

Nothing New in the East: No New World Order

Andre Gunder Frank

It is as if Stalin, Churchill, and Roosevelt had studied carefully the *status quo* of the age of Charlemagne on the 1,130th anniversary of his death [when they drew the Iron Curtain across Europe].... The old Roman *limes* would show up on Europe's morphological map, thus presaging right from the start the birth of a "Central Europe" within the notion of the "West."

The whole history of the Hapsburg state was an attempt to balance the unbalanceable while being squeezed somewhere between the two extremes of East-Central Europe. The only consequent structural element in that formula...[was] the setting up by the Hapsburgs of a diminished — "East-Central European" — copy on an "imperial scale" of the division of labour drawn up by the nascent "world economy" on a larger scale.... The Hapsburgs had no chances in the Western sector of the world economy either. So the House of Hapsburg settled down to a division of labour between West (industrial) and East (agricultural) through the economic structure within its own, East-Central European, political framework.

— Jenő Szücs (1983: 133; 172–173)

Nothing New in the West was the title of Erich Maria Remarque's classic book at the end of World War I. *Nothing New in the East* should have been its sequel after World War II — and again, or rather still, now after 40 to 70 plus years of "socialism" there. Indeed, the epigraphs above suggest that the *division* of Europe into East and West, and the fact that there *is* a division or more than one, is about as old and nearly as invariant as "Europe" itself. So much for the "new order" in Europe. However, we could say nearly as much for the "*new order*" in the world. It is as old as this world system itself. This world system has been characterized by at least the following features:

1. *The world system itself.* Contrary to Wallerstein (1974), I believe that the existence and development of the same world system in which we live stretches

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back at least 5,000 years (Frank, 1990a, 1991a and b; Gills and Frank, 1990, 1992; Frank and Gills, 1992). Wallerstein emphasizes the difference a hyphen (–) makes, with his construct “the world-system.” Unlike our nearly *world(wide)* system, *world-systems* are in a “world” of their own, which need not even be entirely worldwide. However, the “new world” in the “Americas” was home to some world-systems of its own before its incorporation into our (preexisting) world system after 1492.

2. *The process of capital accumulation as the motor force of (world system) history.* Wallerstein and others regard continuous capital accumulation as the *differentia specifica* of the “modern world-system.” Elsewhere I have argued that in this regard the “modern” world system is not so different and that this process of capital accumulation has played a, if not the, central role in the world system for several millennia (Frank, 1991b; Gills and Frank, 1990). Samir Amin and Immanuel Wallerstein (1991a) disagree. They argue that previous world-systems were what Amin calls “tributary” or Wallerstein “world empires.” In these, Amin claims that politics and ideology were in command, not the economic law of value in the accumulation of capital. Wallerstein seems to agree.

3. *The center-periphery structure in and of the world (system).* This structure is familiar to analysts of dependence in the “modern” world system and especially in Latin America since 1492. It includes, but is not limited to, the transfer of surplus between zones of the world system. Frank (1967, 1969) wrote about this among others. However, I now find that this analytical category is also applicable to the world system before that.

4. *The alternation between hegemony and rivalry.* In this process, regional hegemonies and rivalries succeed the previous period of hegemony. World-system and international-relations literature has recently produced many good analyses of alternations between hegemonic leadership and rivalry for hegemony in the world system since 1492, for instance those of Wallerstein (1979), or since 1494 by Modelski (1987) and Modelski and Thompson (1988). However, hegemony and rivalry for the same also mark world (system) history long before that (Gills and Frank, 1992).

5. *Long (and short) economic cycles of alternating ascending (sometimes denominated “A”) phases and descending (sometimes denominated “B”) phases.* In the real-world historical process and in its analysis by students of the “modern” world system, these long cycles are also associated with each of the previous categories. That is, an important characteristic of the “modern” world system is that the process of capital accumulation, changes in center-periphery position within it, and world system hegemony and rivalry are all cyclical and occur in tandem with each other. I analyzed this for the “modern” world system under the title *World Accumulation 1492–1789* and *Dependent Accumulation and Underdevelopment* (Frank, 1978a and b). However, I now find that this world system cycle and its features also extend back many centuries before 1492.

These five features certainly apply to the “old” and “new” world order in our own time, whatever their relevance may have been in the distant past, as argued in the writings cited above and most recently in Frank and Gills (1992). To expand these concepts with respect to current circumstances:

1. There is only *one* world system. Claims by Stalin in *The Economic Problems of Socialism* shortly before his death in 1953 and by others since then concerning the existence of “two world systems,” one capitalist and another socialist, were an optical illusion. This illusion was derived from the notion of “politics (and ideology) in command,” an idea renowned by Mao and Lenin, but equally shared by Reaganites and Francis Fukuyama. In the real world, economics is in command.

2. Specifically, the worldwide competitive process of capital accumulation is the motor force of history. In this regard, Marx was right to stand the idealist Hegel on his head. In this competitive race for capital accumulation, the “socialist” economies/states in the East of Europe started out with an enormous handicap, which they were never able to make up, let alone overcome. So they lost the race. As is the rule also in other races, most participants also lose; only a few win — and then only temporarily.

3. The center-periphery structure in the world system is alive and well. Indeed, polarization is growing apace in the “really existing world capitalist system,” as Samir Amin has often emphasized. Immanuel Wallerstein also sees polarization growing tendentially. Even the World Bank calculations show the same. The main center-periphery division in the world between the rich North/West and the poor South/East has lasted for a long time, and it is growing deeper and deeper. Within Europe, *this* division has prevailed for over 1,000 years. The fact of center-periphery division has characterized the world system for millennia, and *this* division between two “worlds” has been here for some half millennium.

As the epigraph and experience since 1989 suggest, it was an ideological illusion to regard the East in Europe and the Soviet Union as a “second” world of its own, relegating the South to a “third” world. Both the East and the South were and remain in the “second” world. The “first” world has placed obstacles in the way, if not combated, “ascension” from second to first-world status. Should we not regard the Cold War as primarily an ideologically dressed-up crude attempt by the West to keep the East, and of course the South, in its second-world place? Of course this ploy, including the arms race to spend the East into bankruptcy, CIA machinations, etc. was successful. (*Time* [February 24, 1992] even reported an Un-”Holy Alliance” between President Reagan and Pope John Paul II to “save” Poland.) A “minor” cost was the politically motivated support to South Korea and Taiwan, which permitted them to compete effectively, if not yet to ascend into the North/West. Permitting Germany and Japan, which were *not* previously underdeveloped, to develop entails greater costs, as noted below. With the demise of “socialism,” these costs are exacerbated and the center-periphery structure

and conflict are only further reinforced, or rather more exposed, in a “unipolar” world. Yet, is it really unipolar?

