

## Mortgage Banking for the New American Empire, and other futures

Jim Dator

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It is great to be talking with people for whom the immediate past has been so good, and the immediate future looks so rosy. Sure, I know you have your doubts and uncertainties, but compared to almost everyone else, these have been good times for you that you hope and perhaps expect will continue.

I do a lot of public speaking, and it is rare, recently, for me to have a chance to talk with people for whom the past was, the present is, and the future seems so bright.

I know if I had been talking to you ten or so years ago that would not have been the case. But I imagine you are all praying for an eternal present as your future.

Before I share my ideas about the futures, and your places within it, I need to say something first about what Futures Studies is and is not.

First of all, note that I am using the term "the futures", in the plural. By that I mean to indicate the following:

1. That it is impossible to "predict" THE future. It is not possible to say precisely what will happen, or what the world will be like, twenty to fifty years from now. It is foolish to try, and it is even more foolish--and dangerous--to believe anyone who purports to predict the future.

2. However, what is possible, and necessary, is to forecast many alternative futures--to try to understand and explore many of the futures before us. Moreover, these alternatives futures are not merely variations around a single set of assumptions, but rather are profoundly different possibilities based on different assumptions of the way the world works, and of how the trends and events shaping the futures might emerge and fade, swell and shrink, and interact in the coming years.

3. Among these many alternatives, there is no such thing as "the most likely future." Indeed, I encourage you to view the idea of a likely, default, or highly probable future with great suspicion--as an assumption that is more likely to be harmful, causing serious misunderstanding, than as the norm from which a

few so-called "wild card" futures might emanate. In my understanding, all futures before us are more or less "wild cards". While that which is often thought to be "the most likely future" is indeed among the possible alternatives, it is, in fact, no more likely than many alternatives.

My next set of assumptions arises from what I consider to be "the three components" of the futures. By that I mean the next twenty to fifty years will emerge from three factors in relation to the past and present.

First of all, some percentage of the totality of the futures will be things that exist in the present. Indeed, some percentage of the futures will be things that existed in the past as well as the present. I call this component of the futures "continuities"--those things that have been important parts of all societies from the beginning of time to the present, and hence into the futures.

To the extent most of the futures will be basically the same as the past and present, we need only to study history and contemporary sciences to understand the most important features of the futures. Indeed, to the extent we are successful and learned people, we can trust our own knowledge, experiences, and intuitions to anticipate, and to help others anticipate, what is most important about the futures.

However, some percentage of the totality of the futures may be different from the present, but very similar to, and perhaps even identical with, some or many factors in the past. If most, or the most important, parts of the futures have been experienced in the past, but are not existent, or not significant, in the present, then we have a problem. The problem is that we are animals who learn primarily by doing and feeling, and not by thinking and imagining. As a lifelong student and teacher, I can assure you the things that have made the most impression on me are the things that I did, or that happened physically to me, not the things that I read about or someone told me about. I of course have learned a great deal from reading and lectures, but when push comes to shove, I fall back on what I have directly experienced, whether I want to or not. We all do. That is the way we are biologically disposed to learn and act. On the other hand, well-produced mediated experiences--film, video and electronic games--often make an even greater emotional impact than direct reality even though they are entirely fanciful.

Nonetheless, a good and deep knowledge of history is essential to anticipating the futures IF most of the futures will be like some aspect of the past, but not of the present. The more we can learn about these aspects of the past that will be dominant in the futures, the better prepared we should be intellectually if not emotionally.

But what if most of the futures are novel--not part of the present, not part of any past, but very important in the futures? Then we may be in deep trouble, personally and socially. We can rely confidently neither on our knowledge of history, nor on our understanding of the present, nor our own experiences to

anticipate the futures. So if most of the futures will be novel, we may be incapable of anticipating or shaping it effectively.

At the very least, we may have to ask those people who engage in futures studies for whatever help they can give us. Yet very few people even know that futures studies exists while others have very low, though often uninformed, opinions of it. And since almost all formal institutions of education everywhere in the world totally ignore futures studies, and overwhelmingly stress history and contemporary sciences, we are in very serious trouble, individually and socially, IF the most important features of the futures are in fact novel.

