

5. Between America and Asia

The role of Europe in global economy at the beginning of the Third Millennium: will the past help to outline the future?

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1. The history lesson

Recourse to history can be of great help to understand the deep changes involving contemporary world. The evolution of world economy during the twentieth century has definitely been turbulent and it has experienced crises and dramatic social political events such as two world wars, the world's division into political-ideological bipolarism and its subsequent passing, the renewal and intensification of ethnic conflicts, the progressive consolidation of capitalism and the playing down of the political and economic role of national states.

If these seem to be, in brief, the present and future scenarios, history can make us consider two points: the creation of a system of national states and the growth of a worldwide capitalistic system. The two "systems" seem to be inseparable, even though they developed in different periods and places.

The system of national states was born in Westfalia (1648) and it modelled the following international order: Soon after geographical discoveries, Europe exported power models to the new world, in particular the feudal rule relation concerning soil occupation and exploitation of resources. Examples of this are: the French settlement in Virginia, which took place after the feudal model, Walter Raleigh's establishment of feuds in Virginia and the creation of North and South Carolina as feudal entities. Also the Dutch colonial conquest in America was carried out according to the feudal model: lots of large feudal lords, shareholders of the London Virginia Company, were given portions of land proportional to their share investments. If European oceanic expansion was achieved thanks to improved shipping and marine techniques as well as to social and economic organization, in a highly polemical and provocative book, Serge Latouche (1992) wrote of "world's westernization" achieved over the centuries. Yet, without sharing Latouche's pessimism, Europe's weight in building up the present world is indisputable.

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European dynamism at a political and economic level is unrivalled in the historical processes of past centuries. The reasons are to be found in the political organization peculiarities. The “European miracle” (Jones 1984) was made possible, starting from the 15th century, thanks to the “open” society structure opposed to the “closed” society of the great Asian empires. The absence of strictly coercive state bodies favoured the liberation of intellectual energies and the introduction of technological innovations and productive investments as well as the creation of a system of different and highly competitive nation-states, able to impose their supremacy all over the rest of the world. This new system was born right in Westfalia and the idea of a supranational authority and organization declined definitively and was replaced by the idea that all states contributed to form a world-scale political system or that, anyway, Western Europe gave life to a single political system. The international law and the power balance operating among the states and not above them formed the basis of the new system. (Gross 1968, quoted in Arrighi 1996, p 68). Westfalia also opened the way to international trade and abolished the barriers that the Thirty Years’ War had erected. Peace and commerce, as we will see later, were the pillars of the capitalistic system success.

As regards the formation of a world-sized capitalistic system, we must look back to past centuries. Fernand Braudel’ s lesson and his notion of world-economy have led to repeated analyses of the economic processes occurred over the centuries (Wallerstein 1974-1995, Arrighi 1996, Kindleberger 1997). The forming of highly dynamic economies and of a leading urban pole at the centre of business logistic constitutes the basis of Braudel’s model (Braudel 1982, p.3-74). According to the French historian, the sixteenth-century Mediterranean represents one of the world-economies developed starting from the XIth century. A large area including different civilizations like the Greek, the Islamic and the Christian , with the Christians and the Muslims fighting fiercely, yet open to trade. And it is the very economy, led by Venice, Milan, Genoa and Florence, that makes it possible to overcome political, religious and cultural difficulties and to create an economic world with a strong capitalistic drive.

Other world-economies are to be named besides the Mediterranean: Moscovia - whose interest is bent to the East, Siberia, India, China and Central Asia -, China, which will extend its presence to many nearby regions (from Korea to Japan, Vietnam, Tibet and Mongolia), and India that will expand in the Indian Ocean as far as the African coast. Such economies spread slowly in large waves, but they have internal rules represented, not only by the boundaries but also by the presence of a world-town - with international attitude (Braudel 1982, p.7) and dominant capitalism, connected with other minor economic situations having particular economies, archipelagoes of towns operating in the background of economic life, leaving the high levels of commercial, banking and financial capitalism to the ruling town - and by a strong internal

hierarchization among the various components of the world-economy universe.

This description is not static but it evolves continuously. The ruling town may decline - it happens to Venice, Genoa, Florence, Anversa, Amsterdam and London - and be replaced and, in the course of time, the internal conditions of these wide areas change even deeply, yet keeping unaltered their hierarchization.

