Capitalisms: Asian-European Dialogue after Enron[1]

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This dicussion suggests three steps. One is to retrieve the varieties of capitalism from the propaganda that claims there is no alternative to free market capitalism. Second is to examine the growing influence of American capitalism and the diversity or convergence of capitalisms in light of Enron and related episodes. Third is to probe options for the articulation of alternative capitalisms. Looking forward, one way in which this can happen is through a substantive dialogue between Asian countries and the European Union with regard to the direction of contemporary capitalism and globalization. This line of argument can function at two levels — as a broad-brush policy direction and as opening up thinking about globalization — probing the scope for choice.

As a process of growing worldwide interconnectedness, globalization enables new articulations among diverse conditions, yielding hybrid institutions and practices. Globalization is also a flag word for several concurrent changes: informatization, the growing role of information technologies; flexibilization, growing flexibility in production and labour relations; financialization, the growth of financial services; marketization, the growth of market forces; and changes such as regionalization, and reconfiguration of the role of the state. Contemporary globalization is a package deal of changes unfolding in an arena of unequal power relations. American capitalism has played a large part in shaping contemporary globalization in its own image, as neo-liberal globalization. Most of the protest against globalization concerns neo-liberal globalization, and this is the actual problem.

Since globalization interacts with power relations, it extends the reach of hegemony, but also the reach of emancipation. This discussion suggests three steps. One is to retrieve the varieties of capitalism from the propaganda that claims there is no alternative to free market capitalism. Second is to examine the growing influence of American capitalism and the diversity or convergence of capitalisms in light of Enron and related episodes. Third is to probe into options for the articulation of alternative capitalisms. Looking forward, one way in which this can happen is through a substantive dialogue between Asian countries and the European Union with regard to the direction of contemporary capitalism and globalization. This line of argument can function at two levels — as a broad-brush policy direction, and as opening up thinking about globalization to probe the scope for choice.

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Continental European welfare states and Asian developmental states, Rhineland capitalism and the state-led capitalism of East and Southeast Asia are varieties of co-ordinated market economies — characterized by large government intervention, and relatively egalitarian (repeat relatively). Together they represent the majority form of capitalism that also resembles the type of capitalism in most developing and transitional economies. In contrast, Anglo-American capitalism is historically anomalous (arising from very particular historical conditions), a minority form of capitalism, and a global bottleneck when it comes to international reform. Asian and European capitalisms — without essentializing or idealizing them, or underestimating the ongoing influence of neo-liberal globalization — may share enough to represent the potential for a global alternative direction.

Varieties of Capitalism: Clash of Modernities?

Now that the confrontation between capitalism and socialism lies behind us, the new pressing issue is the difference between capitalisms. Michel Albert set the tone with *Le capitalisme contre le capitalisme*. In institutional economics, varieties of capitalism are variously characterized as liberal market economies (the United States, the United Kingdom, Australia, New Zealand), and co-ordinated market economies (most others); competitive managerial capitalism (the United States), co-operative managerial capitalism (Germany), and bureaucratic capitalism (Japan); stock market capitalism and welfare capitalism, etc.[2]

Let us note the disarray of discourses: while varieties of capitalism are an ordinary and widely discussed theme in institutional economics, international political economy, development studies and analyses of firms and business cultures, it hardly figures in sociology; much political and policy discourses continue to either preach or target "capitalism". Sources such as *The Economist* and *Financial Times* refer to capitalism in the singular, assuming "free markets" to be the telos of modern economics. Activists often use capitalism in the singular as well. Yet the difference among capitalisms and the scope for reform, and lasting diversity or convergence are crucial points of dispute.

The differences among capitalisms are not just a matter of a different set of bullet points; they are deeply embedded in the historical dynamics and particulars of culture and geography. They represent different forms of regulating market relations (Boyer, 1996). In fact, they represent different modernities with all the intricacies this entails (Gaonkar, 1999). The very way we perceive and comprehend alternative modernities is shaped by the modernity we are aligned to or affiliated with epistemologically (cf. Galtung, 1981) and politically. Stereotyping others and self, and positive and negative imaging are part of the politics of representation of modernities.