As I believe they are.

What do you believe? Is most of the futures a continuation of the present and past? Is there nothing new under the sun? Or is human experience cyclical so that while the present is a poor guide to the futures, the past might be better? Or are the defining features of the futures mainly novel--without precedence--as I have become convinced?

For hundreds of thousands of years, humans lived in societies where past, present, and future were essentially the same. Knowing the ways of the past and abiding unquestionably by them was certainly the best policy for the present and the futures. There indeed was nothing fundamentally new under the sun. Whatever worked before would probably work again. It made good sense to follow the ways of the ancestors without question. It was dangerous indeed to innovate and try something new.

But beginning a few thousand years ago, and especially a few hundred years ago, some humans have created societies where there is more and more discontinuity between past, present, and futures. Indeed, whether we like it or not (and whether we humans can in fact tolerate it or not), more and more humans live in societies characterized by perpetual and increasing social and environmental change.

I am by no means sure that humans can survive and thrive in the futures we are creating by the unintended consequences of our many diverse actions. I am not even sure humans should survive, so extraordinary are we as a consequence of our massive technological capabilities in contrast with our puny intellectual, and even more puny ethical, abilities to assume responsibility for the new worlds we are creating for us and especially for future generations.

Once upon a time, for the overwhelming preponderance of human history, humans lived in societies that were characterized by 80% continuities, 15% cycles, and only five percent novelties at best.

Now I believe the figures are reversed: 80% of our futures may be novel, 15% cyclical, and only 5% continuous with the past and present.

At least that is my assumption after years of working in the fields of futures studies, and it is the basis of my talk today.

As I just made clear, futurists do not ignore history. We think history is important for understanding the present, and anticipating the futures. So next let me spend a few minutes talking about some aspects of the history of mortgage banking, as I understand it [I rely here primarily on Susan Hoffmann, *Politics and banking; Ideas, public policy, and the creation of financial institutions*. Johns Hopkins University Press, 2001]:

American history per se, and thus the history of banking, has been a kind of dialectic waltz between three competing public philosophies: liberalism, (now, neoliberalism), populism, and progressivism.

Unfortunately, there is plenty of opportunity for confusion here, because what I mean by "liberalism" and "neoliberalism" is what many people call "conservatism" which in fact is something else. Liberalism refers to the philosophy formulated best by the 17<sup>th</sup> Century British philosopher, John Locke, which stresses individualism surrounded by a large private sphere of action, guided ever so slightly by a tiny and restricted public sphere (or government). A century later, Adam Smith used Locke's ideas to invent modern capitalism, and those ideas informed many of the actions of the earliest Americans, and down to the present.

Neoliberalism is the current version which, usually linked to globalization, assumes that these ideas and practices are good everywhere in the world. The IMF, the World Bank, and the WTO more recently are among the global institutions furthering neoliberalism.

There is absolutely nothing "conservative" about neoliberalism. It is all for change of a certain kind, directed, if at all, by the invisible hand that results for free individuals pursuing their own narrow self-interest.

But in addition to liberalism, and from the very beginning of American history, there has been populism which is opposed to individualistic and economically-oriented liberalism and in favor of local community (and more recently environmental) cultural values. American history has largely been the story of the struggle between those two philosophies, with the Federalists being the liberals, and the Anti-Federalists being the populists. The American Civil War was also in part a contest between Southern populists and Northern liberals. And there are many other examples in American history down to the present.

But from the middle of the 19<sup>th</sup> Century, a third public philosophy emerged that can be called progressive (often mistakenly called "liberal" to add to the confusion). Though inspired by Karl Marx and European socialists, it is much more moderate than either.

Both progressives and populists are anti-big business, even though progressives are not opposed to big institutions per se. Rather, progressives believe that big

government is necessary to protect the middle and lower classes against big business corporations, while liberals love big business but oppose big government. Populists are against big anything, desiring local governance including local control of small businesses.

These three philosophies have competed throughout American history.

