

**A World in Danger**  
**Financial Mismanagement, State Regulation & Ethical Necessity**

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**American Exceptionalism:  
Review & Prospects**

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**Introduction**

One of the more important political constraints of interdependence, financial or otherwise, is the place and role nations assign themselves within a given social order. How nations define their identity necessarily determines the role they will play in international politics.

My point of departure today is that the current financial crisis that has broken out around the world is indeed exceptional: in the depth, the breadth, and the consequences it is having on the lives of many millions, consequences that will continue to reverberate around the global economy for many years to come. It is also exceptional because, despite the integrated complexity of global financial structures, it is a crisis very much home grown in the financial, credit and banking practices of America. The ill-considered and little-understood workings of sub-prime lending (by borrowers, lenders, and international investors alike), authorized by the Clinton administration in the last years of its mandate, set in motion a process of domestic financial over-reach and a housing credit frenzy that reflected the short-sighted reasoning, quaint optimism, and government irresponsibility that is too often characteristic of America. In short, this crisis has upon it the indelible stamp: "Made-in-America".

For that reason, many wonder how this crisis will play out in the United States, what impact this crisis will have upon the financial, social and political behavior of America in the future, but more particularly how the crisis will or will not alter US foreign policy and international action under the presidency of the relentlessly charismatic, globally popular, yet young and inexperienced Barack Obama.

**I. The Concept of American Exceptionalism**

More to the point, my interest today is to consider what impact this crisis is likely to have upon one specific characteristic of American international behavior, one deeply rooted in her history, culture and collective identity: the attachment to the doctrine of American Exceptionalism. This is the belief that America occupies a special place among developed nations; that America plays a unique role in international relations; that the US should have exceptional rights to match its special responsibilities; that America's behavior cannot be determined by ordinary rules, morals, and standards that determine the international behavior of ordinary countries and nations; the United States can expect others to abide by rules and laws it is unwilling to embrace itself. In short, this form of Exceptionalism is manifested in unilateralist and protectionist foreign policies. While Americans on the Right tend to refer

to this outlook as simple Exceptionalism those on the left, and many around the world, refer to this as hegemony, imperialism, or worse.

American Exceptionalism has a long historiography and is a complex phenomenon. There are two major, and interconnected, themes to this concept: one domestic and one international. Within domestic American history, America imagines itself as an exceptional country of citizens unified by an allegiance to a common set of ideals that taken together shape much of American self identity: rugged individualism, defense of liberty, anti-statism, egalitarianism, laissez-faire economics, ideology of success, unrestricted opportunity, and the frontier spirit of individual initiative, to mention just a few. There is no time to discuss these within the context of American history, politics, culture and society. What is important is how such ideas influence the American nation in its interactions with foreign nations, states, and cultures.

The international side of it is therefore more relevant to the current financial crisis. American Exceptionalism as expressed in international relations is the impulse in America to use its power and wealth stand aside from international standards of behavior. This can be and is done by the United States in a number of ways:

- Avoiding international laws through self-exemption (non-recognition, non-ratification, ratification with reservations, and , recently in a new twist, un-signing treaties);
- Creating double standards (Interpreting laws unilaterally so that they don't apply or acting as if a different rule should apply for itself than applies to others)
- Breaking international rules and laws (rejecting legal judgments or ignoring legal procedures)

Examples:

- International Criminal Court (Un-signing and non-ratification)
- Kyoto Protocol on Climate Change (Non-ratification)
- Capital Punishment for juveniles and the mentally ill (Non-recognition)
- Rejection of ICJ rulings (US vs. Nicaragua) (Breaking international law)
- Land Mines Convention (non-ratification)
- Guantanamo Detainees (Breaking international law)
- Extraordinary Rendition (Breaking international law)
- Geneva Conventions Against Torture (Breaking international law)
- Right to use force in preemptive right of self-defense (Breaking international law)

While these are all very complex issues, and where America is not alone in manifesting exceptionalist behavior in international relations, and while American has been behind and supportive of a great deal of positive and progressive international law, taken together and in the public eye, these transgressions are behind widely-held sentiments that the United States under George Bush was indeed a unilateralist state at best, and a rogue state at worst. Indeed, the global financial crisis has been seen as another example of how the United States feels free to ignore the principles of more sound and conservative financial practices elsewhere.

In the field of international relations, the theoretical work of Emmanuel Wallerstein, Antonio Gramsci and Robert Cox helps us understand both what underlies the behavior of American Exceptionalism and the possibility that the Obama Administration will break with such Exceptionalism and unilateralism as it faces the current international financial crisis.