Several changes have occurred in the European world-economy from the XVth century until today. From the end of the fifteenth to early sixteenth centuries Venice was the ruling, capitalist town "par excellence". After the peace treaty of Cambrai (1529) it was replaced by Antwerp, which had become the major European trading centre thanks to its connections with Portugal, and, in turn, was outdone by Genoa's ability to manage American silver, beginning from 1560. The supremacy of the Ligurian town did not last long: by the early seventeenth century Amsterdam stood out as the world financial centre.

The situation that originated around the small oligarchic republic clearly shows the world-economy structure: a centre, the privileged seat of capitalism; a wide middle area enclosing the most dynamic European countries, from the Baltic to Central-Northern Italy, from the Atlantic to the Rhine; the peripheral underdeveloped regions from Northern Europe to Europe east of the Rhine, to Southern Italy to end to America, the periphery "par excellence". Therefore, juxtaposition and coexistence of different social and economic forms bound by relations of strict dependence and the inequality which is at the roots of these relations is the very essence of capitalism that moves quickly to seize profits. This disequilibrium will become the characteristic of capitalism itself. We might wonder what would happen to capitalism if in a near future inequality conditions, those peripheries so profit rewarding would fade away (Borelli 1997, p.115).

Amsterdam's role lasted long: for over a century it kept its financial prestige, until when London, at the end of the Napoleonic Wars, established itself as a world financial centre, thanks to the strength of its industry and international trade. The rise of London is a significant turning point: between the fifteenth and eighteenth centuries, in the history of our continent, the succession of the different world-economies had a leading town that we could better describe as state-town, after the model of Greek poleis and such were Venice, Genoa and Amsterdam, too. London is the state capital and the lively centre of a vast national and international market. The change is clean: urban rule is replaced by national rule and the assertion of the English economic excessive power is the first attempt to control the other world-economies bordering on the European one.

With London the image of Europe as "the world's banker" consolidated (Feis 1977) at least until the First World War. The consequences of the Great War highlighted the power of another town. New York. The drift across the Atlantic of the European world-economy chief centre, so far controlled by a continental town, determines the transformation of the world-economy into world economy, inaugurated by London

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supremacy. In other words, economic exchange and movement of capital become more and more international and worldwide, thus breaking, definitively, the economic borders between states. This does not mean a global improvement in the different economies, but it only repropose, within a single economic space, the hierarchies and links of previous world-economies. The gap between rich, developing and Third World countries is a repetition of the concept of middle and peripheral areas or privileged and non-privileged countries.

The economic space, thus unified, is not in the least uniform. The power relations, which until the end of the XVIIIth century moved in the orbit of a ruling town within several separate world-economies, have changed in the course of the last two centuries and have been reconstituted in three large economic poles: the United States, European Union, Japan.

As we will see later, the overall picture of the situation is more complex and the economic events of the century that is about to end stimulate consideration.

2. Metamorphosis of capitalism

For a few centuries, in European history, the last decade has been a risky period and ours is not an exception. The difference concerns space: not only Europe but the whole world seems to undergo a state of great internal and /or external tensions caused by various reasons. Several attempts have been made to understand the complexity of the world rapidly changing scenarios but they are just mere attempts since all instruments for the analysis are inadequate to give satisfactory answers. As a matter of fact, it is rather difficult to be able to give an outline of the tensions that these years have risen everywhere in the world. The current decade is not an anomaly of the historical process but it represents the time when the effects of decisions taken somewhere else and long ago seem to be ripening.

The most sensational political and economic events are the passing of the Soviet Union and the unification of Germany. Suddenly capitalism lost its antagonist, communism, without finding credible alternatives among the still existing economies linked to that model. The future of capitalism appears to be full of traps and dangers owing to internal differences rather than to real competition. German unification has enabled Germany to recover a political and economic role of strategic importance for the fortunes of the European Union. At the beginning of this century last decade, Germany, with Japan, is the most dynamic economic country, able to oppose US supremacy.

The challenge between market and collectivistic economy - at times peaceful, at times armed - has overturned Marx's expectations both in the more radical version of Soviet communism and in that of European socialism, the latter being unable to combine planning and market. China remains the unknown factor. With over a billion and two

hundred million inhabitants, from mid-1980s until today it has doubled its per capita GDP with an annual turnover growth rate of 8 percent. The results, though positive, may also be indicative of communism inefficiency rather than of the enormous potentialities for Chinese capitalism future growth. In the future, China may become the first world power. In fact, we must bear in mind that in the early XIXth century Chinese economy, though underdeveloped, was considered the major world economy (with 29 percent of the world product against the 5 percent of UK), then fallen to 6 percent in the decade 1950-1960. Nowadays it is uncertain whether China being second (13 percent of the world product immediately after the 20 percent of USA) will enter the market economy area like other areas of the Asian Southeast, modifying the socialist structure and will put on a more open political stance, both inside and outside the country. (Ciocca 1998, p.27).