Indeed, it is not just the differences among capitalisms and modernities matter but also the ways in which they interrelate (Nederveen Pieterse, 2000). The articulation among capitalisms can be viewed in terms of competition or complementarity among different country capabilities and specializations in economic sectors or phases of production (Whitley, 1999; Dore, 2000), and in terms of lasting diversity or growing convergence. Essentially, three different scenarios are available in relation to multiple capitalisms: lasting diversity, convergence, and mixing or hybridity.[3]

Diversity. Whitley (1999:3) offers a typical expression of the view that divergence among capitalisms is lasting: "Convergence to a single most effective type of market economy is no more likely in the twenty-first century than it was in the highly internationalized economy of the late nineteenth century". Different institutional settings may be reinforced by patterns of foreign investment that have been termed "institutional arbitrage".[4] Accordingly, what matters is not just quantitative data on foreign investment but the sectors in which they occur and how they affect corporate organization and governance. For example, the leading foreign investors in Brittany in 2002 were Italian, American, and German (Sansoucy, 2002), but that tells us little about the direction of corporate governance in the region.

Convergence. Susan Strange disputed the idea of lasting difference because, she argues, it ignores American structural power as both a market force and a political force.[5] The convergence of capitalisms hinges on economic and political dynamics. It involves economic logics in that the most successful form of capitalism exercises the greatest pull in financial markets. One of the dynamics through which capitalisms interact is financialization; in turn, the growth of financial services is one of the forces driving marketization.[6] Convergence is also politically driven and promoted by relentless propaganda about the superiority of the "free market", which assumes that this is the real logic of capitalism in the singular. Particularly since the era of Reagan and Thatcher, American capitalism — variously characterized as liberal, laissez-faire, free enterprise, shareholder or Anglo-Saxon capitalism — has been upheld as the capitalism tout court, as *the* norm of capitalism, even as American capitalism itself underwent drastic changes. Deregulation created a system characterized by aggressive deal making, high public disclosure (by American accounting standards), chief executives as culture heroes, and winner-takes-all outcomes. The influence of American capitalism occurs at the confluence of several factors, some of a general nature: the overall changes associated with accelerated globalization and post-Fordism; some factors specific to the United States: entrepreneurial dynamism and "new economy" innovation; and some geopolitical: cold war victory against the wider backdrop of American hegemony as a successor to the British Empire.

Under the banner of the Washington consensus and the auspices of the IMF, World Bank, and WTO, this model increasingly shaped the development path of developing and transitional countries. Crises — the tequila crisis, Asian crisis, Russian crisis, Turkish, Latin American and Argentinean crises — were occasions for further enforcement of American standards. IMF stability lending serves as an instrument to enforce institutional and political conformity.

The growing influence of neo-American capitalism over the past decades has been described as a shift from stakeholder to shareholder capitalism: stakeholder values (employees, suppliers, creditors, customers, communities) are shortcut in order to increase shareholder value.[7] The rise of Wall Street and the Dow Jones, foreign investment flowing into the American economy (helped by tax incentives accruing to foreign owners), the value of the dollar, and the influence of American-style financial services and business practices demonstrate the appeal of this system. American influence on corporate governance has been greatest in those countries where stock markets have been the most developed (Aguilera et al., 2003).

A left-wing version of the convergence thesis refers to the formation of a transnational capitalist class (Sklair, 2001). This essentializes capitalism and homogenizes capitalist interests; it ignores the "biodiversity" of capitalism (Pagano, 2001) and microeconomic data on institutional differentiation of the kind presented by institutional comparative analysis. The question, in other words, is not just whether there is life after capitalism but whether there is life during capitalism.

