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## PROLOGUE



Oh, East is East, and West is West, and never the twain shall meet,  
Till Earth and Sky stand presently at God's great judgement seat;  
But there is neither East nor West, Border, nor Breed, nor Birth,  
When two strong men stand face to face, tho' they come from the  
ends of the earth!

—Rudyard Kipling, “The Ballad of East and West,” 1889

The future of Western political theory will be decided outside the West.

—Sunil Khilnani, *The Idea of India*, 2003

FOR CENTURIES, THE THEME OF Kipling’s “Ballad of East and West” has woven in and out of Western imaginations like a blood-stained thread. It first appeared in the fifth century BCE, when the small and turbulent city-states of ancient Greece fought off the vast Persian Empire to the east. Nearly two and a half millennia later, it provided the rhetorical underpinning for the Atlantic Alliance. After the fall of the Berlin Wall, it surfaced in Francis Fukuyama’s notorious claim that Western democracy had become the “final form of human government.” At the start of the twenty-first century, it reverberated through George W. Bush’s depiction of the so-called war on terror as a battle between the civilized and the uncivilized.

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It is, in fact, an ever-ready rhetorical maid-of-all-work. It has been pressed into service by innumerable political leaders searching for perorations and has lurked in the psyches of a variety of foreign policy intellectuals. To mention only a few examples, the neoconservative American commentator Robert Kagan, the British diplomat and European civil servant Robert Cooper, and the American historian and legal theorist Philip Bobbitt differ in much. But they have all shared the assumption that there is a distinct, identifiable place called “the West,” whose uniquely precious values are under threat from other quarters of the globe.<sup>1</sup> Yet in the fluid world of the twenty-first century—a world where the American president is the son of a black Kenyan who started as a goatherd, where India is easily the most populous democracy, where the U.S. debt to China stands at \$800 billion, and where the Atlantic Alliance is riven with doubts—that assumption is less a guide to understanding than a semantic comfort blanket. And, as often happens to comfort blankets, it has grown threadbare with use.

Then why do so many people cling to it? Why does Kipling’s drumbeat still reverberate today? The answer is that his antimony of “West” versus “East” encapsulates one of the most venerable narratives—and most cherished myths—of the North Atlantic world. Its emotional essence has changed very little in the last twenty-five hundred years. Ancient Greeks, fighting in the Persian wars, took it for granted that they stood for civilization against barbarism and for freedom against tyranny. Greeks governed themselves; Persians were governed despotically by tyrannical kings. And where Persian barbarians were slavish, the Scythian barbarians of the steppes beyond the Black Sea were wild, unsettled, and ungovernable. Both were self-evidently inferior to the civilized Greeks. Change a few words, and it might be modern Americans invading Iraq or fighting the Taliban.

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The Romans inherited these stereotypes from the Greeks, and the early Christians from the Romans. After the rise of Islam, the Church gave them an ominous new gloss: “eastern” Muslims were infidels who desecrated the Holy Land and deserved to be put to the sword. The most horrifying example of this mind-set came in 1099, when Christian crusaders sacked Muslim Jerusalem and went on a rampage that left the streets running ankle deep in blood. (In some places, the blood was said to have been knee-deep.) In the fifteenth century CE, Constantinople, the capital of the Christian Byzantine Empire, fell to the quintessentially “eastern” Ottoman Turks, who pushed far into Europe during the next two centuries. In the “West,” the Turks, like the Persians before them, became bywords for cruelty, despotism, and depravity. The great nineteenth-century British Liberal, W. E. Gladstone, was using a well-worn trope when he accused them of indulging in “abominable and bestial lusts” while suppressing a revolt in Bulgaria.<sup>2</sup> (A frequent charge against the Turks was that they had a loathsome propensity for homosexual rape,<sup>3</sup> but whether Gladstone was referring to that is not clear.)

Meanwhile, the Renaissance led “Western” scholars back to the ancient Greek texts. (Ironically, many of them had been preserved and translated by Muslim scholars, whose commentaries on them eventually became part of the European philosophical canon.) These helped to make the language of West versus East, freedom versus despotism, and civilization versus barbarism part of the mental furniture of the educated classes all over Europe. Shimmering on the edge of the imaginative universe of the classically educated elites who governed the continent was a vision of Plato teaching in the Academy, of the Athenian Parthenon, glowing in the attic sun—and of the legendary three hundred Spartan warriors

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dying gloriously at Thermopylae to hold off a Persian army numbered in tens of thousands.<sup>4</sup>