The complexity of the world scenario rotating around the triad USA-Europe-Japan is such that the various and numerous interpretative approaches come to diametrically opposed, though provisory, conclusions. This unavoidable complexity has some basic features which can be found in many of this century analyses. The end of ideological bipolarism is one of the connotative events of our time.

Another feature is the abolition of the fixed exchange rate regime and the dollar convertibility into gold, decreed by Richard Nixon on 15 August 1971. The date is significant: it represents the final step in the long course of money that, between the XIth and XXth centuries, makes it possible to create money from nothing unpegging it from gold. With the end of the dollar convertibility into gold, stated in 1944 at Bretton Woods, the whole world was deprived of a material and psychological point of reference, which for many years had allowed economic development. Of course, over the long history of mankind, there have been attempts to create money not only by making wars and extracting metal. Between the XIVth and the XVIIIth centuries Florentine, Genoese, Venetian, Dutch, French and English economy had tried to connect capitalism with liquidity, but in the end they had given it up. The attempt to pass from cash absolutism to modern dualism between real and abstract money is repeated at intervals and it lasts over a millennium. (Rachline 1997, p. 39). It was a difficult but necessary undertaking, since coin mintage relied on precious metals, through a vertical relation (metal/coin) which determined a horizontal one (coin/coin always with reference to metal).

A third characteristic is due to the development of information technologies and communication systems whose know-how has marked European industrial revolution. In fact the spread of technical ability and practical knowledge has marked the pace of industrialization and has contributed to create and hierarchize social strata that, starting from the last decades of the XIXth century, represent the connective tissue of the different social classes. The acceleration brought by the new technologies and their relatively easy use lead to disregard the importance to acquire more and more know-how

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with the help of continuous formative processes which determine also the various working activities. The risk involved is the substitution of social stratification processes with social standardization: a single, immense social class that has in consumption its own identity.

The world economy evolution during the XXth century has other remarkable features.

First of all the extraordinary growth - of GDP, population, trade - and a general increase in life expectancy which has reached the age of 67 worldwide (Ciocca 1998, p. 13). This growth is accompanied by a persistent instability in financial and economic processes, productive recessions and recoveries, very deep financial and economic crises, high inflation rates.

The three great economic poles - USA, European Union, Japan - representing three macro-regions are able to gather together different peoples according to historical and geographical parameters. The United States are a reference for all American countries; the European Union is the most dynamic area of a vast territory including the African continent, as well; Japan represents a model for all South-East Asian countries and Oceania.

The increase in population, in the last thirty years, has really been extraordinary: from 1960 to 1994, the world population has increased from 3.022 million people to 5,610 (Lafay 1998, p. 9). If we still consider the three macro-regions, their percentages calculated in the same period of time out the total world population are the following: America: 13,7-13,6; Europe/Africa: 33,0-31,5; Asia/Oceania: 53,3-55,9. The following table shows the percentages out of the total world population of the countries making up the three macro-regions.

	1960	1980	1994
AMERICA			
Usa	6,0	5,1	4,6
Canada	0,6	0,6	0,5
Mexico	1,2	1,6	1,7
Brazil	2,4	2,7	2,8
Other Latin-American countries	3,5	3,8	4,0
EUROPE/AFRICA			
France	1,5	1,2	1,0
Germany (from 1991 with East Germany)	1,8	1,4	1,5
Italy	1,7	1,3	1,0
Benelux	0,7	0,6	0,5
UK	1,7	1,3	1,0
Spain	1,0	0,8	0,7
Other European countries	6,6	5,4	4,8
ex Soviet Union	7,1	6,0	5,2
Mediterranean Arabia	2,2	2,4	2,8
Gulf	1,2	1,6	2,0
South-Africa	0,7	0,8	0,8
Other African countries	6,9	7,8	9,2
ASIA/OCEANIA			
Japan	3,1	2,6	2,2
South Korea	0,8	0,9	0,8
Singapore	0,0	0,1	0,1
Nic countries (Newly Industrializing Country): Malaysia, Philippines e Thailand (second wave)	2,1	2,5	2,6
Indonesia	3,1	3,5	3,4
Continental China	22,1	22,2	21,2
Hong Kong	0,1	0,1	0,1
Taiwan	0,4	0,4	0,4
India	14,4	15,5	16,3
Remaining Asia	6,8	7,7	8,4
Australia e New Zealand	0,4	0,4	0,4
World	100,0	100,0	100

