Globalization is widely perceived as a macro-economic driver that emerged with the deregulation of financial markets and trade liberalization in the last quarter century. But Karl Moore and David Lewis contend that there is nothing new about it, it is simply putting on a different face. If past is prologue, they write, “history provides a clue as to globalization’s future.”

La mondialisation est généralement perçue comme un phénomène macroéconomique né de la dérégulation des marchés financiers et de la libéralisation des échanges du dernier quart de siècle. Mais ce phénomène n’a rien de nouveau, affirment Karl Moore et David Lewis, pour qui il a simplement changé de visage. Si le passé est le présage du futur, écrivent-ils, « l’histoire offre un bon aperçu de l’avenir de la mondialisation ».

Who will lead the global economy in the 2010s? Will it be the United States? Will it be China and India? Or will it be someone else?

Globalization is nothing new. We can loosely define it as the closer economic and cultural integration of nations on a worldwide scale. Globalization involves free movement of goods, people, ideas, culture and money between continents.

The process has a long history. A hemispheric economy existed in ancient and medieval times. The first global economy was agricultural. It was started in the 1500s by the Spanish and Portuguese, but they were soon upstaged by the Dutch and eventually the British.

The second global economy was industrial and led by Great Britain. Parliament approved free trade in the 1840s. The telegraph, the railroad and the steamship linked this economy together. London bankers financed it and British gunboats upheld it. The British pound became its currency. Colonists in Canada, Australia, New Zealand and South Africa and the people of the United States, Latin America, India and South America provided investments and markets. This whole structure was mortally wounded in the First World War and it died during the Great Depression and the Second World War.

Communism engulfed Russia and China and much of Eastern Europe. Joseph Stalin and his successors created Comecon, a Marxist version of globalization. As the British Empire crumbled, the United States filled the vacuum, forging a free world Cold War economy based on military spending and welfare state economics.

New technologies paved the way for the third, post-industrial global economy. Jet travel, satellite communications, multinational corporations, cable television, fax machines, fibre optics and the personal computer were ready when the Iron Curtain fell in 1989. The Internet was soon to follow.

The globalization era itself began with a sudden, unexpected shift in the course of world history. The Cold War seemed permanent until Mikhail Gorbachev could no longer afford to shore up the Soviet Empire in east-central Europe. In 1989 the Warsaw Pact dissolved, followed two years later by the Soviet Union itself.

The quick unravelling of Soviet Communism was the most spectacular event in a gigantic global shift. Chinese Communism survived, but only in the rule of the Communist Party. Democratic Socialist parties fled into opposition and abandoned their platforms. Even capitalist models toppled. Japan endured a real estate crash and fell into permanent recession. Not only GE, GM and IBM but Daimler and Nissan abandoned lifetime employment and sacked thousands of workers. Marx and Keynes were dead and Milton Friedman and Jack Welch anointed in their stead.

The new economy weakened hierarchies and regulators. Established companies and middle managers became losers, innovative entrepreneurs winners. The nation-state and national economies long provided a moderating force in capitalism. Many firms, such as IBM and Hewlett Packard, were highly employee-centred. This was even more true in Europe and Japan. Paternalistic companies and Keynesian economics served as windbreakers against market forces. Now, in the 1990s those windbreakers were gone, and Americans and Europeans began to feel the full brunt of economic competition from Latin America and even more from China, Korea, India and other rising Asian producers.
The new global era soon spawned its seers. In The End of History, Francis Fukuyama proclaimed the death of dictatorship and statism. From now on the whole world would share in the American dream of free-market democracy. All through the booming 1990s the conventional wisdom declared the triumph of the American model. As trade barriers crumbled, global capital markets spread and investments instantly moved around the world, investors sought business-friendly climates.

In 1999 Thomas Friedman published The Lexus and the Olive Tree, in which he warned that nations resisted the US model at their own risk. The golden straitjacket of a global electronic marketplace would encourage low wages, low taxes, unregulated business, little job security, short-term shareholder thinking, in short a red-state American model. Nations that clung to European- or Japanese-style models of welfare capitalism would drive investment away. From now on the global economy would wear Mickey Mouse ears and eat at McDonald’s.

Not only conservatives such as Newt Gingrich paid homage to globalization. French Foreign Minister Hubert Védrine could castigate the United States as a presumptuous “hyperpower,” but the US leader Bill Clinton wielded that power very cautiously. The American face of globalization was tempered by Clinton’s internationalism. Clinton basically inherited the free-trading world that Franklin D. Roosevelt and even Woodrow Wilson dreamed about. For all his caution, Clinton soon became aware that the new globalized world was far from static, and quite dangerous.

The American face of globalization was tempered by Clinton’s internationalism. Clinton basically inherited the free-trading world that Franklin D. Roosevelt and even Woodrow Wilson dreamed about. For all his caution, Clinton soon became aware that the new globalized world was far from static, and quite dangerous.

