

# Financial Implosion and the New American Century

What It Means for Societies and People in the Multipolar World Order

By [Niloufer Bhagwat](#)

Global Research, October 26, 2008

[FutureFastForward.org](http://FutureFastForward.org) 26 October 2008

Region: [Asia](#), [Middle East & North Africa](#)

Theme: [Global Economy](#)

The New American Century, the strategic concept of Anglo-American – Zionist Capital has imploded, along with major Investment Banks and financial and banking institutions of close alliance partners, humiliatingly in full view of peoples and societies where they pillaged, killed, tortured and terrorized rendering millions homeless into refugees.

The propaganda ploy of the global “War on Terror” for invading countries and incorporating proxy governments into an alliance against their own peoples and citizens of neighbouring countries, to secure resources, national budgets of the countries occupied and station military bases in strategic regions, was unable to conceal or camouflage the scale of the financial fraud, perpetrated by the ‘Best and Brightest’ of Bankers and CEOs and the nature of the exploding speculative bubble unprecedented in world history, endangering the entire banking system of these financial centers and those interlinked, destroying the myth of the finality of this system, what was described with intellectual arrogance and ignorance as the ‘end of history’ of mankind’s quest for better, equitable and just economic and political systems, forgetting that that nothing is static and civilizations evolve.

The collapse has neither been sudden nor overnight as the corporate media attempts to project, having earlier concealed the fraud, even as those in control of sinking Banks, financial institutions and corporations supported abandonment of all regulations oversight, resorted to imaginative/inventive accounting methods, dumped subprime mortgages onto unsuspecting home owners, now overwhelmed by interest payments and depreciating value of houses, with millions facing the prospect of being homeless. At the core of the fraud and criminality has been the financial trading in dubious securities, fraudulently rated and termed as complex financial instruments or derivatives of colossal financial magnitude.

Even as the unraveling of the fraud commenced, a constitutional coup was resorted to in the United States of America to seize control of the government through electoral fraud, stamping out civil rights and liberties by executive fiat rubber stamped by Congress, assuming extensive and intensive powers of surveillance and arbitrary detention, to declare citizens and foreigners as ‘enemy combatants’ to deploy troops/national guards to take over society, witnessed by the herding of the poorest of the poor following Hurricane Katrina and the nature of menacing security measures put in place around banks directed at bank customers. It is now reported that the 3rd Infantry, First Brigade Combat Team, specialists in counterinsurgency, which spent three out of the last five years in Iraq, including in the retaking and patrolling of Fallujah, has been redeployed to the Northern Command, within the United States. Events have come a full circle, it is now people of the United States, UK, Europe and Japan, who are fearful victims of an economic system which earlier sought to devour the rest of the world.

It was on the basis of hard intelligence of the impending collapse of the 'Unipolar' economic, political and military world order, that then President Putin with an impeccable sense of historical timing, after an assessment of the increasing reliance of the United States, the UK and its alliance partners on neighbouring countries and regional powers to prevent a humiliating retreat from Iraq and Afghanistan, similar to Vietnam, with the close military ally Israel already defeated by the Hezbollah led national resistance of Lebanon, raised vital questions at Munich in 2007, on the grossly unjust, archaic and unworkable nature of the unipolar world and its ideology in the following words:

"What is a unipolar world? It refers to one type of situation, one center of authority, one center of force, one center of decision making. It is a world in which there is one Master, one Sovereign. This is pernicious... unacceptable .... impossible."

The capacity of Wall Street and London City among other western financial institutions and those interlinked, to determine the destinies of the world, even through proxy governments, has now weakened substantially, even as their banks and financial institutions continue to implode and this is only the beginning of the unraveling. Increasingly this financial and corporate oligarchy seek to round up their own citizens, to take over national budgets, tax revenues and income of working and middle class people, reducing them to debt peonage and to a homeless existence for millions, hitherto the lot of the poor in Asia, Africa and Latin America, while installing the very perpetrators of the gigantic financial fraud in the inner councils of government in the UK among other countries. In the US the financial bailout is presided over by the Secretary of the Treasury, Hank Paulson former Chairman of Goldman Sachs, dispensing this largesse, first to the most delinquent erstwhile Investment Banks, financial institutions and their CEOs. The "moral hazard" of such a bailout, the political backlash, apart from the feasibility of such massive sums being injected to delinquents of the financial system, without announcing any restructuring and regulation for a systemic change of the financial system, is now affecting the real economy impacting liquidity, inter bank transactions, with paralysis of corporate and trading, day to day activity. On the other hand unemployment and underemployment figures grow into double digits, with pension funds and savings defrauded and more and more people unable to afford health insurance.