source: Lafay 1998, p. 11			

Within the American continent, only Mexico, among the countries of North Atlantic Free Trade Agreement (NAFTA), shows an increase in population. In the south of the continent, Brazil has a prominent position within the area of Mercado Comun do Sur (Mercosur) and it is the fifth in the world after China, India, USA and Indonesia.

The situation in Europe and Africa is different. Europe shows evidence of demographic decrease with unpredictable social and economic consequences (the generation substitution accounts for only 76 percent). The fall of birth rate, together with the rise in average age, involves a considerable increase in the costs due to population ageing. This phenomenon concerns not only Europe and the industrialized countries, but, in a short time, it will concern also less rich or poor countries. Social needs trigger claims which may jeopardize the budget of all countries. It is estimated that, if there are no reforms, in Western Europe the outlay for elderly people will require, by 2030, 50 percent of GDP (Thurow 1997, p 106).

In Africa, including the Middle East, demographic trends are reverse, so the total figure has increased by 4 percentage points. The situation is, however, particularly dramatic in those countries that in the previous table are given as *other African countries* , that is those countries which form the sub-Saharan zone where there are no health and welfare services.

In the Asian continent, Japan's decline sees continental China, with Hong Kong and Taiwan, emerge and play a military, political and economic role which in the future will become of great importance. Birth control adopted in China is an important step for a complete economic development. The same birth control has been introduced in recently industrialized countries, to which the " Asian tigers" belong, and called Newly Industrializing Country (Nic). All together, these South-East Asian countries have set up an economic area, the Association of South-East Asian Nations (Asean), on the way to a strong economic integration.

There is a significant correlation between demographic trends and GDP (Gross Domestic Product) trends, calculated for the same purchasing power in billions of dollars in 1990. In 1960 the world real GDP was of 8,240 billion dollars; in 1994 it increased to 28,940 billion. The datum concerning the three macro-regions changes according to demographic trends. America drops from 36 percent (1960) to 31,9 percent (1994); Europe and Africa show a sharp fall. from 46 percent to 34,3 percent; Asia and Oceania have progressed more and more rapidly: from 17,2 percent to 33,8 percent. If this trend kept steady, in 25 years'time, Asia and Oceania GDP would reach the same percentage as the population, that is half the world production. (Lafay 1998, p.17).

In the following table I have summarized the data relative to the percentage of GDP of the individual countries, out of the world total amount.

	1960	1980	1994
AMERICA			
Usa	26,8	21,4	20,8
Canada	1,8	2,0	1,9
Mexico	1,7	2,6	2,3
Brazil	2,0	3,4	2,9
Other Latin-American countries	4,4	4,3	3,9
EUROPE/AFRICA			
France	4,1	4,1	3,5
Germany (from 1991 with East Germany)	5,7	4,8	4,8
Italy	3,6	3,9	3,4
Benelux	1,9	1,8	1,6
UK	5,4	3,7	3,3
Spain	1,5	1,8	1,7
Other European countries	9,7	5,2	4,9
ex Soviet Union	8,6	8,2	3,5
Mediterranean Arabia	1,5	1,8	2,0
Gulf	1,1	2,2	1,3
South-Africa	0,7	0,8	0,6
Other African countries	2,4	2,0	1,7
ASIA/OCEANIA			
Japan	4,4	7,8	8,4
South Korea	0,4	0,8	1,6
Singapore	0,1	0,1	0,2
Nic countries (Newly Industrializing Country): Malaysia, Philippines e Thailand (second wave)	1,0	1,5	2,2
Indonesia	1,0	1,4	2,1
Continental China	3,9	4,4	11,0
Hong Kong	0,1	0,3	0,4
Taiwan	0,2	0,6	1,1
India	3,1	2,6	3,6
Remaining Asia	1,7	1,6	2,0

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Australia e New Zealand	1,3	1,2	1,2
World	100,0	100,0	100,0
source: Lafay 1998, p. 19			

The detail allows some consideration. In the American macro-region, the United States, after over twenty-year development, have reversed the trend since 1973, yet remaining the first world power. Among the Nafta countries, Mexico shows an erratic economic growth depending on the foreign debts which had supported the country's productive effort. The crisis does not seem to be over completely, despite the positive signs of the early 1990s. The situation is the same in South-American countries, where the delayed development is due to insufficient saving and scarcely productive investments. Borrowing has proved highly negative for the growth. Only Chile, Argentina and Colombia have made appreciable progress.