In the interaction between capitalisms and modernities, there is no ideologically neutral airspace. Talk about "the West" (in relation to culture, civilization, modernity, history, religion, capitalism, security) glosses over the differences between Europe and North America. "The West" is a flag of convenience on either side of the Atlantic. In the United States, talk of convergence easily turns to looking down on Europe in terms of economic dynamism (rigid labour markets) or security (weak-kneed). Meanwhile, anti-Americanism provides entertainment throughout the world.

Mixing. The third scenario of mixing and institutional hybridization, *in-between* lasting difference and convergence, rarely comes up as such in political economy. This scenario may well be the most plausible, yet it is also vague, for while it is easy to point out instances of institutional blending, it is quite difficult to assess the relative magnitudes; the terms under which mixing occurs; and, therefore, the overall direction. It is easy to make a case for hybridization but difficult to assess the politics and political economy of hybridity (Nederveen Pieterse, 2003).

Recent signals — the failure of the new economy, the collapse of Enron and the cascade of corporate scandals, the burst of the Wall Street bubble, the vast expansion of military spending, war and deep tax cuts — shed a different light on American capitalism and its international standing. How do these signals affect the three scenarios of capitalist futures? If convergence hinges on economic and propaganda appeal, these precisely have been undermined. American political and military clout remains but is likely to be less effective when the American economy is shrinking.

Enron in Wonderland

> "If you can't trust the numbers, how can you allocate capital correctly?" (Paul Volcker, former chair of the Federal Reserve Board, 2002).

The Enron episode and the ensuing corporate scandals reveal more than "a few bad apples".[8] The Enron episode shows the impact of deregulation, financialization and marketization, reveals Washington's money culture, and coincides with the failure of the new economy. Enron manipulations underlie the California energy crisis and the privatization of energy markets in developing countries. Enron executives created an "accounting hall of mirrors", transferring losses to partnerships that showed profits on investment in Enron stock that was sold to them at a discount (Norris, 2002). Financialization is a key variable. "The processes of money movement, securities management, corporate reorganization, securitization of assets, derivates trading and other forms of financial packaging are steadily replacing the act of making, growing and transporting things" (Phillips, 2002a). It may be a small step from financial manipulation to cooking the books.

The previous remedy — manager ownership or stock options for executives — becomes an ailment when executives act on insider knowledge and sell their stocks, and when disclosure requirements are lax. An analysis of the Savings & Loan collapse of the 1990s centered on "looting" by executives and concluded: "Bankruptcy for profit will occur if poor accounting, lax regulation, or low penalties for abuse give owners an incentive to pay themselves more than their firms are worth and then default on their debt obligations" (Akerlof and Romer, 1993:2). Permissive accounting that does not show the costs until years later, and Wall Street's short-term orientation, create a system in which it is rational for executives to loot their companies (Madrick, 2002). This is made possible by institutionalized lack of oversight and accountability involving chief executives and chief financial officers, accounting firms (doing double duty as consulting firms from which they derive 90 percent of their revenue), banks, lawyers, market analysts, the media, and the Securities and Exchange Commission. The failure of oversight institutions yields steep inequity in the distribution of risks. Accountants act as consultants, the media talk up the market, analysts find it easier to talk stocks up than down, individual investor savings seep like water through their hands, and insiders walk away with multi-million dollar gains. Between March 2000 and summer 2002, the stock market lost $7.7 trillion in value, and retirement plans and savings for college vanished. More serious still is the finding that investment banks recommend worthless stocks of their major client firms.

If 9/11 was a godsend to the hawks, Enron, the "economic equivalent of Watergate", is "a scandal so good that it hurts". It exposes the stratification of opportunity and risk exposure: "the rich know when to leave", and reflects institutionalized insider trading. Sixty percent of American households invest in stocks, but stock market democratization (people's capitalism) hinges on reliable information. Circles of privilege are circles of information: social insiders in New York and the Hamptons share information, and social capital and economic capital overlap to take on plutocratic and even dynastic forms (Phillips, 2002b). That markets are imperfect because information is asymmetric (Stiglitz, 2002) is not an occasional circumstance but a structural condition.