All confidence in the banking and financial sectors have collapsed, even as the total sum of fraudulent derivatives and securities, camouflaged as complex financial instruments passed on from one financial institution and bank to others in the chain, are estimated at \$516 trillion, whereas the market for credit and loan derivatives is said to be \$56 trillion\* [1]. These are mind boggling sums even for financial analysts, as these sums can never be correlated to reality and dwarf in financial figures alone and in terms of extensive geographical impact of the crisis , the ' Great Depression' of 1930.

The figures of the bailout packages for banks and financial institutions, is the largest financial transfer of resources in world history from working citizens to finance capital in world history, with far reaching political impact not only on future developments in these societies but across continents. In the United States the financial bailout package of \$ 700 billion is in addition to the bailout of Bear Stearns and the \$85 billion expended on AIG Insurance along with another 35 billion expended, even after Congress was aware that AIG insurance company used funds from the earlier financial bailout to host Insurance Agents at the luxury resort at St. Regis's Resort, Monarch Beach in California, running up a bill of \$443,000. Britain has followed with an announcement of \$655 billion to support seriously

imploding British Banks. Germany's bailout package is approximately \$480 billion (\$400 billion as state endorsements for credit between Banks and \$ 100 billion as fresh capital for banks).

France announced \$ 380 billion for non –performing loans and \$40 billion for supply of fresh capital to banks; Spain has announced \$100 billion.

These bailout packages have been followed by similar announcements from countries with close interconnected banking and financial operations such as Australia, Singapore, Indonesia, New Zealand and Switzerland. The latter known for its banking operations including the deposits of slush funds by the leaders and officials of some developing countries.

Earlier a serious diplomatic and economic row broke out even as a bankrupt Iceland declined responsibility for \$10 billion of deposits of British Local Authorities, Councils, Corporations and individual account holders in Iceland. In retaliation for which the British government has seized the assets of Iceland Companies in England even as Iceland has negotiated a loan from Russia.

A vital fall out effect of this financial collapse is the end of the neoliberal imperial world order and its ideology, now seen as directly responsible for engineering this systemic collapse with its absurd ideological construct of “free markets”, as the concept of “free markets” is itself a myth created by this ideology, as markets were secured by transnational financial and other companies based in countries now facing financial implosion through the WTO order by diverse strategies.

Many governments signed the WTO without any debate or discussion in the legislatures as to the impact of the WTO on their society as a whole. These markets were far from free, opened up more by economic, financial or military coercion than by means of so called free and fair trade and in many regions were also acquired by the subversion and corruption of the political and corporate leadership of the developing countries in Asia, Africa, Latin America and in Central and Eastern Europe, apart from in what are termed as in the “emerging economies”. To quote Professor Anatol Lievan, Professor of King's College, London and Senior Fellow at the New America Foundation in Washington:

“The crisis has finished the Washington Consensus, the standard package of free market reforms promoted by Washington and the Bretton Woods Institutions to replace the State run economies of developing countries.”

The debacle in Iraq has seen Latin America , hitherto considered an economic , political and military backyard of the USA ,shake off more than century old yoke and sweep away the remnants of the Monroe doctrine . The Bolivarian alternative to the Washington Consensus led by Venezuela , has seen the establishment of terms of trade , banks, energy and communications network beneficial interse to the countries and people of Latin America , which includes the historic agreement between Argentina and Brazil to settle the terms of trade in their own countries and the end of the isolation of Cuba among a series of other initiatives ending conclusively the historic oppression of Latin America and the indigenous communities .Brazil in this context has emerged as an economic power committed to co-operation with and interdependent on the resources of Latin America including hydrocarbons.

The strategic and military consequences of the weakening, including as the consequence of the sustained and indomitable national resistance movements, are visible in Iraq, Lebanon and Afghanistan, with the Palestinian people refusing to accept subjugation and denial of statehood and the recent military denouement of President Saakashvili of Georgia, a close military ally of the USA and Israel even as he was egged on by his allies to brutally attack the South Ossetian Capital Tskhinvali, in violation of the ceasefire, killing hundreds of South Ossetians and Russian peacekeepers.

