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TABLE OF CONTENTS

ARTICLES

- 9 Hard Power in a Soft Package: The 'True' Conservatism of Obama Leadership in Foreign Policy
By Dr. Matthew D. Crosston
- 23 The USA: Challenges of the Superpower
By Dr. Ketevan Rostiashvili
- 53 Security Policy in the European Union and the United States through the issue of their Defence Expenditures
By Dr. Theodore Metaxas and Emmanouil Marios L. Economou
- 83 Has Sovereignty Eroded?
By Binneh S. Minteh

BOOK REVIEWS

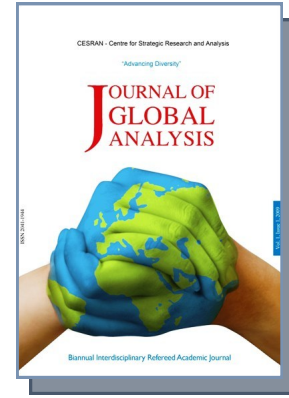
- 98 **Kevin T. Leicht and J. Craig Jenkins (eds)**
Handbook of Politics: State and Society in a Global Perspective
By Emilian Kavalski
- 100 **Athanassios G. Platias and Constantinos Koliopoulos**
Thucydides on Strategy Athenian and Spartan Grand Strategies in the Peloponnesian War and Their Relevance Today
By Dr. William Mallinson
- 102 **Timur Kuran**
The Long Divergence: How Islamic Law Held Back the Middle East
Maha-Hanaan Balala
Islamic Law and Finance: Theory and Practice in a Globalized World
By Jonathan Warner
- 106 **James Ker-Lindsay, Hubert Faustmann, and Fiona Mullen (eds)**
An Island in Europe: The EU and the Transformation of Cyprus
By Bilge Yabanci
- 109 **Roderick Cavaliero**
Ottomania: The Romantics and the Myth of the Islamic Orient
By Yasir Yilmaz

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Hard Power in a Soft Package: The 'True' Conservatism of Obama Leadership in Foreign Policy

By Dr. Matthew D. Crosston*

Analyzing President Obama's foreign policy and its global impact is no easy task. The early presidency of Obama has been marked by vicious attacks from the right, deep disappointment from the left, and something like indifference from the international community. This is understandable when the main argument is entertained: the expectations of Obama's global positions have not met reality mainly because they are more closely aligned with a cautious and considered 'true' conservatism, something no side (left, right, international) anticipated. The consequences of this becomes more than just about election results but has significant potential influence on the fundamental debates between soft and hard power.

Key words: Obama, Foreign Policy, Conservatism, Electoral Politics, International Co-operation

Bellevue University

ISIS Program

Belleuve, Nebraska, USA

e-mail: Matt.crosston@bellevue.edu

* Dr. Matthew Crosston is Director of the International Security and Intelligence Studies program at Bellevue University. He is the author of two well-received books and over half a dozen articles on the problems in promoting democracy and fighting terrorism. He has worked on projects involving the intelligence communities from over a dozen countries and actively seeks to promote leadership cooperation across these communities.



Hard Power in a Soft Package: The 'True' Conservatism of Obama Leadership in Foreign Policy

Barack Obama...will restore America's standing in the world by providing a new American leadership to meet the challenges of a new century...Barack Obama...will reverse this perception of American arrogance and obstructionism.¹

Analyzing President Obama's foreign policy, or rather, analyzing the intellectual and positional evolution of his global positions is no easy task. It would not be hyperbole to say Obama came into office with the hopes and dreams of millions of Democrats and perhaps even the muted optimism of many moderate Republicans. In other words, hitting everything right on the mark was likely impossible. This only makes the present analysis more interesting, for the early presidency of Obama has been marked by vicious attacks from the right, deep disappointment from the left and relative indifference from the international community. This negativity is more understandable when the main argument here is entertained: expectations have not been met in terms of foreign policy because Obama's positions have more closely aligned with what some might call 'true' conservatism, something no side foresaw in 2008.

This apparent foreign policy surprise is partially the result of an interconnected process of push-and-pull: conservatives look to regain a dominant position for the future and democrats look to truly feel as if the President is one of them. This study is not so much how successfully he achieves peace between these two divergent camps, but rather how frustrating he seems to be to both for his failure to meet the stereotypical expectations of either side. One thing seems to be certain when looking at Obama foreign policy: external criticism of his positions seems to lead to a pragmatic overreaction that is more aligned with a moderate conservatism and makes him notoriously difficult to label with a broad left-leaning or right-leaning brush.

First the somber news: President Obama's first term makes clear that there is no dawning of a new age in foreign policy development, benevolently bent on finding a 'new means' for dealing with 21st century conflict. Perhaps it was unfair to expect such a result, but then again it was Obama himself who seemed eager to rise to such a challenge. These 'new means' were meant to incorporate all of the tools and capabilities at the disposal of American might.² It was Obama who boldly declared his administration would go beyond mere rhetoric and focus instead on achieving concrete results with these 'new means.'³

Bold promises and high expectations are usually the first balloons popped in the aftermath of inauguration. But excitement was not contained solely to the Obama tent: plenty of distin-

1. Barack Obama, 'Strengthening Our Common Security by Investing in Our Common Humanity,' *Foreign Affairs*, Jul/Aug 2007.
2. Barack Obama, 'Strengthening Our Common Security by Investing in Our Common Humanity,' *Foreign Affairs*, Jul/Aug 2007.
3. Barack Obama, 'Strengthening Our Common Security by Investing in Our Common Humanity,' *Foreign Affairs*, Jul/Aug 2007.



gushed scholars eagerly looked forward to what a president could do with a perceived new respect for intellectual scholarship. As Joseph Nye discussed upon the confirmation hearings of Hillary Clinton as Secretary of State, when she triumphantly said 'smart power' would be brought into the global arena:

'Smart power is the combination of hard and soft power. Soft power is the ability to obtain preferred outcomes through attraction rather than coercion. Style also matters, even when public goods are the substance of policy. The Obama administration will have to generate soft power and relate it to hard power in smart strategies.'⁴

Is it too soon into the new administration to ask what happened? No: the President has had at this early stage numerous foreign policy incidents that at least begin to allow speculation on his ultimate trending direction and give reason to question the 'new means' hope machine.

The Empirical Facts: Not Innovative, Not Even That Left

In Iraq, President Obama has mostly made good on his campaign promise to draw down from this conflict and gradually remove troops. He has not, however, gone nearly as far or as fast as many left-leaning circles would like.⁵ Obama clearly has no interest or intent in leaving the Iraq arena entirely and even slowed down his own timetable for troop withdrawal at least twice since coming into office. This was meant to be testimony to the President's patience, diligence, and pragmatism, unwilling to risk national security gains or troop lives in order to quickly fulfill a campaign promise. This did not draw too much heavy fire from his core constituency, but his unwillingness to permanently close the door on what he himself characterized as the 'wrong war' was the first indication he was not going to simply follow a liberal template.⁶

This leads into Afghanistan and the President's Af-Pak strategy. This strategy ostensibly turned Afghanistan into Obama's war. What is most relevant here is the manner in which he is incorporating his ownership: Af-Pak is basically a mimic of the Iraqi surge, whether it was the influx of 30,000 new U.S. troops into the region, the temporary shifting of General Petraeus from Iraq and CENTCOM to Afghanistan, to the discussions about trying to reincarnate the Anbar Uprising into an Afghani version. In short, the President's strategy was not marked by a new means for global affairs but rather copying the approach used by his predecessor, whom he openly criticized on the campaign trail.⁷

Obama initially attempted to carve out a unique spot for himself within the Arab-Israeli peace process. This attempt at new statesmanship, however, has been frustrated and ultimately stalled: there have been no new gains in the peace process and both sides have largely remained stubbornly steadfast to old positions.⁸ While some have focused on the recalcitrance of the two sides, it is just as likely that the lack of any new methods, proposals, and initiatives

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4. Joseph S. Nye, 'Obama's Smart Power,' *New Perspectives Quarterly*, Vol. 26, No. 2, Spring 2009.
 5. Angela M. Codevilla, 'Obama's Foreign Policy: Our Problems Personified,' *American Spectator*, Vol. 42, Issue 9, Nov 2009.
 6. G.C. Jacobson, 'A Tale of Two Wars: Public Opinion on the U.S. Military Interventions in Afghanistan and Iraq,' *Presidential Studies Quarterly*, 2010.
 7. A. Celso, 'Phase IV Operations in the War on Terror: Comparing Iraq and Afghanistan,' *Orbis*, Vol. 54, Issue 2, 2010.
 8. Jonathan Rynhold, 'President Obama and the Middle East Challenge,' *BESA Center Perspectives Papers*, No. 50, 2008.



from Obama and his diplomatic team is equally impactful as explanation. When you set yourself up as the one to bring in new ideas and then do not, it is not illogical to assume a negative impact on the process overall. Quite simply, since there really has not been any major ideological, intellectual, or diplomatic innovation in the Arab-Israeli peace process since Obama entered the White House, the process has remained stuck. There is no shift from Bush to Obama on this count, especially given the most recent Palestinian statehood proposal before the UN General Assembly where Obama tried diligently to suppress the proposal from even being brought forward with the threat of a Security Council veto.

Perhaps there was no brighter lightning rod during the campaign than the Guantanamo Detention Center in Cuba. Obama successfully capitalized on it as a symbol that America had slipped from its principles. Aside from withdrawing troops from Iraq, the closing down of Guantanamo was the supposed next foreign policy no-brainer for the Obama team.⁹ However, as of this writing, Guantanamo still exists and is likely to continue to exist into the foreseeable future. Again this is cited as President Obama leaning on his famous pragmatism. While this pragmatism is not an object of criticism here, it is relevant to note that Obama pragmatism always seems to shift policy position right.

If the President feels the most practical route guarantees the continued safety of U.S. citizens, then he is right in thinking political ideology should play no role in his decision-making. In this case, however, it infuriates the left because Gitmo was the poster-child of the perceived arrogance and illegality of the Bush administration. And yet Gitmo also irritates the right because while he has maintained the detention center, Obama does not give public credence to their position. In either case, the conservative status quo remains and new means are absent.

Another area that drew praise from intellectual circles during the campaign was the Obama position that the United States did itself a national security disservice by being stubbornly unwilling to engage any and all actors who were willing to seriously sit down at the negotiations table.¹⁰ These were direct broadsides against the Bush administration and considered at the time potential openings for talks with so-called roguish nations like Iran and Venezuela. If carried through, it would have indeed been the introduction of a new means in foreign policy: a willingness to come to the table without preconditions and attempt to create new stabilities at worst and new alliances at best. Ironically, the voice which has best described and explained this position is the conservative lion Henry Kissinger:

The administration's approach seems to be pointing toward a sort of concert diplomacy...In that view, American leadership results from the willingness to listen and to provide inspirational affirmations. Common action grows out of shared convictions. Power emerges from a sense of community and is exercised by an allocation of responsibilities related to a country's resources...In the process it must navigate between two kinds of public pressures toward diplomacy endemic in American attitudes. The first reflects an aversion to negotiating with societies that do not share our values and general outlook...It treats compromise as appeasement and seeks the conversion or overthrow of the adversary. Critics of this approach, who represent the second sort of pressure, emphasize psychology. They consider the opening of negotiations an inherent transformation. For them, symbolism and gestures represent substance.¹¹

9. Derek Chollet and Tod Lindberg, 'A Moral Core for U.S. Foreign Policy,' *Policy Review*, Issue 146, Dec 2007/ Jan 2008.
10. S. Akbarzadeh, 'Obama and the U.S. Policy Change on Iran,' *Global Change, Peace, and Security*, Vol. 21, Issue 3, 2009.
11. Henry Kissinger, 'Obama's Foreign Policy Challenge,' *Washington Post*, April 22, 2009.



Obama's desire to apply this second sort of 'pressure' was novel and intriguing, but this potential has gone undeveloped and some would say abandoned. The incident with Hugo Chavez, where the Venezuelan dictator basically crashed a seating arrangement with Obama and forced him to awkwardly shake his hand in front of television cameras quickly showed that innovative ideas for diplomacy are good only if you can control the environment.

Less comic and more relevant to global affairs has been the ongoing dispute with Iran over nuclear energy production. It seemed to be the perfect venue in which to prove one way or the other that Obama's new means of engaging these regimes could yield positive results.¹² In short, the first initial overtures were empty and unsuccessful, which quickly led to the Obama administration tacking back towards more traditional realist-type diplomacy. Obama so far has not proven himself to be truly committed where innovative means for engagement are possible. And when he abandons those opportunities his fall-back position is more right than left.

Kissinger was accurate in terms of what Obama may have felt was truly available to him before he took office, riding a wave of international popularity and optimism. But reality and realism are often bitter wake up calls. When it became clear the Irans and Venezuelas of the world were not going to be swept up in Obama-fever and change overnight, it became essential for Obama to shore up his realist chops. This always results in a more conservative position.

The additional problem has been that what Kissinger mentioned is not real: symbolism and gestures do not in fact represent new foreign policy substance. Obama often sounds grand on the world stage but this verbiage has not shifted real positions from other global actors. Realizing this, Obama has moved back toward his more natural pragmatism. What has been largely ignored is how that natural pragmatism is more naturally conservative.

Obama's speech in Cairo, where he basically promised a new era of understanding between Americans and Muslims in the Arab Middle East, gained great notoriety partly because he did not hesitate on Egyptian soil to offer gentle but still poignant criticism of social trends within Muslim society which can hold back native democracy.¹³ This speech could have gone down in history as truly monumental given the recent uprisings and protests now called the Arab Spring. It was Obama who promised to give support to home-grown democratic movements. If ever there was an opportunity pleading for new means it is hard to consider a better moment than the Arab Spring. The official voice from Washington, however, has remained uninspiring.

One true distinction between Democrats and Republicans comes in democratization methods: Bush made his mark with the neoconservative belief to preemptively force democratization. Democrats have preferred democratization from the ground up, though also admitting external support is needed. Obama's Cairo speech seemed to be indicating this latter direction is where he would go. Perhaps he simply did not anticipate having so many chances so quickly in so many important countries. Regardless, the end result is the same: events continue to play out

12. Henrietta Holsman Fore, 'Aligning "Soft" with "Hard" Power,' *Parameters*, US Army War College, Vol. 38, Issue 2, Summer 2008.
13. David Price, 'Global Democracy Promotion: Seven Lessons for the New Administration,' *Washington Quarterly*, Vol. 32, Issue 1, Winter 2008/2009.



without an Obama administration truly backing these home-grown movements in any new way. Instead, once again, there is a safer, more pragmatic, status quo-like feel to American decision-making.¹⁴ The Libya position, rather than being a departure from the status quo, only highlights this lack of foreign policy innovation.

At first glance it would appear establishing the no-fly zone through UN resolution in Libya is testimony to Obama's liberal foreign policy credentials. Not so. Looking for a limited international backing for a tightly defined mission is more reminiscent of Bush the elder and the build-up to Desert Storm. Selectively engaging potential humanitarian disasters is also a highlight of conservative foreign policy behavior, not liberal. Bahrain repression and Syrian violence has been relatively ignored, while a hated historical enemy of the United States is openly opposed. Does this not sound typical to the intervention positions of most traditional conservatives? This approach defines Operation Iraqi Freedom. Even the quick imposition of turning the no-fly zone over to NATO jurisdiction should not necessarily be seen as quintessentially liberal: conservatives today, in their effort to distance themselves from Bush-era neo-conservatism, prefer involvements that have explicit exit strategies.

The final event to highlight in this ever growing list of Obama true conservatism is perhaps the loudest achievement of all: the operation that successfully killed Osama bin Laden. The elimination of OBL has long been arguably the one foreign policy objective both Democrats and Republicans could agree upon. In the end, Obama accomplished the feat utilizing a Navy Seal team that violated the territorial sovereignty of Pakistan, performing an operation that purposefully left a supposed War on Terror ally completely in the dark. Every detail of this operation was in line with conservative foreign policy thinking. For those on the left who felt OBL was a 'unique' target that demanded 'unique' means this is simply not true: Obama has repeatedly said in the face of some international criticism about the *manner* in which OBL was eliminated that he would not hesitate to employ the same means for another high-value target.¹⁵ In other words, the sanctity of terms like multi-national cooperation and territorial sovereignty are relative. Ronald Reagan could not be prouder.

Ideology, Partisanship, and Persistent Pragmatism

There is no mistaking the glorious speech-making that Obama has brought back into the Oval Office. But speechifying makes little impact without substance:

He envisions a world in which the United States helps conquer poverty and disease, and he recognizes that restoring dignity and hope to people in troubled parts of the world will make America safer and more secure. At the same time, some of his more idealistic rhetorical flights echo the sentiments of many neoconservatives and neoliberals, including their tendency to see the world in Manichaeian terms.¹⁶

The issue has never been with whether Obama knows how to talk the Democratic talk. But does he actually walk the talk when the chips are truly on the global table? That is in serious

14. Larissa MacFarquhar, 'The Conciliator: Where is Barack Obama Coming From?,' *The New Yorker*, May 7, 2007.
15. I. Kfir, 'U.S. Policy Toward Pakistan and Afghanistan Under the Obama Administration,' *Middle East Review of International Affairs*, Vol. 13, Issue 4, 2009.
16. Robert Dreyfuss, 'Obama's Evolving Foreign Policy,' *Nation*, Vol. 287, Issue 3, 2008.
17. Robert Dreyfuss, 'Obama's Evolving Foreign Policy,' *Nation*, Vol. 287, Issue 3, 2008.



question. Some have noticed the gap between his inspirational speeches and the actual policies he supports.¹⁷ Some have lamented what they see as bold promise in the potential to enact change only to ultimately be disappointed in specifics that are not nearly as transformational.¹⁸ Yet still others have talked of a shift not in substance but in tone, of foreign policy changes that are more cosmetic than real. These observations represent a small but important perception that questions how much of a departure there has been in foreign policy from the Bush-era. What many hoped would be a radical divergence something like foreign policy continuity has emerged instead.¹⁹ Those who still hope for change offer rationalizations that come off more like wishful thinking:

The main reason there is no observable evidence of a national abandonment of the past is that President Obama does not have a free hand in crafting new strategies. He did not enter office with a clean slate, but rather against the backdrop of a number of strategic commitments that bound his set of choices...Yet even this emphasis on cooperative rhetoric and multilateral diplomacy represents continuity with the latter half of the Bush administration...It was [a] shift in public opinion, and the hard facts underneath that shift, that forced a change in Bush's grand strategy...The Obama administration has done no more than the second term of the Bush administration to change U.S. grand strategy to reflect the new reality.²⁰

Pragmatism is rarely a source for policy innovation. In crisis the instinctive reaction is to fall back to what is already learned. The safe method is the fallback. In foreign policy, whether Republican or Democrat, the fallback position for at least the last forty years has been realism, status quo, and national self-interest. Obama's lofty rhetoric and grand speeches hide what is ultimately an inner realist masquerading as a pragmatist.²¹ It is not a failure to imagine or an unwillingness to accept bold challenges in the 21st century global arena. If Obama's foreign policy positions to date have been uninspiring, it is because *that is exactly who he is as an international statesman*. For some it is a tough pill to swallow, but it is clearly the only medicine being offered out of the White House, despite some who continue to hope for promised change:

It will not be easy for the United States to undertake such a strategic shift, nor will it be risk free. Traditional allies, feeling jilted, might lose confidence or rebel; newfound partners, getting a whiff of U.S. weakness, could prove unreliable. Still, hanging on to an outmoded policy paradigm does not offer much hope...Obama began his presidency with the unmistakable ambition of turning a page. To succeed in the Middle East, he will have to go further and close the book on the failed policies of the past.²²

The book on the so-called failed policies of the past has not yet been closed. In fact, it has been often referred to when formulating Obama foreign policy.

Why would one of the best political talkers in a generation be so bland when it comes to real decision-making on the global stage? Some of this is undoubtedly tied in with what President Obama is most personally comfortable with. Another explanatory variable has affected not just

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18. Robert Dreyfuss, 'Obama's Evolving Foreign Policy,' *Nation*, Vol. 287, Issue 3, 2008.
 19. S. Kreps, 'American Grand Strategy After Iraq,' *Orbis*, Vol. 53, Issue 4, 2009.
 20. S. Kreps, 'American Grand Strategy After Iraq,' *Orbis*, Vol. 53, Issue 4, 2009.
 21. Michael C. Desch, 'America's Liberal Illiberalism: The Ideological Origins of Overreaction in U.S. Foreign Policy,' *International Security*, Vol. 32, No. 3, Winter 2007/2008.
 22. Robert Malley and Peter Harling, 'Beyond Moderates and Militants,' *Foreign Affairs*, Vol. 89, Issue 5, Sep/Oct 2010.



Obama the politician but Democrats as an entire party – defending against the accusation of being foreign policy weaklings. This Democrat-as-global-appeaser accusation has existed for quite some time, but it was surely exacerbated by 9/11 and the new emphasis on national security. It was a major part of the lead-up to the 2004 election, when some analysts warned, 'if Democrats are to have any hope of returning to power in 2004, or even of running competitively and keeping the U.S. two-party system healthy and balanced in the coming decade, they will have to convince the American people that they are as capable as Republicans of protecting the United States from terrorism and other security threats.'²³ While it was assumed that it would be quite some time before Democrats could actually win national elections based on their national security and foreign policy stances, the big hope was to have the party advance far enough so that they would stop *losing* national elections solely because of these two factors.²⁴

This was arguably the biggest lesson learned from the Democratic failure of 2004, when Vietnam war veteran, Purple Heart winner, and long-time Foreign Affairs Senate stalwart John Kerry lost to Bush. A Democrat could always criticize a Republican for being too quick and eager to go right to the stick before considering the carrot. What needed to be ensured was that Americans could see Democrats as being not too reliant on the carrots and, quite frankly, looking too goofy when trying to handle the stick (undoubtedly a legacy that was made eternal when Massachusetts Governor Dukakis stuck his head out of the tank in 1988). It seems clear that Democrats are always quick to overreact to such accusations and criticisms.²⁵ They are even quicker to line up to show the chevrons symbolically tattooed on their arms, signifying their willingness and capability of defending America as stalwart and aggressively as any Republican.

In a race for national office any Democrat could expect to fend off and have to answer such common Republican charges. Ridiculous or not, unfounded or not, it is clear that Obama has felt the sting of the birther movement, which questioned his actual American citizenship, and has reacted to other groups that manipulated the Kenyan ancestry of his father to question his true allegiance to the United States. While his campaign rhetoric reflected where he could help take America in terms of global possibilities, his campaign reality was putting out foreign policy brush fires and national security gossip-mongering by proving he would not take the country anywhere too new, too fast.

So there is a dual-track - one personal, one political - that basically guaranteed from the beginning a let-down for all those who wanted to see the lofty Obama rhetoric truly transform into real-time foreign policy change. To ask President Obama to go against his natural personal inclination is possible. To ask him to go against it while also having him fight off the structural constraints hindering his party in terms of foreign policy is unrealistic. The Obama record seems to indicate this. When Barack Obama took office it really did not seem too far-fetched to anticipate changes that had heretofore not yet been explored or attempted in Presidential history. Perhaps the most poignant symbol of this was his acceptance of the Nobel Peace Prize.

23. Dana H. Allin and Philip H. Gordon and Michael E. O'Hanlon, 'The Democratic Party and Foreign Policy,' *World Policy Journal*, Vol. 20, Issue 1, Spring 2003.
24. Dana H. Allin and Philip H. Gordon and Michael E. O'Hanlon, 'The Democratic Party and Foreign Policy,' *World Policy Journal*, Vol. 20, Issue 1, Spring 2003.
25. Brian C. Rathbun, 'Does One Right Make a Realist? Conservatism, Neoconservatism, and Isolationism in the Foreign Policy Ideology of American Elites,' *Political Science Quarterly*, Vol. 123, Issue 2, Summer 2008.



Make no mistake,' he declared, 'evil does exist in the world.' Obama even backtracked on some of his views about American exceptionalism: 'Whatever mistakes we have made, the plain fact is this: The United States of America has helped underwrite global security for more than six decades with the blood of our citizens and the strength of our arms.' These were unadorned Reagan-and-Bush-like words spoken to an audience not inclined to appreciate them.²⁶

Just two years previous the exact same speech would have been given silence at best and hisses at worst. But here, on that day, with that man, the audience listened with respect. There were many sentiments made by President Bush that testified to the goodness of America, to the love of freedom and sincere desire to see all peoples revel in liberty. All of these sentiments were usually received internationally with indifference and sometimes derision. Obama did not come to the Nobel ceremony with a radically different message. Rather, he came with a radically different *public perception*. But in the end, this perception was not premonition: very much like the Nobel Prize itself, Obama was recognized for what could be done rather than what was done. And that could be the ultimate disappointment about Obama foreign policy: he is only hard power in a soft package, producing nothing truly new or innovative.

Conclusion: Calculation...Frustration...Indignation ~ The Real Obama

What has been discussed so far has been the strange interplay of forces when trying to analyze and understand President Obama's foreign policy stances. What all of the various groups have apparently missed or been unwilling to consider is just how 'conservative' the pragmatist Obama is when it concerns the world stage, impressive liberal rhetoric notwithstanding. Obama's foreign policy flexes through the prisms of calculation, frustration, and indignation, all of which have the effect of rendering his change potential rather limited.

Obama clearly values calculation. He is cautious and not overly prone to missteps and gaffes.²⁷ More importantly, given the criticism and nature of the attacks he endures from opponents, that strategic calculus only becomes more careful. He also suffers from frustration, caused by his own party and those on the far left, which felt they were voting for some sort of presidential messiah. Most efforts to please this extreme part of his constituency is likely considered by the pragmatist Obama as offering little reward in terms of future elections. He is no doubt a bit disappointed by his own failure to make a transformative mark on the global stage and enact change through the sheer force of his will. The international community still likes President Obama. But no states, in terms of their substantive foreign policy/national security interests, have radically altered their positions just because Obama said so.

How does this impact the foreign policy of Barack Obama? It has a centering effect that might even go beyond center and lean to the right. It is easy to forget that the George W. Bush era was not a tribute to classical conservative thought. On the contrary, the neoconservative ideology that underpinned many of his positions was decidedly aggressive in a wonderfully quixotic and somewhat liberal way. It was like taking Rousseau's 'forcing you to be free' and applying it to the might and capabilities of the United States military. An impressive show

26. Henry R. Nau, 'Obama's Foreign Policy,' *Policy Review*, Issue 160, Apr/May 2010.

27. Simon Serfaty, 'The Limits of Audacity,' *Washington Quarterly*, Vol. 33, Issue 1, Winter 2009/2010.



indeed but not necessarily one lauded by true conservatives. So as many conservatives focus on the race to the White House in 2012, some are working on ensuring a 'true' conservatism is what marks a return to power. What does this 'true conservatism' look like?

- Consider every major American foreign policy decision in light of whether it safeguards or undermines U.S. primacy in world affairs.
- Distinguish the jihadist terrorist threat from other more distant dangers, name it, and treat it as the deadly threat that it is.
- Have modest expectations for what nonproliferation regimes can accomplish.
- Think of diplomacy as simply one tool in America's foreign policy toolkit.
- With regard to military intervention, the U.S. should be much more careful.
- Take demands for multilateralism with a grain of salt.
- Maintain and promote free trade wherever possible, not only in the immediate interest of American exporters and consumers, but in the broader interest of buttressing a world order that is astonishingly democratic.
- Be realistically modest about America's ability to fine-tune political reform in other countries.²⁸

When looking over these principles of the new 'true' conservatism one question emerges: in what way do any of these principles go against President Obama's foreign policy positions? In reality, there is not a single principle listed above that runs in contradiction to current Obama foreign policy. This begs another question: is Obama's pragmatism really just masking an honest center-right perspective? For all of the various reasons and factors argued here, I believe it does.

Obama is not a global messiah. In terms of foreign policy he is not even a great liberal. He is also not the object of a super-secret conspiracy brought to power by invisible America-haters bent on destroying the United States from within. Sometimes it seems Obama is more often criticized from both sides for not being the caricature partisans would most like him to be.²⁹ But that ability to not cater to caricature is what will continue to make the distinction between policy rhetoric and policy reality a fascinating subject for Obama analysis. And if the Obama team learns how to capitalize on this it may be the formula needed to keep the ever-crucial independents in 2012.

Hard power in a soft package is not the route to produce new means in foreign policy-making and is likely not the route to excite the liberal Democratic base. Indeed, for those who now study and proclaim soft power as a truly new path to re-establish and maintain American hegemony so that it is both led by the United States but still infused with international cooperation (and in real terms, this has to be the ideal outcome for soft or smart power enthusiasts), they will be hard pressed to not express utter disappointment and dismay at the foreign policy tacks and maneuvers of President Obama.³⁰ In 1992 Bill Clinton effectively commandeered many conservative ideas to propel his candidacy forward. Most of those ideas, however, were coopted at the domestic level, covering mostly domestic issues. There is a

28. Colin Dueck, 'Regaining a Realistic Foreign Policy,' *Policy Review*, Issue 162, Aug/Sep 2010.
29. F. S. Larrabee, 'Obama's Foreign Policy: Opportunities and Challenges,' *Insight Turkey*, Vol. 11, Issue 1, 2009.
30. James Stenberg, 'Real Leaders Do Soft Power: Learning the Lessons of Iraq,' *Washington Quarterly*, Vol. 31, No. 2, Spring 2008.



parallel here with Obama, only instead of domestic territory the focus for cooptation is the foreign policy realm. In this Obama could very well be the first Democrat to truly attempt such a maneuver not based on purely strategic election positioning. And while it may disturb the core Democratic base, I believe the evidence shows that this is who Obama truly is on foreign policy.

