival of egalitarian
growth that improves well-being and is ecologically sustainable? Would it be possible the break the self-reinforcing process of neoliberalisation and reverse the processes that are leading towards a system of competing imperialisms? Thus emerges the question of change. There are obstacles to change. Not everything is possible. At the heart of the problem lie relations of domination and mechanisms of power. Perhaps those social forces arguing for well-founded substantial changes are not powerful enough. Perhaps the relevant relations of power should be first restructured to empower the weak actors. But if they are weak, how could they have the power to effect significant changes?

John Braithwaite and Peter Drahos (2000) have developed a model according to which there are recurrent proactive and reactive sequences of local strategic action to secure global regulatory change (the term ‘reactive’ is used here in the neutral sense of as-a-reaction-to-something). These two schemes – depicted in figure 8.1 – can be taken mostly as descriptive and analytical models, but they also have a normative aspect since Braithwaite and Drahos (ibid.: 31–32) argue that weak actors can make a difference through webs of influence, cross-national alliances and by commanding the imagination of mass publics in dominant states. Braithwaite and Drahos maintain that because of globalisation, most states have become rule-takers rather than rule-makers. Regulations, which may also regulate regulation, are now being created and agreed upon within complex webs of transnational networks. In these networks, some individual and collective actors are often much more influential and powerful than others, yet power-relations are always mutual. As a political process, globalisation can be understood as contention over rules and principles of global regulation.

First, there is the possibility of a pro-active sequence. The sequence starts with people or groups who are willing and able to convert a new idea into a successful regulatory innovation through their ‘enrolment of organisational power’ and various mechanisms and transnational networks. These new ideas and related activism may stem from a long-term process of collective learning. However, the realisation of new regulatory ideas or institutional arrangements is usually easier following a disaster and media hype. An ideal-typical reactive sequence starts with a disaster, followed by media hype and a demand by the mass public to introduce new regulations. Subsequently, developers of new ideas ‘pull regulatory innovation from the desk’, which may eventually, possibly in a diluted version, become a global standard; this will placate the public.

Scenario B1: Proactive sequence: global civil society rising as a spontaneous force for change

Instead of learning merely from immediate experience, the collective learning of humanity also involves long-term changes in modes of thinking and being. For instance, in Jürgen Habermas’ (1991) theory of world historical evolution,
humanity has moved, step by step, from one stage of cognitive and moral understandings to higher levels. The three basic stages of rationalisation of worldviews – magical-animistic, religious-metaphysical, and modern – that Habermas specifies correspond to the resources such worldviews allow for the cognitive differentiation of relations to the world (ibid.: 156–58). In the pre-conventional stage, people understand and follow behavioural expectations and perceive physical actions and actors. This is the stage of punishment and obedience, fitting for the child. In the conventional stage people understand and follow reflexive behavioural expectations (norms) and distinguish between

Figure 8.1 Proactive and reactive sequences of global political action.
Source: Braithwaite and Drahos 2000: 33.
actions and norms, individual subjects and role-bearers. Although actors can adopt the other’s perspectives and take the perspective of an observer, the standard is that people conform to a given social role. Evolutionary learning processes have led to the development of more complex and abstract cognitive capacities. When communication and learning concern principles, a stage is reached where moral decisions are generated from rights, values or principles that are (or could be) agreeable to all individuals composing or creating a society designed to have fair and beneficial practices.

In the post-conventional stage, systems of norms lose their quasi-natural validity and require justification from universalistic points of view. People understand and apply reflexive norms (principles) and distinguish between heteronomy and autonomy. In Habermas’ scheme, in the highest stage universalisability concerns need interpretations that become the object of practical discourse for the first time and include, at least potentially, all human beings as members of an imagined world society. Universally-formulated ethical principles lead to cosmopolitan orientation that, in political practice, corresponds to the establishment of world citizenship (ibid.: 88–90). In Habermas’ theory, the world is thus moving through a transition from classical power politics to the state of world citizenship as a result of a collective learning process (see Mendieta 2005). However, in the course of actual world history, this transition is precarious and may be reversed, as the policies of the administration of George W. Bush in the US indicate.

In the early twenty-first century, a number of sociologists have also been discussing Ulrich Beck’s theory of reflexive second modernisation (see Beck, Bonss and Lau, 2003; Latour, 2003; Lash, 2003). This theory states that there is an ongoing social (meta)process that involves questioning the meaning and worth of modernisation. This process, which is a result of unintended consequences of the first modernisation, including the wars and catastrophes of the twentieth century, also generates democratic cosmopolitisation of the citizenry. Many cosmopolitan civil society movements are calling for new institutional responses to the risks and threats created by the processes of the first modernisation (originally European) that has now become global. In Beck’s theory of global risk society, there is an important reactionary element as well, but instead of being directed towards any particular threat or crisis, reflexive second modernisation is a reaction to the generic capacities, powers and risks created by industrialisation and modernisation. Reflexive modernisation may also involve a move towards higher levels of the post-conventional stage of cognitive and moral learning.

Could these long-term learning processes create the conditions for the rise of global civil society as an autonomous force for global change in the first few decades of the twenty-first century? Deep structural changes in cognitive capacities as well as processes such as ‘reflexive second modernisation’ may in part account for the emergence of global civil society. The fact is that people and organisations across the world already gather together for ethico-political reasons and thus recognise each other as equal members of an imagined world
society, with common concerns; this clearly presupposes something akin to a post-conventional cognitive orientation. However, high levels of abstraction and highly disembodied forms of individuality and social integration may also result in fragmented, commodified and superficial understandings, and are therefore far from unambiguously progressive learning processes. The tendency towards fragmentation and shallowness may be particularly strong under the conditions of a comprehensive division of labour in a society orientated towards the maximisation of profit and individualist fulfilment of individual needs (cf. Held 1982: 187–93; James 2006: 197–201).

Moreover, processes of abstract or generalised collective learning do not explain why any particular organisation or movement should emerge at any particular time or place. It is true that people and groups may get new ideas because of emergent cognitive possibilities. Yet the new ideas will probably remain hidden in their desks – or in publications that only a few people actually read – until a wider social demand for these ideas emerges, either through a disaster and public outrage or as a result of collective mobilisation. Keynes’ rise to a key position in the British state during the Second World War is an extraordinary example of the first possibility. In the twenty-first century, the media is critically important in creating a demand for new ideas and regulatory innovations.

Usually the process of converting new ideas into a successful regulatory innovation also requires organised collective action. The dilemmas of collective action can be represented in terms of moments in an always fragile learning process (see Elster 1978: 122–50; see also Appendix 1). Within each moment of consciousness, a level represents a particular form of the contradiction specific to that moment. At the first level, some actors start to suspect, or see, a problem stemming from a one-sided illusion, or from a less than optimal or desirable collective outcome, itself possibly caused by a widespread illusion. Being alone, however, they take the external environment as given – ‘what can I do alone?’ Moreover, they may find themselves in a social context that discourages or sanctions any independent or critical thinking, not to mention transformative actions.

At the second moment of learning, actors may realise that there are actually others facing the same situation, perhaps many others. The problem of organising collective actions becomes a strategic game. Even in a context that ensures the democratic freedoms of opinion, assembly and association, the costs of initiating and organising collective action are typically high. For everyone, the easiest option would be to let others assume these costs. If only a few others are active and try to mobilise collective action, the situation may look hopeless. Rational calculations seem to show no point in collaborating. Even if some activities were already being organised, most concerned individuals may still refrain from action in the belief of not being the one who is decisive for the outcome. This is the classic free riding or, with a higher level of consciousness, Prisoner’s Dilemma (PD) situation, which tends to result in a suboptimal outcome (see Appendix 1).
Hence, there is a contradiction specific to each moment of the learning process. Each contradiction has to be overcome before efficient collective action becomes possible.

Power relations play a crucial role in a typical PD situation. In a social system based on complex interdependence, some actors are positioned in a way that enables them to define rewards and sanctions and shape or control communication, including in and through mass media. That kind of domination is important in at least two respects. The powerful third party can decrease trust among those potentially involved in collective actions, using it to divide and fragment society and, more particularly, paint an uncorrected and rather black picture of others to feel less loyalty, solidarity, and sympathy for their potential collaborators. Trust and solidarity help to organise collective actions, but they are thus potentially subject to manipulation. Unwanted domination may also be based on the rulers’ ability to acquire information about subordinates with the help of informants and to control them with a system of temptations and punishments. The costs of participation in collective action can thus be purposefully increased. Furthermore, there are close connections between the world understandings of actors and of actors’ abilities to resolve iterated PDs. The more actors recognise each other’s behaviour as communication of motives, intention, and expectations, the easier it is to overcome the collective dilemma (Alker and Hurwitz 1980: 80–82):

In a similar manner, Elster (1978: 139–50) has also outlined conditions for successfully overcoming of contradictions of collective action at this level of consciousness. Communication is the first key and development of trust and solidarity the second. In the past, communication often required physical proximity, but with the new technologies – including the internet in particular – actors can communicate across space in real time much more easily. However, unless members of the contradiction-generating group come to know and trust each other on a face-to-face basis, ‘it is hardly to be expected that they will be able to overcome the contradiction’ (ibid.: 141). This has also been an explicit purpose of the World Social Forum, for instance to bring together global civil society activists to create the conditions of trust and thereby the potential for joint action.

Elster argues further that ‘the probability of success in the attempt at organisation varies inversely with the irreversibility of contradiction’ (ibid.: 149). This also means that when actors finally agree to cooperate it may in fact already be too late. If the stakes in a game are high for individual actors, such as loss of one’s job, years in prison, or death, or if a game between, say, states may terminate in a total disaster such as a nuclear war, the situation may seem irreversible and cooperation difficult to organise. An iterated game with a history and a future would usually make the success of cooperation more likely. In any case, PDs always ‘involve three or more unequally powerful actors following incomplete scripts about their own moral choices, scripts whose lines are at least partially revisable in the actual context of their recurrence’ (Alker and Hurwitz 1980: 118).
Although possible, it is unlikely that long-term learning processes alone would suffice to assemble the conditions for the rise of global movements as a spontaneous force for change in the coming years. The successful organisation of collective actions often requires a dramatic episode that many actors experience simultaneously. This helps to overcome the multilayered contradictions specific to each moment of consciousness. In the context of an acute threat or crisis that has effects on people’s everyday lives, actors following incomplete scripts about their own moral choices may also learn to tell new stories; they thus move rapidly from one level of consciousness to another. Economic crises and wars, as well as environmental disasters, may simultaneously reinforce the idea that change is necessary and lower the cost of cooperation since actors know that many others feel the same way and see many of them coming together to undertake transformative action. The coming together of many actors creates also ties of trust and solidarity.

Scenario B2: Further economic crises and wars create a momentum for reform movements

It looks likely that the gently sloping, long downward wave will continue. New financial and other economic crises are also to be expected, perhaps resulting in a worldwide depression. The planners of the new American and Western military doctrine seem to be aware of the problems of the world economy, which they conceive as security problems (see, for example, US Space Command 2001). Life will be uncertain for most people and many will face fluctuations and hardship. ‘Globalized communications will feed aspirations, heighten expectations and will serve to expose differences in advantage and opportunity, stimulating grievance and raising the significance of global inequality as a social and political issue’ (Development, Concepts and Doctrine Centre 2007: 1). Moreover, in contrast to the post-cold war trend of falling off in warfare (cf. Human Security Centre 2005), wars fought in the global South are likely to expand and/or become more frequent, because of the developments in global political economy. Under the circumstances created by the continuing and possibly deepening downward trend in the world economy, unfavourable terms of trade, financial problems, as well as population growth and environmental problems, a number of states are likely to ‘fail’ or collapse.

Many of the failing states are in Africa and the Islamic world, as shown in figure 8.2 (in this projection, conflicts are most likely in ‘zones of multiple environmental stress’). The population of countries in many regions will be impoverished and thus also possibly radicalised, depending on conditions for organising collective action and the prevailing mode of responsiveness. Many a critic will seek the sanctuary provided by more rigid belief systems, including religious orthodoxy and doctrinaire political ideologies, such as populism and Marxism’ (Development, Concepts and Doctrine Centre 2007: 12). A number of local or regional conflicts may consequently escalate. Further
Figure 8.2  Multiple stress zones according to the UK military planners.

Source: Adapted from Development, Concepts and Doctrines Centre 2007: 5.
quests for external military interventions are thus likely to emerge. Furthermore, an important implication of the rise of new imperialism is that super-states, imitating the example of the US, are increasingly assuming the authority to use military means whenever they see fit to further their particular politico-economic and strategic interests as well (although this would not be the overt justification for military action). Given the prevailing tendencies, these developments are very likely to coincide and thereby generate further wars in the South, some of which may escalate.

Moreover, there will be further financial crises. Some of the globally most critical points were discussed in chapter 7. In particular, in scenario A, the Chinese, Japanese and other Asian investors will lose confidence, possibly sometime around 2010, in the dollar-denominated IOUs. Either the US dollar will thus go down rapidly and/or inflation up. The US federal state will face an acute financial crisis; and this will affect its military capability. The collapse of the US dollar, should it happen, would constitute a worldwide financial and economic crisis, with far-reaching consequences for global security. This crisis would also include the housing market bubble bursting. Ann Pettifor (2006) evokes an analogy to the Great Crash of 1929 and anticipates a major ‘First World Debt Crisis’, in large because of the level of household debt and the unstable boom in the housing markets.

Moreover, a variety of localisable economic and financial crises are possible as well. Of the almost 200 major financial crises since the mid-1970s, the worst have occurred since the late 1980s. Despite some stabilising re-regulation and state interventions negotiated under the auspices of the Bank for International Settlements (BIS), this trend is likely to continue with further expansion of short-term money flows. In open systems, different tendencies, including conscious attempts to resolve economic problems, may counteract each other and different spatio-temporal processes may overlap, intersect, obstruct each other, and/or clash. Thus, while states, regional integration organisations and global authorities have been struggling against the tendency to increased volatility in global financial markets, the growth of short-term financial transactions and flows tends to counter the effects of state-based re-regulation and intervention. For instance, attempts to increase official foreign exchange reserves to counter the growth of liquidity and volatility may well fail. Assuming 10–15 per cent annual growth in the volume of foreign exchange transactions, the reserves must be rapidly increased from about 10 per cent of world GDP in 2005 to 20 per cent by 2015–20 merely to keep up with the growth in currency transactions.

Economic crises and wars are also likely to generate resistance to the orthodox framing of the problems of global economy and security. They may also create a momentum for collective action and transformative movements. Since actors always have some knowledge about the circumstances of their own actions, and because they have the capacity – at least to a certain degree – to grasp the way social systems work, they do not just accept any interpretation, however homogeneous the official truth in the media or official organisations
may at that point appear in many parts of the world. The dialectic of control stems from the fact that power relations are always two-way. Every form of social power presupposes the cooperation of a large number of actors and this cooperation may or may not continue. Those in subordinate positions may convert whatever resources they possess into some degree of control over the reproduction of social systems by resisting or by organising collective, transformative actions (cf. Giddens 1979: 6, 146–49). Similarly, large sectors of the population of the affluent parts of the world may become increasingly sceptical and critical of the prevailing neoliberal or neo-imperial truths.

The consequences of the 1997–98 Asian crisis can be taken as an indication of the likely scheme of the global dialectic of control. The Asian crises provided an opportunity to the US, the IMF and the advocates of free market economic policies to impose their preferred model on the so-called Asian tigers. Their accusation was that the Asian form of capitalism had been ‘crony’ capitalism, that is, corrupt and based on intimate but illegitimate networks of close friends. This was claimed to be the cause of the Asian crisis. (For a discussion about the problems of this explanation, see Patomäki 2001a: 25–29.) The solution was, of course, to replace the Asian model of ‘crony capitalism’ with neoliberal ‘free markets’, in order to make capitalism work properly. This was also the condition of the IMF rescue loans. Simultaneously, the Western corporations and banks had the opportunity to buy Asian means of production at a considerable discount (e.g., the dollar-valued price of Indonesian factories and enterprises in 1998 was only about 4 per cent of their previous value; Singh 1999: 18). As a result of the Asian financial crises, these countries came to be disciplined by Western actors and free market orthodoxy more strongly than before.

On the other hand, the global political movement opposing neoliberal globalisation was strengthened as a reaction to the Asian crisis. This movement demanded, among other things, far-reaching reforms of global financial markets, including establishment of the CTT. While the Asian crisis strengthened the grip of orthodoxy over the countries facing the crisis (which until the crisis had formed the key exception to the rule of slackening global conditions), it also led to a new phase in the development of the global reformist movement. Wars can work in a similar fashion. In February 2003, the WSF coordinated worldwide demonstrations protesting against the war against Iraq, but the force of these demonstrations was based on the spontaneous reaction of people around the world. However, the momentum for global reforms generated by the 1997–98 Asian crisis was largely over by the end of 2004 (for details, see Patomäki 2007c).

To what extent may we expect future economic crises and wars to strengthen the political movements for global reform in the next decade or so? Could it become a strong factor triggering and reinforcing movements striving for major reform of global governance? This is not only possible but also very likely. In open systems, there are always many kinds of forces and processes, sometimes overlapping, often contradictory. The triggers of the
rise of a transformative movement may also consist of a number of overlapping processes that reinforce each other. Various processes may combine to produce a tipping-point beyond which the dilemmas of organising collective actions are overcome relatively easily and transformative movements can gain in strength. In less-well-off parts of the world, (relative) economic decline and rising inequalities may lead to attempts to organise ethico-political responses. In the centres of rapid growth such as China, violent social change, proletarianisation and urbanisation, particularly when combined with rising inequalities and severe environmental problems, may lead to social unrest. The next major financial crisis could even start from China, following liberalisation of its financial markets, with far-reaching political consequences inside China. Moreover, in the affluent parts of the world, economic growth under conditions of neoliberalisation may become increasingly counterproductive from the point of view of quality of life and also look increasingly unsustainable ecologically. Also these kinds of long-term processes are likely to condition ethico-political responses to suddenly erupting short- to medium-term occurrences, such as far-reaching financial crisis, worldwide economic depression or major involvement in dramatic wars in the global South.

However, the global dialectic of control may also take rather different forms from what the reformists might wish (cf. Worth 2002). One, counter-hegemonic movements may assume xenophobic, fascist or fundamentalist forms, thus ultimately precipitating a global catastrophe. Two, the familiar nineteenth century scheme in which frustration and repression is seen as evidence that peaceful change is not possible, that the only way to change anything is by means of violence may well be repeated in world politics in the twenty-first century. The long-term consequences might not be any less tragic than they were in twentieth-century Russia. It is not possible to fully anticipate the consequences of economic decline and crises or wars. In other words, even though it is possible that scenario B3 will eventually precipitate some of the desired peaceful changes; it is perhaps almost equally likely that it will degenerate into an early phase of one of scenarios A, or C2, to be discussed below, sometime by the 2040s. Therefore, it does not seem particularly wise to rest one’s hope for global reform on the possibility of a new disaster.

**Scenarios C: Global warming or a catastrophe as a trigger for global reform**

Industrialisation and modernisation have generated new powers to produce and destroy. The new destructive powers were already tentatively experienced in the world wars of the twentieth century. The industrial revolution was ultimately a fossil fuels revolution. The present stage of industrial civilisation is based on the work of machines operated with external sources of energy, such as explosive chemicals or fossil fuels, wind or water flows that are transformed into electricity, or nuclear power transformed into electricity. In the early decades of the twenty-first century, however, fossil fuels will remain the
most important source of external energy in the absence of major changes in
the mode and technologies of production.

Humanity is interconnected not only through complexities of social
relations and the capacity to destroy other people but also through ecological
and atmospheric systems. Industrialisation and the expansion of the economy
have brought about new problems and threats, one of these being rapid global
warming and climate change induced by the large-scale use of coal and oil as a
source of energy. The burning of fossil fuels releases carbon dioxide into the
atmosphere and this has been enhancing the ‘greenhouse effect’. Although the
longer-term processes may be contingent, and although the details remain
disputed, global warming is now an established scientific fact. Global warm-
ing will have drastic, uneven effects on living conditions in different parts of
the world. It may also be self-reinforcing and lead in a relatively short time,
possibly two or three decades, to a catastrophic runaway greenhouse effect. In
my scenario C1, globalist ethico-political responses to global warming in the
next two decades involve rethinking the principles of global governance more
generally.

As in the era of military-agrarian state-formations, the ‘power’ of states in
the industrial era has also relied on a superior collective capacity to organise
means of destruction. States with large populations and developed industrial
economies have defined themselves as ‘great powers’. Other states have often
responded to uneven developments and industrialisation as a reaction to the
military threat posed by the technologically more advanced industrialised
countries. In the twenty-first century, state monopoly over effective means of
mass destruction may be dissolving because of technological developments. It
is becoming increasingly easy and cheap to produce weapons of mass destruc-
tion independently of a state infrastructure. In my scenario C2, the trigger for
collective action to transform and rebuild systems of global governance on a
more sustainable, legitimate and democratic basis may come from a cata-
strophic but limited strike with weapons of mass destruction. Although a
strike might have a direct impact only on a small part of the planet, it is likely
to have widespread global repercussions through ecological and atmospheric
systems. In scenario C3, change will only come after a full-scale catastrophe.

Scenario C1: Ethico-political responses to global warming
transform the institutional framework of global governance

By 2007 it has become clear beyond any reasonable doubt that global warm-
ing is a fact and that it has been caused by human industrial activity. ’Most
of the observed increase in globally averaged temperatures since the mid-
twentieth century is very likely due to the observed increase in anthropogenic
greenhouse gas concentrations’ (Intergovernmental Panel on Climate Change
2007: 10).17 The power of global oil corporations and the US government,
among others, to deny the increasingly overwhelming evidence has in the end
proved limited. However, the ‘industry of denial’18 has had a significant impact
by postponing effective collective action to address the problem. This delay indicates how the politics of global warming has to do with power relations of in the global political economy and also how the politics of global warming is intimately related to the self-reinforcing process of neoliberalisation. Global warming is not an issue separate from other aspects of power and governance in the global political economy.