This is a vital strategic development, which has resulted in the end of Russian isolation on the Caspian, the Black Sea, the Caucasus and Central Asia, with Azerbaijan gradually altering course in the light of strategic and economic developments and the Ukraine with close economic, political and historical ties to Russia and a large Russian population already transformed, the political situation in that region is reinforced by the ongoing cascading financial collapse of Wall Street.

Undoubtedly it was the establishment of the Shanghai Co-operation Organization, on the joint initiatives of China and Russia with members from the former Republics of the USSR, and Iran among others as observers, which was really the precursor of present developments, which brought home to the region the realization that neither China nor Russia were ready to continue their subordinate status. For the first time since the grant of most favoured nation status to China for trade by the United States, both China and Russia opposed the Security Council Resolutions on Iraq in 2002 and 2003.

China once again opposed the Security Council Resolution on Myanmar in 2007 and on Zimbabwe, while Russia dissented on Kosovo, in regions of vital interest to China and Russia. The CSTO, the Collective Security Treaty Organization of Russia, Armenia, Belarus, Kyrgyzstan, Kazakhstan, Tajikistan and Uzbekistan has also consequently been revitalized by recent developments.

In what is an on the ground strategic conundrum for the United States, is that the military occupation of Iraq, Afghanistan, Lebanon and Palestine, the threats held out to Syria, has seen the emergence and consolidation of Iran as a major regional power, fortified by hydrocarbon resources and consolidation of scientific, technical and commercial achievements, despite the state of siege imposed by the United States and some of the European allies and economic sanctions. Iran has shifted away from the dollar, like Iraq under the late President Saddam Hussein and has accepted Yen and Euro for oil exports. Ironically if the national resistance of Iraq has not turned into a rout for the US, UK and the tattered coalition of the willing, this is entirely due to Iran reining in with its political and religious influence, one of the flanks of the national resistance in Iraq, to prevent a widening of the war into Iran and to deter a nuclear attack on the region, with far reaching consequences not only for the middle east, central Asia and South Asia, but for the world as a whole.

In Europe the stark realities of the economic situation are presently unfolding, whereas the realization has grown of energy dependence on Russia, with approximately 70% - 80 % of hydrocarbon resources all over the world presently controlled by State entities. In recent weeks Europe took an independent position on Georgia. President Sarkozy in his address to the UN has called for common economic space for Europe and Russia while President Medvedev at Evian advised the reconstruction of the European Security Structure and a new European Security Pact . The proposal of the European Union and Russia for a new concept of a Pan - European Defense will be discussed at the meeting of the OSCE to be held at the

end of 2009.

In Africa there are no enthusiastic takers for the military bases of AFRICOM, the military command of the US for the African theatre to seize the region's resources including hydrocarbons. China's economic and trade presence in Africa is a reality.

Kuwait though controlled by both its oligarchy and the financial oligarchy of the USA-UK those with investments in Kuwait has shifted away from the dollar. Whereas Saudi Arabia and UAE, close allies of the United States, face a serious dilemma with their investments in the USA being swallowed up by black holes in financial institutions and banks, the declining value of US real estate, a 30 % inflation in the region with the doubling of the price of rice, the staple food among other commodities, goods and services and with migrants the main blue collar work force of the region restive. With the recession spreading and the decline in oil prices, the Arab allies may have no choice but to desert the dollar and talks have already begun on currency alternatives.

In the changing fortunes of several regions affected by the financial tsunami much was expected of the emerging economies of China and India. A realistic assessment is now called for, to assess whether these economies have the political will and the economic policies in place to move ahead with the de-coupling, after almost two decades of 'free market' policies.

One of the most significant developments on the industrial front was the recent announcement of John Engler, President of the US National Association of Manufacturers, that China is set to overtake the US as the world's largest producer of manufactured goods and that China will account for 17 % of manufacture value. China has been dazzling the very oligarchies which till two decades ago scorned the Peoples Republic of China and its socialist policies, which made the economic take off of China possible, as the Communist Party of China unified China and liberated the country for the first time in a hundred years from foreign rule in 1949 and gave it a modern and egalitarian base.