There is no doubt that Joseph Nye did not create soft power so that it could simply be used as a screen, a façade over which to cover what is ultimately nothing but a very traditional and relatively orthodox realist hard power core.³¹ But this very tactic, soft power slip covers over the hard power furniture as it were, may end up being the very strategy that lets Obama earn a second term. If this proves to be the case, then the conceptual debate over and real-world impact of soft and smart power will have a very new and potentially problematic perspective to deal with.

31. Joseph S. Nye Jr., 'Hard Decisions on Soft Power,' *Harvard International Review*, Vol. 31, Issue 2, Summer 2009.



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Journal of Global Analysis

The USA: Challenges of the Superpower

By Dr. Ketevan Rostiashvili*

Since the collapse of the Soviet Union function and mission of the United States in the contemporary world system is one of the most debatable problems of academic literature. This article is an attempt to analyze most recent socioeconomic and political tendencies of the USA for better understanding the scale of ongoing transformation of the society. As the level of integration of contemporary world is very high, transformation of the USA provokes tectonic changes and transformation of the world system, its structure and nature. This study argues that, although the US primacy in the world is significantly challenged and shaken by external and internal factors, the USA still preserves its traditional function of economic, financial, military and political superpower, but in a quite different environment. The article predominantly uses materials drawn from the Central Intelligence Agency (CIA, The World Fact book 2012); U.S. Census Bureau, Statistical Abstract of the USA - 2012, the US Federal Budgets 2010-2012, and other valuable literature and sources.

Keywords: the USA, superpower, the U.S. socioeconomic development, the U.S. challenges, the U.S. achievements and failure.

*Chavchavadze Avenue,
3. Tbilisi, 380028
Georgia
e-mail: ketyrostiashvili@hotmail.com*

* Visiting Professor at Residence at Tbilisi State University, the Faculty of Humanities, American Studies Direction, Institute of American Studies, as well at the Faculty of Social Political Studies, Political Science Direction.

The USA: Challenges of the Superpower

Introduction

Since the collapse of the Soviet Union among diversity of problems central for American Studies and International Relations scholars and experts are questions: Is the world system unocentric or polycentric? What's the US new role and mission in the new millennium? With appearance new economic powers is America able to preserve its leading positions in the world? But central in this discourse remains the question: How powerful, reliable and effective is the US internal political, economic and social system for further burdening the role of the superpower and hegemonic positions in the world?

American historiography is quite diverse and contradictory over the role of the USA in the changing world. There are three major schools of thought: primacy, isolationism and selective engagement¹, which give quite different estimations of the US status in the world. Primacy school is oriented on exceptional role of the USA as a sole superpower in the world. Isolationists sharply criticize primacy school. In the country's drawbacks they see the end of American hegemony. Selective engagement school is a compromise between primacy and isolationism schools and submits that the USA should possess only sufficient strength to defend the centers of economic might in the world, principally Europe and north-east Asia.²

Advocates of primacy school assent that the USA is the major power in international politics and keeps its preponderant position by maintaining and expanding its military and economic strength.³ In 1999 Samuel P. Huntington estimated the USA as "the sole state with preeminence in every domain of power - economic, military, diplomatic, ideological, technological, and cultural - with the reach and capabilities to promote its interests in virtually every part of the world."⁴ Scholars today continue to estimate the USA as a global superpower, which has "no equal".⁵ The main argument is that U.S. capabilities are so overwhelming that other states

1. Christopher Layne and Bradley A. Thayer, *American Empire, A Debate*, New York: Rutledge, 2007, p. 3, <http://www.amazon.com/American-Empire-Debate-Christopher-Layne/dp/0415952042> (Accessed 8 March 2012).
2. Ibid.
3. Ibid.
4. Huntington, Samuel P., "The Lonely Superpower, The New Dimension of Power", *Foreign Affairs*, Mar/Apr 1999, Vol. 78, Issue 2, http://homepages.stmartin.edu/Fac_Staff/rjangill/PLS%20300/The%20Lonely%20Superpower.htm (Accessed 3 October 2011).
5. Barbara A. Bardes et al, *American Government and Politics Today: The Essentials 2011-2012*, Boston: Wadsworth, 2012, p. 513; Gary Dorrien, *Imperial Designs: Neoconservatism and the New Pax Americana*, New York, Routledge, 2004. p.1.



cannot realistically hope to balance against it, nor do they have reason to because U.S. hegemony is benevolent⁶, and it can maintain its preeminence into the deep of the 21 century.

Proponents of isolationism give just opposite vision of problems. They argue that the United States should devote more resources to domestic social problems and withdraw from involvement in international politics, as the American Empire has very high economic costs and weakens democracy at home.⁷ Isolationists believe that attempts to provide democracy abroad (especially in the Middle East) rests on dubious assumptions, leading to unnecessary American military interventions abroad, a geopolitical backlash and to the decline of the USA.⁸ Critics of U.S. primacy or "imperialism" assumed that the pursuit of geopolitical militarism and further consolidation of the war system reinforces a crisis of empire, bringing "devastation of an imperial policy in an era of waning hegemony"⁹.

In early 1990s Waltzian balance of power realists believed that the days of U.S. primacy were numbered.¹⁰ Kenneth N. Waltz and Christopher Layne predicted that unipolarity would quickly give way to multipolarity by stimulating the rise of new great powers.¹¹ In 1989 Yale historian Paul Kennedy predicted inevitable decline of the Soviet Union (but not so soon) as well as the USA and the rise of China, Japan and Europe (European Economic Community). He saw the cause of the general decline of any Great Power in sustaining military expenditures on expense of continued deficit spending. He proposed that the U.S. growing military expenditures, coincided with its military commitment to every continent, would outsource the domestic spending, provoking heavier taxes, limited options and "the downward spiral of slower growth" of the country.¹² Boggs argues that militarism with its extravagant expenditures "has become so en-

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6. Stephen Brooks and William C. Wohlforth, "American Primacy in Perspective", *Foreign Affairs*, Vol. 81, No. 4 (July/August), 2002, pp. 20–33; Gary Dorrien, *Imperial Designs: Neoconservatism and the New Pax Americana*, New York, Routledge, 2004. Jhon Ikenberry, "Liberalism and empire: logics of order in the American Unipolar Age", *Review of International Studies*, 30(4), 2004 (a), pp.609–630; G. Jhon Ikenberry, "Liberal hegemony or empire? American Power in the Age of Unipolarity" in D. Held and M. Koenig-Archibugi (eds), *American Power in the 21st Century*, Cambridge: Polity Press, 2004 (b), pp. 83–113; Jhon Ikenberry, "Power and liberal order: America's Postwar World Order in Transition", *International Relations of the Asia-Pacific* Volume 5, 2005, pp. 133–152; Christopher Layne and Bradley A. Thayer, *American Empire, A Debate*, New York: Rutledge, 2007, p. 3, <http://www.amazon.com/American-Empire-Debate-Christopher-Layne/dp/0415952042> (Accessed 8 March 2012).
 7. Christopher Layne and Bradley A. Thayer, *American Empire, A Debate*, New York: Rutledge, 2007, p. 3, <http://www.amazon.com/American-Empire-Debate-Christopher-Layne/dp/0415952042> (Accessed 8 March 2012); The Stephen Delos Wilson, *The Bankruptcy of America. How the boom of the 80's became the Bust of the 90's. From Superpower to Besieged Global Power*, Ridge Mills Press, Germantown, 1992.
 8. Christopher Layne, "The Unipolar Illusion: Why New Great Powers Will Rise," *International Security*, Vol. 17, No. 4 (Spring), 1993, p.8.
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democratic to American society that it will be very difficult to reverse.”¹³ Professor Francis Shor concludes that US efforts to retain global dominance and hegemony through the pursuit of war and its attendant geopolitical military strategies is “foolish and lethal”.¹⁴

Andy Hoffman in 2009 named even exact dates and events, when America has lost its premise: “the U.S. has lost essentially ALL of its superpower status in 2009. The first of the two events was the Vietnam War in 1965 (and the consequential end of the gold standard in 1971), and the second was September 11th, 2001”.¹⁵ Hoffman holds that the U.S. hegemony was significant and real, but “for just a very brief period in the annals of history. It is nearly gone”.¹⁶

More balanced position on the US world hegemony is expressed in the National Intelligence Council’s Global Trends 2025, where is indicated: “Although the United States is likely to remain the single most powerful actor, the United States’ relative strength—even in the military realm—will decline and US leverage will become more constrained.”¹⁷

It is obvious that American literature is diversified with ample of intellectual discourse about ongoing processes within and outside of the USA. This article is an attempt to trace and analyze fundamental changes ongoing inside the U.S. society, the most recent and the most significant socioeconomic and political trends, which directly influence on daily life of Americans as well as on the world economy and politics.

Through inductive and deductive principles of analyses are traced most significant achievements as well as minuses of American system of government. This research demonstrates that the USA is on a qualitative new level of its development, but needs transformation of its policy and politics for providing effective economy, finances and stable and harmonious development of social relations.

The article is organized in main three parts. **First part** gives general characteristics and overview of America since 11 September 2001 and tries to explain reasons of US domestic and world economic crises. **Second part** demonstrates most tangible achievements of the USA, the world superpower, especially in economy, which explains well, why the world economy is so tightly depended on the US economy and politics. **A third part** is dedicated to most urgent and most burning problems that confront the country in economy, showing how detrimental are ongoing beneath processes for social relations, provoking quite pessimistic sentiments and a protest movements in the U.S. society. The article predominantly uses materials drawn from the Central Intelligence Agency (CIA, The World Fact book 2011); Statistical Abstracts of the USA 1012; the US Federal Budgets 2010-2012, and other valuable sources and authors that significantly contributed in better understanding American society.

13. Carl Boggs, *Imperial Delusions: American Militarism and Endless War*, Lanham, Rowman & Littlefield, 2005, p.207
14. Francis Shor, “War in the Era of Declining U.S. Global Hegemony”, *Journal of Critical Globalization Studies*, Issue 2, 2010, pp. 65-81, http://www.criticalglobalisation.com/Issue2/JCGS_Issue2_War_and_Declining_US_Hegemony.html (Accessed 8 March 2012).
15. Andy Hoffman, U.S. Global Hegemony – The Beginning ... And the End, 19 April, 2009, Goldseek.com, <http://news.goldseek.com/GoldSeek/1240158180.php> (Accessed 8 March 2012).
16. Ibid.
17. National Intelligence Council, (2008). Global Trends 2025: A Transformed World, November 2008, *National Intelligence Council*, p. 6, www.dni.gov/nic/NIC_2025_project.html

Historical Retrospective

This section of the article analysis main causes provoking US 2008-2011 heavy financial and socioeconomic crises and global recessions 2008-2009, 2011, demonstrating very deep interdependence of the US and world markets.

After the II world war, the USA became internationally recognize the superpower: world's political, military, economic, financial, trade, technological and cultural leader. This country concentrates the greatest intellectual potential and presents a model of ideological diversities. Until 1991 its only competitor was the Soviet Union. After the fall of the USSR, the USA became the sole world leader, sole superpower, world hegemony, as no other country was able to compete with it.

Situation dramatically changed since the September 11, 2001, when the tragedy shook the stable development of the United States. New-York and Washington witnessed explosions that killed thousands of people. The USA received historical challenge from "the Muslim world", followed by George W. Bush's announcement the "Crusade" against international terrorism.¹⁸ As a result, the United States and the international community began wars in Afghanistan 7 November 2001, and shortly after, in Iraq 19 March 2003, which actually depleted the USA financially and morally. These wars turned to be very expensive even for a superpower. According to the Report for the U.S. Congress, prepared for its members and committees, the cumulative total appropriated from the 11 September 2001, including the Fiscal Year 2011, for those war operations, diplomatic operations, and medical care for Iraq and Afghan war veterans is \$1.283 trillion including: \$806 billion for Iraq; \$444 billion for Afghanistan; \$29 billion for enhanced security. Of this total, 63% is for Iraq, 35% for Afghanistan, 2% for enhanced security. Some 94% of this funding goes to the Department of Defense (DOD) to cover primarily incremental war-related costs.¹⁹ Meanwhile, economists Linda Bilmes and Joseph Stiglitz, the Nobel Prize winner, hold, that the Iraq war alone cost American taxpayers 3 trillion dollars.²⁰

The country also suffered heavy losses of human resources. In Iraq from the start of the war until 29 September 2011 the US military deaths consisted 4477, and 33151 people were wounded (Iraqi deaths, due to U.S invasion, consists 1 455 590 people), in and around Afghanistan fatalities reached 1 654 people.²¹ September 11 2001 was just as important a date as Pearl Harbor, America "advance into a new and dangerous era", believes American historian, J. Rufus Fears.²²

18. Peter Ford, 'Europe Cringes at Bush 'Crusade' Against Terrorists', *The Christian Science Monitor*, September 19, 2001, <http://www.csmonitor.com/2001/0919/p12s2-woeu.html> (Accessed 3 October, 2011).
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20. Linda J. Bilmes and Joseph E. Stiglitz, "The \$10 Trillion Hangover Paying the Price for Eight Years of Bush", Report, *Harper's*, January, 2009, p.31.<http://www.srwolf.com/reports/Stiglitz10trillion.pdf> (Accessed 9 March, 2012).
21. Casualties in Iraq, The Human Cost of Occupation Edited by Margaret Griffis, <http://www.antiwar.com/casualties/> (Accessed 3 October, 2011). Casualties in and around Afghanistan, <http://icasualties.org/oef/> (Accessed 9 March, 2012).
22. Rufus Fears, "The Lessons of the Roman Empire for America Today", Lecture on Political Thought, The heritage foundation, December 19, 2005, <http://www.heritage.org/Research/Lecture/The-Lessons-of-the-Roman-Empire-for-America-Today> (Accessed 9 March 2012).



Managing two wars simultaneously became, among other factors, one of the primary causes provoking 2008-2011 heavy financial and socioeconomic crises in the USA. These wars required major shift in national resources to the military. The U.S. war politics brought about increasing military expenditures, including demands and expenditures on oil, provoking price increase on oil and its by-products. These wars, among many other factors, provoked recent U.S. socioeconomic and financial crisis, the worst one since the Great Depression, and originated sparking the global recessions 2008-2009, 2011. There were numerous other factors that also contributed to developing the economic crisis in the country. But Wall Street's unprecedented speculations shook the U.S. credit, investment and insurance institutions; as well as the "always prosperous" construction industry. As a result the tourism and goods logistics sectors also significantly suffered. The automobile industry actually came to the verge of its destruction.²³ Especially devastating for economy and people was housing sector. Housing starts were at the lowest levels since monthly recording of these data began in 1959. Mortgages in the foreclosure process increased 204 percent between October 2006 and October 2008, and over 1 million properties went into foreclosure in 2008.²⁴ Household net worth fell from the third quarter of 2007 to the first quarter of 2009 by 17.5 trillion dollars or 26.5 percent, which is the equivalent to more than one year's GDP.²⁵ The amount of debt held by the public has nearly doubled to \$6.4 trillion from 2001 to 2008, demonstrating as President Obama estimated as "a deep fiscal irresponsibility of authorities".²⁶

Level of unemployment in 2011 reached 9, 1% the highest since last decades with 6 million are long term unemployed people (those jobless for 6 months and over). "Manufacturing employment has hit a 60-year low".²⁷

In 2011 about 877 000 veterans were looking for work.²⁸ This active social group with war experience might become quite dangerous for stable development of the country, but in the meantime very positive energy for a small and medium size business.

The US economic crisis provoked heavy depression in the world markets, creating a domino effect that prompted world financial and economic crisis. Countries worldwide suffered regardless of their political system, level of industrial development, geographic size

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23. Obama Threatens US Car Industry with Bankruptcy, *Gguardian.co.uk*, Monday 30 March 2009, <http://www.guardian.co.uk/business/2009/mar/30/obama-threatens-bankruptcy-us-carmakers> (Accessed 3 October 2011).
 24. President's Message, A New Era of Responsibilities, Renewing America's Promise. Budget of the U.S. Government, Fiscal Year 2010, Office of Management and Budget, 2009, p.6, <http://www.gpoaccess.gov/usbudget/fy10/pdf/fy10-newera.pdf> (Accessed 9 March 2012).
 25. Executive Office of the President of the United States, Budget of the United States Government: Fiscal Year 2011, <http://www.gpoaccess.gov/usbudget/fy11/pdf/budget.pdf> (Accessed 5 October 2011), p.7.
 26. A New Era of Responsibility, Renewing America's Promise, Office of Management and Budget, Budget 2010, <http://www.gpoaccess.gov/usbudget/fy10/pdf/fy10-newera.pdf> (Accessed 5 October 2011), p.14.
 27. President's Message, A New Era of Responsibilities, Renewing America's Promise. Budget of the U.S. Government, Fiscal Year 2010, Office of Management and Budget, 2009, <http://www.gpoaccess.gov/usbudget/fy10/pdf/fy10-newera.pdf> (Accessed 3 October 2011). p.1.
 28. Address by The President to a Joint Session of Congress. Obama jobs speech transcript: Full text (as delivered), 8 September 2011, <http://www.politico.com/news/stories/0911/63043.html> (Accessed 5 October 2011).



or the location. While the global economic crisis had numerous causes the position of the USA, as the only world's Superpower, became a catalyst of the processes. When the nucleus of the system shakes, automatically all its segments are shaken. New powerful emerging economies (Brazil, Russia, India and China - BRIC) bringing new environment and challenges by rates of economic growth being beyond of world competition, even these countries, which are challenging the U.S. leadership, as a most dynamic world economic power, even these countries suffered seriously from ongoing in the USA and world economic downturn.

Open protest toward existing in the USA socioeconomic and political situation and tradition of country management, brought about Afro-American President, Barack Hussein Obama to the White House. A chain of revolutions in Arab world, "Arab Spring", actually echoed not only tense situation inside these countries, but political changes inside the USA and the world economic crisis. ***World economic crises proved enormous influence of the USA as economic superpower on the world markets.***

Managing two wars simultaneously became, among other factors, like Wall Street's unprecedented speculations involving credit, investment and insurance institutions, one of the primary causes provoking and originating US domestic crises 2008-2011 and sparking the global recessions 2008-2009, 2011, demonstrating very high interdependence and integration of the US and world markets.

The USA a World Leader

The following section studies real potential of the USA, for facilitating this inquiry are studied the scale of world markets and the place and the share of the US marketplace in it for better understanding the dosage of influence of America on the global economic, financial and military systems.

The USA preserves its leading positions in a number of very important directions. The USA had built up a strong industrial and technological infrastructure that had greatly advanced its military strength into a primary position on the global stage.

The USA created technologically powerful, Post Industrial economy. Its leading economic sectors are: computer, medical, space and military production and services. The USA still is the biggest worlds' trade centre and the largest consumer of goods. In the USA constitutes the largest part of the world trade. The USA preserves world leadership in: publicly traded shares; consumption of goods (including electricity, oil, and gas); stock of domestic credit, investments domestic and abroad. These factors explain well why world economy suffers when the U.S. economy confronts difficulties. Second very important revelation is that the EU is entity, which very closely follows the USA, second Super Power in the world with its unprecedented economic, financial and military achievements.

The USA is unconditional leader in attracting world funds (money). It is the world Centre of publicly traded shares. The world total market value of the publicly traded shares is



56, 64 trillion dollars.*²⁹ The largest share about 15 trillion dollars or world's 26, 5 % of shares are traded in the USA. The EU markets constitute only 9, 8 trillion dollars, or 17%; China – 5 trillion dollars, or 8, 8%; and Japan – 3, 3 trillion dollars, or 5, 8% of the world total.³⁰ The USA is unconditional world leader in this very important field of the concentration of finances. Level of BRIC countries' competition toward the USA and the EU is quite modest. Share of the USA in publicly traded shares demonstrates that this country has dominant position in the world. The USA is followed by the EU sharing with it dominant position in the world

The USA is a "Mecca" for the world production, as it is the traditionally the largest importer of products. The total world's imports are worth about 18 trillion dollars (2011).³¹ The US share is about 12 %, or 2, 3 trillion dollars; the EU share is 11%, or 2 trillion dollars; China's share is even less, only 8.8%, or 1, 6 trillion dollars; and Germany's is 7.2%, or 1, 3 trillion dollars.³² The gap is not very big between the USA and the EU, as the EU with 500 million citizens is coming closer to the U.S. indicators with more than 311 million population. The main competitor should be China with 1, 34 billion inhabitants, but as the purchasing power of the country is low, this country is not yet a "Mecca" for import. The USA and the EU are world dominant countries in importing goods.

No other country in the world consumes as much electricity, oil and gas as the USA. It consumes 21.3% of the world electricity, China only 19.1% with its vast population, EU – 16.3%, Japan 4.8%.³³ The USA consumes 22% of the world oil, and 22% of the world gas. The EU oil consumption is only 15.7 % of the world total and gas is 16%. China consumes about 10.5% of the world oil and about 3% of its gas.³⁴ Imported oil accounts for about 60% of the U.S. consumption, demonstrating the US high dependence on oil exporters' countries. It is obvious that the USA is a dominant consumer of the world goods.

The USA exceeds EU and all other countries in the Stock of Domestic Credit. This economic indicator demonstrates viability of business and its activity. World capacity in this field is \$109,6 trillion dollars (31 December 2011 est.),³⁵ the US share is the biggest in the world 29,7% or 32, 6 trillion dollars, EU share is 21.4 % or 23,5 trillion dollars, Japanese share is 14.8% or 16, 3 trillion dollars, and China's share is only 9.3% or 10, 7 trillion dollars.³⁶

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- * Central Intelligence Agency (CIA) World Fact book 2012 with economic development of the countries worldwide is a valuable resource for studying US socioeconomic development. In the article is analyzed CIA's latest data, <https://www.cia.gov/library/publications/the-world-factbook/geos/xx.html> (Accessed 8 March 2012).
29. Ibid, World Market Value of Publicly Traded Shares, Country Comparisons, <https://www.cia.gov/library/publications/the-world-factbook/geos/xx.html> (Accessed 8 March 2012).
30. CIA World Fact book 2012, Publicly Traded Shares, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2200rank.html> (Accessed 8 March 2012).
31. Ibid, World import, CIA, the World Fact book, 2012 <https://www.cia.gov/library/publications/the-world-factbook/geos/xx.html> (Accessed 8 March 2012).
32. Ibid., Import, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2087rank.html> (Accessed 8 March 2012).
33. CIA World Fact book 2012 Ibid., Electricity – Consumption, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2042rank.html> (Accessed 8 March 2012).
34. Ibid., Oil – Consumption, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2174rank.html>, Natural gas consumption, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2181rank.html> .
35. CIA, Fact book, World Economic Overview, 2011, <https://www.cia.gov/library/publications/the-world-factbook/geos/xx.html> (Accessed 8 March 2012).
36. Ibid., Stock of Domestic Credit, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2211rank.html> (Accessed 8 March 2012).

This enormous capacity of the U.S. stock of domestic credit indicates on unlimited opportunities and synergy of business development inside and outside of the USA. The USA is a dominant country, Mecca of credits and finances, stimulating development of business inside and outside of the country.

Traditionally the USA is regarded as one of the most attractive countries for investment. Out of world's 19, 1 trillion dollars of stock direct foreign investments at home, 13.7 %, or 2, 8 trillion dollars are invested in the USA, France receives the second the greatest amount of investment, with about 6.6% of the world total or 1, 1 trillion dollars; Hong Kong and the United Kingdom invest same amount of funds as France.³⁷

It is very important to indicate that the EU, regardless of all its economic and financial current troubles constantly preserves second places in all above mentioned fields, demonstrating excellent position on the world markets and its competitiveness. Actually Europe very closely follows the USA, although America is a traditional leader.

USA is the biggest investor in the world. Out of world's 19, 9 trillion dollars stock of direct foreign investment - abroad (31 December 2011 est.),³⁸ the U.S. share is the biggest in the world. Its investors are dominating in the world markets. The U.S. foreign direct investments abroad total 4, 5 trillion dollars, or 22%. France is the second largest with 1, 7 trillion dollars, or 8.5%; the same indicators have United Kingdom, and Germany ranks fourth with 1, 4 trillion dollars, or 6.1% of world total invested abroad.³⁹

Along with the **publicly traded shares 15 trillion dollars** traded in the USA, **plus 2, 8 trillion dollars** of stock direct foreign investments at home, it **accumulates annually about 17, 8 trillion dollars**. This capital is even bigger if we add the U.S. direct foreign **investments abroad total 4, 5 trillion dollars**, all an all this indicators comprise **about 22,3 trillion dollars, which makes this country unconditional world financial super power, and a world economic leader, justifying its huge military expenditures on security needs.**

The USA, with its transatlantic allies, is the leading one in creation world security systems through NATO. Due to military and intelligence systems are provided protection of trade and cooperation interests of transatlantic countries and their allies, making world trade collaboration much safer and stable.

The USA has the largest military expenditures in the world. World military expenditures roughly consist of 1, 4 trillion dollars.⁴⁰ About 70% of the world expenditures, or about

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37. CIA World Fact book 2012. Stock of Direct Foreign Investment at home, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2198rank.html> (Accessed 8 March 2012).
 38. Ibid; World Economic Overview, <https://www.cia.gov/library/publications/the-world-factbook/geos/xx.html> (Accessed 8 March 2012).
 39. Ibid; Stock of Direct Foreign Investment – abroad, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2198rank.html> (Accessed 8 March 2012).
 40. Ibid., World Economy Overview, World Military Expenditures, CIA, the World Fact book 2012, <https://www.cia.gov/library/publications/the-world-factbook/geos/xx.html>;



1,08 trillion dollars is spent by NATO countries in 2010.⁴¹ The USA is the leading NATO member with the largest contribution of 785 billion dollars of military spending. North America (USA, Canada) share of total NATO spending is \$809 billion, comprising about 74% of NATO's budget. The EU share in NATO or "NATO Europe" is only \$ 275 billion, or only about 26%.⁴² The largest EU countries by military expenditures traditionally are: UK with \$60 billion, or about 5.5% of total NATO budget 2010 est.; France with 52 billion, or about 4.8% of the NATO's total spending and Germany with 45 billion or 4%. As the US federal budget is the biggest in the world, its military spending is as well extraordinary.

Russia's defense spending in 2010 comprised \$42 billion and it is planned to increase by 60 percent, to \$66.3 billion by 2013, still very modest amount in comparison with the USA.⁴³ China's military budget, according to different editions, is about \$106.4 billion in 2012,⁴⁴ Iran's military budget was about \$ 7 billion in 2008.⁴⁵

The USA is unconditional world leader by its unprecedented military expenditures and its high tech equipments, but in the mean time it is obvious, that leading authoritarian states like China, Russia and Iran are accumulating their military budgets and this tendency will be accelerated in future for creating enough military power to counterbalance the USA and NATO countries.

Traditionally the USA is the greatest donor in the world. In Fiscal Year 2010, U.S. foreign assistance totaled \$39.4 billion, or 1.1% of total budget authority. In real terms, this was the highest level of U.S. foreign assistance since 1985. Since the terrorist attacks of September 11, 2001, foreign aid has increasingly been associated with national security policy. U.S. foreign aid policy has developed around three primary rationales: national security; commercial interests; and humanitarian concerns.⁴⁶ The U.S. Agency for International Development and the State Department, the primary administrators of U.S. foreign assistance, provided \$10.38 billion in security-related assistance; \$10.93 billion for health, education, and social welfare programs; \$3.64 billion for governance programs; \$5.21 for economic growth activities; and \$4.98 in humanitarian assistance. Assistance can take the form of cash transfers, equipment and commodities, infrastructure, or technical assistance, and, in recent decades, is provided almost exclusively on a grant rather than loan basis.⁴⁷

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41. Financial and Economic Data Relating to NATO Defense, Defense Expenditures of NATO Countries (1990-2010), NATO Public Diplomacy Division, Press Release, 10 March 2011, p.4. http://www.nato.int/nato_static/assets/pdf/pdf_2011_03/20110309_PR_CP_2011_027.pdf (Accessed 9 March 2012).
 42. Ibid.
 43. Russia Plans 60% increase in Defense Budget by 2013, Center for Strategic and International Studies, <http://csis.org/blog/russia-plans-60-increase-defense-budget-2013>(Accessed 8 March 2012).
 44. China to raise defense budget by 11%, Impact Your World, CNN, the CNN Wire Staff, March 5, 2012, <http://edition.cnn.com/2012/03/04/world/asia/china-defense-budget/index.html>
 45. Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database for the Year 2010 (in constant 2009 US\$), <http://milexdata.sipri.org/result.php4> (Accessed 8 March 2012).
 46. Foreign Aid: An Introduction to U.S. Programs and Policy, February 10, 2011, Congressional Research Service 7-5700, R40213, Introduction., <http://www.fas.org/spp/crs/row/R40213.pdf> (Accessed 8 March 2012).
 47. Foreign Aid: An Introduction to U.S. Programs and Policy, February 10, 2011, Congressional Research Service 7-5700, R40213, Introduction., <http://www.fas.org/spp/crs/row/R40213.pdf> (Accessed 8 March 2012).

Unprecedented level of US donations helps the country to create benevolent image of the union as a defender of Democracy, Justice and Peace. No other country in the world takes care on its international reputation as the USA. The USA is a world leader in promotion of ideas and values of Democracy and Liberalism in the world.