4. For instance, the alternation between hegemony and rivalry continues. The American Century lasted 20 years, from the mid-1940s to the mid-1960s. Since then, the renewed rivalry of (Western) Europe and Japan — but *not* of the Soviet Union as I have emphasized — has been challenging American hegemony. Now the Cold War is over — and Germany and Japan have won. When President Bush launched his “New World Order” with the Gulf War against Iraq, he proclaimed the 21st century to be American as well. Yet financing that war required Bush to send his Secretary of State James Baker hat in hand to Germany and Japan. The president then went to Japan himself as a traveling salesman for his Big Three automobile companies, all of whom have been operating in the red in the face of competition from Japan. After World War I, as Charles Kindleberger aptly put it, Britain could not and America would not (yet) take in hand the reins of the world system/economy and prevent world depression. Now the United States can no longer do so, and Japan will not or cannot, as depression threatens again.

5. The economic cycle continues on its roller-coaster-style ups and downs. Since the mid-1960s, the “Kondratieff” long wave has been in a down phase, including shorter cyclical recessions and recoveries. In 1989, we entered the fifth cyclical recession of this long economic crisis and it threatens to become *the* crisis in the crisis. That this is so is reflected in the fact that President Bush was compelled to put his “new world order” on the back burner or to delete it altogether from his speeches. Instead, he has to play politics at home and concentrate on the domestic agenda, which is set by the recession and his failure to do anything about it. Even the reason for his trip to Japan was billed as promoting “jobs, jobs, jobs,” which translated as “politics, politics, politics” at home.

Thus, the “new” world order continues to fit very well into these older categories. This includes the dramatic events of 1989 to 1992, which have often been misread as significant changes in this order. Below, I will illustrate this continuity by drawing on my earlier writings, which sound as though they were written about the “new” order today, and interspersing them with extracts from the contemporary press.

Continuities in the World Order

When Russian President Boris Yeltsin visited the American President George Bush in February 1992 and pronounced him a “friend and ally,” I recalled the following points made in my 1989 article, “World Debt, the European Challenge, and 1992”:

The continuing world economic crisis, and particularly its expression through the still-growing world debt crisis, offer new alternatives for Europe. These go beyond the oft-heralded unification of the (West) Eu-

ropean Community's Common Market in 1992. They pose the prospect for a more united Europe, East and West, North and South, which I proposed in 1983 in my book, *The European Challenge*.



On the Western economic front, rising debt has virtually exhausted domestic monetary and fiscal policies just to sustain the cyclical recovery. Moreover, international coordination of these policies has so far proven impossible. The next recession in 1989–1990 will further aggravate these problems and sharpen these conflicts. A sharp recession would further paralyze monetary and fiscal policies and their coordination just when they will be most needed to prevent recession from turning into depression. Western Europe may lose some of the American market on which it is so dependent. Europe will also face increasing competition on the world market from Japan and, with a devalued dollar, from the U.S. itself. Therefore, Western Europe will increasingly need more (traditional?) markets in Eastern Europe and the Soviet Union, and perhaps in the Middle East and Africa.

The Soviet and East European economies have also been weakened rather than strengthened, despite some higher growth rates in recent years. Romania and Yugoslavia entered economic and possibly political crises reminiscent of the earlier Polish one. Poland itself has been unable to proceed with the necessary economic reforms...[which are] more of a step to ward off total breakdown than one toward resolution of the crisis. The previously exemplary Hungarian economy also entered an aggravated crisis phase. The Bulgarian, Czech, and East German economies are still floating and expectant of developments in the Soviet Union. There most dramatically, Gorbachev has introduced economic *perestroika* and political *glasnost* (which is necessary to make the former possible) in response to the critical state of the domestic Soviet economy and its (in)ability to compete internationally.



In the Soviet Union, Gorbachev himself speaks of the need for a second revolution. However, it remains uncertain to what extent he will be successful or whether he can himself even survive the domestic social and political costs of his revolutionary attempt. His economic, not to mention the related political and nationalist, problems are daunting: How to restructure the economy (*perestroika*) with the inherited price system? How to change the price system (just postponed) and simultaneously reduce the budget deficit (which is proportionately twice as high as the American one)? How to make the rouble convertible without first changing

the domestic price system? Most important, how to produce immediate economic benefits for the population from *perestroika*, before the therefore necessary *glasnost* (and the resulting expression of nationalist resentments) dethrone Gorbachev and reverse *perestroika* itself?

What is certain is that Western (especially European) economic and perhaps political cooperation will be necessary throughout Eastern Europe and the Soviet Union to minimize their own domestic social and, perhaps, political costs of restructuring and transition. Therefore, The European Challenge is vital in Eastern Europe and the Soviet Union as well, so much so that Gorbachev now insists on talking about "our common European home."



Furthermore, recent years have witnessed new or revived discussions of "Central Europe," "Middle Europe" (with Germany in the middle), "Nordic Countries" in Northern Europe, "Southern Europe," and "the Balkans." However, these proposals are floated less through diplomatic or political than through cultural channels. All of these economic, political, strategic, diplomatic, cultural, and other developments in the world and Europe make The European Challenge and the thesis of increased East-West European cooperation or the "Europeanization of Europe" ever more timely.

Without a European policy of its own, Europe may, however, fall between two stools as a result of a possible American-Soviet rapprochement. Washington is already the locus of some talk about a possible U.S.-Soviet alliance, which might tempt the USSR for economic and/or strategic reasons. The March 1989 Kissinger proposal to cut an American-Soviet deal (a second Yalta?) over Europe may be a step in the direction of such a U.S.-USSR entente. So may the April 1989 announcements of proposed large investments in the Soviet Union by a consortium of major American companies. The United States needs export markets, especially if it is to service any of its debt to Europe and Japan; but these capitalist market economies would be unable to absorb such American exports. If the deal could be (debt) financed, however, "socialist" China and/or the Soviet Union could import these American exports! Where would that leave Western and much of Eastern Europe?



The year 1992 represents a European Challenge, which can and should be used to help unite and strengthen all of Europe, East *and* West, North *and* South, with a political Finno-Yugoslavization of Eastern Europe and a Swedo-Austrianization of Western Europe in our Common European Home.

Current events in Eastern Europe and the former Soviet Union also reflect long-term tendencies analyzed in my earlier writings. In 1972, I first spoke publicly and published about the Kondratieff downturn noted above and about the reincorporation of the “socialist” economies in the world economy (see Frank, 1981a). In 1976, I wrote about “Transideological Enterprise! The Socialist Economies in the Capitalist International Division of Labor” (Frank, 1977 and 1980: Chapter 4). This apparently longstanding economic, structural, and, with it, political and cultural division of Europe has been perpetuated to this day — and promises to continue for some time to come. Ironically, many “Second World” East Europeans who sought to join the “First World” West will find themselves in the “Third World” South instead.