As far as banks and mortgage banking are concerned, this waltz of public philosophies resulted initially in the creation of first one, and then two, and then three kinds of banking institutions in the US. First were state-created and regulated banks themselves, (including "national" and "state" banks) who, following the liberal philosophy, were set up as a kind of semi-public institution between formal governments and purely private enterprises. Their job was to issue money, extend credit, and in general help regulate the national economy for the benefit of big business, as well as to safeguard peoples' money deposited in them. Of course not everyone approved of banks performing such governing functions, but eventually the liberal perspective was prevailed.

Very much later came the saving & loans associations that were created to do what most banks could not do as well. Savings and loans emerged from the progressive impulse to foster a nation of stable and loyal (and indebted) middle-class homeowners. Indeed, the role of home mortgages and credit cards in creating a nation of politically-docile indentured servants should not be underrated. Consumer debt is not only the main driver of our hollow stealth economy. Advertising-inspired debt is also what keeps Americans working at multiple jobs with no time or energy left to be aware of (much less active in) politics or world affairs. However the potential political volatility of this indentured class should not be underrated if their debt burden becomes too much for them to bear--but that is another story.

Finally credit unions arose even later in American history from the populist philosophy as places where common people could safeguard and manage their money, loan it to each other, and in general keep economic control in the hands of local small businessmen to the greatest extent possible.

Which of the three public philosophies (and hence, which banking institutions) have been dominant (or at least strong or weak) has varied over American history. However, the liberal/neoliberal philosophy has always been America's default public philosophy: "That Government is Best which Governs Least" IS the fundamental belief most Americans hold about their political-economy--or at least it WAS until September 11, 2001. But at various times in the past one or the other two philosophies has become strong enough for a while to shape public policy in their direction to some extent.

My point in going over this history, however briefly and imperfectly, is to remind us that different parts of your industry represent some features of one of the three philosophies more strongly than others. It is specifically worthwhile recalling that within the overall liberal philosophy, the progressive philosophy

was strong only from the Great Depression though WWII, ending with President Carter in 1980, while neoliberalism has been dominant from Reagan through Clinton (yes, Clinton was most certainly a neoliberal, and not a progressive, you may be sure)--so much so that all of the New Deal and Great Society reforms of the mid 20th Century have by now been overturned by a series of laws that, among other things, have increased the number of financial players--in mortgage banking and everything else--well beyond the "traditional" American three of banks, savings and loans, and credit unions, institutions which now seem almost quaintly archaic as money-markets, insurance companies, pension funds, mutual funds, derivative dealers, software programs, automated expert systems, and the like--all increasingly located overseas away from any governmental oversight much less control--surge forward. Indeed, I have to wonder when the American Mortgage Bankers Association will fold and the last Hawaii Annual Conference of the Association will be held. Next year? Ten years from now? Never? Well, certainly not "never." So when?

That is to say, what are the futures?

I will not surprise, or please, any of you if I comment that the futures are uncertain. But I might at least get your attention if I point out that the continued dominance of neoliberal globalization is by no means guaranteed; that nothing about the policies and pronouncements of the Bush W administration suggests a continuation of either process (neither neoliberalism nor globalization).

Dubya has been populist in rhetoric, protectionist in economic policy, imperialist in foreign and military affairs, and authoritarian in civil rights. None of that is in accordance with neoliberal philosophies. If W runs and wins again, as he may, then neoliberal globalization is probably over--or at least postponed for the foreseeable future.

If W does not run and win, and if a Democrat does, then one possible future is the return of neoliberal/globalization.

Neoliberal/globalization is generally supported by the mainstream of the Democratic Party. There is great opposition to neoliberal/globalization in the US, but not from the Democrats. Most opposition is within the Republican Party itself--the Religious Right, the Patriots, Militia, and Minutemen, and throughout much of Middle America which fears continued loss of jobs overseas [See Appendix Two on outsourcing public jobs] and wants only to Buy America. It is only the East Coast Bankers and their corporate fellow travelers--you perhaps--within the Republican Party who truly favor neoliberal/globalization.

There is of course considerable opposition to neoliberal/globalization in the dwindling labor union portion of the Democratic Party, but they are indeed too few to matter alone. The few remaining progressives within the Democratic Party support globalization over narrow nationalization, as well as the truly free-market aspects of neoliberalism, though guided by public policy. As we established

before, unlike populists, progressives are not afraid of bigness per se, and the globe is truly BIG.