## II. Theoretical Explanations for Exceptionalist Behavior

### World System Theory of Immanuel Wallerstein (1930- )

A U.S. social scientist and co-founder of world-system theory now at Yale University, Wallerstein provides us with a global approach to today's capitalist world system in which the 19<sup>th</sup> century Marxist analysis of domestic exploitation and class struggle is broadened and applied to the entire process of 20<sup>th</sup> century globalization. It is an attractive analytical approach precisely because of its comprehensiveness:

- the emphasis on world-systems and global processes rather than on nation-states
- the stress placed on historical processes acting over long periods of time
- its interdisciplinary use of history, sociology, economics, political science, & ethics
- the integration of states, corporations, classes, & sub-groups into a systemic whole

With these concerns in mind, Wallerstein identifies a three-tiered structure of global economic power: core, periphery, and semi-periphery.

#### The Core

Comprised of the group of developed democratic countries enjoying high wages, an export economy of manufactures, an import economy of raw materials, high financial investment, and advanced welfare systems. This is essentially the old G7.

#### The Periphery

Comprised of largely non-democratic governments, exporting cheap raw materials in return for ever more expensive manufactured goods, and where wages are subsistence, investment largely absent, and social services exist. Most of Africa, large sections of Asia, Latin America, and Middle East Wallerstein include in this group.

#### Semi-periphery

Comprised of largely authoritarian governments, this is an intermediary hybrid of core-periphery characteristics. Because mature industries of the core delocalize here in search of low wages and economic stability, these states do have a manufacturing export industry. The automotive industry, textiles, steel, and electronics are good examples. But such states still export raw materials and import more advanced manufactures. This would include the additional countries now a part of the G20.

According to Wallerstein, all three zones are structured into an exploitative relationship where wealth is extracted from the periphery and progressively transferred to and concentrated at the core. After some 500 years of capitalist productive energy on a global scale, the result is clear to Wallerstein: extraordinary wealth for the few and two billion people living on several dollars a day. The gap between rich and poor has never been greater, is constant increasing, and is, according to World-System theorists, the whole purpose of the capitalist enterprise.

But all is not well in this system and Wallerstein introduces into his analysis a temporal element that predicts crisis and collapse. Boom & bust cycles inherent in the system weaken the structure. The 1930s depression, the Latin American debt crisis, the Asian economic crisis, the Dot.com bubble, the current housing and credit crisis are all examples. In addition, the system is rent with internal economic contradictions making it unsustainable over time. Most often cited is Capitalism's need of well-paid consumers all within a logic of corporate profitability demanding low wages. The result of such contradictions in World System theory is crisis: a unique event in the life of the system whereby the system is challenged from within, collapses and is replaced by a new system.

Wallerstein has been predicting this crisis for some 40 years now. The events he has identified as signaling the start of the crisis have been, in turn, the events of 1968, the collapse of the Soviet Union,

September 11, the US invasion of Iraq, and not surprisingly, the current banking and financial crisis. He claims that the dominant position of the United States in the world capitalist system is in now irreversible decline, signaled by the falling dollar, the emergence of economic power in Europe and Japan, and America's growing credit dependence on China and South Korea. Under US leadership, Wallerstein states we are fully in the midst of a great depression.

The decline of leadership, legitimacy, influence and relative power that the US has experienced under the Bush Presidency, now coupled with the extraordinary mess America has made of banking deregulation, laissez-faire credit policies and financial speculation, does give weight to Wallerstein's analysis.

The decline, if not the end, of American Exceptionalism—particularly in the form of protectionism and unilateralism—is at the center of today's debate on how to respond to the crisis, how to avoid similar crises in the future, but more importantly, how to create rules of global governance that are designed to change the very nature of the economic system. If the first six months of this crisis have taught us anything, it is that only through coordinated, multi-lateral, and truly integrated collective responses can world leaders hope to minimize the unparalleled destruction this crisis is unleashing upon their respective national economies and upon the fragile ecosystems struggling to nourish them.

The theoretical work of Emmanuel Wallerstein, regardless of his normative and political agenda, reminds us of a number of things critical to understanding the causes of the current crisis and of managing the aftermath of today's financial crisis:

- that systems are built to serve interests and therefore don't treat everyone equally
- that complex systems often run out of control, even for those whose interests it is designed to serve
- that sustainable and equitable systems require rules and regulations applicable to all

Immanuel Wallerstein's bitter criticisms of George Bush spring from what he sees as that administration's blindness to the coming half-century of chaotic financial instability, to its blithe ignorance of environmental breakdown, and to its cruel indifference to the suffering and plight of the desperately poor. His overt support for Barack Obama in November 2008 suggests that he believes that the young President, while not inclined to dismantle American power and influence, does think that the United States should support and use multilateral institutions and processes in more equitable ways and for more global objectives. What is in crisis is the entire hegemonic system put into place by the United States as leader of the Capitalist world after 1945. Wallerstein hopes a new era of global governance will replace it.