One of his aides, Benjamin Barber, warned in his 1993 Jihad vs. McWorld that not only trade but everything else was now global. Even ethnic tribalism and religious fundamentalism were now global. Rumbles of discontent grew louder and louder through the 1990s. An antiglobalist “International” of Greens, anarchists and populists such as Noam Chomsky and Michael Moore began to protest global free trade. When tribal conflict erupted in the Balkans, Clinton used military force, under NATO auspices, to restrain the designs of Serbia’s Slobodan Milosevic. Meanwhile Federal Reserve Chairman Alan Greenspan intervened to contain one global economic crisis after another.

By 2001 the zeitgeist, or spirit of the age, was changing. The world wasn’t taking shape exactly as Fukuyama and Friedman envisioned it. The Internet boom ended in a crash and a recession. Russia’s pro-American leader Boris Yeltsin was replaced by an authoritarian nationalist, Vladimir Putin. George W. Bush and his neconservative advisers affiliated with the Project for an American Century showed no remorse in scuttling international agreements and waging preemptive war in the name of protecting America from weapons of mass destruction that were never found.

For Samuel Huntington in The Clash of Civilizations and Niall Ferguson in a 2005 Foreign Affairs article entitled “Sinking Globalization,” the new reality suggested that terrorism and anti-Americanism itself were being globalized. Al-Qaeda represented the most blatant example, striking from cells all around the world. Bush responded with a global offensive on terror and an invasion of Iraq.

Twenty years after the collapse of the Iron Curtain, globalization isn’t turning out the way Fukuyama and Friedman predicted. By 2008 Robert Kagan was warning of the return of history. Kagan, Ferguson and others invoked the history of the 19th century and even predicted a postglobalization era. A 1910 book by Norman Angell, The Great Illusion, predicted that the global economy of the 1800s and early 1900s made war unthinkable. Four years later globalization dissolved in the greatest orgy of nationalism in history. Now Ferguson argued it was happening again. Kagan added that authoritarian nationalist ideology was alive and well, and that Putin’s Russia and Hu Jintao’s China were its global champions.

Just as importantly, the faith in American hegemony was rapidly fading. Fareed Zakaria openly sketched the outlines of the post-American world and the Rise of the Rest. Was American military power unsustainable in the era of Iraq, Afghanistan and a $9-trillion public debt? Globalization in the 2000s began to work against America, both economically and politically. China and India embraced capitalism and then proceeded to capture hundreds of thousands of outsourced American jobs.

Venezuela under Hugo Chavez offered a new socialist alternative to globalization. The real Latin challenge, however, emerged in democratic Brazil, a new economic superpower that began to export aircraft and achieve energy independence. Iran’s Mahmoud Ahmadinejad offered a Shiite response to globalization. Russia and China quietly supported all of these challenges to American hegemony.

The subprime mortgage crisis of 2007-08 and the Great Recession of 2008-09 delivered the final coup to the end-of-history thesis. With its production of goods and services outsourced to Asia and Latin America, the American economy was left with entertainment, financial speculation, the stock market and real estate. A
new generation of real estate hustlers meanwhile forgot and then repeated the bitter lesson of the 1920s: that one could never leverage one's way to prosperity. The First World War put an end to the "end-of-history" illusions of the late 1800s. The Great Depression of the 1930s put an end to the similar illusions of 1919. Now the Great Recession is burying the supposed Pax Americana of the 1990s.

What is the real cause of America's Great Recession and the challenges to its world leadership? An economy based upon paper capitalism with a bloated financial sector simply cannot pay its bills. It must grow, produce and export something other than debt. This may well sink Barack Obama's presidency, and a lot more with it.

In the December 7, 2009, issue of Newsweek Ferguson foretold the imminent decline of American military power. Unsustainable deficits hitting 11 percent of GNP will eventually lead to massive cutbacks in the US military. Britain endured this in 1947 and again in 1956. The United States filled the vacuum. Who will fill the vacuum in the 2010s? In the Middle East it could well be Turkey, the strongest, most stable power in the Islamic world. Anyone with a sense of history would do well to remember the Ottoman Empire. Are we witnessing its return in a post-ber the Ottoman Empire. Are we history would do well to remember.

The quick unravelling of Soviet Communism was the most spectacular event in a gigantic global shift. Chinese Communism survived, but only in the rule of the Communist Party. Democratic Socialist parties fled into opposition and abandoned their platforms. Even capitalist models toppled. Japan endured a real estate crash and fell into permanent recession. Not only GE, GM and IBM but Daimler and Nissan abandoned lifetime employment and sacked thousands of workers. Marx and Keynes were dead and Milton Friedman and Jack Welch anointed in their stead.