Those people who are opposed to globalization and neoliberalism for environmental reasons, or out of concern for the plight of the poor, once were Democrats but now are either Greens or nothing. Nothing, since they find no support for their concerns within the Democratic Party, and know that Greens can never win in our rigged two party-system. So they have abandoned all hope of working within the system, and are content with hugging trees, blowing up SUVs, or text-messaging droll Bush and Schwarzenegger jokes to one another while eating homemade tofu-burgers.

The Neocons within the Republican Party who currently rule the US are certainly not in favor of neoliberal globalization. Instead they have taken us very well down the road to creating the New American Global Empire they envisioned and had been working on for many years (through the Project for a New American Century among other platforms) during the time the neoliberal Democrats such as Clinton temporarily were in control. While 9/11 made it possible for the Neocons more easily and quickly to make more of the dramatic policy changes they had long desired, the terrorist attacks of that day were certainly not the CAUSE of the policy changes. Many of the policies were already well under way from the moment W took office, well before the 9/11 attacks. Almost all of W's advisors--Gen. Powell being the most prominent exception--were chosen by Vice President Cheney (who was in charge of the presidential transition team) from the list of people who had signed the New American Century manifesto in June 1997 and/or the document called, *Rebuilding America's Defenses*, in September 2000, thus demonstrating their long-standing commitment to creating the New American Empire during W's reign [For more on these points, see Appendix One].

Thus, the New American Global Empire presents the US and the world with an entirely new and largely unanticipated future--a major challenge for you and all members of the larger economic community--since on the one hand the Neocons wish to project complete and unilateral military control of the world according to certain narrowly-defined American interest on the one hand, and yet at the same time cut taxes, raise public debt, and thus pare down all governments--federal, state, and local--to, well, to absolutely nothing--not even defense or justice, both of which (like all government functions) can and should be done on the cheapest, private, contractual basis, perhaps overseas in India where wages are low, skills are high, and loyalty to the American Empire assured, according to the Neocon ideology.

Since our entire global economy floats on a vast and rising flood of debt, private as well as corporate and public, it is not clear to me how the New American Empire will function in the absence of any responsible public sector at all, which is what the Neocons desire.

Thus, the time may be ripe for a major restructuring of the American political party system. But I won't go down that road with you today. Maybe some other time.

For now, and in conclusion, I will suggest five futures for the United States, and for Hawaii, leaving it to you to decide what the futures of mortgage banking might mean in each of the five alternatives.

### **Five Futures for the United States and Hawaii**

#### **Triumph of the New American Empire**

- US the undisputed global hegemon
- US focus on internal security and external military might
- Global neoliberalism replaced by American (domestic and foreign) corporatism
- Restricted individual rights; emphasis on common American values from the Bible
- Property and corporate ownership restricted to a few loyal citizens only
- Hawaii is a tightly-controlled military center for projection of American imperial rule in Asia.

#### **Global Economic and Environmental collapse**

- Derivatives-led global debt crisis (at all levels--national, corporate, personal) brings down the overextended house of cards.
- Predatory capitalism destroys its resource base
- Overpopulation/depopulation; water wars, global warming/cooling (interruption of the global thermohaline current)--climate change, sea-level rise (environmental refugees)
- Focus of human activity now on coping with these environmental issues
- Hawaii almost entirely on its own--no sun-based tourism, plus few can waste resources coming and going so far.
- Hawaii becomes just one more overpopulated, isolated and humid Pacific island coping with sea-level rise, climate change, and environmental refugees from the vanished Marshalls and other Pacific islands.

#### **North America in a globalized world**

- Global neoliberalism returns with North America as an important participant
- Economic concentration into a few global corporations
- European Union, Confucian Asia, Hindic Asia, and Islamic Ummah (featuring Islamic capitalism), with South/Central America part of North American sphere, major South Africa subregion. Central Africa slowing rising--on the way to full globalization by end of 21<sup>st</sup> Century.
- Hawaii globalized, but more part of Asia than of US though still an American state

#### **Nine Nations of North America in a localized world**

(Whether following collapse, or as a result of reaction to the excesses of the Empire and/or of WTO/IMF neoliberal globalization)

Preservation and improvement of local culture and lifestyles, not economic growth, the focus of life

Bioregional diversity: Rugged individualism along with communal property ownership

Indigenous people rise everywhere

Hawaiian sovereignty achieved and maintained

### **High Tech globalization and beyond**

Beyond the nation-state to global political-economy

Beyond planet Earth (Moon, Mars, Europa, Venus?)