Yet, reform in the United States is likely to be limited. The Business Round Table, the Democratic Party (the business-friendly "party of economic growth"), and mainstream economists oppose drastic reform. The key players have all gained their stripes in an atmosphere of advocating deregulation. The 2002 corporate reform bill imposes stiff penalties and jail sentences for defrauding executives, but fraudulent intent is virtually impossible to prove. Mainstream American economists prefer tweaking deregulation to abandoning it; they opt for combining deregulation with regulation in the form of stiffer monitoring and accounting rules (Uchitelle, 2002). This glosses over deeper problems. The consequences of the Reagan administration's deregulation of business and finance are now becoming visible — Enron is the tip of an iceberg of corporate malpractice. Following deregulation, corporate malpractice has multiplied while stakeholders have much less legal recourse. Beyond deregulation lies a culture of corporate impunity in which the bottom line matters more than how it is achieved; success matters more than process also because arcane accounting rules and lax oversight make the process inscrutable. A culture in which corporations pay no taxes: "taxes are for suckers". Congress itself is tainted because of Washington's money culture in "the best democracy that money can buy" (Palast, 2002).

The neo-American way combines CEO enrichment with deepening social inequality and a cycle of poverty: globalization the American way offers this as a global mirror. Two decades of neo-liberal globalization have brought sharply growing domestic and international inequality.[9] IMF jobless, IMF homeless and IMF riots are bywords in many countries. The IMF's handling of financial crises is no longer credible even in Washington and on Wall Street.

The international ramifications of "Enronitis" may be greater than the domestic spillover. The almost worldwide shift from stakeholder to stockholder capitalism, from worker participation in management to worker participation in stocks (through privatization of welfare, pensions and pension funds) hinges on the reliability of accounting and the compatibility of accounting rules. Contemporary globalization hinges on institutional cohesion and an aura of legality and probity. If it does not deliver equity and fairness, at least the winners are real winners. The cascade of corporate scandals puts an end to this story. While neo-liberal ideology proclaims the self-regulating market, real neo-liberalism shows the political and insider manipulation of markets, disguised as liberalization and market logic. The logic in growth differs from the logic in contraction: contraction shows the cracks in the mirror.

The "Asian crisis" of 1997 was blamed on crony capitalism, corruption and political manipulation in Thailand, Korea, Malaysia, the Philippines, and Indonesia made possible by poor financial reporting. Crisis in Latin America yielded a similar diagnosis. In the Middle East, from Egypt to Turkey, scrutiny shows that neo-liberal market gains are in effect the result of financial engineering and political manipulation.

Crises in the United States means "cracks in the mirror of the future". The IMF/US Treasury prescription in times of crises is fiscal austerity and deflation, but in the wake of 9/11, the Treasury spent billions bailing out airlines and insurance industries. The American way preaches free trade but practices protectionism (imposing steel tariffs and $160 billion in farm subsidies). The taskmaster of neo-liberal orthodoxy is now exposed as crony capitalism USA. Is the next chapter after casino capitalism, swindle capitalism?

What remained of the "new international financial architecture" that was under discussion in the wake of recurrent crises was "transparency" — sought by the IMF and Treasury, and part of the World Bank's good governance package. All along it really meant the alignment of accounting systems to American standards, so Wall Street and the Treasury could read the books — a one-way transparency. American accounting standards are now exposed as "standards of greed" and "accounting reports are worth no more than the paper they are written on",[10] so the United States has lost the high ground of legal probity. If its own rules are bogus, can it serve as the international rule maker? "Around the world, the architects of the global economy are rethinking the idea that the United States should be the undisputed standard-setter for everything from executive compensation to accounting. They point to the dark side of a Western-style capitalist system that rewarded greed and short-term gain and turned high-flying chief executives into celebrities" (Iritani, 2002). The foundation of transnational neo-liberalism is a hegemonic compromise of increasing fragility, operating increasingly by default rather than by conviction in the absence of a cohesive enough alternative coalition.