The long-term effects of the Renaissance went wider still. It spawned an intellectual and cultural revolution that transformed the world. Even at the highest point of Roman grandeur, the Roman Empire was only one of many global power centers. It dominated western Europe, the Balkans, and the Mediterranean, but it never managed to subjugate the once Persian territories east of what is now Iraq. It was outranked in wealth and technological sophistication by India and China; and after the fall of Rome, western Europe sank into impoverished and anarchic mediocrity, relieved only by the astonishingly creative and tolerant civilization of “Moorish”—in other words, Muslim and therefore “eastern”—Spain.<sup>5</sup> In the late sixteenth century, when Europeans were burning heretics at the stake, Akbar, the great Mughal emperor of northern India, used to hold interfaith dialogues between Muslims, Hindus, Christians, Parsees, Jews, and Jains. (Not all Mughal emperors emulated Akbar: in the seventeenth century, the Emperor Aurangzeb was a byword for narrow-minded and puritanical intolerance.)

As late as 1700, the combined GDP of India and China was twice as large as Europe's. Thanks to a mixture of force, fraud, and guile, widening tracts of Indian territory fell under British rule in the second half of the eighteenth century, but the new rulers did not imagine that they were racially or culturally superior to their subjects. They were in India to make money, not to save souls or disseminate “Western” values. Many took Indian concubines, and some married Indian wives; a few converted to Indian faiths.<sup>6</sup> Farther east, the Chinese saw themselves as denizens of a “middle kingdom,” sufficient unto itself and ineffably superior to vulgar western barbarians: in 1793, after a famous encounter with a British

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mission led by Lord George Macartney, the Chinese emperor replied loftily to a British request for trade relations with China: “We have never valued ingenious articles, nor do we have the slightest need of your country’s manufactures.”<sup>7</sup>

But the indirect impact of the Renaissance—notably, the scientific revolution, a variety of different Enlightenments, the growth of industrial society, and, not least, the establishment of globe-girdling European empires—slowly made Europe the powerhouse and center of the world. By 1913, Europe’s share of global GDP was more than twice those of India and China put together. (It was twice that of the United States.)<sup>8</sup> The British Empire covered one-quarter of the earth’s land surface; the City of London was the linchpin of the world’s first truly global market. The Russian Empire—not fully European, but ruled from its far-western capital in European St. Petersburg—extended from Warsaw in the west to the Pacific Ocean in the east. France ruled vast territories in North and West Africa as well as much of Southeast Asia. Soft power mimicked hard power. French was the language of diplomacy and culture, German of philosophy, and English of political economy. Of the great transformative ideologies of the age, liberalism was a British invention, republicanism a Franco-Italian one, and socialism and nationalism Franco-German ones.

European intellectuals and statesmen imbibed an ever more potent version of the ancient Greek mixture. The utilitarian theorist James Mill—father of the much greater John Stuart Mill—wrote a supposedly authoritative multivolume history of India, without ever visiting the subcontinent or learning any of its languages. In it, he opined that “deceit and perfidy” were the hallmarks of “the Hindu.”<sup>9</sup> In one of his most famous poems, Kipling called on the Americans to take up the “white man’s burden” in the Philippines, which they

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had just conquered from Spain. Kipling explained what he meant with brutal clarity:

Go bind your sons to exile  
 To serve your captives' need;  
 To wait in heavy harness,  
 On fluttered folk and wild—  
 Your new-caught, sullen peoples,  
 Half devil and half child.

The French-born British Liberal Hilaire Belloc offered a simpler and more cynical interpretation of the imperial vocation:

Whatever happens, we have got  
 The Maxim gun, and they have not.

Not only was Europe the center of the world, but Europeans took it for granted that their “Western” values were predestined victors in a Darwinian struggle for moral and ideological supremacy. Europe was the home of ever-advancing modernity and progress. Its trajectory was a model for humanity. And within Europe, the same mentality prevailed. For the French, France was the heart of the European “west.” The Germans were “easterners”—uncouth at best, destructive at worst. For the Germans, these were quintessentially Russian characteristics. The Russians themselves were unsure where they belonged. “Westernizers” tacitly conceded that Russia was “eastern” but hoped it would follow the path taken by progressive, enlightened western Europe. “Slavophiles” rejected the materialism and individualism of the “west,” cherished the ancient vision of Moscow as the Third Rome, and believed that Russia should follow a unique, transcendental path of her own. For the British, even the French were at least a shade “eastern”: “Wogs,” insular Britons used to say, “begin at Calais.” (Wogs were “wily

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oriental gentlemen.”) In similar vein, the Austrian statesman Prince Metternich famously declared that “Asia begins at the Landstrasse”—the great highway leading eastward from Vienna into Hungary.