In chapter 7, I pointed out that as long as uneven growth continues (and population growth remains rapid), this generates an increasing demand for fossil fuels and especially oil. When securitised, the supply of oil may also become a reason for diplomatic and military manoeuvres that aim to secure continuous availability of oil at a reasonable, or at least predictable, price. Thereby, neo-imperial competition over increasingly scarce energy resources develops into a mechanism capable of inflaming and escalating conflicts that may easily become militarised and globalised. However, from the point of view of the politics of global warming, the relationship between economic growth and an increasing demand for oil (and other fossil fuels) is not a given but something that can be shaped by global regulation, taxes and policies. Adequate global regulation and policies may, however, also overturn also neo-imperial tendencies. To cut carbon emissions by as much as 90 per cent, which may be necessary if humanity wants to avoid triggering a runaway process of self-accelerating process of global warming, implies drastic reductions in the demand for oil and important changes in the global governance of energy production and consumption. This cut in the production and consumption of fossil fuels could involve also joint efforts to develop alternative sources of energy, and to re-establish forests and ecological systems.

Apart from being conditioned by the structures and processes of the global political economy, the politics of global warming also includes issues of justice in the same way as finance or trade does. Global climate justice concerns allocation of carbon emissions and distribution of the effects of global warming, as well as compensation for the effects when it is too late to prevent them from occurring. In the early phases of global warming, the blame is inversely proportional to the impact (Intergovernmental Panel on Global Climate Change 2007: xx; Monbiot 2006: 21). Those suffering the worst immediate consequences are typically those who have produced least carbon dioxide emissions. However, as the sea rises, many coastal megacities such as Shanghai, Manila, Jakarta, Bangkok, Kolkata, Mumbai, Karachi, Lagos, Buenos Aires and Lima will see their drinking water polluted. Droughts will continue and get worse for instance in Southern Africa, Australia and the Mediterranean. Extreme weather conditions make life more difficult in many places, including North America. Gradually the effects will become more widespread and have an increasingly negative impact also on the well-off parts of the world. The meltwater flowing into the Northern seas could eventually dilute the salty surface waters and stop the Gulf Stream as well as some other oceanic circulation systems. Northern Europe in particular would thus become extremely cold and the tropics overheated. Independently of
what the precise effects will be, ‘warming and sea level rise would continue for centuries due to the time-scales associated with climate processes and feedbacks, even if greenhouse gas concentrations were to be stabilized [and drastically reduced]’ (Intergovernmental Panel on Climate Change 2007: 17).

Over time, global warming and climate change will raise increasingly acute questions about global justice. How should permissible carbon emissions be allocated? Thus far the emissions of carbon dioxide have been determined by the timing of industrialisation in various countries — timing which could well have been otherwise (see Patomäki 2007a) — with past environmental policies playing some role as well. On the other hand, the impact on various countries is determined by natural processes that have nothing to do with what people living in them deserve. Justice concerns opportunities, positions, rewards and punishments. They are justly distributed if they go to those who deserve them; beings of one and the same essential category must be treated in the same way. There is a thus strong case for thinking that emissions should be allocated fairly equally across the world, and that unequal consequences for those who have done nothing to deserve especially harsh punishment from global warming should be compensated.

To prevent a self-accelerating process of global heating, major changes are probably needed soon. However, there are obstacles to change. The US political system has become responsive first and foremost to its corporations and the affluent part of the population, and similar or analogical developments have taken place across the globe. As explained in chapter 6, humans tend to incorporate confirming evidence, while disconfirming evidence is often filtered out. This tendency is liable to becoming stronger in a context that is developing in an increasingly homogenised direction. In this process, actors tend increasingly to lock themselves into particular epistemic and theoretical positions, which become constitutive of their mode of being and agency. Therefore, those who have accepted the ideal of ‘free markets’ and related theorems of neoclassical economics as a rule tend to defend the immediate interests of corporations as being in the interest of everyone. Free marketers are also likely to be interested in preserving as much as possible of the process of neoliberalisation. From the orthodox perspective, there is thus a temptation to deny the evidence for global warming; and when it cannot be denied, find merely technical solutions to the problem (e.g., increased reliance on nuclear energy20 and attempts to change the nature and composition of the atmosphere of the Earth).21

According to scenario C 1, however, ethico-political responses to global warming will transform global governance and regulation in the 2010s and 2020s. Whether this scenario is plausible depends on whether the consequences of global warming will lead to the formation of globalist movements that campaign for solutions which are in accordance with political and democratic versions of global Keynesianism (or something equivalent). Likely solutions include greenhouse gas taxes (see Patomäki and Teivainen 2004: ch 10). The more immediate and severe the effects of global warming are, the
more likely it is that a dialectical learning process will take place leading to collective action. However, under stressed circumstances, this learning process may also involve pathological moments and tendencies, reducing future learning capacity and leading to identity and interests based on unresponsive and hard will. Many of the likely consequences of global warming are very concrete and analogical to the effects of a major war; climate change may also contribute to local wars as indicated in Figure 8.2. Some of the biggest cities in the world may become uninhabitable, economic life and well-being in large regions will be under threat because of extreme weather conditions, and the conditions for food production will become worse with the change or collapse of many ecological systems. The economic effects would also be massive, reducing or absorbing large parts of future economic growth, or perhaps making it negative.\textsuperscript{22} This also increases the likelihood of the competing imperialisms, scenarios A\textsubscript{1}, A\textsubscript{2} and A\textsubscript{3}, to being realised, assuming no structural changes in the global political economy. Overlapping with these processes, global population growth will nonetheless continue, the benchmark of 9 billion people probably being reached in the 2040s. Therefore, another world-historical nodal point may well occur by, or in, the 2020s. The future of global security depends on the timing of learning the lessons from the by-products of industrialisation and growth, and the resultant remedial actions.

**Scenario C\textsubscript{2}: A strike with weapons of mass destruction triggers global changes**

What has been once developed by some can fairly easily be learnt by others. According to the theory of product cycles (Vernon 1966), new commercial products will be rare and expensive at first, and only few can buy them. However, over the years, they become cheaper and can be increasingly easily acquired and produced by others. Technologies will be learnt and imitated, and economies of scale will make mass production cheap and efficient. The product cycle also applies to weapons. Increasingly efficient means of destruction will be increasingly accessible to many. Therefore, in the twenty-first century, something akin to the cold war MAD (Mutually Assured Destruction) nuclear strategy will begin to characterise the universal condition of humanity.

Focusing on the use of energy and mode of production, further possible stages in the development of humanity can be distinguished. These have far-reaching implications for global security. Following Russian astronomer Nikolai Kardashev, Freeman Dyson (1979: 212) has distinguished between Type I, II and III civilisations. The type I civilisation masters all forms of terrestrial energy; their energy needs are so large that they must harness all the potential resources of the entire planet. A typical extrapolation is that demand for energy is likely to grow by more than half by 2035 and fossil fuels would have to meet more than 80 per cent of this increase (Development,
Concepts and Doctrine Centre 2007: 7). However, with a simple 3 per cent annual growth rate in global energy consumption, the Type I civilisation stage will be reached in 100–200 years. Type II civilisation would have mastered stellar energy, and Type III civilisations would have exhausted even this source of energy and must reach even further. Growth in energy consumption is not only quantitative, however, but requires scientific and technological innovations that will make it possible to release even greater amounts of energy in one place at one time and thus destroy other living beings massively, and in novel ways. The problem of war and peace will only get worse.

However, the problem lies not only in the increased capacity to release energy – as in nuclear weapons – but also in the increased capacity to manipulate information, chemicals and life. Several countries have had programmes to develop chemical and biological weapons for decades. There is an ever-growing expertise in designing and dispersing lethal pathogens. In the relatively near future, it no longer requires a state, or even a large organisation, to mount a catastrophic attack: the resources needed could be acquired by private individuals. The manufacture of lethal chemicals or toxins requires modest-scale equipment that is, moreover, essentially the same as is needed for medical or agricultural programmes: the techniques and expertise are ‘dual use’. This is another contrast with nuclear programmes, where the uranium enrichment needed for efficient fission weapons requires elaborate equipment with no legitimate alternative use.

(Rees 2003: 48)

Even more alarming is the possibility of engineered viruses (ibid.: 54–57). In 2002, a polio virus was assembled using DNA and a genetic blueprint that could be downloaded from the internet. Within a few years, the genetic blueprints of vast numbers of viruses, as well as of animals and plants, will be archived in laboratory databases accessible to other scientists via the internet. New nano- and bio-technologies combined may well result in cheap and easily available weapons of mass destruction in the course of the first decades of the twenty-first century. Economic growth is increasingly likely to become lethal under these circumstances.

Thus far, the spread of weapons of mass destruction and the possibility of mega-terrorism has instigated securitisation that has, in turn, contributed to the tendencies towards new imperialism. Securitisation tends to resonate with deeply layered illusions such as narcissism of collective memory (actors only see themselves and their own unique success or suffering in the mirror of history) and the Manichean dualism of good and evil (for instance, neoliberalism defines good and all deviations from it are evil). Thus it is commonplace to assume that ‘our’ weapons of mass destruction are in the hands of the good guys, whereas the problem is that the ‘others’ may possess and use them. Yet the resulting paradoxes are obvious. India, for instance, can attempt to gain a
more seriously taken voice in world politics by means of going nuclear, with direct reference to the double standards of the West, Russia, and China:

We very seriously proposed a 15-year plan for the phased elimination of nuclear weapons. . . . However, after the NPT [Non-Proliferation Treaty] was extended ‘in perpetuity’, it was apparent that the big powers had no intention of shedding their nuclear arsenal.24

While India may have gone nuclear because of double standards and the wish to be taken seriously, some of the states blacklisted by the US, the West, or by all the permanent members of the Security Council of the UN, have a strong incentive to develop efficient weapons of mass destruction in order to prevent a military attack against them. Had Iraq possessed an efficient arsenal of nuclear weapons and the capacity to deliver them to potential targets, the US and its allies would have been unlikely to attack Iraq in 2003. Moreover, when the narcissism of collective memory is joined with asymmetric relations of power and gestures of imperial arrogance, the result is likely to be an intensification of mirror-image narcissism in others. Frustration and hatred can thus create a strong determination to develop weapons of mass destruction and the readiness to use them.

Hence, in a possible and likely scenario, the self-reinforcing process of neoliberalisation and tendencies towards competing neo-imperialisms will be ended by a catastrophic use of weapons of mass destruction, not by other super-states but by ‘lesser’ states or non-state actors. This may even happen in the next twenty years or so.25 However, the threat will persist and get worse in the course of the century. Would a catastrophe of this kind eventually lead to peaceful changes in global governance by provoking a mass movement for reform and learning even among the political elites, or would a mere threat suffice? Similar considerations as in the cases of scenarios B2 and C1 apply in this case. The outcome is dependent on the precarious and often ambiguous processes of learning, and on the rise of a movement that can also reflexively assume the perspective of others and accept that moral decisions are generated from rights, values or principles that should be agreeable to all in a society designed to have fair and beneficial practices. This kind of cosmopolitan orientation would find practical resonance in the establishment of world citizenship, and in the development of systems of global governance based on a democratic and pluralist understanding of redistributive justice. In effect, these would constitute steps in the Hobsonian experimental process of building a world federation.

Scenario C3: A full-scale violent catastrophe will finally lead to change

Of course, a major catastrophe may also occur because one of scenarios A1–A3 will be realised. Provided that a sufficient number of people survive and
reasonable conditions for an industrial civilisation persist, this catastrophe might also trigger a fundamental change in world politics. Some think that this may be the only possibility. Wagar (2004) goes as far as to argue that

the world has had more than half a century to get it right. After what appeared to many observers as the greatest catastrophe in human history – the Second World War – humankind may have enjoyed an unprecended opportunity to build a stable, just, and integrated world order. It did not. The catastrophe was apparently not great enough. Too much had survived intact. For the most part, although certainly not entirely, we went back to business as usual. Capitalism, which had already begun to globalize in earlier centuries, resumed its globalizing ways, and every nation went back to pursuing its ‘vital national interests.’ Now the last and only chance for humankind – in all likelihood – is a catastrophe that will shake civilization to its foundations.

In Wagar’s own apocalyptic scenario (1999), discussed in chapter 2, the countries surviving the nuclear war of 2044 will eventually build a new world order, but at first they begin on the old basis. However, the World Party, secretly founded well before the catastrophe, starts to gain ground. Gradually countries and regions join a new democratic and socialist Commonwealth, occasionally only after a violent struggle. The last skirmishes between Commonwealth militias and local resistance groups take place in 2068. The new world order is governed by a democratically elected world parliament and is based on the model of bureaucratic socialism. After the global catastrophe and subsequent political struggles, it is widely concluded that capitalist market economy is too dangerous a system to retain. Therefore, in this scenario democratic socialists get eventually the upper hand over reformist social democrats; a democratised and globalised Marx will prevail over a democratised and globalised Keynes. Almost miraculously, the Commonwealth will also be built on a more sustainable ecological basis than its predecessor.

At the deepest level, Wagar’s argument and scenario comes down to scepticism about collective human learning. Like Kant (1983[1784]) 200 years before him, Wagar seems to have thought that humanity can learn historical lessons only by suffering the consequences of its inaction first. However, human beings can learn from counterfactual and suboptimality. As explained above, counterfinality and suboptimality, being types of social contradiction, may lead to learning and, consequently, collective attempts to form organisations in order to overcome the harmful and frustrating contradiction(s). Unfortunately, even in this scheme, actors first experience some serious consequences in a very concrete way before they really learn to understand the source of the problem and take part in collective action.
Conclusions

Just as in the decades preceding the First World War, humans remain complex living beings and self-organised systems with a limited capacity to learn. Living beings are structures and systems that exhibit high levels of order. An organism stays alive in its highly-organised state by taking energy and information from outside itself and processing these to produce a lower entropy, more organised state within itself. Compared to simple organisms, it takes a lot of time and energy and manifold life-experiences to become a complex social being with the characteristics and categories of a particular geo-historical form of agency. Formative learning is an activity- and information-intensive process, always threatened by entropy at various levels of reality (biological, cognitive, and socio-political). Importantly, collective forgetting is therefore a constant tendency and a process that may undo or transform previous learning unless countered by continuous practices. The self-reinforcing process of neoliberalisation and the rise of new imperialism would not have been possible without collective forgetting about the effects of the processes that led to the catastrophes of the twentieth century.

An evolutionary scheme for long-term development of human cognitive capacities risks mistaking some of the characteristics of a particular social context for universal learning. Nonetheless, humanity would probably have faced some phases independently of any particular, contingent developments. For instance, the Industrial Revolution would have occurred, sooner or later, somewhere on the Eurasian continent. This would have given rise to the acute modern problem of peace and war and led to many of the problems we now face (Patomäki 2007a). A long-term process of learning increasingly abstract and reflexive ways of conceptualising oneself and others would also have been likely to occur independently of the European developments. Habermas’ articulation of stages of learning is only a possibility, and too easily falls victim to Eurocentrism. Yet it is nonetheless possible to argue that, in the early twenty-first century, an increasingly dominant mode of moral understanding is in some ways post-conventional in Habermas’ sense and based on emergent global imaginary (see Steger forthcoming). Similarly, Beck’s thesis about reflexive second modernisation is based on a genuine insight, however problematical his articulation may otherwise be. At least a part of global civil society, as it has emerged in the 1990s and since, is calling for new institutional responses to the risks and threats created by the processes of the originally European first modernisation that has now become global. These ethico-political responses may also be taken to resonate well with Hobson’s social-democratic and evolutionary vision of world federalism.

While Keynes’ 1940s proposal for the International Clearing Union was a leap in collective human learning, Keynes’ mindset remained in some ways in the nineteenth century. Keynes’ proposal assumed a universally valid economic theory and sense of justice to solve the problems of world politics. Global security would be guaranteed by a just system of international trade
and finance, including a global bank currency, some global redistribution, and an expansionist world economy supporting those in deficit and economic trouble in particular. The early twenty-first-century global civil society proposals are more democratic and pluralist than Keynes’s vision. However, thus far they have fallen short of serious attempts to reconstruct the governance of the global political economy as a whole. To avoid the illusions and contradictions that have characterised nineteenth- and twentieth-century global political economy, new syntheses are needed. It is from this point of view that I have discussed a number of scenarios of future crises in this chapter as triggers of change in global governance and potential solutions to global dilemmas. Instead of being based on hastily drafted proposals for a world state, future changes must be functional, experimental and open-ended.

Scenarios B are based on the idea that peaceful and democratic reform of global governance is possible without any major global catastrophe. In scenario B1, the long-term learning processes, combined with some sort of generic understanding of global threats will suffice to generate a movement to transform and rebuild the systems of global governance. This movement will eventually also convince a number of governments to change and create new international and global law. In scenario B2, the same thing will happen only after a series of economic crises and wars. Economic crises and wars are also likely to generate resistance to the orthodox framing of the problems of the global economy and security. They can also create momentum for transformative movements to organise collective actions. However, although further economic crises and wars will probably have this effect, they may also trigger pathological learning processes. Contemporary crises and wars are thus not only undesirable in their own right but also ambiguous for future global security.

Scenarios C1 and C2 also anticipate a major catastrophe, but as a result of global warming, or as a consequence of a catastrophic strike by weapons of mass destruction by lesser states or other actors, not as a result of a war between super-states. The Industrial Revolution has increased human capacity to produce and destroy, particularly as a consequence of the use of fossil fuels, developments in explosives and metallurgy, and emergence of nuclear power. However, their increasingly large-scale use has had a major impact on the climate of the planet. This may set in motion cosmopolitan movements and lead to far-reaching changes. Finally, scenario C3 spells out the possibility of a major catastrophe as a result of competing new imperialisms, enemy-building and an armaments race (or something equivalent); and radical changes following the catastrophe.

Scenarios are not predictions. They start with an analysis of the existing structures and processes and their inherent potential, coupled with the assumption that futures remain open until a particular possibility is actualised. It is possible to assess the probability of various possibilities in a qualitative manner on the basis of systematic scenarios by employing contextual
human judgement. In this case I would prefer to avoid any exact-looking figures and merely propose an order of likelihood:

\[ p(B_2) > p(C_1) > p(C_2) > p(C_3) > p(B_1) \]

In other words, the scenario of further economic crises and wars creating a momentum for reform movements is the most likely one, followed by a scenario of global warming triggering major changes in global governance. Given the existing mechanisms and tendencies, further wars involving the US, and possibly also other super-states, are very likely, and it will also be very difficult to avoid financial and other economic crises. Global warming is already happening; the question is only how much and how fast. One reason why, in my assessment, \( B_2 \) (changes following a series of limited wars and crises) and \( C_1 \) (changes triggered by global warming) seem the most likely scenarios is based in part on the expectation that they will be mutually reinforcing. As both are likely to generate not only resistance but also global democratic and cosmopolitan responses among peoples, movements and parties, the global reform movement is likely to be both stronger and more ambitious in the future. However, everything hinges upon timing. A critical question is whether global warming will become self-accelerating before sufficient measures have been taken. A runaway global warming process without legitimate and effective systems of governance and a widely-shared sense of climate justice is likely to contribute to the materialisation of scenario \( C_2 \) (a strike by weapons of mass destruction) as well as perhaps scenario \( C_3 \) (changes after a major global catastrophe), the latter via \( A_1, A_2 \) or \( A_3 \) (superpower conflicts and possible catastrophe). Another critical question of timing is whether reforms will make a difference before it is too late to prevent a gradual transformation from world politics to the logic of security and violence, involving a high risk of a major global military catastrophe.

Scenario \( C_2 \) (a limited strike with weapons of mass destruction triggers global changes) is more likely than scenario \( C_3 \) (fundamental changes following a major catastrophe). This assessment is in part based on the unpredictability of the outcome of such a huge catastrophe as the 2044 nuclear war imagined by Wagar. It is overly optimistic to think that the outcome of such a catastrophe would be a cleaner and safer world and a global federation run by a world parliament. However, \( C_2 \) is also undesirable, risky and dangerous. A strike with weapons of mass destruction would be a terrible disaster. There is also a risk that its effects would not be confined to a particular time and place but would be uncontrollable. Most importantly perhaps, this kind of strike could actually lead to hyper-securitisation, spelling an end to formal democracy in many places, and strengthening tendencies towards scenarios of a major violent catastrophe. Given the prevailing modes of responsiveness and mechanisms of global political economy, something like a mega-version of what happened after the 11 September 2001 attacks in New York and Washington would be entirely plausible. Although this kind of a catastrophe
would probably also strengthen Habermasian cosmopolitan sentiments, the second reflexive modernisation movement, and the like, it might also weaken people’s and non-state actors’ capacity to organise collective action. Intensive securitisation and divide and rule policies by the national rulers may make the conditions for emancipatory actions next to impossible.

Each storyline offers an alternative narrative for how the future may unfold. The scenarios are necessarily complicated and conditional, given that the effects of different tendencies and mechanisms can be delayed, overlapping, mutually reinforcing and/or contradictory; and that there may be various nodal points such as connector points, branch points, saddle points, break points, trigger points and predisposing points. In open systems intrinsic change and unexpected external interventions are in principle always possible. The materialisation of any particular scenario also depends on the actions and knowledge of actors, even if there is necessarily always much continuity as well because of the highly-organised nature of both the actors’ embodied minds and their relational social positioning. The point of futures studies is, clearly, to attempt to harness conceptual resources and practical activities in the cause of either avoiding undesirable possibilities or realising relatively more desirable ones.