An Alternative Rapport

In this light, it is important to recover the ground that European and Asian capitalisms represent, analytically as well as politically. What is at stake is the shape and direction of globalization at a time when the American way has become a global bottleneck. Asian-European dialogue may probe the scope for an alternative rapport — not always looking at Washington but following an alternative course.

Major international agreements have come about without American cooperation, such as the Kyoto agreement, the International Criminal Court, the ban on landmines, and the UN Convention on the elimination of discrimination against women. These agreements have not been anti-American; the United States was not excluded from these agreements but excluded itself. This is an important distinction. Economies and technologies are now so interwoven, and the American military lead is so dominant, that an anti-hegemonic coalition is neither feasible nor desirable, but there may be scope for an alternative coalition that the United States is welcome to join but which operates outside the American orbit if the United States so chooses.

It would be important to extend this type of multilateral co-operation to international finance, development, and trade policies. Rather than complain about neo-liberalism and Washington policies, let us turn the picture around and consider the resources and resilience of alternative capitalisms. Let us consider some of the issues at stake in a European-Asian dialogue, from the point of view of Asian and European countries and beyond, mixing pros and cons along the way.

Economies and multinational corporations are now so interwoven across regions that delineating European, Asian, and American spheres with their own autonomous room of manoeuvre no longer makes much sense. The notion of regional blocs and inter-regional rivalry is not a valid description of contemporary dynamics. Yet, the next step along this logic — that states are powerless in an increasingly borderless world — takes matters too far. So the present argument pertains to the in-between zone of public policy where state (including local government) and regional policy (such as by the EU) do matter.

In 2000, Ronald Dore outlined the possible ramifications of a Wall Street decline:

> . . . just as the 1930s depression prompted the postwar attempts at the social regulation of capitalism, so, if the coming bursting of the Wall Street bubble is more cataclysmic than a 'correction' and real depression in the dominant economy gives enough backing to 'global capitalism in crisis' talk, things could change. There could, once again, with Japan and a German-led Europe in the vanguard, be various attempts to reassert the nation-state's power in the name of society, to 'embed' the economic activity within its borders in norms and social structures that amount to something more than mere monitoring of free and fair markets (2000:221).

Clearly, however, this reconstruction project cannot be confined within national borders.

Yet is there sufficient internal and regional cohesion to serve as a basis for inter-regional co-operation? Varieties of capitalism should not be essentialized; they are ever in flux and internally contested, and international links do double duty as domestic props. The interaction between capitalisms and modernities is a minefield of ideologies and stereotypes, which prompts caution when it comes to Asian-European dialogue. Which Asia, which Europe? Internal diversity is too extensive for "Asia" and "Europe" to serve as meaningful units. The idea of an East Asian or Tiger "model" is disputed. Likewise, diversity in "Europe" is profound. The United Kingdom is part of the European Union but follows the tracks of Anglo-American rather than Rhineland capitalism. Yet in each sphere, the spectrum of political debate is typically wider than in the United States, and this plurality of views is a major resource in Eurasian dialogue.

The question of accounting standards is of transnational significance in how firms and economies are rated. There are large gaps between, say, the Human Development Index of the UNDP, and the Competitiveness Index and the ratings used by market analysts to assess country credit worthiness. Stock market capitalism, according to Ronald Dore, "means an economy centred on the stock market as the measure of corporate success and on the stock market index as a measure of national well-being, as opposed to an economy which has other, better, more pluralistic criteria of human welfare for measuring progress towards the good society" (2000:10). Dialogue between Asian and European countries can contribute to setting more meaningful and pluralistic international standards.