In Europe there are four world powers out of ten -Germany, France, Italy and the UK - and the whole 15 member states of the European Union reached , in 1994, the total of 20.8 percent. Over the period 1960-1986, the same countries had had a decline of 3.7. In substance, the increase proves insufficient to stop steadily growing unemployment and to guarantee adequate welfare. It is remarkable, for obvious reasons, the fall of the ex-Soviet Union and of Eastern Europe countries, where the transition to market is still an obstacle race.

The evolution of the Middle East and the African Continent is just the opposite. Arabia and the Persian Gulf countries have greatly benefited from the increase in oil price and from the American support (mainly Egypt). The remaining countries have not yet found substantial and lasting improvements in their growth rate.

The conditions of Asia and Oceania are very different and complex. The Far East, in fact, has made quite a leap forward, even if recent events have aroused some doubts about the solidity of its development. Japan, in particular, has managed to rebuild its industrial power at an extremely fast rhythm with the help of the state, low labour cost and the introduction of financial and technological innovation. Besides, it has certainly benefited from granting Japanese products to be freely put on the world markets, especially European markets, and from the provisions limiting exportation towards the Empire of the Rising Sun. The reasons for such wide freedom lie in the political second postwar climate. The defense function against communist countries, first of all China, and the wish to show that market economy was definitely above the planned economy have allowed economic freedom otherwise unthinkable. The danger that Marxism-Leninism could spread in all directions in the wake of the strong ideological attraction exercised by the Chinese model explains the enormous growth of Asian Nic.

Finally India which, after a period of stagnation, has started growing again, shows a considerable potential for the high quality of its scientific education. The town of Bangalore is the emblem of informatics revolution. Here is concentrated software production which ten years ago did not exist at all. In 1995 it sold products for over one billion two hundred million dollars and it is growing at an annual rate of over 40 percent (Wolman-Colamosca 1997, p.124).

A thorough technological and scientific revolution has caused a radical change in the solidity of traditional productive sectors, owing to the continuous improvement of technical and scientific knowledge. Technological innovations have also fostered a non-stop process of creation/destruction of jobs and telecommunication development needs rethinking about the function of education in the formation of new professional roles (Thurow 1997, p.71-89) and in the exploitation of intellectual energies. If labour market is undergoing and will undergo deeper and deeper changes with dramatic consequences, the most evident symptoms are now given by information science and technology which is literally transforming the service sector. The tertiary sector, which for over forty years has been taking in the shift of workers from the manufacturing owing to robotization, is, in turn, facing the same difficulties: men and women are progressively replaced by software (Rifkin 1997, p. 235).

The boost given by technology and communication innovations to our future makes out-of-date the classical theory of comparative advantage. The existence of natural resources, capital and work is no longer essential to establish productive industries. After inflation, natural resource prices have decreased by about 60 percent in the last twenty years and they are bound to go down still further. The worldwide availability of capital and their transfer enable any entrepreneur, wherever he is, to have considerable financial resources at his disposal, independently from the per capita income of the country where he lives: he must only grant investors adequate profits (Dal Bosco 1993, p.13-34). The third factor, the workforce, is enormously important for productive establishment provided it is highly qualified. Unskilled work is becoming less and less important. On the contrary, technology applied to industry allows to have an appreciable reduction in productive costs. It is and it will become more and more fundamental to command innovation, planning, manufacture, sale, supplies and communications and produce at the lowest possible cost. Investment in intellectual energies represents a new challenge for all countries, but its realization will not be easy, nor painless, nor in the short run and the way to it foresees dismissals and marginality for unskilled workers. The data showing the evolution of unemployment in the Ocse countries (USA, Japan, Federal Germany, France, Italy, Great Britain and Canada) in the period 1959-89 are useful to determine the entity of the phenomenon: from 10 million to more than 25. In detail and over decades (1959, 1969, 1979, 1989) we see the following progress calculated in thousands of people: USA: 3,739, 2,832, 6,138, 6,258; Japan: 1,950,