It was not clear where the United States fit in. It was indubitably Western. Like Russia, only more so, it was an offshoot of Europe. The urbane and cultivated gentlemen who founded it belonged to the same civilization as the elites on the European side of the Atlantic. In the nineteenth century, millions of European immigrants, fleeing poverty and oppression and inspired by the American dream of liberty and opportunity, left their homes to settle in the United States, where they helped to remake American civilization. But for other Europeans, the United States was more like Scythia than Greece. American democracy was less a promise than a threat. For Americans themselves, the United States epitomized the West. It was self-governing, freedom loving, democratic, trustworthy, and progressive. It was also a providential, uniquely righteous nation: the “city on a hill,” the last best hope of the world’s poor and oppressed. Europe, with its bloodthirsty wars, corrupt aristocracies, and cynical wiles, was, as Thomas Jefferson put it, “a field of slaughter”—or as Walt Whitman thought, “a stale and drowsy lair, the lair of slaves.”<sup>10</sup> In his farewell address at the end of his presidency, George Washington famously advised his countrymen to steer clear of European entanglements. For more than a century, most of them did so.

Europe’s centrality was short-lived. The First World War—the twentieth century’s first great European civil war—dealt it a grievous blow. The peace conference that followed the war was held in Paris, the most “European” of all capital cities; the potentates assembled there redrew the maps, not

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just of Europe, but of the Middle East, large parts of Africa, and even parts of east Asia. However, the chief potentate was the stiff-necked and self-righteous American president, Woodrow Wilson. He arrived in Paris bathed in the delusive aura of a savior, determined to remake the wicked Old World in the virtuous image of the New. Though his fellow countrymen returned to their isolationist ways even before he left the White House, the absent United States still loomed on the horizon of European politics—a symbol of hope for some and a portent of danger for others. (So did that other great emblem of ideological redemption, the Soviet Union.)

The Second World War destroyed Europe's centrality once and for all. In the immediate aftermath of the war, most of continental Europe was devastated, and much of it was traumatized. The death tolls defy imagination—nearly six million Jews, more than seven million Germans, more than two million non-Jewish Poles, more than a million Yugoslavs, nearly a million Rumanians, and more than twenty million Soviet citizens (not all of them Europeans). Warsaw was systematically torched and dynamited, block by block. Industrial Germany was flattened. Eight and a half square miles of Hamburg were incinerated in a firestorm, caused by Allied bombing. When Germany surrendered unconditionally in May 1945, much of Berlin was a heap of rubble.<sup>11</sup> During the next twenty years, the great European maritime empires disappeared. Kipling's "fluttered folk" became citizens of independent states; India, once the brightest jewel in the British Crown, became a great power in its own right, playing an important role in world affairs.

More significant for the long term than the killing and the physical destruction—more significant than even the huge population movements that transformed the ethnic map of eastern and central Europe—was a seismic shift in



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the balance of European power and in Europe's position in the global order. The war had started in Europe, for European motives driving European states. But it was also lost by Europe, including the nominally victorious Britain. The true winners were Europe's twin offshoots—the Soviet Union and (still more) the United States. The war's most obvious result was to carry both twins from the periphery of the continent to its heart. The ensuing cold war between them shaped its history for nearly half a century. Not only had Europe ceased to be the center of the world; it had become the cockpit of a worldwide struggle for supremacy between two rival visions of human destiny and the good society, incarnated by two non-European superpowers, which towered over their European allies.

But the old rhetoric of “West” and “East,” which had helped to structure Europeans' self-understanding since the days of Herodotus and Pericles, survived and prospered. For “westerners,” Washington DC became the new Rome, if not quite the new Athens. The Soviet Union, Ronald Reagan's “evil empire,” became a cross between Persia and Scythia. The Oder-Neisse line that divided totalitarian Eastern Europe from democratic Western Europe was the new Bosphorus.

The mental map that resulted was curious, to put it mildly. The Japanese, hosts to large American bases, became honorary westerners. After the Communist Party took power in mainland China, the once-Chinese island of Taiwan, then known to most westerners as Formosa, and ruled by the not notably democratic Guomintang party of Chiang-Kai-shek, became another outpost of the “West,” as did South Korea. (It is fair to say that Japan, South Korea, and Taiwan *are* west of California.) Turkey, viscerally anti-Russian since the days of Catherine the Great and, as such, a staunch American ally, was now more “Western” than the Communist satellites of

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Czechoslovakia and Poland, whose capitals lie far to the west of Istanbul, to say nothing of Ankara, the Turkish capital. Fidel Castro's Cuba was an "eastern" outpost on America's doorstep. Pesky would-be neutrals, like Tito's Yugoslavia, Nasser's Egypt, and Nehru's India, inhabited a cartographic limbo.