The mistakes of the Harding-Coolidge era — tax cuts, deregulation and short-term thinking — have been repeated. Time's Andy Serwer described the 2000s as "a decade from Hell" filled with "economic narcissism" and gross mismanagement not unlike that of the 1920s. Then, a Florida/California real estate bubble led into the fatal Wall Street bubble. This time the stock market bubble burst in 2000, but the real estate boom took over. After September 11, 2001, Greenspan flooded the markets with cheap credit and Bush slashed taxes in the best Coolidge manner. The subprime mortgage market took off and Wall Street led a global stampede that dwarfed the land boom of the 1920s. Everyone knows the result.

The parallels with 1929 don't end there. If Bush was a spendthrift version of Coolidge, Obama is, in the eyes of Ken Silverstein of Harper's and The New Republic's John Judis, a Democratic Herbert Hoover. Hoover was far more progressive than Coolidge and hoped to usher in a fresh new era of postpartisan politics. The private sector would tackle many social problems while the federal government acted as organizer, coach and referee. Hoover's philosophy might have worked very well had he not inherited the Great Depression. Hoover responded with a bailout of ailing companies and inspired resentment in the process.

This time, however, no Roosevelt or New Deal seems in the offing. A resurgent Republican Party represented by Sarah Palin threatens to turn not to the left but to the right in 2010 and 2012. If Obama cannot spend the nation to prosperity, neither can Palin or her ilk slash the nation to prosperity. The GOP's radical free-market poli-

cies promise considerable unemployment and social unrest.

If globalization is no longer American, what face will it wear? Some, such as the University of Reading's Alan Rugman, remind us that the global economy is actually three regional economies: the North American, European and Asian economies. The North American economy, represented by NAFTA, is being heavily challenged by the Asian one. China and India are once again taking their pre-1800 places, when they were the world's manufacturers and exporters.

The new conventional wisdom holds that China appears destined to replace America. In When China Rules the World: The Rise of the Middle Kingdom and the End of the Western World, Martin Jacques writes that China's 2030 GDP will be $70 trillion and America's only $40 trillion. India and Brazil will be powers to be reckoned with as well. Will Ming China's glory of the 1400s return, when Zheng He's mighty Treasure Fleet turned the Indian Ocean into a Chinese lake?

History in the era of globalization has a discomfiting way of suddenly upending the wisdom of the day. In the 1980s Japan was the wave of the future, in the 1990s it was America and in the 2000s China. China's hegemony could be just as shaky as that of its precursors. According to Forbes' Gady Epstein, China is in the midst of a speculative boom that will one day crash — with a vengeance. The true amount of Chinese public debt is almost 70 percent of its $4.7-trillion GDP. Developers are leveraged to the hilt. China's sparkling new towers and offices may one day be empty.

History may provide a clue as to globalization's future. In the 1400s Ming China suddenly abandoned its global ambitions. Within a century a powerful European empire dominated much of the world and launched the first true global economy. Slowly and quietly, Europe has been laying the foundations
for world power. During the 1990s the continent’s economic models were written off as inefficient and unwieldy. Now even the free-market Economist reluctantly confesses that France and Germany are surviving the Great Recession far better than Britain. After years of skeptical denials, Europeans have created a superstate with enormous geo-economic power. The European Union now has a standing president, a foreign minister, a flag, an anthem, a common currency, a passport, a defence industry, a supersonic jet fighter, tanks, helicopters, airlift capabilities and an international role in peacekeeping.

The European Union, not China, may suddenly fill the position vacated by a bankrupt United States. Given the recent events in Greece, we sense that Europe is at a crossroads of sorts. It could go either way. Europe could continue to be a relative middling power, or events and leaders could take them to a place that more reflects their actual economic and social position in the world. Mark Leonard wrote a book in 2005 entitled Why Europe Will Run the 21st Century. The EU’s soft power is awesome and is extending into the former Soviet bloc, the Middle East, Africa and South America. The incentive of association or even full membership is transforming whole nations and societies. Political scientist Jan Zielonka describes the EU as nothing short of a “neo-medieval empire.” While this empire is highly decentralized, like the Holy Roman Empire of the Middle Ages, it now speaks with one voice, that of its Belgian president, Herman Van Rompuy. His term ends in 2012. By that time Europe may well desire a far more dynamic leader. A strong candidate comes to mind in the person of German Economics and Technology Minister Karl Theodor zu Guttenberg. Again, history would provide a parallel. Europe was united by a Belgian, Charlemagne. Its leadership soon passed to a German.

In 1500 Europe suddenly came together under the Belgian/Spanish Hapsburg emperor Charles V. He battled militant Islam, defended European civilization and extended its power across the globe. On his mother’s side, Baron Guttenberg is a Hapsburg. His wife is the great-great-granddaughter of Otto von Bismarck. The most popular politician in Germany, he may well have a global destiny.

Globalization may soon turn in its Mickey Mouse ears for a Bavarian hunting hat and lederhosen.

Karl Moore is an associate professor at McGill University and an associate fellow of Green Templeton College, University of Oxford. David Lewis teaches at Citrus College in Glendora, California. They are the co-authors of The Origins of Globalization (Routledge, 2009).