Beyond mere humanity (AI, Genetic engineering, Nanotechnology, Martians and ET?)

Beyond capitalism to a postmoney, postscarcity society

**The Alma Mater for the Branch of the University of Hawaii on Mars:**

In green Manoa valley our Alma Mater stands.

Where mountain winds and showers refresh her fertile lands.

The flag of freedom beckons above her shining Walls.

To wider truth and service our Alma Mater calls.

Hawai'i, we have gathered within thy wide flung doors,

As sons and daughters claiming thy freely offered stores.

Our loyal praise we tender, and pledge to hold thy aim,

Till oceans' far horizons shall hear thy honored name.

In Valles Marineris our Alma Mater waits

For Martian songs and laughter to ring its opened gates.

So come and join your children! The journey's now begun

For wider truth and service, in world's beyond our Sun.

### **APPENDIX ONE. AFFIRMATIVE EVIDENCE OF THE NEW AMERICAN EMPIRE**

(An excerpt from a book nearing publication on *Globalization, Fairness and Public Institutions* by Jim Dator et al):

There is clear evidence, since September 11, 2001, and especially since March 19, 2003, the day the United States attacked Iraq, that the United States is determined to see that the world is ruled primarily in its interest, and that the countries and the peoples of the rest of the world will either become part of that empire, or enemies of it. Writing in the authoritative journal *Foreign Affairs*, John Ikenberry puts it this way:

"In the shadows of the Bush administration's war on terrorism, sweeping new ideas are circulating about U.S. grand strategy and the restructuring of today's

unipolar world. They call for American unilateral and preemptive, even preventive, use of force, facilitated if possible by coalitions of the willing -- but ultimately unconstrained by the rules and norms of the international community. At the extreme, these notions form a neoimperial vision in which the United States arrogates to itself the global role of setting standards, determining threats, using force, and meting out justice. It is a vision in which sovereignty becomes more absolute for America even as it becomes more conditional for countries that challenge Washington's standards of internal and external behavior. It is a vision made necessary -- at least in the eyes of its advocates -- by the new and apocalyptic character of contemporary terrorist threats and by America's unprecedented global dominance. These radical strategic ideas and impulses could transform today's world order in a way that the end of the Cold War, strangely enough, did not." [FN:John Ikenberry, "America's Imperial Ambition," *Foreign Affairs*, Vol. 81, Issue 5, September/October 2002, p. 1]

Somewhat later, Leon Fuerth, writing in the *Washington Post*, observed that "The word 'empire' has been used fairly often as a metaphor to convey the global scope of American interests and of American military, economic and political influence. After the conquest of Iraq, however, it can be fairly argued that we shall have created not a figure of speech but a concrete reality" [FN: Leon Fuerth, "An Air of Empire," *Washington Post*, March 20, 2003, Page A29]. Indeed, "empire" has become a term of pride--and by no means a pejorative--for some observers. Dinesh D'Souza wrote "In praise of American empire," stating, "America has become an empire, a fact that Americans are reluctant to admit and that critics of the United States regard with great alarm" while concluding, after a survey of America's imperial actions and intentions: "If this be the workings of empire, let us have more of it" [FN: Dinesh D'Souza, "In praise of American empire" *The Christian Science Monitor*, April 26, 2002 <<http://www.csmonitor.com/2002/0426/p11s01-coop.html>>].