The U.S. economy during recent decades underwent complicated process of the technological renovation and restructuring. The USA since 1970-s live in qualitatively new society, characterized as "Post-Industrial or Information Society" with its specific structure of economy well analyzed by prominent American scholars: Daniel Bell, John Kenneth Galbraith, others.⁴⁸ The structure the U.S. economy and, as a result, the structure of its society is one of the most advanced in the world. Share of leading sectors of "Industrial economy": heavy industry, manufacturing, and farming significantly diminished. According to CIA data, by GDP the U.S. agrarian sector in 2010 constituted only 1.2%, the industrial sector – 22.1%, but the services – 76.7%.⁴⁹ Very close to the US indicators is the EU. GDP composition by sectors: agriculture: 1.8 %; industry: 25%; services: 73.1% (2011 est.).⁵⁰ EU follows the USA by its rates of Post-industrial development. World's average structure lags behind American and the EU balance. Share of the World GDP of agriculture is 6%; Industry - 31.3%; services - 62.3% (2010 est.).⁵¹

Economic structural changes directly influenced on a structure of the U.S. labor force, further shrinking share of occupied in farming, forestry, and fishing to 0.7%; in manufacturing, transportation, and crafts to 20.3 %; while increasing jobs in services to 79.1% of labor force.⁵² These are the best indicators in the world. No other country or union achieved such level of postindustrial development. The EU balance is 4.7% of occupied in farming, forestry, and fishing, 28.7% in Industry and 66.6% in Services.⁵³

Post-Industrial, Information Society type of economic structure permits America to be the world service center with developed tourism industry, with world class transportation systems and world class universities, making the country not only economic, and political, but world intellectual and cultural center.

The structure of the U.S. economy and its labor force is a model of Information Society. Only the EU countries are very close to American balance. World indicators of GDP composition by sectors, as well as labor force distribution are lagging far behind the U.S. characteristics. World labour force occupied in agriculture is very high 36.7%; while in

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48. Daniel Bell, *The Coming of Post-Industrial Society: A Venture in Social Forecasting*, New York: Basic Books, 1999; John Kenneth Galbraith, *The New Industrial State*. Princeton, Princeton University Press, 2007.
 49. CIA World Fact Book 2012, the USA, Economy, GDP Composition by Sector, CIA, the World Fact book 2012, <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html> (Accessed 8 March 2012).
 50. Ibid., EU, Economy, GDP Composition by Sector, CIA, the World Fact book 2012, <https://www.cia.gov/library/publications/the-world-factbook/geos/ee.html> (Accessed 8 March 2012).
 51. Ibid, World Economic Overview, GDP Composition by Sector, CIA, the World Fact book 2012, <https://www.cia.gov/library/publications/the-world-factbook/geos/xx.html>
 52. Ibid., The USA, Economy, Labor Force Composition by Sector, CIA, the World Fact book 2012, <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html> (Accessed 8 March 2012).
 53. Ibid., Economy, EU, Labor Force Composition by Sector, <https://www.cia.gov/library/publications/the-world-factbook/geos/ee.html>



industry 21.5% and in services 41.7% much lower than the U.S. and EU indicators are.⁵⁴ EU indicators are close to the U.S., but still lagging behind the American level.

This section demonstrates well that the USA is still a superpower with all its attributes, as it has dominant positions in the world: In economy (the USA is the biggest worlds' trade centre and the largest consumer of goods including electricity, oil, and gas); In finances (the USA preserves world leadership in: publicly traded shares; stock of domestic credit, investments domestic and abroad); In military field and in creation world security systems through NATO. As the greatest world donor, it promotes ideas and values of Democracy and Liberalism in the world, creating benevolent image of its mission and function in the world. Post-Industrial, Information Society type of economic and social structure facilitates America to be the world service center with developed tourism industry, world class transportation systems and world class universities, making the country not only economic, and political, but world intellectual and cultural center.

All these factors explain well why world economy suffers when the U.S. economy confronts difficulties. Second very important finding is that the EU is another powerful entity, another Super power which very closely follows the USA in economic, financial, military, social and intellectual achievements.

Although the USA actually controls world financial and economic markets, it is losing some significant positions in the world. The country witnesses significant changes, quite detrimental socioeconomic tendencies, which might have very negative consequences in a long term prospective.

The USA Losing Leading Positions

Managing two wars simultaneously, unprecedented financial speculations, along with other internal and external problems, provoked number of serious problems in the USA. For the first time since the World War II, the USA is no longer the leader in central fields of economy. The USA is losing its leading positions in a number of very significant measures of economic primacy: gross domestic product (including per capita); stock of money; reserves of foreign exchange and gold, export of goods; current account balance; economic growth rates, and gini index. These and other very negative tendencies dealing with the efficiency of labor, income disparities, widening social gap are provoking quite dangerous tendencies in the society, indicating very deep transformation of the nation.

Actually America is transforming from world producer into world consumer. The USA spreads worldwide technologies and finances that significantly help to fight poverty and misery in its distant regions, making them more civilized and better off. In a short term rate it is quite profitable mission for the USA, but in a long term perspective quite dangerous, as poor countries are growing into a kind of competitors and challengers as it happened with China and India. New economic actors appeared in the world markets. They actually compete with the United

54. CIA, the World Fact book 2012: World, Economy, Labor Force Composition by Sector, <https://www.cia.gov/library/publications/the-world-factbook/geos/xx.html> (Accessed 8 March 2012).

States. But actually powerful competitor for the USA is not yet BRIC countries with unprecedented economic growth, but the European Union (although the EU itself has myriads of socio-economic problems).

For the first time since World War II, the USA lost its leadership as the biggest producer of goods and services within nation. The USA experiences the deepest and longest economic downturn since the Great Depression. According to the CIA Fact book data, the EU gross domestic product (GDP purchasing power parity) the main indicator of the wealth of any nation and efficiency of its economy, the EU in 2011 exceeded the US indicators about 400 billion dollars. World GDP is \$79 trillion, out of which the EU share is 15, 4 trillion dollars, the US – 15 trillion dollars (the gap is about \$400 billion). In 2010 this gap between Europe and America was about 200 billion dollars in favor of Europe.⁵⁵ It is significant, that regardless of deep financial and economic problems European economy is growing and exceeding the USA indicators. Traditionally third place belonged to Japan, but since 2010 China became the third economy. In 2011 it preserved the third place with 11, 3 trillion dollars, fourth economy became India with \$ 4, 4 trillion and Japan with \$4, 3 trillion of GDP.⁵⁶

The USA lost its leadership as the biggest economy in the world in 2008, when the EU world share of GDP reached 14,820 trillion dollars, the US - 14,290 trillion dollars. The gap between these two entities was insignificant, but for several years it is constantly increasing showing quite persistent negative tendency for the USA. Plus, the fact itself, that the USA is no long the world leader by GDP, makes this country's future prospects disputable. If rates of economic growth of China be further successfully continued, quite soon, in the nearest years China's GDP will exceed the U.S. and the EU wealth, bringing significant consequences even in world politics.

The USA is not any more the country with the highest incomes in the world. It is only 11th in the world rating according to the GDP (purchasing power parity per capita). First is Lichtenstein with 141 100 dollars, second place has Qatar with \$102 000, third place - Luxemburg 84 000 dollars, The U.S. per capita is quite modest, only \$ 48 100 dollars and ranks 11 in the world list by per capita income.⁵⁷

The USA lost its leading position in the field as Stock of Money, traditionally its main bastions of domination. The EU share is 24% or 5, 5 trillion dollars, Japanese 23% or 5, 4 trillion dollars, China's 10% or 2, 4 trillion dollars, and the USA – 6.1% or 1, 4 trillion dollars (2008 available).⁵⁸

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55. CIA, the World Fact book 2012, The USA, Economy, GDP (Purchasing Power Parity), <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html> World , Economy, GDP (Purchasing Power Parity), CIA, the World Fact book 2012, <https://www.cia.gov/library/publications/the-world-factbook/geos/xx.html> EU , Economy, GDP (Purchasing Power Parity), CIA, the World Fact book 2012, <https://www.cia.gov/library/publications/the-world-factbook/geos/ee.html> (Accessed 8 March 2012).
 56. Ibid., Economy, GDP (Purchasing Power Parity), <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2001rank.html>
 57. Ibid., Economy, GDP Per Capita, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html> (Accessed 8 March 2012).
 58. Ibid., Economy, Stock of Money, Country Comparisons, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2209rank.html> (Accessed 8 March 2012).



The US ranks 174 by the Gross fixed investment ***such as factories, machinery, equipment, dwellings, and inventories of raw materials***, which provide the basis for future production. The USA invests only 12.4% of its GDP (2011 est.). China invests 48.4% of its GDP; India – 30.7%, Russia - 21.1%, France – 19 %, Turkey - 21.0% and the EU - 18.6% of its GDP.⁵⁹ Possibly these figures show, that pick of renovation of equipments was passed by the USA, while this process is ongoing in other countries, but ruthless completion on international markets demands very careful politics toward investments.

The USA also has a very modest position in the Reserves of Foreign Exchange and Gold. Leaders in this field are China with \$3, 3 trillion; Japan with \$1 trillion, Saudi with \$ 536 billion and Russia with \$513 billion. The USA has only \$132 billion.⁶⁰

For the USA especially painful is losing its once leading positions in export of goods, one of the main indicators of healthy economy. The USA is only 4th in the world according to a measure of export of goods, with exports valued at 1, 2 trillion dollars, while the EU exports 1, 9 trillion dollars worth of goods, China 1, 5 trillion, Germany 1, 3 trillion dollars worth of goods (2011 est.).⁶¹

Due to these indicators the USA is in a complicated situation according to the current account balance. The USA trade deficit in 2010 was 470 billion dollars and it is at the bottom of the list, as no other country in the world had such a big imbalance.⁶²

The US trade deficit reached a record \$840 billion in 2008 before shrinking to \$506 billion in 2009, and ramping back up to \$ 599, 9 billion in the 2011.⁶³ This would be an excellent result of curing economy, if the Gross External Debt would be diminished and not be increased by 800 billion dollars during only one year 2011. The world leader in trading is China. Its trade surplus is \$280 billion; Second place has Saudi Arabia with surplus \$151 billion dollars; Third place - Germany \$149 billion. Japan due to its devastation in 2011 received - \$122 billion surplus, Russia - \$90 billion, but Switzerland - 76 billion dollars of surplus.⁶⁴

China is unconditional world leader in trade balance and efficiency of economy.

The External Debt of the USA by its amount of money traditionally was very high. According to the CIA, in 2011 it was 14, 7 trillion dollars, or 98 % of country's GDP.⁶⁵ Since the last year the debt increased about 4%. In 2011 the EU became a world leader by the size

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59. CIA, the World Fact book 2012, Economy, Country Comparison, Investment (gross fixed), <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2185rank.html>
 60. Ibid., Economy, Country Comparisons—Reserves of foreign exchange and gold, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2188rank.html> (Accessed 8 March 2012).
 61. Ibid., Country Comparisons, Exports, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2078rank.html> (Accessed 8 March 2012).
 62. Ibid., Country Comparisons, Current Account Balance, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2187rank.html> (Accessed 8 March 2012).
 63. Ibid., Economy, Current Account Balance, Country Comparison, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2187rank.html> (Accessed 8 March 2012).
 64. Ibid., Economy, Current Account Balance, Country Comparison, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2187rank.html> (Accessed 8 March 2012).
 65. Ibid., Country Comparisons, Debt-External, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2079rank.html> (Accessed 9 March 2012).

of its debt. According to statistics presented in the CIA World Fact book, the EU external debt consisted 16 trillion dollars, or 104% of its GDP, while in 2010 its level was 92 %, so the debts increased by 12%. Same situation is in its leading countries: UK – 9,8 trillion dollars, Germany - and France – 5, 6 trillion dollars, Japan – 2,7 trillion dollars, Russia, as one of the competitor of the USA and the EU, has relatively modest external debt only 519 billion dollars.⁶⁶

It is obvious that the European countries have very pessimistic indicators toward its debts. The UK debt consists 445% of its GDP; France's debt is 254% of its GDP; Germany's debt is 186%; Greece's debt is 195% of its GDP, Spain's debt - 178% of its GDP; Japan's debt is 62% of its GDP, Russia's debt is quite low only 22% of its GDP.⁶⁷ So, the country with the highest external debt, within the EU, is the United Kingdom. Its debt about 4,4 times exceeds its GDP; France's external debt is 2, 5 times more than it's GDP; Germany's 1, 8 times more.⁶⁸ Chinese external debt diminished in the 1 quarter of 2009 by 10% and is now only 406 billion dollars comprising 5.6 % of its GDP.⁶⁹

Average world level of Public Debt comprised about 87% of GDP in 2011.⁷⁰ It increased about 27% only during the last year in 2011. These data demonstrate that debt economy is inalienable culture of the contemporary countries, especially traditional democracies. These debts appeared from the first days of its inceptions due to the civil wars and expanding expenditures. But real problem became economic scholars of the 20th century like Maynard Keynes, who justified national debts as reasonable solution of economic crises.

These figures well demonstrate in how bad shape is the world economy and especially countries of Transatlantic Democracies. On the other had it is obvious that Chinese and Russian economies are developing very dynamically. If its development will be preceded Transatlantic Democracies will confront significant difficulties not only economic, but political in foreseeable future. Actually the UN today is already the arena of ideological clashes and confrontation of these countries. Power of Transatlantic communities might be in preserving very tight relations and partnership with the rest of the world including indicated regions.

Major Foreign Holders of the US external debt, which consists about 4,5 trillion dollars (July 2011) are: China with 1, 1 trillion dollars, Japan - 914 billion dollars, UK – 352 billion dollars, Brazil – 210 billion dollars, and Russia – 100 billion dollars.⁷¹

Debts' structures of traditional Democracies well demonstrate how closely integrated world economies and its finances are.

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66. Calculated according the CIA, the World Fact book 2011, Country Comparisons, Debt-External, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2079rank.html> (Accessed 9 March 2012).
 67. Ibid; External Debt of countries is calculated, using materials of CIA. <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2079rank.html> (Accessed 9 March 2012).
 68. Ibid.
 69. China's external debt falls 10% in Q1, *China Daily*, 21 August, 2009, http://www.chinadaily.com.cn/bizchina/2009-07/02/content_8348771.htm, (Accessed 9 March 2012).
 70. CIA, the World Fact book 2012, Economy, Current Account Balance, Country Comparison, <https://www.cia.gov/library/publications/the-world-factbook/geos/xx.html> (Accessed 8 March 2012).
 71. Ibid., Major Foreign Holders of Treasury Securities, <http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt> (Accessed 9 March 2012).



Economic growth rates in the United States also lag behind its competitors.

In 2011 annual growth rates of China was 9.5%; India - 7.8%; in Russia – 4%. Germany lagged behind Russia with 2.7%; in France - 1.7%; in EU – 1.6%; World GDP real growth rate was 3.7% (while in 2010 was 5%, but 2009 minus - 0.8% only).⁷² The USA's rate of growth was only 1.5% in 2011. Situation was even worse in 2008, when the US indicator was 0, but in 2009 minus - 2.6% the biggest economic contraction since 1938.⁷³ In 2010 the EU growth rate was 1.8%, but in 2009 minus - 4.1%. If such sluggish economic growth rates will be preserved following years, economic domination of transatlantic countries will be seriously undermined, which might bring about profound geopolitical consequences in future.

Actually all federal taxes and other revenues are consumed in spending on various federal benefit programs, including Social Security, Medicare, Medicaid, veterans' benefits, food stamps, and farm subsidies and other social-assistance programs and payments on the national debt. Most everything else is done with borrowed money, borrowing for schools, roads and parks.⁷⁴

Actually America spent as much as it has already borrowed. It is reality that the whole US economy is actually bankrupt, as well as the EU economy and its leading countries. Only well designed strategic planning will give opportunity to these countries to reduce their debts. Other possibility of signing off debts might be unpredictable Force Majors.

Beneath Going Tendencies

Although the USA created advanced economic structure, its efficiency or its labor force efficiency is quite modest. Less efficiency of the U.S. labor force is well traced in its productivity. Vast majority of the society, its 79% is engaged in the services, but its efficiency is quite low as producing only 76,7% of the GDP, or less 3%, than its nominal potential is. 20.3% of the labor force is in manufacturing, transportation, and crafts produces 22.1% of the country's GDP, showing better results, but still quite modest productivity. Most productive is the U.S. agrarian labor force as its share is very low only 0.7%, but quite effective, as it produces 1.2% of the country's GDP.⁷⁵

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72. CIA, the World Fact book 2012, GDP, Economy, Real Growth Rate, Country Comparisons,. This entry gives GDP growth on an annual basis adjusted for inflation and expressed as a percent, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2003rank.html>; Data on EU growth rate of GDP in 2009 is available <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsieb020> (Accessed 9 March 2012).
 73. President's Message, A New Era of Responsibilities, Renewing America's Promise. Budget of the U.S. Government, Fiscal Year 2010, Office of Management and Budget, 2009, <http://www.gpoaccess.gov/usbudget/fy10/pdf/fy10-newera.pdf> (Accessed 3 October 2011), p.6; U.S. Census Bureau, Statistical Abstract of the United States: 2003 No. HS-32. Gross Domestic Product in Current and Real (1996) Dollars: 1929 to 2002—Con, <http://www.census.gov/statab/hist/HS-32.pdf>.
 74. How Obama's jobs speech claims compare with facts, Detroit Free Press, 9, September 2011, <http://www.freep.com/article/20110909/NEWS15/109090487/How-Obama-s-jobs-speech-claims-compare-facts> (Accessed 9 March 2012).Ibid.
 75. CIA, World Fact book 2012, The USA, Economy, Country Comparisons, <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html> (Accessed 9 March 2012).

Although world economic structure is lagging behind of the U.S., but its relative efficiency is obvious. World labor force occupied in agriculture is very high 36.6%, producing only 5.7% of world GDP share of agriculture, showing quite low efficiency (as the industrialization is very low), while 21.5% of labor engaged in industrial sector produces 30.7% of the GDP. Most efficient is the sector of services, where 41.9% of labor force produces 63.6% of world GDP.⁷⁶

These data demonstrate that although the USA enjoys advanced Post Industrial economic and social structure of the society, but its efficiency is not fully used and lags behind its possibilities, while less advanced world indicators show more high level of its affectivity.

Transatlantic corporations and economic crises became a real economic problem for the USA. On its initial stage in 1960-1970s transatlantic corporations had very progressive role, when they moved goods and services overseas all around the world, bringing multibillion incomes to the country, but when transatlantic corporations began to move productions itself overseas in 1970-1980s, it provoked two negative tendencies for the American society: Using cheap foreign labor force and preferable foreign system of taxation, the U.S. economy began to lose jobs and actually depleted itself.

While American corporations were bringing new business synergy, finances, "high tech" and "know how" to the new continents (including China and India, making world economy more homogeneous), America degraded (exporting jobs overseas) and exacerbated unemployment problem in the USA. On the other hand, due to well trained, badly paid, socially and politically unprotected labor force abroad, the U.S. corporations amassed huge wealth, which partly has been used not for expanding investments, but for just speculations on the Wall-Street. The amassed wealth itself became a problem for American society, as the economic gap between different social layers has been exacerbated significantly.

Aggravated economic situation further acerbated socioeconomic disparities within American nation, which turned to be the most detrimental for the country. U.S. population's lowest 10% -s income or consumption consists only 2% of the national consumption, while the highest 10% of population consumes 30%. Since 1975, practically all the gains in household income have gone to the top 20% of households.⁷⁷ 15.1% of population lives below the poverty line.⁷⁸ Quite detrimental tendency of wealth distribution within the society is well demonstrated by Gini index.

The USA has quite modest indicator in distribution of family income - Gini index.

The USA ranks 40 in the world with 45.0 scores (while 00.0 is the unreachable ideal condition, the point of counting). More harmonious distribution of wealth demonstrated India with 36.8

76. CIA, the World Fact book 2012, Country Comparison. World, Economy <https://www.cia.gov/library/publications/the-world-factbook/geos/xx.html> (Accessed 9 March 2012).

77. Country Comparisons, The USA Economy, <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html>

78. Income, Poverty and Health Insurance Coverage in the United States: 2010, US Census Bureau, Newsroom, September, 13, 2011, http://www.census.gov/newsroom/releases/archives/income_wealth/cb11-157.html (Accessed 9 March 2012).



scores, UK with 34 scores, Germany with 27 scores.⁷⁹ The EU rate is 30.4, Russia's 42.2 scores. Even Russia, with its very corrupt political regime has better distribution of wealth within society, than traditional "bastion of democracy" the USA.⁸⁰

According to U.S. Census Bureau, the nation's official poverty rate in 2010 was 15.1 percent, up from 14.3 percent in 2009. "There were 46.2 million people in poverty in 2010, up from 43.6 million in 2009 – the fourth consecutive annual increase and the largest number in the 52 years for which poverty estimates have been published".⁸¹ The number of people without health insurance coverage rose from 49.0 million in 2009 to 49.9 million in 2010, while the percentage without coverage reached 16.3 percent of population.⁸²

Sharp social disparities might become a serious social problem for the society. In 2009 CEO salary was 185% bigger than the average workers.⁸³ **The bottom 10 percent** of earners have seen their **income decline by 12.1** percent, **while the top 10 percent has** experienced a **decline of 1.5 percent** in that time period, the Census Bureau reported.⁸⁴ Hedge fund managers often pay 15 % tax through the carried interest (Capital gains) tax loophole, while the average teacher pays 25% income tax. Tax breaks for oil and gas companies will be 40 billion over the next decade. In 2010 third quarter oil and gas production profits reached 217%, three times more than in the 2009.⁸⁵

Famous American scholar, Jeffrey Sachs in his article "In Search of Equilibrium" describes even more dramatic social gap: "America's income inequality is staggering: The net worth of the wealthiest 1 percent of households is equal to the net worth of the poorest 90 percent. America's gaudy inequalities today surpass those that preceded the Great Depression, and probably the excesses of the Gilded Age of the 19th-century robber barons".⁸⁶

It is obvious, that the USA confronts serious long-term problems of stagnation of family income in the lower economic groups. High rates of unemployment, limiting small business opportunities negatively influence on middle and lower class conditions, its viability. Lowering purchasing power of population has negative influence on big business, provoking sluggish economy and hampering stable development of socioeconomic and political processes

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79. CIA, the World Fact book 2012, Country Comparisons, Gini Index, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html> (Accessed 9 March 2012).
 80. CIA, the World Fact book 2012, Country Comparisons, Gini Index, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html> (Accessed 9 March 2012).
 81. Income, Poverty and Health Insurance Coverage in the United States: 2010, US Census Bureau, Newsroom, September, 13, 2011, http://www.census.gov/newsroom/releases/archives/income_wealth/cb11-157.html (Accessed 9 March 2012).
 82. US Census Bureau, Newsroom, September, 13, 2011, http://www.census.gov/newsroom/releases/archives/income_wealth/cb11-157.html (Accessed 5 October 2011).
 83. American Jobs Act Address Enhanced Graphics, The White House, <http://www.slideshare.net/whitehouse/american-jobs-actslides> (Accessed 5 October 2011)
 84. The Washington Post, 13 September, 2011. http://jdeanicite.typepad.com/i_cite/2011/09/us-poverty-rate-reaches-151-percent-the-washington-post.html (Accessed 5 October 2011)
 85. American Jobs Act Address Enhanced Graphics, The White House, <http://www.slideshare.net/whitehouse/american-jobs-actslides> (Accessed 9 March 2012)
 86. Jeffrey Sachs. In Search of Equilibrium, I.H.T. Global Agenda, *The New York Times*, 2011, December 2, 2010, <http://www.nytimes.com/2010/12/02/opinion/global/02iht-GA04Sachs.html?ref=ihtyearend> (Accessed 9 March 2012).

within society and in future making this country less attractive for world flow of goods and finances.

In 2011 one of the oldest U.S. credit rating company, Standard & Poor's (S&P's),⁸⁷ downgraded the U.S. credit rating to one notch (from AAA to AA+)⁸⁸ for the first time since the U.S. won the top ranking in 1917.⁸⁹ The AAA rating has made the U.S. Treasury bond one of the world's safest investments — and has helped the nation borrow at extraordinarily cheap rates to finance its government operations, including two wars and an expensive social safety net for retirees. Treasury bonds have also been a stalwart of stability amid the economic upheaval of the past few years.⁹⁰

"It's always possible the rating will come back, but we don't think it's coming back anytime soon," said David Beers, head of S&P's government debt rating unit.⁹¹ This symptomatic blow to the world's economic superpower provoked sharply worded critique of the American political system. "Political brinkmanship" in the debate over the debt had made the U.S. government's ability to manage its finances "less stable, less effective and less predictable," is indicated in the Standard & Poor's report.⁹²

Analysts say that, "over time, the downgrade could push up borrowing costs for the U.S. government, costing taxpayers tens of billions of dollars a year. It could also drive up interest rates for consumers and companies seeking mortgages, credit cards and business loans".⁹³ A downgrade could also have a cascading series of effects on states and localities, including nearly all of those in the Washington metro area. These governments could lose their AAA credit ratings as well, potentially raising the cost of borrowing for schools, roads and parks.

By the level of good governance the USA as well lags behind many other countries.

According to the Corruption perception index, the level of corruption in the United States is much higher than in the Northern European, Scandinavian countries, where traditionally the level of corruption is very low. According to "Transparency International" Corruption Perception Index 2011, out of 183 countries, the USA ranks 24 with 7.1 scores. Leaders, with very low level of corruption, are: New Zealand, Denmark, Finland and Sweden ranging scores from 95 to 93.⁹⁴ Noisy political corruption scandals like: Enron, WorldCom, governor Rod Blago-

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87. The company Standard & Poor's traces its history back to 1860, with the publication by Henry Varnum Poor of History of Railroads and Canals in the United States. This book was an attempt to compile comprehensive information about the financial and operational state of U.S. railroad companies.
 88. 'AAA' is the highest issuer credit rating assigned by Standard & Poor's and has extremely strong capacity to meet its financial commitments; AA has very strong capacity to meet its financial commitments. It differs from the highest-rat only to a small degree. Includes: AA+: equivalent to high quality, with very low credit risk, but susceptibility to long-term risks appears somewhat greater.
 89. Zachary A. Goldfarb, U.S. Credit Rating Downgraded by Standard & Poor's Status cut from triple-A for 1st time, Washington Post, August 6, 2011, http://articles.sfgate.com/2011-08-06/news/29857528_1_s-p-downgrade-credit-rating-triple-a-rating (Accessed 9 March 2012).
 90. Zachary A. Goldfarb, U.S. Credit Rating Downgraded by Standard & Poor's Status cut from triple-A for 1st time, Washington Post, August 6, 2011, http://articles.sfgate.com/2011-08-06/news/29857528_1_s-p-downgrade-credit-rating-triple-a-rating (Accessed 9 March 2012).
 91. Ibid.
 92. Ibid.
 93. Rufus Fears, Lecture #917, "The Lessons of the Roman Empire for America Today", Published on December 19, 2005 by The heritage foundation, leadership for America, <http://www.heritage.org/Research/Lecture/The-Lessons-of-the-Roman-Empire-for-America-Today> (Accessed 9 March 2012).
 94. Transparency International, Corruption Perception Index 2011, <http://cpi.transparency.org/cpi2011/> (Accessed 9 March 2012).



jevich, recent scandal in the US Congress and many other cases show that corruption even on the high level of decision making still remains serious, unsolved problem for the nation.

The Scandinavian countries are as well world leaders in the efficiency of the electronic government (e-government), while the USA goes behind them.⁹⁵ Although the USA is a motherland of high-tech, especially computer and Internet invention/production, as well as e-government end "Digital Democracy" its theory and practice, but the U.S. leading positions in the world, is challenged. According to the UN E-Government Survey 2012, the USA ranks fifth by E-government Development Index, Which comprises: online service, telecommunication infrastructure and human capital components. The world leader is the Republic of Korea (South Korea), followed by Netherlands, United Kingdom and Denmark.⁹⁶ The USA ranks 3th by e-participate index (peoples involvement in electronic governmental process), most important indicator of interactivity of the government and people.⁹⁷

The USA ranks 24th by telecommunication infrastructure index and its components (estimated by internet users per 100 inhabitants; main fixed telephone lines per 100 inhabitants; mobile subscribers per 100 inhabitants; personal computers per 100 inhabitants; total fixed broadband per 100 inhabitants). In this list leading positions have Liechtenstein, Switzerland, Iceland and Luxembourg.⁹⁸

The USA ranks 21 the by human capital index and its components (index value adult literacy rate and combined gross enrolment ratio for primary, secondary and tertiary schools by per cent).⁹⁹

These indicators well demonstrate how much the US government has to contribute for diminishing gap between those "who has" and those "who has not", providing jobs and high standards of living and especially good public education.

American scholar J. Rufus Fears, in his lecture on "The Lessons of the Roman Empire for America Today" compares Rome of the first and second centuries A.D. and the United States today "as the only two absolute superpowers that have existed in history".¹⁰⁰ By an absolute superpower he means "a nation that is dominant militarily, politically, economically, and culturally". He warns that pouring treasure into the civil wars (Judea and Egypt); stretching the limits of the army and other commitments, ended by the Persian and the Germanic tribe's new federations swept through the fairest provinces of the Roman East, and the Roman West.

"Rome recovered from this crisis, but in a form that left it utterly different than before. It had once rested upon the back of a strong and vigorous and loyal middle class. Now

95. E-government Survey 2012, E-government for the People, UN Department of Economic and Social Affairs, UN, New York, 1012, <http://unpan1.un.org/intradoc/groups/public/documents/un/unpan048065.pdf> (Accessed 9 March 2012).