1,150, 2,350, 2,850; Federal Germany: 540, 179, 876, 2,038; France: 254, 477, 1,335, 2,281; Italy: 1,530, 1,160, 1,698, 2,867; Great Britain: 420, 518, 1,235, 1,743; Canada: 350, 362, 836, 1,018. The total Ocse is: 10,151, 8,850, 18,893, 25,279. If we consider the unemployment rates, we have the following data: USA: 5.3, 3.4, 5.8, 5.2; Japan: 4.4, 2.2, 4.2, 4.6; Federal Germany: 2.1, 0.9, 3.2, 6.8; France: 1.3, 2.3, 5.9, 9.4; Italy: 6.8, 5.6, 7.6, 11.8; Great Britain: 1.7, 2.9, 5.0, 7.1; Canada: 5.5, 4.4, 7.4, 7.5. The total of the Ocse countries is so determined: 3.7, 2.6, 5.1, 6.4, (Dal Bosco 1993, p 38). The following decade does not modify the trend substantially. While unemployment in the Usa is the same as in 1973, 4.6 percent ("Il Sole '24 Ore'" of 6 December 1997) and in Japan it has reached its all-time peak of 3.5 percent ("Il Sole '24 Ore'" of 27 Dec. 1997), among the European countries, Germany, after its unification, has reached in 1997 an unemployment rate of 9.7, France of 12.5, Italy of 12.1 ("Il Sole '24 Ore'" of 30 March 1998). The above data, though considered with due caution owing to the different data processing operated in the different countries, picture a rather grim prospect and stress the inability of the different countries' economic policies to cope with the rapid change which involves their economies subject to thorough productive and financial revolutions.

Unemployment means not only non-exploitation of resources but it deeply affects the social tissue as it arouses a feeling of uselessness, exclusion and prevents from taking an active part in the community's social relations. Also low quality work may cause frustration and rebellion and make flexibility in working relations impossible (Ciocca 1998, p 21).

On the whole, the above mentioned data can be seen as typical trends of capitalism, but the last decade has shown a novelty: the international role of the United States, which replaced London as hegemonic power, has been played down. According to Lester Thurow's analysis (1997, p 232-254) the future of world economy will bear the consequences of the US lack of international commitment. Up to the early 1990s, postwar recessions had been faced and overcome by governments and, in particular, the US government, by means of monetary and fiscal instruments in order to stimulate economic growth with policies also of the Keynesian type. The recent crises, on the contrary, have not been supported by the US and without the American market, growth, both in Europe and Asia, has been strikingly curbed. The impossibility to decrease interest rates in order to stimulate development, together with growing unemployment affect both Europe and Asia. Besides, the relations between the different world economies do not allow to carry out again a Keynesian anticyclical policy - although there are opposite authoritative opinions (Fitoussi 1997) - since the rapidity of capital transfer imposes the hard-and-fast rule of interest rates. The consequences are obvious. US, Japan and Germany economies represent about 50 percent of the whole world economy. If a macroeconomic coordination between these economies fails and the United States finally give up being the driving force, we can expect longer and more

frequent recessions, with slower recoveries (Thurow 1997, p 242). The real future challenge is the balance of different economic powers. Once again, history can help.

The last century history, in fact, shows us another important aspect: the succession of different set-ups in the economic power: from the “hundred years’ peace” (1815-1914: Polanyi 1974, p. 7), guaranteed by the power balance among the great Powers, to the rise of the United States and to the present and future role of Japan and Europe. Between the end of the Napoleonic wars and the First World War, the conflicts between England, France, Italy, Prussia, Austria and Russia lasted in all eighteen months, against the 60-70 average years in the two previous centuries. The 1870-71 Franco-Prussian war itself ended in one year’s time and the compensation paid by France - the treaty of Frankfurt obliged it to pay 5 billion francs - allowed Prussia to acquire the basis of the new German currency: the mark (Eichengreen 1998, p.30). The results obtained were due both to the power balance and the international golden basis, symbol of the economy world organization controlled by the high finance settled in London. The importance given to golden coin had led to the attempt, in 1865, to start the Latin Monetary Union, joined by Belgium, France, Italy, Switzerland and Greece (in 1868), while Great Britain, though invited to join in, refused. The Union had a short life as a result of the Franco-Prussian conflict which led to the cessation of the convertibility of French, Russian, Italian and Austrian-Hungarian Empire money. When the countries bound to bimetalism got over their monetary crises, once more the need to keep the balance among the various powers, induced most States to join the *gold standard*.