What then is the probability that the world will survive the next 50 years and beyond without any of the above scenarios being realised? How likely is it that neoliberal and – increasingly – neo-imperial ‘business as usual’ will result in smooth developments, such as a few routine ups and downs in generally positive economic growth; industrialisation and development of new countries; gradual decline in absolute poverty; insignificant global warming that can be contained by technological means; and at worst perhaps a few relatively inconsequential minor civil wars or wars against ‘rogue states’ and outlawed non-states actors? On the basis of the explanatory models developed in this book, I see the probability of this as less than $p(B_1)$ and certainly less than 10 per cent. Smooth developments without major changes in global governance are rather unlikely, albeit not impossible. There are, however, two reasons why this probability must be significantly greater than zero. All knowledge claims are fallible, and this must influence qualitative probability estimates. Moreover, predictions are impossible in open systems.

I have argued that the evidence indicates that multiple interconnected future crises are exceedingly probable. However, neither major changes in global governance, nor a major crisis or catastrophe in their absence, is inevitable in any sense – just very likely.
9 Conclusions

Is the future of global security a tragedy, farce, or comedy?

In this book I have argued that the contemporary era has been becoming similar in some important respects to the era of 1870–1914. Moreover, both neoliberalism and the emerging new imperialism tend to represent late nineteenth-century Western Europe and North America as the model for the future. In the words of Friedrich Hayek, ‘though we neither can wish nor possess the power to go back to the reality of the nineteenth century, we have the opportunity to realize its ideals’ (Hayek 1944: 240). A well-known neo-imperialist, Max Boot, concurs with Hayek when he writes that ‘Afghanistan and other troubled lands today cry out for the sort of enlightened foreign administration once provided by self-confident Englishmen in jodhpurs and pith helmets’ (Boot 2001: 28–29). However, even a partial return to the nineteenth century ideals and practices is very likely to be highly counter-productive in the twenty-first-century world, and it may also become a recipe for a major catastrophe.

On the basis of this partial historical analogy, and related analysis of layers of agency, structures and mechanisms, I have constructed three scenarios of possible global futures, with a number of variations of each. The construction of these scenarios is based on systematic scientific analysis of various possible causal sequences of events, episodes and processes produced by actors, understood as embodied and collective self-organised systems, themselves producing effects in open and complex systems. Scenarios are not predictions. Any social system is in some ways vague, ambiguous and liable to ruptures and transformations. Scenarios often lose their basis when the world changes. Moreover, apart from being scientific and based on explanatory models, scenario construction should also be seen as a self-reflective exercise in cultural studies, moral philosophy and creative ability (in the same way that both research and development and the arts are creative).

Social scientific models involve structured stories that may contribute to the re-signification and transformation of practices (see Patomäki 2006a: 26–29). Although each possible line of world development is an alternative story of how the future may unfold, all scenarios thus involve narratives and, when put together, different stories may also constitute a kind of myth and grand narrative of the possibilities and outlook for humankind. Temporal
myths and stories have a structure that is based on both the general human condition and cultural variations in story-telling and world-understandings. Every myth and story locates presence as part of a wider and structured temporal whole. Myths and stories organise the anticipation of futures.

**The poetic moment of futures studies**

It is thus time to explicate the poetic aspects of my scenarios. As pointed out in the introduction, Marx (1968 [1852]: 96) once made a remark that when history in some ways repeats itself, the first time is often a tragedy, while the second a farce. He applied this remark to the re-emergence of Napoleon in the early 1850s (referring to Louis-Napoleon Bonaparte, later called Napoleon III, Emperor of the French, who ruled France until 1870). What is a farce? A common sense of farce – probably what Marx had in mind – is a ludicrous, empty show, or a mockery. For instance, ‘it was a farce of a trial’. However, we can take the analysis of contemporary era as a farce a step further. As a play, a farce typically involves extravagant but often possible situations, disguises, mistaken identities and a fast-paced plot whose speed usually increases towards the end of the play, often involving an elaborate chase scene or something equivalent. In a typical plot, the key lies in a character’s urge to hide something from the other characters, and the unforeseen chain reaction that results. In the end the truth may be revealed, but there is no happy ending in any proper sense of the term. Sometimes it seems that the point of a farce is simply to ridicule some of the characters, although a farcical plot may eventually turn into either a tragedy or a comedy.

The contemporary farce is in part a story about the United States. In 1944–45, at a moment of a world historical breakthrough, the US fell victim to short-sighted vanity. The Triffin dilemma was a direct consequence of the decision reached at Bretton Woods in 1944 – on the insistence of the US – to make the dollar the currency of world trade, and let creditors avoid bearing any responsibility for trade and financial imbalances (similarly, the UN system was also made to centre around a few great powers and the US in particular). The US assumed that it would remain forever in as fortunate a position in the world economy as in 1944–45. However, by the late 1960s, its politico-economic position was rapidly deteriorating, not only financially, but also in terms of legitimacy, in part because of the unpopular war in Indochina and the rise of decolonised states and the New Left. The Nixon government, however, had an urge to hide this weakness from the other characters. It decided unilaterally to de-link the dollar from gold in order to be able to continue to spend more than it produced. It also started to assume a more demanding role in trade negotiations, often relying on its role as the ‘leader’ of the Western alliance (and thereby on its military might).

This started a chain of unforeseen reactions. The result was a worldwide and increasingly self-sustaining process of neoliberalisation, which started to reinforce the extravagant situation of the US itself. Pushed by processes and
mechanisms they hardly control and having no time to step back and consider what they had been doing or would do next, the main characters of US high politics soon passed the point of no return, erroneously believing that any course of action was preferable to being found out or admitting the truth that they were like everybody else with no special privileged position or ‘manifest destiny’ in the world. The country that once pressed for decolonisation and the creation of new global institutions returned, albeit thus far only in some limited ways, to a new imperialism and unilateralism, resembling the return to imperialism in the 1870s. Since then, the characters of US politics have become increasingly exaggerated, and their actions farcical. As a state, the US is now reliant on military force, its last apparently unchallenged resource. As in a good farce, the speed may be accelerating towards the end of the play. But how will this play end?

Apart from the possibility of creating competing imperialisms and developments analogous to those that led to the First World War, there are a number of new global problems that only get worse with the newly found nineteenth-century ‘solutions’. Thus the farce, which has already caused many local tragedies, may turn into a global tragedy. What is a tragedy? Tragedy is a form of drama characterised by seriousness and dignity, and involving a great personage whose downfall is brought about by either a character flaw or a conflict with some higher power such as the law, the gods, fate or society (the standard treatise on tragedy is Aristotle’s *Poetics*, reprinted in Fergusson 1961; for an illuminating discussion on tragedy in world politics, see Euben 2007). In a tragedy, a character passes from good fortune to bad rather than the reverse. In modern times, the term ‘tragedy’ has become increasingly fixed on stories with unhappy endings. In some tragedies all the main characters will die at the end. According to Aristotle, however, tragedy is meant to result in a catharsis (emotional purgation) of healing for the audience through their experience of emotion in response to the suffering of the characters in the drama.

The new imperialism of the twenty-first century has been justified in terms of single-minded devotion to security and order that is in fact likely to increase the intensity of the disorder it so fears. This disorder may eventually bring about a tragic scene of global violence and misfortune as outlined in scenarios A and C. The problem with the spectre of global tragedies in the first half of the twenty-first century is that catharsis may turn out to be impossible. A major war between super-states, involving the use of nuclear weapons and other weapons of mass destruction, would not necessarily spell the end of humanity, but it is likely that the survivors would not be in a position to rebuild the world in such a happy manner as in Wagar’s single-path scenario in *A Short History of Future* (1999). The tragedy of the First World War would be insignificant compared to a global mass catastrophe of this kind.

A new world war with weapons of mass destruction is not the only possible global catastrophe (and perhaps not even the most probable one either).
Given further progress and the accessibility of new technologies of mass destruction, pathological learning and the mutually reinforcing illusions of a variety of actors may actually lead to a major catastrophe as well. Furthermore, global warming may well become a point of no return. A self-accelerating process of global warming, which can instigate other catastrophes, may also preclude a catharsis in any meaningful sense. The farce of unlearning the past lessons may therefore turn into the tragedy of all time; it may even go beyond the human capacities for meaningful story-telling (unless you happen to believe in the possibility of eschatological religious narratives).

I am writing this conclusion in a train on the way from Osaka to Hiroshima in Japan in May 2007. In a travel guide on Hiroshima, there is a perceptive report about an aspect of unlearning of some of the key lessons of twentieth-century history:

Looking at Hiroshima in 2005, on the sixtieth anniversary of the bombing, it’s easy to forget that it ever happened. Who will tell the *hibakusha* [survivors’] story when the last of their number dies? School children are visiting the Peace Museum in Hiroshima in declining numbers. The Children’s Peace Memorial, where thousands of paper cranes are sent annually in memory of leukemia victim Sadako, has been set alight by vandals. Even though they were protected by a glass enclosure and were under surveillance, the cranes were set alight by a university student from Kobe a few days before 6 August 2003. The student wished to express frustration over ‘grim employment opportunities for university graduates’. Economic realities and political ambitions are reshaping this most peaceful of nations. Until 2004 the Japanese prime minister would meet with *hibakusha* after the 6th August memorial service. This doesn’t happen any longer, as many with the opposition and the dominant Liberal Democratic Party deepen and strengthen their arguments for the development of nuclear weapons.

(Rowthorn et al. 2005: 409)

This is a reminder of the possibility of unlearning in various sites on the planet, including those that at one time seemed most determined to avoid contributing to any future military disasters. However, despite the prevailing tendencies, tragedy is not the only alternative. The third possible genre is comedy, which is often regarded as intellectually and aesthetically superior to farce, as the latter is based on crude characterisations and somewhat implausible even if entirely possible plots (I owe this point to an insightful paper by Kuusisto forthcoming). Like farce, comedy can also be funny and cause laughter, but nothing in it is exaggerated in the same way as in a farce. In a comedy, characters are fairly ‘normal’, and the plot always includes the possibility of a happy ending. There are misunderstandings, illusions and actions with unforeseen consequences – implying the possibility of elements
of tragedy as well – and some characters can also be represented in satirical light, but in the end things may turn out fine. However, as in some of the long movies of Charlie Chaplin such as *City Lights* (1931), although nothing really terrible happens, the end often involves unfulfilled desires and tragic feelings of the impossibility of a fully happy ending. This may bring tears – perhaps in the midst of laughter – to the eyes of the spectator. For these reasons, comedy is perhaps the most ‘humane’ of the three main genres of narratives and plays.

Scenarios B, changes after learning from various limited-scale crises and wars, can be represented in terms of comedy. There are multiple actors, some tragic tendencies, and manifold comical or even farcical situations (which may involve some real suffering, even on a large scale). Yet in the end enough actors learn to overcome at least some of the contradictions and resolve some of the problems to a sufficient degree after various struggles and twists and turns; often this kind of collective learning requires far-reaching structural and institutional changes. In the comedy-like scenarios B, the United States is only one among state-like actors; and the decisive actors in the end may be those that emerge from global civil society, possibly giving rise to new forms of global political agency. Comedy is perhaps the most open-ended of the three genres. The end really does not provide a solution in a farce, while a happy end in a comedy is provisional and temporary. Many things are left open and unexpected future developments can ensue; actors can also learn and change. In the context of global futures, new systems of global governance and future developments will create new problems and priorities and may entail a sense of loss. From the perspective of a comic narrative, steps or even leaps towards some kind of democratic and social world federation would be no more than a phase in long-term human history.

Every scenario is a story which has motivating power or charisma because it gives meaning to the lives of individuals, groups and/or humankind. It is therefore very important to recognise the deep structures in our culture according to which we tell stories and construct myths. For example, in *A Short History of Future*, Wagar has taken some steps in this direction. Wagar’s book predicts the collapse of the global capitalist system, the death of 6 billion people in World War III in 2044, mass starvation, and the founding of a democratic socialist world state in the 2060s. Wagar’s book was originally written in 1988. In the foreword to the 1999 third edition, Wagar notes that his scenario, which ‘has not happened and almost surely never will’, also replicates the apocalyptic paradigm in Christian eschatology, ‘whether the Armageddon, Millennium and New Jerusalem of *Revelations* or the Inferno, Purgatory, and Paradise of *The Divine Comedy* (Wagar 1999: xv). Its working hypothesis is also the Marxian expectation of the future demise of capitalism, leading to world democratic socialism (it is well known that Christianity also structured Marx’s stories) and eventually, at around 2140 in his story, to a kind of pluralist communism and Schumacherian ‘small is beautiful’ communities. In addition, however, a key motivation of Wagar’s scenario is his
Wellsian conviction that the post-1945 part of the late planetary-nuclear era of jet aircraft, rockets and missiles, satellites and nuclear explosives is likely to continue until its destructive powers are finally actualised in an all-out catastrophe, a nuclear war.

Wagar not only refrains from comparing his story to other possible stories, but also from explaining why we should be content with a storyline that entails a total nuclear catastrophe that may well destroy all of humankind. Is exclusive apocalyptic thinking in the Wagarian sense morally responsible, particularly if it entails some kind of fatalistic acceptance of developments in the capitalist world economy? It is not quite enough to be explicit about the story we are telling. A study of possible futures also involves manifold ethical-political choices; the building of scenarios for possible futures always has a moral aspect. For example, to the extent that we have good reason to believe in the possibility of a future nuclear war, we should use our story-telling capacities in making a contribution to avoiding that outcome. Constructing scenarios about desirable and feasible futures is a legitimate task for the social sciences. Furthermore, on both ontological and ethical grounds we should avoid Manicheanism, i.e., the construction of binary self–other relations in terms of good and evil. Manichean thinking and discourses may be part of the world we are studying, but they should not be a part of the researcher’s own meaningful story of temporal events in reality. Also for these reasons, I have suggested reading the on-going era not as an inevitable tragedy, but rather as a farce that may still turn into either a comedy or tragedy.

Future research

In one of his many deeply insightful passages, Hayward Alker asks:

Is there a way of making world historical accounts empirically revisable while at the same time allowing them to have the reflective character and dramatic force of a tragic morality play or the ironic happiness of a Russian fairy tale?

(Alker 1996: 269–70)

This is a particularly pertinent question given the fact that experts in world politics have a poor track record in revising their understandings on the basis of evidence (Tetlock 1999, 2005). As explained in chapter 4 in particular, this poor track record also results from the methodological problems of explaining outcomes in open systems.

As world history is open, so is the process of building explanatory models and stories about it. There are a number of ways my historical analogies and scenarios can be questioned, improved, or falsified, including empirical means. First, the theoretical framework developed in chapter 2 is open to various empirical, conceptual, philosophical and methodological challenges. For instance, the theories of democratic peace and securitisation can be
qualified further, or improved to meet my criticisms. Furthermore, the account of various fallacies and illusions can be re-evaluated or developed further, and the same applies to my discussion on their role in the construction of social and politico-economic realities. Empirical studies and their results may also be crucial in theoretical arguments over concepts and approaches.

Chapters 3 and 4 discussed the rise of new imperialism in the late nineteenth century and the subsequent developments that created the conditions for the First World War. Obviously, my reading of the texts of Schumpeter, Veblen, Hobson, Kautsky and Lenin can be challenged and improved in various ways, as can be the world historical lessons that I derived from their classical texts. Chapter 4 is even more open to revision. In chapter 4, I depicted various geo-historical layers of agency, structure and mechanisms that gradually assembled the causal complex which subsequently proved sufficient to cause the outbreak of the 1914–18 war. As historical interpretations, my descriptions of these layers are necessarily debatable and incomplete. Further research may also provide reasons to change the basic model and main narrative. This would also have consequences with regard to the way I have employed the historical analogy between the two eras, 1871–1914 and 1971–2007 (the latter era is still continuing and may do so for decades).

Regarding chapter 5, further research may shed new light on my hypotheses that global economic growth has slowed down and many inequalities have arisen since the early 1970s. For instance, my explanation presupposes the counterfactual that under a different set of institutional arrangements and economic policies, world economic growth per capita could have been faster (and population growth possibly much slower). Economic growth could also have been more even and egalitarian. These contentions stem in part from the heterodox economic theory – to some extent global Keynesian – that I have adopted in the course of this work. Any of these theoretical contentions can be thematised, explicated as hypotheses and then scrutinised by various empirical means. The results of these empirical tests may well indicate a need to revise the basic counterfactual propositions, thus changing the main story as well.

In chapter 6, I first developed a new explanation of the rise of neoliberalism as an unforeseen self-reinforcing process that at first resulted mostly from the unintended consequences of apparently insignificant choices and decisions, culminating in the nodal point of the 1971–73 shift to floating exchange rates. The claim that the end of the original Bretton Woods system was a saddle point that induced stasis and regression stands or falls with the basic claims of chapter 5. However, the hypothesis that it was also a predisposing point, securing the satisfaction of the enabling conditions for a process with self-reinforcing tendencies, can be tested by studying the perceived feedback from different policy options in various countries since the 1970s systematically. Has the feedback been as positive relative to other readily available options from the point of view of decision-makers as the theory requires, or can it be claimed that it is rather a matter of relations of domination and
skewed and ideologically motivated interpretations (as indicated for instance by Hirst and Thompson 1999; Veseth 1998; Weiss 1998)? Detailed empirical case studies can clearly shed further light on this question and challenge my explanation. Similarly, the assertion that the end of the original Bretton Woods system was also a break point, substantively contributing to a rupture of the social-democratic structures and their alignment in the world economy, leading to the rise of transnational neoliberalism, can be tested by means of detailed case studies. For instance, it may turn out that I have exaggerated the role of finance and the importance of the unilateral decision of Nixon to de-link the dollar and gold.

Second, in chapter 6, I also developed an explanation of the rise of new imperialism. Although the cold war layers of agencies and structures – and thereby indirectly the repercussions of the First World War – have been causally efficacious in shaping the post-cold war world, I claimed that the early twenty-first-century rise of new imperialism can actually be largely traced back to neoliberalisation. Just as the rise of new imperialism in the 1870s and 1880s was preceded by a liberal free-trade era, something similar seems to have happened in the last quarter of the twentieth century. First, there was a return to orthodox free markets and free-trade political economy. Neoliberalisation has gradually co-created, with the continuously existing layers of cold war structures, the conditions for a re-emergence of imperialism in the twenty-first century as well. My explanation of the rise of new imperialism is, to a significant degree, based on claims about pathological learning processes and their effects. A detailed empirical analysis of policy discourses and institutional changes in the US and elsewhere can falsify many of these claims. The claim about de-democratisation can also be investigated empirically.

Hence, the scenarios and narratives of possible futures elaborated in chapters 7 and 8 can also be tested, revised and falsified on the basis of empirical research on past and current realities. Apart from presupposing the contents of earlier chapters, the discussions in chapters 7 and 8 move in large part at the level of already-existing trends, tendencies and mechanisms. There are different ways of approaching possible futures. Given that contrastive demi-regularities are pervasive in society and that some aspects of possible futures are very difficult to study systematically without resort to empirico-analytical models, it is reasonable to seek guidance and illumination from dynamic simulation models such as *The Limits to Growth*, for example, (Meadows et al. 1972; 2005). These kinds of models are open to revision and falsification, and not only retrospectively but also before the future has actualised.

Forecasting possible and likely socio-political futures is always a complex and conditional exercise. Relevant demi-regularities must be identified and the conditions for their continuation analysed. These conditions may have something to do with the temporal signification enacted by embodied and collective actors. These steps require the systematic modelling of geo-historical realities: embodied agency and actors; modes of action; rules and
principles; resources, as competencies and facilities; practices; relational structures (of power), and self-organising social systems (also as collective actors). Any interpretation of these can also be amended empirically, by double hermeneutic means. Moreover, since everything takes place in open systems, forecasts are necessarily contingent on a number of uncertain conditions: multifarious geo-historical processes and mechanisms (such as homeostatic causal loops), and modes of responsiveness linked to learning and self-regulation in layered systems. Scenarios can always be reworked and improved by explicating these conditions and the intra- and interdependence of various scenarios. This applies to variations of my scenarios A, B and C as well.

On the other hand, it is the conditional nature of possible futures that makes futures studies relevant. The idea is to shape worlds that are yet to come rather than merely adjusting to given future realities. Furthermore, in recognition of the interpretative nature of scenario-construction, studying possible futures is also a self-reflective exercise in cultural study, moral philosophy and creative ability. The time is ripe to accept that the social sciences and the humanities should also create new concepts, myths, scenarios, narratives and concrete utopias, i.e. new social realities. Much more culturally sensitive normative research also needs to be done on feasible and sustainable models of global governance which are desirable. Thus the alternatives outlined in chapter 8 can and should be improved, as well as also being made more detailed and practical.
Appendix 1

How to analyse and help solve global collective dilemmas

Collective dilemmas are more often than not conceived in terms of two rational choice models. The first is the free-rider problem of producing public goods; the second is the Prisoner’s Dilemma in strategic interaction. What is often not realised is that these collective dilemmas depend critically not only on the social context but also on the level of consciousness of the actors. The free-rider problem stems from what Jon Elster calls parametric rationality. In parametric rationality each person looks at himself as a variable and at all others as constants, whereas in strategic rationality all look upon each other as variables (Elster 1982: 463). In other words, the parametric actor makes choices in an environment that, whether its characteristics be known to him or not, he treats as fixed in relation to his choice. His choice is a response to circumstances that are not, or are not considered to be, responsive to him as choosing.

Now, by definition, the consumption of a public good by one individual does not reduce the amount of the good available for consumption by others. Assuming the level of consciousness of parametric rationality, there is no instrumental-rational point in taking part in the production of a public good. Because no private organisation can get all or most of the benefits of a public good that they would have produced, there will be insufficient incentives to produce it voluntarily. Similarly, consumers can take advantage of public goods without contributing sufficiently to their creation.