In European accounting principles, "substance prevails over form" while in American accounting, "form prevails over substance". American accounting rule books are twice as thick as European rules, but since what matters is the letter rather than the spirit of the law, lawyers can always find new loopholes. Cultural differences underlie the differences in systems. Ultimately, this is a matter of different modernities: American-applied Enlightenment and shallow modernity underlie American legalistic culture, in contrast to the complex, layered and historically textured modernities of Europe and Asia.[11] So what is at stake in the present contestation over accounting rules is a clash of modernities. In 2000, the European Commission decided that by 2005, all companies in the European Union must report according to International Accounting Standards Board, and it now recommends dropping the American accounting rules (GAAP) for European rules.

In 1997, the IMF blocked the formation of an Asian Emergency Regional Fund proposed by Japan. Eurasian dialogue could entail a gradual reduction of European and Asian development funds going to Washington-based institutions such as the World Bank and their shift to regional institutions, such as an Asian Regional Fund (cf. Bello et al., 1998:248), regional development banks, or UN institutions.

Concerns in East and Southeast Asia are that Asian capitalisms need to become more democratic, less patriarchal, ecologically sustainable and more socially responsive. Reconstruction in the wake of the Asian crisis may be an opportunity for renewal in this direction (Bello et al., 1998; Cuperus, 2001).

In Asia, although American influence is more recent, memories of European colonialism still linger. If American influence has shown mixed results, would it now make sense to lean over to European perspectives? Why not just go at it alone? The options include an Asian renaissance, Pacific century, or global century. A rejoinder is that transnational interaction takes place anyway and radio silence is not an option. The same applies to Europe. The Maastricht Treaty positions the European Union amid competing capitalisms, transnational financialization and the predominance of stock market capitalism — all of which affect transnational capital flows. Absent alternatives, the European Union goes along with standards of neo-liberal capitalism in the OECD and international forums; in WTO negotiations, European demands for lifting trade barriers may be more draconic than American ones. The present argument is in favour of Europe changing its course internally — strengthening its Social Charter — and externally.

The "East Asian Miracle" has been appropriated by the World Bank as a demonstration of free market, export-oriented economic growth; in Asia as a success story of Confucian ethics; and in Japan as a demonstration of the importance of education and human capital (Wade, 1996). European conservatives, British Tories, and American neo-conservatives held up the East Asian mirror to put pressure on trade unions and welfare state claims. European conservatives and social democrats alike appropriated and praised East Asian welfare systems as models of lean and effective government. East Asian welfare systems, in this view, subordinate welfare to economic efficiency, are low-cost, create incentives for hard work, and use available social resources rather than depend on the state. However, their downsides have not been considered as widely: the key role of the family in welfare burdens women and the systems reproduce inequalities, lack of institutional integration, and authoritarian political legacies (White et al., 1997:17–8). Likewise, the Asian crisis has been hijacked by parties of all ideological stripes to prove their various points.

The European Union leads the way in institutional integration and there is no Asian equivalent.[12] At any rate, both Asia and Europe suffer from democratic deficits in governance. The new people's regionalism in Asia may play an important part also in transregional dialogue. A case in point is the opposition against the Multilateral Agreement on Investments and other WTO concerns by international NGOs from Asia, Europe, and North America (Kobrin, 1998).

Inter-regionalism can serve as a clearinghouse for global multilateral forums so that multilateral negotiation becomes a staggered process (Rüland, 2001:47–8). In the WTO, it can mean Asian and European pressure for internationally equitable trade rules. In international development, it can mean changing the course of the IMF and the World Bank, or else operating outside their orbit by strengthening regional development institutions and channeling development funds through these bodies. With regard to international finance, it can mean backing for a Tobin tax accord.