In the past historical experience, the balance of power helped to keep independence in those countries that were interested in it. The purpose was reached by means of wars between leagues with a varying composition, such as the League of Delo or the League of Cambrai, which guaranteed the independence of strong states and the survival of the weak ones. During the hundred years that followed Napoleon’s decline, the goal to reach was not so much freedom as peace, merely because war did not allow markets to work correctly and did not guarantee the necessary monetary stability for financial investments. The English financial market, the most important in the world, had long-term investments all over the world for the considerable sum of 3,763 million pounds (Feis 1977, p. 28). It is, therefore, clear that, where politics and diplomacy were not able to, finance managed to keep off war winds or to restrain them on the basis of a very simple equation: peace=profit. If in the previous centuries war had been one of the main sources of profit, in the course of the XXth century a general conflict might have disastrous consequences. The numerous colonial wars and conflicts for independence could be accepted; actually, they were organized by the very financial and commercial forces which organized peace, too (Polanyi 1974, p 21).

English supremacy was realized not only by adopting the gold standard, but also by imposing the multilateral free trade stated in 1860 by the Anglo-French Treaty.

The free trade phase lasted about thirty years, from 1860 to 1892. Actually, in 1879, Bismarck's Realpolitik had already favoured a gradual return to protectionism all over the continent, while Great Britain still kept free trade. However this was not at odds with trade and international finance requirements, as free trade represented, throughout the "hundred years' peace", an exception rather than a rule (Bairoch 1998, p.30-46), which, however did not prevent exchange and investments from increasing since, as we have already said, they feared armed conflicts more than mercantilistic commercial policies.

In fact, until the international finance requirements coincided with the world power balance represented by the European Concert organization and essentially formed its fundamental basis, peace was guaranteed. At the beginning of the XXth century, when political alliances took a more precise shape in two opposed fronts - Triple Alliance and Triple Entente - also economic mechanisms got stuck to give space to political, military and economic aggressiveness.

The First World War and its consequences marked the end of the gold standard and the rise of the USA as an economic and financial power. Besides, peace treaties together with unilateral disarmament of defeated countries did not allow any form of power balance to be restored, as shown by the complete failure of the League of Nations. The *pax britannica* was replaced by the *American century* (Alvi 1993). So London saw its world economic leadership decline in favour of a wider and potentially superior country.

The US role in the world economy was facilitated by the two world wars. Once again, the need of peace was decisive for the replacement of the old world order, established in the previous century, with a new form of world political organization based on peoples' self-determination. The US hegemony became a concrete reality with the general decolonization and the establishment of the United Nations. For the first time, one nation's interests coincided with general interests (Arrighi 1996, p.95-96). The instruments of control were both institutional and economic. Bretton Woods agreements, in 1944, with the World Bank and the International Monetary Fund, allowed the creation of an international monetary system quite different from the old gold standard (Eichengreen 1998, p.126-183) while the USA became gradually more and more involved in international economy until they reached the world indisputable leadership that lasted for about 25 years, till 1971, at least. The Marshall's plan for Europe's reconstruction and the economic aids to Japan are part of the strategy to strengthen effective industrial and financial co-operation between countries, and also to contain the expansion of the Soviet Union and socialist countries (Kindleberger 1997, p. 231).

The Bretton Woods system, which provided for possible adjustments to the exchange rates under certain conditions and controls over the international flows of capital through the International Monetary Fund did not work as expected. Only the control of capital was carried out satisfactorily until the end of the fifties. The events that

affected the major European economies - France, Germany, Great Britain and Italy - during the quarter of a century following the end of the Second World War highlighted the inadequacy of mere monetary instruments to cope with the complex political and social problems present in the old Continent and all over the world.

The international monetary policy started changing from 1973, when the international monetary system worked out at Bretton Woods was dropped. The most direct consequence was an increase in the international capital mobility and the growing influence of big international companies in foreign investments (Arrighi 1996, p.104; Hirst-Thompson 1997, p. 45-65; Reich 1993, p.125-135).

It is the umpteenth metamorphosis of capitalism. The explosion and frenzy of capital movement to every part of the globe gave birth to multilateral treaties, supranational bodies and regional economic blocs - EU, NAFTA, MERCOSUR, ASEAN - which in the future might greatly limit the freedom of intervention of individual states. In fact, the three large economic macro-regions tend to strengthen sector protection measures, trying, at the same time, to protect particular sectors and to secure new markets in a curious mix of economic nationalism and regionalism which contradict the free circulation of capital and concerns (Gilpin 1990, p.525).