Eastern Europe in the World Economy

Historically, *Eastern Europe*, although culturally European, was never economically developed like Western Europe. Therefore, the peoples in that area have little historical claim to becoming West European now. The only areas that were historically similar to Western Europe are the eastern portion of Germany, the Bohemian and Moravian parts of Czechoslovakia, and in some sense, parts of Hungary, Slovenia, and perhaps part of Croatia in Yugoslavia in *Central Europe*, plus the former Soviet Baltic republics.

Forty years of the *politics and ideology* of “socialist development,” not to mention the “development of socialism,” seem *not to have changed the economic positions* of these regions, either relative to one another, or relative to Western Europe. Eastern Europe did narrow the gap with Western Europe in the 1960s. The gap narrowed a bit more, or at least was maintained, in the 1970s by virtue of recessionary lower growth rates in the West, which fed Western loans to the East and allowed Eastern borrowing from the West. However, the gap quickly widened again with the onset of the debt crisis in the East and long-cyclical recovery with technological advance in the West during the 1980s. Thus, over the entire postwar period taken as a whole, the East-West gap and the relative positions within the East changed little.

Indeed, it is even open to question whether these 40 years effected much change in the internal class structure in the East. If there was any change of position or of class structure, it was mostly the decline of Bohemia, Moravia, Hungary, Slovenia, and perhaps the Baltics in Central and “socialist” Europe relative to the rise of parts of Spain, Italy, and Greece in “capitalist” Southern Europe. Industrialization, of course, modified the class structure everywhere in Europe, but apparently not more and perhaps less in the East than in the West and South. Therefore, only the above-mentioned regions in *Central Europe* now have a fighting chance of recuperating their historical positions in Europe, and that in competition with Southern Europe. Public opinion in Southern Europe is already very aware of this threat, while in Central and Eastern Europe the public

still appears unaware of the problem (Hofbauer and Komlosy, 1991).

Many regions in Eastern Europe and the former Soviet Union now face the serious prospect, like Africa, of being marginalized out of the (admittedly exploitative) international division of labor. Their natural resources have been squeezed dry for the benefit of industrial development farther north and the regions and their peoples can now be discarded. That is the political position, for instance, represented by the Russian President Boris Yeltsin. The southern inhabitants' wrath at having been exploited for so long in the past and its demand for its cessation in the future is understandable. So is the appeal to (or discovery of) "traditional" ethnic and national identity and inter-ethnic strife in response to aggravated economic deprivation, such as 30% unemployment in parts of Soviet Central Asia. However, the demands for political "independence" and current inter-ethnic strife in Central Asia or Central Africa will afford them little economic benefit in the future. On the contrary, the erection of politically motivated ethnic and other barriers to economic interchange, including exploitation, threatens to convert them separately and all together into backwaters of history. (However, the "Centrality of Central Asia" was a fact of history for millennia before the world's present North-South arrangement took shape after the 16th century [Frank, 1992c].)

It was not so much the now universally faulted and rejected ideological "socialism" or political "planning" that is responsible for Eastern Europe's backwardness relative to Western Europe. Instead, it was the historical economic differences and relations between the two parts of Europe. Indeed, the revolutions of 1989 in Eastern Europe were not so much responses to supposed *differences* between economic and political policies between East and West. The revolutions were more the consequences of the *similarities* of economic policy in the East with those in the West and especially those in the South, that is, in Latin America, Africa, and parts of Asia.

The world economic crisis had been expanding and deepening in Eastern Europe and the Soviet Union. The economic crisis and related economic factors contributed materially to the desire and ability of social (and also ethnic/nationalist) movements to mobilize so many people at this time for such far-reaching political ends. The decade of the 1980s, indeed beginning in the mid-1970s, is now called "the period of stagnation" in Soviet history and generated accelerating economic crisis and absolute deterioration of living standards in most of Eastern Europe (as also in Latin America, Africa, and some other parts of the world, *vide* Frank, 1988). Significantly, especially in Eastern Europe, this period also spelled an important deterioration and retrocession in its *relative* competitive standing and standards of living compared to Western Europe and even to the newly industrializing countries (NICS) in East Asia.

It is simply not correct, therefore, to suppose or claim that Eastern Europe or even the Soviet Union were in a separate "system," one that led to their downfall. On the contrary, what led to their collapse was participation in the *same* world

economic system as everyone else. Nor did they have any other choice! This I argued already in 1972 and 1976 (Frank, 1977; 1980; 1981b).

It is ironic that the resulting “transition from socialism to capitalism” is taking place just as another severe recession in the world economy is helping to pull Eastern Europe and the Soviet Union even deeper into depression. Therefore, the celebrations of the revolution of 1989 as liberation in the East and victory in the West may prove premature. The transition is accelerating economic decline in the East at least in part because this transition is being promoted at the worst possible time. That is, the world economy is falling into severe recession again in the West, which exacerbates the difficulties of transition in the East. Already in 1990, production had declined an average of 20% in the East, provoking severe depression and galloping inflation. In 1991 and 1992, depression and inflation also threaten. However, this inflation is measured in terms of the national currencies that have become worthless. Accordingly, these economies are being “dollarized” or “deutsch-markized.” Therefore, the real market value of the properties and goods in nations in the East is suffering a classical and severe *deflation* in terms of these world currencies. (Ironically, the dollar is increasingly valued only in the socialist or ex-socialist East and the underdeveloping South, while it is declining in value on the world market.)

Unemployment is ravaging the populations in the ex-East, which have no unemployment insurance. Previously, the old ideology and full employment made such insurance unnecessary and today the new ideology and bankruptcy make it impossible. In Germany, politically accelerated unification deepened the depression and aggravated unemployment, which has rapidly risen to several million in the East. Also ironically, unification was accelerated to avoid mass migration out of the bankrupt East. Yet unification so accelerated the East’s bankruptcy and unemployment as to promote even more westward migration.

Thus, the policies of accelerated economic integration and marketization of the East are again more effect than cause; and insofar as they cause anything, their effects are again rather the opposite of those supposedly intended. Perhaps more significantly still, the industrial economies of the West, in Europe and elsewhere, are increasingly capable of transferring a major part of the adjustment costs resulting from the world economic crisis to the “second world” East as they already have done to the “third world” South. In so doing, the “second” world is also being “Third Worldized.” *This* is where deliberate policy does come in, however. It is most dramatically visible in the West German colonialization of the former German Democratic Republic, which is reminiscent of the carpetbaggers who went from North to South after the latter’s defeat in the Civil War in the United States. The West is systematically eliminating real and potential competition from the East by forcing even economically sound enterprises into financial bankruptcy and/or buying them up at artificially lowered bargain-basement prices (Schneider, 1990). The interminable missions of “expert advice” and International Monetary Fund

(IMF) policies that had already depressed the economies of the South and East in the 1980s are today even more legion in the East where they further promote this bankruptcy. They counsel “getting the prices right” by increasing to Western “world” levels the prices of all commodities, including basic consumer goods — while excluding the price of wage labor!