This appears to be a generic social problem, globally too. Many global ills, such as global warming or allocation of resources to military spending and development of weapons of mass destruction, can be plausibly understood in terms of a social trap that involves a conflict over resources or interests between individual interests and the common good. Famously, Garrett Hardin called this dilemma the ‘tragedy of commons’. He applied it particularly forcefully to the problem of population growth in his widely-read and cited 1968 essay, and invoked a Hobbesian state and coercion as the only plausible solution to the dilemma:

> Individuals locked into the logic of the commons are free only to bring on universal ruin; once they see the necessity of mutual coercion, they
become free to pursue other goals. I believe it was Hegel who said, ‘Freedom is the recognition of necessity’.

(Hardin 1968: 1248)

As mentioned, in parametric rationality each person looks at himself as a variable and at all others as constants, whereas in strategic rationality all look upon each other as variables and decision-makers. In other words, the essence of strategic thought is that no-one can regard himself as privileged compared to the others: each has to decide on the assumption that the others are rational to the same extent as himself. The strategic actor chooses in an environment that is responsive to him as a chooser. He relates his choices to an environment that includes other actors seeking to relate to his choices.

When the level of consciousness moves from parametric to strategic rationality, the free rider problem is transformed into a Prisoner’s Dilemma (PD) game. The PD is a game-theoretical model in which individual utility maximisation appears to be self-defeating, or at least contradictory to some kind of social or collective rationality. The individually rational choice is not to cooperate, whereas all the players would benefit by cooperating simultaneously. In the technical terminology of the game theory, one says that in the Prisoner’s Dilemma game the outcome of the individually rational choices is Pareto inferior (or is not Pareto optimal). That is, there is an outcome in which players could do better. To move towards a Pareto optimal state, it would be enough to have one player who could do better while all others would do as well.

Table A.1  A two-player PD payoff matrix

<table>
<thead>
<tr>
<th></th>
<th>Cooperate</th>
<th>Do not cooperate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperate</td>
<td>win–win (R, R)</td>
<td>lose much–win much (S, T)</td>
</tr>
<tr>
<td>Do not cooperate</td>
<td>win much–lose much (T, S)</td>
<td>lose–lose (P, P)</td>
</tr>
</tbody>
</table>

\[ T > R > P > S \]

In addition to the above condition, if the game is repeatedly played by two players, the following condition should be added (otherwise mutual cooperation would not necessarily be Pareto-optimal):

\[ 2R > T + S \]

In a strategic game, consciousness changes if a game has both history and future. Anatol Rapoport and Albert Chammah (1965) observed in their empirical experiments with actual human beings that despite the standard account that there are dominant strategies (= ‘do not cooperate’ or ‘defect’) for
rational players, the iterated 2-person Prisoner’s Dilemma players in the laboratory usually started with a variety of ‘cooperation’ (C) and ‘defection’ (D) choices. If the game was iterated more than one hundred times, there usually or at least quite often occurred a rather stable pattern of either (Cooperate, Cooperate) or (Do not cooperate, Do not cooperate) choices. Sometimes these were ‘lock-ins’, sometimes they were not. How should we explain this? Rapoport and Chammah found no mathematical models that are totally satisfactory, but they suggested a number of reductionistic models that they eventually rejected as empirically inadequate. In particular, they tried to explain the outcome of their empirical study with Markov chain equation models, which relate systems states at time $t + 1$ back to their states at the previous point $t$ in terms of transition probabilities. A bit more attractively, but still with a rather bad empirical fit, they also used state-conditioned transitional propensities which can be termed as trustworthiness, forgiveness, repentance and trust.

Hayward Alker (1974) developed empirically more adequate models of social action in a PD type of situation. He argued, however, that these empirically more adequate models are necessarily more complex than their predecessors. In particular, he analysed the so-called Emshoff model, which starts from the standard instrumental rationality assumption, but makes adjustments ‘when empirical anomalies force him to do so’. The basic idea of the model is presented as an algorithm, in a manner of computer programmes. This implies an ontological shift from the world of a simple means-ends consciousness towards more informational modes of understanding. In that kind of a model, precedent cases and examples become increasingly determinant of the outcomes.

In many real-world cases of collective goods, the assumption that PD-games have a history and a future, too, is adequate, but not in all cases. If the stakes in a game are extremely high, such as the loss of one’s job, years in prison, death of a subordinate by the masters (perhaps in a concentration camp), or a nuclear war, would not a single-choice game be a more adequate model than an iterated one? In his 1975 analysis of the descriptive foundations of polimetrics, Alker developed a new PD model by redefining it as a 3-actor domination system and not viewing it as an iterated game. In this way he was able to analyse the logic as well as moral and causal limitations of ‘divide and conquer’ or ‘divide and rule’ strategies of various rulers/masters in the course of the world history, including those of the modern (totalitarian) nation-states.

In contrast to the standard practice of presenting the PD in an abstract form, Alker (1975: 180–88) developed a 3-party model in the context of the story of two prisoners. A typical variant of the Prisoner’s Dilemma narrative is that two prisoners have been caught in circumstances incriminating enough to be likely to lead to short jail sentences. The District Attorney, however, suspects that the prisoners are guilty of a more serious crime, holds them incommunicado, and offers each separately the prospect of a suspended
sentence if the prisoner ‘rats’ on his co-worker, i.e. provides the state sufficient evidence to convict him or her for a long sentence. Exactly the same proposal is made to each prisoner. The prisoners are further told that each has been given the same options, to confess or to keep silent, but that if both of them confess the terms will be somewhat less favourable than if only one confesses. According to the standard interpretation, this gives rise to a simple 2-person PD. However, in this account the position and power of the District Attorney (DA) are not taken into account, although (s)he has the capability to get the prisoners to do something they would not otherwise do. This capability is based on the DA’s position in the system of legal and penalty practices, which enables him or her to control communication. That control is crucial in this context in at least two respects. First, the DA can use it (plus the absence of counsel) to decrease the trust that Prisoner A has in Prisoner B. Second, (s)he can use it to paint an uncorrected and rather black picture of Prisoner B, thus causing Prisoner A to feel less loyalty (that pre-exists contingently), solidarity and sympathy for his or her partner. The loyalty of prisoners might also be due to the fact that they belong to the same community, movement, or organisation, which has particular normatively binding regulative rules of its own. Seen in this way, the modality or technique of power on which the PD is based is Panopticism, described, modelled and explained by Foucault:

> Each individual, in his place, is securely confined to a cell from which he is seen from the front by the supervisor; but the side walls prevent him from coming into contact with his companions. He is seen, but he does not see; he is the object of information, never a subject of communication. The arrangement of his room . . . imply a lateral invisibility. And this invisibility is a guarantee of order.

(Foucault 1979: 200)

This socially-produced invisibility of individual actors is also the crucial facility for the power of the DA. This asymmetrical power would be diminished if there were regulative rules such as ‘prisoners should be allowed to talk with their attorney before interrogation’, or if the prisoners nevertheless considered each other as loyal partners instead of strategic calculators. Indeed, even the associated PD narrative is an extremely abstract interpretation, for it abstracts this ‘game’ from the more contextual rules as well as from the questions such as:

- Are the prisoners really guilty?
- Why are they committed to egoist means-ends rationality?
- Why are they not allowed to talk to their lawyers before interrogation (a talk with an attorney would provide the possibility of indirect communication)?
- Consequently, can it be said that the legal system in question is democratic or authoritarian, just or unjust?
The DA’s dominating position is based on his or her capability to control the communication between the prisoners and thus to persuade them to believe that their horizon is misleading to the extent that it is based on an assumption of mutual loyalty between the prisoners. Unwanted domination could as well be based on the ruler’s capability to acquire information about the subordinates with the help of informants and to control them with the system of temptations and punishments. But would it be possible to give a more detailed account of the power of the ruler, in this case the DA – and its contextual limitations, if one is on the side of the subordinates, as the problem is also whose definition of good is to be adhered to. By building on Axelrod’s research on measuring the conflict of interests of actors in a PD situation, Alker proposes a mathematical model of measuring the power of the DA, based as it is on both decreasing the trust between actors and diminishing the altruism of actors (or increasing their mutual competitiveness).

In general, by making the cost of cooperation large and preventing trust, as well as decreasing the altruism or solidarity of actors, the DA can make the difference between the expected value of cooperating and defecting negative (which means that the expected value of defecting is bigger than the expected value of cooperating, with the consequence that it is ‘rational’ to cooperate with the DA). From the point of view of the prisoners/subordinates, it therefore seems crucially important that there is an option of communicating; that the manipulation of punishments and temptations is prohibited and in practice prevented, and that this rule is publicly-controlled; that there is maximum openness with respect to information gathering, and strict restrictions with respect to surveillance; and that there is freedom of speech, pen, and association, and thus no need of secret informants.

In Hayward Alker and Roger Hurwitz’s brilliant 1980 ‘student manual’ called *Resolving Prisoner’s Dilemmas*, there is an explication of a number of good reasons for moving towards more explicitly conversational and dramaturgical social ontologies – otherwise there seems to be no plausible solution to the empirical and theoretical anomalies of PD research. It is not only that empirical and theoretical reasons seemed to be pointing towards more complex models of social action. Even more strikingly, there are close connections between the world understandings of different research paradigms – with their parallels in the actors’ world understandings and level of consciousness – and of actors’ abilities to resolve PDs. These close connections include the following (Alker and Hurwitz 1980: 80–82):

- Communication of cooperative intention increases an actor’s commitment to it in ambiguous circumstances.
- Players develop cooperative goals in the iterated PD as a result of a recognition of each other’s behaviour as communication of motives, intentions and expectations.
PDs are more often resolved when the game is redefined as a problem for moral discourse (and even more in the line of Habermas: 'PD becomes problematic due to distorted, constrained, or suppressed communication').

In a nutshell, their argument is that there is a form of consciousness that is beyond both the parametric and strategic rationality. For Alker and Hurwitz, this is the key reason for moving towards more interpretative social ontologies. This move can be explained also in terms of Hegelian dialectical development of consciousness, as formulated by Olafson:

The difficulty which mankind experiences and which it is able to solve only very gradually and very slowly is one of achieving a conceptualisation of the self that will permit that reciprocity to emerge as something more than a kind of appendage to an already fully constituted self. The crucial insight on which Hegel’s position rests has to do with interdependence of our concept of the self and our concept of the other and it involves the claim that these conceptions move forward pari passu until they reach a point at which an underlying identity of the one with other is grasped.

(Olafson 1979: 241)

Olafson is very careful in pointing out that the underlying identity is not the Hegelian absolute one nor should it be seen as a deterministic outcome of an evolutionary history. Rather, it involves the constitutive reciprocity and potentialities of change inherent in the Habermasian undistorted and unconstrained communicative interaction (with the contextual life-world as the ever-present and taken-for-granted background that is always already there when we act; hence the attributes of undistorted and unconstrained should be viewed always as hermeneutically relative). With these points as a background, one should be able to understand Alker and Hurwitz’s concluding lines in 1980 on the Prisoner’s Dilemmas:

As a formal noncooperative game or psychological experiment, the Prisoner’s Dilemma was misdefined and/or underspecified. Surely this thesis follows from our own view of PD experiments as moral dramas on scientific stages... It [also] accepts at least one implication of Plon’s critique as well: that formal PD games underspecify or misrepresent socially relevant class/domination relations. PD avoidance and promotion are part of liberal capitalism’s self-justificatory efforts, but they also transcend the politics of the contemporary era. One should really study the interaction of rules of play, rules of the game and rules of the different social orders in which the game is embedded. Our dramaturgical perspective accepts the view that real life PD dilemmas need actively to be recreated. Essentially they involve three or more unequally powerful
actors following incomplete scripts about their own moral choices, scripts whose lines are at least partially revisable in the actual context of their recurrence.

(Alker and Hurwitz 1980: 118)

At this level of consciousness, it becomes increasingly clear to actors that political-economic activities are in fact determined by myths, tales, and narratives that are contingently shared and plausible depending on the geo-historical context (see Alker 1996: 303–31). Contexts vary and structures of power and incentives can also be manipulated to shape the plausibility of different stories, but at least actors increasingly sense the potential for communication and freedom as well.

However, at this level of consciousness, they will also realise that the role of myths, tales and narratives does not entirely preclude the need for law and legitimate coercion, although usually there are also other means to achieve common goods than coercion (apart from the process of communication itself, these means include education, changes in the parameters of the strategic situation, and changes in the background social context). For actors facing collective dilemmas, freedom becomes the possibility of participating in the communicative and strategic process of democratic will-formation and determining what the common good is. When the deep layer of universally shared identity of the one with the other is fully grasped in the communicative sense, the new universalist awareness becomes a powerful argument for global democracy.
Appendix 2

Layers of agency, structures and geo-historical nodal points that explain the First World War

The following three tables (A2, A3 and A4) outline analytically the layers of (a) agency and action, (b) structures and mechanisms and (c) geo-historical nodal points that account for the causal complex that made the First World War possible, likely and ultimately also actual. The columns of these tables stress the temporality of social beings and actions as well as the possibility of doing and being otherwise, i.e. counterfactual possibilities. Although counterfactuals are a crucial part of social scientific analysis of causes and possibilities, they are also methodologically problematic. Thus, in each of the tables I have given relevant examples of counter-evidence that could falsify the specified counterfactual, whether an actor/agency, structure or historical nodal point.

Table A.2 Layers of agency and action

<table>
<thead>
<tr>
<th>Actor/agency</th>
<th>Geo-historical layers</th>
<th>Counterfactuals</th>
<th>Potential evidence against counterfactuals showing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dynastic rulers, usually coming from the hereditary class of military leaders (aristocracy).</td>
<td>Different variations since the early state-formation; however, modern science and Enlightenment questioned absolutist monarchy and authority from God; in the nineteenth century, constitutionalisation and democritisation throughout Europe (except in Russia); yet dynasties still powerful in 1914.</td>
<td>1848 made most of Europe not only immediately constitutional but also republican; dynastic rulers were replaced by democratically-elected politicians.</td>
<td>. . . that counter-revolutionary repression by the dynasties, army and some capitalists was unlikely to fail, given the control of means of violence and affirmative responsiveness of the moderate middle class.</td>
</tr>
<tr>
<td>Aristocrats, habitually serving as army officers, diplomats,</td>
<td>Professionals of organised violence emerged with states, but the word is derived from The American and French revolutions denied the idea that aristocracy</td>
<td></td>
<td>As above; as well as that the contrast to meritocratic and democratic rule is not</td>
</tr>
<tr>
<td>Actor/agency</td>
<td>Geo-historical layers</td>
<td>Counterfactuals</td>
<td>Potential evidence against counterfactuals showing</td>
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<tr>
<td>Colonial administrators and state officials (aristocrats had an exclusive right to state offices for centuries)</td>
<td>‘best to rule’, referring to army leaders; although property and privileges passed down through inheritance, enabling other roles, the primary military meaning endured until 1914; however, finance was also dominated by gentleman with roots in aristocracy.</td>
<td>Represented the ‘best’ of society in 1830 and 1848, this challenge re-emerged in Europe and led to the rapid adoption of meritocratic and democratic principles.</td>
<td>A relevant part of an explanation of WWI, e.g. because it was democratisation that made national conscription and mass armies possible.</td>
</tr>
<tr>
<td>Political parties and professional politicians</td>
<td>Political parties and professional non-aristocratic (at first gentry) politicians rose with parliamentarism after the Glorious Revolution in Britain; after American and French revolutions, further democratisation, often linked to upheavals, revolutions or wars; also per capita economic growth qualified more people to vote.</td>
<td>Rapid adoption of meritocratic and democratic principles across society; led to a complex and pluralist party system in the 1850s; not only visions of aristocracy (conservativism) and entrepreneurs (liberalism), but also of new democratic, nationalist socialist, feminist movements.</td>
<td>. . . that some of the key ideas of the new movements, or at least their social base, still remained partly absent in 1848.</td>
</tr>
<tr>
<td>Entrepreneurs, capitalists (including bankers and financial dealers), and professional business-managers (including those positioned in the military-industrial complex)</td>
<td>Double book-keeping, capital accounting and new legal forms of enterprise, property rights and contracts appeared in Renaissance Italy; trade with shares and financial markets emerged first in seventeenth-century Holland; stricter separation of private and corporate property was introduced in the nineteenth-century US (joint stock corporation).</td>
<td>Although no serious counter-hegemonic movement challenged private property or capitalist market economy before the late nineteenth century, struggles over constructing ‘self-regulating’ markets could have assumed different course in many places, shaping states’ dispositions, liabilities, and capabilities.</td>
<td>. . . that these hypothetical possibilities are too distant from the explanandum to be relevant, except to the extent that they can contribute to explaining the tendencies towards economic concentration and territorialisation of economic competition.</td>
</tr>
<tr>
<td>Actor/agency</td>
<td>Geo-historical layers</td>
<td>Counterfactuals</td>
<td>Potential evidence against counterfactuals showing</td>
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<tr>
<td>Activists of democratic, nationalist, socialist, feminist and movements</td>
<td>The idea of <em>res publis</em> and elected officials is as old as the state; it re-emerged in the city-states of ancient India, Greece and Rome; again in Renaissance Europe; and in the French and American revolutions; and was fused with nationalist, socialist and feminist ideas in the nineteenth century.</td>
<td>Openness to change with only little repression in the nineteenth century. In Europe nationalist and socialist movements retained and developed republicanism as the central tenet of their ideologies (instead of glorifying violence and romantic myths or utopias).</td>
<td>. . . that counter-revolutionary repression by the dynasties, state and army officers and some capitalists was likely, given their knowledge about ‘how things are to be done’.</td>
</tr>
<tr>
<td>Journalists, intellectuals</td>
<td>Print capitalism, higher levels of education and literacy, and the spread of newspapers created the conditions for a national public sphere and thereby for the nationalisms of the late eighteenth and early nineteenth centuries; science societies and universities, some of them liberal and free (Göttingen, Berlin), educated an increasing amount of men becoming intellectuals.</td>
<td>More systematic repression in Europe leading to state-control of printing, press and education, and particularly of higher education and research, so Industrial Revolution uncertain or at least slower and the ideological pre-conditions for liberalism or the new movements conspicuously absent.</td>
<td>. . . that given the religious cleavages and fragmented political nature of Europe, dissenters could often find a refuge and publisher somewhere else; . . . and that some state-rulers learnt that science, liberal arts, commerce and finance could bring new resources, also for war-making and colonial ventures.</td>
</tr>
<tr>
<td>Sovereign states as collective actors as well as social systems and organisations (anthropo-morphised as ‘persons’)</td>
<td>Although states have always been complex social systems, in seventeenth- and eighteenth-century Europe, ‘sovereign’ was the dynastic ruler, having absolute and exclusive ‘possession’ of all the things inside; the development of administrative capacities preceded the revolutionary idea of ‘people’s sovereignty’;</td>
<td>One of the many attempts by Hapsburgs, Bourbons or Napoleon to turn Europe into a continental Empire finally succeeded. European developments turned out in many regards parallel to those of the Ming- or Qing-dynasty China (in some ways similar empires established</td>
<td>. . . that none of the imperial attempts in early modern Europe could possibly have gained the critical mass for entering into a self-reinforcing path of empire-building, given practices of alliance-formation, linguistic fragmentation, religious fights etc; whereas in China, the disintegration of the</td>
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(Table A.2 continued)

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<thead>
<tr>
<th>Actor/agency</th>
<th>Geo-historical layers</th>
<th>Counterfactuals</th>
<th>Potential evidence against counterfactuals showing</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>and sustained at opposite ends of the Eurasian continent.</td>
<td>Ming-dynasty could not have resulted in a system of states.</td>
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</tbody>
</table>

with increasingly complex, constitutional and democratised states, the legal fiction of state as a person became a key part of modern political discourses.

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Table A.3 Layers of relevant structures and mechanisms

<table>
<thead>
<tr>
<th>Structure/mechanism</th>
<th>Geo-historical layers</th>
<th>Counterfactuals</th>
<th>Potential evidence against counterfactuals showing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-modern relations and practices of state governance (monarchies, princes, aristocracy, pre-capitalist and non-democratic customs).</td>
<td>Ancient Eurasia; transformations in feudal and early modern Europe.</td>
<td>More rapid political modernisation and democratisation.</td>
<td>... that by the early twentieth century, the role of pre-modern relations and practices was already minuscule, except in Russia; ... or that contrast to democratised states is not relevant; or that more rapid democratisation was unlikely.</td>
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</tbody>
</table>

Mutually reinforcing structures of organised violence in a stratified class society:

1 State-organised enforcement of property and related repression
2 War, inducing also competition for technological and industrial advances
→ generating Manichean discourses (us vs others),

The origin of the state in ancient Eurasia and similar developments elsewhere (Americas, Polynesia, Sub-Saharan Africa); various transformations of the state in feudal and early modern Europe, at first following the Persian, Islamic and Chinese models; further transformations due to Enlightenment and Napoleon’s attempt to turn Europe into an empire; conservative Concert of Vienna and nineteenth-century power-balancing practices.

Sufficiently long absence of war created more possibilities for the development of ‘free institutions’ as a result of ‘drifting into peaceful habits of thought’ (à la Veblen).

... that contrast between the development of warring political communities and others is not that essential; ... or, by means of temporal comparisons, that wars and internal repression do not strengthen violent dispositions or disable free institutions.