Resuming Fernand Braudel's idea, is it possible that a global world-economy has been created, within which the dominant poles are less and less the states and more and more the capital holders in the form of transnational firms?

3. Towards the Third Millenium: what future?

The watchword to try to understand what is happening is globalization which represents, in a different form, the model of world-economy created by Fernand Braudel and integrated by Immanuel Wallerstein. According to this assumption, the process of economic globalization leads or will lead to international economic relations less and less controlled by national states and more and more by transnational firms which, in their search for profit, may invest where there are greater opportunities with total disregard for the state where they are going to operate.

The concept of globalization can have different interpretations. Lester Thurow speaks of global economy where productive factors, goods and services have international mobility. Capitalistic enrichment derives from the movement of goods, services and natural resources from the lowest cost to the highest cost places and from the transfer of goods production in the opposite direction (Lester Thurow 1997, p. 181). For Robert Reich, the high added-value firm will take the lead in the economy as its new organizational structures allow to create " global networks " controllable at light speed through highly sophisticated information and communication systems. In this context, national governments can do very little to prevent goods, technology and

money from “crossing the border”. (Robert Reich 1993, p.126). Kenichi Ohmae (1996) starts from the statement of fact that political leaders have underestimated, or not fully understood, the extent of the transformations in progress and have thought them unable to substitute for nations. On the contrary, the Japanese economist is convinced that the forces presently in action arouse alarming questions about the efficiency of the nation-states to deal with economic activities. Since the four “ I “ - industry, investments, individuals, information - can freely circulate outside national boundaries, maybe we have to reconsider many of the traditional values - for instance liberal democracy and political sovereignty - which are the basis of the nation-state and world order of nineteenth century origin. Ohmae’s considerations are linked with Francis Fukuyama’s idea (1996) that postulates liberal democracy as the only consistent political goal at which the different regions and cultures of the whole planet aim (1996, p.11-13), the inevitable point of arrival of capitalism growth, the model that all countries undergoing a process of modernization will have to follow. Ohmae insists on the uselessness of the nation-state compared with an economy which goes beyond political boundaries towards a real global market (1996, p. 24). The political events occurred over the last decade, clearly show that a deep geopolitical reorganization of the whole globe is in progress. Samuel Huntington (1997) gives a stimulating description of his interpretative model: culture and cultural identities - which at the highest level correspond to their relative civilizations - form the basis of the process of cohesion, disintegration and conflict characterizing the world after the end of the Cold War (p.14). Accordingly, the political scene becomes many-centred and represented by different civilizations, whose modernization does not require simultaneous westernization, as Serge Latouche claims. A new world order centred on the notion of civilization emerges. The power balance between these civilizations is rapidly changing owing to the increased economic power of Asian peoples and the Islamic population explosion. The Western World, according to Huntington, must give up universalistic claims that might lead to a conflict with the Islamic World and China with unpredictable consequences. On the contrary, it must accept its being a peculiar but not universal civilization and try to accept a world with “ more civilizations “ (p. 15).

All attempts to understand and explain the great change in progress arouse the doubt that the main goal is to make the maximum profit at the expense of a fairer redistribution of wealth. In conclusion, the rich will be richer and richer and the poor poorer and poorer; the standard of living of privileged classes will increase while the quality of life will, on the whole, lower. Social inequalities will become even deeper without the states being able to intervene effectively for lack of adequate instruments. In terms of real flows of the economic activity, states Ohmae, nation-states have already lost their role of significant unities able to take part in global economy development in today’s world without barriers. (p. 29-30).

The idea of globalization means not only universalization of economic exchange, but it implies that market logic is no longer correlated with the logic governing civil society. Trade liberalisation has weakened civil mediation and social integration mechanisms which represented the great achievement of Enlightenment. The Eurocentric model, the view of society and history that privileges the idea of a rational society cannot be propounded any more and are to be replaced with the idea that there are many and various ways to change, which consist in making reference to the past to be able to invent the future, in building the new with the old (Touraine, 1998, p. 42-43).

When “ peddling prosperity “ has cooled off for everyone (Krugman 1995), man remains alone with himself and his history. Then, if past and present integration is necessary, if present and past join in history for a better understanding of the present, history certainly does not have a formula for the future; yet it can suggest whether it is a no-entry, a one-way street or a dead-end. There are no really impossible choices, but difficult choices and conflicting choices: history can show the impossible sets.

Notes

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