Contours of the World Economic Crisis

Thus, the short- and medium-term prospects are beclouded by the accelerated impoverishment of Central and Eastern Europe and the ex-Soviet Union, first by the world economic crisis and then by political-economic policies that further aggravate its regional effects. At least four dangerous and related consequences threaten or already loom over Europe, including the West, especially with the onset of another recession in both the world economy and Europe in the early 1990s:

1. Accelerated migration from East and South to the West;
2. Radical Right political gains;
3. Ethnic and nationalist strife and conflict; and
4. The breakdown of existing territorial states and outright war among their successors.

Each of these is often (mis)interpreted in its own terms on cultural, ideological, or political grounds. Yet all are intimately related to one another and are ultimately derived from the world economic crisis and the unintended consequences of ill-considered policies adopted to confront that crisis.

The economic crisis is worldwide and affects the hegemony-rivalry process and positions in the center-periphery structure in the world system. Space limitations preclude a detailed analysis of the crisis and the ongoing fifth recession of the world economic crisis.¹ Below, however, I will offer highlights of both the economic crisis and West-West, East-West, and North-South relations found in coverage by today’s daily and weekly press (indented text), together with my commentary (italicized text).²

The Current Recession

“Frank Admission from White House: Recession Isn’t Over.”³ President Bush: “I’ve known this economy is in a free-fall. Maybe I haven’t conveyed it as well as I should, but I do understand it.”⁴ “Now, for the first time, the Fed chairman, Alan Greenspan, is saying that he has no clear idea when the economy’s stagnation might end: by spring, by Election Day, by early 1993, or perhaps not until later in the decade.”⁵ “This Recession Is a Different Beast...not so much in its statistical profile... as in the near certainty that it is not a prelude to a substantial recovery. Having perceived this, consumers have decided that the prudent thing to do is to retrench.... Banks are super cautious in making new loans. Hence

the 'credit crunch' that keeps the economy stalled.... Alan Greenspan told Congress...that the hesitancy of both consumers and bankers 'is extraordinary and unprecedented.'"⁶

"A renewed recessionary cyclical downturn from the Reagan recovery is certain. The evidence suggests that the next recession may also be once again more severe and that it may even turn into a recession analogous to that of the 1930s. [This] suggests that the world economy has not yet bottomed out from its present (possibly Kondratieff) downturn. The evidence may be summarized as follows: Each of the past four recessions (in 1967, 1969–1970, 1973–1975, and the double-dip recession of 1979–1982) was more severe than the preceding one. The growing structural problems, like lower rates of productivity growth and higher structural unemployment, were not resolved or even abated by the succeeding recoveries. The recoveries themselves generated or exacerbated new problems, like the replacement of fixed exchange rates by wildly fluctuating ones in 1973, and the Third World debt crisis in 1982, following upon the increase in credit and interest rates in the 1970s. The recovery since 1983, in particular, generated many new problems, especially the replacement of real production, investment, and productivity growth by growing financial speculation and debt, as well as the exacerbation of imbalances among the United States, Japan, Western Europe, Eastern Europe, the Third World, and within these regions" (Frank, 1986).

"WHAT'S WRONG WITH THE ECONOMY? America is plagued by excess capacity and excess debt. Neither problem will be worked out before the middle of the decade.... Occupancy rates for commercial real estate are at the lowest levels since the Great Depression.... [T]his downturn represents the first time in recent history that white-collar workers have lost jobs in a recession."⁷ "In New England's Economic Slump, Echoes of the Dire '30s."⁸ "U.S. Mayors Urge Relief for 'Hometown America' — Emergency food requests jumped 25% in the nation's major cities this year, while requests for emergency shelter rose 13%. If it is a good policy to feed hungry people...in the Soviet Union, then why isn't it good policy to feed hungry people here in the United States?"⁹

"The longest recession since the 1930s.... The Reagan years'...borrowing and spending...led to the retrenchment that has led to the present slump.... DOES AMERICA NEED A NEW DEAL FOR THE NINETIES?"¹⁰ "U.S. Economy: Woes Go Beyond Debt...into the troubled structure of the American economy.... One reason why no one in Washington professes to know the cure is that acknowledging some of the underlying causes would indict those Reagan and Bush administrations who bear some of the responsibility for them.... It's too late for sound economic policy. Now we're reaching for quick fixes."¹¹

“The U.S. economy suffers from two ailments. For 20 years, incomes have stagnated, leaving the middle class little better off than it was in 1970 [or rather worse off, and the working class is much worse off]. Apart from that stagnation, the economy started sliding into recession in 1990 [really 1989], a slide that has now accelerated — witness the deep cuts announced by General Motor.”¹² “IBM Suffers First Annual Loss as Sales Collapse into Decline” for the first time ever.¹³

Elsewhere, “Glum Rumble of Discontent. Britain is hurting badly, and even the Deutschland Express is wheezing as sluggish growth and soaring unemployment grip the Continent. The economic engines are sputtering from London to Lisbon.”¹⁴ “Soviet and Global Slump Worry G-7.... All our economies are underperforming.”¹⁵ “U.N. Sees ‘Depression’ in East... the overall drop in industrial production at 19.5% for 1991.”¹⁶

“The recourse by policymakers to anti-recessive economic policies to promote and sustain recovery may render these instruments less available when they are needed to combat the next recession. Examples in domestic (monetary) policy are accommodating monetary policy and lower interest rates by the Federal Reserve Board. Examples in domestic fiscal policy are increased public (defense) expenditures, reduced taxes, and a bigger budget deficit. Examples in international economic policy are exchange-rate intervention and trade policy. Therefore, easy recourse to these and similar economic policies to assure a soft landing in, let alone provide for a sustained recovery from, the next recession are likely to be less available, effective, or adequate. In particular, the recourse to reflation, which is so dear to some economists’ and to policymakers’ hearts, is not likely to be an adequate policy remedy in the next recession...” (Frank, 1986).

“Unpleasantness Ahead? With the latest drop in interest rates, the Federal Reserve Board is doing its desperate best to revive the economy. It can’t go much farther.... While the fear of a renewed — or continued — recession is widespread, it is quite possible that public policy can do very little about it. Increasing an already gigantic budget deficit is not going to help.... Some of the American prosperity of the 1980s was spurious.... If the flow of money from other countries declines, as now seems to be happening, the standard of living is going to suffer. That is what happened to Latin America....”¹⁷

“Contrary to almost everybody except the Nobel Laureate in economics from Yale, James Tobin, there is a serious danger of deflation rather than inflation.... The next recession may threaten another period of very severe deflation as credit-supported, speculatively inflated values collapse. It becomes rational and necessary for individual and financial corporations to sell off real and financial assets at any low price they will fetch in order to raise the cash they need to meet

their most pressing immediate interest-payment and other financial obligations” (Frank, 1986).