When the most favoured nation status for trade was extended by the US government to China on behalf of US transnational companies for outsourcing of manufacture, in the continuing pursuit of US companies for economies of scale, to lower production costs, the government of China steadily dismantled the socialist system, dovetailing policies with the US and other Transnational Companies.

Despite awesome economic achievements and growth rates, the present financial crisis is negatively impacting China with fall out effect on Japan and South Korea. Thousands of factories in the export zones are affected by declining demand and downward pressure on wages, with the transfer of manufacture to lower wage areas such as Indonesia, Vietnam and Bangladesh among others.

The limitations of export oriented growth are now visible. Financially unwise investments have been made by China's Sovereign Wealth Funds and some banks and companies in sinking US companies and financial institutions. China has nearly two trillion in accumulated dollar holdings which may be in jeopardy with the inevitable decline in dollar value and its replacement as the world's reserve currency.

These developments may now see a review of the policy of low wage export led growth and to creating domestic demand with focus on priority for expenditure on health, education,



employment and social security. The economic alternative which Henry C. K. Liu, eminent financial analyst, a Chairman of a New York based Investment Group advises, is the necessity to increase wages and purchasing power in urban and rural China by harnessing sovereign economic policy towards China's development and de-linking it from the dollar. This may be the beginning of a more balanced, longer lasting economic development for China with equity and a concern for the environment.

With the possible weakening of China's economic and financial ties with the United States, China is emerging as one of the independent poles of decision making. Yet there are no possibilities in the unfolding configuration of any one or more superpowers emerging either independently or as is being advocated by some, as an adjunct to the United States.

Neither China nor India, though both countries are considered as emerging economies, are superpowers, despite their growth rates. India has a larger backlog of economic development despite a substantial pool of scientific, technical and managerial manpower. In the immediate future both economies are impacted by the present crisis, as a consequence of the contraction of the US market and the financial implosion of US Investment Banks and companies and the slowing down of Europe, as whereas manufacture was outsourced by the US and other companies to China.

Its software and knowledge based activities and the related infrastructure was outsourced to India. The worst impact in both countries is already being felt on falling employment and lay offs of the politically vocal sections, with a voice in urban and industrial regions, as against the hitherto silent unemployed and underemployed in rural China (15% to 20%) of the population and in India (40% to 50%). The acceptance by the political leadership of neoliberal policies in the 1990s in both countries, weakened awareness of the impending financial implosion in the US and European economies.

The advantage that China enjoys is that the Chinese Communist Party still has leadership which is nationalist, though both countries will face opposition from those sections tied to the interest of foreign capital and individuals from the Chinese and Indian diaspora based in and operating from the USA, UK and some other regions, resisting any change in course. The political weakness in India is the tendency to resort to attacks on minorities, tribals and dalits (socially deprived sections) to divert attention from the impacting economic crisis creating anarchic conditions in society with adverse effects on the economy. The report of the International Food Policy Research Institute ranks India 66 out of 88 countries on the Global Hunger Index, [2] and is a reversal of the positions of India and China in the nineteen sixties, when food consumption availability /consumption figures were comparatively better in India.

The financial Tsunami engulfing the advanced economies and impacting the world has reopened the public debate, on the nature of economic and political policies available to societies, to transcend the present denouement and to overcome the historic backlog of development a legacy of colonization and neo-liberalism, which is in fact imperialism.

It is time to reevaluate the achievements and failures of alternative systems including of the socialist societies of the former USSR, the democratic socialist patterns of Europe immediately after the Second World War, the earlier socialist policies of China, Central and East Europe; the policies adopted post Indian independence for a public sector at the commanding heights of the economy and the use of domestic capital and domestic resources to widen development and employment and the mandate of the Constitution of

India against monopolies and cartels; the Malaysian development model of Dr. Mahathir Mohammad; the Cuban pattern of health care, education and social security, the Bolivarian initiatives in Venezuela and the reestablishment of State sector companies by Russia to preserve and control vital national resources in the interest of the development of Russia as a whole as against the neoliberal experiment of reforms in Russia, when a minority of oligarchs stole public property and the entire society was pauperized. The reality of the historical isolation imposed on Russia, East Europe and China among other countries adopting a different economic and political system, with denial of access to technology and trade, which were among the reasons these societies were handicapped in some indices of overall growth, despite astounding achievements, will have to be taken note of in any serious study and objective assessment of policies.