A familiar hurdle is Asian resistance to Western or European insistence on human rights. A new turn in Asian perspectives is *human security*, which, unlike human rights, places social concerns above individual rights (Tow et al., 2000; Naqvi, 1996). This offers a basis for dialogue with European social democracy more than with American individualist leanings. The human development approach that has been inspired by East Asian experiences and that resembles some forms of European social democracy offers a similar Eurasian meeting ground.[13]

Most Asian economies are deeply entangled in American technology, investments, markets, and security cooperation. China's room of manoeuvre is limited by its recent membership of the WTO. From the point of view of Asian countries, diversifying external relations may provide room of manoeuvre in relation to the United States. Pre-emptive transregionalism has been in the air for some time. APEC owes its existence to keeping Europe's role in Asia restricted, and the Asia-Europe Meetings (ASEM) have been a response to this manoeuvre (Rocamora, 1995:38). From the point of view of European interest, there may be as much to gain from strengthening relations with Asia as there is from American points of view. If in the case of the United States, the financial bottom line and geopolitics prevail, the spectrum of interests and engagement in the case of Europe is likely to be wider.

A European concern, besides unification, is the renewal of social democracy. The welfare state cannot be rebuilt on a national basis but must be rebuilt on a European basis and, possibly, on a transnational scale.[14] Keynesian demand management as the basis of the welfare state may lead to welfare dependency (and the familiar neo-conservative allegations), and it is appropriate that this is replaced by a productivist or supply-side orientation, that is, social distribution with an emphasis on skills and capabilities, on education, training, healthcare, and housing — an agenda that matches the human development approach. Apparent American economic dynamism and technological innovation has led to the allegation of Europe beset by "rigidities of the labour market", but many new jobs in the United States do not come with a living wage (Ehrenreich, 2001), and social inequality has been rising. While welfare state restructuring should accommodate innovation and flexibility, the welfare reform of the Clinton administration is not an attractive alternative.

The renewal of social democracy, in turn, is essential for reshaping European identity and dealing with the crisis of multiculturalism. Rolling back the welfare state at a time when immigration has been increasing and when more, not less, investments in education, housing, and health and social services are needed to accommodate growing social demand has contributed to a swing to the right-wing in many European countries. The stalemate of the European welfare state and the crisis of multiculturalism interact.

The Rhine tortoise may yet overtake the American hare (Albert, 1993). Irony would have it that two targets of American disdain because of their deviation from free market norms, Asia and Europe, might converge and set an alternative social market standard.

Eurasia

Europe, according to Paul Valéry, is the "*cap d'Asie*". Ancient routes such as the Silk Roads over land and sea connect the two. Eurasia dreaming is too poetic a theme for our times of earnest political economy discussion. Nevertheless, Eurasia has inspired many dreams, claimed in turn by the Persian Empire, Alexander, the Mongol Empire, the Ottomans, Napoleon, and the Russian empire. Eurasia resonates with undercurrents of Russian populism — the Russian soul bridging Asia and Europe — and plays a part in Turkish imaginaries. The idea of a "new Silk Road" goes back some time (Abdel-Malek, 1994). A recent Eurasian dream was an anti-hegemonic coalition of Russia and China, which never materialized because it would have meant exclusion for both from American investments and technology.

The latest claimant to Eurasia is the United States. In American geopolitics, Eurasia is the world's heartland: "he who controls Eurasia controls the world" (Brzezinski, 1997:xiv). Brzezinski's panorama of American geopolitical objectives identifies as pivotal areas: Iran, to secure access to Central Asia; Iraq, to secure a presence in the Gulf and the Middle East; and North Korea, among other things, to keep Japan within the circle of American military influence. Thus, the widely ridiculed "axis of evil" refers to three regions of major geostrategic concern to the United States. In this perspective, Europe serves as America's "democratic bridgehead" while Japan, Korea, and Taiwan are de facto American protectorates.

Today's most coveted stretch of real estate is Central Asia, whose oil and gas reserves dwarf those of the Middle East. This brings us to the latent theme of the "centrality of Central Asia", "truly the missing link in Eurasian and world history" (Frank, 1992:51).

A familiar account of the contemporary international order is a global triangle with North America, Western Europe, and East Asia as its poles, and governed in the spirit of multilateralism (Dosch, 2001). Recent American aggressive unilateralism, militarization, and open-ended war on terrorism weaken the global triangle. In addition, the United States has long been a bottleneck in global reform toward a more equitable, accountable, and sustainable international order. A Eurasian rapport may help in strengthening moderate forces within the United States.