“Too much debt. Too many loans. Too much unneeded real estate. The excesses of the 1980s have damaged many of our financial institutions and corporations. Now comes the cleanup...perhaps even deflation... The World Bank: Debt Crisis Not Finished.”¹⁸

“Another important deflationary influence in Europe and Japan of any U.S. recession...would be the consequent loss of their U.S. dollar-denominated assets.... The flight of Japanese capital from overseas (especially from the United States) and, of course, the growth of protectionism and Japan bashing...as the United States and Europe try to redirect Japanese exports to or against each other...is a real possibility in the next recession. Perhaps the most plausible alternative would be to upgrade...the Japanese yen and the German mark, or a mark-based Eurocurrency through the strengthening of the European Monetary System (EMS).

“All of these economic possibilities and policy options would sharpen already existing economic and political conflicts of interest (and of economic and monetary policy) among the United States and its Japanese and European allies, as well as with Third World countries.... The United States, Japan, and Western Europe could turn increasingly toward neomercantilism and/or the formation of regional blocs. These blocs might be centered on the United States in the Americas, Japan in Asia, and Germany in Western Europe and Eastern Europe.... These could also promote the creation or extension of a European bloc in Western Europe or in all of Europe, including Eastern Europe, with some possible participation of the Soviet Union as well. This policy to extend détente into a pan-European entente has also been proposed by the present author’s The European Challenge: From Atlantic Alliance to Pan-European Entente for Peace and Jobs (see Frank, 1983).

“The options for Canadian and Latin American nationalism would be more constrained by an American Hemispheric bloc or even a North American Common Market.... Similarly, renewed pressure could build up toward the formation of a Japanese ‘Greater East Asian Co-Prosperity Sphere’ (to recall the term of the 1930s) in the Pacific area” (Frank, 1986).

“Each One Going Its Own Way... The German move (to raise interest rates), as the Federal Reserve lowered the discount rate in America, was dramatic evidence that the Group of Seven coordination is dying on the vine. Each major country is attending to its own current problems with little regard to the impact of its decisions on others.”¹⁹ “International economic coordination among the Group of Seven powers is in a deep freeze. Investment money may drift away from the United States to Europe so as to earn a better return.”²⁰ “Thoughts have turned to the possibility of a tripolar international monetary system, centered on the

U.S. dollar, the deutsche mark, and the Japanese yen.”²¹ “The building blocs of world trade: What in the world do economists worry about? A large part of the answer, to judge from the list of this year’s Amex Bank Review Essay Competition, is the state of the world’s trading system and the emergence of trading blocs. Two of the three prizes that will be presented...are concerned with trading blocs.”²² “Emerging Trade Blocs: The Americas...Europe...Asia and the Pacific Rim” are the themes of a major conference on “World Trade and Investment: Emerging Blocs and Opportunities” sponsored by the International Chamber of Commerce and the *International Herald Tribune*, according to a half-page announcement in the *International Herald Tribune*.²³

After the above lines were composed, David Stockman, until his resignation the man responsible for the fiscal side of Reaganomics as Ronald Reagan’s Budget Office director, stated in a follow-up interview to his cynical “Trojan Horse” interview in *The Atlantic* about the Reaganites’ purpose of redistributing income from poor to rich:

This recession is really not a typical inventory recession.... It represents an effort to correct belatedly the debt and spending binge hangover from the 1980s by liquidating excess debt and investment. During the 1980s we probably had somewhat of a false prosperity that we are now paying the price for. Since this is unique and unprecedented in postwar business cycles...the ordinary stimulus measures, whether monetary or fiscal, are not likely to be appropriate, even though they will be tried.... Now we’re a debtor, and we’re kind of on an international bond market standard, which sharply constrains our ability to employ fiscal and monetary stimulus.... By the middle of the decade, the recession should be behind us, as well as the \$100 billion for the savings and loan bailout.... To [try to] jump-start the economy in the short run...will clearly compound the longer term, structural imbalance.²⁴

I would simply add that it is important to look behind the spectacular political appearances to see the underlying economic background and mechanism: the world economic crisis has drawn — or, more accurately, pushed — the weakest parts of the world economy, that is, some parts of Asia and the Middle East, Africa, Latin America, Eastern Europe, and now the ex-Soviet Union (all quite independently of their supposedly different economic “systems” and political ideologies), into a depression, which is already deeper than that of the 1920s and 1930s. The economically and politically strongest have obliged the peoples of the weaker and poorer countries to bear the brunt of the world economic crisis and to pay its greatest cost in an attempt to protect the rich from the same. Yet, in this recession, even this enormous sacrifice may not be enough to save us economically — or

politically: the threat of global economic depression, national chauvinism, rabid racism, neofascism, and war — already in the Gulf and now in Yugoslavia — are rampant again as a direct result of the world economic crisis.

The Gulf War and the “New” World Order

These grave dangers in and of the “new” world order are generated primarily by the world economic crisis and the renewed recession since 1989. However, they were further sharpened by the Gulf War, which launched the “New World Order.” I analyzed the same in Frank (1991d) and reproduce parts thereof below.

The media confronted people with a choice between the Iraqi Saddam Hussein and the American George Bush. With *that* choice, the man in the street and in front of his TV set chose the white American. More women, fortunately or wisely, refused that false Hobson’s choice and opted for peace instead. Nonetheless, Western civil society rapidly became shot through with rabid racism and chauvinism directed against any and all Arabs and Turks — in total disregard of the fact that many governments of Arabian countries and Turkey (which also has its eye on some Iraqi petroleum-producing territory) were loyal and active members of the allied coalition of the Americans and Europeans.

Nonetheless, and very significantly so, Western *people* in Europe, and, of course, in the United States as well, demonstrated that they were not entirely deceived by the myths propagated by their leaders and the beholden media about this war and the supposed “principles” for which it was fought. Instead, these people in the North demonstrated through their own belligerent action against colored immigrants or workers from the South on the streets at home that they feel and understand the war in the Gulf was between *their* North and the South. In the ex-East, especially in Central and Eastern Europe, people and their governments sought advantage by siding with the *Western powers* in the Gulf War. They vented their spirits against Third World workers and students brought into, and still residing in, their societies and neighborhoods by the previous regimes. With the demise of the “communist menace” and the “evil empire” and their replacement by “narcoterrorism” as apparently too small potatoes in the West, Islam and the Muslim “menace” — from the South of course — seem to be built up as the new bugaboo scapegoat, along with “Japan bashing” in the United States.