(Table A.3 continued)
<table>
<thead>
<tr>
<th>Structure/mechanism</th>
<th>Geo-historical layers</th>
<th>Counterfactuals</th>
<th>Potential evidence against counterfactuals showing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Militarism, consent to, and enthusiasm for, war.</td>
<td>The transition from agricultural civilisation, with human and animal muscle and wind and water flows as the main source of energy (+ chemical explosives), to industrial civilisation, based on the work of machines operated with external sources of energy; was preceded by a series of innovations in China, India and, later, Europe.</td>
<td>1. The slow growth (0.1 per cent per capita pa.) of the early modern/capitalist era had continued in the nineteenth century. 2. Industrial revolution had emerged first in China (or elsewhere in Asia).</td>
<td>... that none of the contingent processes leading to the Industrial Revolution in Europe in the late eighteenth and early nineteenth centuries could have been otherwise; for instance, that there was no real chance of Napoleon turning Europe into a continental empire, possibly with slower industrial developments; or despite a highly monetised economy, accumulated wealth and almost all the techno-scientific ingredients, industrial revolution could not have emerged in China.</td>
</tr>
<tr>
<td>Economic growth: first phases of demographic transition (rapid population growth), per capita growth, and new powers of production and destruction.</td>
<td>Ancient Eurasia (some forms of trade and finance); modern European capitalism; eighteenth- and nineteenth-century legal and financial innovations (stock markets); second Industrial Revolution (oligopolisation and monopolisation).</td>
<td>Equal socio-economic opportunities and the possibility of sustaining or cultivating democratic practices and institutions; no vested interests in the Veblen sense and one reason less for militarised inter-state competition.</td>
<td>... that Veblen’s thesis about business society and the development of new capitalist class inclined to conspicuous consumption, dynastic ascendancy and courtly honour is not empirically true, or was context-specific; or that it does not have likely inter-state implications.</td>
</tr>
<tr>
<td>Excessive acquisition of wealth in capitalist market economy through vested interests, tendency towards inter-state competition and thereby to a return to something analogical to dynastic ascendancy and courtly honour.</td>
<td>State-organised economy since the ancient civilisations, including the creation of money and regulation of trade;</td>
<td>1. Until the early twentieth century, the only available counterfactual possibility was hegemonic free</td>
<td>... that self-regulating markets and free trade are possible, and can emerge, without state-regulation, - planning and -</td>
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<thead>
<tr>
<th>Structure/mechanism</th>
<th>Geo-historical layers</th>
<th>Counterfactuals</th>
<th>Potential evidence against counterfactuals showing</th>
</tr>
</thead>
<tbody>
<tr>
<td>industrialisation</td>
<td>the state-construction of the pre-requisites of self-regulating markets in the eighteenth and nineteenth centuries; and Industrial Revolution and the subsequent nineteenth-century idea of a developmentalist state (Clay, List).</td>
<td>trade, in effect reinforcing existing division of labour and uneven developments.</td>
<td>enforcement.</td>
</tr>
<tr>
<td>but also vested interests working through the state; this makes new rounds of industrialisation possible but also strengthens the tendency towards economic concentration and the territorialisation of economic competition.</td>
<td></td>
<td>2 . . . that coordination, regulation and planning of global economic developments would have been possible also already in the nineteenth century.</td>
<td></td>
</tr>
<tr>
<td>Economic cycles, involving a structural tendency towards under-consumption and oversaving / overproduction leads to competitive search for, and utilisation, of external markets and financial outlets (this search liable to becoming territorialised and transformed into a nearly zero-sum game)</td>
<td>Emergence of money-based market economy (India, China, Western Europe); tendencies aggravated after the industrial revolution, and particularly after 1815, with high rates of growth emerging in Europe, North America, white British colonies and Japan.</td>
<td>Redistribution of wealth and other measures to ensure sufficient domestic demand creates more balanced expansion and international trade as a positive-sum game.</td>
<td>. . . that there are better explanations for overproduction, periodical financial and other crises, and economic cycles in capitalist market economy, perhaps with different implications to interstate relations in the late nineteenth- and early twentieth-century contexts.</td>
</tr>
<tr>
<td>Economic concentration (or tendency towards oligopolisation and monopolisation), also facilitating excessive acquisition of wealth in capitalist market economy.</td>
<td>A nineteenth-century response to cyclically occurring tendency to low profitability and economic troubles was the combination of economic concentration and business rationalisation; ‘scientific management’ and the idea of trusts and cartels emerged in the late nineteenth century.</td>
<td>Anti-trust laws and measures, and competition policies, could have been more effective in more democratic societies, particularly in the context of collectively more rational economic policies.</td>
<td>. . . that economic concentration is not an inherent tendency of capitalist market economy but is only due to the illegitimate and avoidable state interference in the market economy (as Schumpeter claimed)</td>
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(Table A.3 continued)
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<thead>
<tr>
<th>Structure/mechanism</th>
<th>Geo-historical layers</th>
<th>Counterfactuals</th>
<th>Potential evidence against counterfactuals showing</th>
</tr>
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<tbody>
<tr>
<td>Structurally-induced illusions about how the world works:</td>
<td>1 Since Zoroastrianism universalist Occidental religions of great agrarian civilisations (Judaism, Christianity, Islam). 2 Various layers, including Aristotelian interpretations of Christianity (Sepulveda in sixteenth century); early Lockean forms of liberalism; and later Darwinism justifying ‘white man’s burden’. 3 Classical economics of the eighteenth and nineteenth centuries.</td>
<td>1 Deep structures perhaps intact, but with less acute actual consequences. 2 Anti-imperial free trade, liberalism staying dominant, and then responding to the demands of the rising emancipatory movements. 3 More collectively responsible responses to increased competition, the long downward wave of the 1870s and 1880s, and shorter-term economic cycles and crises.</td>
<td>1 . . . that Manichean background discourses could not stay latent but had to become actualised. 2 . . . that British Liberals were adopting a pro-Imperialist stance already prior to, or at the time, of the 1874 elections. 3 . . . that no alternative economic theories/understanding were available in the 1870s (in part, this was probably the case).</td>
</tr>
<tr>
<td>Modified Richardsonian mechanism of arms race (based also on the construction of enemies and fallacy of composition).</td>
<td>Second Industrial Revolution making weapons systems rapidly obsoleter, accelerating the arms race, and generating a military-industrial complex.</td>
<td>Was mitigated by a realisation of the fallacy of composition, until a more thorough transformation of the underlying politico-economic conditions took place.</td>
<td>. . . that it was precisely the vested interests of the military-industrial complex and the background discourses that made it very difficult or impossible for the foreign policy-makers to realise the fallacy of composition.</td>
</tr>
<tr>
<td>Nodal point</td>
<td>Context of action/forms of agency and action</td>
<td>Counterfactuals</td>
<td>Potential evidence against counterfactuals showing</td>
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<tr>
<td>August–September 1914 (Germany close to a victory in France)</td>
<td>Industrial and technological capacity to produce military resources; number of trained men in the army, and their competence; strategic-instrumental action, coupled with hierarchical rule; nationalist legitimisation.</td>
<td>Germany would have defeated France (and Britain) in the Western front leading to possibility of an early peace treaty; casualties 'only' in hundreds of thousands.</td>
<td>... that the British would not have concluded a treaty after the surrender of Paris; or that the victorious Germans would have claimed both old and new overseas colonies, making peace with the British unlikely.</td>
</tr>
<tr>
<td>Summer 1914 (Sarajevo assassination and responses to it)</td>
<td>Insecurity in Europe; competing imperialisms and arms race; struggles for democracy and self-determination; dynastic, autocratic and aristocratic agency; strategic actions in geopolitics; strategic, normative and expressive actions by the modern movements.</td>
<td>1 No assassination in Sarajevo. 2 Different response by Austria Hungary and Germany.</td>
<td>1 ... the existence of further plans to assassinate Franz Ferdinand in summer 1914. 2 ... that the assassination was only an excuse and that the war against Serbia was overdetermined.</td>
</tr>
<tr>
<td>1872–90 (turn to competing imperialisms. leading to an arms race in the 1890s)</td>
<td>1 Victorian parliamentarism, but suffrage restricted by property and gentlemen controlling the state (wide inequalities); declining competitiveness, long downward wave, and the 'German threat'. 2 The nationalist effects of 1870–71 war and the conservative effects of military crush of the Paris Commune countering the effects of 1875 democratisation; plus the 'German threat', downward wave, and problems with competitiveness.</td>
<td>1 Continuation of liberalist era in and by Britain; later rising social reformism and multilateralism; leading finally to decolonisation. 2 Third Republic France not responding to the new British imperialism by following the British model in the 1880s. 3 Other states not following suit.</td>
<td>1 ... that the conservatives could not have responded in any other way, and that they were also bound to win the 1874 elections. 2 ... that forces advocating alternatives to nationalism and imperialism were too weak also after the 1875 French republican constitution. 3 ... that alternative responses for these states would have been unlikely, given the actually available policy-alternatives, (Table A.4 continued)</td>
</tr>
<tr>
<td>Nodal point</td>
<td>Context of action/forms of agency and action</td>
<td>Counterfactuals</td>
<td>Potential evidence against counterfactuals showing</td>
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<tr>
<td>-------------</td>
<td>---------------------------------------------</td>
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<td>-----------------------------------------------</td>
</tr>
<tr>
<td>1862–71 (Bismarckian unification of Germany)</td>
<td>Nation-building and democratisation throughout Europe; the Austro-Prussian War 1866, making Prussia the core of unifying Germany; interdynastic rivalries, and Bonapartist efforts to create a greater France; failure of Vienna-style diplomatic conferences to mitigate tensions between France and Prussia.</td>
<td>1 German national unification without significant violence, particularly without the 1870–71 Franco-German war. 2 No defeat of France and no Bismarckian unification in 1871.</td>
<td>1 . . . that given the outcome of 1848, France and unifying Prussia-Germany likely to collide militarily, in the overall context of rivalries, and Bonapartist efforts to create a greater France; failure of Vienna-style diplomatic conferences to mitigate tensions between France and Prussia. 2 . . . that the French capitulation did not result merely from poor leadership.</td>
</tr>
<tr>
<td>1848 (democratic/social upheavals and revolutions that failed in the short run)</td>
<td>Post-French revolution: struggles for national identity as well as for democracy, rule of law, and more equal economic opportunities, in the context of rising levels of education, industrial competition over the goods of craftsmen, and an economic down point.</td>
<td>1 German national unification in the wake of democratic/social revolutions and mostly peacefully. 2 No Napoleon III in France. 3 More rapid and less nationalistic democratisation, with social reforms.</td>
<td>. . . that counter-revolutionary repression by the dynastic rulers, aristocracy, army officers and some capitalists was unlikely to fail, given the control of the organised means of violence and responsiveness of the moderate middle class to counter-revolutionary promises.</td>
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Notes

1 Introduction

1 This book is based on the philosophy of social sciences called critical realism, which I have developed in my previous works (e.g., Patomäki and Wight 2000; Patomäki 2002). Critical realist ontology explains why there are multiple possible futures. The actual world is only a part of the real world, which also consists of non-actualised possibilities and unexercised powers of the already-existing structures and mechanisms that are transfactually efficacious in open systems. In Patomäki 2006, I articulate an ontology for futures studies and then specify the methodology of futures studies on that ontological basis.

2 A few colleagues, including Paul James, Milja Kurki and Jamie Morgan, who have read the manuscript, have encouraged me to explain more clearly the originality of the approach of this book, not only in the introduction but throughout its chapters. However, with the exception of the discussion on two prevailing theories of peace and security in chapter 2, I have decided to let the arguments, explanatory stories and scenarios speak for themselves. There are three main reasons for this decision. The first is simply the lack of space: The Political Economy of Global Security is quite long even without any account of the contrasts within the existing literature in IR, GPE or peace research. The second reason is stylistic: I feel that the argument flows better if it is not interrupted by unnecessary metatheoretical or theoretical remarks. Third, The Political Economy of Global Security is also a synthesis of a variety of literatures and it may be counterproductive to try to relate it only to the fields of IR, GPE and peace research. This book is best seen as a work in historical social science, broadly conceived, and its theoretical contribution may amount to a kind of temporal turn in human and social science. At least the point is to take time seriously in social scientific explanations; and to construct a forward-looking mode of social scientific analysis.

3 Such nodal points include: (1) connector points, which interpose one type of process into another; (2) branch points, closing off certain possible lines of development; (3) jump points, creating a new horizon of possibility; (4) saddle points, inducing stasis or even regression; (5) break points, actually consisting in or substantively contributing to a rupture of social structures and/or their association in a totality; (6) trigger points, initiating or powerfully augmenting such a transformative process; (7) predisposing points, securing the satisfaction of the enabling conditions for such a process, such as the inception of an autosubversive tendency (Bhaskar 1986: 217; for further discussion, see Patomäki 2006). The nature of the various nodal points will be demonstrated by a number of examples in the course of this book.

4 The figures and interpretations of the report may not be reliable. Although my
point in the main text is to stress the **prima facie** plausibility of the 'metaconsensus', a few problems of *The Human Security Report 2005* study are also worth mentioning in this context. First, wars between states have been rare throughout the World War II era, and it is not at all obvious that a clear trend can be reasonably detected (0–5 armed conflicts a year, and only some of them large-scale wars, means that there is a lot of variation over the years). Second, although it is true that the overall number of armed conflicts has dropped since 1992, it remains larger than at any time between 1946 and 1976 (with 1966 a possible exception; see figure 1 of Harbom and Wallensteen 2005). There is also a lot of uncertainty about how many people have been killed in any given war. *The Human Security Report 2005* is based on the Uppsala/Human Security Centre dataset, available at http://www.humansecuritycentre.org. At this site, the authors mention 'that Report-based Methodologies use reports from media and NGOs to determine the estimated number of deaths from political violence. While report-based methodologies are the only source of timely, year-on-year global data on battle-deaths, they tend to produce conservative estimates and only provide data on deaths that result directly from the fighting – that is they usually do not count the more numerous “indirect deaths” that are the result of war induced disease and malnutrition'. In The Congo in 1997–2003, for instance, according to the Project Ploughshares, an estimated 350,000 people have been killed as a direct consequence of violence, but in total an estimated 4 million people have died as a result of the conflict, the vast majority from malnutrition and disease. It is also worth remarking that the authors of *The Human Security Report 2005* give detailed figures on their website only for 2002 and 2003. For the rest of the data, one has to turn either to the dataset produced by Project Ploughshares (an ecumenical agency of the Canadian Council of Churches established in 1976), which is based on very rough surveys and newspaper reports, or that of the International Institute for Strategic Studies (IISS), which is available only to subscribers.  

5 Premillennial dispensationalists profess the idea that in the seventh and last stage of history (before the millennial era of Lord Jesus Christ reigning in the world) the humans left on planet Earth will face seven years of tribulations such as nuclear war and 'demon locusts'.

6 Thus for Marx, actors such as Louis-Napoleon Bonaparte (later called Napoleon III, Emperor of the French, who was first the President of France from 1849–52, and then Emperor from 1852–70), often seemed ludicrous because they seemed to try to re-live the past, i.e. reverse history. Yet history is irreversible because historical circumstances are constantly evolving. The social processes that had moved these figures to the front of the stage are thus likely to contain the seeds or potential for a new historical era. Of course, Marx's tragedy/farce scheme presupposes his progressive theory of history, according to which history develops in accordance with a series of pre-ordained stages. While I believe that it is possible to distinguish retrospectively between phases in social development (cf. Goudsblom 1996), these phases do not form closure, and neither should they be used as a simple yardstick for measuring history (particularly in relation to the future.). The resulting notion of open geo-history of course complicates possible historical comparisons, and any simple scheme such as Marx's tragedy/farce can at best provide only an insight into or a kind of a dialectical comment on some geo-historical events, actors and processes.

7 Wendt's 'social theory of international politics' provides a useful and interesting hypothesis for actual iconic models. These include conceptions of various identity-constituting moves and learning-processes, development of (dis)trust, strategies of altercating, development of a sense of common fate, and the formation of collective identities (see Wendt 1999: chapters 6 and 7).
The term ‘economic’ becomes a problem if it is assumed that it constitutes a separate sphere following its own universal laws (this kind of economism and its effects is analysed and criticised in Teivainen 2002: see especially ch. 1). However, my point is that economics cannot be reduced to politics either, and its representation as mere social construction can also be misleading. Production is dependent upon human skills (techne) and knowledge (logos) to have effects on real natural mechanisms and processes that are independent of humanity and its social relations. It is of course also true that as productive powers stem from human cooperation and division of labour, the social relations of production are very much a part of the human powers of making causal interventions in and through nature to satisfy layered human needs and wants. Social production, however, also depends on the accumulated technological capacity and human knowledge about real physical, chemical, biological and ecological entities, laws and mechanisms that cannot be reduced to a social or political level. Technology and related capacity to produce is at the heart of the various forces of production in different geo-historical eras, which have co-generated forms of civilisation, empires and imperialism during the last 10,000 years of the history of homo sapiens. For instance, consider practical and theoretical knowledge about cultivation of wheat or maize; separating iron from its ore; successful navigation by the stars or techniques of shipbuilding when wind provided the main source of external energy; production of paper and mass production of books by printing texts on paper; using coal and oil to generate steam power or electricity; and of generating huge amounts of energy by splitting atoms in accordance with Einstein’s equation $E = mc^2$.

Thus the stories told by Hobbes, Locke, Hume and others about the origins of rightful social institutions, for instance, including private property, contracts and promise-keeping have been co-constitutive of the capitalist world economy since the seventeenth and eighteenth centuries. However, many of the practical innovations such as new forms of money, credit and contracts, double-entry book-keeping, or the legal form of enterprise preceded these theories, which, in turn, began to justify and legitimise further Europe-based expansion – based on claims to superior civilisation – of the world economy that had in fact already existed in the Old World for about 1500 years (and in a more limited sense, thousands of years).

This list gives a heuristic rule-of-thumb for empirical research. At the deeper ontological level, we should talk more abstractly about social structures and processes. The term ‘social structure’ refers to the internal and external relations of a positioned practice; these relations are implied and/or generated by the components of the relevant causal complex. The internal and external relations are constituted and generated by the relatively enduring nexus of rules, resources and (re)productive actions. Constitutive rules make action possible and also regulate it. Constitutive rules imply internal relations, which form wholes with all kinds of logical relations between the parts. They are also action-dependent in the sense that actors have the power to reflect upon, criticise, deviate from, and change the constitutive rules. External relations are the outcome of action generated by (i) rules; (ii) resources as embodied capabilities and position-endowed facilities; and (iii) intentional reasons for actions. External relations are contingent. They are (re)produced in and through social practices, with the ever-present possibility of the actors ‘doing otherwise’. It is also possible to define social structure in compositional terms (e.g., ‘age structure’, ‘occupational structure’, ‘structure of industry’). However, from the causal analysis point of view, it is necessary to examine substantial relations of connection and interaction, but not formal relations of similarity and dissimilarity. Thus in order to perform causal analysis, compositions should either be interpreted in relational terms, or
translated into them, or explained by means of relational conceptions. Cause is an insufficient but necessary part of a condition which is in itself unnecessary but sufficient for the production of a result, i.e., the INUS condition. There are five necessary social components in any causal complex (K) capable of producing events, episodes, tendencies and the like, namely actors (AR); regulative and constitutive rules (RU); resources as competencies and facilities (RE); relational and positioned practices (PRA); and meaningful action (AN). Actors and their characteristic logic of action are also historically constituted. Together these related and interdependent components, and the emergent powers and properties of resultant social systems, create the sufficient but non-necessary complex for the production of a result. Hence there is never a single cause but always a causal complex \( K = \{\text{AR, RU, RE, PRA, AN}\} \), perhaps including emergent properties and powers.

2 Global security: learning from possible futures

1 The hypothesis of democratic peace was widely acclaimed in the West (and to an extent elsewhere) after the end of the cold war. Since that point, it has been accepted perhaps by most European and North-American policy-makers, while being widely discussed and debated among scholars. The theory of securitisation has, in turn, been highly influential in European critical security studies since the early 1990s even if less well-known in the US or elsewhere in the world. I have obviously learnt something from both. However, the approach of this chapter, as well as the book as a whole, owes more to (i) the tradition of peace research as exemplified by the works of Hayward Alker (1996) and Johan Galtung (1977, 1996) and (ii) critical realism both as a philosophy of science and as a social and political theory (for an introduction, see Bhaskar 1989; Collier 1994). From a critical realist perspective, I have discussed and assessed the four methodological and theoretical lessons of Alker’s long learning process elsewhere (Patomäki 2002: chapter 2), and analysed this development as well as the methodological problems of Galtungian peace research (Patomäki 2001a).

2 For instance, the post-9/11/2001 US-led ‘war on terrorism’ involves widespread securitisation both in the US and globally and, as will be explained in detail in chapter 6, has also been accompanied by the new rise in explicitly imperialist ideologies of unilateral right to rule. The wars on ‘terrorism’ and ‘drugs’ were first initiated in the 1980s, during Reagan’s administration, at which time they led to military actions in Latin America (Colombia, Panama, Peru) and the Middle East (Libya), among other things. A possible post-structuralist interpretation of these developments is provided by David Campbell (1992), who argues that after the end of the cold war, a strong quest, if not a functional necessity (for identity-political reasons), emerged to replace the USSR with new enemies such as other civilisations (Islam in particular), failed states, rogue states, international terrorism and drug trafficking.

3 In the late eighteenth century, soon after the French Revolution, Immanuel Kant (1983 [1795]) argued that the republican constitution of states would guarantee their freedom and peacefulness (although republicanism was for him only one of several necessary conditions for a perpetual peace). By constitutional republicanism, Kant basically meant the procedural distinction between law-making and executive power. Democracy is conceptually independent of republicanism in this sense. Kant believed that as law-makers, the capable and free, i.e. property-owning, males would be rational citizens and not willing to bear the consequences of wars, such as loss of life, property and money.

4 See for instance Allan and Goldmann 1992, including also Patomäki 1992; and Gaddis 1992–3.
The distinction between normal and pathological learning may sound suspect to many post-structuralistically inclined readers. Some may even remember The Normal and the Pathological (1978) by Georges Canguilhem, which was republished with further reflections in 1966 and translated into English in 1978, with a substantial introduction by his former pupil, Michel Foucault. Canguilhem wanted to problematise the notion of ‘pathological’ together with related normalising social practices. He was especially critical of the idea that average has normative power over people. However, essentially for Canguilhem normality means the ability to adapt to changing circumstances, to environments which are both various and variant. The sense I am using the concept of pathological, following Deutsch (1963: 228–34), is entirely consistent with this sense. Pathological learning, when it leads to the overestimation of oneself and one’s past experiences and immediate environment, may ultimately turn out self-destructive, and in that sense the medical metaphor of ‘pathological’ is entirely apt also in this context.