### **Hegemony Theory of Antonio Gramsci (1891-1937)**

I move onto our next theorist. The early 20<sup>th</sup> century Italian Marxist, Antonio Gramsci, supplies us with additional theoretical tools for understanding the causes of today's financial crisis and the possible ways it might unfold.

Gramsci's intellectual reputation largely stands upon his analysis of why it had proven so difficult to promote revolution in Western Europe in those advanced industrial economies that were, according to Marx, so ready for revolution. It is the concept of hegemony that Gramsci uses to explain what otherwise seemed to be a flaw in Marxist analysis.

For Gramsci, the concept of hegemony expresses the dual nature of the exercise of power: a mixture of coercion and consent. In advanced societies, ruling elites recognize the limitations of using brute force to maintain the status quo (as was the case in Tsarist Russia). What is required instead is consent. Such consent must be conceived, manufactured, and sustained by transferring to the subordinate

groups and classes in society the moral, intellectual, political and social values of the dominant class of elites.

This is done through civil society by which a dense network of institutions and organizations, while formally independent of the government, nevertheless socialize the population and build support for elite goals. Gramsci identified the church, the media, the educational system, and volunteer organizations as the primary agents of building such consent.

In short, Gramsci joined together traditional Marxist socioeconomic relationships that he called the *base* with his own Gramscian politico-cultural relationships that he called the *superstructure*. The result was a reciprocal and mutually reinforcing constituency that he called a *historic bloc* in which the social order was the expression of the interaction of economic *and* political-cultural relationships. The hegemonic group of this order, while not immune from counter-hegemonic struggles, nevertheless enjoys a position of dominance precisely because it has created so many strategically-placed public and private institutions and organizations all sharing common values, interests, outlooks and aspirations. (Noam Chomsky and Edward S. Herman wrote a book and made a film inspired by Gramsci's work. The title of both was *Manufacturing Consent: The Political Economy of the Mass Media*. Both are very stimulating.)

Gramsci's big idea, in short, is that modern states have learned that they can do pretty much what they want domestically as long as they build sufficient consent throughout civil society that obviates the need for coercion. Gramsci would likely cite US hand-gun laws, the death penalty, the militarization of American society, post 9/11 torture, the absence of national health care, and the 2003 invasion of Iraq as examples of how widespread consent within civil society can be used to support neo-conservative government policies. Indeed, Gramsci would likely say that entire concept of American Exceptionalism has been articulated as a self-fulfilling prophecy legitimizing American unilateralism and in opposition to binding global governance.

### **Hegemony Theory of Robert W. Cox (1926- )**

We come back to the financial crisis through the work of Canadian scholar Michael Cox who is most responsible for taking Gramsci's ideas out of their early 20<sup>th</sup> century European context and applying them to the larger world of international relations in general, and to American hegemony, unilateralism and Exceptionalism more specifically.

Where Gramsci is concerned with how states use civil society to build political consent, Cox focuses upon how states and their ruling elites actually set out to create the "common sense", "accepted wisdom" and even "factual knowledge" needed to justify and legitimize the hegemonic order. In a direct challenge to the notion that there is a simple separation in the social sciences between fact and values, Cox affirms, in his most celebrated phrase, that *Theory is always for someone, and for some purpose*, by which he means: Beware of establishment scholars who claim to be giving you objective analysis, empirical theories, realistic appraisals, hard-headed facts, and common sense conclusions. They are not, says Cox: they are using theory to generate an ever broader consensus for preserving a given world order, even among those who are disadvantaged by it.

Robert Cox is particular impatient with "Realists" who, he says, falsely claim to be describing the world as it is, as it always has been and as it always will be, however unfortunate or depressing such a reality is, when in fact they are simply legitimizing the ruling hegemonic elite of the current world order. Consequently, in the context of US foreign policy, Cox sees terms such as "free trade", the "Washington Consensus", and "global security" as mere hegemonic euphemisms that, while presented as common sense and consensual pursuits in which everyone benefits, mask the fact that such policies favor the hegemonic dominance of America and its elites.