People in the South felt and understood the same thing about this war and new order. That is why all around the equator not only Arabs and Muslims, but also all kinds of other people in Asia, Africa, and Latin America demonstrated against the United States and its war against the Third World. They also demonstrated in support of Saddam Hussein who, however cynically, has been cast in the role of defender of the South. The cruel fact is that in *popular perception and feeling* in the North as well as in the South, this was a war between “us” and “them”! Alarming, this terrible war was also fought out in the streets, schools, and institutions of civil society around the world. What is more, it continues to

be fought there long after the allied bombing stopped in Iraq.

Thus, another of the major political, social, and cultural costs and damages associated with this war, the current recession, and the new world “order” has been to feed aggression and pitch neighbor against neighbor in civil-society neighborhoods West, East, and South. Many people experienced and some testified to heightened tension and aggressiveness on Western city streets during the war. Soon after the war, serious racial disturbances broke out in the American capital, Washington, D.C., and in the European “capital” Brussels. Moreover, the war and its macho imagery on TV meant another big step to the (re)-masculinization of society everywhere.

Thus, deliberately or not, the Gulf War bypassed, undermined, violated, subverted, and otherwise seriously damaged the most precious democratic institutions and processes in the very democracies who went to war ostensibly to defend democracy against tyranny. This violation and sacrifice of democracy, in addition to the negation of peace and threat of future wars, are a terrible price to pay for the new world order.

An editorial in the London *Telegraph* (January 20, 1991) clarified why President Bush chose to flaunt American power against Iraq in the Gulf War:

[It] does sound cynical. But it also goes to the heart of the matter. For there *is* a clash of interests between the First World and the Third World, and no international order satisfactory to the former should rely on the say-so of an institution [like the United Nations] dominated numerically by the latter.... Sooner or later, the Third World will throw up other challenges. But if the Gulf War ends as it has begun, there can be no doubt who are the masters now — at any rate for another generation.... Not only will our arms have prevailed in a most spectacular fashion. So also will our ideals (emphasis in the original, Amen).

Here we have the real significance of the Gulf War, which was promoted and led by the “ideals” of President George Bush, the Commander in Chief of the world’s greatest military power, who wishes to use this war to initiate his *New World Order*.

Beyond being a war between the North and the South, perhaps the clearest gulf in this war is between the rich on one side and the poor on the other. Obviously, the Western powers in this war represent above all the interests of the rich in the world. Perhaps the Texans, President Bush and Secretary of State Baker, also represent the rich Texas oil interests more than they would like to admit. However, the Saudi Arabs (the original dispatch of troops was for *their* protection!), the Emirates, and the Kuwaitis are also among the oil rich, who are reputed to have placed some \$670 billion worth of investments abroad (Peter Custers, in *Economic and Political Weekly*, January 5–12, 1991). Sukumar Muralidharan suggests that:

The need to safeguard oil sources is only the stated agenda behind the assault on Iraq. The far more fundamental concern is the need to protect the West's pre-emptive claim on the financial surpluses of the Arab world. These are vital for underwriting the political stability of the U.S. and the U.K., which are today in irretrievable industrial decline, and desperately need the rentier incomes arising from the recycling of these surpluses.... The pathological character of the hate campaign launched against President Saddam Hussein...speaks of a desperate vendetta against a man who has dared to challenge the financial hegemony of the West (*Economic and Political Weekly*, March 30, 1991: 838).

The cover of the April 1 issue of *Time* (1991) depicted the U.S. "GLOBO COP. COMING SOON TO YOUR COUNTRY?" *Time* took the trouble to send its reporters around the Third World and elsewhere to ask how people view the "New World Order." The introductory summary of *Time*'s findings on the "Global Beat" was that:

Critics protest that Bush's proclaimed new world order conjures up misty and dangerous visions of a militaristic American Globo-cop on the march....

[A huge placard depicting a dozen skulls surrounding the words "THE NEW WORLD ORDER" is subtitled] AN INTENSELY SKEPTICAL WORLD. Despite Bush's view of America as "the last, best hope of mankind," people around the globe — along with New York City protesters — fear that the U.S. plans to exercise naked power to secure dominance. Even sympathizers with Bush's ideal wonder whether it can remedy the causes of war.

Said the President: "the victory over Iraq was not waged as 'a war to end all wars.' Even the new world order cannot guarantee an era of perpetual peace." Far from it: the new order, such as it is, cannot even guarantee that national interests will ever again converge as they did in the Gulf War.

By itself, Bush's successful "first test" of the new world order carried the seeds of future disaster....

What Bush's vision has also failed to take into account is a sense in many developing countries that the old world order was preferable. For all its nuclear terrors and proxy conflicts, the Cold War balance-of-power architecture was a place that came to feel like home.

As if to rub in the point, in early April the Chairman of the Joint Chiefs of Staff, General Colin Powell, declared in Honduras:

We hope that in this New World Order conflicts will be solved through negotiations and not through acts of war, so that there need be no repetition

of what happened in the Gulf. But if it is necessary to defend freedom, it can be done (*El Día Latinoamericano*, May 13, 1991, retranslated from Spanish by AGF).

Later, to honor America's war dead at Arlington Cemetery, President Bush said as much again himself. In the meantime, the annual American military exercises with nuclear weapons in Korea began a month earlier and ended a month later than usual, and North Korea denounced them to the United Nations as a trial invasion of that country. Assistant Secretary of State Richard Solomon in turn denounced North Korea, and spokesmen in the American press have already called North Korea "a potential Iraq" (*Ibid.*, May 13, 1991). Many more people, of course, now fear renewed American threats against Cuba. The *International Herald Tribune* (February 18, 1992) headlines "The Pentagon's Scenarios for Future Wars: The Gulf or Korea, the Gulf and Korea."

Meanwhile, Libya is again being built up as a target with the accusation that its agents bombed Pan Am flight 103 out of the sky at Lockerbee, while the supposed participation therein by America's new allies in Syria and Iran receive no more mention. Recession-ravaged President Bush has declared that he will do anything necessary to get reelected in 1992. Bombing Libya again may be one of these things.

In short, the translation of the Gulf War and New World Order message into plain English (or "into Christian" as Spanish-speaking people say) is to be found in myriad publications and statements from South Asia to South America. All testify to learning the first lesson in Mr. Bush's new-world-order war school for the Third World: dare to lift your head against the "national interest" of the United States, whatever that might be, and your country will be returned to the Stone Age and your population annihilated from on high. North-South political and economic polarization is to continue apace, and no Southern political-economic challenges thereto will be tolerated. That is the *Third World War* against the South! Is it also to be waged by another Third Reich?