On the fallacy of composition, see Elster (1978: 97–106); for Richardson’s arms race model, see Rapoport (1960: 15–30).

The idea of a federalist world state is sometimes falsely associated with Immanuel Kant (as is the idea of collective security). Kant advocated republican institutions within the state, world-wide free trade and a loose system of international contracts and multilateral negotiations that he called the League of Nations. There may have been precedents in other times and places, but in modern Europe the idea of a world state emerged basically in the mid-nineteenth century (and simultaneously also in the Middle East between 1852 and his death in 1892, Bahá’u’lláh, founder of the Bahá’í Faith, set the establishment of global unity, obtained via a global commonwealth of nations, as a key principle of his new religion). While it is possible to find scattered remarks on the to-be or would-be world state by nineteenth century poets, novelists, religious leaders and philosophers, it really came up as a major political idea only immediately before and during the First World War. One of the key advocates of the world state during the early decades of the twentieth century was H.G. Wells (1866–1946). Wells was a popular British author of numerous essays and books in science fiction, drama, politics and various scholarly fields. In 1902, in his non-fictional Anticipations of the Reaction of Mechanical and Scientific Progress upon Human Life and Thought, Wells proposed a world republic, an idea which he started to cultivate in many of his writings that appeared before the First World War. Some of his later books that developed the idea to various directions, including A Short History of the World (1922), The Open Conspiracy (1928) and The Shape of Things to Come (1933), sold hundreds of thousands or even millions of copies. Wells was also co-responsible for providing the idea of a nuclear chain reaction to Leo Szilard, a physicist, who wrote Albert Einstein’s famous summer 1939 letter to President Roosevelt about the urgency of developing an atomic bomb. However, Szilard was also strongly moved by Wells’ terrifying vision of a future nuclear war and advocacy of a world-wide movement to create a world state. After the Second World War, Szilard became a key organizer of the emerging transnational peace movement. Moreover, Szilard was well networked and he knew both Hans Morgenthau, with whom he worked at the University of Chicago, and Raymond Aron, with whom he exchanged ideas. It is likely that Morgenthau’s and Aron’s discussions on the world state were, at least in part and indirectly, responses to Wells and the contemporary Wellsian literature, although they do not spell this out in any detail in the references of their major works in IR theory.

‘Certainly it seems now that nothing could have been more obvious to the people of the early twentieth century than the rapidity with which war was becoming impossible. And as certainly they did not see it. They did not see it.
until the atomic bombs burst in their fumbling hands.’ (Wells 1914: 103; cited also in Wagar 2004: 147)

3 Explaining the First World War: learning from classical theories of imperialism

1 Also the period of 1871–1914 was mostly peaceful in the sense of an absence of actual war inside Europe. Hence, Pax Britannica may also be seen as extending over the entire century of 1815–1914.

2 Lenin wrote his book, subtitled a ‘popular outline’ in 1916 in Zürich, Switzerland, and it was first published in Russia in 1917. In his April 1917 preface, Lenin complained about ‘a shortage of French and English literature and . . . a serious dearth of Russian literature’ in Zürich and explained that ‘this pamphlet was written with an eye to the tsarist censorship’. The English translation of the book is freely available in various places, including at http://www.fordham.edu/halsall/mod/1916lenin-imperialism.html (12 December 2006). In the absence of a better method, my page-numbers refer to the A4-printout of this version.

3 Published in English in Imperialism and Social Classes, compiling two essays by Schumpeter, the first of which was written during the war years and published originally in 1919; Schumpeter 1989[1951].

4 This ‘law’, originally proposed by French businessman and economist Jean-Baptiste Say (1767–1832), is a (tautological) consequence of defining capitalist market economy as a simple barter economy. If products are produced only when they can be exchanged, and if products are paid for with other products, their trade must cancel out and no surplus production is possible. Money or savings or financial markets play no independent role in this kind of economy, and no involuntary unemployment is possible (except, of course, due to imperfect competition, for instance in labour markets).

5 Hence, despite real conflicts between different understandings and interests, Carr was not saying that claims about harmony of interests are always completely false. On p. 81, for instance, he wrote that ‘in the nineteenth century, the British manufacturer or merchant, having discovered that laissez faire promoted his own prosperity, was sincerely convinced that it also promoted British prosperity as a whole. Nor was this alleged harmony of interests between himself and the community entirely fictitious’.

6 Veblen’s most important works where he discussed imperialism, the war and related issues are The Theory of Business Enterprise (Veblen 1923[1904]); Imperial Germany and the Industrial Revolution (1915); An Inquiry in the Nature of Peace and the Terms of Its Perpetuation (1917, 2nd edn 1919); and The Vested Interests and the Common Man (Veblen 1933[1919]).

7 The categorisation of the late nineteenth century Germany as imperial and autocratic and Britain or the US as democratic emerged – or at least was reinforced – during the First World War with the construction of Manichean enemy-images of Germany. However, in the unified Germany, the parliament (Reichstag) was, since 1871, elected by a universal male franchise and it had real legislative powers, although it could not initiate legislation. The German system allowed for the social democratic party to gain access to the government (it emerged as the biggest party, with a third of votes, in the 1912 elections). Although it was true that the German constitution concentrated a lot of power in the hands of the Kaiser and the federal chancellor, likewise in Britain, despite parliamentarism, monarchy remained a significant institution. The British Representation of the People Act of 1884 left 40 per cent of males still disenfranchised as well as all the women. Universal franchise in Britain was finally established after the war in 1918. In the US, too, franchise remained in practice limited to that part of the
male population that had acquired citizenship (many recent immigrants, offspring of black slaves, Indians, illiterate people and convicts of crimes excluded); US state practices often imitated British practices (such as the state of the Union speech); and deep inequalities, widespread corruption, and power abuse tended to limit real democratic choices and possibilities in many ways. Given these characteristics and the fact that the share of population with effective right to vote in elections was roughly the same, it is not obvious that the US would have been unequivocally more democratic than Britain or some other countries (however, the US Constitution did not allow for nobility, which made it different from the European countries; it is also worth mentioning that Veblen too believed at least during the war that the US was probably more democratic than other countries). Moreover, it is also worth stressing Hobson’s point that imperialist practices have anti-democratic effects in all countries (1988[1938]: 27): ‘The New Imperialism nowhere extended the political and civil liberties of the mother country to any part of the vast territories which, after 1870, fell under the government of Western civilised powers. Politically, the new Imperialism was an expansion of autocracy.’

8 The first edition came out in 1902. I refer to the 1938 edition, with a 1988 introduction by J. Townshend. The page numbers of Townshend’s introduction and of the two prefaces and Hobson’s long ‘Introduction to the 1938 edition’ are indicated with brackets, for instance [61]; the page-numbers of the main text are without brackets, for instance 61.

9 My formulation here utilises technical neoclassical terminology that Hobson did not use. This is slightly misleading to the extent that it ignores those social habits and situations that were, for Hobson, important determinants of the savings rate. However, bearing this qualification in mind, the neoclassical concept of marginal propensity to consume has the advantage of being easily usable in empirical research. The marginal propensity to consume refers to the increase in personal consumer spending that occurs with an increase in disposable income (income after taxes and transfers). For example, if a household earns one extra euro of disposable income, and the marginal propensity to consume is 0.72, then of that euro, the family will spend 72 cents and save 28 cents. Mathematically, the marginal propensity to consume (MPC) function is expressed as the derivative of the consumption (C) function with respect to disposable income (Y): MPC = dC/dY.

10 Cited in Kautsky (2003[1907]: Introduction, 3). This was at the time when nationalism was rapidly gaining strength within SPD, the Social Democratic Party in Germany. However, unlike many German social-democrats, Bernstein opposed armaments and subsequently the First World War. Misinformed about the actual circumstances, he voted on 4 August 1914 in favour of German war credits, but soon regretted his decision. From October 1914 onwards Bernstein was consistently opposed to war and networked also transnationally in building coalitions against the war. Moreover, it should be noted that the earlier nineteenth century theorists of socialism such as Marx, Engels and Lassalle also expressed Eurocentric sentiments that can readily be read as supportive of colonialism or even some forms of imperialism. (See Steger 2006: 197–223)

11 ‘Militarism’ can refer to the glorification of the ideals of a professional military class; predominance of the armed forces in the administration or policy of the state; or policy in which military preparedness is of primary importance to a state. Karl Liebknecht’s (1973[1907]) Militarism & Anti-Militarism, published in 1907, which earned him an 18-month prison sentence in Germany, is a systematic analysis of different aspects of both militarism and anti-militarism in different European countries, originally prepared on the basis of a lecture given to youth movements. The opening sentences depict the situation in Europe at that
time: ‘Militarism! Few slogans have been so frequently used in our time, and few
denote a phenomenon so complicated, multiform, many-sided, and at the
same time so interesting and significant in its origin and nature, its methods and
effects. It is a phenomenon which is deeply rooted in the structure of class-
divided social orders, yet can take on within the same type of social order,
according to the special natural, political, social and economic circumstances
of individual states and territories, an extraordinary variety of forms’.

12 Kautsky (ibid.: ‘Relapse into Barbarism’, 2) defined the imperialist idea as ‘the
idea of creating an Empire, economically self-sufficient, sufficiently extensive to
be able to produce all its own raw materials and to sell all its industrial products
on its own markets, so that it is absolutely independent’. In contrast to this idea
Kautsky argued for instance that all the colonial powers needed free markets to
buy raw materials for their industrial production, no matter how large their
colonial possessions. On the basis of world trade statistics, he then argued that
the imperial project is impossible; it would be impossible even for Britain. How
could it then be made possible for a colonial empire to cover the entire demand
for raw materials of a great capitalist state? It is simply quite unthinkable. But
since the aspiration is so deeply embedded in the capitalist situation, the capital-
istic class obstinately resists this conclusion. The drive for colonial expansion by
the great states is therefore not restrained, but remains unbounded; it can never
reach a satisfactory limit. For this reason the mutual arms race must grow ever
greater and the danger of a world war come ever nearer.’

13 However, at the time when he drafted the article, Kautsky might have thought
that the major war will not occur after all, and that ultra-imperialism may simply
be the next relatively peaceful phase of capitalist developments. At least the
editors of the New Left Review (NLR 1970) claimed – perhaps inaccurately? – that
‘Kautsky was confidently predicting the impossibility of the gigantic conflict in
the very weeks in which it was to erupt . . . yet Kautsky blandly went forward
with the publication of the article, after the war had started, with a few “add-
itions” to “take account” of an event whose possibility its purpose was to deny’.

14 This view about a long depression was widely shared by contemporary observers
but some later historians have found it difficult to understand. As Eric Hobsbawm
(1994: 33) clarifies: ‘For though the trade cycle which forms the basic rhythm of
a capitalist economy certainly generated some very acute depressions in the
period from 1873 to the mid-1890s, world production, so far from stagnating,
continued to rise dramatically. Between 1870 and 1890 iron output in the five
main producing countries more than doubled (from 11 to 23 million tonnes), the
production of steel, which now became the convenient index of industrialisation
as a whole, multiplied twentyfold (from a half a million to 11 million tonnes).
International trade continued to grew impressively, though admittedly at a less
dizzy rate than before’. In the next chapter, I will develop the point that in a
politico-economic system built upon the expectation of continuing economic
growth, a great deal depends upon the rate of the growth, including the
employment of many people. In the 1920s, Nikolai Kondratieff, a Russian
economist, found long wave cycles by studying time-series of various data and
published a series of articles on this theme (a key essay has been published also in
English; Kondratieff 1984[1928]).

15 Germany received the first preliminary Baghdad Railway concession in 1899;
further stipulations were specified in 1903 and the first section of the railway
built soon after that. After a moratorium, further construction took place
between the years 1911 and 1914. However, it took a further 25 years before the
work was finally completed. A key idea was to reduce the travel time between
London and Bombay by three days, thereby superseding the Suez Canal that the
British controlled. McMurray (2001) argues, however, that the process and
motivations were in fact complicated, and that also the Ottoman Empire played an active role in the process, as did private companies and syndicates. Thus he argued that the project should not be seen as a mere instance of imperial expansion by the German state, as it was often conceived in Britain.


17 However, Cassandras can also be conservative, not only reformist (or revolutionary), to the extent that they argue that dire consequences are inevitable no matter what we do. The Malthusians are a case in point. “The fatalism of [Malthusian] Cassandras is another form of “Après moi le deluge”” (Wagar 1991: 70).

18 According to Hobsbawm (1994: 36–37), the consequences of the late nineteenth century long depression were particularly severe for agrarian prices, in part because of globalisation of trade on these products. In 1894 the price of wheat, for instance, was only a little more than a third of what it had been in 1867. This was a disaster for farmers and farm workers, who constituted the bulk of emigrants in this era, and also sparked various rebellions and populist agrarian movements from Russia, through Europe and to the United States.

4 The origins of the First World War: using historical counterfactuals in constructing open-system explanations

1 A recent and widely acclaimed study with a long term perspective is Peter J. Gain’s and A.G. Hopkins’ (2002) British Imperialism 1688–2000, devoting a chapter 14 – that is firmly integrated into their overall argument about the imperial inclinations and tendencies of ‘gentlemanly capitalism’ – to the explanation of the First World War.

2 Various scenarios have been proposed about the likely outcome of Russian developments in the absence of the First World War. Usually they are either based on the idea that liberal constitutionalism was already on its way also in Russia, or that a revolutionary overthrow of tsarism would still have taken place, but of a Menshevik, not a Bolshevik, variety (Breslauer 1996: 76–80). In either case, the argument is that the Bolshevik revolution – led by Lenin who was convinced that the world war was a sign of Marx’s eschatological story about the end of capitalism coming true – would not have been possible without the devastating war. Moreover, it also seems that Germany was actively supporting the Bolsheviks during the war as part of its overall strategy in the war. In 1921, German social-democrat Eduard Bernstein – who as Under-Secretary of the Treasury had had access to top-secret war documents of the Imperial German government – revealed that Lenin and his comrades had received vast sums of money from Germany, ‘certainly more than fifty million Gold marks, a sum about the source of which Lenin and his comrades could be in no doubt’ (cit. in Steger 2006: 240).

3 Britain, with an empire of more than 400 million people – allied with the also sizeable French Empire – quickly cut German ties to its overseas imperial possessions. Germany became locked in the European continent and parts of the Middle East. France survived the first attacks in 1914. After the trench warfare had begun, Germany was also fighting against the vast and populous Russian Empire. An increasing number of British troops started to enter the Western front. Moreover, the Commonwealth nations were called to defend Great Britain, and particularly troops from Australia, Canada, New Zealand and South Africa played a significant role in the European theatre of war. Finally, in 1917, the US joined the war against Germany, with a population and industrial production larger than those of Germany (in 1913, US population was 97 million and GDP 517 billion international 1990 dollars, against Germany’s population of 65 million and GDP of 237 billion international 1990 dollars.

4 The Archduke was warned many times about the possibility of an assassination
and he could have cancelled his visit to Sarajevo. Moreover, on that day, there was first an unsuccessful bomb attack against the convoy of Franz Ferdinand. The remaining assassins either gave up or thought that the assassination had already succeeded and withdrew from their locations. Unreasonably, Franz Ferdinand continued his programme as if nothing had happened. After the reception at the Town Hall, Franz Ferdinand decided to go to the hospital and visit the wounded victims of the bomb. Meanwhile, one of the assassins, Gavrilo Princip had gone to a nearby food shop and suddenly saw Franz Ferdinand’s open car reversing after having taken a wrong turn as it drove past. The driver, Franz Urban, had not been advised of the hospital change in plan and had continued on a route that would take the Archduke and his party directly out of the city. Spontaneously, Princip approached the car and fired twice his semi-automatic pistol. The second bullet hit Franz Ferdinand in the neck.

5 In David M. Rowe’s (2005) neorealist reading, the pre-war sense of vulnerability among European foreign policy-makers was caused by globalisation and its effects through widespread anti-militarism and unwillingness to pay for the increasing military costs. It is true that socialists and many liberals created ‘societal pressure’ (ibid.: 426) to reduce the burdens of compulsory military service and military expenditure. Given the European insecurity community and armament race of the early twentieth century, and the ongoing process of democratisation, the foreign-policy-makers (most of them dynastic rulers, aristocrats or gentlemanly politicians) may have seen this ‘societal pressure’ as a part of an overall process in which their time was running out. This grain of truth notwithstanding, Rowe’s argument is otherwise perverse. First, he ignores the evident fact that at this point, the European states’ capacity to mobilise means of destruction was much higher than by any collective actor at any point in the whole of human history. The war was preceded by years of an armament race and rapidly rising military expenditure. Despite the anti-militarist sentiments of the left and strands of liberalism, militarism was rampant in Europe. Yet Rowe assumes that the only way Europe could have avoided the war would have been by way of building an even more ‘credible deterrence’. Second, his interpretation of the effects of ‘globalisation’ are based on a simple Heckscher–Ohlin model of trade, and its corollary, the Stolper–Samuelson theorem. The Heckscher–Ohlin model – a formalisation of Ricardo’s earlier argument about comparative advantage – is a simple $2 \times 2 \times 2$ (two countries, two factors of production, two products) neoclassical model about comparing the effects of closed economies opening up to international trade. The Stolper–Samuelson theorem concerns the ‘political’ effects of changes in relative prices that this opening up causes. Yet the European states had been an integral part of an expanding world economy at least since the sixteenth century, and in some ways much longer. Moreover, even economically-understood ‘politics’ cannot be reduced to mere differences in relative prices, particularly given the impreciseness and fuzziness of the categories such as ‘land’, ‘labour’ and ‘capital’ in neoclassical economics. What actually matters much more is rapid economic growth, the manifold mechanisms that have far-reaching (re)distributive effects, and the condition of change and modernisation itself. Methodologically, Rowe’s neorealism also mostly ignores the meanings of a social context as the actors themselves understand them. The only meanings Rowe takes into account are those of foreign policy elites that express concerns about their vulnerability, read as supporting his own argument.

6 Strikingly, on the basis of Germany’s outstanding economic growth, Taylor (1971: 528) argues that ‘peace must have brought Germany the mastery of Europe within a few years’. Apart from raising the question why the German foreign-policy-makers presumed that time was working against them (see also note 5), the differential rates of growth would have had also significant military
implications. However, as stressed by Richard Ned Lebow (2001: 69) it seems that the main concern about Russia probably stemmed not so much from the fact Russia was by far the most populous great power, with well over 120 million inhabitants, as from the fear that Russian industrialisation and improvements in Russia’s railway network and mobilisation timetables would make the Schlieffen Plan obsolete (that was the only contingency plan the Germans had). The Schlieffen Plan proposed to resolve Germany’s spectre of a two-front war by committing most of its resources to invade France, on the premise that it would take a relatively long time for Russia to mobilise its forces (France was financing the building of Russia’s railways for the same reason, thus contributing to the escalation of tensions).

7 Kant distinguished between the form of sovereignty or government and ‘the basis of the way people are governed by their ruler’. His argument concerned only the latter, and thus he left open also the possibility that autocratic or aristocratic – and not only democratic – government could be legitimate. For Kant the main choice was between republican or despotic government. By republican he meant merely, unlike most other political theorists, the political principle whereby executive power (the government) is separated from legislative power. Moreover, Kant went even further and argued that (at least direct) democracy is necessarily a form of despotism, which he vehemently opposed. See Kant 1983: 113–14.

8 Though not exclusively pacifist, but could be more generally described as pacifist (meaning a political theory aiming at minimisation of violence in all possible respects), these societies were often influenced by Quakers and other pacifist movements, as were the series of international peace congresses which the societies began to hold from 1843 (the first World Peace Conference was organised in London in 1843). The main emphasis was on arbitration between states as an alternative to war, but there was increasing concern about aristocratic-militarist influences on the young tending towards acceptance of war as not merely unavoidable but even ‘noble’.

9 My example was probably also in Schumpeter’s mind when he wrote about imperialism as an ‘atavism’. Schumpeter was a Professor of Economics at the University of Graz in Austria-Hungary from 1911 onwards and the Austrian Minister of Finance in 1919–20. He was well aware of the internal struggles and politics of Austria-Hungary and probably relied on these historical and contextual experiences much more than what the explicit text of his essay on imperialism in fact reveals.

10 Liberalism thus also presupposes the idea that what is universally just and efficient is also in the interest of everyone. In other words, there are no, neither can there be any, other reasons why capitalist market economy should lead to conflicts between actors, not to mention potentially violent conflicts.

11 The point of Kenneth Arrow and Frank H. Hahn’s General Competitive Analysis (1971) seems to be to show, with mathematical certainty and precision, that the basic conclusion of Walras and other neoclassicists is valid: (i) competitive markets can yield an efficient Pareto-optimal equilibrium and (ii) prices of factors can equal marginal productivity. This is more a theory of justice than of economic efficiency in any meaningful, realistic or empirical sense. It is interesting to note how Arrow and Hahn justify their analysis. For instance, ‘at the moment the main justification for the chapter is that there are results to report on the tâtonnement [tentative proceedings] while there are no results to report on what most economists would agree to be more realistic constructions’ (ibid.: 322). By a ‘result’ they mean a mathematical possibility that a market system can solve a system of equilibrium prices. As they explain in the preface, ‘there is by now a long and fairly imposing line of economists from Adam Smith to the present who have sought to show that a decentralised economy motivated by self-interest and
guided by price signals would be compatible with a coherent disposition of economic resources that could be regarded, in a well-defined sense, as superior to a large class of possible alternative dispositions (ibid.: vi–vii). Hence, the aim is to do ethico-political theory with mathematical certainty. However, this forces neoclassical economists to confine their analysis to imagined, abstract ‘economies’ that may, at best, be (or merely appear to be) isomorphic, in a few limited regards, with the real, geo-historical capitalist market economies or, perhaps more accurately, the world economy.