But these curiosities hardly mattered. What did matter was that there was a passable fit between the realities of postwar Europe and ancient narratives of "West" and "East." Europe east of the iron curtain was not as homogeneous as "Western" cold warriors imagined. Nor was it as immune to the cultural and intellectual shifts that took place in North America and non-Communist Europe. The 1968 "Prague spring" that seemed, for a magical moment, to portend a humane and liberal form of Communism in Czechoslovakia had something in common with the student revolts that swept through western campuses from California to Berlin. But when all the caveats have been entered, the brute reality is that Soviet power and the Soviet system reigned throughout the Communist satellites of Eastern Europe, with only trivial variations. They were all gray, grim, grubby one-party states, honeycombed with informers and lumbered with hopelessly inefficient and unproductive command economies. In all of them, censorship was omnipresent and heresy-hunting endemic. Everywhere civil associations were colonized by the party-state; everywhere, a culture of mistrust prevailed.

In non-Communist Western Europe, things were more complicated. Until well into the 1980s, the Communist parties of France and Italy enjoyed substantial mass support. Communism had no political purchase in the German Federal Republic, and though Communists had some influence in certain British trade unions, the British Communist Party was a negligible force in parliamentary politics. The political

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economies of Western Europe were variegated too. The neo-corporatist “social market” economies of the German Federal Republic and its smaller western neighbors were heavily influenced by Catholic social teaching. In France, a tradition of statist economic intervention dating from the seventeenth century spawned a distinctively French form of indicative planning, underpinned by a large nationalized sector. Britain also had a large nationalized sector, but repeated attempts to mimic French-style planning collapsed in failure and re-creation.

However, these were variations on a set of common themes. Four of them stood out. The first and most obvious was that the security of the entire region was underpinned by American power, above all by American nuclear weapons—enabling Europeans to enjoy a moral free ride by courtesy of the American air force. The second was that, partly because American Marshall aid in the early postwar years facilitated an astonishing spurt of economic growth that continued long after American aid ceased to flow, the region was saved for capitalism. Rapid growth took the edge off distributional conflicts and gave organized labor a stake in the success of the capitalist order. Resources were largely allocated through the market, and most of them were privately owned. State intervention was ubiquitous, but it was designed to make capitalism work better, not to supersede it. Generous welfare states mitigated the rigors of market competition. The tamed capitalism that resulted would have been almost unrecognizable to the nineteenth-century paladins of *laissez-faire*, but it was capitalism all the same.

Thirdly, Western Europe was overwhelmingly democratic from the late 1940s onward, and universally so after the demise of Fascist regimes in Spain, Portugal, and Greece in the early 1980s. Lastly, the double victory of democracy

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and tamed capitalism was both child and parent of one of the most hopeful political projects of the twentieth century—the deliberate construction of a supranational European Community, based on law rather than force, in which ancient enemies could live together in peace.

That was the world in which today's policy makers and intellectuals grew up and whose contours they took for granted. It was a good world for the elites and peoples of the "West." Europe enjoyed a longer period of peace than at any time since the end of the Roman Empire. Throughout the "West," including its Asiatic honorary members, living standards were higher than they had ever been, and seemed set to rise indefinitely. Despite the cold war, a plethora of small hot wars, and a savage, medium-sized hot war in Vietnam, it was a remarkably stable world. Once the turbulent and unpredictable Soviet leader, Nikita Khrushchev, had left the scene, both superpowers tacitly agreed that, in the European cockpit, the frontier between the capitalist West and the Communist East should be inviolate. It was permissible to intervene in peripheral conflicts in the Third World. It was not permissible to try to change the balance of European power.

As a result, "western" policy makers and publics knew where they were. More important, they knew who they were. They did not always agree about their approach to the "East." Some wanted to confront it, others sought *détente*. But on fundamentals, they were at one. They knew that they belonged to the "West"; and that, as "westerners," they were free, democratic, progressive, tolerant, and prosperous. They thought they had learned how to retain the good in capitalism while jettisoning the bad. They saw themselves as children of the Enlightenment, champions of the Open Society. For them, the rhetoric of "West" and "East" was as natural as breathing. For obvious reasons, "eastern" elites did not use

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that rhetoric: it implied inferiority to the “West.” But they too took it for granted that their world was different from that of the “West.” And like their counterparts in the “West,” they sought to manage the primordial conflict between the two, not to end it or transcend it—and still less to win it.

Then the earth shook. The great upheavals of 1989, which saw the fall of the Berlin Wall, and of 1991, when the Soviet Union imploded, destroyed the postwar world forever. For more than seventy years, Communism had been a practice as well as a doctrine. Communist ideology had challenged the democratic ideologies of the “West”; Communist practice had offered an alternative, working model of social organization—not just in an ideal world yet to be born, but in the quotidian reality of everyday life. It was not a particularly attractive alternative (at least not to “westerners”), but it did at least exist; and by existing it proved that the capitalist order was not the only possible one. The spectacular collapse of Communism throughout the huge territory once ruled by the Soviet Union and its satellites stood that proof on its head.