However, there is also a message for America's economic competitors and political allies in the West (and perhaps for any rivals in what remains of the East): military power can be used as an alternative to economic strength, especially when the latter is lacking. For military power is the main lever available to the United States and this prowess alone can still be flaunted to maintain any political power in the face of the "virtually irrelevant" growing economic power of Japan and Germany, "no matter" the Russians.

Fortunately, there is reason to doubt the *capacity*, although not the intent, of the United States to rely solely on its military power to fulfill this role as both global cop in the Third World and powerful bully on the block among its allies in the West. *Time* refers to the "preeminent apostle of Realpolitik," Henry Kissinger, who observed that the alliance and war against Iraq was "an almost accidental combination of circumstances unlikely to be repeated in the future."

Stemming Competition in Inter-State Relations

Perversion of the United Nations' role to one of supporting an American war rather than keeping the peace set another very dangerous precedent that violated the U.N. Charter. This perversion was the first and most major institutional sacrifice and cost to peace. U.N. Secretary-General Javier Pérez de Cuéllar declared outright that "this is a U.S. war, not a U.N. war" and "the Security Council is controlled by the United States, Britain, and France."

The conservative American columnist William Safire wrote under the title "Consider These White Lies and the Truths They Veil":

This is not a U.N. enforcement action; that part of the U.N. Charter has never been invoked. Instead, this is a collective defense authorized by the Security Council, similar to the Korean defense, which means that the resolutions...cannot be revoked without American concurrence.... America shows obeisance to the U.N., but obedience is a white lie: The fighting coalition determines... (William Safire, *International Herald Tribune*, February 26, 1991).

President Bush and his Secretary of State James Baker put together a coalition in the Security Council that successively condemned Iraq, imposed an embargo, authorized military teeth to enforce it, and legitimized recourse to war. In all, they pocketed 12 U.N. resolutions, as President Bush and Mr. Baker tirelessly pointed out. Left unsaid, however, was the extent to which their diplomacy paid, bribed, blackmailed, or strong-armed member governments to do their bidding. Had the French not caved in at the last moment, the Soviets would not have had to acquiesce and the Chinese could have vetoed instead of abstained in the vote on the crucial Resolution 678 — a move that would have been sufficient to invalidate the resolution under the Charter, which requires unanimity. Use of the U.N. as yet another instrument in the war of the North against the South is a dire warning for the future, as was the redirection of NATO from East-West "defense" to North-South offense.

Nevertheless, little doubt can remain that the main purpose and result of President Bush's American-led Gulf War was another in a series of last-ditch attempts to fulfill former President Reagan's promise to "make America Number One Again." As noted, President Reagan's efforts failed to do so using the economic means of military Keynesianism and instead spent the United States into economic and social bankruptcy. President Bush seeks to change the global rules of the game from economic competition, in which America is losing, to military competition, in which it still has a near monopoly of power. The Gulf War was designed and used by President Bush to flaunt this power both against the Third World in the South (and East) and against his own economically more powerful allies in the West. Thus, this Gulf War — prosecuted by a pack of wolves in the

West against poor sacrificial lambs in the South — was used in an effort to turn the political-economic tables among the hungry wolves themselves. The conservative American columnist Charles Krauthammer observes that:

If we Americans want relative stability in the world we are going to have to work for it. It will come neither of itself nor as a gift from the Security Council. It will only come from a U.S. foreign policy of “robust and difficult interventionism....” We have entered a period of Pax Americana. Why deny it? Every other nation would like to be in America’s position. Why be embarrassed by it? (*International Herald Tribune*, March 23–24, 1991).

Lest there be any disbelief, we may appeal to the authority of President Bush and the American people themselves. President Bush:

We saved Europe, cured polio, went to the moon, and lit the world with our culture. Now we are on the verge of a new century, and what country’s name will it bear? I say it will be another American century.

The same August 1 issue of *Time* observes that:

Some of Washington’s closest European allies wonder whether the scheme is not just an exercise in nostalgia — a wishful excursion back into the 1950s, when America had both the will and the wallet to dictate to the rest of the planet.

However, that is precisely what both President Bush *and* the American *people* are doing. For the two most important reasons and explanations for the American flag waving and yellow-ribbon chauvinistic popular enthusiasm for the war (once it started) and the victory were precisely:

1. The *Gulf War* offered Americans the opportunity to “lick the Vietnam Syndrome” of defeat by a poor Third World country.
2. A *Gulf War* victory could assuage their deep-down feelings of shame for being economically bested by the Japanese and other Asians — abroad and at home! By “taking it out” on and “neutralizing” or “eliminating” a half-million poor Iraqis, these proud Americans could also eliminate their self-doubts and again be “proud to be an American” in “God’s Country”!

The opposite side of the same coin is displayed by John Lewis Gaddis in *Foreign Affairs*, published by the U.S. Establishment’s Council of Foreign Affairs:

A kind of division of labor has developed within the international community, in which the United States contributes the troops and weapons needed to sustain the balance of power while its allies finance the budgetary,

energy, and trade deficits Americans incur through their unwillingness to make even minimal sacrifices...of lifestyle and pocketbook (quoted by Jim Hoagland, *International Herald Tribune*, April 23, 1991).

In plain English, this “balance” is to keep the otherwise rambunctious Third World peoples in their place in the South, which is assigned to them in both the Old and New World Order.

However, over the short run even the Europeans and Japanese sat up and took notice of America’s military business success in the Gulf War. In world markets, foreign interest in America revived to share its victory bonanza. Stock markets and the dollar shot up. Political and economic negotiators began to knuckle under to the Americans, for instance, regarding the above-mentioned European and Japanese agricultural price supports and other obstacles to the American way in the GATT Uruguay round-table negotiations. The news media also recognized new clout in OPEC for the U.S. As observed the U.S. Assistant Secretary of Energy (*International Herald Tribune*, March 6, 1991): “I think we are going to see a closer relationship between the Gulf oil producers and ourselves. We had been laying the foundations for some time, and the house was built very quickly when the war came.” Moreover, “Gulf states are much more open to military cooperation with the United States now than before the Gulf War” (*Ibid.*, May 11–12, 1991). U.S. control of Middle Eastern oil — on which Europe and Japan are dependent — could prove useful as a bargaining chip to extract future political-economic concessions from them on myriad other potential conflicts of interest.

Only time will tell how long this second Western honeymoon and this new Middle Eastern house, both made in heaven over Iraq, will or can last. Perhaps even that honeymoon is an illusion. The chairperson of the U.S. Senate Commerce Committee writes under the title “Trade Wars: Time for an America That Can Say No”:

Last year we won the Cold War. This year we won the Gulf War. Now it is time to win the war that really matters for America’s future: the trade war — the no-holds-barred struggle among nations for market share and standard of living in a largely zero-sum world marketplace (*International Herald Tribune*, March 27, 1991).