12 Of course, the majority of the late twentieth century economists have maintained that economics is a ‘positive science’ (Friedman 1953). It does not have anything to do with values such as justice. Values are entirely subjective. Economics is claimed to be a science of technical means-ends efficiency only, with concepts such as equilibrium and Pareto-optimality providing neutral tools for scientific analysis. Neoclassical economics constitutes a theory of justice, independently of whether its proponents acknowledge this in their theoretical writings or not (as far as praxis is concerned, the normative role of the theory is obvious).

13 It seems that the notion of security community is applicable to all human societies proper, i.e. to all groups beyond the stage of nomadic bands. Already tribes of hundreds of people require means and practices of resolving serious disputes and conflicts peacefully. In the absence of these practices and procedures, violence can be endemic. A mechanism of conflict resolution has been egalitarian village meetings – all adults present and individuals making speeches, without any appearance of one person’s ‘chairing’ the discussion. Jarred Diamond (1999: 265–92) rightly emphasises the additional dilemmas posed by the size of human communities. With more than several hundred people, a large number of other people are neither closely related nor known to each other by name, and therefore practices of conflict resolution by means of peaceful changes becomes more complicated and thereby often centralised (at least in those communities that have survived internal violence). Diamond is probably wrong, however, in assuming that the size alone necessarily generates centralised decision-making and hereditary leadership. Various democratic and republican arrangements have often endured for extended periods of time, although ultimately most of them, before the American and French revolutions, were either defeated militarily by more sizeable states or empires, or if successful in military terms like the republic of Rome was, were in the end themselves transformed into centralised empires with hereditary leadership. This tendency has been largely due to the dilemmas posed by the logic of competing systems of war; skewed systems of societal information production and processing, conditioned also by the prevailing cognitive stage of collective learning; and related processes of corruption.

14 My main source is the Finnish translation (Marx and Engels, 1979, this passage is from p. 539). I have taken the English translation from http://www.marxists.org/archive/marx/works/1875/gotha/ch01.htm

15 The first wave of European imperialism in the sixteenth century was legitimised in terms of assumptions about God, Christianity and Aristotelian hierarchy of higher and lower beings, grounded on the metaphor of Great Chain of Being (see Alker 1996: 85–86, 98–100). The basic concept of hierarchical order of cultures and human-like beings lived through centuries in various forms. In the era of the late nineteenth century, new imperialism assumed the form of ‘civilising mission,’ and ‘white man’s burden’. Lockean universalism has been just one aspect of complex geo-historical realities.

16 Polanyi was focusing on the first industrial country, Britain, and in particular on the project of creating the institutional and other conditions for urban labour markets, a prerequisite for the development of large factories for instance in cotton industry. This project materialised in a concerted philosophical and
legislative program to establish the self-regulated markets of labour from the enclosures of the 1790s through the Poor Law Reform of 1834 to the Ricardian Bank Charter Act of 1844 and the repeal of the Corn Laws in 1846.

17 Kenneth Pomeranz (2000), for instance, maintains that ‘the great divergence’ between East Asia and western Europe did not begin before the mid-eighteenth century and can be largely explained in terms of benefits from trade with the Americas and an abundance of coal in the deforested Britain, although Pomeranz also gives credit to the European scientific culture. Small initial differences may lead to large-scale transformations without the contemporaries even noticing them. Andre Gunder Frank (1998: 202–03) agrees with this assessment. For instance, the Chinese knew the basic principles of the steam engine. There was also coal in China, but located far from the centres of its potential industrial use. Something similar applies also to Japan and India, where for instance steel-making was at the level of the best European (Swedish) practices in the 1790s, while remaining cheaper than British steel. For an assessment of these counter-factuals and their consequences, see Patomäki 2007.

18 However, there seems to be a prevailing opinion in mainstream economics that in Europe and North America ‘there was real wage and GDP per worker hour convergence in the late nineteenth century, and it appears that most of it was the combined result of a trade boom [due to dramatic transport improvements] and the pre-quota mass migrations’ (Williamson 1996: 8). These studies do not, however, consider core-periphery relations during that time, in part because of absence of reliable quantitative data; and what is also noteworthy is that in terms of migration, the late nineteenth century the world was more globalised than a century later.

19 To illustrate, Simon Kuznets (1977) has estimated that, in 200 years from 1776 to 1976, the North American economy grew by a factor of about 1,000, with the average growth rate somewhere between 3–4 per cent a year (including a relatively high population growth that has characterised the US. In 1776, the population of the US was only c.2.5 million, but population growth explains only a part of this enormous growth. Also per capita output rose by a factor of 11 in 200 years; and has continued to grow since 1976 with the rate of about 1.6 per cent a year.

20 However, as twentieth century developments have shown, technologies that are, relatively speaking, stagnating, may constitute significant improvements in productivity even when they applied only in a few isolated sectors or in agriculture. New technologies have usually enabled – together with new remedies for common diseases and illnesses – rapid population growth, as well as some per capita growth. Whereas in 1914 the world population was about 1.8 billion people, of which 490 million lived in Europe, including Russia, a mere 92 years later, in 2006 the world population was almost 6.5 billion, of which only 460 million in the European Union and about 200 million in Belarus, Russian Federation and Ukraine.

21 I am citing a freely downloadable copy of the 1885 English translation of List’s main work, which is divided into four books and 36 chapters. In the following, I refer to this text by first mentioning the book, second the chapter and third the page number of the book in question, as shown in the A4 print-out of the text.

22 The resulting double standards led to the necessary perception of injustice. ‘They had at one and the same time to convince the Continental nations of the advantages of free trade, and also maintain the restrictions of the import of foreign agricultural produce for the benefit of the English landed aristocracy. Hence it was impossible that their system could be developed in such a manner that justice could be done to the hopes of the advocates of free trade on both continents’ (ibid.: fourth book, ch. 33, p. 4).
However, some of the financial, technological and other mechanisms of crises and thus economic waves might have remained roughly the same for centuries. Schumpeter (1939a: 220) suggested that business cycles, including the long cycles probably started in the last quarter of the seventeenth century. Charles Kindleberger (2001: 11–43) maintains that since the Tulipmania in Holland (1636–37) and the South Sea Bubble in Britain (1711–20), financial crises have followed a common pattern. Tulips arrived in Holland with extended trade and became, in the early-seventeenth century, a luxury good sold to courtiers and country gentlemen. Speculation in common bulbs started in November 1636, and prices crashed in February 1637. The name ‘South Sea Bubble’ is given to the economic bubble that occurred in Britain through overheated speculation in the South Sea Company’s shares during 1720 (the company was granted exclusive trading rights in Spanish South America in 1711). One problem was that the War of the Quadruple Alliance (1718–20) did not lead – despite some military success – to a significant British access to the South American goods and markets. The price of the South Sea Company shares collapsed soon after the Bubble Act (June 1720) required all joint-stock companies to have a Royal Charter specifying their purpose, following a peak in September 1720. According to Kindleberger, in these, and all the subsequent financial crises, the pattern has been very similar: first manias, then panics and soon crashes.

Cause is an insufficient but necessary part of a condition which is itself unnecessary but sufficient for the production of a result, i.e. the INUS condition. These conditions – constitutive of relational social structures – are activity- and concept-dependent. They are also geo-historically dependent and thus transformable. Likewise, actors and their characteristic logics of action are, at least in part, geo-historically constituted.

However, even in the absence of dynasties, aristocrats, or inter-dynastic rivalries proper (although it is also plausible to see Stalin as the last de facto tsar), the concept re-emerged in the mid-twentieth century.

For a definition of different nodal points, see note 3 in chapter 1 (p. 241).

The basic point of Cain and Hopkins (2002) is that as the competitive edge of British industry waned, it was replaced by trade-related services and finance, areas in which Britain remained visibly dominant until 1914. This caused a shift in relations of power as well, as the ‘gentlemanly capitalism’ of the City of London was closely related to the education, lifestyle and visions of aristocracy (even though gentlemen were not necessarily inherited aristocrats but could also have acquired the required habitus and position by means of education). From chapter 3, we remember that Hobson argued that finance capitalists are particularly prone to imperialism and that Lenin associated imperialism with the dominance of finance. The shift of the British competitive edge towards trade-related services and finance may thus explain, in part, the rise of territorialist and pro-imperial perspectives.

This is a description of specific geo-historical processes. Gilpin’s (1981: 209) attempt to argue for the impossibility of major peaceful changes in the international realm is based on an unjustified universalist dichotomy between domestic and international. Although the problem of establishing a security community arises also from the general human condition (multiplicity of potentially contradictory socialisation processes, limited learning capabilities etc), the conditions for a security community are social and, in crucial ways, contingent and geo-historical. As Deutsch et al. (1957) have shown, a modern state can exist over extended period of time without an underlying security community; and the existence of a security community does not depend on the existence of a state (see also Lijphart 1981).

Polanyi (1957[1944]: 259–62) distinguishes between balance of power policy,
that was characteristic of British foreign policy until the end of the Napoleonic wars and beyond, and balance of power as a principle and as a system. The latter is status quo orientated. ‘Balance of power’ principle is based on the idea that any growing power suspected of the intention of changing the status quo should face a coalition opposed to such a change.

5 The long downward wave of the world economy in the late twentieth century: towards a return of the past?

1 Popular articulations of this belief include Ohmae (1991). A similar deterministic picture of the new world of ‘network society’ has been canvassed, although in a much more systematic and nuanced fashion, by the pseudo-Marxist neoliberal sociologist Manuel Castells; (see Castells 1996, 1997 and 1998).

2 The label ‘Washington consensus’ was originally coined by the US economist John Williamson (1990), who argued that it consists of a package of ten general policy principles: fiscal discipline; public expenditure priorities on education, health and infrastructure; tax reform; exchange rates established by markets; competitive exchange rates; trade liberalisation; promotion of foreign direct investment; privatisation; deregulation; and the enforcement of property rights.

3 While it took more than 100 years to get from one to two billion people after the industrial revolution, in the early twenty-first century it will take only 13–14 years to get from six to seven billion people living on the planet. Table N.1 summarises world population growth from 1800 to 2050.

4 In this chapter, I must leave aside the more detailed developments as well as the role of commodification in economic growth (implying among other things that growth may also be impoverishing) or ecological consequences and constraints of growth (meaning that the activities generating growth may be detrimental to some parts or aspects of the biosphere which includes humanity). Also from a political point of view, what matters is not only the GDP or Gini coefficient figures, but people’s concrete experiences and understandings of the conditions of everyday life both in the immediately present contexts and in society and

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environment by large. It has been emphasised by the so-called qualitative economics that adequate growth in welfare measures should not accept mere GDP figures, but should rather extract market-transactions generating social ills from it. For instance, ‘an Index of Sustainable Economic Welfare for the UK shows . . . that although GDP per capita has increased by about a third since 1979, sustainable economic welfare has fallen by a fifth during the same period’ Robertson (1999: 132). Moreover, the argument of this chapter should be refashioned not only in terms of qualitative and sustainable welfare but also by taking into account the effects of commodification. Also, commodification indicates more market transactions. The question whether commodification increases perceived welfare, or could be seen as good in any reasonable sense, would have to be analysed and assessed separately.

5 In PPP, parity refers to the exchange rate between the currencies of two countries making the purchasing power of both currencies substantially equal. Purchasing power is the extent to which a given monetary unit can buy goods and services. Purchase power parity compares living standards in national economies independent of currency variations.

6 The number of people living on less than US$ 1 per day worldwide is said to have declined from 1,237 million in 1990 to 1,100 million in 2000. However, most of this reduction is accounted for by the changes in China (with some reduction also in East Asia and, possibly, in India). Elsewhere absolute poverty in this sense has been rising. The famous Millennium Development Goal, adopted by the UN Millennium Summit in September 2000, to halve, by the year 2015, the proportion of the world’s people whose income is less than $1 a day and the proportion of people who suffer from hunger and, by the same date, to halve the proportion of people who are unable to reach or to afford safe drinking water, seems thus fairly distant. Moreover, ‘one dollar a day’ also means different things in different social contexts. To a relatively self-sufficient farmer, one dollar a day may be sufficient for many needs, but in a big city it is much harder to get by without money. Urbanisation and increased commodification may thus imply that more money is needed to cover the basic needs. Thus people may become poorer while there could be, in principle, positive developments as measured by the UN.

7 This is of course very different from Lenin’s view of the role of banks and finance in the final stage of capitalism, which stemmed from his analysis of the consequences of the trend towards politico-economic concentration of capital. The logic of Schumpeter’s argument is simple and is based on a contrast to the standard models of neoclassical economics. Schumpeter agreed with Walras, Marshall and other neoclassical theorists that in an ideal situation, there is a tendency towards equilibrium states in a perfectly competitive world. However, in the model of perfectly competitive markets, there can be no savings, finance or profits. For Schumpeter, a capitalist market economy is in reality about manufactured disequilibriums due to constant innovations that make temporary monopolistic profits possible. There is also a close connection between innovation and finance: ‘Innovation is not only the most immediate source of gains, but also indirectly produces, through the process it sets going, most of those situations from which windfall gains and losses arise and in which speculative operations acquire significant scope. It follows that the bulk of private fortunes is, in capitalist society, directly or indirectly the result of the process of which innovation is the “prime mover”’ (Schumpeter 1939a: 105–06). Furthermore, Schumpeter claims that the credit creation of banks is, at least in essential part, directed to new enterprises. ‘It should be observed how important it is for the functioning of the system which we are trying to construct a model, that the bankers should know, and be able to judge, what his credit is used for and that he should be an
independent agent’. Furthermore, ‘the banker must not only know what the transaction is which he is asked to finance and how it is likely to turn out, but he must also know the customer, his business, and even his private habits, and get, by frequently “talking over things with him”, a clear picture of his situation’ (ibid.: 116).

6 Global insecurity in the early twenty-first century: neoliberalisation and the rise of new imperialism

1 Following Karl Deutsch, by integration I mean the attainment, within a territory, of a sense of community and of institutions and practices strong enough and widespread enough to assure, for a long time, dependable expectations of peaceful change among its population. Interdependency per se does not imply integration; to the contrary, in many contexts interdependency may mean liability to conflicts and violence. See Patomäki (2002: ch. 8).

2 Martin Rees (2004: 25–28) quotes President Kennedy as saying that the chance of a nuclear war during the 1962 Cuban missile crisis was ‘somewhere between one out of three and even’. After a brief analysis, Rees concludes that ‘so we shouldn’t be surprised that we and our society survived [the cold war]; it was more likely that we would than that we wouldn’t [because the probability of a nuclear war was less than 50 per cent]’. However, a 15–30 per cent chance can be a worthwhile bet in a gamble; even much more unlikely combinations do occur. Humanity was playing Russian roulette and luckily survived this time. A less well-known incident occurred in 1983. Various accounts have suggested that Soviet intelligence interpreted the November 1983 Able Archer exercise as a cover for a NATO first strike and a nuclear alert was triggered (see Andrew and Gordievsky 1991: 85–89; Ralph 2001; and the excellent article in Wikipedia Able Archer at http://en.wikipedia.org/wiki/Able_archer#_note-2, accessed on 8 March 2007). The probability of a nuclear war was probably less than in the case of the Cuban missile crisis, but the consequences would have been more devastating, given the development of nuclear arsenals in 1962–83. Thus the overall risk was perhaps bigger in 1983 than it was in 1962, when particularly the USSR had only a limited capacity for all-out nuclear war.

3 For reasons of lack of space, I cannot tackle properly the widespread hypothesis of mainstream neoclassical economics, according to which policy-makers of the OECD countries have since the 1970s simply adopted more modern and better economic theories as the basis of their policy-making. The rather Hegelian assumption – ‘what is real is rational’ – is that this has caused the shift from Keynesian towards more monetarist or orthodox positions. The second neoclassical hypothesis is that there are also objective reasons for this shift, for the Keynesian theory did not work in the long run; monetarist and orthodox theories explain the world better than the Keynesian theories. This concerns particularly the explanation of inflation that was rising in the 1960s and was increasingly perceived as the key problem of economic policy. However, suffice it to say that from a political economy point of view the value of money is an object of struggles over income distribution and relations of power. Inflation may be, in part, also a sign of a stalemate in those struggles, as was arguably the case in the context of wage-push inflation of the late 1960s and early 1970s.

4 In some of my earlier writings (e.g. Patomäki 2003), I have implicitly taken for granted some elements of the thesis of post-Fordism, which is associated particularly with the (French) regulation school of political economy, although the original concept of Fordism comes from Gramsci and there is thus also a close relation between neo-Gramscian theory and the concept of post-Fordism. The iconic model of neoliberalisation as a self-reinforcing process developed here
should be read also as a partial revision of my own earlier views. Now, to the extent that post-Fordist relations of production are assumed to explain neoliberalism, the scheme of explanation seems in fact classically Marxist (relations of production → super-structure). The hypothesis that the rise of neoliberalism either can be explained in terms of – or at least somehow resonates with – the development of post-Fordist relations of production, and that neoliberalism constitutes the regime of regulation somehow appropriate or functional for post-Fordist practices and relations of capitalism, can be found for instance Amin (1994); Boyer (1998); and Tonkiss (2006: ch. 4). Some of these also rightly question the coherence of any distinct ‘post-Fordist’ regime of accumulation. Now I think that what is called ‘post-Fordism’ is actually a result of a mixture of processes that include the deepening of consumerism and product-differentiation (itself an important explanation for economic concentration); the development of new communication and information technologies; transformation of relations of power within the workplace in favour of Veblenian professional management and Marxian capital; and the application of ideas of neoclassical economics to management first in private and then in public organisations, and thus a result of the hegemony of neoliberalism. In the early twenty-first century, neoliberalism is no more appropriate (or functional) as a ‘mode of regulation’ than it was in the nineteenth century. Quite to the contrary, in many ways economic liberalism remains as counterproductive as it was pre-1914.

5 Parts of this section draw heavily on Patomäki 2001: ch 3, but the overall interpretation and explanation is somewhat different, given the explanatory idea of a self-reinforcing process that is now much more explicit than it was in my previous works.

6 According to Robert Triffin (1961), if the United States stopped running the balance of payments deficits, the world economy would lose its largest source of additions to reserves. The resulting shortage of liquidity could pull the world economy into a contractionary spiral, leading to instability. If US deficits continued, a steady stream of dollars would continue to stimulate world economic growth. However, excessive US deficits (dollar glut) would erode confidence in the value of the US dollar. Without confidence in the dollar, it would no longer be accepted as the world’s reserve currency. The fixed exchange rate system could break down, leading to instability. Triffin’s idea was to create new reserve units. These units would not depend on gold or currencies, but would add to the world’s total liquidity. Creating such a new reserve would allow the United States to reduce its balance of payments deficits, while still allowing for global economic expansion.

7 The sustenance of the Bretton Woods system became also an issue of justice over agricultural trade and burden-sharing on military spending. The Americans argued that the Europeans should bear a greater share of the Western military spending. ‘The Europeans – less than enthusiastic in their support for the war in Vietnam – ruled out any major European contribution to the US defence costs’ (Strange 1976: 335). In the absence of agreements in this area, the Americans resorted to the options provided by the Bretton Woods system, namely by increasing the amount of dollars in the world economy.

8 Like so often, the originators were more open-minded than the followers of what was quickly to become the deductivist orthodoxy of neoclassical economics. In his seminal Principles of Economics, Marshall (1920[1890]) put all his graphical and mathematical presentations into footnotes and appendices to avoid the temptation of replacing conceptual analysis and concrete problems by formal, mathematised ‘theory’. Marshall (1920[1890]: 644–45) emphasised that good economics must be ‘closely in touch with the actual conditions of life’. ‘The pursuit of abstractions is a good thing, when confined to its proper place.’
However, ‘it is obvious that there is no room in economics for long trains of deductive reasoning’. Moreover, ‘if we shut our eyes to realities we may construct an edifice of pure crystal by imaginations that will throw side lights on real problems’. Hence, although Marshall’s book is the magnum opus of neoclassical orthodoxy, he would not have accepted the fundamentalism of many of his followers; or the way they have distanced themselves from conceptual work and, simultaneously, real-world problems of economic policy.

9 The IS-curve represents equilibrium in the goods market. The equilibrium condition $Y_d = Y$ (aggregate demand equals aggregate supply) can be written as: $I = S$. This means planned investment ($I$) equals planned savings ($S$), but this may or may not imply full employment. Thus the name IS-curve. The LM-curve represents equilibrium in the money market. The dependence of money demand on income, usually represented by a simple equation $M_d = L(r, Y)$ Thus the name LM-curve. The model is about studying simultaneous equilibrium in two markets, thus the name IS-LM model.

10 There is no room to discuss the causes of this decline. Suffice it to mention that the new safeguards for the weaker firms and workers may have reduced the incentives to compete, whereas the leftist challenge to the control over investments might have led to drastic shortening of a time-horizon of the managers of the corporations (their positions and future became uncertain). These developments took place in the context of the global political-economic crisis of the early 1970s (the end of Bretton Woods system of exchange rates, oil crisis and their immediate aftermath). The political response of the managerial class was a right-wing revolt, not proposals for a new Accord, paralleling the unilateralist response of Nixon to the Triffin dilemma.

11 This era included the models of (particularly Latin American but also Asian) bureaucratic authoritarianism and Third World self-reliance, but these and their fate I will have to leave aside in this book because of the lack of space. For an illuminating and still fresh account of competing world order models and global disparities after the Second World War, see Alker (1981).