In the current financial crisis, the critical theories of Robert Cox play an important role. They serve to strengthen our resolve to look beyond what we are told by the economists, bankers, and government officials warning us to remain realistic, sensible, and practical in the new world we try to fashion out of this crisis. We will be told that building a new framework of global governance in which the rules and regulations apply to all, and from which benefits will be more equitably distributed across the globe, is simply a utopian dream out of touch with hard-headed reality and common sense. The ethical necessities that this crisis impose upon us, however, require real imagination, conviction, and determination. This is what Robert Cox challenges us to come up with as we think about building a new world financial order.

### **III. Conclusion: America under Obama**

#### Barack Obama on American Exceptionalism

I would like to conclude by asking what US President Barack Obama thinks about American Exceptionalism. We are quite lucky because a journalist asked him that very question at a news conference on Saturday April 4, 2009 in Strasbourg following the NATO conference.

This was the question:

*Mr. President. In the context of all the multilateral activity that's been going on this week — the G20, here at NATO — and your evident enthusiasm for multilateral frameworks, to work through multilateral frameworks, could I ask you whether you subscribe, as many of your predecessors have, to the school of American exceptionalism that sees America as uniquely qualified to lead the world, or do you have a slightly different philosophy? And if so, would you be able to elaborate on it?*

Here is his answer:

*I believe in American exceptionalism, just as I suspect that the Brits believe in British exceptionalism and the Greeks believe in Greek exceptionalism. I'm enormously proud of my country and its role and history in the world.*

*If you think about the site of this summit and what it means, I don't think America should be embarrassed to see evidence of the sacrifices of our troops, the enormous amount of resources that were put into Europe postwar, and our leadership in crafting an Alliance that ultimately led to the unification of Europe. We should take great pride in that.*

*And if you think of our current situation, the United States remains the largest economy in the world. We have unmatched military capability. And I think that we have a core set of values that are enshrined in our Constitution, in our body of law, in our democratic practices, in our belief in free speech and equality that though imperfect, are exceptional.*

*Now, the fact that I am very proud of my country and I think that we've got a whole lot to offer the world does not lessen my interest in recognizing the value and wonderful qualities of other countries, or recognizing that we're not always going to be right, or that other people may have good ideas, or that in order for us to work collectively, all parties have to compromise and that includes us.*

*And so I see no contradiction between believing that America has a continued extraordinary role in leading the world towards peace and prosperity and recognizing that that leadership is incumbent, depends on, our ability to create partnerships because we create partnerships because we can't solve these problems alone.*

These last words I repeat: "...we create partnerships because we can't solve these problems alone." Here is a new attitude and turn of mind in the White House that might help us all forward in this crisis.

## Obama and Multilateralism

I conclude with these thoughts:

In both domestic and foreign policy, there are many indicators that the new Administration in Washington is making clean breaks from many of the policies of its unloved predecessor. A quick look through the campaign promises of Barack Obama reveals that he is sensitive to the opinions, needs and values of other nations and cultures. He understands the importance of consulting with allies, of listening and learning from others' experience, of pursuing multi-lateral solutions to today's problems. He knows that America must engage with the world on a basis of mutual respect and real equality. His personality and disposition are neither hegemonic nor imperialistic, unlike some of his predecessors, but collaborative and respectful. His speech to the Muslim world last week was both symbol and proof of just how exceptional an American he is.

It is true that the global financial crisis that now grips the economies of rich and poor states alike presents a real challenge to a nation like the United States historically accustomed to the unilateral action and go-it-alone policy of the Bush Administration. A fundamentally new approach to global politics and finance is now required. This symposium implies that this is now an ethical necessity for us all.

President Obama does indeed embrace the style, the substance and the implications of a multilateral re-conceptualizing of a global economic and environmental order that America must see she can no longer dominate. The political constraint that he faces is whether he can communicate to the American people the urgency and importance of a new multi-lateral approach to our common global problems. This is the challenge. Barack Obama must persuade the American nation that in a world in danger such as our own, no nation has the luxury of considering itself exceptional. Unilateralism, hegemony, and protectionism are not in America's true interests. That was the real message behind the election of Barack Obama on November 4<sup>th</sup> 2008.

If Obama succeeds in this endeavor, he has the opportunity to help create a new system of global financial governance, one without the hegemonic dangers, the unethical practices, and the systemic weaknesses Wallerstein, Gramsci and Cox identify as an integral part of today's global order.

It will take time and it will be difficult but I believe Barack Obama has the intelligence and the humanity to help America see the need for new, more realistic, and more modest habits, rules and regulations for using and sharing the scarce resources of our global village. Only through concerted efforts, shared burdens, and global governance can we hope to avoid even greater international chaos in the future.

*Le monde en sursis? Oui! Le monde sans espoir? Non!*

Thank you very much.

Scott G. Blair