The perhaps ironic question remains whether in the long run this North-South War in the Gulf will recoup American hegemony or help to destroy it. President Bush is well aware of this major question. His January 1991 State of the Union Message, much of which was devoted to the Gulf War, directly answered this question and indirectly addressed his reasons for going to war against Iraq in the first place. America’s responsibility to “defend freedom,” he asserted, is greater than ever and therefore its Golden Age lies not behind it, but before it. The 21st century, too, will be an American Century, he said. President Bush’s statement

may not be a deliberate bluff, but does he hold the political-economic cards to realize his prediction? Could the ultimate economic irony be that the gamble to prolong the American Century through yet another war will prove so costly to the U.S. as to become its last Indian-summer swan song?

Economic Realities of the Gulf War

The longer-term question remains whether the “Bravo for Bravado” of President Bush’s new world order will really save the United States or even himself. Or will his adventurism bankrupt and sink the U.S. even further than his mentor Ronald Reagan’s efforts to make “America Number One Again”? It well may, especially in face of the new world economic recession and the “virtually irrelevant economic power of Japan and Germany,” to whom President Bush was compelled to send his Secretary of State hat in hand to help finance his war in the Gulf.

This recession/war is not likely to turn out like previous ones. World War II pulled the United States out of the Depression and made it hegemonic. The Korean War pulled the United States out of the recession of 1949 and launched military Keynesianism, which helped ward off the feared economic stagnation. The Vietnam War was enough for the United States to avoid the recession that hit Germany and Japan in 1967. It was not enough to prevent the recession of 1970, and certainly not to ward off the first severe postwar recession of 1973–1975. On the contrary, the Vietnam War already weakened the United States relative to its Japanese and German rivals. The costs of that war obliged the U.S. to abandon the fixed exchange rates and the institutional mechanisms established at Bretton Woods, and then to devalue the dollar.

For American economic power, it has been downhill ever since. President Reagan’s recklessness and “Reaganomics” (which George Bush himself baptized as “Voodoo Economics”) put the U.S. economy at the mercy of Japanese bankers and German industrialists. It is even more at their mercy for financial and political support during the new recession (which began in 1989–1990, before the crisis in the Gulf) and during the Gulf War itself. Indeed, President Bush’s invasion of Panama and his war against Iraq can be seen as domestic political measures to shore up his political stock, as well as the economic stock of the Pentagon and the military-industrial complex against the ravages of the recession and the end of the Cold War. Bush was only acting on good precedent: every postwar recession in the United States has resulted in an arms buildup and/or military escalation.

Temporarily, at least, the Gulf War distracted domestic attention from the deepening recession in the U.S. Distracting public opinion away from increasing bankruptcies and unemployment may well have been one of the war’s main purposes. However, on the policy-making level, this diversion of needed attention away from the recession may have been a short-sighted or even ostrich-type policy. It became costly in the middle run by allowing the recession get even more out of hand.

For example, “A Victor in War, U.S. Is Pinned Down on Economic Front” is a front-page headline, whose story quotes a British diplomat:

There’s no question, after the Gulf War, that the U.S. is the only superpower in the world. It is also clear, however, that there are limits to that power, particularly in the economic arena (*International Herald Tribune*, April 22, 1991).

The limits were made manifest after a week of U.S.-German disputes over interest rates and other economic policies:

A final lesson...is the vivid contrast between the leverage America still has in high politics of war and peace, compared to its deepening impotence to dictate economic policy. In the Gulf conflict, the United States was able...to win broad support from its allies...but when Washington needed allied support for its economic strategy, it was politely but firmly rebuffed (Robert Kuttner, *International Herald Tribune*, May 3, 1991).

In a similar vein, Walter Russell Mead correctly observed in the *International Herald Tribune* (February 7, 1991):

At a time of diminishing national resources and power, the United States has not lowered its foreign policy horizons, it has universalized them. The mirage of universal alliance against instability, led but not paid for by America, is potentially the most dangerous idea in U.S. foreign policy in the last generation. It raises expectations that cannot be met.... It tempts Americans to take on responsibilities beyond their resources. While they want the post-Cold War order to evolve in [New World Order] ways that defend American primacy, America’s associates want it to diminish.

There is the rub! The Soviet Union never attained the economic clout needed to support its claim to superpower status. Now its remains are being downgraded to the position of overarmed Third World-rate powers. The United States was long obsessed with its political and ideological security in (successfully) defeating the Soviet Union in the Cold War. In so doing, the U.S. neglected to maintain its real economic base in competition with its actual competitors, Japan and Europe. Consequently, the U.S. itself no longer has sufficient economic clout to be a superpower.

Yet with President Bush waving the American flag, the United States rushed in where angels fear to tread. Its headlong rush into the Gulf War was a vain, last-gasp attempt to shore up its declining power on the world stage, employing the only means it has left and knows how to use — its military power. However, without an adequate economic base, military power is insufficient to keep a great superpower afloat. On the contrary, the foolish use of military power may sink

that power. It is not for nothing that Paul Kennedy became a best seller (apparently not in the Bush White House or the Pentagon) when he wrote that foolish military overextension beyond the economy's means to support it is the basis of *The Rise and Fall of the Great Powers*.

NOTES

1. In the early 1980s, I published four books on the crisis and one on European integration (Frank, 1980; 1981a and b; 1982; 1983). Since the mid-1980s, I have written extensively on the ongoing fifth recession of this world economic crisis and on West-West, East-West, and North-South relations (some collected in Frank, 1988b).
2. This commentary is drawn from material in my article "Is the Reagan Recovery Real or the Calm before the Storm?" (Frank, 1986).
3. *International Herald Tribune* (December 18, 1991).
4. *Ibid.* (January 19, 1992).
5. *Ibid.* (December 18, 1991).
6. Hobart Rowen, in *Ibid.* (January 17, 1992).
7. *U.S. News and World Report* (January 13, 1992).
8. *International Herald Tribune* (December 16, 1991).
9. *New York Times* editorial, reprinted in *International Herald Tribune* (December 20, 1991).
10. *International Herald Tribune* (January 18–19, 1992).
11. *Ibid.* (December 18, 1991).
12. *Time* (January 20, 1992).
13. *International Herald Tribune* (January 18–19, 1992).
14. *Time* (January 20, 1992).
15. *International Herald Tribune* (December 16, 1991).
16. *Ibid.* (December 2, 1991).
17. *Ibid.* (November 9–10, 1991).
18. *Business Week*, issue on "Financing the 90s" (November 4, 1991).
19. Hobart Rowen, in *International Herald Tribune* (January 6, 1992).
20. *International Herald Tribune* (December 30, 1991).
21. Finance and Development, International Monetary Fund (June 1991): 2.
22. *Financial Times* (November 12, 1991).
23. *International Herald Tribune* (December 21–22).
24. *Ibid.* (January 20, 1992).

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