96. Ibid., pp. 126.

97. Ibid., p. 134.

98. Ibid., p. 130.

99. Ibid., p. 132.

100. Rufus Fears , Lecture #917 , "The Lessons of the Roman Empire for America Today", Published on December 19, 2005 by The heritage foundation, leadership for America, <http://www.heritage.org/Research/Lecture/The-Lessons-of-the-Roman-Empire-for-America-Today> (Accessed 9 March 2012).

every aspect of Roman society became rigid, and formalized. The army became ever larger, ever more inefficient; the bureaucracy became ever larger to collect ever more taxes; and the very spirit and, ultimately, the loyalty of the middle class was destroyed.¹⁰¹ J. Rufus Fears' speculates, "that is a crossroads that we will come to just as the Romans did".¹⁰²

Fears warnings actually are in accordance with Samuel P. Huntington's predictions. As Huntington indicated in 1990s, there is "the fundamental disharmony between the reality of government in America and the ideals on which the American nation was founded. The tension between ideals and institutions is likely to increase in this country in the future".¹⁰³

Election in 2008 Afro-American, Barack Hussein Obama as the President of the USA was the open protest of Americans not only toward existed in the country socioeconomic and political situation, but the tradition of country management, existed system of decision making process, when public will and opinion might be ignored or been distorted, for benefits of few. Victory of Obama was regarded as an act of reestablishment better "a more perfect Union" for people. It became a powerful impulse for fighting Freedom, Democracy and Better Governance without corruption.

The USA confronts number of other serious problems and challenges, in its internal, as well as external, politics.

Growing pessimism inside the society

According to Washington Post polls, which were organized in August 2011, nearly three-quarters of Americans polled said they have little or no confidence in Washington to repair the economy.¹⁰⁴ Confidence is down 21 percentage points from October 2010 and is less than half its 2002 levels. Roughly four in 10 have no confidence at all in the federal government when it comes to dealing with the economy, the poll indicates.¹⁰⁵ Nearly eight in 10 of Americans polled were dissatisfied with the way the political system is working, up dramatically from late 2009. The unhappiness is intense, with 45 percent saying they are very dissatisfied. That feeling is shared widely across party lines. Independents are the most disgruntled, with 51 percent calling themselves very dissatisfied.¹⁰⁶ More than seven in 10 said Washington is focused on the "wrong things." That too is sharply higher than it was just 10 months ago. Two-thirds of Republicans who see the government as focused on the wrong things said Obama and the Democrats are to blame, and Democrats were nearly as likely to point the finger at

101. Rufus Fears , Lecture #917 , "The Lessons of the Roman Empire for America Today", Published on *December 19, 2005* by The heritage foundation, leadership for America, <http://www.heritage.org/Research/Lecture/The-Lessons-of-the-Roman-Empire-for-America-Today> (Accessed 9 March 2012).

102. Ibid.

103. Samuel P. Huntington, *American Politics: The Promise of Disharmony*, R.E. Dalton, 1991.

104. Jon Cohen and Dan Balz, Poll: Spreading gloom about government; most dissatisfied with political system, *Washington Post*, August 11, 2011, [http://www.washingtonpost.com/politics/poll-spreading-gloom-about-government-most-dissatisfied-with-political-system/2011/08/10/gIQAXsUB7I_story.html?](http://www.washingtonpost.com/politics/poll-spreading-gloom-about-government-most-dissatisfied-with-political-system/2011/08/10/gIQAXsUB7I_story.html?n) n (Accessed 9 March 2012).

105. Jon Cohen and Dan Balz, Poll: Spreading gloom about government; most dissatisfied with political system, *Washington Post*, August 11, 2011, [http://www.washingtonpost.com/politics/poll-spreading-gloom-about-government-most-dissatisfied-with-political-system/2011/08/10/gIQAXsUB7I_story.html?](http://www.washingtonpost.com/politics/poll-spreading-gloom-about-government-most-dissatisfied-with-political-system/2011/08/10/gIQAXsUB7I_story.html?n) n (Accessed 9 March 2012).

106. Ibid.



the GOP. Among independents, a plurality — 43 percent — volunteered that both sides are at fault.¹⁰⁷ Barely a quarter of those surveyed recently saying the federal government can fix the nation's economic problems and a large majority agreeing that the policymaking process is unstable and ineffective. A new Washington Post poll underscores the damage done to President Obama and both political parties by the long standoff over the debt ceiling and the weakened economy.¹⁰⁸ Half the country agrees with the assessment of the nation's financial situation rendered by Standard & Poor's, which downgraded the U.S. credit rating for the first time in history. The poll suggests that the decision by S&P had a powerful ripple effect, with 80 percent saying they had heard about the downgrading, and 45 percent saying they had heard "a lot" about it.¹⁰⁹ These results on population sentiments on socioeconomic development of the country is quite pessimistic and well reflects the general situation existed in the nation. Good and rational government from top to bottom of its management is most demanded factors in the country. People's protests and disagreement with the existing in the country situation is expressed in solid protests spread all around the country.

Protest Movements

Existing sharp socioeconomic situation brought about not only pessimism in the society, but upheaval of social protest. Most recent one became the Occupy Wall Street protests, started on 17 September 2011 with a few dozen demonstrators who tried to pitch tents in front of the New York Stock Exchange. Since then, hundreds have set up camp in a park nearby and have become increasingly lining up medical aid and legal help with their own newspaper, the Occupied Wall Street Journal.¹¹⁰ Anti-Wall Street protesters gain support nationwide.¹¹¹ Thousands of protesters were arrested on charges of disorderly conduct and blocking public streets as they tried to march over. It galvanized a slice of discontented America, from college students worried about their job prospects to middle-age workers who have been recently laid off.¹¹² The demonstrations against corporate greed and war, shows well that, certain social layers in the country are ready for political activities, and American political left appears to be getting new energy. According to Vice President Joe Biden, "the new movement, which has spread from Manhattan to other cities, has "a lot in common with the tea party." Both grew out of a profound sense that the political system was badly out of whack and the government was "bailing out the big guys" in the financial community, while failing to fix the problems of hard-pressed, ordinary Americans."¹¹³ Beyond that, there are broad and potentially growing similarities. Both movements are decentralized and nonhierarchical, driven largely by an alienated and outraged citizenry. Some Democratic strategists see a threat if Democrats get too close to a street movement with radical elements that remains highly unpredictable.¹¹⁴

107. Ibid.

108. Jon Cohen and Dan Balz, Poll: Spreading gloom about government; most dissatisfied with political system, Washington Post, August 11, 2011, http://www.washingtonpost.com/politics/poll-spreading-gloom-about-government-most-dissatisfied-with-political-system/2011/08/10/gIQAXsUB7I_story.html?n (Accessed 9 March 2012).

109. Ibid.

110. Ibid.

111. Anti-Wall Street protesters gain support nationwide, MSNBC.com, 6 October, 2011. http://www.msnbc.msn.com/id/44803689/ns/us_news-life/?ocid=ansmsnbc11 (Accessed 9 March 2012).

112. Ibid.

113. Paul West, Is Occupy Wall Street a Tea Party for Democrats? *Los Angeles Times*, October 06, 2011| <http://articles.latimes.com/2011/oct/06/nation/la-na-occupy-political-20111007> (Accessed 9 March 2012).

114. Paul West, Is Occupy Wall Street a Tea Party for Democrats? *Los Angeles Times*, October 06, 2011| <http://articles.latimes.com/2011/oct/06/nation/la-na-occupy-political-20111007> (Accessed 9 March 2012).

Georgetown University historian Michael Kazin, who writes about the American left, indicates that "in order for protest movement to sustain themselves, to become movements, and for those movements to have influence on American society and American politics, they have to come up with a strategy, organization, leaders."¹¹⁵

Actually it is a matter of time. If socioeconomic situation in the country will be further deteriorated, protests and protest movement will be strengthened, become more frequent, vigorous and radicalized. The USA has a long history of mediating and conciliation of political protests in the country, therefore presumably Obama administration will try to make this wave of protests less painful and less harmful for the country. For this reason he will activate social and economic reforms for proving better conditions of life and work and channel this way social unrest and disappointments.

Although the USA still preserves dominant position in financial and economic markets, it has significant crack in the foundation of its system, which is named external debt, trade deficit and sluggish development of economy. Actually America is transformed from world producer into world consumer. These and other very negative tendencies dealing with the efficiency of labor, income disparities, high unemployment, widening social and economic gap of population, corruption, growing pessimism of people brought about quite dangerous and detrimental tendencies in the society, coincided with transformation of the society from Industrial to Post-Industrial order within qualitatively changed international economic environment. Malfunctioning of the US economy automatically brings new vital forces in the international markets, provoking its restructuring and reformation.

There are number of explanation why America loses its dynamic position in the world: over militarization, corruption, bad management, economic cycles, and others, but there is additional factor less discussed in the literature. Problem might be as well in the level of countries' development. During Industrial society the USA practically was the sole producer of high quality goods in the world and easily dominated in the world markets. American Post-Industrial Society confronts sharpest competition from emerging economic powers BRIC countries, which actually experience the Industrial Society and only begin the process of transformation into the Post-Industrial Societies, so having advantages in production of industrial good.

Conclusions

Although the USA confronts sharpest socioeconomic and political problems, it still maintains positions of superpower. It is world's political, military, economic, financial, technological, intellectual and cultural leader.

The USA still is the biggest world trade centre and the largest consumer of goods.

It preserves world leadership in: publicly traded shares; consumption of goods (including electricity, oil, and gas). It has the largest stock of domestic credit. It is the biggest investor abroad and still most attractive country for foreign investments. Traditionally the USA is the greatest donor in the world. These factors explain well why world economy suffers when the U.S. economy confronts difficulties.

115. Jeff Swicord, "Occupy Wall Street Protests Spread across Country", *Voice of America*, October 08, 2011, <http://www.voanews.com/english/news/Occupy-Wall-Street-Protests-Spread-Across-Country-131377038.html> (Accessed 9 March 2012).



The USA had built up a strong industrial and technological infrastructure that had greatly advanced its military strength into a primary position on the global stage. The USA, with its transatlantic allies, is the leading one in creation world security systems through NATO. Through military and intelligence systems are provided protection of trade and cooperation interests of transatlantic countries.

The U.S. economic structure and, as a result, the structure of its society is a model of Post Industrial, Information Society, the most advanced in the world. Share of leading sectors of "Industrial economy": heavy industry, manufacturing, and farming significantly diminished, while services dramatically increased. Only the EU countries are very close to American balance. World indicators of GDP composition by sectors, as well as labor force distribution are lagging far behind the U.S. characteristics. But in the mean time, the U.S. system turns to be not efficient enough.

But regardless of these achievements USA suffers significant internal problems. **In domestic politics are traced some very negative tendencies.** The USA consumes much more, than it produces. Over militarization of the economy negatively influence the development of the country, as huge financial and intellectual resources are spent on war politics. There are also serious problems with transnational corporations, which are making huge investments in foreign states, and receiving maximum of profits. They export the capital and technologies to Asia, Latin America or Africa, where the labor force is much cheaper. While the U.S. companies are getting unprecedented benefits, it is often misused in stock exchange markets through risky speculations, negatively influencing on the domestic economy as a whole. The wealth is concentrated within business elite and not spread throughout American society. Outsourcing of capital significantly reduces the quantity of jobs in the USA, impoverishing the economy and the nation. Corruption and mismanagement is another challenge in domestic policy, which needs significant reformation of the existing system of country management.

If radical reforms will not be undertaken for cutting: unprecedented trade imbalance, national debt, high unemployment, and deteriorating living standards, these negative factors will further diminish consumption of goods and services, lacking investments in education, research and healthcare, create social instability in the country, provoking flee of capitals, shrinking tourist potential. Problems in internal politics will influence on the external politics, undermining the U.S. exceptional role in the world political processes.

Today real U.S competitors in economy are the EU and China. Although rates of economic growth of China and India are extremely high and in the nearest future China's GDP will exceed the U.S. and the EU wealth, it will not change dramatically situation in short rate term. Hardly China, India or even Russia are able to become a world superpowers, as only economic wealth is not enough to dominate in the world. Most important is ideological attractiveness, values and culture of the nation for billions of population in the world. Until these political regimes will not be deeply transformed to become more democratic and more attractive for progressive world, these countries will not be able to pretend on world leadership. Today China and Russia are bearing function of counterbalance in the world against the USA and the EU. But in long term rate, superiority in economy and finances of China and Russia might brought about significant basis for formation within these nations new political environment with new values and principles, ideology, which might be lucrative and attractive for other nations.



Military potential is another important variable for world domination. NATO countries' military superiority (with the US domination as the biggest contributor of its budget) is unprecedented and even in long term it might preserve its technological priority. But how efficient is or will be this huge military and bureaucratic machine is another important challenge for the USA and European countries.

Cascade of revolutions in Arab world, "Arab Spring", shows protests against authoritarian regimes, success of democratic values: free and transparent elections, human rights, rule of law and liberal democracy. The U.S. - EU influence and its cultural expansion toward East and South is obvious. Extension of the ideology of Democracy, including Digital Democracy is inevitable, as today there is no other ideology, which can really compete with the liberal democracy, regardless of its drawbacks and minuses. The Middle East once has been "the graveyard of empires" is gradually transforming into liberal democracy with all its difficulties and transitional consequences.

Tendency of convergence and further integration of the USA and the EU, two real superpowers according to its economic, political, military and cultural influence on the world, is actually inevitable, especially in today's context, unlike to the previous times, when after the World War II super powers were the rivals and confrontation was deadly dangerous. Today these super powers share the same ideology and they deeply and keenly depend on each other. The USA, as the EU, are on a qualitative new level of its development, but need transformation of its policy and politics for providing effective economy, finances and stable and harmonious development of social relations.

The main challenge faced by the United States will be managing the rational development of its domestic economy and politics: further stimulation of technological innovations and effective reformation of the system of governmental regulation; making it more balanced and rational; free from mismanagement, wasteful spending and corruption; oriented on development of medium and small businesses. Reformation of the existed system of political government and its regulation will be crucial for retaining, in the short and long term, the US world leadership.



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Journal of Global Analysis

Security Policy in the European Union and the United States through the issue of their Defence Expenditures

By Dr. Theodore Metaxas* and Emmanouil Marios L. Economou**

This article aims to clarify how the level of defence expenditures affected security policy in the post-World War II Europe and the United States till the present day. We first analyze theoretically the issue of a nation's power through its defence outlays. We then proceed to the examination of how security policy was formulated during Cold War and afterwards for both Europe and the United States through their defence expenditures. By comparing European to United States defence budgets ceilings we found that the European military capabilities are undermined by the low level of the defence budget which is provided by the European Union member states as a whole, as well as by the lack of homogeneity in military means. By contrast, we noticed that the historically large US defence expenditures were one of the major reasons for the US global hegemony during Cold war and afterwards. We also examine the implications that defence expenditures have on military industry, macroeconomic performance and geopolitics and the correlation that arises among them.

Keywords: Security Policy, Defence Expenditures, European Union, United States, Defence Industry, Public Economics.

*University of Thessaly,
Department of Economics,
Korai 38 Street,
Volos (Greece)
email: Metaxas@uth.gr*

* Dr. Metaxas Theodore is a Lecturer at the Department of Economic Studies at the University of Thessaly (Greece). His academic research focuses on "Spatial Economic Development and Policy".

** Emmanouil Marios L. Economou is a Ph. D Researcher at the Department of Economic Studies at the University of Thessaly (Greece). His research focuses on "Institutional Economics and Economics of Defence".

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Security Policy in the European Union and the United States through the Issue of their Defence Expenditures

Introduction

Security policy is a very important factor of a nation's strength as it determines considerably its political independence and social stability. Security policy is not just the implementation of a nation's deterrence policy so as to protect its human capital and infrastructure but also it is the way of preservation and protection of a society's values and principles by external threats or challenges. However, in order to be credible and plausible, security policy needs effective armed forces, which consequentially means that their efficiency is determined predominantly by the level of a nation's defence expenditures.

The need for powerful armed forces had already been noted since ancient times. Power, for Thucydides, is expressed through military means and measured through military capabilities.¹ The 5th century A.D. latin author Vegetius suggested to the Roman emperors "si vis pacem, para bellum", which means "if you wish for peace, prepare for war". Niccolò Machiavelli, in accordance with Thucydides and Vegetius proposes that force is related to military capabilities, while the 18th century King of Prussia, Frederick the Great had come to the conclusion that "diplomacy without credible armed forces is like music without instruments."² Finally, the famous Prussian General and war theorist, Carl von Clausewitz, in his *On War* suggests that "war is merely the continuation of policy by other means".³

The correlation between security and military capabilities is also corroborated by modern scholars of international relations. Some examples include Edward Carr who in his *Twenty Years Crisis* proposes that military strength plays the crucial role for the formation of international relations, a thesis consistent with Frederic the Great's ideas.⁴ Another leading representative of the "classical realist" school of international relationships, Hans Morgenthau, admits that military strength is the predominant (but not the only) factor for the political power of a nation.⁵

The major contribution of our analysis in this paper is that we examine how defence expenditures affected security policy in both Europe and the United States. Although

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we acknowledge that this is hardly an approach that fully justifies by its own the ways which security policy is shaped by states globally, we do think however that the issue of defence expenditures is of major importance when a state intends to implement its grand strategy, a major implication of which, includes its security policy. In the first chapter we further analyze the issue of a nation's power based on military spending. Our findings, both theoretical and empirical indicate that military spending can have negative or positive implications not only in geopolitics but also in other aspects of a nation's grand strategy, like economic performance.

In the second chapter, we show that defence expenditures had a key role for the configuration of post-World War II (WWII) security policy for both the European nations and the United States. The vacuum of power that was created by the destruction of Europe due to the Third Reich's struggle for domination made Europeans desperate for a new collective system of security against a new emerging threat: Soviet expansionism. But it was obvious that a new stable and capable European security system needed credible armed forces and thus, a large amount of defence expenditures that Europeans could not afford to undertake only by themselves.

As a consequence, the intervention of the United States in Europe via NATO became a necessary precondition. However, as we further show in this part of our analysis, defence outlays seemed not to be the only priority for the implementation of the European security policy since the end of the Cold War era, as EU member states were primarily get used to other aspects of security, such as, the institutional evolution of the European security policy in order to manipulate more effectively the new emerging post-Cold War issues such as, conflict prevention, humanitarian missions, etc.

In the third chapter we briefly analyse the implications and the motives behind US intervention in global affairs, focusing mainly on their European aspect. Then, we focus on the vast level of the American defence expenditures since 1945 to the present day that led to the creation of the American political and military hegemony globally. Then, in the fourth part we proceed to the comparison between European to American security policy mainly through the issue of their defence expenditures. We noticed that the European security policy is characterized by inefficiencies in military means due to the low level of homogeneity among the EU's armed forces.

We also found that the large amount of the US defence expenditures comparing to those of their European allies produces positive consequences for the US defence industry, predominantly in aeronautics, which thanks to heavy Research and Development (R&D) government funding and the huge American defence market, it achieves economies of scale, in antithesis to the small EU member states national markets. However, we finally show that a negative side-effect of the excessive US defence expenditures has to do with the deterioration of the economy's performance, a situation that forced the Obama's Government to make plans to reduce the American defence budget for the 2011-2020 period, especially war expenses and new weapons procurement, a policy which diverges significantly from the ex-president Bush's "offensive" Grand Strategy.



The Theoretical Background of the Defense Expenditures

As we have already said, security policy needs effective armed forces so as to be credible and plausible. However, we argue that military power is dependent on the level of the defence expenditures a nation intends to afford. At this point we should mention that we acknowledge that military power is not only measured by the level of defence expenditures in absolute figures, but another crucial determinant of military power has to do with the efficient management of a nation's budgetary resources that are channeled for defence purposes.⁶ This thesis is also explained by Polachek and Seiglie, who argue that the efficient utilization of defence expenditures augments national security.⁷

The importance of military power (here seen through defence expenditures) is also acknowledged by many modern authors too. Ray Cline presented his "Equation of Power" according to which, the power of a nation is determined by the sum of its economic and military strength, - a thesis also supported by Paul Kennedy-, as well as by the size of its population, multiplied by the aggregate result of its strategic goals and the will of the political leadership to implement the national strategy.⁸ Robert Gilpin asserted that military power is strongly determined by the strength of a nation's economy, by the level of its population and by technological and institutional changes.⁹ Kenneth Waltz agrees with the above authors and adds that except military capability and economic strength, the power of a nation is also based on its ability to create international alliances.¹⁰

John Mearsheimer, who introduced the theory of "offensive realism" argues that states in their struggle to ensure their survival, seek regional dominance through military strength so as "to be much more powerful than all the other states in the system". Mearsheimer, like the scholars above, acknowledges that power is determined by the strength of a nation's armed forces and the level of its defence expenditures.¹¹ Finally, Liddell Hart in his *Real War* provides an "ideological" diastasis to military power. He argues that except the "psychological" impact which has to do with "esprit de corps", which under certain circumstances can be a great stimulus to the war effort, he also acknowledges the issues of ethics to war: He argues that "the stimulus of a great moral impulse to action is necessary, a deep-rooted belief in the policy for which citizens are called to fight".¹²

6. Michael Brozka presents an extended catalogue of the allocation of defence budgets that comprises of many different subdivisions which, apart from the procurement budget for new weaponry, also include payment to soldiers, military schools, hospital services to veterans, pensions etc. It is obvious that if a nation is not efficient in the manipulation of these subdivisions, defence expenditures increase even if the quality of security they provide is not maximized in terms of efficiency. See Michael Brzoska, "World Military Expenditures", in Keith Hartley and Todd Sandler (eds.), *Handbook of Defense Economics*, Amsterdam, North Holland, 1995, pp. 48-49.
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On the other hand, many scholars have attempted to measure the relationship between defence expenditures and economic performance. Since the Cold War, empirical evidence proved that defence expenditures have both positive and negative impact on growth. Some scholars claim that although defence expenditure is regarded as “unproductive expenditure” they instead produce positive spin off effects on growth.¹³ By contrast, other empirical studies have shown a negative relationship between defence outlays and growth.¹⁴ However, the results of such kinds of studies depend on different chronological sample periods while some pivotal parameters such as, socio-economic structure, the type of government etc., are different from state to state.¹⁵ Recent empirical studies have also confirmed the positive or the negative relationship between defence expenditures and economic growth while others found no affection of defence expenditures to economic growth.¹⁶

By the overall analysis we deduce that the level of defence expenditures plays a pivotal role for the determination of a nation’s power (here meaning power in geopolitics and foreign relations as well as macroeconomic prosperity). In the following two chapters we will show how defence expenditures conditioned European security since 1945 to nowadays and how the level of defence outlays contributed to the post war establishment of the American hegemony in geopolitics during and after Cold war.

Defence Expenditures and Security Policy Decisions in Europe since 1945 to the Present

In order to understand the post-WW2 relationship between security policy and defence expenditures in Europe and the United States we must first take a brief look to the parameters that formulated security and peace from the Cold War era to the present.

From the WEU and NATO to the CFSP

The socioeconomic and political environment under which post-WWII Europe must made a new start was undeniably grim and uncertain. Europe was in a tragic condition due to the ex-

13. See among others, Emil Benoit, “Growth and Defense in Developing Countries”, *Economic Development and Cultural Change*, Vol. 26, No. 2, January 1978, pp. 271-280 ; Saadet Deger and Ron Smith, “Military Expenditure and Growth in LDCs”, *Journal of Conflict Resolution*, Vol. 27, No. 2, June 1983, pp 351-352 ; Saadet Deger and Somnath Sen, “Military Expenditure and Developing Countries”, in Keith Hartley and Todd Sandler (eds.), *Handbook of Defense Economics*, Amsterdam, North Holland, 1995, p. 279.
14. See among others, David Lim, “Another Look at Growth and Defense in Less Developed Countries”, *Economic Development and Cultural Change*, Vol. 31, No. 2, 1983, pp. 377-384 ; James H. Lebovic and Ashfaq Ishaq, “Military Burden, Security Needs, and Economic Growth in the Middle East”, *Journal of Conflict Resolution*, Vol. 31, No.1, March 1987, pp. 121-123 ; Michael D. Ward and David R. Davis, “Sizing Up the Peace Dividend: Economic Growth and Military Spending in the United States, 1948-1996”, *American Political Science Review*, Vol. 86, No. 3, September 1992, p. 754.
15. Abdur R. Chowdhury, “A Causal Analysis of Defense Spending and Economic Growth”, *Journal of Conflict Resolution*, Vol. 35, No. 1, March 1991, pp. 94-95 ; J. Paul Dunne and Eftychia Nikolaidou, “Military Spending and Economic Growth in Greece, Portugal and Spain”, October 2005, <http://carecon.org.uk/DPs/0510.pdf>. Accessed 31 June 2011.
16. See among others, Christos Kollias, George Manolas and Suzanna-Maria Paleologou, “Defence Expenditure and Economic Growth: A Causality Analysis” *Journal of Policy Modeling*, Vol. 26, No. 5, p. 568 ; Uk Heo, “The Relationship Between Defense Spending and Economic Growth in the United States”, *Political Research Quarterly*, Vol. 63, No. 4, 2010, pp. 760-767. For the negative effects or the subliminal positive impact of defence expenditure on growth see J. Paul Dunne, “Military Spending and Economic Growth in Sub Saharan Africa”, School of Economics, University of the West of England, Bristol and SALDRU, University of Cape Town, February, February 2010, p. 10. For the neutral relationship between defence expenditures and growth see Eric S. Lin and Hamid E. Ali, “Military Spending and Inequality: Panel Granger Causality Test”, *Journal of Peace Research*, Vol. 46, No. 5, September 2009, pp. 682-683.



tensive catastrophes in infrastructure and loss of its manpower. Forty million soldiers and civilians died during WWII and the production stopped in many Western European countries, in Soviet Union and Japan.¹⁷ Via a series of defense and military agreements Europeans attempted to create a gradual pan-European defense identity to guarantee their protection against the emerging Soviet threat. On 17 March 1948 Belgium, France, Luxembourg, the Netherlands and the UK agreed on the creation of the Western Union. Its main purpose was mutual assistance between its member states in case any country of the alliance was under attack.¹⁸

But it was obvious that against the new emerging threat, the Soviet expansionism, the European nations seemed too weak to undertake an effective and credible security strategy only by their own. John Ikenberry argues that it was the post-WWII European governments that actually called for the projection of the US power into Europe in order to use its dominant position to ensure the survival and the stability of their socioeconomic and political structures. Thus Ikenberry argues that US hegemony in Europe was largely “an empire by invitation” whose main purpose was to use its dominant position to guarantee an orderly and peaceful international system, based on economic cooperation and international trade exchanges, a situation similar to what Great Britain did in the 19th century.¹⁹

Under those circumstances, on 4 April 1949, the North Atlantic Treaty Organisation (NATO) was formed by US, Canada and their European allies with the view to defend each member state of the alliance mainly from the Soviet danger and to prevent any possible future German hegemonic aspirations. In 1952 NATO proceeded to its first enlargement by accepting both Greece and Turkey.²⁰ However, a serious dispute between USA and France was raised because of the US intention to rearm and incorporate West Germany into NATO structures as a means of reducing the American burden for the protection of Europe from a possible Soviet threat by anchoring the new federal republic to the western sphere of influence.²¹

Under these circumstances, a year later than the establishment of NATO, French politicians came up with a new innovative idea based on the Pleven Plan which proposed the creation of the European Defense Community (EDC), a military pan-European organisation which it could mobilize an 100.000-man army comprised by military units from Belgium, France, West Germany, Italy, Luxembourg and the Netherlands. With such a plan the new West Germany’s army would subjected to a “supranational command”.²² The EDC treaty was signed in 27 May 1952 by the above states but finally was rejected by the French National Assembly in August 1954 as well as by the UK government and thus, it never came to fruition.²³

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17. See Robert D. Schulzinger, *U.S Diplomacy Since 1900*, New York, Oxford University Press, 1998, pp. 199-200.
 18. Robert E. Hunter, *The European Security and Defense Policy: NATO's Companion or Competitor?* Santa Monica, RAND Europe, National Defense Research Institute, 2000, pp. 7-9.
 19. John Ikenberry, “Rethinking the Origins of American Hegemony”, *Political Science Quarterly*, Vol. 104, No. 3, Autumn, 1989, pp. 375-391.
 20. See Jomana Amara, “NATO Defense Expenditures: Common Goals or Diverging Interests? A Structural Analysis”, *Defence and Peace Economics*, Vol. 19, No.6, December 2008, pp. 450-451 ; Seth G. Jones, “The European Union and the Security Dilemma”, *Security Studies*, Vol. 12, No. 3 Spring 2003, p.115.
 21. Michael Creswell, “Between the Bear and the Phoenix: The United States and the European Defense Community 1950-54,” *Security Studies*, Vol. 11, No. 4, Summer 2002, p. 90.
 22. *Ibid.*, 102-103.
 23. However, US were in favour of EDC in case it could be incorporated into NATO structure as a means of a further integration of the European post war security system. See Ronald R. Krebs, “Exchange: A Debate Miscast-Or What Can We Learn From the Case of the EDC?” *Security Studies* Vol. 11, No. 3, Spring 2002, p. 192.

It is obvious that the rejection of the Pleven Plan meant that the Europeans were not yet mature enough to accept a supranational pan-European defence organisation.²⁴ However, in 1955 with the decisive intervention of the US, West Germany became a new member of both NATO and the Western Union which was renamed, the Western European Union (WEU).²⁵ Furthermore, in 1970 European Political Cooperation (EPC) was established so as to strengthen European political integration. However, EPC remained stagnant for the next fifteen years.²⁶

This stagnation must be attributed to the unwillingness of the European NATO member states to promote EPC as Europeans were feeling comfortable enough from the guaranteed security that the US via NATO provided them.