Suddenly, the alternative had disappeared—not because of foreign invasion or domestic revolt, but because its custodians had ceased to believe in it. The obvious conclusion was that it had always been a chimera—that the Marxist-Leninist God had been doomed to fail from the start. The Chinese story was less dramatic, but it had a similar dénouement. Under a nominally Communist party, the Chinese economy moved, ever more confidently, toward a strange kind of quasi-capitalism, run by a meritocratic but unaccountable and authoritarian elite. Capitalism was not just triumphant; for the first time since the Bolshevik Revolution, it was effectively unchallenged.

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In Margaret Thatcher's Britain and Ronald Reagan's America, a restless, dynamic new version of the untamed capitalism of the nineteenth century had already started to edge aside the tamed capitalism of the postwar period. In the 1990s, capitalism's untaming forged ahead, on every continent and in virtually every country. From Murmansk to Mumbai and from New York to Novosibirsk, a new economic order was on the march. A new orthodoxy—that the rational pursuit of individual self-interest is the true source of economic efficiency, that the rising tide of wealth produced by undistorted markets lifts all boats, that markets should be set free to regulate themselves instead of being regulated by state authorities, and that government intervention in the economy does more harm than good—took the place of the orthodoxies of the postwar period. Growth burgeoned, inequality soared, and competition intensified, while capital vaulted over national frontiers. The universal victory of capitalism was mirrored in the global supremacy of the United States, the world's only remaining superpower. The cold war was over, it seemed, and the "West" had won.

Or had it? Militarily, the United States unquestionably towered over the rest of the world. It spent as much on defense as the next fifteen countries combined. American bases spanned the globe. The American economy was easily the biggest national economy in the world. It was more than three times as large as Japan's and more than four times that of Germany—though the total GDP of the "Eurozone," the fifteen-nation single-currency area at the heart of the European Union, ran it close. There was talk of a new American "empire," reminiscent of the British Empire of old days.<sup>12</sup> Some insisted that the global market, the heart and soul of the new capitalist order, needed a global hegemon to protect it and that the only conceivable hegemon was the United

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States. The hidden hand of the market, as Thomas Friedman wrote, would not work without “a hidden fist.”<sup>13</sup> A related argument was that only American power could protect the weak and punish the wicked: that, as Robert Kagan put it, the United States was the world’s “sheriff.” (Europe, he added, was its “saloon keeper.”)<sup>14</sup> A simpler view was that, having become the world’s only superpower, the United States was determined to stay that way: that America simply *was* a great power and was behaving as great powers always do.

At first hearing, the language seemed confident. Yet there was a distinct undertone of unease; and since the horror of 9/11, unease has been tinged increasingly with anxiety and at times with dread. Evidently, the end of the cold war had not procured immunity from danger after all. Despite her huge military arsenal, America was vulnerable; the city on a hill no longer enjoyed divine protection. Rogue states, failed states, and terrorist networks posed more alarming, because less predictable, threats to American security than had the cautious, almost comatose post-Khrushchev Soviet leadership. The Bush administration’s answer was a new strategic doctrine, based on an explicit principle of “preemption,” or preventive war. It was not enough to wait to be attacked and then fight back. It was necessary to take “anticipatory action”—if need be, “preemptively” and unilaterally.<sup>15</sup>

But despite the macho swaggering of its champions, the new doctrine was a sign of insecurity, not of confidence. The most spectacular example of “anticipatory action,” namely the Iraq War, could hardly have been a worse advertisement for it. It appalled many American allies, dragged on far longer than its architects had expected, became increasingly unpopular with the American people, and, to cap it all, turned out to have been based on a mixture of deliberate deceit and faulty intelligence. When George W. Bush finally stepped

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down, the preemption doctrine and his own reputation were both in ruins. After his departure, revelations that CIA officers had routinely tortured Al Qaeda suspects left an even uglier stain on his—and America’s—reputation. Meanwhile, Barack Obama, Bush’s successor, made a breathtaking reversal of rhetoric and posture and abandoned macho swaggering in favor of modesty, flexibility, and inclusion. When he was awarded the Nobel Peace Prize in 2009, the world rejoiced. The era of the gun-toting global sheriff was over. America, it seemed, had rejoined the human race.