To the extent these actions and policies become a long-term feature of American policy, and are not repudiated by the American voters at the next electoral opportunity (or made impossible because of the structural limitations of the US economy), this fact will have profound implications for the meaning of "globalization, fairness, and public institutions" in East Asia and everywhere else. Bruce Nussbaum, writing in *Business Week*, is not the only one to observe "Chief executives are beginning to worry that globalization may not be compatible with a foreign policy of unilateral preemption. Can capital, trade, and labor flow smoothly when the world's only superpower maintains such a confusing and threatening stance? U.S. corporations may soon find it more difficult to function in a multilateral economic arena when their overseas business partners and governments perceive America to be acting outside the bounds of international law and institutions" [FN: Bruce Nussbaum, "Beyond the war: How Bush is destroying globalization," *Business Week*, March 24, 2003].

Nonetheless, the intentions of the Bush administration are clear, and they are not the result of some irrational, knee-jerk reactions to 9/11. Rather they are the realization of plans initiated by people in think tanks outside of government

during the 1990s, who were able to bring their plans to fruition through a combination of their own visionary foresight, strategic positioning, and good luck. In many ways, the Administration's current actions are an example of futures studies successfully undertaken and implemented.

The visionary foresight can be seen most brilliantly in the "Statement of Principles" of a group called "The Project for the New American Century", promulgated in June 3, 1997. The Statement opens:

"American foreign and defense policy is adrift. Conservatives have criticized the incoherent policies of the Clinton Administration. They have also resisted isolationist impulses from within their own ranks. But conservatives have not confidently advanced a strategic vision of America's role in the world. They have not set forth guiding principles for American foreign policy. They have allowed differences over tactics to obscure potential agreement on strategic objectives. And they have not fought for a defense budget that would maintain American security and advance American interests in the new century. We aim to change this. We aim to make the case and rally support for American global leadership"  
 FN: < <http://www.newamericancentury.org/statementofprinciples.htm>>.

The "Statement of Principles" then concludes:

- "we need to increase defense spending significantly if we are to carry out our global responsibilities today and modernize our armed forces for the future;
- "we need to strengthen our ties to democratic allies and to challenge regimes hostile to our interests and values;
- "we need to promote the cause of political and economic freedom abroad;
- "we need to accept responsibility for America's unique role in preserving and extending an international order friendly to our security, our prosperity, and our principles. Such a Reaganite policy of military strength and moral clarity may not be fashionable today. But it is necessary if the United States is to build on the successes of this past century and to ensure our security and our greatness in the next." [FN: *loc cit.*]

The Statement was signed by Elliott Abrams, Gary Bauer, William J. Bennett, Jeb Bush, Dick Cheney, Eliot A. Cohen, Midge Decter, Paula Dobriansky, Steve Forbe, Aaron Friedberg, Francis Fukuyama, Frank Gaffney, Fred C. Ikle, Donald Kagan, Zalmay Khalilzad, I. Lewis Libby, Norman Podhoretz, Dan Quayle, Peter W. Rodman, Stephen P. Rosen, Henry S. Rowen, Donald Rumsfeld, Vin Weber, George Weigel, Paul Wolfowitz

When the US Supreme Court declared George W. Bush the President of the United States, and Richard Cheney Vice President, and when Cheney then became the

head of the transition team responsible for choosing the major figures in the Bush administration, many of these same people found themselves in positions of governmental power that enabled them to move even closer to the opportunity to turn their principles into reality. In order to move beyond the principles, in September 2000, the group published *Rebuilding America's Defenses: Strategy, Forces and Resources for a New Century*, Thomas Donnelly (principal author), Washington, DC: The Project for the New American Century, September 2000 <<http://www.newamericancentury.org/RebuildingAmericasDefenses.pdf>>

The "Key Findings" of the report are:

**ESTABLISH FOUR CORE MISSIONS** for U.S. military forces:

- defend the American homeland;
- fight and decisively win multiple, simultaneous major theater wars;
- perform the "constabulary" duties associated with shaping the security environment in critical regions;
- transform U.S. forces to exploit the "revolution in military affairs;"

To carry out these core missions, we need to provide sufficient force and budgetary allocations. In particular, the United States must:

**MAINTAIN NUCLEAR STRATEGIC SUPERIORITY**, basing the U.S. nuclear deterrent upon a global, nuclear net assessment that weighs the full range of current and emerging threats, not merely the U.S.-Russia balance.