Table 1: NATO Members Defence Budgets as a Percentage of the GDP, 1949-1989

Country	1949 - 1954	1955 - 1959	1960- 1964	1965- 1969	1970- 1974	1975- 1979	1980- 1984	1985- 1989
Belgium	4.0	3.6	3.4	3.1	2.9	3.2	3.2	2.8
Canada	5.3	5.3	3.9	2.7	2.1	2.0	2.0	2.1
Denmark	2.5	3.0	2.8	2.7	2.2	2.3	2.4	2.0
France	7.2	7.0	6.0	5.0	3.9	3.8	4.0	3.8
Greece	5.7	5.1	4.1	4.2	4.7	6.8	6.6	5.8
Italy	4.0	3.5	3.0	2.9	2.5	2.1	2.1	2.3
Luxembourg	2.1	2.2	1.21	1.1	0.8	1.0	1.2	1.0
Netherlands	5.1	5.1	4.4	3.8	3.1	3.1	3.0	2.8
Norway	3.7	3.5	3.3	3.6	2.9	2.8	2.7	2.9
Portugal	3.8	4.1	6.0	6.7	6.9	4.0	3.4	2.8
Spain	-	-	-	-	-	-	2.3	2.2
Turkey	4.3	3.8	3.9	3.6	3.3	4.3	3.8	3.4
UK	8.2	7.3	6.2	5.5	5.2	5.0	5.0	4.7
United States	8.9	8.9	8.0	8.0	6.5	4.9	5.6	6.0
West. Germany	4.9	3.8	4.4	4.0	3.5	3.4	3.4	3.0
Average	4.9	4.7	4.3	4.0	3.6	3.4	3.4	3.2

Source: Jens Ringsmose, "NATO Burden-Sharing Redux: Continuity and Change After the Cold War", *Contemporary Security Policy*, Vol. 31, No. 2, August 2010, p. 322.

24. A similar idea about a pan-European military defence core was also edited by the French politicians during the Gaullist era (1959-1969) when the so called Fouchet plan was under discussion by Europeans during the 1958-63 period. This plan proposed the replacement of NATO by a pan-European military defence core, the abolition of the Atlantic Alliance, with France to be the undisputable military and political leader on it. See Seth G. Jones, "The European Union and the Security Dilemma", (note 20). However, as with the case of the EDC, De Gaulle's attempt to replace the hegemonic presence of the US in Europe became a pipe dream since it was evident that no European nation at that time was eager to replace NATO's efficient guarantee of protection for a dubious pan-European autonomous security alliance being guided by France.
25. Thomas G. Patterson, *On Every Front: The Making and Unmaking of the Cold War*, New York, W. W. Norton, 1992, p. 194.
26. Jones, "The European Union and the Security Dilemma", (note 20), pp. 135-138.



As a consequence, like with the cases of EDC in 1950-54 and the Fouchet Plan in 1958-1963, they didn't seem eager enough to sacrifice neither their national defence strategies in favour of a supranational pan-European defence structure, nor to spend more money on their defence. US commitments to NATO gave their European allies the privilege to act more or less as "free-riders", which means, they could have access to "consume" a product – in our case security- in which their contribution was smaller than the American one not only in absolute numbers but also as a percentage of the national Gross Domestic Product (GDP).

As Table 1 shows, for all the Cold War period the United States undertook the greatest defence burden from all their NATO allies ranging from 8.9 per cent for the 1949-1954 period to 6 per cent, as the Cold War tension was steadily decreasing during and after the 1985-1989 period. Table 1 shows that except the United States and the two major military powers of Europe, France and the United Kingdom, the other European NATO member-states systematically spent less on their defence compared to their strong allies. Their overall contribution did not exceed 3 per cent of GDP for the 1985-89 Cold War period.²⁷

As a result, due to the free-rider behavior through NATO, it was not until 1985 when the European security policy was driven to a new dynamic prospect. In that year with the Single European Act (SEA), European Union member states codified European Political Cooperation obviously expressing their intention to act under a more collective strategy on security issues.²⁸ Finally, in 1988 a more coordinated collaboration was established between France and Germany to run in parallel with the European Monetary Union and security policy issues that drove to the pivotal Maastricht Treaty Agreement in 1991.

By the overall analysis for the 1945-1991 period we can argue that the great deficiencies in military terms of the post WWII European military structure, made the intervention of the US in Europe through NATO a necessary prerequisite. The guaranteed protection that NATO offered to its European members made them less eager to develop an autonomous European security identity. But this great dependence on US capabilities, that mainly based on their large defence budgets, made European security policy more all less to be shaped according to the American Cold War military doctrines and political will.

It also seems obvious to us that the failure of the European attempts (primarily French, through the Pleven and Fouchet plans) for the creation of an autonomous European security

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27. See Jens Ringsmose, "NATO Burden-Sharing Redux: Continuity and Change After the Cold War", *Contemporary Security Policy*, Vol. 31, No. 2, August 2010, pp. 321-323. Kollias, Manolas and Paleologou, "Defence Expenditure and Economic Growth" (note16), p. 555 verify Ringmose's estimations as they show that the defence burden of the EU-15 member states was 2.9 per cent of GDP during 1985-1989 period. Slightly different figures are given by Paul Dunne. According to him, during 1985-89, the last period of the Cold War, the US were spending 6.3 per cent of their GDP for defence although its NATO European allies were spending as a whole 3.3 per cent of their GDP, which is slightly more than the half of the American defense budget. See Paul Dunne, "The Defense Industrial Base", in Keith Hartley and Todd Sandler (eds), *Handbook of Defense Economics* Amsterdam: North Holland, 1995, pp. 411-414.
28. Stephanie S. Anderson and Thomas R. Seitz, "European Security and Defense Policy Demystified, Nation-Building and Identity in the European Union", *Armed Forces and Society*, Vol. 33, No. 1, October 2006, pp. 27-28.

structure, even in a form of a replacement of NATO, means that Europe's room for maneuver in a US dominated world was very narrow. We finally show that one major reason for this, was the inability of the Europeans to improve their deterrence capabilities through military means due to their comparatively lower to the US defence expenditures as a means of "power extension".

Towards the Post-Cold War Institutional Evolution of the ESDP

With the end of the Cold War era Europeans decided that "the time for Europe had come". Thus, with the Maastricht Treaty (signed on 7 February 1992) the European Economic Community (EEC) was renamed the European Union (EU) which meant that Europeans viewed the EU not only as an organism for economic growth but also as a union for further political and institutional integration. Furthermore, on 5 November 1993, France, Germany and Belgium created the "Eurocorps" that comprised military units of these three states. Eurocorps principal aim was to take part in the so called "Petersberg missions" such as rescue, peacekeeping and disarmament.²⁹

However, the optimistic views about a more prosperous post war security environment were put into question due to the low efficiency of the European Security mechanisms to prevent conflict or at least, to alleviate the negative impact of the numerous war atrocities and crimes against humanity, like the civil wars in Somalia 1992-93, in Bosnia 1992-95, a war within the European continent, or the genocide of Rwanda in 1994. Even during the Kosovo crisis most EU members of NATO conceded that they still lacked in military infrastructure intended for crisis management operations.³⁰

But according to our view, the inabilities of the EU member states to respond effectively in those cases made also obvious the changing nature of military power itself that shifted from a perception of a pure military prevalence in the battlefield during Cold War, to a more complex set of parameters, like humanitarian and peacekeeping missions that included and made necessary the establishment of a more coordinated framework for collaboration among the EU members that simultaneously were members of both NATO and the WEU. Thus, the above incidents made the establishment of the European Security and Defence Policy (ESDP) in 1999, a necessary prerequisite with the view to reform and improve military capabilities among European Union member states and to enhance European security policy integration.³¹

But although EU member states proceeded to the gradual institutional evolution of ESDP by creating new institutions such as, the European Rapid Reaction Force, the EU Battlegroups (BG's), the Political and Security Committee, the European Union Military Committee (EUMC), the European Satellite Center, the Organisation Conjointe de Cooperation en matiere d'Arme-

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29. See Jonathan Clarke, "The Eurocorps: A Fresh Start in Europe" *Cato Institute Foreign Policy Briefing*, No. 21 December 1992, pp. 2-6, in <http://www.cato.org/pubs/fpbriefs/fpb021.pdf>. Accessed in 15 March, 2012.
30. Anderson and Seitz, "European Security and Defense Policy Demystified" (note 28).
31. Christopher Reynolds, "Military Capability Development in the ESDP: Towards Effective Governance?" *Contemporary Security Policy*, Vol. 28, No. 2, August 2007, p. 357.



ment (OCCAR) and the European Defence Agency (EDA), their military potential remained low for two key reasons:³²

Firstly, because EU member states political will to make these institutions functional was not enough and secondly, due to the major reduction of the EU member states defence expenditures as a consequence of the end of the Cold War era. According to estimations, EU defence expenditures as a whole did not exceed 2.1 per cent of GDP for the whole 1990-1999 post-Cold War period and remained low for all the 2000-2010 period too. European NATO members defence outlays as a whole did not exceed 1.7 per cent of the GDP for the year 2008 comparing to the 4 per cent of GDP of the US.³³ Thirdly, the EU low defence budget resulted to major shortages in equipment in sectors such as aerial transportation, telecommunications, satellite systems and C4I.³⁴

However, it seems optimistic the fact that as a result of all these prodigal agreements for the institutional integration of EU military capabilities since December 2003, EU has successfully launched 19 peacekeeping operations. In 2010 EU was the second largest provider in peacekeeping missions running 12 from a total of 52 (whereas United Nations were conducting 20 and NATO 3) with 4606 deployed staff.³⁵ It is also estimated that a series of significant deliveries in military equipment which are on schedule for the 2008-2013 period, like the pan-European strategic transportation aircraft, the A400M, the UK's new communication satellite system, the Skynet 5, and the introduction of the pan-European navigation satellite system, will dramatically increase EU's military capabilities.³⁶

First Conclusions

In this part of the analysis it became obvious that during the Cold War era European security policy was absolutely dependent on NATO, being focused on the effective treatment of the

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32. The European Rapid Reaction Force (ERRF), set in 1999, was an ambitious plan, mainly pushed by the French in the early stages of ESDP, according to which, ERRF could be able within 60 days to deploy 50.000-60000 troops capable of handling effectively crisis management operations and sustaining peace keeping missions, the so called "Petersberg Tasks" for a year. See Hunter, *The European Security and Defense Policy*, (note 18) However, the whole concept did not materialize in its original guise mainly because member states were finally unable to provide the required number of troops according to the plans, as well as to respond in critical issues like, where these troops could be equipped, supplied, deployed, rotated etc. However, the failed attempt for ERRF seems to have been compensated by the 2004's EU member-states agreement for the establishment of the EU Battlegroups. This was a, primarily anglo-german, plan under which rapidly deployed European forces, could perform –even autonomously to NATO- peacekeeping missions internationally. However EU Battlegroups haven't deployed somewhere so far. See Claudia Major and Christian Molling, "EU Battlegroups: What Contribution to European Defense?" *SWP Research Paper*, RP 8, German Institute for International and Security Affairs June, 2011. OCCAR is an armament's agency created in 1996, involving France, Germany, Italy and the UK while the EDA's main purpose like OCCAR is to enforce European defense industry integration and to contribute in bolstering EU military capabilities. See Frank Slijper, "The Emerging EU Military-Industrial Complex Arms Industry Lobbying in Brussels," *TNI Briefing Series No. 2005/1*, Transnational Institute, May 2005, and Keith Hartley, "The Future of the European Defence Policy: An Economic Perspective", *Defence and Peace Economics*, Vol. 14, No. 2, April 2003, p.107.
 33. Fabio Liberti, "Defence Spending in Europe: Can We Do Better Without Spending More?", *Policy Paper No. 46*, Institute for International and Strategic Relations (IRIS). 2011, p.16.
 34. Kristin Archick and Paul Gallis, "NATO and the European Union", *Congressional Research Service*, January 2005, pp. 13-15.
 35. Peacekeeping missions under the auspice of EU have been launched in FYROM (Operation Concordia), Bosnia-Herzegovina (Operation Althea), Kosovo, Congo (Operation Artemis), Somalia, Georgia and Chad etc. See Stockholm International Peace Research Institute (SIPRI), *SIPRI Yearbook 2009 Summary: Armaments, Disarmament and International Security*, Oxford, Oxford University Press 2009, 6-7.
 36. Barry R. Posen, "European Union Security and Defense Policy: Response to Unipolarity?", *Security Studies*, Vol. 15, No. 2, April–June 2006, p. 180.

Soviet threat. During the 1992-2010 period European leaders decided the establishment of a series of new institutions to promote the further evolution of the ESDP, such as the Battlegroups, OCCAR and EDA.³⁷ But as EU member states are still keep their defence expenditures very low, they face major shortages in equipment and thus, European security policy is still dependant on NATO in infrastructure in some crucial aspects like aerial transportation, so as to accomplish a variety of its humanitarian and peacekeeping missions.

US Security Policy: From the Cold War Era towards the 21st century

With the end of WWII the US became the only western military power able to defend effectively the so called "free world" from the Soviet "iron curtain". However, before any intervention to Europe, United States tried during 1945-50 period to establish a postwar liberal multi-lateral system for economic cooperation among nations that could be based on international trade and free market economy as its centerpiece. The main American grand strategy objective behind this was the reconstruction of the world economy with the US, being a global leader, a "liberal hegemon".³⁸ Under this concept, the GATT and the WTO, as well as APEC, NAFTA, and the OECD, which came as a result of the Bretton-Woods agreements, can be seen as mechanisms for achieving these goals. So, when post WWII Europe is concerned, it seems that the major goal for the US policymakers was to establish a strong and economically integrated Europe being able to stand on its own in global affairs.³⁹

The Price for American Global Hegemony

A basic prerequisite for the implementation of such a plan was an economic aid package for the recovery of the European ravaged economies.⁴⁰ Thus, via the Marshall Plan, during 1948-1951 the US transferred approximately 13.2 billion dollars for the recovery of the European economies from which 3.2 billion were distributed to the UK, 2.7 to France, 1.5 to Italy and 1.4 to West Germany. Thanks to the Marshall Plan, most western European nations achieved

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37. In this point we have to acknowledge that a more integrated analysis on European security policy must have also included issues like the role of Turkey and the Cyprus question and its impact on closer cooperation between the EU and NATO. Also, we could provide a more extensive analysis on the attempts by the EU to become autonomous by the US. However, such issues need an extensive analysis through a variety of different sub-cases, something we think that it could make our analysis to diverge from its main goal, which is the interpretation of EU Security policy through their defence expenditures.
 38. See G. John Ikenberry, G.J. "America's Liberal Grand Strategy: Democracy and National Security in the Post-war era", in M. Cox, G.J. Ikenberry, and T. Inoguchi (eds), *American Democracy Promotion: Impulses, Strategies, and Impacts*, Oxford, Oxford University Press, 2001, pp. 103-126.
 39. See G. John Ikenberry, "Power and Liberal Order: America's Postwar World Order in Transition" *International Relations of the Asia-Pacific*, Vol. 5, 2005, pp. 133-152. GATT is the acronym for the General Agreement on Tariffs and Trade, WTO for World Trade Organization, APEC for Asia-Pacific Economic Cooperation, NAFTA for North American Free Trade Agreement and OECD for the Organization for Economic Co-operation and Development. For the motives behind American intervention to Europe see also Robert J. Art, "The United States, The Balance of Power, and World War II: Was Spykman Right?", *Security Studies*, Vol. 14, No. 3, July-September 2005, pp. 368-373.
 40. Under this perspective, it is easy to understand why United States fully supported the post WWII early European attempts for promoting European economic and political integration. It seems that the attempts which led to the creation of the European Coal and Steel Community (ECSC) in 1951 and the European Economic Community (EEC) in 1957 through the persistency of great visionaries, such as Jean Monnet, were based on the wise strategy that through economic collaboration, the gradual political integration and unification of Europe could be achieved. It also seems that the founders of the ECSC and EEC used the economic integration "as a means of promoting their political interests by other means" if we interpret their policies through Carl Von Clausewitz's views presented in his *On War*. See Andreas Herberg-Rothe, *Clausewitz's Puzzle*, (note. 3).



rapid economic growth by wiping out the negative effects of WWII's resulting economic recession.⁴¹

However, the American plan for a liberal hegemony in Europe at least in its first post war years failed because of the extensive deregulation of the European socioeconomic order that caused during WWII.⁴² Moreover, major defence weaknesses of states throughout western Europe and Japan convinced US policymakers in the latest years of 1940s that their contribution to their defence against the Soviet rising tide was bounded.⁴³ But the adoption of the Truman doctrine under which US extended their geopolitical intervention globally⁴⁴ was accompanied by a large increase of the US military expenditures so as to protect their allies against the Soviet expansionism.

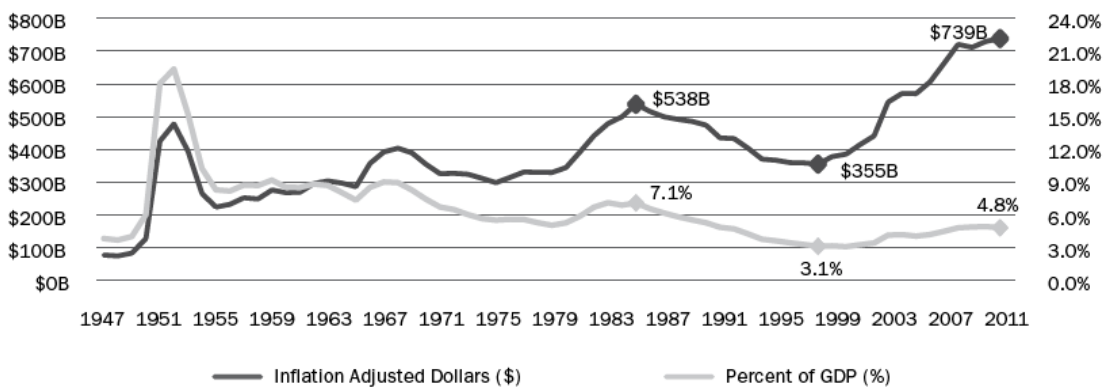
The US spent 12.4 billion dollars for the economic support of Europe through the Marshall Plan, 69.5 for the Korean War, 22.3 for their commitments to NATO, 172.2 for the war in Vietnam and the total US economic and military aid to allied nations came up to 382 billion dollars for the 1946-1987 period. In addition, the World Bank which was heavily funded by the US, subsidized those nations friendly to the US with the large number of 273 billion during the Cold War era.⁴⁵ As figure 1 shows, during the 1947-1989 period the economic price for the American defence expenditures globally, was particularly high, especially during war periods.

Furthermore, during the 1980s the intention of the US president Ronald Reagan to launch an antiballistic protection system against the Soviet nuclear ballistic missile capabilities, caused a new arms race between USA and the USSR, most known as "Star Wars" that precipitated the collapse of the Soviet Union mainly due to its poor economic performance and thus, entailed the end of the Cold War.⁴⁶ As we have shown previously, during 1985-1989, the last period of the Cold War, the US were spending 6.3 per cent of their GDP for defence although its NATO European allies were spending as a whole approximately 3.0 per cent, which is slightly more than half of the American defence budget.

By the overall analysis of this part of the paper we are driven to a major assumption relative to the thesis of our case study: That the theoretical correlation between geopolitical power and military expenditures we presented in the first chapter finds its verification with the US Cold war geopolitical hegemony. However, the price for the US military dominance was economically speaking, detrimental. As a result of the arms race between the USA and the USSR, the US macroeconomic figures deteriorated and it gradually became one of the greatest debt-or nations. This situation was interpreted by some scholars as an "erosion of American Power".⁴⁷

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41. For the positive impact that the Marshall plan had on post WWII European economic growth see Branford De Long and Barry Eichengreen, "The Marshall Plan: History's Most Successful Structural Adjustment Program", *Working Paper No. 3899*, National Bureau of Economic Research, October 1991.
 42. John Ikenberry, "Rethinking the Origins of American Hegemony", (note 19), p. 385.
 43. Benjamin O. Fordham, "Domestic Politics, International Pressure and the Allocation of American Cold War Military Spending", *Journal of Politics*, Vol. 64, No. 1, February 2002, pp. 66-67.
 44. See Michael Cox, "From the Truman Doctrine to the Second Superpower Détente: The Rise and the Fall of the Cold War", *Journal of Peace Research*, Vol. 27, No.1, February 1990, pp. 25-31.
 45. Patterson, *On Every Front*, (note 25), p192.
 46. Peter Wallenstein, "American-Soviet Détente: What Went Wrong?", *Journal of Peace Research*, Vol. 22, No. 1, March 1985, pp. 1-8.
 47. See Kennedy, *The Rise and the Fall*, (note 8), pp. 432-437 ; Patterson, *On Every Front*, (note 25), pp. 189-220.

Figure 1: Funding of the US Defence Expenditures During 1946-2011 Period in Billions of FY2011 Dollars and as a Percentage of the Nominal GDP



Source: Todd Harrison, "Analysis of the Fiscal Year 2011 Defence Budget Request", *Center for Strategic and Budgetary Assessments*, 2010, p. 13.

From the Pax Americana to 11 September 2001 and the "War on Terror"

The collapse of the Soviet empire in 1991 created a new unipolar security system with the US remaining the only global superpower. The post-Cold war trend for global disarmament affected the US too. US defence expenditures reduced from 503.6 billion dollars on average during 1981-1990, the last period of Cold war, to 392.8 during 1991-2000 but after the 2001 terrorist attacks they increased steadily to 579.6 for the 2001-2009 period.⁴⁸

US continued to preserve their military presence in allied territories globally and in some cases they were forced under specific circumstances to display their huge military strength, like in Iraq in 1991, and in the 1999 Kosovo crisis, as well as to be engaged in humanitarian missions like in Somalia, in 1994, a fact that also approves the changing nature of military power itself, which is not determined only by military capabilities and strength. Not only NATO did not disembody but also expanded through two main enlargements in 1999 (Poland, Czech Republic and Hungary) and in 2004 (with ex-Soviet satellites Estonia, Latvia, Lithuania and also Romania, Slovenia and Slovakia).⁴⁹

However, the trend to reduce defence budgets terminated abruptly due to the 11 September 2001 terrorist attacks mainly in New York which caused the death of 3000 civilians. These terrorist attacks entailed the replacement of Cold War strategies like "containment" and "deterrence" with the doctrine of "preemptive action" against terrorism.⁵⁰

As Figure 2 presents, after the strike the US government undertook a new "crusade against terrorism" that caused their defence expenditures during the 2000-2009 period to skyrocket. The US defence budget as a percentage of the annual GDP jumped from 3.1 to 4.9 per cent of GDP for the 2000-2009 period, an increase at about 60 per cent.⁵¹ After 9/11, the US govern-

48. The figures we provide here are based on annual defence budget data provided by Sharp T. (2009). "Fiscal Year 2010 Pentagon Defense Spending Request: February "Topline", *The Centre for Arms Control and non-Proliferation*, pp. 4, 12.

49. Amara, "NATO Defense Expenditures," (note 20), p. 449.

50. Jeffrey W. Knopf, "Wrestling with Deterrence: Bush Administration Strategy After 9/11" *Contemporary Security Policy*, Vol. 29, No. 2, August 2008, p. 229.

51. *The Military Balance*, North America, London, Routledge Taylor & Francis Group, 2010, pp. 22-23. The major increase in military spending for the same period is also verified by other reliable sources too: See Travis Sharp, "Fiscal Year 2010" (note 48), pp. 4-12 and, SIPRI Yearbook 2009 (note 35), pp. 6-7.

ment launched a campaign against Afghanistan (2001), and Iraq (2003) and some other anti-terrorist operations that burdened the US defence budget with a further 1.024 trillion dollars during the 2001-2010 period.⁵²

Figure 2: US Defence Expenditures During 2000 - 2009 Period (in Billion Dollars)



Source: Steven M. Kosiak, "US Defence Budget Options and Choices for the Long Haul", *Center for Strategic and Budgetary Assessments*, 2008, p. 7.

Comparing European to American Defence Strategy Through the Issue of their Defence Expenditures

As far as the military capability is concerned measured here by the level of defence outlays, US defence expenditures for the fiscal year 2011 rose to 712 billion dollars, a figure which is equivalent to 22 per cent of the total national budget and to 4.8 per cent of GDP.⁵³ Table 2 presents the 10 larger defence spenders globally (in billion dollars) for 2010 from which it can be easily understood why the US still preserves their military supremacy in the 21st century: According to the table, the United States spent 698 billion dollars for defence in 2010, a number which is much higher compared to China in second place (119 billion) and United Kingdom (59.6 billion) in the third.⁵⁴

The rest of the European and Asian nations like the France and Saudi Arabia had substantially lower defence outlays compared to those of the US. The United States were responsible for 43 per cent of global defence outlays for 2010 compared to 22 per cent for the European Union

52. *The Military Balance*, (note 51), p. 24. See also Daniel Masters and Robert M. Alexander, "Prospecting for War: 9/11 and Selling the Iraq Warp", *Contemporary Security Policy*, Vol. 29, No. 3, December 2008, p. 436.

53. Todd Harrison, "Analysis of the Fiscal Year 2011 Defense Budget Request", *Center for Strategic and Budgetary Assessments*, 2010, pp. 1-5.

54. See <http://www.sipri.org/yearbook/2009/05/05A>.

nations together.⁵⁵ In addition, the recent level of European defence expenditures as a whole summed approximately 1.7 per cent of GDP on average, which was less than half of the American number (4 per cent of GDP).⁵⁶ This unwillingness by the EU to spend more on their defence can be explained by the "Theory of Alliances" first introduced by Olson and Zeckhauser. According to their empirical study about NATO members, they found that within an Alliance, larger industrialized nations bear disproportionate shares of defence burden compared to their less developed and smaller allies.⁵⁷

Table 2: The First 10 Military Spenders in the World in 2010 (in billion Dollars)

Rank	Country	Spending	World
1	United States:	698	43
2	China:	[119]	[7.3]
3	United Kingdom:	59.6	3.7
4	France:	59.3	3.6
5	Russia:	[58.7]	[3.6]
6	Japan	54.5	3.3
7	Saudi Arabia:	45.2	2.7
8	Germany:	[45.6]	[3.0]
9	India	41.3	2.5
10	Italy	[37.0]	[2.3]
World Total:		1630	

[] = SIPRI estimate

Source: SIPRI Yearbook 2011 Summary: Armaments, Disarmament and International Security, *Stockholm International Peace Research Institute*, Oxford, Oxford University Press, 2011.

We believe that the reasons for European nation's denial to share greater defence burden within NATO can be ascribed mainly to the end of the Cold War as well as to the changing nature of military power which tends to focus on humanitarian missions and conflict prevention. Other reasons may include the austere measures of the EU's Stability and Growth Pact which does not allow extraordinary fiscal expenses and the EU's commitments for the economic support of Eastern European states, like Poland.⁵⁸ Finally, the demographic crisis in Europe, that according to some estimations, may escalate approximately in the 2035-50 period will potentially cause problems to pension and social security systems, which means that it will further squeeze the European defence budgets.

55. Sharp "Fiscal Year 2010" (note 48), pp. 8-10. See, also *The Military Balance*, (note 51), pp. 462-472.
56. See Table II on Christos Kollias, "A preliminary Investigation of the Burden Sharing Aspects of a European Union Common Defense Policy", *Defence and Peace Economics*, Vol. 19, No. 4, August 2008, pp. 256.
57. Mancur Olson and Richard Zeckhauser, *An Economic Theory of Alliances*, Santa Monica, California, The RAND Corporation, 1966, pp. 1-3, 35-37.
58. For the European Stability and Growth Pact see Anthony Annett, et al., "Reforming the Stability and Growth Pact", *International Monetary Fund*, February 2005, pp. 2-5. For the EU commitments about the economic support of eastern European states see Mike Artis and Frederick Nilson, *The Economics of the European Union, Policy and Analysis*, Oxford, Oxford University Press, 2001, pp. 85-94.



But except for the reductions on defence spending due to the above reasons, another aspect that undermines European security policy compared to the US has to do with the structure of European defence itself, which is characterized by inefficiencies that inhibit its effectiveness compared to the US. EU Member States' armed forces use a variety of different types of weaponry that cause inefficiencies in combat terms and waste of money that increase the average cost of their maintenance.⁵⁹

By contrast, the US armed forces are characterized by homogeneity in military means in a sense that they use, in most cases, only a single type of weaponry for every kind of mission (for example M1 tanks instead of the variety of types of tanks used by Europeans, such as Leopards, Leclerc's, E2 Challengers, and even the older, M48's, T72's etc). This reality makes US armed forces more efficient than those of their European NATO allies, in terms of military performance. In this context it is also worthy to mention that the US armed forces personnel during 1990 were as high as 2,117,900 (with 1,613,600 as ready reserves) while 20 years later this ceiling had drastically cut down to 1,580,255 for active personnel (with 864,547 as ready reserves).⁶⁰

Reductions on US military personnel was the result of the post-Cold war changing nature of conflict. The need for armed forces able to respond in new kinds of threats such as asymmetric warfare, civil wars, insurrections, transnational terrorism, and rogue nations, or to effectively perform peacekeeping and conflict prevention missions, made a large amount of the conventional type of Cold war weaponry, like M1 tanks, unable to respond in these new kinds of challenges.⁶¹ Transformations in the structure of armed forces were also adopted by the EU member states. Since the end of Cold War, emphasis was given in substantial troop reductions, to smaller and more expeditionary-capable forces, to fewer units of more advanced and more expensive equipment, to a further increase pressure towards collaboration when it comes to the European defense industry and in short, replacing quantity with quality.⁶²

It seems that the major priority of the American and European post-Cold War military doctrines was to develop and use more sophisticated capital intensive weaponry, like stand-off cruise missiles, telescopic satellites, C4I etc, instead of the labour intensive structure of armed forces during Cold war. For instance, from the 693 billion dollars of the 2008 US defence budget, 139.033 were distributed among military personnel, 165.006 billion for procurement of new weaponry, 256.223 billion for military operations and maintenance, and 79.567 for Research and Development etc.⁶³

This means that the amount of money that the US spends on personnel is analogous to 20 percent, or otherwise, to the one fifth of their total defence budget. This figure is lower than those of their EU counterparts. While European defense budgets declined, from 255 billion euros in 2001 to 223 billion in 2008, (a negative compound annual growth rate of 1.9 percent)

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59. Keith Hartley, "Industrial Policies in the Defense Sector", in Keith Hartley and Todd Sandler (eds.), *Handbook of Defense Economics*, Amsterdam, North Holland, 1995, p. 462.
 60. For this figures and other relative issues see *The Military Balance*, The United States, London, Routledge Taylor & Francis Group, 1990, pp. 12-27 ; *The Military Balance*, 2010 (note 51), pp. 15-52.
 61. Todd Sandler and Keith Hartley, "Defense in a Globalized World: An Introduction," in *Handbook of Defense Economics* (eds). Todd Sandler and Keith Hartley, Amsterdam, North Holland, 2007, p. 618.
 62. Hofbauer et al. "European Defense Trends, Budgets, Regulatory Frameworks, and the Industrial Base" *Center for Strategic and International Studies*, 2010, pp. 3-11.
 63. See *The Military Balance*, 2010 (note 51), pp. 103-210.

defense budget intended for personnel increased from 74,000 euros in 2001 to 92,000 in 2008 (a compound annual growth rate of 3.1 percent). Figures for 2008 mean that 54 percent of the total European defense spending allocated for military personnel whereas, only 20 percent of the defense budgets spent on equipment (including research and development for major equipment programs).⁶⁴

Positive Spin-Off Effects for the Defence Industry

As many scholars argue, another aspect of the colossal annual US defence expenditures is the positive spin-off effects that they produce for the American defence industry and economy in general. Table 3 refers to a very characteristic branch of the defence industry, that of fighter aircrafts. It presents Research and Development (R&D) fighter costs and the total production number which includes national orders and exports.