Obama was not just America’s first black president. He was also the first global leader to belong, emotionally and existentially, to the diverse world of the twenty-first century—to a world whose most obvious features were the “rise of the rest” and a yawning gap between the old depiction of global power and a new reality.<sup>16</sup> While the new capitalism was rolling on, and “western” consumers and financiers were living high on the hog, a quiet revolution had begun to shift the balance of the global economy away from the “West” and toward the “East” and parts of the South. The so-called BRICS—Brazil, Russia, India, and China—were levering themselves up the global technological and economic ladder, much as the United States and Germany had done in the late nineteenth and early twentieth centuries.

Commentators did not all agree about the implications, but in late 2008 a remarkable report by the American National Intelligence Council summed up what had become a consensus view. It forecast that by 2025, the world’s three largest economies would be the United States, China, and India, in that order. “In terms of size, speed, and directional flow,” it declared, “the global shift in relative wealth and power—roughly from West to East—is without precedent in



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modern history.” China and India “were restoring the positions they held two centuries ago. . . . The years around 2025 will be characterised by the dual identity of these Asian giants.”<sup>17</sup> A peculiarly vivid example of what the new configuration of global power is likely to mean in practice came at the UN climate change conference in Copenhagen in December 2009, when the Chinese premier treated the United States—and, for that matter, many of the world’s poorest and most exposed nations—with a mixture of lofty disdain and brutish contempt.

As the Intelligence Council’s report was at pains to point out, the shift of power was relative, not absolute. In absolute terms, the United States is still—and is set to remain—very rich and very powerful. Relatively, however, it is in decline—economically most obviously, but politically as well. Obama’s decency, intelligence, and grace have masked that decline, but they have not effaced the forces behind it. Not only did Obama fail to get his way at Copenhagen, but by the summer of 2010, more than a year into his presidency, he had also failed to break the logjam blocking peace between Israel and Palestine, one of his central objectives. And, as Britain discovered at the turn of the nineteenth and twentieth centuries, when Germany and the United States challenged her old economic supremacy, relative decline tends to be a painful and disorientating process. It is one thing to be the world’s unchallenged top dog, another to watch newcomers to the kennels yapping at your heels.

The shattering global economic crisis that began in the summer of 2007, when the American investment bank Bear Stearns announced serious losses on its hedge funds and that felled the Wall Street giant Lehman Brothers in September 2008, has given the experience a harsher and more alarming edge. The lords of creation in the investment banks and hedge

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funds of Wall Street and the City of London were revealed, not just as greedy (that was hardly a surprise), but as credulous, mendacious, and sometimes fraudulent. The public authorities that were supposed to regulate them turned out to have been complacent and negligent. Above all, the economic theory that justified minimal regulation turned out to have been hopelessly flawed, as Alan Greenspan, chairman of the U.S. Federal Reserve from 1987 to 2006, admitted at a congressional hearing.<sup>18</sup>

Supposedly self-regulating markets had fostered a swelling orgy of risk taking that culminated in the near collapse of the world's financial system when the bubble burst. The seductive doctrine that the unhindered pursuit of individual self-interest holds the key to prosperity and growth had helped to procure the most devastating fall in output and employment for eighty years. The rational economic actor that economists put at the center of their conceptual universe had turned out to be a chimera. The financial services sector had been driven by the wild stampedes of what George Soros, the uncrowned king of hedge fund managers, called "the electronic herd."<sup>19</sup> J. M. Keynes's mordant warning against allowing capital investment to become "the by-product of a casino"<sup>20</sup> had turned out to be as pertinent in the 2000s as it had been in the 1930s. And, horror of horrors, it became clear that state intervention on a scale unprecedented in peacetime—including a plethora of bank nationalizations that would have been unthinkable before the crash—offered the only hope of rescuing the market economy from itself.

The roots of the crisis were deep, and the implications are still in debate. But one thing is clear. It was, above all, a crisis of the newly untamed capitalism, of the capitalism that had emerged in the 1980s and triumphed in the 1990s. It was not confined to the two pacemakers, the United States

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and Britain. Tiny Iceland was overwhelmed; mighty Germany was badly shaken. But when all the qualifications have been made, there is no doubt that the economic paradigm that collapsed so spectacularly was made in America: not for nothing was it known as the “Washington consensus.” The heady mixture of greed, credulity, and self-destructive ingenuity that had loaded American banks with toxic assets and the American economy with a mountain of debt had plenty of European counterparts; the discovery that German banks had behaved as greedily and irresponsibly as their American and British counterparts made nonsense of the smug notion, much touted on the European mainland, that a special “Rhenish” capitalism was at one and the same time more kindly, less selfish, and more successful than the short-termist and hyper-individualistic Anglo-American model.<sup>21</sup>

But the fever was more flagrant in the United States (and still more so in Britain) than in mainland Europe. For years American and British commentators had berated Europe for failing to adopt the American model, while international institutions such as the IMF and the World Bank had lost no opportunity to pressure weaker nations to adopt it. Now its collapse had dragged the rest of the world down with it.