12 Already in September 2001, at least 725 military bases existed outside the US, deploying about 500,000 personnel and their dependents. In the months following, the United States radically expanded its deployments in many places, and particularly in Afghanistan, elsewhere in Central Asia, and in the Persian Gulf. The US is systematically spying on the bulk of the world’s telecommunications and through its satellites carefully observing movements and developments anywhere on the planet. US military spending is more than the spending of the next 25 biggest military powers combined. It is clear that Bush commits the fallacy of composition if his idea is that all this global military preparedness would be required for ‘safety from violence, the rewards of liberty, and the hope for a better life’. If everyone tried to do the same as the US is doing, in order to be safe, or if even just one other state or coalition tried the same, the world would immediately enter a new era of an arms race (Bush’s assumption seems also reminiscent of the British two-power standard that was officially accepted in 1889, when it was stated that the British naval establishment should ‘at least be equal to the naval strength of any two other countries’, with a margin of 10 per cent for ‘eventualities’; Choucri and North 1975: 109).

13 Ignatieff (2003) calls this ‘narcissism, the incurable delusion of imperial rulers that the “lesser breeds” aspired only to be versions of themselves’.

14 In this sense, Lenin’s militant (anti-pacifist and anti-democratic) revolution of 1917, itself a co-product of the First World War, continues to have serious repercussions in the twenty-first century. The cold war mode of US responsiveness included three key components, namely Manichean dualism, militarism and the vested interests of the military-industrial complex. All these have deep
geo-historical origins in earlier eras – since Zoroastrianism, universalist Occiden
tal religions of great agrarian civilisations (Judaism, Christianity, and Islam)
have cultivated Manichean theologies; militarism was a strong current in the
wars against Indians and European colonial powers as well as in the US civil war,
and perhaps particularly so in the first imperialist phase in the US history from
1890s onwards; and the military-industrial complex originates also in the pre-
1914 era. However, one should not confuse the origin (or genealogy) and exist-
ence of something. Many practices and structures that existed in the past do not
exist anymore; they have become absent. It is their existence – or re-emergence –
in a given context that needs to be explained. The cold war was a sweeping
process whereby Manichean dualisms, militarism and the military-industrial
complex were reproduced, consolidated and entrenched in the US. Now, many
scholars and commentators have plausibly argued that the US foreign policy
in the 1990s and early 2000s can be explained at least in part in terms of
unconstrained structural continuity from the cold war era (see e.g. Campbell
1992; Higgs 2001; Lapham 2006) as well as in terms of responses to the problems
stemming from the repercussions of the cold war struggles that took place in
many countries of the global south (Westad 2005).

15 Apart from the classical theorists of imperialism (see also Gallagher and Robinson
2006[1953]), many early twenty-first century scholars have linked economic
liberalism and the tendency towards empire-building, whether informal or
formal. However, the hypotheses they propose tend to draw heavily from
the classical theorists and remains at the level of tentative openings. Herman
Schwartz (2002–3: 351), drawing from Hobson, comes closest to my explana-
tion, arguing that ‘a reconstruction of [Hobson’s] argument shows that the
Bretton Woods period represents Hobson’s preferred non-imperial outcome, this
outcome was not stable. Instead, the dynamics that brought about Imperialism
in the first place eroded Bretton Woods and returned us to Hobson’s situation
of “informal imperialism”’. There are, however, also indications of quasi-formal
imperialism as well (or at least of US-centric ultra-imperialism). See also Nowell
(2002–3); Perelman (2004); and Prasch (2005).

16 The US National Security Strategy (2002: 5) states that ‘the struggle against
global terrorism is different from any other war in our history. It will be fought
on many fronts against a particularly elusive enemy over an extended period
of time’.

17 John F. Murphy (2004: 352) concludes, after a detailed study, that ‘even after
September 11, there are numerous instances where the US has closely followed
the rule of law’. It has also actively taken part in developing new anti-terrorist
resolutions and treaties and seeks to secure that others’ are following its preferred
neoliberal rules and principles. The point is, however, that the new US doctrine
of pre-empive attacks (which opens up the possibility of extra-territorial or
imperial violence) and its deep suspicion of – and refusal to accept – binding
third-party dispute settlements clearly indicate a public policy of placing the US
above international law. It is also well-known that, in the 2000s, the US has
rejected a number of widely-supported international treaties.

18 Often this ‘failure’ is argued to stem from the constraints of domestic public
opinion and international law; see e.g. Wohlworth (1999: 8). A more radically
imperialist statement is provided by Boot: ‘In deploying American power, deci-
sion makers should be less apologetic, less hesitant, less humble. Yes, there is a
danger of imperial overstretch and hubris – but there is an equal, if not greater,
danger of under commitment and lack of confidence. America should not be
afraid to fight “the savage wars of peace” if necessary to enlarge “the empire of
liberty”. It has done it before.’ (Boot 2002: 352).

19 The US National Security Strategy (2002: 26) takes into account the possibility
of new great power rivalry, particularly if other great powers refuse to follow the US interpretation of the neoliberal principles of global governance: ‘We are attentive to the possible renewal of old patterns of great power competition. Several potential great powers are now in the midst of internal transition – most importantly Russia, India, and China. In all three cases, recent developments have encouraged our hope that a truly global consensus about basic principles is slowly taking shape’.

7 Possible futures A: the logic of violence and war returns to the core areas of global political economy

1 This is in fact somewhat imprecise. Even in the long downward phases of Kondratieff’s (1984[1928]) original analysis, for instance, economic growth and inflation at a slower pace are possible. Absolute decline is different from relative decline, i.e., decline in the rate of positive change (or the first derivative of a growth function).

2 Ever since the days of Henry Clay and Friedrich List, and particularly since the second Industrial Revolution, many states have been systematically engaged in creating the institutions and infrastructure for techno-scientific developments (education, research, technical standardisation, intellectual property rights, means of transportation, sources of cheap energy, etc.). There is nonetheless something revealing in characterising the neoliberal era especially as the ‘age of Schumpeter’, for whom the dynamics of technology and the process of creative destruction is the essence of the capitalist market economy. As Herbert Gierch summarises the basic Schumpeterian tenets of the neoliberal era, ‘the approach is micro rather than macro’ and the ‘emphasis is on the growth and dissemination of knowledge, on path-breaking entrepreneurs who create new markets and successful “intrapreneurs” who rejuvenate old firms, on credit creation for the supply of venture capital, and on Schumpeterian competition (i.e. on innovative monopolistic competition rather than on sterile perfect competition, on oligopolistic rivalry rather than collusive equilibria, on aggressive trading rather than mere arbitrage transactions . . .; in an open world economy, Schumpeterian competition also prevails among governments and central banks’ (ibid.: 105–106).

3 For an interesting discussion about the unique institutional arrangements in China’s economy and how they have contributed to China’s economic growth, see Unger 1998: 105–12.

4 The rest of this paragraph was written by Jamie Morgan, in the University of Helsinki-based Centre of Excellence of Global Governance research project on global political economy, venture 1 (from Morgan 2006b, 3–4). The next paragraph also owes a lot to Morgan’s thorough and outstanding research (see also Morgan 2006a).

5 One future possibility is that under constant pressure from Washington, China will at some point follow suit with the rest of the world by Anglo-Americanising its institutions and liberalising transnational finance. There are reasons why the Chinese decision-makers may choose this path. Future Chinese policy-makers have been increasingly educated in neoclassical economics, which encourages belief in the inevitable convergence with the standard Western model. Similarly, China’s entry into the WTO implies a commitment to the basis theses of orthodox economics. Should China assume the orthodox path, it will become increasingly susceptible to financial crises, which will impede further rapid growth, and cause political turmoil in China.

6 Godfrey Hodgson (2007) reports that ‘the quarter ending on 31 March 2007 promises to blow away all previous records for political fundraising in the United States. Never has so much been raised, so early’. He quotes approvingly
an anonymous blogger writing: ‘It’s obvious’, a blogger wrote ironically, ‘there is no reason to have an election. The candidate with the most money wins the election. Cancel the election; set a date – say the end of July 2008 – and whoever has the most money is the winner. That is how it will end up anyway, and we don’t have to put up with politicians telling us how they have a new way of doing things’.

7 For Gill, the notion of ‘constitution’ is a metaphor derived in part from the ideas of Milton Friedman and Friedrich Hayek that indicates how difficult it is to change international treaties. However, for a legal-normative argument that the idea of constitution, literally conceived, should not be applied to the WTO or to the interpretation of its treaties, see Dunoff (2006).

8 This is of course a contested claim. There are many who oppose ‘the powerful myths about inevitable globalization’, claiming that states in fact still retain a lot of autonomy in choosing their own institutions and policies (Hirst and Thompson 1999; Weiss 1998; and Veseth 1998). However, the further the self-reinforcing process of neoliberalisation has gone, the less plausible their claim is, although states always retain some autonomy (as any social action involves the possibility of acting otherwise), and although the anticipated process of competing imperialisms would again make some states and regional organisations more separate in the future in some ways.

9 In 1943, Jean Monnet, a member of the National Liberation Committee of the Free French government in exile in Algiers, and regarded by many as the future architect of European unity, is recorded as declaring to the committee (this quote is widely available in different sources): ‘There will be no peace in Europe, if the states are reconstituted on the basis of national sovereignty . . . The countries of Europe are too small to guarantee their peoples the necessary prosperity and social development. The European states must constitute themselves into a federation’. For a more recent social-democratic version of the same argument, common in Europeanist discourses, see Hettne (1993).


11 For instance, the first Human Security Report (2005) documents a clear decline in the number of wars, genocides and human rights abuse over the past decade. While some of the figures may be controversial (see note 4 of chapter 1 on p. 242), it is true that during the cold war, many conflicts were transformed into moments in the cold war struggles between the superpowers (in addition to those that were in fact instigated either by the US or the Soviets). The US and the SU often provided strong financial support and heavy weaponry to the warring parties, thus making conflicts and wars more violent and often prolonging them. They also used their veto at the UN to prevent the ‘international community’ from taking any action. Since the end of the cold war, it has been more difficult to fund wars and the peaceful interventions by the UN, OSCE, various NGOs and ‘third parties’ have been numerous.

8 Possible futures B and C: wars, crises and peaceful transformations of global governance

1 These visions were preceded by the Enlightenment plans for a lasting peace in Europe. These plans – and Kant’s ‘Perpetual Peace’ in particular – not only constituted the modern international problematic but also indicated the emergence of a reformist mindset keen to overcome the divisions and fallacies on which the interdynastic system (1689–1815) of constant warfare was based. See chapter 4, section ‘State, aristocracy and war’ for further details.
In fact, an international bank money was established at this time, but it did not resolve the Triffin dilemma or the instability of the Bretton Woods system. SDR (Special Drawing Right) is an international reserve asset introduced by the International Monetary Fund (IMF) in 1969. It did not replace the US dollar as the currency of the global monetary system. However, IMF member countries may use SDRs in transactions among themselves, with 16 institutional holders of SDRs and with the IMF. The SDR is also the IMF’s unit of account. A number of other international and regional organisations and international conventions use it as a unit of account, or as a basis for a unit of account. The SDR’s value is set daily using a basket of four major currencies: the euro, Japanese yen, pound sterling, and US dollar. The weights of the currencies in the basket in years 2006–10 are USD 44 per cent, EUR 34 per cent, JPY 11 per cent, and GBP 11 per cent.

At times, Keynes appeared hostile towards overt emphasis on social justice, and was frequently also suspicious of trade unions, economic nationalism and other things then cherished by the British Labour Party. Moreover, a number of observers have distinguished Keynes’ own liberal ideas from the social democratic Keynesianism that prevailed in the Bretton Woods era; for discussions, see Backhouse and Bateman 2006; and Brittan 2006. Nonetheless, Keynes’ vision of a fair and well-working economy (in the last chapter of *General Theory*) and international economic system (in his various proposals for an International Currency Union) clearly entail a theory of justice that comes close to that of John Rawls (1973). However, although Keynes at times talked about ‘needs’, he never articulated anything equivalent to the Rawlsian difference principle, according to which social and economic inequalities are to be arranged so that they are to be of the greatest benefit to the least-advantaged members of society.

The World Economic Forum is a Geneva-based foundation whose annual meeting of top business leaders, national political leaders (presidents, prime ministers and others), and selected intellectuals and journalists. The World Economic Forum is usually held in Davos, Switzerland. There are also regional meetings throughout the year. It was founded in 1971 by Klaus M. Schwab, a business professor in Switzerland.

The global debt problem has been an important part of the global economic downturn since the 1970s and it has played an important role in the self-reinforcing process of neoliberalisation. The total debt of the Southern countries, according to one estimate, was $568 billion in 1980. During the next seventeen years it more than tripled, totaling over $2,000 billion. In the same period of time, the South transferred $2,900 billion to the Northern creditors in interests and principal. While these figures are rough estimates and vary depending on how they are measured and who provides them, the basic tendency remains constant in most accounts. The indebted Southern countries have often devoted a major part of their scarce resources into servicing their debts, but the total amount has kept on growing.

Originally Tobin made his proposal at a lecture in 1972 (*The Eliot Janeway lectures* were published in Tobin 1974, the argument for the CTT is on pp. 88–92); however, the argument was re-made more thoroughly in his 1978 work. In 1981, Tobin was awarded the Nobel Prize, for reasons not related to this proposal, but for ‘his most outstanding and significant research contribution to the theory of financial markets and their relation to consumption and investment decisions, production, employment and prices’. In the late 1990s, Tobin continued to advocate the currency transaction tax (see Eichengreen, Tobin and Wyplosz 1995; and Tobin 1996).
The LTCM debacle shows how close the Asian crisis was actually to become global and systemic. LTCM (Long-Term Capital Management) was an investment partnership started in 1994. It was very successful, having annual returns in excess of 40 per cent in 1995 and 1996, although somewhat less in 1997. Aided by the reputations of well-known economists (including two Nobel prize winners) and traders, it was able to raise its leverage up to 40 times its original funds, or more. Relying on insights generated by sophisticated mathematical models, and by building complex investment strategies, LTCM made bets on the changes in the relative prizes of bonds in the US and abroad due to changes in the risk premia (see Edwards 1999). The announcement of devaluation and debt moratorium by the Russian government on 17 August 1998 triggered a massive flight to safer assets. Top economists and sophisticated models notwithstanding, this surprised LTCM. Very high leverage and large open positions of $200 billion produced losses that the fund could not sustain. In two weeks, LTCM had to send a letter to its investors revealing that it had lost 52 per cent of its value. It had lost its original funds and emerged suddenly as a systematic risk to a number of financial actors (ibid.). However, the Federal Reserve Bank of New York was able to orchestrate a private rescue operation by 14 banks and other financial firms.

Keynes was only talking about the internal developments of the US; Tobin internationalised his point. Keynes (1961[36], 159–160) wrote: ‘When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done. . . . It is usually agreed that casinos should, in the public interest, be inaccessible and expensive. And perhaps the same is true for Stock Exchanges. . . . The introduction of a substantial Government transfer tax on all transactions might prove the most serviceable reform available, with a view to mitigating the predominance of speculation over enterprise in the United States’.


It is worth stressing that no derogatory or negative meaning is attached to the term ‘reactive’ in Braithwaite’s and Drahos’ model, or in this book. The couple of ‘action’ and ‘reaction’ came into contemporary existence as a result of Newton’s third law of motion: ‘to every Action there is always opposed an equal Reaction’. This idea became prevalent in eighteenth century political discourses. It was only after the French Revolution that the term ‘reactionary’ started to implicate a conservative attempt ‘to turn the clock back’ (as measured in terms of the Enlightenment idea of progress), see Hirschman 1991: 8–10.

Habermas’ depiction of the rise of new imperialism in the US (in Mendieta 2005) is based on his theory of evolutionary learning as universal progress: ‘an ultramodern power like the US relapses into the pseudo-universalism of the ancient empires when, on questions of international justice, it substitutes morality and ethics for positive law. From Bush’s perspective, “our” values are the universally valid values which all other nations should accept in their best interests. This pseudo-universalism is part of an all-encompassing ethnocentrism’. Obviously, this critical account does not explain the rise of new imperialism or its consequences; it just evaluates it.

See introduction, and particularly footnote 4, for a discussion on the unreliability of some these figures and on contested interpretations of their significance. Although it is true that the overall number of armed conflicts has dropped in 1992–2006, the number of wars has remained larger than at any time in 1946–76.

An already-existing regulatory novelty is the lender-of-last-resort role of the IMF (and of the central banks of course, earlier introduced in the wake of the 1930s’
Great Depression). There is also the relative novelty and significance of the Bank for International Settlements (BIS) regulations. In the aftermath of various late-twentieth-century agreements between the fifty-five member central banks of BIS, tier-one capital must now be at least 4 per cent of total risk-weighted assets. Total capital must be at least 8 per cent of total risk-weighted assets. When a bank creates a deposit to fund a loan, its assets and liabilities increase equally, with no increase in equity. That causes its capital-ratio to drop. Thus the BIS capital requirements limit the total amount of credit that a bank may issue. The existence of lenders of last resort and the new capital requirements make the financial markets less vulnerable to major disturbances and collapses. This kind of regulation works to stabilise the existing system; however it does so without questioning the broader consequences of the dominance of global electronic capitalism.

16 In December 2005, the total official foreign exchange reserves were about $4,200 billion and the world GDP about $44 billion. Central banks have been rapidly accumulating their foreign exchange reserves already since the late 1980s and mostly at the pace of growth in the foreign exchange markets. In the 2000s, the main concentrations of reserves build-ups have been in Asia (the 2005 increase concentrated in China) and in oil exporters. Thus the accumulation of foreign exchange reserves reflects also the accumulation of surplus in world trade. For the most recent global statistics, see Bank for International Settlements 2006: ch. 5, particularly the table on p. 83.

17 Major international reports on global warming include the 30-year update of Limits to Growth (Meadows, Randers and Meadows (2005: 112–21); The Stern Review on the Economics of Climate Change, a 700-page report released on 30 October 2006 by economist Sir Nicholas Stern for the British government (Stern 2006); and the second part of the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (2007). In addition, the motion picture and book by the former US Vice President Al Gore, An Inconvenient Truth: The Planetary Emergence of Global Warming and What We Can Do About It (Gore 2006) has been important in raising the issue of global warming on the agenda of world politics. On 17 April 2007 the UN Security Council discussed global warming, thus constituting it as an urgent issue of global security.

18 The term is borrowed from George Monbiot (2006, ch. 2). Monbiot goes systematically through the alleged evidence of those who have, over the years, cast a shadow of doubt over the scientific consensus on global warming. Most of it has had no basis on any peer-reviewed scientific research, but is based on inventing ‘facts’ and then others citing them as ‘evidence’. In the rare cases when some pieces of evidence seem to have supported the sceptics, it has been soon overruled by further research and evidence. What is common to many of those think-thanks, research institutes and NGOs that have campaigned against the claim of global warming is that they have been funded by the oil giant Exxon (and a few other oil, coal and utilities corporations). Also many politicians in the US in particular have had very close ties with the oil companies. The Exxon’s campaign has followed the model of Philip Morris’ campaign against attempts to restrict smoking in public places. Also see Loeb (2007) on how ‘Exxon’s strategy of using a handful of industry-funded dissenters to cast doubt on an overwhelming scientific consensus was borrowed from the fight over tobacco regulation’; and Gore (2006: 264–65) on the role of Philip Cooney as the chief of environmental policy in the White House — Cooney worked at the American Petroleum before hired by George W. Bush and went to work for Exxon Mobil after his resignation in 2005.

19 This is the radical claim of Monbiot (2006: xi–xii), based on the analysis of Forrest (2005). Of course, all estimates are informed guesses that can, at best, give only a rough probability for certain safety levels. The point in this study on
the political economy of global security is not to take a stand on any exact figures on atmospheric processes; what matters is the reasonable certainty that drastic reductions are necessary in order to avoid a runaway greenhouse effect.

20 Suffice it to mention here that the problem with nuclear energy is two-fold. First, the reactors are security risks in themselves. Accidents are possible, and reactors can be deliberately harmed by means of violence. Second, ‘no nation has solved the problem of nuclear wastes’ (Meadows, Randers and Meadows 2005: 112).

21 After years of denial, the US government came out with a technical counterproposal in 2007. Instead of reductions in carbon emissions and projects attempting at recovery of ecological systems, the US government wants scientists to develop technology to block sunlight as a last-ditch way to halt global warming. Possible technical means to do this would include giant mirrors in space or reflective dust pumped into the atmosphere. The Intergovernmental Panel on Climate Change (IPCC) had earlier said in its draft report that such ideas are ‘speculative, uncosted and with potential unknown side-effects’ Adam (2007). ‘The US Answer to Global Warming: Smoke and Giant Space Mirrors’, The Guardian, 27 January 2007.

22 The main conclusions of the Stern Review on the Economics of Climate Change (Stern 2006) are that 1 per cent of global GDP is required to be invested a year in order avoid the worst effects of climate change, and that failure to do so could risk global GDP being up to twenty per cent lower than it otherwise might be. This may turn out a conservative estimate should some of the worst-case scenarios materialise.

23 Two hundred years of growth at the rate of 3 per cent will yield an overall growth by the factor of 370. That is, the world would consume and produce 370 times more energy in 2200 than at the moment. The idea that this would amount to reaching the level of Dyson’s Type I civilisation comes from a popular science author Kaku (1998: 8).

24 Roughly, these are the words of a former Indian defense minister K.C. Pant, cited and amended in Manoj Joshi, ‘Nuclear Shock Wave’, an interview with PM Atal Bihari Vajpayee, in India Today, 25 May 1998.

25 For a similar anticipation from the early 1990s of major terrorist attacks in the US, see Teivainen (1995: 111). ‘For example, it should be no surprise if we experience a significant increase in terrorist activities inside the United States during the coming decades (years? months?), and it might become increasingly difficult to find any evidence that links these activities to any specific nation-state.’
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