Table 3 proves that the American aircraft industry can cover the R&D costs and make profit mainly due to the huge American internal defence market which is protected by foreign competitors thanks to American legislation. By contrast, European national industries cannot absorb the R&D cost and make reasonable profit because of the small orders they receive from the EU member states armed forces, a case that causes non-sufficient revenues for the European military industry. This obviously makes European fighter jets more expensive and consequently, less competitive to their American rivals in international markets.⁶⁵ So, the major advantage of the US defence firms is that they achieve economies of scale due to the large number of orders mainly made by US armed forces.⁶⁶

For instance, the proposed new US made 5th generation F35 stealth fighter will receive 2.443 orders from the US Air Force, US Navy and the Marines and is going to be developed mainly by one company, the Lockheed-Martin.⁶⁷ Thus, it will probably achieve economies of scale. This tremendous number excludes orders from US allies estimated at about 700.⁶⁸ This means a further increasing in the ceiling of the imminent orders to at least 3.173 aircrafts.⁶⁹ On the

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64. Hofbauer et al. "European Defense Trends" (note 62), p. 4.
65. Except perhaps BAE Systems, which had the second largest amount of arms sales in the world in 2009 with revenues as high as 33.250 million dollars, (with Lockheed-Martin being the first having achieved 33.430) and a very good position in arms sales within the US market. See Stockholm International Peace Research Institute (SIPRI), *SIPRI Yearbook 2011 Summary: Armaments, Disarmament and International Security*, Oxford, Oxford University Press 20011, p. 10.
66. However, we have to admit that on August 21, 2011, the EU Defence and Security Procurement Directive 2009/81/EC was signed. We consider it as a very hopeful prospective for the further integration of the European defence industry. This directive aims to facilitate the development of an EU defence equipment market that will increase industrial competition, reduce duplication and lower prices by creating an official framework for cross-border defence procurement within the EU. Thus, this directive revisits Article 346 of the Lisbon Treaty which was in favour of the further protection of the national EU defiance industries. See Jay Edwards "The EU Defence and Security Procurement Directive: A Step Towards Affordability?", *International Security Programme Paper ISP PP 2011/05*, 2011, p. 2-3.
67. Jonathan D. Caverley, "United States Hegemony and the New Economics of Defense", *Security Studies*, Vol. 16, No. 4, October–December 2007, p. 607.
68. Among the countries that have already chosen the new stealth F35 Lightning aircraft are, the United Kingdom, Israel and Turkey. See Jeremiah Gertler, "F-35 Joint Strike Fighter (JSF) Program: Background and Issues for Congress", *Congressional Research Service*, 2011, pp. 13-16. In other words, except the US, the F35 has been already selected by a number of nations with traditionally very powerful Air Forces in terms of military efficiency. We believe that this fact is an indication that the future sales potential of the proposed F35 fighter globally are very hopeful.
69. The initial plan was to product 3002 aircrafts for US needs as shown in Table 3 with an R&D rising up to 10.4 billion dollars. However, due to continuous rising of R&D costs production reduced to 2443 fighters to replace at about 1.200 F-16 fighters in 2030. (*ibid*, 17-19).



contrary, the multinational pan-European fighter, the Eurofighter Typhoon (EF2000) so far has received only a little more than 620 orders and the industrial share between the four producing companies varies between 14-37%, which according to our point of view, is not a good example of cost reduction. Table 3 also shows that the R&D costs of the European EF-2000 Typhoon collaboration program is more than twice the cost of the single R&D French Rafale B fighter project though their combat performance is approximately the same.⁷⁰ This means that European industrial collaboration projects are not always effective and financial resources for R&D are likely to be spoiled unproductively, as it happened with the case of the EF-2000 fighter aircraft.⁷¹

Table 3: R&D Cost and Order Analysis for the Main Fighter Aircrafts from USA and the EU

Aircraft	Country of Origin	R&D costs (£ billion)	National Output	Exports	Total Numbers
SAAB Gripen	Sweden	1.3	204	42	246
Dassault Rafale	France	6.1	294	-	294
EF-2000 Typhoon	United Kingdom Germany Italy Spain	13.8	620	90	710
JSF F35	USA	13.7	3002 (150 for UK)	2000 (projected)	5000 (approximately)
F16	USA	N/A	2250	1750	4000+
F18	USA	4.0	1363	401	1764
F22 Raptor	USA	15.2+	295	-	295

Source: Keith Hartley, "The Future of European Defence Policy: An Economic Perspective", *Defence and Peace Economics*, Vol. 14. No.2, 2003, pp. 107-115.

Another aspect of the American superiority on military applications is that the US government is heavily financing R&D on military projects that have been undertaken by American firms. After the Cold War, US governments and private firms, in antithesis to the rest of the world, increased their R&D on military applications. In 2004 the US were responsible for 70 per cent of the global national R&D expenditures (67.474 million dollars), followed by the EU budget as a whole (13.441 million), which was less than the one fifth of the US' large number. Western European nations slightly started to increase their budget for R&D after 2001 in absolute numbers.⁷²

70. Nickos Kyriazis and Ioannis-Dionysios Salavrakos, "Defense Procurement in Greece, A Cost-Benefit Analysis of Fighters for the Hellenic Air Force", paper presented at the 10th Annual International Conference on Economics and Security, Thessaloniki, 22-24 June 2006.
71. Hartley, "Industrial Policies in the Defense Sector" (note 59), pp. 474- 475. It is also estimated that in some cases industrial collaboration can lead to R&D cost increases as high as 140% or even 200% in comparison to national projects. See Keith Hartley, "The Arms Industry, Procurement and Industrial Policies" in Keith Hartley and Todd Sandler (eds.), *Handbook of Defense Economics* Amsterdam, North Holland, 2007, p. 1173.
72. Ibid, pp. 1152-1155.

It is obvious that R&D increases the quality of a product. That's why it has also been found that American fighters are qualitatively superior to their western European competitors for the same generation of aircrafts.⁷³ So, the combination of both better quality and lower prices proves why the US military market was responsible for the 44% of global orders in 2008. It also proves why seven American industrial giants like Lockheed-Martin, Boeing, Northrop-Grumman and Raytheon are among the first 10 companies of the military industry at the global level in terms of revenues classification, and why US-made military products are more preferable than those of their European counterparts.⁷⁴

Through the overall analysis in this part of the paper we have shown how defence expenditures affect positively the American industry in terms of both quality and profit. This is consistent with the findings of many scholars, we have already mentioned in the first part of our analysis that we find a positive relationship between defence expenditures and economic growth. However, we acknowledge that extended defence expenditures produce a negative impact on economic performance too, as historical data approve.

Negative Effects on the Economy:

From the George Bush's to Barack Obama's Grand Strategy

When on 20 January 2009, Barack Obama became the 44th president of the United States, he at once commissioned with the issue of handling the excessive US national debt. The deterioration of the American public debt caused the Obama Democratic Party government to implement a different approach not only through the manipulation of the issue of defence expenditures, but also through the overall American Grand Strategy.⁷⁵

According to ex-President Bush's defence planning, military expenditures were estimated to rise gradually during the 2010-2020 period from 656 billion dollars in 2010 to 813 in 2020, whereas the proposed total US defence outlays to fulfil the needs of the "war against terrorism" campaigns until 2013 would have cost to the American taxpayers the astronomical number of 1.3-1.8 trillion dollars!⁷⁶ However, the Obama administration decided to alter the previous Bush' defence policy by planning to cut down significantly US defence expenditures till 2020. According to the new government's planning, defence expenditures are estimated to rise as high as 670.6 billion dollars but with declining trend. These cuts mainly have to do with war assets and the further development of specific kinds of new weaponry.⁷⁷

In contrast to George Bush's administration, Barack Obama's policymakers' decision is to reduce gradually defence outlays from 4.8 to 3.1 as a percentage of GDP till 2020. This is believed to make future US governments capable of saving at about 1.5 trillion dollars so as to be able to further reduce a part of their future public debt.⁷⁸ Moreover, Obama's policymakers

73. Nickos Kyriazis and Ioannis-Dionysios Salavrakos, "Defense Procurement in Greece", (note 71), p. 391.

74. See also Hartley 2007, "The arms Industry Procurement" (note 70), p. 1141.

75. It is estimated that Public Debt will have been increased to more than 18.25 trillion dollars by the end of 2021, a figure which is going to be analogous to 97 per cent of GDP. See Congressional Budget Office, "Reducing the Deficit: Spending and Revenue Options", Washington D.C., Congress of the United States, 2011, pp. 3-4.

76. *The Military Balance*, (note 51) p.27.

77. Ibid, (note 51) ; Laicie Olson, "Fiscal Year 2012: Defense Spending Request Briefing Book", *Center for Arms Control and Non-Proliferation*, February 2011, pp. 1-12.

78. Brian MacDonald, "The Obama 2010 Defence Budget Request. Resource document", July 2009. <http://www.cda-cdai.ca/cda/uploads/cda/2009/03/4-09-obamadefencebudget2.pdf>. Accessed 20 July 2011.



decided to withdraw troops from Iraq by the end of December 2011 in order to reduce war expenses, a decision that has already been accomplished according to schedule. It is worthy to mention that the Iraq and Afghanistan campaigns burdened the US economy with additional 159.3 billion dollars just for the fiscal year 2011.⁷⁹

In addition, the new US government seems so follow a different approach as far as the manipulation of the Iran and North Korea cases are concerned contrary to the more "belligerent" policy of the previous Bush' administration. Obama's administration seems more willing for a diplomatic solution with those countries that –according to ex-President Bush' doctrines- consisted the "Axis of Evil" than to utilise the military option so as to destroy their possible nuclear installations. This policy of the government to more or less, settle all issues of geopolitical confrontation through diplomacy is also verified by the decision, on 17 September 2009, to rearrange the terms of deployment when it comes to the highly advertised "Missile Defence Umbrella" in Eastern Europe, after the strongly expressed concerns of Russia, a decision that is diametrically different to the previous Bush' administration doctrines.⁸⁰

Finally, even in the case of the recent war in Libya, the US did not decide to launch a full scale attack against the totalitarian regime of Muammar Gaddafi but to engage militarily only sea and airborne means. The fact that land troops were not deployed by the US in Libya to support the rebel troops against Gaddafi's regime, is an indication for us that the US did not want to be engaged in another new economically disastrous war campaign, like Iraq. Having all these facts in mind, we think that for the current US policy-makers, ideological concepts such as "War on Terrorism", and "Axis of Evil" seem to have faded significantly.

Seeing US security policy through Paul Kennedy's spectacles bearing in mind his classical masterpiece *The Rise and the Fall of the Great Powers*, we believe that the recent more moderate version of the US Grand Strategy launched by the Obama administration has to do with the erosion of the superpower's strength due to the deceleration of their economic performance that was affected critically by both American defence expenditures and the 2007-2009 financial crisis. According to our view, the deterioration of the General Government Debt ratio - which was at about 12.3 trillion dollars for 2010, being analogous to 83.9 per cent of GDP, but with an increasing trend⁸¹-makes any new full scale war campaign in countries like Iran and North Korea, a very complicated and uncertain issue.⁸²

So, we think that the new established more moderate US security policy in global affairs has definitely to do with the deterioration of the US economic performance that makes excessive defence expenditures simply not feasible.

79. Todd Harrison, "Analysis of the Fiscal Year 2011" (note 40), p. 1.

80. Steven A. Hildreth and Carl Ek "Long-Range Ballistic Missile Defense", Congressional Research Service, September 2009, p.1.

81. For the 2010 Gross General US Federal Debt see, Brian W. Cashell, "The Federal Government Debt: Its Size and Economic Significance", Congressional Research Service, February 2010, p. 2-10.

82. However, we have to acknowledge that US watch very carefully the evolution of the nuclear project of Iran and its denial to make the scientists of the international Atomic Energy Agency to have a full access on its progress so as to deter if possible, a "weaponised" version of its evolution. Recent estimations show that Israel is ready to exercise the military option against Iran's nuclear facilities whether the US or even the UK are going to participate in a raid or not. For all the military implication on an American strike to Iran See Alexander Wilner and Anthony Cordesman, "U.S. and Iranian Strategic Competition: The Gulf Military Balance", Center for Strategic and International Studies, November 2011, pp. 6-134.



Concluding Comments

The principal objective of this article is to examine how defence expenditures affected the post-World War II security policies in both Europe and the United States. To achieve this, we first analyzed the theoretical background of defence expenditures as a factor that determines a nation's power. Based in existing scholarship we found that there is a positive relationship between defence expenditures and geopolitical power, whereas defence expenditures affect either negatively or positively the economy of a nation.

Then, we analyzed the issue of defence expenditures with regard to the EU member states and the US separately. We found that during Cold war, the combination of both major military deficiencies and the lower defence budgets comparing to the US, made the intervention of the United States in Europe, a necessary prerequisite for its security policy. Post-Cold War EU's military structure is characterized by the lack of homogeneity comparing to the US, inefficiencies in military means, and by the unwillingness of Europeans to spent more so as to reorganize their armed forces more efficiently with the view to respond better in the challenges of the 21st century.

Then, we again tested the correlation between military expenditures and power potential for the US since 1945 to the present day. We found that our theoretical analysis that correlates defence expenditures and security policy is strongly verified when it comes to the post WWII US security policy and geostrategic potential. As many defence policy analysts believe, today there are very few adversaries to the US globally that either have the motives or the ability to challenge them militarily.⁸³ This American military dominance must be attributed, according to our findings, to the colossal amount of US defence expenditures during Cold War and afterwards, which is the real reason why the US still keep the scepter of global geopolitical hegemony.

Finally, except geopolitics, we analyzed how defence expenditures indirectly affect economic performance. We deduced that defence expenditures have a positive impact on the American defence industry as they produce economies of scale due to the vast American internal defence market. In contrast, the relatively small national defence markets of the EU member states and the inefficient industrial collaboration among them makes European military products more expensive and qualitatively inferior to their American counterparts. However, we found that a negative side-effect of the tremendous annual US defence budget has to do with the deterioration of the American economy's macroeconomic performance, specifically with the deterioration of the public debt ratio. We finally argued that this situation forced the Obama administration not only to make plans to reduce the American defence budget for 2011-2020 period but also, in antithesis to ex-president Bush's belligerent doctrines, to adopt a more moderate security policy profile.

By the overall analysis we noticed that both the EU and the US face in common constrains in excessive military spending due to increases on their public debt that erode their economic performance. We also noticed the gradually changing nature of military power, which is not

83. Andrew F. Krepinevich, "An Army at the Crossroads, Strategy for the Long Haul Series", *Center for Strategic and Budgetary Assessments*, 2008, pp.1-3. See also Mearsheimer, "The Gathering Storm" (note 11), p. 387.



only based on military supremacy but also in other factors as well, such as conflict prevention, peacekeeping missions etc. Under these circumstances, it seems at first that the better coordination in military means for both the EU and the US through NATO on security policy issues, could be necessary for two pivotal reasons: Firstly, it seems that the Euro-Atlantic partnership has been historically critical for the establishment of a peaceful post-Cold War security environment in Europe, as many scholars argue.⁸⁴ Secondly, collaboration through NATO could mean a more efficient management of the NATO members defence budgets as a whole, which it could lead to higher military efficiency with lower operational costs and thus, to the establishment of a more reliable and efficient security policy for both the EU and the US.⁸⁵

In this context, it seems that some new institutional arrangements such as merging the already in existence military formations, such as the Eurocorps and the EU Battlegroups into an integrated and efficient pan-European military formation that will act on behalf of the EU as a whole could be a productive choice. This transformation must also include the European defense industry that currently employs at about 750.000 personnel⁸⁶, as well as the gradual adoption of common military means of action by the EU member states armed forces in order to reduce their operational costs and achieve homogeneity in structure and thus, economies of scale.

Finally, having in mind the previous overall analysis which is mainly based on the theoretical framework which we developed in the first part of our analysis about the relationship between geopolitical power and military strength, we acknowledge that the issue of the proposed decreases of the American defence expenditures during the 2010-2020 period could have a major impact on their ability to extend their "imperial power" as a means of promoting peace, the rule of law, representative democracies and free markets, under a "liberal hegemony" approach, as many scholars argue.⁸⁷

However, this thesis that justifies US intervention and hegemonic profile in global affairs as a beneficial condition for global prosperity, is rejected by other scholars such as Robert Keohane, who thinks that instead of hegemony, cooperation and trust among nations could be the ideal situation for the post-unipolar world, while Kenneth Waltz, as we have already mentioned, emphasizes on effective international alliances.⁸⁸ Under this prospective, we think that a more "honest" and trustworthy cooperation based on the above ideas about international

84. See among others, John Mearsheimer, "Why is Europe Peaceful Today?" *European Political Science*, Vol. 9. 2010b, pp. 387-389.

85. However, we have to acknowledge that the issue of the continuity of the transatlantic relationship through NATO is still open at least in theoretical perspective. For instance, many theorists believe that the American presence in Europe after the demise of the Cold War has no reason for continuing. Other important issues that someone must have in mind when analyzing NATO's prospective towards the 21st century, may include an evaluation of NATO's efficiency as an organization, the possibility of an autonomous European military force even as a replacement of NATO, the curious tension in EU-NATO affairs, or the ways in which the European security policy must be revisited in case the US decide in the next years to give priority on their interests to the Pacific and elsewhere rather than Europe. We propose a further analysis of these and other related issues in a forthcoming paper.

86. See Herbert Wulf, "Will the European Defence Market Strengthen or Weaken the EU 's Foreign and Security Policy?" in Alyson JK Bailes, Sara Depauw and Tomas Baum (eds.), *The EU Defence Market: Balancing Effectiveness with Responsibility*, Drukkerij Artoos, Brussels, 2011, p. 24.

87. See Nial Fergusson, *Colossus : The Rise and Fall of the American Empire*, New York, Penguin Books, 2005; Jonathan Ikenberry, *Liberal Order and Imperial Ambition: Essays on American power and Post-war Order*, Cambridge, Polity Press, 2006.

88. Kenneth Waltz, *Theory of International Politics* (note 10); Robert Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton, Princeton University Press, 2005.



trade and cooperation through coordination of interests must be cultivated between the US and their allies like EU, the United Kingdom, Turkey, an emerging regional power and Israel in the Eastern Mediterranean, as well as with Pakistan, Japan and South Korea in south Asia and the Pacific and even, - a future friendly Iran as a regional actor in central Asia, etc.

Such a “convergence” of interests and common objectives seems mutually fruitful if it finally happens, as an alternative “after hegemony” option that, as we have analyzed so far, may come as a consequence due to the unavoidable forthcoming US defence decreases, including their implications when it comes to the preservation of global order on security issues. Such an issue could be further analyzed in detail including a variety of aspects in a future research.

However, we think that such kind of collaboration among the US and a “constellation” of strategic partners like the EU and the UK, may become feasible if it is mutually beneficial to all players. This means that such a relationship must seem capable enough to promote their economic prosperity as well as to face more effectively all kinds of new post-Cold War threats, like global terrorism, weapons of mass destruction proliferation etc. and thus creating a more stable and prosperous global security environment.



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Journal of Global Analysis

Has Sovereignty Eroded?

By Binneh S. Minteh*

This paper argues that globalization and interdependence has contributed to the “contingent maneuvering” of states with sovereignty from an economic perspective, whilst nuclear non-proliferation, security, survival, and rising nationalism established states as prominent actors on the global stage from a political perspective. The paper proceeds with an Introduction and Background Information of the State in part one. Part two gives a literature review of the state on the global political stage. In part three, the paper theorizes globalization and economic interdependence as the borderless source responsible for the decreasing power of states. Part four ponders how the contentious issues of nuclear proliferation, residual nationalism and non state actors contributed to the erosion of sovereignty for reasons of security and survival. And in part five, I ponder the theoretical implications and give concluding remarks.

Keywords: Globalization, Economic Interdependence, Nationalism, Information, Communication, Transnational Boundaries, Sovereignty, Security.

*Division of Global Affairs,
190 University Avenue, Engelhard Hall,
Room 117, Newark Campus,
Rutgers University, New Jersey, USA*

* Binneh Minteh is an Adjunct Professor of Political Science at New Jersey City University and Public Policy at the Graduate School of Public Affairs, Rutgers University Newark. His main research interests are International Security -Peace building, Conflict Assessment and Resolution, Human Rights and Humanitarian Affairs, Drugs and Human Trafficking, Transnational Terrorism, Intelligence and Counter-Intelligence, Foreign Policy, Development, and Democratic Transformations. Professor Minteh is a former Gambia National Army First Lieutenant. He attended the Turkish Land Forces Command School in Istanbul (1991), and the Turkish Gendarmerie Officers School in Ankara (1991-1992). He holds a Bachelors of Science Degree in Computer Information Systems Management (2006), and a Master of Science Degree, Global Affairs (2008), respectively from New York University. He is currently a Doctoral Candidate of Global Affairs at Rutgers University, New Jersey.

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Has Sovereignty Eroded?

Introduction and Background Information

From the historic continental United States of America to the savannah lands of Africa through the oil regions of the Middle East to the Asian and Russian peninsula, the European Westphalia state system has become one of the dominant political systems that have taken shape across international society. It has been a central model that that can accommodate only the 'real state; hierarchical, coercive, and sovereign' but not federal or decentralized states.¹ Peter Strick interpreted the Westphalia state system as a product of nineteenth- and early twentieth-century realpolitik and nationalism.

Historically, Jessica Shadian puts the Westphalia State system as the construction of a political system where political identification became subsumed under jurisdiction of the state and accompanying territorial boundaries, with national identity and national movements for self-determination as fundamental pillars of statehood.² The defeat of the British Empire in the American war of independence and the emergence of the United States of America (USA) as a sovereign state provides a parsimonious explanation along those paradigms. "The European expansion into the rest of the world, had by no means reached its climax when its second stage, decolonization, began in the second half of the eighteenth century, with the assertion of independence by European settler states in the Americas."³ Proliferation of independent states across Latin America and most of Africa in the 19th and 20th century was therefore no historical accident. The emergence of states across Africa, Asia, and the Middle East was evidence of the Westphalia state system epitomizing global governance. How that has strengthened the role of the state as primary actors across the international stage was therefore no hidden agenda. The future of the world has since then been shaped by the European state system across economical, political and social parables. By the end of the 19th century, it became clear that a reversal in the creation of the state system was unlikely.

With the proliferation of the state system, the principle of sovereignty took shape as a deeply rooted international doctrine calling for non-interference in the internal affairs of states. However, this doctrine has come under increasing scholarly debate, largely as a result of globalization and interdependence, nuclear-non-proliferation, security, survival and rising nationalism. These factors brought to light compelling realities of the changing nature of sovereignty across

1. Peter Stirk, "The West Phalian Model, Sovereignty and Law in Fin-de-siecle German International Theory," *International Relations* 2005 19: 153
2. Jessica Shadian, "From states to polities; Reconceptualizing sovereignty through unit governance," *European Journal of International Relations* 2010; 16: 485
3. Adam, Watson, "The Evolution of International Society – A Comparative Historical Analysis," *Routledge*, New York, 1999, pp, 266

the global political spectrum. The question has sovereignty eroded, therefore took shape as a contentious debate for modern scholars of international affairs.

This paper questions sovereignty in two broad perspectives. In the first perspective, I looked at how globalization and economic interdependence have become the borderless source responsible for the contingent maneuvering of states with sovereignty. This section looks at how the single global capitalist economic system, the free global market economy, non-governmental organizations and Multinational cooperation are forcing states to either retreat or sharing power in the contemporary world. In the second part of the paper, I look at a re-surgency state authority or prominence in the global political landscape with specific examples on nuclear proliferation and rising nationalism for reasons of security and survival. This section specifically looks at the United States (US) military interventions in Iraq, Iran's nuclear conundrum, and rising nationalism in Venezuela and the European Union (EU) with specific examples on the United Kingdom (UK) and Sweden. I then introduced my findings in a theoretical and empirical implication on the contested doctrine of sovereignty. This gives a pathway for further scholarly research as international politics continues paddling along unknown horizons. I first start with a theoretical and literature review on the doctrine of sovereignty.

Theoretical and Literature Review

The relevant literature pondering the notion of sovereignty in modern international theory has in itself been conflicting. Whilst many scholars opine the erosion of sovereignty as a result of globalization and economic interdependence, numerous others compellingly argue that states are only contingently maneuvering with sovereignty and therefore remain the prominent actors across the global political and economic landscape. "In Hendrick Spruyt's (1994) account, the world is made up of independent actors who are drawn to each other for the purpose of making trades. Sovereignty emerges out of that because the state, rather than non-territorial and functionally organized alternatives (like city leagues) was able to facilitate the deals."⁴ In his analysis of the contemporary modern state, Adam Watson defined the extension of political sovereignty as the most important feature of modern international society.⁵ Watson's reasoning stems from the bases that all modern states are least nominally independent, juridical equal and most importantly the system has been further loosened by an increasing outlawry of the use of force.⁶

Similarly, Benno Teschke(2002) opine that "independent of theoretical premises, there is a broad consensus in the IR community that specifically modern principles or constitutive rules of international relations – state sovereignty, exclusive territoriality, legal equality, non-intervention, standing diplomacy and international law were codified at the Westphalia Peace Congress against the background of the demise of pre-modern institutions of political authority."⁷ Scholars, such as Huber, Jellinek and Triepel all recognized sovereignty as central characteristics of states. For Jellinek, sovereignty is defined as "the quality of the state by virtue of

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4. Christopher k. A and Steven. W, "Organizing International Politics: Sovereignty and Open Systems," *International Political Science Review* 1999 20 : 73
 5. Ibid, See Adam Watson, *The Evolution of International Society*, 2005, pp300
 6. Ibid, See Watson pp, 300
 7. Benno Teschke, "Theorizing the Westphalia System of States: International Relations from Absolutism to Capitalism; *European Journal of International Relations* 2002 8: 5



which it can only be legally bound by its own will.”⁸ Sovereignty is not the lack of limitations, but the capacity to impose limits, thus meaning such limits cannot be imposed on a state by other states.

In Krasner’s view, the contemporary international system is defined by sovereign states as the building blocks and the basic actors of the modern state system. Krasner defines sovereign states as territorial units with juridical independence; they are not formally subject to some external authority.⁹ Nonetheless, he noted sovereignty of the modern state to be best summed as “defacto autonomy,” because he argues that, “even though the power and preferences of foreign actors will limit the feasible options for any state, sovereign states are not constrained because external actors have penetrated or controlled the structure of their domestic authorities.”¹⁰ Whilst several scholars would disagree with Krasner, many others have theorized the contested doctrine of sovereignty along similar parallels.

Scholars such as Helen Thomson, for example, have argued that “since the early 1990’s cosmopolitans have redefined liberalism from what they deem the global age and urged a new kind of international politics that begins from a universal ethical commitment to the moral value and autonomy of individuals.”¹¹ In Thompson’s view, the doctrine of Sovereignty is in itself a complex one. Thompson’s argument was based on drawing the distinction between external and internal sovereignty. Using Allan Jame’s reasoning in both 1986 and 1999, Thomson assumed that Sovereignty means “constitutional independence; neither the internal nor the external half can exist without the other.”¹² Internally, sovereignty means the power of the state to make and enforce laws upon individuals and associations within its jurisdiction, and externally it is the independence from foreign control.¹³ Looking at modern international politics, it is evident that states continue to make and enforce laws; however the notion of interference from external forces has questioned the contemporary role of the state in the interdependent world of modern times.

Professor Richard Langhorne’s justification of anxiety on the contemporary role of the state could not have come at any better time. He noted that the erosion of state sovereignty lies in “the complex and often contradictory results of the global communications revolution,” the “conjunction of microchip computers and the orbiting satellite restructuring the global economy,” which has abolished state frontiers.¹⁴ This is evident today with the rapidly revolutionizing global information and communication technology infrastructure.