**RESTORE THE PERSONNEL STRENGTH** of today's force to roughly the levels anticipated in the "Base Force" outlined by the Bush Administration, an increase in active-duty strength from 1.4 million to 1.6 million.

**REPOSITION U.S. FORCES** to respond to 21st century strategic realities by shifting permanently-based forces to Southeast Europe and Southeast Asia, and by changing naval deployment patterns to reflect growing U.S. strategic concerns in East Asia.

**MODERNIZE CURRENT U.S. FORCES SELECTIVELY**, proceeding with the F-22 program while increasing purchases of lift, electronic support and other aircraft; expanding submarine and surface combatant fleets; purchasing Comanche helicopters and medium-weight ground vehicles for the Army, and the V-22 Osprey "tilt-rotor" aircraft for the Marine Corps.

**CANCEL "ROADBLOCK" PROGRAMS** such as the Joint Strike Fighter, CVX aircraft carrier, and Crusader howitzer system that would absorb exorbitant amounts of Pentagon funding while providing limited improvements to current capabilities. Savings from these canceled programs should be used to spur the process of military transformation.

DEVELOP AND DEPLOY GLOBAL MISSILE DEFENSES to defend the American homeland and American allies, and to provide a secure basis for U.S. power projection around the world.

CONTROL THE NEW "INTERNATIONAL COMMONS" OF SPACE AND "CYBERSPACE," and pave the way for the creation of a new military service – U.S. Space Forces – with the mission of space control.

EXPLOIT THE "REVOLUTION IN MILITARY AFFAIRS" to insure the long-term superiority of U.S. conventional forces. Establish a two-stage transformation process which

- maximizes the value of current weapons systems through the application of advanced technologies, and,
- produces more profound improvements in military capabilities, encourages competition between single services and joint-service experimentation efforts.

INCREASE DEFENSE SPENDING gradually to a minimum level of 3.5 to 3.8 percent of gross domestic product, adding \$15 billion to \$20 billion to total defense spending annually. (p. 11f)

Still even with the policy and people now in place, the authors admitted they were not likely to be able to make the kinds of sweeping change they envisioned without a major stroke of luck. As they put it:

"Further, the process of transformation, even if it brings revolutionary change, is likely to be a long one, absent some catastrophic and catalyzing event – like a new Pearl Harbor." (p. 62)

And then, strangely enough, the incidents of September 11, 2001 occurred, and the World Changed for America. Citizens' rights, long considered almost sacred in their inviolability, were swept away by a compliant Congress in the so-called "USA PATRIOT ACT " of 2001 [FN: "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act" (Oct. 25, 2001) HR 3162 RDS 107th CONGRESS 1st Session "AN ACT To deter and punish terrorist acts in the United States and around the world, to enhance law enforcement investigatory tools, and for other purposes."]

<[http://www.eff.org/Privacy/Surveillance/Terrorism\\_militias/20011025\\_hr3162\\_usa\\_patriot\\_bill.html](http://www.eff.org/Privacy/Surveillance/Terrorism_militias/20011025_hr3162_usa_patriot_bill.html)>. See also, Charles Doyle, "The USA PATRIOT Act," Library of Congress, Congressional Research Service, April 18, 2002, Order Code RS 21203 <<http://www.fas.org/irp/crs/RS21203.pdf>>]; Bush articulated his doctrine of the right of pre-emptive war [FN: The fullest exposition was given by the President in a speech at West Point on June 1 2002. It became official as a formal document signed by Bush, "The National Security Strategy of the United States of America", September 17, 2002 <<http://www.whitehouse.gov/nsc/nss.pdf>>]; and on March 19, 2003, the US attacked Iraq, and America Changed for the World.