The full repercussions will not be known for some time. But it is already clear that the assumptions enshrined in Kipling’s “Ballad of East and West” have been turned inside out. At the very heart of the West-East antimony of the last twenty-five hundred years lay the proposition that the “West” was par excellence the home of reason, efficiency, and evolutionary success: that an enlightened, modern, rational, and progressive “West” confronted an unenlightened and backward “East.” These assumptions had always been patronizing and misleading. They are now manifestly absurd.

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The financial crisis and all that flowed from it showed that—at least in the narrow terms of economic growth that the American model had itself privileged—“eastern” China and India were more efficient, more successful, and more rational than the supremely “western” United States. While Americans splurged, the Chinese had saved; indeed, without the flood of Chinese savings that poured into the United States, American splurging would have been impossible. And India had managed to combine economic success with a pulsating and rambunctious homegrown democracy, as vigorous as America’s own.

The dynamism of the American economy, and the captivating resilience and openness of American society, had not suddenly disappeared, but the unique moral authority that America had enjoyed as the apparent epitome of rationality and progress, and which had underpinned her global hegemony, had suffered a terrible blow. As the Hong Kong property tycoon Ronnie Chan puts it, the world is in the throes of a subtle process of “rebalancing” moral authority. “The system that the west touted as superior,” he writes, “has failed. Why should developing countries blindly follow its model now?”<sup>22</sup>

Political authority is “rebalancing” too. Madeleine Albright, Bill Clinton’s secretary of state, once declared that the United States was “the indispensable nation.” It is a safe bet that, for the foreseeable future, it will be *an* indispensable nation. But it will never again be alone in its eminence. “Eastern” China and India will be indispensable too: that was one of the lessons of the failure of the Copenhagen climate change conference. They may well be joined by “southern” Brazil and conceivably by “eastern” Russia as well. The obvious question for the United States as the pluralistic,

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unstable, conflicted world of the twenty-first century takes shape is Fareed Zakaria's. "Can Washington adjust and adapt to a world in which others have moved up? . . . Can it thrive in a world it cannot dominate?"<sup>23</sup> But there is also a less obvious and more painful question. Can Americans come to terms with the end of American exceptionalism? Can they abandon the myth of America as the city on a hill, with a unique, redemptive message for mankind? And can they do all this without damaging the patina of magic that still clings to their country?

The questions for America are hard enough, but the questions for Europe—the other half of the traditional "West"—are far harder. The familiar narrative of "West" and "East" had been European long before it crossed the Atlantic; the issues raised by the global transformation that is now making nonsense of it go to the heart of Europe's understanding of itself as well as of its place in the world. For the architects of the European project, Europe was not just part of the "West." It was the epitome of the "West": the heart and soul of the civilization that had first flowered in ancient Greece. Part of the point of the project was to enable Europe to recover its rightful place as the chief custodian of "western" values.

At the same time, "western" Europe could count on the support of a "western" superpower patron when the going got rough; the assumption that the patron will always be available to pull European chestnuts out of the fire is still part of the mind-set of Europe's leaders, particularly in the continent's eastern marches. But the emerging new global system has no place for such a patron. The Obama administration is not anti-European, as the neocons in the Bush administration used to be. However, it has new and bigger fish to fry.

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The British commentator and historian Timothy Garton Ash puts it well: Obama, he writes, has “no sentimental attachment to the old continent. His question to Europe is: ‘what can you do for us today?’”<sup>24</sup> And though Garton Ash does not say so, the answer is patently, “not much.”

More probing questions follow. Can Europe recover the *élan* and political creativity that healed the wounds of the two great European civil wars of the last century and then extended the scope of democratic rule to the former Soviet satellites in East Central Europe? Can it overcome its internal contradictions—between European elites and their peoples, between democratic promise and technocratic reality? Can it develop institutions with the legitimacy, will, and capacity to enable it to join the United States, China, and India as a global power? Or is it doomed to remain an economic giant and a political pygmy—rich, fat, vulnerable, and increasingly irrelevant to the new world that is taking shape beyond its frontiers?

The current omens are not encouraging. The unique European experiment in consensual supranational government has been astonishingly successful. Old enemies *have* learned to live together, if not in fervent amity then at least in peace. Guaranteed human rights and the rule of law now prevail, albeit with occasional blemishes, right across the continent that spawned one of the most evil regimes in human history less than a lifetime ago. The trouble is that times have changed. The great, epochal successes of the European project took place, first in the binary world of the cold war and then in the monist world of unchallenged American primacy that followed: in other words, in an age when the old antimony of “West” versus “East” was virtually unchallenged. But that age is over. In today’s conflicted and shifting world, the

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only dubiously legitimate governing institutions bequeathed by the Union's founding fathers—and still more the cluster of assumptions and habits that has grown up around them—are no longer fit for the vastly more daunting trials they face.