The IMF, now seen as a part of the outdated and irrelevant Bretton Woods system has made a grim assessment on the present situation, pronouncing that the “financial system .... on the brink of a systematic meltdown despite the intervention of the US and Europe to stabilize markets ... the crisis of the financial system has deepened and is now affecting many more parts of the global financial system, including emerging markets, which until now have been shielded from the crisis...”

It is time that alternative voices are heard. Hitherto the policy space has been dominated by neoconservatives and neoliberals who have dominated the discourse and the corporate media. The eminent economist of the United States Professor J.K. Galbraith had as early as the mid - eighties perceptively concluded that there was a serious crisis affecting the core of the US economic system even while attempting to be even handed on the ongoing dilemmas facing what he termed as “State Socialism” in the former USSR, highlighting that:

“For a long time socialism worked very well in the Soviet Union and Eastern or as now preferred Central Europe. It ended an unequal, incompetent, archaic and often oppressive feudalism and in Russia built the greatest industrial infrastructure after the United States. For this latter task the planning and command system of socialism – for getting steel mills, machinery and machine tools, hydro-electric dams and plants, railway equipment and also weaponry, functioned very well... it was in agriculture which needs the motivation of the self -propelled and self-rewarded farmer and in consumer goods industries with their stupefying number of designs, changing tastes and supporting services that the planning system did not serve ... democracy and freedom are undoubted virtues. They are beyond a certain point a social and political necessity ... in both advanced socialism and advanced capitalism ...”

Another viewpoint, requiring careful consideration is that of Professor Minqui Li (Department of Political Science at York University, Toronto, Canada an expert on China where he has lived earlier). Writing in the Monthly Review (published from New York) in January 2004 Professor Li anticipated that “the neoliberal experiment would be under powerful downward pressures and exposed to the threat of increasingly frequent and violent crises.....” even “...as under neoliberal capitalism ...decades of social progress and development efforts have been reversed ... and even regulations which stabilized capitalism have been dismantled”.

Professor Minqi Li concedes that the “historical justification for capitalism was to develop the forces of production, which had succeeded in bringing about material prosperity for the top 15% - 20 % of the world’s population .... However it has decidedly failed to meet the

emotional and physical needs of the great majority of the citizens who live at the periphery and semi-periphery..... even in China where the economy has been the most dynamic in the world, capitalist reforms since the 1990s have substantially reduced the standards of the peasants and the urban working class.” Professor Li while drawing up a balance sheet emphasizes that “... It is well known that the state socialist countries had been more successful in meeting the people’s basic needs (nutrition, health care, education, housing and pensions) and improving women’s conditions than capitalist countries with similar levels of economic development.”

The last word in respect of the “The Grand Chess Board”, with 11 trillions worth of assets wiped out in the last four weeks alone on stock markets, corresponding to the gross national product of the United States or the European Union, is once again that of President Putin, who even before political movements and parties gave their analysis, reacted with characteristic irony and understatement:

“Trust in the United States as the leader of the free world and the free economy and confidence in Wall Street, has been damaged I believe forever. There will be no return to the previous position.”

This is now a new world, with different poles, “economic, political, military and cultural”, for which the national resistance movements have struggled long and hard. [3]

#### References:

1. Peter Schwartz – ‘ The G 7 and the Euro Group agree to pour billions into banks’- World Socialist Website , 14th October 2008.
2. Times of India report of 15th October 2008 on the report of the International Food Research Institute.
3. Speech of Syed Nasrallah, Secretary General of the Hezbollah at Beirut, 16th September 2008 at the Iftar of the Resistance.

The original source of this article is [FutureFastForward.org](http://FutureFastForward.org)  
Copyright © [Niloufer Bhagwat](mailto:Niloufer Bhagwat), [FutureFastForward.org](http://FutureFastForward.org), 2008

---

**[Comment on Global Research Articles on our Facebook page](#)**

**[Become a Member of Global Research](#)**

Articles by: [Niloufer Bhagwat](mailto:Niloufer Bhagwat)

**Disclaimer:** The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)



[www.globalresearch.ca](http://www.globalresearch.ca) contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)