In her redefinition of sovereignty, Jellinek further made a compelling argument that there was no near congruence between state and society.¹⁵ She noted that the centralized state on whose reflection the ancient and modern science of the state almost exclusively grew up, no

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8. Ibid, See Benno Teschke
 9. Stephen. D. Krasner, “ Abiding Sovereignty,” *International Political Science Review* 2001 22: 229
 10. Ibid, See Stephen Krasner
 11. Helen Thompson, “The Case of External Sovereignty,” *European Journal of International Relations* 2006 12: 251
 12. Ibid, See Helen Thomson, “ The Case of External Sovereignty”
 13. Moye Godwin Bongyu, “ The Economic and Monetary Community of Central Africa (CEMAC) and the decline of Sovereignty,” *Journal of Asian and African Studies* 2009 44: 389
 14. Richard Langhorne, *The Essentials of Global Politics*, 2006, pp124
 15. Ibid, See Helen Thompson, “The Case of External Sovereignty”

longer forms the rule in the life of nations.¹⁶ Her reasoning was based on the fact that social groups and social interest transcends state boundaries. Looking at the interconnected world of our time, both Jellinek and Richard Langhorne made similar arguments on the gradual erosion of state sovereignty.

With an understanding of “the study of international regimes as the product of formal interpretations of the nature of politics and the behavior of agents and actors, the contribution of power, interest and identity cannot be neglected as the political passion, material interests and ethical perversions that gives form to international regimes.”¹⁷ Sovereignty in the Westphalia state system has therefore become evident and transcendental, even though “regime theorist’s lost sight of the regional coordinates of sovereignty, or the normative variables through which states, their agents and others have given form, substance and effect to sovereignty.”¹⁸ According to Grovogui, they erroneously predicated their analysis of sovereignty upon three common place assumptions, all derived from the Westphalia common sense.¹⁹ In Grovogui’s view these assumptions are supported by “the notion that, through the agency of the European empires and decolonization, a Westphalia-derived morality of state sovereignty gradually became the basis of the international system.”²⁰ Both (Bull, 1977), and (Watson, 1992), have characterized sovereignty, as a historical anecdote of the peace of Westphalia in 1648, thus postulating the modern international order of autonomous states.

Following an in-depth theoretical and literature review, three major questions come to mind. Firstly, how is globalization and economic interdependence revolutionizing and subsequently eroding sovereignty in the international system? Secondly, how are nuclear proliferation, nationalism, security and survival strengthening sovereignty in the international system? Thirdly, what are the theoretical and empirical implications on sovereignty in the international system? This brings us to the in-depth analysis of how globalization and economic interdependence is rapidly revolutionizing and consequently making states to maneuver with sovereign power in the international system.

Globalization, Economic Interdependence and Sovereignty

The argument that globalization and economic interdependence is rapidly forcing states to maneuver with sovereign power is not conflicting at all. In this particular section of the paper, I argue that globalization and economic interdependence is forcing states to share power with new actors on the global stage, thus posing challenges to national sovereignty. Power in this context ranges from the power of a state to provide economic, political and social security for the citizenry. “This reality is evident in every aspect of life – from sustaining the environment, to relieving poverty, to avoiding conflict and developing institutions that allow us to meet our responsibilities to others in today’s interdependent world.”²¹ This is based on the well founded progressive transformations of communications and information technology, the flow of capital

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16. Ibid
 17. Siba N. Grovogui, “ Regimes of Sovereignty; International Morality and the African Condition,” *European Journal of International Relations* 2002 8: 315
 18. Ibid , See Siba N. Grovogui
 19. Ibid, See Siba N. Grovogui
 20. Ibid, See Siba N. Grovogui
 21. Mike Fell, “ Is Human Security our Main Concern in the 21st Century,” *Journal of Security Sector Management*, Volume 4 Number 3 –September 2006 pp 12



and the proliferation of multinational and transnational corporations that are continually shrinking our world across economic parables.

From the end of the cold war marking the proliferation of western liberal democracies and its single global capitalist economic system driven by neo-liberal market principles, the world has been characterized by a surging economic interdependence, thus epitomizing the borderless vehicle shaping global communities, doorsteps across nation states defined by territory and a functioning authority. The evolution of the World Wide Web (the internet), the rise of multinational corporations and global financial institutions with well defined international legal mechanisms has in fact become the driving mechanism for this contentious phenomenon of economic liberalization and globalization. Several contemporary scholars of international relations have suggested the increase of such global institutions as a threat to sovereignty, noting the loss of control and authority of the state. Scholars such as Jessica Mathews for example argued that "national governments are not simply losing autonomy in a globalized world, but sharing power – including social, political and security roles with businesses, international organizations and with a multitude of citizens groups known as nongovernmental organizations."²²

The rise of international legal institutions such as the International Criminal Court (ICC) and other ad hoc tribunals provide an explanation along those lines. "Today, customary international law allows for universal jurisdiction for a broad range of crimes. In addition, some international treaties explicitly require parties to prosecute perpetrators, or extradite them to another state where they will be prosecuted."²³ These include Conventions on Torture, Genocide, Refugees, Race, Children, Discrimination against Women, and International Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights.²⁴ Carol Fehl wrote that:

"Multilateral human rights treaties, customary international human rights law – have created a norm of international legal protection of human rights that is at least as important as the norm protecting sovereignty and the norm of non-intervention. By virtue of the fact that this norm, of necessity, involves the limitation of state sovereignty, human rights can be seen as being given priority above sovereignty."²⁵

Such multilateral conventions, limit the range of permissible actions that states may take against vis-à-vis its own citizens, thus limiting its sovereignty.²⁶ The movement of capital across transnational boundaries falls along similar global trajectories. Richard Cooper (1968) was therefore justified to point out that "capital mobility has undermined the ability of states to control their own monetary policy."²⁷ Cooper's argument was supported by Noam (1987), and Rosenau (1990). Noam (1987) argued that "in the long run telecommunications will transcend the territorial concept and the notion of each country having territorial control over electronic communication will become archaic in the same sense that national control over the

22. Jessica T. Mathews, "Power Shift," *Foreign Affairs*, January/ February 1997

23. Carol Fehl, "Explaining the International Criminal Court: A 'Practice Test' for Rationalist and Constructivist Approaches" *European Journal of International Relations* 2004 10: 357

24. Justin Conlon, *Sovereignty vs. Human Rights or Sovereignty and Human Rights*, *Race Class* 2004 46: 75, pp 2 - 27

25. *Ibid*, See Carol Fehl

26. *Ibid*, See Justin Colin, pp 1- 12

27. Cooper, Richard N. 1998. "Should Capital Account Convertibility be a World Objective?" *Essays in International Finance* No. 207



spoken (and later the written) word became outmoded."²⁸ James Rosenau on the other hand argued that issues such as "atmospheric pollution," terrorism, the drug trade, currency crisis, and HIV/ AIDS are products of interdependence, or new technologies, and are transnational, thus states cannot provide solutions to them.²⁹ Both Noam and Rosenau's arguments are evident in today's interdependent world.

The proliferation of multinational cooperation's, foreign direct investment and capital flow across transnational boundaries of the modern world is no historical accident. The case of the developing worlds of Africa, Latin America and China provides a parsimonious explanation along those parables. In all these countries, deregulation and new rules defining the game has undermined state sovereignty. It was such compelling arguments made by Thomas G. Moore in 2008. He opined that:

"China's growing economic power should be understood not only in terms of state –to-state relations and conceptions based on national economic development, but also in terms of cross border networks of production and exchange that co-existed, often uncomfortably, with the territorially based national state system, thus manifesting a deepening global interdependence rather than incipient hegemony or creeping dependence."³⁰

This is evident in China's activities across several fronts of the global economic landscape. Today, China may flex its muscles, but her economic activities has forced the Asian dragon contingently maneuver with national sovereignty through its commitments and compliance obligations under the World Trade Organization (WTO). Even if the economic dragon accumulates power as most realists would contend, globalization, interdependence and China's economic engagement with the rest of the world has shifted the dynamics of its sovereignty to some degree. China's commitments and obligations under the World Trade Organization (WTO) are forcing it to share power with Supra national Corporations such as the WTO.

The flow of finance is arguably another contentious globalized phenomenon posing daunting challenges to sovereignty over the years. As states are embedded in a network of international financial governance architectures, the flow of finance across transnational boundaries has concomitantly shifted the dynamics of state regulation on capital flow across national boundaries. Finance flow escaped the control of states in a market where firms, multinational cooperation's and people are empowered to easily transfer capital across transnational boundaries.

Although there exists scholarly arguments that states could exert some degree of control when national interest is threatened, control over the flow of capital in a world characterized by a revolutionary age of modern information and communications technology does not in the least hold water. Christopher K. Ansell and Steven Weber are justified that "states may struggle to retain control, but they are doomed to lose this battle for reasons parallel to why state sover-

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28. Eli M. Noam, " The Public Communications Networks: A Concept in Transition, *Journal of Communication*, Vol. 37 (Winter 1987), pp. 30 -48
 29. Rosenau JN (1990). *Turbulence in World Politics: A Theory of Change and Continuity*, Princeton: Princeton University Press. pp. 5 – 13,
 30. Thomas G. Moore, " China as an Economic Power in the Contemporary Era of Globalization," *Journal of Asian and African Affairs Studies* 2008 43: 4970



eighty came to characterize the international system several hundred years earlier – the logic of exchange.”³¹ Today, the world is characterized by an economic landscape that has finance and capital flow transgressing transnational boundaries across all facets of modern international relations.

No one can deny some of the benefits states have gained from the revolutionizing forces of globalization and interdependence. Such benefits may not be limited to strengthening state efforts to empower citizens economically and socially through its interaction with transnational actors such as Inter-Governmental Organizations and Non-Governmental Organizations, but also provide opportunities for citizens, develop infrastructure, strengthened state institutions, and make states restore meaning to borders in response to globalization.

Nonetheless, with the “internal dimension of sovereignty derived from a state’s monopoly of legitimate forces within its borders,” (Thsuma, 2000) and the relationship between the state and civil society (Reinicke, 1997), state regulation of finance flow in the globalized world has been one of the greatest challenges to sovereignty. This is evident with inter-linkages amongst multinationals, financial institutions such as banks, communications and information systems architectures, international non-governmental organizations and other small businesses as the bedrock of global interdependent mechanisms posing daunting challenges to national sovereignty across the rapidly changing world of modern times.

In hindsight, the notion that sovereignty remains to be a tool for states can be questioned in several other fronts. The emergence of supra national organizations calling for more state cooperation across the global economic landscape itself speaks quite some volume. Organizations such as the World Trade organization (WTO), the United Nations (UN), the International Monetary Fund (IMF), and the World Bank (WB), just to name a few, constitute examples of global governance evolutionary mechanisms manifesting a compromise of sovereignty. The membership of all these organizations is built around the well founded evident of states giving up some elements of national sovereignty. The case of the World Trade Organization for example provides a parsimonious example along those parallels- The World Trade Organization is founded on a principle of deregulation, thus facilitating an amicable business and trading interaction between member states. The organization has well defined trading tariffs that emerged from an international consensus between states.

States have since then been obligated to define their national trading regulations around doctrines codified under agreements of the World Trade Organization. For example China’s evolution to become the newest member of the organization indeed raised some international eyebrows among scholars of international relations. This was largely due to China’s long standing foreign policy evolving around protecting national sovereignty. However China’s membership of the World Trade Organization, has questioned its sovereignty in several fronts. The mass movements of goods and services, the flow of capital and finance, and the revolutionizing of business through modern information and communications technologies is a testament of the contingent maneuvering of states with sovereignty across global economic and political horizons. The pace of globalization and interdependence has indeed shaped our world. Thus it

31. Christopher K. Ansell and Steven Weber, ‘Organizing International Politics; Sovereignty and Open Systems;’ *International Political Science Review* 1999 20: 73

further explains why nuclear proliferation, residual nationalism, security and survival are dynamic factors strengthening sovereignty and the prominence of states across the global political spectrum.

Nuclear Proliferation, Nationalism, Security and Sovereignty

With the changing pace of the global governance architecture, the pace of globalization has propelled the contentious political conundrums of nuclear proliferation, nationalism and security to a debate on the state of national sovereignty. The questions, has nuclear proliferation, nationalism and security revived the prominence of the state on the global stage, has sovereignty been strengthened by this impending rising global phenomena, therefore took shape across the global political landscape. Several theories have since then emerged with the rise of non-state actors, nationalism and nuclear proliferation. Some scholars have argued that, since the events of September 11th 2001, there has been a resurgence of sovereignty on the global stage.

In his book titled *Surprise, Security and the American experience*, John Caddis Lewis for example argued that American foreign policy to act unilaterally in pursuit of terrorists in Afghanistan and Iraq was a demonstration of America's resolve to act unilaterally at the expense of sovereignty on one aspect and the defense of its national sovereignty and interest from another perspective.³² By making such reasoning, Caddis made a compelling argument of a reviving national sovereignty. A careful consideration of US policy in the aftermath of the September 11th 2001 attacks in New York demonstrated the resolve of nation states to act alone under situations undermining national sovereignty, survival and security. US military interventions in Afghanistan and Iraq fall along similar trajectories.

In Glyn Morgan's view, "the Westphalia sovereignty has fallen out of favor among many in the U.S international relations community in the wake of 9/11, thus reduced to a conditional right, with military interventions justified in preventing human rights and nuclear proliferation, when approved by the United States and her allies."³³ Morgan's theoretical contributions toward the literature on Sovereignty indeed raised the alarm for all those scholars interested in global security. Whilst many have raised serious issues with her theoretical concerns, it only befits to argue that sovereignty in the aftermath of 9/11 have taken a paradigmatic shift from its traditional definitions.

It must be noted that even though the United Nations Security Council was not in approval of a United States Resolution for a unanimous authorization of military intervention against the Baghdad regime, the United States was determined enough to pursue it all alone. Arguably, the United States use of "arbitrary power" (Thompson, 2006) and attack on the external sovereignty of Iraq, was a political machination geared towards defending national interest and sovereignty. This was evident in both the two speeches given by President George W Bush (JR) shortly after the 2001 attacks in New York and before military interventions in Iraq.

32. John Caddis Lewis, *Surprise Security and The American Experience*, Harvard University Press, October 31, 2005

33. Glyn Morgan, " Security, Stability and International Order," *American Behavioral Scientist* 2008; 51 : 1322



In both his speeches, the President's messages were clear to the nation and the world at large. He cited America's resolve to pursue national enemies anywhere and at anytime as a national policy mechanism that must never be compromised. Citing North Korea, Iran and Libya as "an axis of evil,"³⁴ President Bush's shifting of US foreign policy stemmed from a resolve to defend national sovereignty and security. Historically, John Caddis Lewis made similar compelling arguments about America's resolve to defend its sovereignty dating back to the 18th century. In his book Caddis wrote that:

"In 1817, Secretary of State John Quincy Adams, reacting to the burning of Washington, D.C., by British forces during the War of 1812, inaugurated three policies to secure the nation as it grew: *preemption*--the U.S. would react swiftly and forcibly to attacks; *unilateralism*--the U.S. would reject alliances requiring response to unforeseeable developments involving other nations; *hegemony*--the U.S. would predominate in the Western Hemisphere."³⁵

American foreign policy following the tragic September 11th 2001 incident was therefore no historical accident. The policies were a testament of America's resolve to protect its sovereignty at any time.

Nonetheless, US policy of pursuing non-state actors has also had a parallel shifting dynamics of sovereignty from another perspective. In a nutshell it has become a driving mechanism of raising the bars of sovereignty across global political horizons. With the military interventions in Afghanistan and Iraq, a heat wave alarming other nations began spreading like wild fire. Other nations since then felt that the US unilateral policy of pursuing terrorists anywhere and at anytime in defense of national sovereignty and security was a threat in itself to their security survival and sovereignty. Countries such as Iran, North Korea, Venezuela, Syria and several small developing nations began a global campaign against what was regarded as a hostile US policy.

This policy could largely be argued to stem from reasons of survival, security and defense of national sovereignty. Countries such as Venezuela were alarmed that only by raising the alarm on the global stage could they succeed in their soft power politicking. This was evident with President Hugo Chavez's global campaign against US foreign policy, his pursuit of modernizing Venezuelan armed forces, the strengthening of military and economic ties with Russia, and nationalization of foreign oil and communications companies in Venezuela. Richard Lapper puts it this way:

In order to better defend Venezuelan sovereignty and ensure domestic security, the National Armed Forces are working to upgrade their outdated weapons, communications, and surveillance systems, primarily with new equipment purchased from Russia, China, Spain, and Brazil to arm and equip up to one million troops and reserves. According to government officials, the thrust of this military buildup is defensive. Chavez

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34. This is an excerpt from the 2001 speech of President George. W. Bush Jr. after the September 11, 2001 attacks of the twin towers, New York and the Pentagon, Washington D.C.
 35. John Caddis Lewis, *Surprise Security and The American Experience*, Harvard University Press, October 31, 2005

has pointed to the need for greater vigilance on Venezuela's borders, especially with Colombia, where paramilitary and guerrilla forces retain a long-standing presence.³⁶

Apart from the case of Venezuela, residual nationalism in the European Union (EU) presents scholars with a compelling argument of state prominence in modern international relations. With an understanding that the European Union (EU) was founded under principles of integration geared towards both economic and political development to meet challenges of the 21st century, the United Kingdom (UK) and Sweden's failure to adopt the European Currency provides one with a parsimonious example of a residual nationalism in the quest of protecting national sovereignty. Since its inception as a model for regional integration, euro-skepticism grew to be a major obstacle to the European Union. "The growth in euro-skepticism can be traced back to a variety of anxieties: the prospect of EU enlargement by 10 new member states bringing with it fear of the displacement of companies and of immigration, with both factors seen as leading to increasing unemployment in a Europe where the economic upswing is a long time in coming."³⁷

This is evident with "the difficulties (or the lack of determination) of the member states, political parties and electoral alliances, even the pro-European ones, in putting Europe at the center of public debate and in informing and organizing extensive discussion on the important issues (such as the constitution, enlargement, and European identity), thus paving the way for protest votes and, by avoiding the issue of European integration."³⁸ Today, European integration continues to be threatened by a proliferation of right wing nationalist opposition movements across several EU member states- a paradigmatic shift seen by many as a strengthening of sovereignty across the European peninsula.

Apart from the residual nationalism, Iran's nuclear policy further provides scholars with a litmus test on the question of sovereignty. With the invasion of Iraq and the presence of thousands of US forces in her backyard, Iran has strengthened efforts in the quest of pursuing nuclear technology. It has defied international legal mechanisms and made it clear that the pursuit of nuclear technology was a sovereign right that it would not compromise. Amidst series of international sanctions, Iran has enriched more uranium than at any other time. It has tested long range missiles capable of carrying nuclear war heads in a show of international defiance. Despite several years of negotiations, Tehran maintained that pursuing nuclear technology was a sovereign right. Iran's behavior in this context could be attributed to hegemony of the political discourse as argued by (Larsen, 1997: 22). In retrospective, Iran's nuclear policy in terms of an objective situation that all states would respond are due to the main discourses of sovereignty and independence (Kubalkova, 2001), and security seeking behavior based on objective conditions (Waltz, 1979).

Although scholars differ in their views of Iran's pursuit of nuclear technology, what is interesting is that, the doctrine of national sovereignty has been tested. In a world continually evol-

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36. Richard Lapper, *Living with Hugo Chavez; US Policy Towards Hugo Chavez's Venezuela*, Council on Foreign Relations, CRS. 20, November, 2006, pp 15 - 17
 37. Michael Minkenberg and Pascal Perrineau, "The Radical Right in the European Elections 2004," *International Political Science Review* 2007 28: 29
 38. Ibid, See Michael Minkenberg and Pascal Perrineau



ing around unknown trajectories, it came to light that nations still have the resolve to adopt or pursue policies in defense of national sovereignty. "It was the culmination of the George Bush preemptive doctrine and promotion of freedom that contributed in steering a global diplomatic tension in which developing nations were left with no choice but to challenge hegemonic machinations poised to transgress sovereignty and possibly steer instability and insecurity across porous national borders."³⁹

Iran's nuclear policy and Venezuela's foreign policy have therefore brought to light the reviving prominence of the state and national sovereignty across the global political stage. Thus, the theoretical and empirical implications are evident of the contingent maneuvering of states with sovereignty as a result of globalization and economic interdependence, and prominent actors on the global stage for reasons of survival, security and residual nationalism.

Theoretical and Empirical Implications

This paper largely gave a theoretical and empirical analysis of the question and debate on national sovereignty in the literature of contemporary international affairs. In the midst of several theories brought forward by modern scholars, the paper provided two different perspectives of sovereignty – an economic perspective supporting a notion of states maneuvering with sovereignty as a result of interdependence, globalization, communications and information technology, and a political perspective on the other hand supporting the prominent role of the state, and strengthening of sovereignty as a result of nuclear proliferation, security and a rising nationalism across the global political landscape.

Amidst several scholarly arguments on the state of globalization, the paper found that economic interdependence as a result of innovations by communications and information technology has progressively transgressed national boundaries, thus raising a scholarly question on the role of the state in contemporary economics. Even though scholars remain divided on the notion that the state remain relevant in modern international economic affairs, the paper found the maneuvering of state power to be contingent. Thus, our contemporary world is characterized by states sharing power with other actors on the global stage.

The paper found both theoretical and empirical evidence suggesting the flow of capital and the proliferation of multinational cooperation as bedrocks to the borderless source forcing states to share power with non-state actors such as Supra national and transnational corporations. This is evident with the proliferation of multinational banks and foreign development investments across territorial boundaries of the developing countries of South East Asia, Africa and Latin America. By using the World Trade Organization to support argument, the paper showed that states have defined their trading regulations around doctrines codified under the international mechanisms of the organization, thus compromising sovereign principles. The paper has persuasively used China's membership of the World Trade Organization as a fitting example of the retreat of the state around those economic parables.

Nonetheless, the paper found an interesting political variable strengthening national sovereignty across the global political landscape. The notion that nuclear proliferation, a rising na-

39. Ibid, See The Global Balance of Power, pp 11-20

tionalism and security has strengthened sovereignty was made around compelling arguments of US military interventions in Iraq, the Iranian nuclear conundrum, and the residual nationalism in Venezuelan and the European Union (EU). Using these global events, the paper found these nations to have acted for reasons of survival, security and the quest of strengthening national sovereignty.

Even though scholars differ in their views on sovereignty, it is interesting to see how the paper found the two different perspectives – one using economic parallels supporting arguments on the “contingent maneuvering” of states with sovereignty, and the other using political variables showing the prominence of the state for reasons of security, survival, rising nationalism and the quest to protect national sovereignty. The paper found that along the evolving nature of our world across political, economic and social trajectories, the debate on sovereignty will continue to be based on globalization, economic interdependence, communications and information technology, survival, security and a residual nationalism on the global political landscape.

Conclusion

In the modern debate on sovereignty across the global political landscape, traditional arguments found power and legitimacy to reside within the state, whilst contemporary arguments found the state to be struggling with sovereignty from one perspective and strengthening territoriality from another. Nonetheless this paper theorized that states are “not passive actors, neither in retreat, or the sole power player in contemporary politics, but their room for maneuver is always contingent.”⁴⁰ In sum questions around the state and sovereignty in the contemporary era could be concluded in two major parameters.

Firstly, globalization and interdependence have forced states to share power with new actors in terms of states responsibility in the provision of socio-economic and socio-political opportunities to citizens. Similarly, states are also sharing responsibilities in its obligations of strengthening state institutions and developments in infrastructure and modern communications technology through its interaction with transnational organizations. Secondly, despite a compromise of sovereignty across economic horizons, reasons of security, survival and a rise of residual nationalism brought to light the prominence of the state on the world stage as a compelling contemporary reality. This means that the response of the state to new realities through an evolving global corporation has restored some degree of meaning to borders in a globalized era. Whilst it is descriptive, theoretical and conceptual, evidences provided are real, suggestive and comprehensive.

40. Richard Higgot and Simon Reich, *Globalization and Sites of Conflict: Towards Definition and Taxonomy*, Center for the Study of Globalization and Regionalization, CSGR Working Paper No 01/98, March, 1998, pp 43



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BOOK REVIEW

Kevin T. Leicht and J. Craig Jenkins (eds)

Handbook of Politics: State and Society in a Global Perspective

(Heidelberg: Springer, 2010, ISBN: 9780387689296, xii+668 pp., €169.95; \$229.00; £153.00 hb.)

The end of the Cold War marked not only the end of a fairly predictable model of politics, but equally importantly it also unsettled the accepted ways in which politics has been explained and understood. In this respect, the study of political phenomena seems to have been undergoing an intense and oftentimes troubled reflection on the validity and relevance of its theories, methods, and propositions. At the same time, the proliferation of a diverse set of new (or previously overlooked) issues on the political stage has urged such reconsiderations of the study of politics to promptly produce explanatory frameworks that can offer germane responses to the emerging challenges.

A key feature of such reconsiderations of political processes has been the confrontation with the pervasive dynamics of globalization. Its patterns reflect the complex interaction between societies and states as a result of the breadth, speed, and scope of technological innovation, the proliferation of affordable means of travel, and the growing levels of economic interdependence. While it is often difficult to render legible such a dynamic international environment, this has not deterred a number of state and non-state actors to engage in creative entrepreneurship on the global stage. It is the thoughtful explanation and understanding of these dynamics that are at the heart of the volume edited by Kevin T. Leicht and J. Craig Jenkins.

The editors have done an excellent job of emphasizing the distinct aspects from the globalization of the complex interactions between state and society. In this respect, the volume offers an excellent overview of the main trends animating current debates in the study of political phenomena. The point of departure for the collection is the acknowledgement that it will be shortsighted to treat politics only as "why, when, and how people get what they want," because this would make the study of politics merely "synonymous with the study of social life" (pp. 1-2). Instead, the contributors to the volume make the case that while "social life" covers a fairly wide-ranging domain both politics and its study are a much broader and diverse field. In this setting, the collection launches an inquisitive discussion of the continuity and change in the study of politics in response to the challenges posed by globalization.

The volume is divided in three parts. The first one addresses the theoretical reconsiderations in the study of politics. The ten chapters included in this section provide a comprehensive overview of the current analytical trends in the field. The contributions address institutional theory; the redesigning, reorientation, and rethinking of Westphalian statism; public policy



perspectives; societal constitutionalism; neoliberalism; transnationalism; elite theory; conflict theory; and the politics of class. The range of approaches and perspectives included in this part of the volume provide an outstanding survey of the analytical engagements that have animated the study of politics since the end of the Cold War.

The second part of the volume delves into the transformative dynamism of political change. There are two broad thematic trajectories covered by the eighteen contributions to this section. Firstly, a number of changes have been provoked by the conspicuous unpredictability, randomness, and unintended effects of globalization. Secondly, the increased vulnerability to the catalytic effects of issues such as climate change, the economic downturn, and terrorism have called attention to a different kind of political shifts. Thus, the contributors address the alterations in perspective emerging from the enhanced attention to social movements, political violence, corporatism, economic development, gender, collective action, cultural politics, religion and post-secularism, space, the environment, democratization, urban life, authoritarianism, mass media, voting behavior, inequality, and criminality in the study of politics. Such plethora of topics draws attention to the alteration in the very patterns and practices of politics.

Finally, the third part of the volume takes up the methodological innovations in the study of politics. The five chapters included in this section address the advancements in comparative-historical methodology, multilevel modeling, event history techniques, social networks analysis, and time series analyses. An underlying feature of these explorations is the vexed nature of methodology in the study of politics. The inventory of approaches included in this section make it clear that the dynamics of globalization appear to have exacerbated even further the tension between empirical quantification and interpretative ideation. Moreover, methodological innovations seem to have reignited the debate about what is and what should be important in the study of politics. In other words, methodology itself has increasingly found itself at the center of particular research politics and academic camps. The volume therefore seems to suggest analytical eclecticism as a relevant strategy to grasp the complexity of a globalizing political field.

The breadth and scope of the volume edited by Kevin T. Leicht and J. Craig Jenkins makes it a valuable reference resource for anyone interested in the study of political phenomena. In particular, many will find refreshing its proposition that rather than looking for "a single 'best' theory" students of politics will be better off by "willing to consider multiple perspectives and to entertain the idea that multiple theories are useful for understanding politics" (p. 11). Thus, the collection offers a comprehensive overview of the different theoretical debates, topics and methodological perspectives on politics. At the same time, the accessible style, clear and forceful analysis, and the thorough coverage of the field has allowed the contributors to offer a thoughtful survey the different ways for engaging in the study of politics. In this respect, the volume edited by Kevin T. Leicht and J. Craig Jenkins will be invaluable to the endeavors of both students and scholars of political science, philosophy, globalization studies and sociology.

Emilian Kavalski

University of Western Sydney (Australia)



Athanassios G. Platias and Constantinos Koliopoulos

Thucydides on Strategy Athenian and Spartan Grand Strategies in the Peloponnesian War and Their Relevance Today

(London: Hurst and Company, 2010, ISBN: 9781849040228, 197 pp., £45.00hb.)