It took eight years—from 2001 to 2009—to devise and carry through a set of significant, but hardly earth-shattering, institutional reforms designed to make Union decision making more efficient and somewhat more transparent. The economic crisis of 2007–10 has shone a bright and cruel light on a design flaw in the Eurozone. As the Irish former EU commissioner Peter Sutherland caustically puts it, its system of governance is “intellectually and politically schizophrenic.”<sup>25</sup> A European Central Bank controls monetary policy, but member governments still control fiscal policy. As a result, the weaker economies of the Eurozone are caught in a vice. They cannot let their currencies float downward in response to the global crisis, as Britain did: they have no currencies of their own. But there is no supranational budget to help them mitigate the deflationary consequences of the crisis as there are in fully fledged federations. And, to cap it all, Europe was sidelined at the Copenhagen climate change conference. Though European politicians frequently talk about the shift of economic and political power from west to east, there is little sign that they or the citizens they represent have thought seriously about its implications for European political economies or the Union's curious constitution. In Brussels and the capitals of the member states, the dominant theme is “business as usual,” or at least “business as usual, as soon as we can get back to it.”

Sober reflection on the implications of the changing configuration of global power has been drowned out by a chorus of self-congratulation. Many hold that the European Union's

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undoubted success in persuading national lambs to lie down with once-threatening national lions can and should be indefinitely repeated in the territories beyond its present frontiers, and that its vocation is to carry the message of that success to the rest of humanity. The distinguished German sociologist, Ulrich Beck, has opined that “the catch-phrase for the future might be ‘Move Over America—Europe is back’”; the brilliant young British publicist, Mark Leonard, has insisted that “a New European Century” is dawning and that Europe “will run the 21st century”; while the Frenchman, Marcel Gauchet, editor of *Le Débat*, has prophesied that the formula pioneered in Europe will eventually serve as “a model for the nations of the world. That lies in its genetic programme.”<sup>26</sup> But, to cooler heads, this enlightened, postnational vocation looks as Eurocentric as the unenlightened, imperialistic vocation that dazzled Europeans in the nineteenth century. It also seems remarkably reminiscent of the American dream of the city on a hill and, if anything, even less likely to play well with the rising powers of Asia and Latin America. The kindest thing to say about such dreams of Europe as a light to lighten the gentiles in the rest of the world is that they are a century out-of-date.

On present trends, the American National Intelligence Council thought, Europe will be “losing clout in 2025,” while the EU will likely remain a “hobbled giant, distracted by internal bickering and competing national agendas.”<sup>27</sup> To be sure, these trends are not set in stone. Few in the devastated Europe of 1946 or 1947 would have predicted the astonishing upsurge in living standards that transformed the western half of the continent in the 1950s and 1960s. In the querulous 1970s, few foresaw that, by the end of the century, a single European currency would replace national currencies



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throughout the continent's heartland—a tragically incomplete achievement as I suggested a moment ago, but nevertheless a historic one. As late as the summer of 1989, no one imagined that the then Communist states of East Central Europe would soon become full members of the Union, pledged to democracy and the rule of law. Trends can bend. Europe's fate is in its own hands. But it can prove the doomsters wrong only by drawing on all its reserves of political creativity and imagination.

Imagination matters most. The architects of the European project were hardheaded politicians and officials, not otherworldly dreamers. But they were politicians and officials with a difference. They had an exceptional capacity to see beyond their noses: to imagine a different future and a path toward it. Events did not follow their path in every respect: it would have been astonishing if they had. Yet the two great changes of the recent past—enlargement to the east and the single currency—were immanent in their project from the beginning. The Europe of 2011 is the product of the leap of imagination that brought the European Community into existence nearly sixty years ago.

But sixty years is a long time. Another leap is long overdue. The great question is what form it should take. This book offers one man's answer. I examine the contradictions and evasions in which the European Union is now enmeshed and suggest an alternative approach. But my alternative is open-ended. I do not set out a ready-made blueprint for the future, still less a toolbox of institutional quick fixes. My focus is on the ideas, memories, and *assumptions* that shape the thinking of policy makers and institution leaders rather than on policies or institutions themselves. And I write as a committed friend of the European project, not as a foe. The

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last thing I want to do is to denigrate its achievements or to belittle the moral vision that lies at its heart. But I believe that the best way to pursue that vision as this troubled century moves on is to sound the alarm. Self-congratulation is no longer enough.