On the basis of various official statements by Bush and others, John Ikenberry concludes that America's "new grand strategy" has seven elements:

1. "[A] fundamental commitment to maintaining a unipolar world in which the United States has no peer competitor."
2. "[T]errorist groups cannot be appeased or deterred...so they must be eliminated."
3. "The use of force...will therefore need to be preemptive and perhaps even preventive--taking on potential threats before they can present a major problem."
4. "[T]he new grand strategy reaffirms the importance of the territorial nation-state." "On the other hand, sovereignty has been made newly conditional: governments that fail to act like respectable, law-abiding states will lose their sovereignty," with the Bush administration "leaving to itself the authority to determine when sovereign rights have been forfeited, and doing so on an anticipatory basis."
5. "[A] general depreciation of international rules, treaties, and security partnerships" which are "just annoying distractions."
6. "The United States will need to play a direct and unconstrained role in responding to threats." "A decade of US defense spending and modernization has left allies of the United States far behind." As a consequence, in the words of Rumsfeld, "The mission must determine the coalition; the coalition must not determine the mission."
7. "[T]he new grand strategy attaches little value to international stability." "[I]nstability might be the necessary price for dislodging a danger and evil regime...." (pp. 4-6)

It is by no means clear that the US has the will or even the ability to sustain this strategy over a long period of time. It requires the US not only to conquer, but also to rebuild destroyed communities. The US did this after the Second World War, and that example is sometimes used to suggest that the US will do so again. But the two situations are quite different. First of all, in many ways it can be said that the US was the only true "victor" among the major powers after the Second World War. While the rest of the industrialized world was devastated by bombing, killing, and looting, the US was totally unscathed. It emerged from the War with its industrial base intact, and spending power, pent up since the Great Depression and the rationing during the War, bursting at the seams. Also the period after the War (and before the Cold War) was the high point of American global liberalism. It should not be forgotten that even the Republican candidate, Wendell Willkie, ran against then-President Franklin D. Roosevelt in 1940 on the platform of (and wrote a book titled) "One World"--a world in which the US was a major partner, but not a hegemon. During the immediate postwar period, this kind of liberal globalism was exemplified in the economic and political policies the US followed

not only in creating the United Nations but also especially in assisting the rebuilding of both Germany and Japan, two tremendous success stories (indeed, the constitutions of the two countries--and especially of Japan--may be the best examples of old-fashioned constitution writing in modern times [FN: Lawrence W. Beer and John M. Maki, *From Imperial myth to democracy: Japan's two constitutions, 1889-2002*. Boulder: University Press of Colorado, 2002]).

But the present American economy is "mature" rather than "robust" to say the least, and the political economy is overwhelmingly oriented towards enriching the rich while beggaring all forms of public activities not directly related to military and paramilitary force and/or in support of the rich. Whatever can be said for the policies otherwise, this is definitely not a good time for the US to embark unilaterally and preemptively on global military destructive and nation-building activities. The burden these policies place on the poor and middle classes in the US now will be exceeded only by the extreme burden (psychological as well as fiscal) placed on future generations.

Thus issues of globalization, fairness and public institutions in East Asia must be rephrased within the uncertain shadow of America's imperial future. Most of the discussions of globalization during the 1990s have greatly diminished utility unless the US can become a partner instead of a bully once more.

## **APPENDIX TWO. Outsourcing government jobs in the United States**

Subject: Scan: Outsourcing state jobs

Calling New Jersey via New Delhi

It's not just corporate America that's shipping jobs overseas. Faced with the need to slash spending and modernize computer systems, state agencies from New Jersey to New Mexico are funneling programming and call-center work to contractors that use overseas labor. Of the \$3.8 billion in tech spending states will outsource this year, nearly 5% will go offshore, says Gartner Dataquest (IT ) analyst Rishi Sood. That will double by 2006.

To halt the flow of public jobs overseas, at least six states are considering legislation to stop the use of foreign labor. "State governments should not be exporting jobs when we have skyrocketing unemployment," says Shirley Turner, a Democratic state senator in New Jersey. Lawmakers say outsourcing also erodes states' tax bases.

Still, offshore workers are a bargain, and they're able to work with states' aging mainframe computers, says Martin Clague, CEO of consulting firm Covansys (CVNS ). "Mainframe skills have been atrophying in the U.S.," he says. Covansys has 40% of its 4,800 workers in India.

State officials say that they are simply providing taxpayers with services at the lowest cost. "Unless the laws are changed to restrict it, you're going to see more of this," says Allen Larson, South Carolina's unemployment insurance director. If so, even more U.S. jobs will flow overseas.

By Dean Foust