It is a common vice of some IR pundits to willingly imprison themselves in a safe so-called 'conceptual framework', thinking that they can then express what they want relevantly. Thus they go in for model-building, picking and choosing among the historical literature to prove their hypotheses, unlike the historian, who does not have to prove his relevance, given that all centuries are, in the words of Ranke, 'equal in the eyes of God.' Just as some PR pundits, in their quest for academic respectability, claim that the Bible, particularly the story of Peter and Paul, is an example of early PR, so some IR people latch onto, and re-interpret, Machiavelli, Hobbes and Thucydides to promote their theories of power politics, which more often than not involves promoting unilateral war, on the primitive 'might is right principle'. This book does this with a vengeance, claiming (p.xi) that Thucydides' text on the Peloponnesian War is a masterpiece of strategic analysis, 'vying with Sun Tzu's *The Art of War* and Clausewitz's *On War*'. Strangely, the authors forget to mention Machiavelli's *The Art of War*. Perhaps the renowned Florentine diplomat's comment in his preface that the military had become completely corrupt and far removed from the ancient ways would not have fitted well into the thrust of Platias' and Koliopoulos' book, since it would have highlighted Eisenhower's nightmare of the military-industrial complex. At any rate, the authors transmogrify Thucydides into an IR theorist on strategy, as if the world were unaware that he was himself a general who took part in the war. This approach of course detracts from the fact that Thucydides was primarily an expert chronicler of a dreadful and pointless war, and that he hardly ever ventures to give his own judgments. If he does, and it is a big if, it only comes out by default, through his record of what other people have said.

The book itself is divided into five chapters, the first being 'Grand Strategy: a Framework for Analysis', which includes five simplistic tables and figures, and tries to tell the reader the difference between 'strategy' and 'grand strategy', saying (p.5) that 'the highest level of strategy is grand strategy', and that it 'refers to the use of all available means (military, economic, diplomatic, etc.) at a state's disposal, in order to achieve the objectives set by policy in the face of actual or potential conflict'. In other words, when a state goes to war, it adopts a strategy; whether one calls it 'grand' or not is hardly a crucial matter. Trying to differentiate between different levels of strategy arbitrarily is perforce a risky matter, and can confuse people in its very simplisticness, usually with the aid of simple diagrams, which take the reader away from the oft-ignored human factor. The second chapter, by extrapolating from Thucydides, gives a potted version of 'Athens and Sparta: Power Structures, Early Conflict and the Causes of the War', as do the third and fourth ones, 'Periclean Grand Strategy', and 'Spartan Grand Strategy'. What the precise difference between 'grand strategy' and 'strategy' is, is anyone's guess, since military chaps normally consider sub-strategies as 'tactics'. And do not high level politicians also mix strategies and tactics, just as they often confuse the ugly terms 'geopolitics' and 'geostrategy'? The final chapter, more interesting, sets out to look at 'Thucydides and Strategy in Perspective' (without, however, saying what the perspective is), bringing in, *inter alia*, NATO expansion, the Cold War, the Battle of Waterloo, Spanish hegemony, and the Great War, and saying in its conclusions (p.117) that 'the vice of underestimating an enemy will not be eradicated in the future', and that 'it might even be argued that each side will tend to view itself as



the more determined or the one with the higher morale.' These are hardly earth-shattering revelations.

The justification for attempting to portray Thucydides as a writer on strategy, rather than - in Thucydides' own words - as someone setting out to help 'those who want to understand clearly the events that happened in the past', is provided in a fifteen-page appendix of quotes, under various modern IR headings such as 'appeasement', 'balance of power', 'co-ercive diplomacy', 'horizontal escalation' (oh dear!), 'loss-of-strength gradient', 'preventive war', 'security dilemma', and the like. Thankfully, they do not mention 'collateral damage'. Equally thankfully, they admit that Thucydides did not use contemporary strategic jargon. The problem here is that it is highly debatable whether Thucydides was trying to teach strategy at all, unless the authors believe that by recording what other people said, he was trying to do so subliminally. But if this is the case, then it is equally arguable that much of Thucydides' history is an argument against war and power-politics, especially given some of the argumentation by the protagonists in the 'Melian Dialogue'. You can't have it both ways. More worryingly, out of 154 cherry-picked quotes in the appendix, only 62 are not from speeches by various Athenians, Spartans, Corfiots, Corinthians and Syracusans. Even many of these 62 are indirectly reported, and do not therefore represent analysis on Thucydides' part. Under the rubric 'Fear and National Security Policy', we have the Corfiots saying: 'Sparta is frightened of you and wants war', while under the heading 'numerical superiority', we have King Archidamus saying: 'Perhaps there is ground for confidence in the superiority which we have in heavy infantry and in actual numbers.' These 'discoveries' are not exactly mind-bogglingly original. This cherry-picking by the authors comes across as somewhat otiose, ingenuous and naïve. Curiously, there are no headings and quotes for 'strategy' and 'grand strategy'.

Perhaps anticipating the above criticism, it must in fairness be said that the authors write in a footnote (p.137): 'Hence, we feel that we are not too wrong to talk about "Thucydides' analysis", even when dealing with events actually mentioned by somebody else.' They justify this coy statement about 'not being *too* wrong', by claiming that no other ancient historian approaches Thucydides' analytical depth, and that the overwhelming majority of the material in their book comes from Thucydides. This is simplistic casuistry, and not convincing. What is convincing is the authors' contention that the issues tackled by Thucydides have recurred through the centuries and remain relevant today. But even then, Thucydides himself wrote that the events which had happened in the past will be repeated in the future.

For those interested in criticising theoretical IR interpretations as against historical ones, this book might be of some interest, but only if they read the whole of Thucydides' 'History of the Peloponnesian Wars' first.

Dr. William Mallinson
Ionian University



Timur Kuran

The Long Divergence: How Islamic Law Held Back the Middle East

(Princeton and Oxford: Princeton University Press, 2011, ISBN: 9780691147567, xvi + 405 pp., \$29.95 or £20.95 hb.)

Maha-Hanaan Balala

Islamic Law and Finance: Theory and Practice in a Globalized World

(London and New York: I. B. Tauris, 2011, ISBN: 9781848850767, xviii + 211 pp., £65.00 hb.)

The relative economic decline of the Middle Eastern Moslem world after 1500 requires some explanation. Comparing Istanbul, or Cairo, and London or Paris at the turn of the 16th century would not show up any great differences in living standards, cultural sophistication, or comfort. How could it be that a civilization that was able to conquer much of Europe, toppling even the once-mighty Eastern Roman Empire, could become so atrophied that it lost almost all its territory by 1920? How could a civilization that preserved the wisdom of the ancient Greeks, and gave the world the system of numerals that it uses today, find itself marginalized and forced to accept many innovations from outside its borders even to survive? Why did the industrial revolution not take place in the Middle East? Why the long divergence between the West and the East?

The divergence is easy to document, as Timur Kuran carefully and engagingly does, but is less easy to explain. His thesis is easily stated (p. 5) – the Middle East fell behind because it was slow to adopt certain institutions that allowed for the pooling of (financial) resources for an extended period of time. The lack of appropriate banking arrangements; the absence of a partnership structure that allowed the easy transfer of a business to the original partners' heirs; the failure to develop joint-stock companies; are the key ingredients that are missing.

Rather in the tradition of Max Weber (although critical of Weber's actual thesis), Kuran searches for an explanation in the realm of ideas and religion. There are some *prima facie* attractions in this approach, perhaps, most tellingly, that by the mid-19th century the Jewish and Armenian Christian minorities of Istanbul were becoming wealthier than the majority Muslim population, despite the impediments and taxation that the minorities faced (and the fact that they made frequent use of the Islamic legal structures). He agrees with Weber that the absence of an Islamic version of incorporation was a hindrance to the development of city administration – but argues that this begs the question, as Middle Eastern cities seemed to do just as well as Western ones up to 1600 or so.

Instead, Kuran fingers Islamic inheritance patterns as a possible cause. While corporations in the west could be structured so as to survive the deaths of the original partners, Islamic practice was that enterprises were dissolved on the death of one of the partners, unless all the deceased partners' heirs could agree to keep it going (a likely impossible task). As a result, the preconditions for joint stock companies were not there, and, further, Moslem enterprises would lose out to western ones. The greater risk of doing business with a Moslem enterprise that might unexpectedly have to be wound up gave an advantage to western companies in third countries where the two were in competition. This, magnified and extended, could account for the divergence in success of western and Islamic countries. The seeming lack of interest in developing commercial ties (exemplified by the very small numbers of Middle Eastern



Consulates in other countries) set up the conditions for the failure of the Moslem world to take advantage of the commercial opportunities that were being developed by Western merchants and businessmen.

Kuran finds other explanations lacking. Islam has often been characterized as allowing religious dogma to impede progress: inflexible rules made it impossible for new commercial forms and ideas to take root and flourish. He argues, however, that, Islam did not rule out innovation; indeed, it is true that Moslem means of avoiding the ban on charging interest were at least as creative as those of the Caursine money-lenders of Mediaeval Christianity. In addition, Islam does have an organizational form which allows for an operation to last indefinitely – the trust, or *waqf*. It was the custom for the rich to endow a *waqf* (just as rich Christians might leave land to the church), with the revenue being used for the upkeep of a mosque, or for the relief of poverty. Couldn't the *waqf* format be used for commercial undertakings? Or couldn't the trustee of a *waqf* use the fund to generate income in this way? Kuran's answer is that the trustee is highly constrained by what he is able to do – the *waqf's* endower's instructions must be followed very carefully, to avoid the possibility of legal disputes, which rendered innovation from this source unlikely in the extreme. Similarly, though, trustees of Church land in Europe would also keep strictly the letter of the instructions in the will of the person leaving land or other property to the church. The difference seems to have been that in the West the development of a banking system in Italy that later provided the financial mechanism to payroll the long voyages of discovery to trade with the Americas and India. England's granting of state monopolies to groups of merchants then paved the way for the development of incorporation.

As Kuran points out, path dependency is significant: new ideas grow out of past failures and successes. While Islamic forms and structures functioned at least as well as western forms until the 17th century (*waqfs* provided better and cheaper social services than in the west, for example), thereafter the value of western innovations began to become apparent, at least to an historian exercising decent hindsight. The greater stock of commercial ideas in the west led gradually, but inexorably, to the divergence between east and west. Perhaps it was the very success of Islamic institution for the century after the Prophet that discouraged the types of innovation and reinterpretation of sacred texts that served the west so well.

Kuran has inaugurated a new and significant research agenda: untangling the details of the process of the divergence will continue to exercise the minds of scholars in the years to come, as will suggesting ways for the Middle East to escape what might be seen as its destiny as an underdeveloped region. On this, Kuran is cautiously optimistic: as most of the institutional innovations whose absence held back Moslems' economic development have been accepted over the past 150 years, there is the potential to see the fruits of these reforms. Apart, possibly, from the Taliban, even conservative Islamists have made no attempt to close down corporations for being unIslamic, nor to restore pre-modern economic structures.

Kuran's fresh approach to the issue of the Middle East's development lag suggests that his book, already extensively reviewed, will be a significant influence on this endeavour. The evidence of the unattractiveness of Moslem economies to outside investment is still obvious: a glance at a map of Transparency International's Corruption Perceptions Index places all Western countries (except Italy) in the cleaner half of the scale, all Middle Eastern countries fall below this mark. But change is not impossible – Turkey, for example, has started to move up



the rankings. If, for example, poor governance is a significant factor impeding progress it is not unlikely that constitutional reform will seek to address this.

In contrast to Timur Kuran's broad vision, Maha-Hanaan Balala's aim is somewhat more modest. A legal scholar, she is concerned with how Sharia-compatible finance might work in the modern, globalized world. The kinds of structural constraints that Kuran examines are important – she sees that more finance for investment (and therefore for economic advancement) could be harnessed if the western innovation of securitization could be used within an Islamic framework. The problem, though, that securitization involves the sale of debt (*bay al dayn*), which is generally frowned upon in Islamic jurisprudence. The problems of the inadmissibility of *gharar* (uncertainty) and *riba* (increase) present problems. *Riba* has traditionally been used as an argument against the charging of interest, which would make the provision of instruments where the return is based on a stream of interest payments problematic.

Balala carefully considers the evidence from the Qur'an and *hadiths* and proposes a new interpretation of *riba* that would resolve the problem. She analyses the *hadith* concerning Bilal and the figs (Book 10, No. 3871 in Sahih Muslim's collection) – what was it about Bilal's bartering of two *sas* of low-quality figs for one *sa'* of high-quality figs that caused the Prophet to condemn the transaction as *riba*? Bilal was told that the figs should have been sold on the open market, and the new figs bought with the proceeds. She argues that the concern of the Prophet was not about Bilal's getting a personal benefit *per se*, but the potential for unequal gains from a barter transaction. Absent some check that the exchange was fair, there is the risk that either Bilal or his merchant was being cheated in the transaction. Only by making public and open transactions (through a market) can such a problem be avoided. This interpretation coheres well with the Mediaeval Christian concept of the just price; that private transactions, even when both buyer and seller were willing participants, were likely to be unfair. Otherwise, why would they try to make an agreement in secret?

Thus, she argues, the purpose of the Prophet's strictures against *gharar* and *riba* were aimed against inequality – to maintain social justice, it is necessary that any gains from trade be equally shared. Modern economic theory, of course, suggests that this is an unattainable gain: as we cannot observe directly each person's utility function, we have no way of knowing that, even at the free market price, that consumer surplus (the gain to buyers) is equal, less than, or exceeds the producer surplus (the gain to sellers). At best, the market price is fair in the sense that anyone who is willing to buy or sell at that price can find a counterparty; but as history demonstrates, there is no guarantee that free market transactions will maintain roughly equal standards of living for members of the community – if anything, history suggests the opposite.

What might be an alternative? Balala puts much emphasis on the virtues of English Common Law, which she sees as being motivated by a similar concern for tradition and social justice. In this she is not alone – a number of Sharia-compliant financial contracts between organizations have specified that the controlling law in the case of a dispute would be English Common Law. For example, the Qatar Global *sukuk*, where bondholders received dividends from the Qatari government for land bought from, but leased back to, the government, was set up as a trust regulated under English Common Law, given the lack of recognition of trusts under Qatari law. (Interestingly, payments to the bondholders were linked to the London interbank interest rate



[LIBOR], albeit in a way that presumably cleared the parties of charges of *riba*.) Using English law has the additional merit of avoiding the uncertainties of Islamic jurisprudence – given the four major interpretive schools of Islamic law differ, and a judge might draw on precedents and arguments from other traditions when coming to a determination makes the outcome of a dispute less easy to predict than with the well-defined parameters of precedent-following in English law. (Interestingly, this regime uncertainty does not seem to fall within the scope of *gharar*.)

Advocacy of securitization reads rather oddly in the wake of the ongoing financial crisis. The exotic financial products that relied on securitization are now blamed by many for the near-collapse of the American financial system in 2008. Even if Balala is correct that the application of the concepts of *gharar* and *riba* are proper subjects for *ijtihad* (interpretation), so that securitization of debt can be squared with Islamic thought, this does not make it desirable.

The book, which has come out of Balala's doctoral thesis at Oxford University, could have benefited from more careful editing – there are a number of minor errors in spelling and grammar, and places where ideas could be better expressed. There are numerous repetitions of ideas, and sometimes of chunks of text. (The important passage from Surah *al-Baqarah* 282 is quoted in its entirety first as a footnote in chapter 5 and then in the text of chapter 6, for example.) Nevertheless, the book develops an interesting approach to Islamic finance, and the argument deserves to be taken seriously. However, as yet the book has failed to excite scholarly attention, and may become lost in the competition for academic attention.

Jonathan Warner
Tutor in Economics
Quest University Canada



James Ker-Lindsay, Hubert Faustmann, and Fiona Mullen (eds)

An Island in Europe: The EU and the Transformation of Cyprus

(London and New York: I. B. Tauris & Co Ltd., 2011, ISBN: 9781848856783, 232 pp., £52.50 hb.)

When the Republic of Cyprus (RoC) applied for EU membership on behalf of the entire island, the prospect increased the hopes that it would act as a catalyst for Turkey and Turkish Cypriots to consent a mutual settlement. Many also thought that the EU conditionality would oblige Greek Cypriot leadership to work closely with Turkish Cypriots in order to find a solution to one of the most persistent inter-ethnic disputes the world society ever witnessed. Both sides agreed to vote in separate referendums for a comprehensive settlement plan negotiated under UN auspices - known as Annan Plan- in 2004. The Plan set a future united federal state based on bi-communal (power-sharing between the two communities) and bi-zonal (two constituent federal states with some restrictions on movement and settlement between them) elements. After the rejection of the Plan in the Greek side, the divided island has become a member-state and the implementation of *acquis* is suspended in the Turkish north until another unanimous decision.

The membership of divided Cyprus has rather come as a shock for Brussels and taught many lessons inside the EU. First, the EU claiming to be a model for peace and reconciliation just let an ethnic conflict inside its borders. Enlargement if proceeds hastily might have catastrophic rather than catalytic effects on the peace process. Second, it might have further implications regarding the credibility of the EU as a conflict resolver. One of the most obvious examples would be the secessionist claims in the Balkans and future enlargement. Third, while a future settlement would be based on the good will of the parties, the EU has to act to figure out ways to accommodate a divided member-state into its institutional structures without hindering basic values and principles that underlie the Union.

The edited volume by Ker-Lindsay, Faustmann and Mullen in its entirety aims at analysing the third issue, namely how the process of accession and membership has transformed RoC and to what extent the EU has absorbed and tolerated the abnormalities of Cyprus's unique situation into its legal and institutional structures. In this sense, the emphasis is on the challenges and transformative impact of the accession process and post-accession period in RoC. In doing this, the book is divided into seven chapters and an introduction written by different experts in order to analyse the effects of the EU accession over the political, legal, economic, social and foreign policy areas.

The book does not aim at dealing mainly with the Cyprus conflict as one might expect. As the name suggests, it provides analysis for the entire island. However, due to the almost 40 years of division between Turkish and Greek sides, the chapters actually deal with the change in the only recognised state on the island –RoC- where the *acquis* is implemented. Nevertheless, the nature of the complex interaction between internationally unrecognised Turkish Republic of Northern Cyprus (TRNC), RoC, and the EU after the accession required each chapter to deal with the implications of the membership for this long-standing conflict.

In my view, the book addresses an important gap in the literature. There is a plethora of books covering the history of the ongoing peace negotiations and the role of the UN. Partially due to the very recent nature of accession, mostly because the conflict occupies the agenda of researchers on Cyprus, there is a lack of assessment in the literature regarding the effects of

EU membership, especially compared to Eastern European members. In this sense, each chapter in the edited volume provides an insightful analysis to understand the ongoing transformations that accession requires in Cyprus. Albeit the some differences in terms of the authors' methodological approach and the focus on domestic developments, ongoing conflict and Europeanisation; the book offers a valuable contribution for a variety of audience interested in Cypriot politics, enlargement, Europeanisation or conflict resolution.

The assessments by Karatas, Ker-Lindsay and Faustmann can be read together to get a thorough analysis of the recent developments in conflict resolution, politics of accession and post-accession period. Their arguments prove that for the Greek Cypriot leadership the accession was a strategic choice ending the Cold War neutrality. In order to get additional security guarantees against Turkey, RoC intended to make Brussels a major player on the side of the Greek Cypriot demands. Karatas argues the radical change in the EU's initial position that required a mutual settlement as *condicio sine qua non* was not only against its own procedures but also resulted in importing the conflict into the EU (p.14). The EU adopted a moral recourse enabling Greek Cypriot accession and limited the 'catalytic effect' of membership only to Turkish side. Karatas is critical of the EU for effectively hindering peace process by miscalculating the logic of RoC membership application: '[t]he EU believed in the Greek Cypriot assurances that they would always opt in favour of a solution plan ... the idea of the 'catalytic effect' was a calculated risk that was based on multi-layered assumptions and a biased understanding of the complex conflict by the EU' (p.34).

Ker-Lindsay gives striking examples to demonstrate foreign relations of RoC with the outer world as well as with the other member states continue to be shaped by the same logic. While new external relations have brought an impetus to the policy of non-alignment of Cold War years, Cyprus still does not hesitate to diverge from the common EU position in foreign policy if it contradicts with its primary interests in the conflict. Furthermore, Cyprus's relations with EU member states such as Britain and even Greece are sometimes strained by its threat to veto the EU-TRNC relations.

Faustmann supports Karatas and Ker-Lindsay by stating RoC has been 'a single-issue member state' and concerned mainly 'how to use any moves to bring Turkey closer to the European Union in such a way as to strengthen the Greek Cypriots' hand in any future negotiations' (p155). The author argues the widespread miscalculations of RoC leadership in terms of the role of the EU in post-accession period continue to prevent the new member-state from embodying the rules of internal decision-making of the EU.

Other contributions also agree that the EU had an impact in transforming the legal, social and economic structures but it was limited but limited due to the division of the island. Nikos Skoutaris argues the partial suspension of the *acquis* in the north is strictly territorial therefore neither deprives Turkish Cypriots of their rights as EU citizens nor allows a tacit recognition of TRNC. Skoutaris notes the EU has taken a depoliticised 'step in bridging the cleavages of Cypriot society and a possibility for differentiated integration of the Turkish Cypriot ethno-religious segment within the Union' (p.58).

While Skoutaris gives an analysis of new legal arrangements to accommodate Turkish Cypriots as citizens of a divided country in the EU, Beyatli assesses Turkish Cypriot perceptions. The author notes public and civil society played a crucial role in changing negative perceptions of



the EU and transformed the relations from misunderstanding and extreme suspicion to pro-membership sentiments in the Turkish side. Nevertheless, following the referendum, the prevailing perception in the north Cyprus remains that the EU is not able or willing to keep its promises in order to end the isolation. Despite the resentment, majority continues to see a settlement within the EU as the only way of ending their years of isolation.

Ioannou and Kentas argue while technical and legal harmonisation was achieved during accession negotiations, various examples such as smoking ban, gender equality, discrimination on racial basis and environmental values prove that there is a lack of socio-cultural adjustment in RoC. For the authors the cognitive gap is mostly a result of Greek Cypriot mentality which treated membership as a strategic gain. This prevailing logic limited civil society and public discussion on the societal changes that membership would require.

Mullen offers a detailed and probably the most technical analysis in the book. The transformations of Cypriot economy since 1973 Association Agreement were intensified with the accession negotiations. Membership has brought profound transformations especially in relation to the interest rate cuts. While there are many benefits of the opening the market to competition and FDI, the negative effects of inflation and accounts deficit would be usually felt in the long term on the small and still relatively competition-free economy of Cyprus (p.84).

In my view when the chapters are assessed together, there is an overall lack of critical assessment of the EU's ongoing role in Cyprus conflict. Faustmann notes 'The EU has consistently avoided becoming overtly involved in the resolution of ethnic or religious conflicts within or between its own member-states. It encourages, supports and accommodates solutions, but does not shape them' (p.169). I agree with the contributors that in reality, the EU is not willing to intervene either as a voice of RoC which falsely hopes it could easily lobby member states to punish and blackmail Turkey and Turkish Cypriots; nor wants to create a Taiwan inside the EU by tacitly recognising TRNC. This might seem a fair position; however, both the UN and the EU recognised the *status quo* is no longer acceptable. Given the fact that even after the accession politicians and public in the Greek side continue to perceive the membership as a strategic opportunity to gain an advantageous position in negotiations, one cannot help but wonder how long the EU can defend the passive stance when a decisive settlement is first beneficial to the EU. The situation in Cyprus actually demands a more active EU involvement; especially since the EU's basic principles and freedoms are hindered by current division and internal decision-making is under continuous blockage. Without the EU bringing a mutually win-win solution and overcoming the excessive degree of mistrust between the Greeks and Turks, a solution seems unpalatable in Cyprus.

The contributions suggest Europeanisation in RoC has provoked adaptation, resistance and challenge simultaneously. In sum, the main strength of the book is its wide coverage of the social, political, legal and economic effects of the membership process in Cyprus. In this sense, the book offers a comprehensive analysis of RoC's journey towards membership and post-accession years.

Bilge Yabancı

PhD Candidate

University of Bath

Politics, Languages and International Studies

Roderick Cavaliero

Ottomania: The Romantics and the Myth of the Islamic Orient

(London & New York: I. B. Tauris, 2010, ISBN: 9781848851061, 264 pp., £56.00 hb.)

Since Edward Said's *Orientalism* modern scholarship has developed an ever-intensifying awareness toward Eurocentric notions that have been long imbedded in the Western narrations of the East, or *Orient*. Though one may still frequently come across intentional or unintentional *orientalisms* in the American (and, in general, Western) media and popular culture, most specialists of area studies such as Near Eastern or Asian Studies have now become more perceptive and insightful, and try to avoid all forms of Eurocentrism in their research, at least in theoretical level. As a recently growing field, global history, for instance, prioritizes inter-civilizational historical comparisons from a new unbiased perspective. In the last decade or two, global historians have revised some of the generally accepted historical arguments on the political, economic, and cultural backwardness of the non-Western world. Studies on the Ottoman Empire have also benefited from this trend, and it is now common knowledge that the so-called backwardness of the non-Western world was reverberation of the myths that the book under review here examines.

Within this regard, Roderick Cavaliero breaks no new ground, but makes some wise remarks on some of the well-known issues. The sources he analyzes are the writings of eighteenth and nineteenth century European authors, travelers, diplomats and adventurers, some of whom had never been to the Orient, and almost all of whose thinking about the east was typically given shape by an imaginative romanticism. In the preface and the first chapter, he traces the earliest creation of the myths back to Lepanto and the 1570s, when the once formidable and terrible Ottoman forces took their first major defeat by the Europeans. From then on, as the defeats the Europeans inflicted upon the Ottoman armies grew in size and number, the mighty Ottoman image in European eyes would gradually be replaced by one that is first disdained, and then ridiculed. Though not new in content, the rest of Cavaliero's narration illustrates successfully how the Romantics textually reconstructed the various geographical and cultural domains of the Ottoman world which would then serve as the antithesis of Renaissance and Enlightenment Europe. The second and third chapters survey the images of the most misinterpreted individual and institution by the Europeans: the Ottoman Sultan and Harem. For Europeans, the former was capricious and unpredictable, whose ruling style was for long defined as 'oriental despotism' by the modern scholarship, while the latter "spelled sexual slavery and intimidation" (p. 39). It is difficult to dispute Cavaliero's statement that the concept of Harem has thus become "a major obstacle to East-West understanding" (p. 34). In an intelligent remark, Cavaliero reminds that the Harem within the Sultan's court was needed to avoid childlessness and inheritance crisis. In addition, harems of the wealthy individuals had a contemporary and contextual logic in a society characterized by love of offspring where women feared not being married, and indeed, even women of lower status who lived in a segregated *haremlik* enjoyed their lives as much as the wealthy. Cavaliero notes often that this was what Lady Montagu and Pierre Loti observed, at two distant times. Another undisputable remark is that *The Arabian Nights Entertainments*, the major source of the myths about oriental exoticism and eroticism, is "the oriental fantasy *par excellence*" (p. 40). The author states that the stories of captivity in the East would always be ornamented with barbarity "to keep public interest alive" (p. 73), or with homosexuality, purportedly a "universal practice in Arab and Ottoman lands" (p. 77). There is no doubt that Lord Byron was writing with the same motives



when he introduced the East as “where the virgins are soft as roses they twine.” In chapters seven through ten, Cavaliero successfully depicts the gradual transformation in the attitude of the Europeans from this imaginative and fictitious otherization of the East to a domineering feel of contempt. In accordance, while Napoleon Bonaparte was landing at Alexandria with an army of scientists to become the master of the Orient in the fashion of Alexander of Macedon, Greek revolution would be glorified by Delacroix in his paintings. Likewise, Persia, which couldn’t escape mythical imaginations in Thomas Moore’s *Lalla Rookh*, was believed to be an unexplored equivalent of the Ottoman Empire and no more than a potential buffer against the Russian threat.

The declinist arguments about the Ottoman Empire, for long discredited by the Ottomanists, were inspired largely from the sources Cavaliero unmasks. Within this framework, it is significant that the author presents one of the few collective surveys of the orientalist European literature from 1700 to 1900, but it could have been strengthened by mentioning the current directions within the Ottoman historiography. Although the bibliography contains several scholarly titles, there are only a few references to them. In terms of fluidity, chapter fourteen, which provides an insight into the new, “amiable” and “less tyrant, more pantaloons” (p. 187) image of the Turk in the late nineteenth century, is ineffectually separated from his conclusion in chapter fifteen, because that new image had emerged as “geopolitical priorities replaced questions of faith and liberty,” which is discussed in the penultimate chapter, not fourteenth. The book contains several flaws, mostly minor details, concerning also language usage. Firstly, it should be the ‘People’ of the Book, not “communities” (p. 4). The author prefers “Mahomet,” the older Latin transliteration, to more proper *Mohamed*, *Muhammed*, or *Muhammad*, probably because of stylistic reasons. In few places where he refers to the prophet, he takes advantage of the book’s literary rhetoric to add “peace be upon him,” which would be normally regarded as unscholarly. A factual error is that the abolishment of the Janissary corps did not take place in 1808 (p. 6), but in 1826 as stated later in the book. Also, experts will be surprised to read about some obscure “Wahhabi pirate states of the Red Sea” (p. 3). One last mistake is worth pointing out. In the final chapter one reads that the Muslims generally disliked the mercantile life. Besides, Cavaliero argues that “one Indian ruler spoke for others when he said wars by sea were merchants’ affairs and of no concern to the prestige of the Kings” (p. 205). Most probably, the reason for such unfamiliarity with the historical realities of the East is the authors’ self-restriction to literary sources.

Notwithstanding these shortcomings, the author does present us with a well-written summary of the eighteenth and nineteenth century European sources. The list of “writers, artists, and composers mentioned in the text” at the end of the book provides very short but helpful information, and prevents the reader from occasional temporal and spatial de-contextualization. Since most students and Turkish historians of the Ottoman Empire would lack the familiarity of Roderick Cavaliero with the European literary sources from the earlier centuries, the book should be of particular interest to them. However, with its literarily strong narrative, it is an important contribution also to the general scholarship, and would be a valuable addition to any university library.

Yasir Yilmaz
Purdue University
Department of History

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