If Eurasian dialogue focuses primarily on economic and social policy, then what about defence and security? American military spending is now at such a level that no country or region can or would wish to compete. While this military build-up cannot be separated from economics and technology, the economic spin-offs of a knowledge-intensive military are unlike the previous cold war economy. American geopolitical strategic and security investments represent a global lead that is not recoverable (cf. Brooks et al., 2002). Here, the objective of Eurasian dialogue may be to promote international stability through multilateralism and international law, strengthening those international institutions that may circumscribe the impact of American geopolitics.

Notes

1. Paper for Identités et Démocratie, Rennes, September 2002. I thank Emin Adas, Ruth Aguilera and Amit Prasad for their comments.
2. For example, Hampdon-Turner and Trompenaars, 1993; Crouch and Streeck, 1997; Groenewegen, 1997; Dore, 2000; Hall and Soskice, 2001; Hodgson et al., 2001.
3. Similar scenarios apply to different modernities and cultural differences (as argued in Nederveen Pieterse, 1996).
4. ". . . companies may shift particular activities to other nations in order to secure the advantages that the institutional frameworks of their political economies offer for pursuing those activities. Thus, companies may move some of their activities to liberal market economies, not simply to lower labor costs, but to secure access to institutional support for radical innovation. This helps to explain why Nissan locates design facilities in California, Deutsche Bank acquires subsidiaries in Chicago and London, and German pharmaceutical firms open research laboratories in the United States. Conversely, companies may locate other activities in coordinated market economies in order to secure access to quality control, skill levels, and capacities for incremental innovation that their institutional frameworks offer. General Motors locates its engine plants in Düsseldorf rather than in Spain. Over time, corporate movements of this sort should reinforce differences in national institutional frameworks, as firms that have shifted their operations to benefit from particular institutions seek to retain them" (Hall and Soskice, 2001:57).
5. According to Susan Strange, "the very sources of US hegemonic power — its unrivalled military capabilities, its capacity through the acceptability of the dollar to borrow abroad but in its own currency, its guardianship of the world's largest single, rich market — have insulated it from the degrees of vulnerability experienced by others". She notes "a growing asymmetry of regulatory power among the governments of capitalist countries. The government of the USA exercises a global reach over enterprises and markets in other countries" (1997:189).
6. Financial services "have replaced traditional branches of manufacturing as a major focus of international competitiveness (today you could buy the whole American steel industry with 5 percent of the shares of America Online)" (Dore, 2000:3). That is, until AOL restated its earnings.

7. Stakeholder capitalism served as a critical counterpoint (Hutton, 1995), but has been watered down in the talk of New Labour (Dore, 2000).
8. By fall 2003, this includes energy companies (Enron, Dynegy, Halliburton), communications firms (Tyco, Global Crossing, WorldCom, Adelphia, AOL, Qwest), accounting firms (Andersen, KPMG), banks (Merrill Lynch, City Group, JP Morgan Chase, Salomon), and firms such as ImClone, Cisco, Xerox, K-Mart, Martha Stewart, HealthSouth, etc. A growing number of firms have been restating their earnings. Next in line to face financial turmoil are states and local governments.
9. The interlocking themes of globalization the American way, and growing global inequality are discussed in Nederveen Pieterse, 2004.
10. These are quotes from *New York Times*' reports.
11. This argument is developed in Nederveen Pieterse, 2004.
12. Institutional ramifications of Asian-European relations have been extensively discussed in the context of the Asia-Europe meetings (Chirathivat et al., 2001; Manivannan, 2001; Brennan et al., 1997).
13. Discussed in Nederveen Pieterse, 2001, Chp 8.
14. ". . . what is badly missing thus far is a comprehensive strategy for an effective transnational cooperation that can cope with economic globalization through setting and enforcing worldwide social, financial and ecological standards for its functioning" (Meyer, 2001:57). For transnational social policy, see Deacon et al., 1997.

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